Management Report 2019

CPI Property Group

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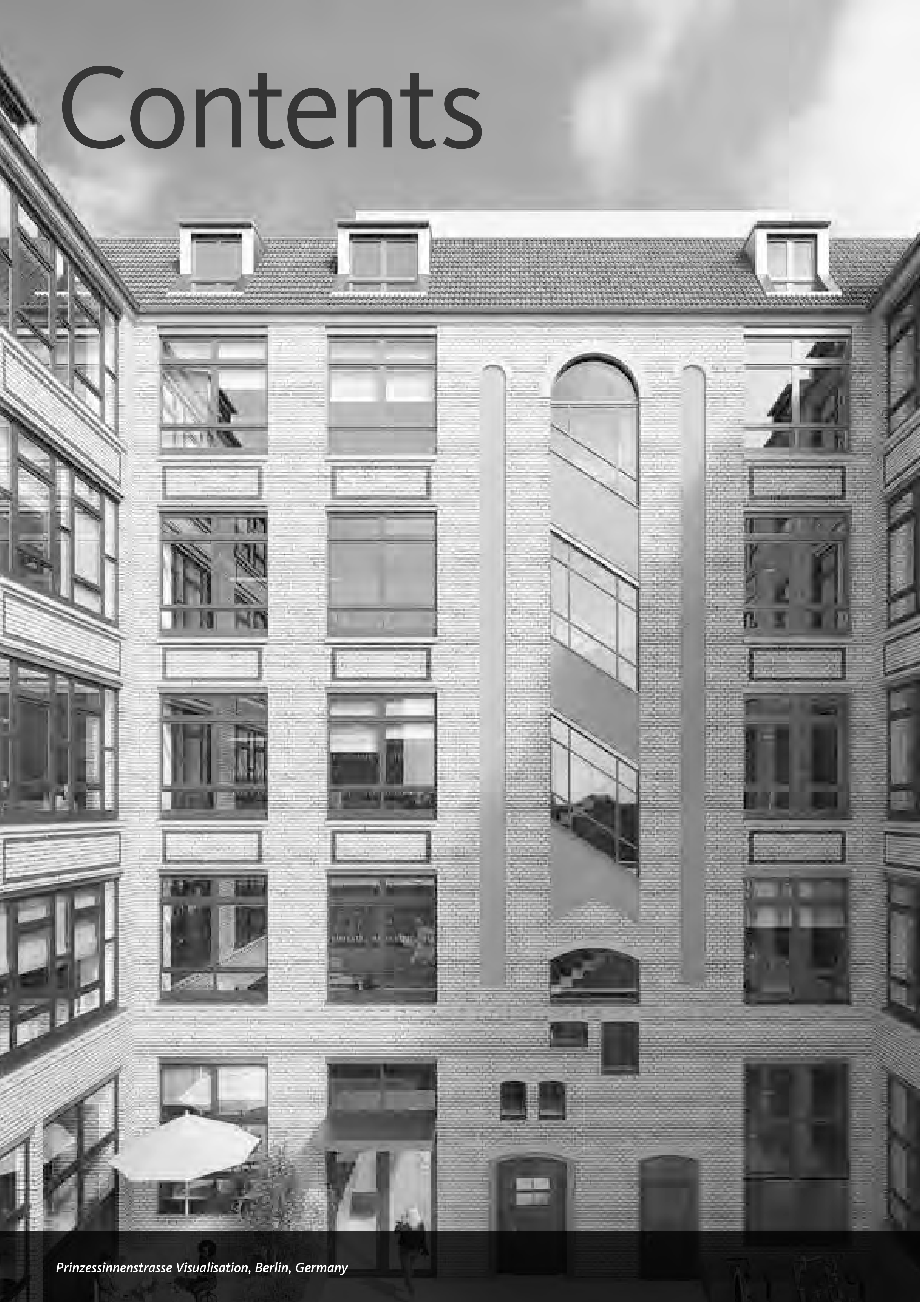
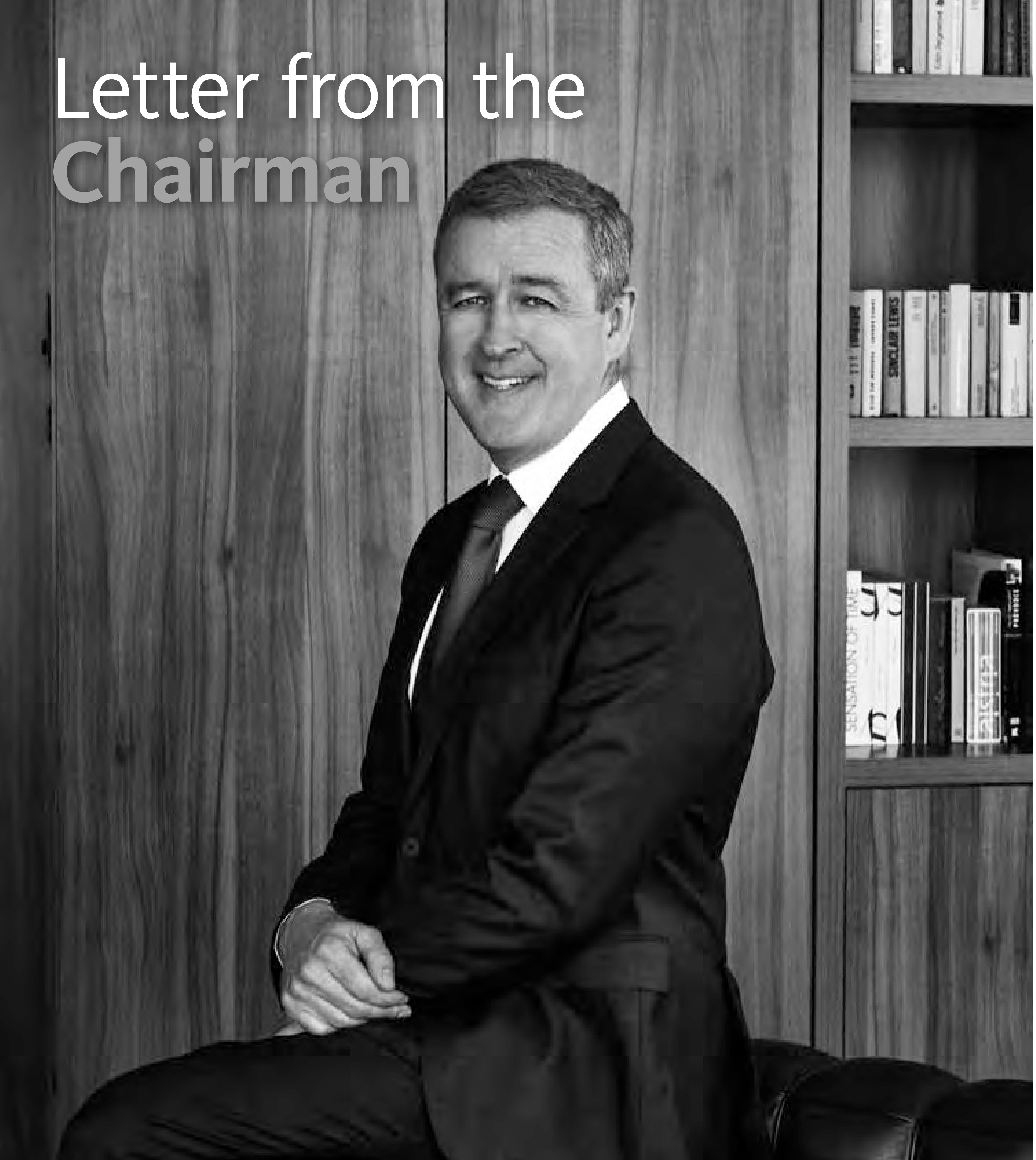


Prinzessinnenstrasse Visualisation, Berlin, Germany

Letter from the Chairman



A European leader with *high standards* and **a long-term strategy**

Dear stakeholders,

On behalf of the board of directors, I am pleased to present the 2019 management report of CPI Property Group (the "Company" or "CPIPG," and together with its subsidiaries the "Group"). Over the past five years, CPIPG has emerged as a leader in European real estate. During 2019, the Group continued adding to our diverse, well-managed portfolio of office, retail, hotel, residential and other assets which will deliver steady income and value well into the future. With support from the board of directors, CPIPG has also continued to pursue governance standards which match the size and scale of our portfolio.

Enhancing our Environmental and Social Governance (ESG) Practices

The board of directors enacted several important changes in 2019. We established a corporate and social responsibility (CSR) committee to drive the group's ESG efforts including green bond issuance, investments in green-certified buildings, energy efficiency projects, charitable giving and community engagement. The board also tendered for a new auditor, selected EY, and articulated plans to rotate auditors regularly going forward. We were delighted to welcome Omar Sattar as a new independent director; he brings extensive experience, wisdom and an independent view to the board and key committees. Dentons conducted a comprehensive review of all the Group's policies and procedures, which were published for the first time on our website. Lastly, CPIPG undertook a company-wide effort to track the environmental performance of the Group's portfolio and fully integrated ESG into our decision-making processes.

Believing in our Teams, Caring for Our Community

The strong track record of CPIPG's management team reflects deep local knowledge and a commitment to partnership with tenants. In 2019, the Group expanded our top-quality team in Warsaw to match the expansion of our office portfolio; our formidable platforms in Prague, Berlin and Budapest continued to deliver superb results. With the outbreak of COVID-19 in early 2020, the importance of our local knowledge and close tenant relationships is more important than ever.

As a large employer and owner of real estate, CPIPG plays an important daily role in the lives of many people. With the outbreak of COVID-19, the Group was able to take several quick actions to lend a hand to those in need. CPIPG offered the government of the Czech Republic the possibility of using the Group's hotels to increase the country's hospital capacity by more than 5,000 beds. The Group also partnered with Chance for Children to offer food supplies from our hotel restaurants to children's homes in and around Prague.

These activities reflect the positive spirit of our people. Working together, even in the face of challenges, we can ensure CPIPG enjoys another transformative year in 2020.

On behalf of the board of directors, thank you for your interest in CPI Property Group.

Sincerely,

Edward Hughes
Chairman of the Board

The CEO's **Message**

Zlatý Anděl, Prague, Czech Republic

The Group is *resilient,* diversified, flexible and **fully committed** to the regions where we operate.

Martin Němeček
CEO

Dear stakeholders,

2019 was a year of many achievements for CPI Property Group. We grew our property portfolio through smart acquisitions, tightened our financial policy and strengthened our liquidity. Our asset management teams delivered excellent service to our tenants and maintained high levels of occupancy while increasing rents across the portfolio, leading to higher valuations. The Group heightened our attention to ESG matters, issued green bonds and contributed to the well-being of our communities.

I am proud that these accomplishments prepared us for the unforeseen challenges posed by the outbreak of COVID-19 during the first quarter of 2020. The Group is resilient, diversified, flexible and fully committed to the regions where we operate.

At the end of 2019, CPIPG's property portfolio reached a record €9.1 billion. The increase was driven by a combination of acquisitions, primarily offices in Warsaw, and positive revaluations reflecting the strong performance of our core markets. Total revenues rose to €672 million, boosted by a 6% increase in gross rental income to €319 million. The Group's EPRA net asset value (NAV) now stands at €5.1 billion, reflecting the high quality of our portfolio and low leverage: net loan to value (LTV) was 36.2% at year-end. CPIPG has a low cost of debt averaging 1.65% and a strong net interest coverage ratio (ICR) of 7.2×. Occupancy across the whole portfolio was steady at 94.3%.

CPIPG remained active on the capital markets in 2019 and early 2020, raising about €2.5 billion of senior unsecured bonds, hybrid bonds and loans which were used for a combination of debt repayment and acquisitions. We issued green bonds denominated in both EUR and GBP, further demonstrating our commitment to sustainability and financial innovation. The Group's commitment to achieving "high BBB" ratings in the coming years is unchanged.

Total available liquidity of the Group was €1.3 billion at the end of 2019, comprised of cash and an undrawn €510 million revolving credit facility. As a result, CPIPG's finances are prepared for any opportunities or uncertainties which lie ahead.

Offices are the largest segment of CPIPG's portfolio, and Berlin is a star performer. Like-for-like rental growth was 4.4% across the whole portfolio, but in Berlin the growth in rents exceeded 10% as technology and creative companies continued to demand office space. In 2019 and early 2020, the Group expanded our office portfolio by investing more than €740 million in central Warsaw. CPIPG's Warsaw acquisitions benefit from high occupancy, a diverse tenant base and attractive rental income; CPIPG believes that Warsaw will continue to benefit from Brexit and the economic and demographic trends in Poland.

During the first quarter of 2020, CPIPG also became the largest shareholder in Globalworth, a leading owner of offices in Poland and Bucharest. Globalworth has a strong management team, a terrific roster of international tenants, a conservative capital structure and an attractive dividend. CPIPG is proud to be a supportive shareholder of Globalworth and is confident that our investment will lead to synergies and steady returns over time.

As CPIPG's portfolio grows, our local asset management teams continue to outperform. In the Czech Republic, we continued to demonstrate excellent leasing results during 2019: for example, we were proud to attract KIWI.com (one of the most successful Czech technology start-ups) as an anchor tenant to our ZET.office development at Nová Zbrojovka in Brno. In the retail segment, CPIPG continued to take over property management for our shopping centres, which will allow us to closely manage costs and drive operational efficiencies. Our unique initiative "CPI Akademie Retail," aimed at improving customer service in the Czech Republic, entered its second year and continues to receive positive reviews.

Local knowledge also guides CPIPG's plans to continually improve the quality of our portfolio. During 2019, the Group spent €240 million on capital expenditures and developments. Particularly in Berlin and Prague, low office vacancy has created an ideal environment for refurbishments and small-scale developments. For example, all of our ongoing developments in Berlin have been fully pre-let prior to completion, with rents in line with the market. In Prague, we opened the Mayhouse office building, highlighting CPIPG's ability to selectively develop land bank to capture local demand.

The outbreak of COVID-19 was another opportunity for our local asset management teams to demonstrate their expertise. We prepared early, reacted quickly, and complied seamlessly with all regulations. CPIPG has communicated intensively with our tenants to adjust opening hours, reduce overhead costs, and assist with accessing the extensive financial support offered by governments in our region. In the hotel segment, CPIPG's control of operations and proactive cost management provide an important advantage. I am confident that CPIPG will emerge from the outbreak with strong properties and even stronger tenant relationships.

During 2019, CPIPG also took important steps to enhance our corporate governance. Omar Sattar joined the board as an independent director; Omar will contribute his many years of experience in CEE real estate while enhancing the independence of the board and board committees. A CSR committee was established to direct the Group's efforts across the ESG spectrum, and a new process of auditor rotation was introduced resulting in the appointment of EY as the Group's auditor.

Our successes are sometimes met with challenges. The Czech Koruna has weakened in 2020, but our natural hedging and focus on Euro rents and valuations have insulated the Group from this volatility. In April, we faced an unexpected lawsuit in New York. The lead Plaintiff, Kingstown, has been pursuing CPIPG and our shareholder Mr. Vítek in Luxembourg since 2015, and used the New York lawsuit to generate headlines and attempt to compel a settlement. CPIPG is confident that the New York lawsuit is without merit and will not settle under any circumstances; we were pleased that the Luxembourg courts dismissed CPIPG from Kingstown's lawsuit in June. Throughout the year, we have kept our stakeholders updated on legal matters and our operations have been totally unaffected by the noise.

CPIPG has grown significantly over the past few years and is recognised as a leading owner of real estate in Europe. Our success, and our ability to face future challenges, would not be possible without our employees, tenants, banks and bondholders. Whatever 2020 holds, we look forward to working together and believe the future is bright.

Sincerely,

Martin Němeček

Mayhouse, Prague, Czech Republic

Key Figures

Total Assets
€10.7 bn
+29% versus end of 2018

Total Available Liquidity
€1.3 bn
at the end of 2019

Net LTV
36.2%
-0.5 p.p. versus end of 2018

Central Tower and skyline, Warsaw, Poland

Property Portfolio
€9.1 bn
+21% versus end of 2018

EPRA NAV
€5.1 bn
+14% versus end of 2018

Total Revenues
€672 m
+11% versus 2018

Unencumbered Assets
70%
+5 p.p. versus end of 2018

Net Interest Coverage Ratio
7.2×
+3.0x versus 2018

Like-for-like Rental Growth
4.4%
versus 4.9% in 2018

Occupancy
94.3%
-0.2 p.p. versus end of 2018

Consolidated Adjusted EBITDA
€292 m
+8% versus 2018

Funds from Operations (FFO)
€220 m
+34% versus 2018

Credit Ratings
Baa2
by Moody's

BBB
by Standard & Poor's

A-
by Japan Credit Rating Agency

CPIPG's performance in 2019 demonstrates that financial policy and ESG matters are fully integrated into our operations and decision-making process.

David Greenbaum, CFO

Green Corner A, Warsaw, Poland

Performance

		31 December 2019	31 December 2018	Change
Gross rental income	€ million	**319**	302	6%
Total revenues	€ million	**672**	604	11%
Net business income	€ million	**345**	320	8%
Consolidated adjusted EBITDA	€ million	**292**	270	8%
Funds from operations (FFO)	€ million	**220**	164	34%
Profit before tax	€ million	**765**	649	18%
Interest expense	€ million	**(54)**	(78)	(31%)
Net profit for the period	€ million	**685**	631	9%

Assets

		31 December 2019	31 December 2018	Change
Total assets	€ million	**10,673**	8,259	29%
Property portfolio	€ million	**9,111**	7,555	21%
Gross leasable area	m²	**3,465,000**	3,318,000	4%
Occupancy	%	**94.3%**	94.5%	(0.2 p.p.)
Like-for-like gross rental growth	%	**4.4%**	4.9%	(0.5 p.p.)
Total number of properties*	No	**332**	375	(11%)
Total number of residential units	No	**11,919**	11,917	0%
Total number of hotel beds**	No	**12,416**	11,300	10%

** Excluding residential properties in the Czech Republic*
*** Including hotels operated, but not owned by the Group*

Financing Structure

		31 December 2019	31 December 2018	Change
Total equity	€ million	**5,469**	4,362	25%
EPRA NAV	€ million	**5,100**	4,480	14%
Net debt	€ million	**3,300**	2,775	19%
Loan to value ratio (Net LTV)	%	**36.2%**	36.7%	(0.5 p.p.)
Secured consolidated leverage ratio	%	**9.6%**	12.9%	(3.3 p.p.)
Secured debt to total debt	%	**24.8%**	36.7%	(11.9 p.p.)
Unencumbered assets to total assets	%	**69.7%**	65.1%	4.6 p.p.
Net ICR		**7.2×**	4.2×	3.0×

Group **Overview**

CPIPG is the largest owner of income-generating real estate in the Czech Republic, Berlin and the CEE region.

We prioritise investing in income-generating properties and generating sustainable value and income from our properties over the long term.

- Long-term investor
- **€9.1 bn** property portfolio
- **73%** Czech Republic and Berlin
- Focus on income-generating properties
- Active asset manager
- Local expertise and platforms
- Conservative approach to development
- Strong acquisition track record
- Investment grade credit ratings
- Strong focus on ESG
- Stable and supportive majority shareholder

CPIPG's leadership in European real estate is attributable to the Group's **scale, track record** and **local expertise** in the regions where we operate. As an active asset manager, CPIPG is able to meet the needs of our tenants while **capturing opportunities** and **responding to changes in the market.**

The Group's business is **diversified** across high quality geographies and assets. More than 70% of CPIPG's property portfolio is located in the Czech Republic and Berlin followed by Poland, Hungary, and other investments across the CEE region and Western Europe. With **332 commercial properties** and more than **4,000** international and local tenants, no individual asset or tenant represents more than 3% of CPIPG's portfolio.

Offices primarily located in Berlin, Prague, Warsaw and **Budapest** form the largest segment (46%) of CPIPG's portfolio. The Group's exposure to office has continued to grow through acquisitions and selective refurbishments of existing properties. Retail is CPIPG's second-largest segment, and primarily consists of **dominant shopping centres in regional cities of the Czech Republic** which benefit from low density and limited competition from high street retail. The Group is also invested in Czech Republic residential and CEE hotel assets, which each constitute less than 10% of the overall portfolio by value.

The Group is proud to be an active issuer in the international capital markets and is committed to maintaining **strong investment grade credit ratings.** CPIPG's founder, **Radovan Vítek, fully supports the long-term strategy of the Group:** local asset management, a strong capital structure and full integration of ESG activities into our day-to-day business.

Group
Management

Tomáš Salajka
Director of Acquisitions,
Asset Management & Sales

Zdeněk Havelka
Executive Director

Pavel Měchura
Group Finance Director

Jan Kratina
Director of CPI Hotels

David Greenbaum
CFO

Martin Němeček
CEO

Historical **Milestones**

2019
Office leader in Warsaw

CPIPG announced plans to invest more than €800m in our Warsaw office platform; over €560 million completed in Q4

2018–2019
Capital structure transformation

Hybrid bonds, senior unsecured bonds in EUR, CHF, JPY, HKD and USD, inaugural green bond

2018
Positive rating developments

New BBB rating by S&P, upgrade to Baa2 by Moody's, new A- rating from JCR

2017
Acquisition of retail portfolio from CBRE Global Investors

2017
Investment grade rating and bond issues

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

2016
Local bond leader

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

2014
Quadrio project completed

Most significant development completed by CPIPG and our flagship property in Prague

2014
Integration of CPI a.s. & GSG and establishment of CPIPG

This step created an extraordinarily strong Luxembourg-based European property group with a diversified portfolio in the Czech Republic, Berlin and the CEE region

2013
Expansion abroad

Acquisition of ABLON Group, which owned a significant property portfolio in the CEE region

2003
Residential portfolio expansion

Purchase of residential assets which today comprise CPI BYTY's portfolio

2002
Issuance of bonds in the Czech Republic

CPI a.s. moves to the forefront of the most significant Czech real estate investors

1999
Start of residential portfolio acquisitions

1991
Foundation of Czech Property Investments a.s. (CPI a.s.)

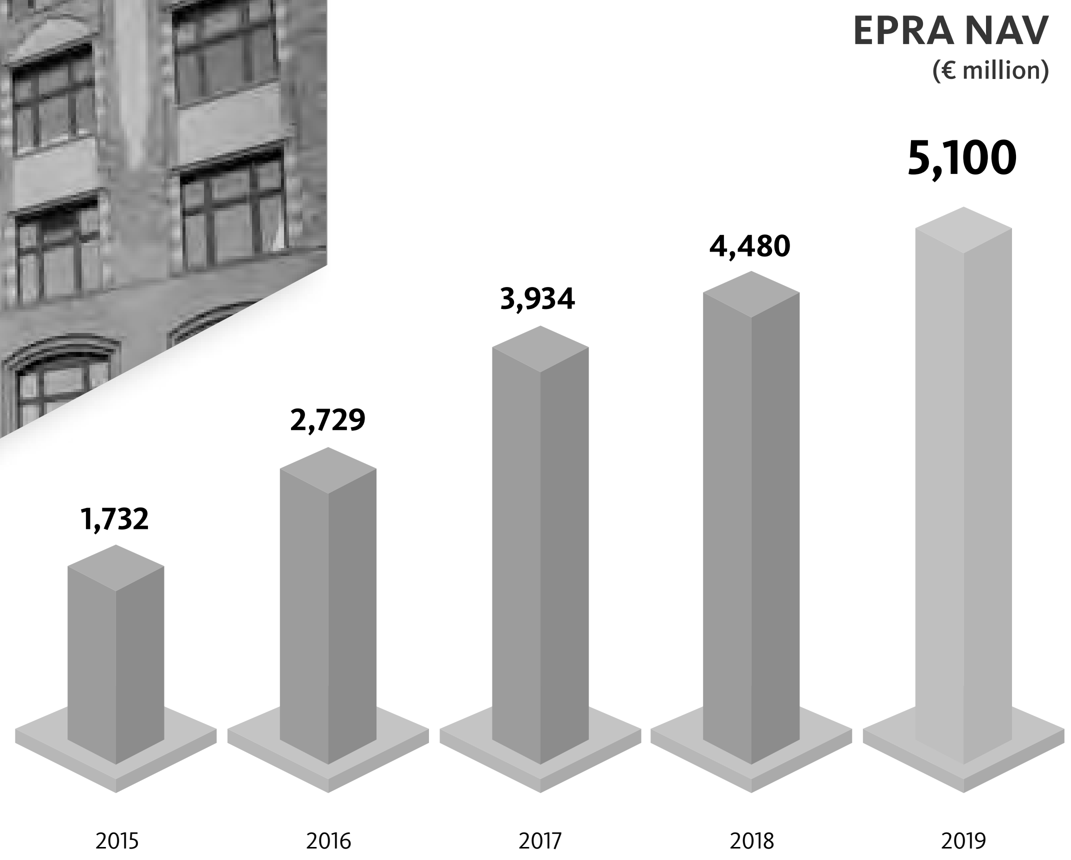
GSG BERLIN

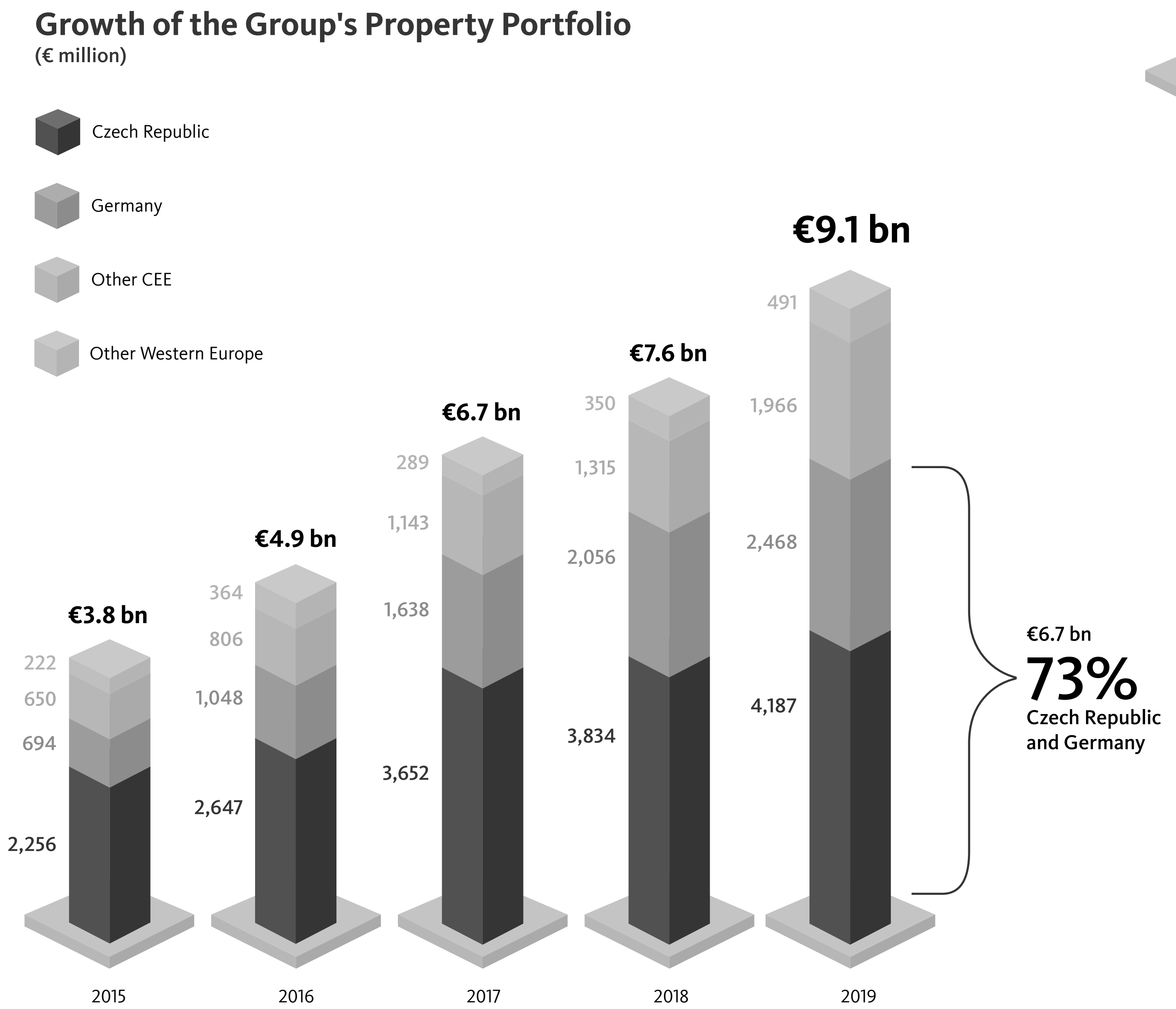
Foundation of GSG by the city of Berlin

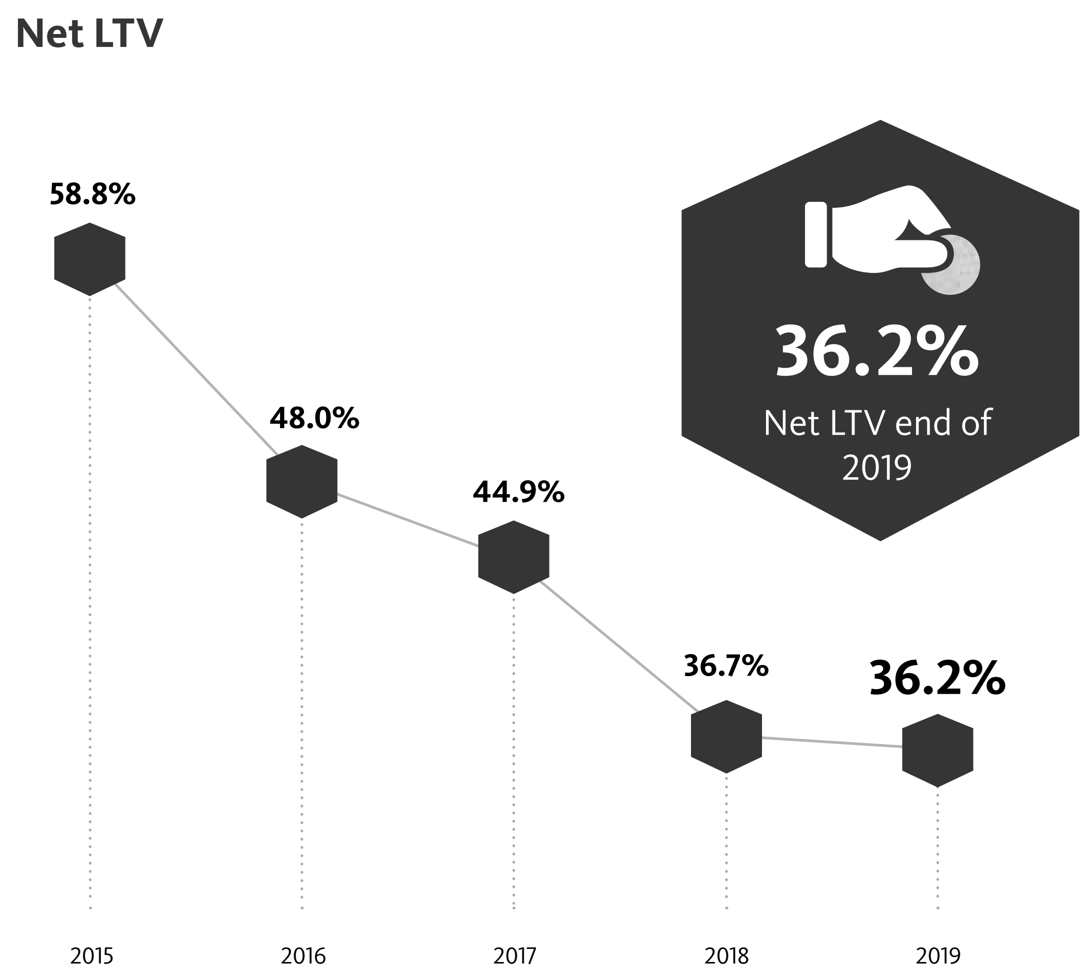
1965

Successful growth underpinned by **conservative** **financial policies.**

Alexandrinenstraße 2-3, Berlin, Germany







In 2019, CPIPG reinforced our dominant position in the Czech Republic, Berlin and the CEE region.

The Group's property portfolio increased due to acquisitions and higher property valuations. We continue to benefit from strong tenant demand for our properties, underpinned by strong asset management and supportive market conditions. CPIPG's acquisitions in 2019 were primarily linked to our expansion in the Warsaw office market, where the Group committed to invest more than €800 million.

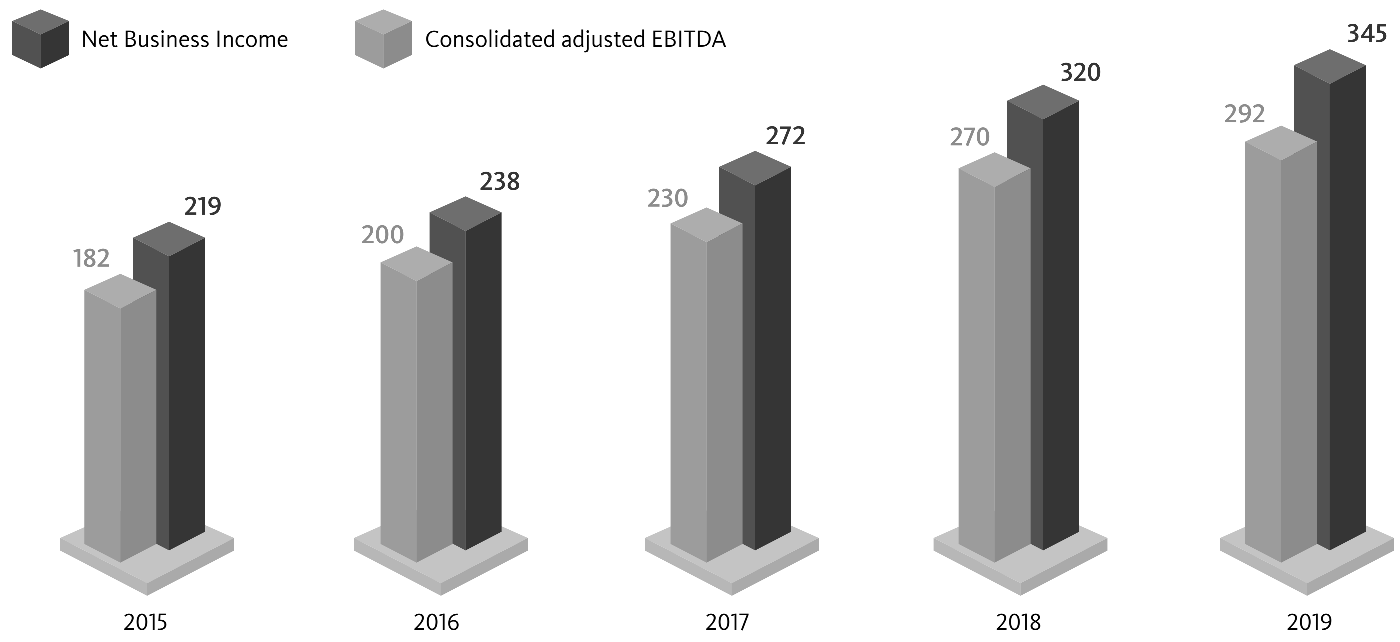
Net LTV declined as the group issued hybrid bonds, repaid debt and retained FFO. EPRA NAV rose by 14%, reflecting the combined effects of our activities during year, together with strong improvement in the valuation of our properties.

CPIPG is an active owner and asset manager, operating in markets with positive fundamentals. Our focus is to continually improve the performance and quality of our properties through strong local asset management teams.

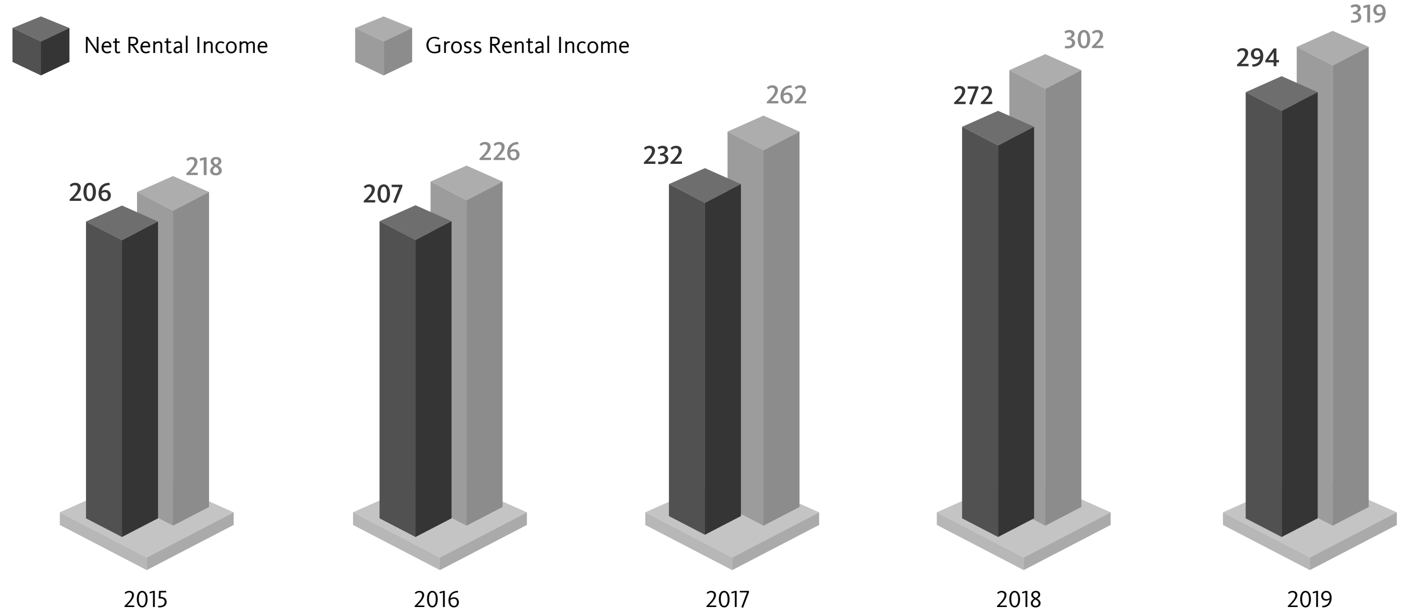
All income-based measures grew in 2019, supported by like-for-like growth across all segments and (to a lesser extent) the impact of new developments. Occupancy declined slightly primarily due to temporary factors in the Czech and Berlin office segments, where we opened some small developments and closed some properties for refurbishment. We continue to see robust conditions in our core markets.

ČEZ – BB Centrum, Prague, Czech Republic

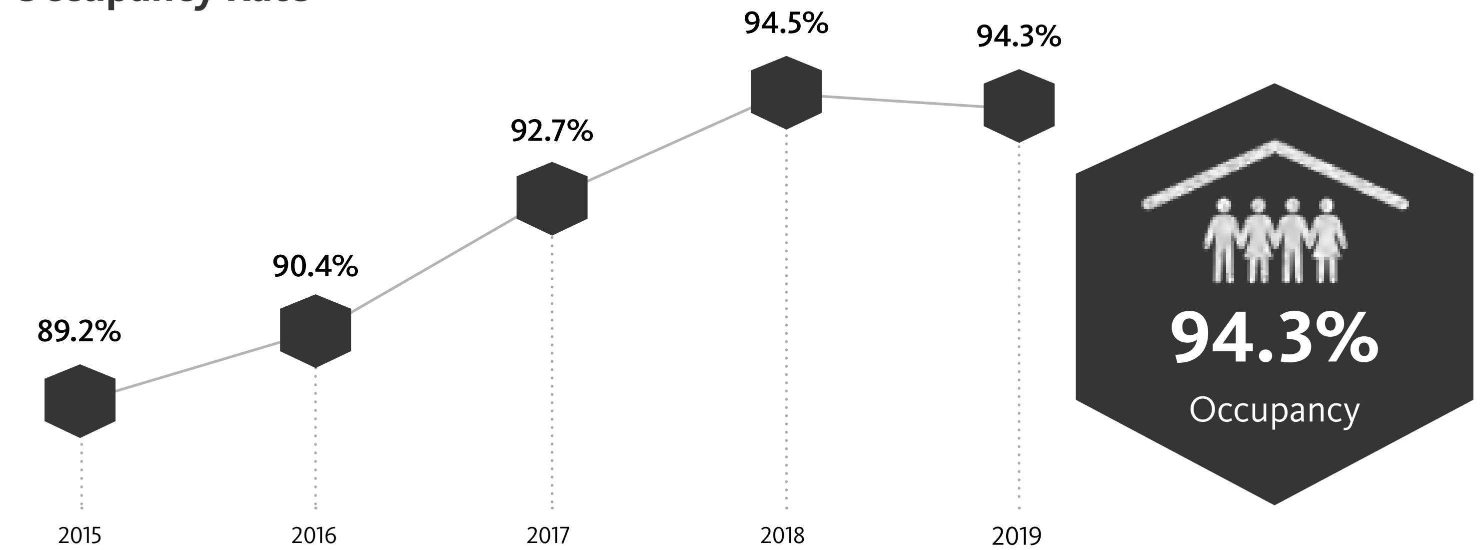
Net Business Income and EBITDA (€ million)



Gross and Net Rental Income (€ million)



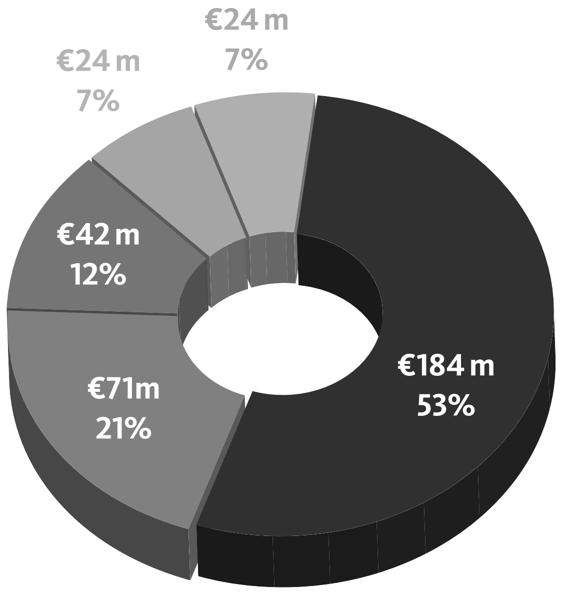
Occupancy Rate



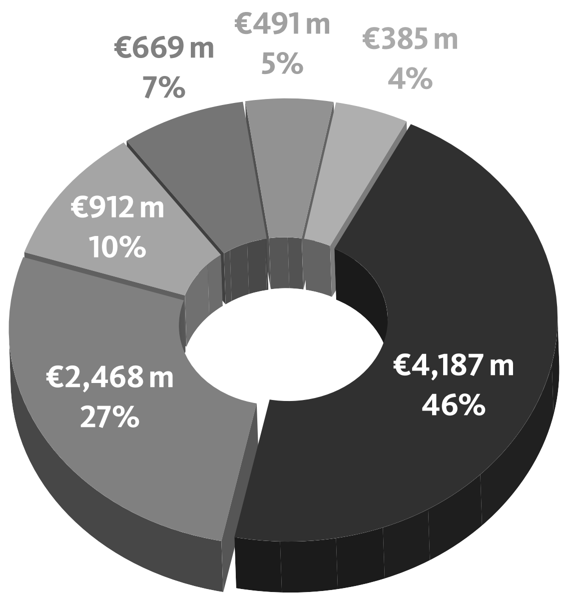
Property Portfolio by Geography

- Czech Republic
- Germany
- Poland
- Hungary
- Other W. Europe
- Other CEE

Net Business Income €345 million



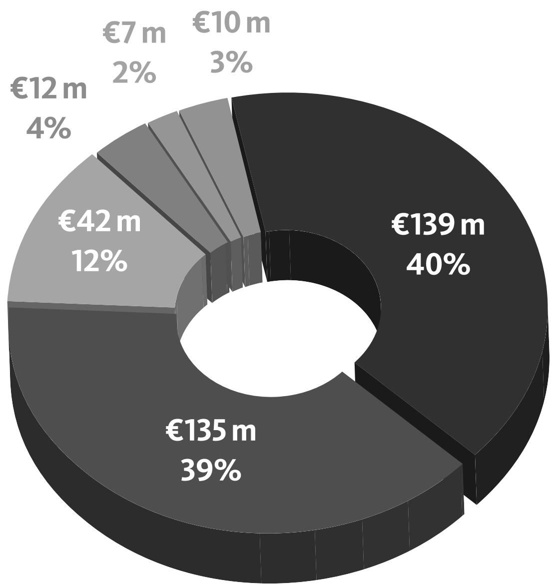
Property Portfolio €9,111 million



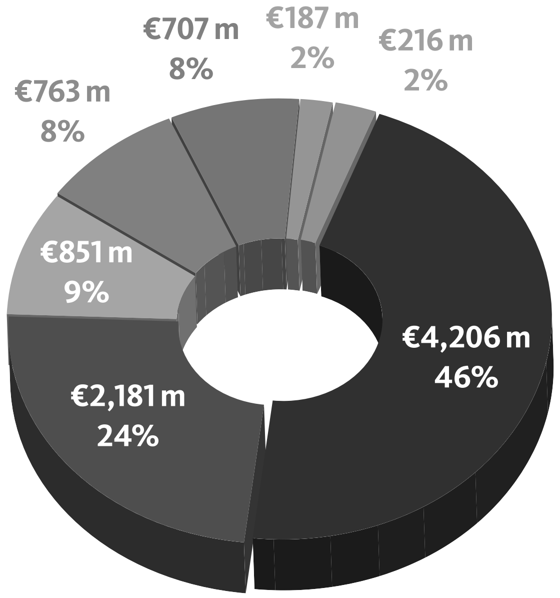
Property Portfolio by Segment

- Office
- Retail
- Hotels & Resorts
- Residential
- Land Bank
- Development
- Other

Net Business Income €345 million



Property Portfolio €9,111 million



Data disclosed in this report might include differences due to rounding.

Our Group Operates in Four Key Clusters

CPIPG's four operating clusters are the **Czech Republic, Berlin, Hotels & Resorts,** and our **Complementary Assets Portfolio.** The Czech Republic cluster encompasses our retail, office, land bank, residential and other properties. The Berlin cluster is comprised of GSG, our office platform in Berlin. Hotels & Resorts includes our congress and convention hotels, city hotels, mountain resorts and other hotels in the CEE region, Switzerland and Italy. Our Complementary Assets Portfolio includes mostly office and retail assets primarily in Poland and Hungary.

Specialised teams locally and in our headquarters work together to optimise the performance of each asset. In each cluster, we believe strongly in owning platforms which are able to meet the long-term needs of a diverse range of tenants.

Property Portfolio Detail

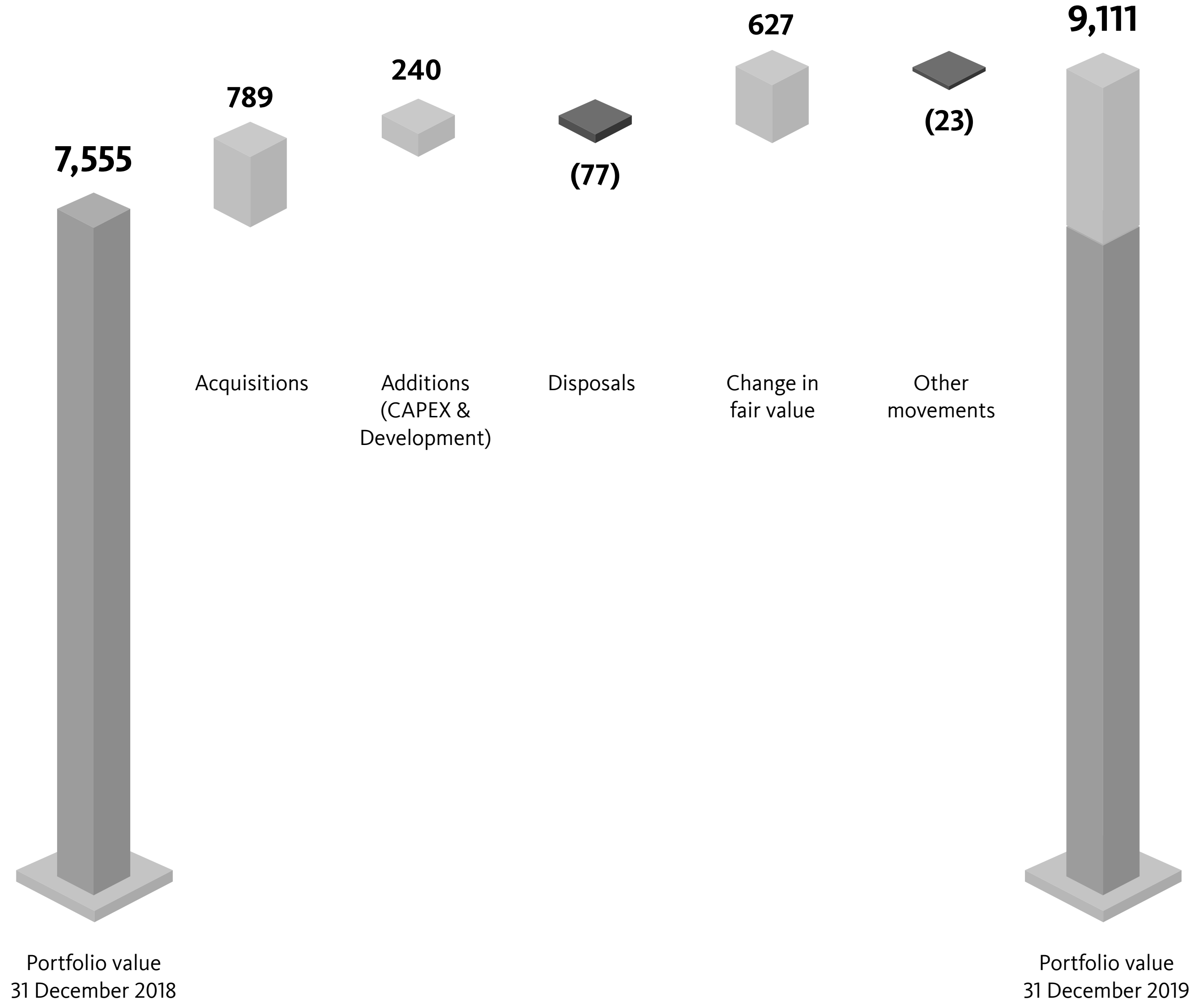
Country	Sector	€ million	Share of total
Czech Republic		**4,187**	**45.9%**
	Retail	1,633	17.9%
	Office	814	8.9%
	Residential	473	5.2%
	Hotels & Resorts	431	4.7%
	Land Bank	569	6.2%
	Development	93	1.0%
	Other	173	1.9%
Germany		**2,468**	**27.1%**
	Office	2,304	25.3%
	Land Bank	101	1.1%
	Development	59	0.6%
	Other	4	<0.1%
Poland		**912**	**10.0%**
	Office	713	7.8%
	Retail	166	1.8%
	Hotels & Resorts	30	0.3%
	Land Bank	4	<0.1%
Hungary		**669**	**7.3%**
	Office	312	3.4%
	Retail	233	2.6%
	Hotels & Resorts	61	0.7%
	Land Bank	23	0.3%
	Other	39	0.4%
Croatia	Hotels & Resorts	**193**	**2.1%**
United Kingdom		**175**	**1.9%**
	Residential	122	1.3%
	Office	53	0.6%
France		**158**	**1.7%**
	Residential	152	1.7%
	Development	5	0.1%
	Land Bank	<1	<0.1%
Slovakia		**125**	**1.4%**
	Retail	119	1.3%
	Office	6	0.1%
Italy		**82**	**0.9%**
	Hotels & Resorts	36	0.4%
	Residential	16	0.2%
	Development	30	0.3%
Switzerland	Hotels & Resorts	**76**	**0.8%**
Romania		**43**	**0.5%**
	Retail	30	0.3%
	Office	3	<0.1%
	Land Bank	9	0.1%
	Other	1	<0.1%
Russia	Hotels & Resorts	**24**	**0.3%**
Total		**9,111**	**100%**

Detail of Equator II, Warsaw, Poland

Changes to the Total Property Portfolio Value in 2019

- Acquisitions of **€789 million,** mainly attributed to three office properties in Warsaw, Poland in the fourth quarter (over €560 million). We also acquired two hotels in the Czech Republic and two smaller properties in London;
- Capital expenditure and development of **€240 million;**
- Disposals of **€77 million,** principally the sale of inventories in France and in the Czech Republic and sale of non-strategic retail assets in the Czech Republic;
- Change in fair value of **€627 million,** relating primarily to our Berlin office portfolio, though increases were recorded across the entire portfolio;
- Other movements include depreciation and other transfers.

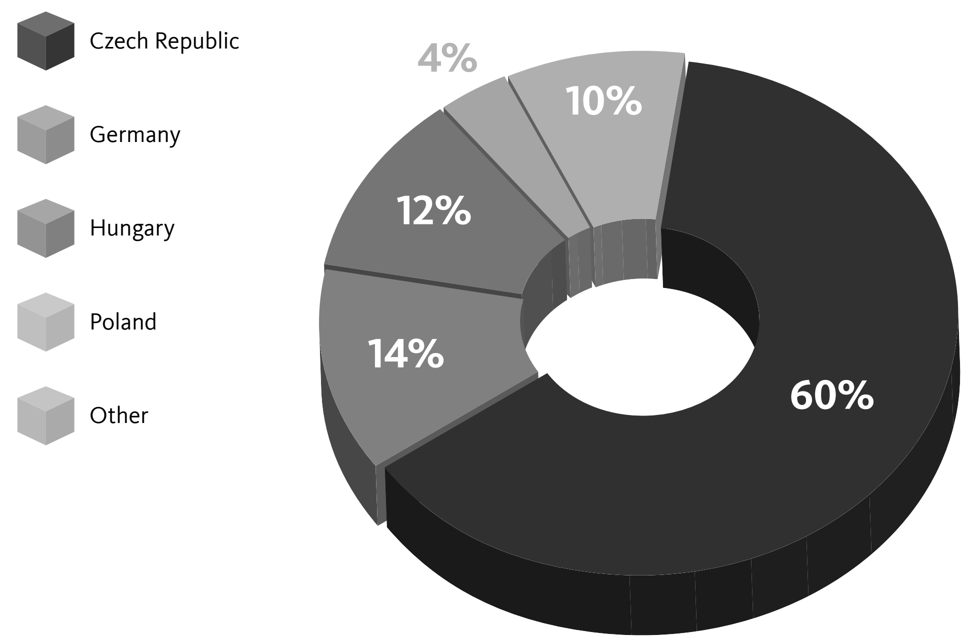
Property Portfolio Growth in 2019 (€ million)



Additions by Type (€ million)

	Existing Leasable Area	Additional Leasable Area	Total
Maintenance-related CAPEX	65	0	**65**
Refurbishment & Redevelopment	89	0	**89**
New Development	0	87	**87**
Total	**153**	**87**	**240**

Additions by Country



Generali / Česká Pojišťovna, Prague, Czech Republic

Our Tenants

The strength of the Group's property portfolio is reflected in the international nature and diversity of our tenant base. Our offices in the Czech Republic host the regional headquarters of ČEZ, Generali, Siemens and others. CPIPG's largest tenant (Ahold Delhaize) accounts for 2.4% of gross rental income, while **our top 10 tenants represent 12.5% of gross rental income.** In Berlin, our unique office platform continues to meet the needs of a wide variety of tenants, including the vibrant technology and creative sectors.

The Group's lease maturity profile is well balanced, with no more than 19% of leases up for renewal in any of upcoming five years, and a WAULT of 3.4 years. While the Group typically prefers lease terms of five to ten years in office and five years in retail, maintaining a slightly shorter WAULT in areas like Berlin has allowed us to capture the benefits of rising market rents.

CPIPG's asset management teams work actively with our tenants to renew contracts or arrange new tenants well before the lease maturity. The quality of our tenant base is also reflected in a rental **delinquency rate of significantly less than 1%.**

Top 10 Tenants by Rental Income

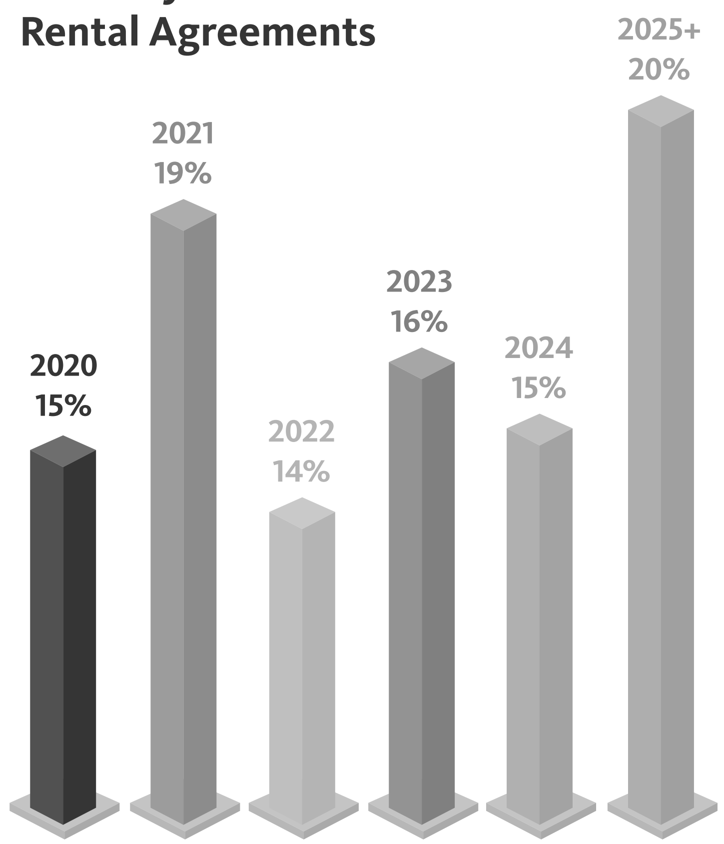
Tenant	€ million	Rent as % of GRI*	WAULT** (years)
Ahold	8.7	2.4%	5.5
TESCO	6.5	1.8%	6.8
ČESKÁ POJIŠŤOVNA	6.1	1.7%	3.9
SIEMENS	4.8	1.3%	7.5
CEZ GROUP	4.7	1.3%	7.3
PENNY	3.6	1.0%	4.4
BILLA	3.3	0.9%	2.7
Takko Fashion	2.9	0.8%	2.8
PSE	2.7	0.7%	6.2
dm	2.6	0.7%	3.5
Total	46.0	12.5%	5.3

* *Based on annualised headline rent.*
** *WAULT reflecting the first break option.*

WAULT by Country and Segment

Country	Segment	WAULT (years)
Czech Republic	Retail	3.5
	Office	4.4
Total Czech Republic		**3.4**
Germany	Office	3.2
Total Germany		**3.2**
Hungary	Retail	2.5
	Office	3.4
Total Hungary		**3.3**
Poland	Retail	3.2
	Office	3.5
Total Poland		**3.4**
Slovakia	Retail	6.2
	Office	2.8
Total Slovakia		**6.0**
Total Group		**3.4**

Maturity Profile of Fixed Rental Agreements



Excluding residential properties and reflecting the first break option.

Our Team

In 2019 we began to execute our acquisition pipeline in Warsaw, creating one of the largest and best office portfolios in the city. We could not have achieved this without the dedication and expertise of our team on the ground.

Barbara Topolska, Country Manager, Poland

Eurocentrum, Warsaw, Poland

Team Spotlight
CPI Poland

In October 2019, CPIPG announced a plan to acquire more than **€800 million** of office properties in Warsaw during the fourth quarter of 2019 and the first quarter of 2020. The Group sees Warsaw as a key capital city of central Europe which will benefit over the long term from demographic trends, increasing office employment and the effect of Brexit.

The acquisition pipeline was **executed with speed and precision,** and focused on properties with **high occupancy, excellent central Warsaw locations and strong green credentials.** Over €740 million was completed by the end of the first quarter of 2020, of which over €560 million was completed in the fourth quarter.

Barbara Topolska, country manager for CPIPG in Poland, joined the Group in October 2018. Under Barbara's leadership, the CPIPG Poland team has grown from 19 in early 2018 to **more than 60** in March 2020. This incredible group of asset managers, lawyers and finance professionals delivered on the acquisition pipeline and earned trust and respect in the market.

CPIPG's team in Poland is **focused on the well-being of our tenants,** and is implementing investments which benefit the community including environmentally friendly solutions. For example, CPIPG intends to create an integrated system of shared services and amenities in our properties along the Aleje Jerozolimskie corridor. We believe this will improve the perception of our assets, our ability to attract and relocate tenants and the profitability of our retail and service outlets.

In 2019, CPI Poland began building a **dedicated property management team** to prepare for a gradual process of taking over management of our properties. This will allow CPI Poland to provide a more comprehensive and differentiated service to our tenants, achieve increases in operational efficiency and deliver cost savings.

Primary **Locations**

Portfolio Highlights

Equator I, Warsaw, Poland

Acquisitions of offices in Warsaw

In early October 2019, the Group announced a plan to acquire more than €800 million of high-quality offices in Warsaw, Poland during the fourth quarter of 2019 and the first quarter of 2020. In the final quarter of the year, the Group acquired three properties in Warsaw for more than €560 million (over 70% of the pipeline), with a total gross lettable area (GLA) exceeding 156,000 m². As a result, the level of green certification in CPIPG's property portfolio also increased to 14% of GLA by the end of 2019, from 8% in 2018.

The properties acquired were:

- **Equator IV, acquired on 7th November 2019**
  Located at Jerozolimskie Aleje (Jerusalem Avenue), one of the most sought-after business districts close to the city center, Equator IV offers more than 20,800 m² of GLA. The property benefits from about 90% occupancy with further upside potential.
- **Eurocentrum Office Complex, acquired on 27th November 2019**
  Eurocentrum boasts over 85,100 m² of GLA and is also located on Aleje Jerozolimskie. Occupancy is nearly 100% with high-quality tenants. With a LEED Platinum certification, Eurocentrum is the largest green certified office complex in Warsaw.
- **Warsaw Financial Center, acquired on 5th December 2019**
  Located in the heart of Warsaw's CBD, Warsaw Financial Center is one of the most prestigious high-rise buildings in the city, providing 50,000 m² of grade-A office space across 32 floors. Occupancy is nearly 100% with high-quality tenants and a LEED Gold certification.

In the first quarter of 2020, CPIPG acquired four more offices, bringing the total value of properties acquired to over €740 million, representing over 220,000 m² GLA.

Completion of Mayhouse office in Prague

In May 2019, the Group finished the development of Mayhouse office building, in Prague 4. The property extends the Company's Prague office portfolio by almost 8,000 m² and offers tenants attractive spaces in the city centre.

Completion of developments in Hungary

In April 2019, the Group completed the new 13,000 m² E-F hall of at Airport City Logistics Park in Hungary, creating total warehouse and office space of 55,000 m². The asset reached a committed occupancy above 95% by the end of the year.

In November 2019, the Group completed Balance Hall in Budapest, Hungary. The property is a 16,000 m² ultra-modern and sustainable office property on the desirable Váci Corridor.

Acquisition of Hotels in the Czech Republic

In February 2019, the Group acquired Hotel Park Inn in Ostrava, Czech Republic. This four-star hotel offers 185 modern rooms and six congress halls with capacity for up to 400 people. The hotel was rebranded under the Quality brand and is operated by CPI Hotels.

In June 2019, the Group acquired a four star Holiday Inn hotel in Brno. The hotel offers 200 double rooms and a congress hall with capacity for up to 600 people in a strategic location close to the trade fair and exhibition compound in Brno.

Two acquisitions in London

In June 2019, the Group acquired 7 St James's Square in London, offering up to 33,000 square feet of GLA for offices. In September 2019, the Group acquired seven fully let homes at West Village, a development of contemporary homes in Notting Hill, London.

The acquisitions in London represented exceptional value and were completed at substantial discounts to market prices.

Acquisition of land in Prague

In December 2019, the Group acquired more than 10,000 m² of land in the Holešovice district of Prague at the Nádraží Holešovice metro station nearby CPIPG's existing land bank in Bubny. The land plot will be leased back to the seller and will continue to operate as a bus terminal.

Corporate **News**

Annual general meeting of shareholders
The annual general meeting of the shareholders of CPIPG was held on 29 May 2019 in Luxembourg (the "AGM"), with approximately 88% of the voting rights present or represented. The AGM approved the statutory and consolidated annual accounts, as well as the allocation of financial results for the financial year ending 31 December 2018. The AGM also granted a discharge to the members of the Company's Board of Directors and the auditor for the performance of their duties during the financial year ending 31 December 2018.

Board composition strengthened by a new independent director
The AGM further resolved to re-appoint the following persons as members of the Company's Board of Directors until the annual general meeting of 2020: Edward Hughes, Philippe Magistretti, Martin Němeček, Tomáš Salajka, Oliver Schlink, Radovan Vítek, and Marie Vítek. Martin Němeček was appointed as the Managing Director (administrateur délégué) of the Company.

A new independent Board member, Omar Sattar, was also appointed by the AGM. Mr. Sattar is a seasoned property professional and a RICS qualified Chartered Surveyor with over 25 years of experience. Omar is from the UK, but has spent most of his career working in the CEE region in roles such as the Managing Director of Colliers International and DTZ Zadelhoff in the Czech Republic. Mr. Sattar joined the Company's Audit Committee and Remuneration and Related Party Transaction Committee, further strengthening the role of independent directors within the Company.

Change of Group auditor
Following the completion of a tender process, the Company's Audit Committee recommended an appointment of Ernst & Young ("EY") as CPIPG's new auditor for the financial year commencing on 1 January 2019. The General Meeting of Shareholders in October resolved unanimously to appoint Ernst & Young S.A., Luxembourg, as the approved auditor (réviseur d'entreprises agréé) of the Company with immediate effect and until the annual general meeting of the shareholders of the Company to be held in 2020. The Group appreciates the long service of KPMG, which had served as auditor since 2013.

Decrease of Share Capital
The extraordinary general meeting of shareholders held on 18 December 2020 (the "EGM") resolved to decrease the corporate capital of the Company by €36,215,232.70 by means of cancellation of 362,152,327 shares held in treasury by the Company. The purpose of this capital decrease was to cancel treasury shares held by the Company. The EGM also approved modifications to the Company's articles of association reflecting the capital.

Approval of share buy-back programme and repurchase of shares
The AGM approved the terms and conditions of a share buy-back programme enabling CPIPG to repurchase up to 1,000,000,000 shares of CPIPG for a purchase price comprised in the range between one eurocent (€0.01) and five Euros (€5) for a period of five years from the date of the AGM. On 1 July 2019, CPIPG acquired a total of 362,152,327 shares for the proposed acquisition price of €0.30 per share (representing a total repurchase cost of about €108.6 million). Shareholders participating in the repurchase were unrelated to the Company's primary shareholder, Mr. Radovan Vítek.

Kingstown dispute in the United States
On 10 April 2019, a group of Kingstown companies, Investhold LTD and Verali Limited (together, the "Kingstown Plaintiffs") filed a claim in the United States District Court of the Southern District of New York against, among others, CPIPG and Mr. Radovan Vítek. The claims brought by the Kingstown Plaintiffs against CPIPG include alleged violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO").

CPIPG believes that the claims are without merit and were designed to create negative press attention for CPIPG and force an undue settlement. Moreover, the basis of claims brought against CPIPG in the United States are similar to civil claims unsuccessfully pursued by Kingstown companies against CPIPG in Luxembourg since 2015.

CPIPG is vigorously contesting the claims and has retained an international law firm, Hogan Lovells, with an experienced team of litigators and significant experience in RICO cases.

On 10 September 2019, CPIPG filed a motion to dismiss the case in the SDNY Court. On 22 November 2019, the Kingstown Plaintiffs filed an amended complaint in the SDNY Court. The amended complaint added new defendants to the case without adding substance to the allegations or addressing the serious jurisdictional deficiencies and pleading defects present in the original complaint.

The CPIPG Defendants filed a motion to dismiss the amended complaint on 14 February 2020. The arguments presented in the motion resemble those presented by the CPIPG defendants in September 2019 and are further refined given the new allegations.

CPIPG becomes a member of the Czech Green Building Council
In March 2019, CPIPG expanded its commitment to corporate social responsibility by becoming a member of the Czech Green Building Council. The membership will strengthen the Group's efforts in improving the quality of life experienced in its buildings and beyond.

In December 2019, Petra Hajná was elected to the board of the Czech Green Building Council. Petra is a project manager in CPIPG's property and facility management division in Prague, responsible for plans and actions to improve the sustainability of CPIPG's existing assets, refurbishments and developments.

Financing activities

Senior unsecured bonds
During 2019, CPIPG issued senior unsecured bonds totalling €1,234 million equivalent under CPIPG's EMTN programme, across multiple currencies. All notes are rated Baa2 by Moody's and BBB by Standard & Poor's; issues denominated in foreign currency were fully converted into Euros through cross-currency swaps. The issuances were as follows:

- In February 2019, we issued 450 million in Hong Kong Dollars ("HKD") with a 5 year maturity. A further 283 million HKD was issued in June with a 7 year maturity;
- In March 2019, we issued 350 million in US Dollars ("USD") with a 4 year maturity. A further 100 million USD was issued in July;
- In October 2019, we issued our inaugural green bond of 750 million Euros with a 7.5 year maturity. Green bonds are used to fund projects which have a positive impact on the environment;
- In March 2019, we also completed Schuldschein loans for €170 million, issued across three traches with 4, 6 and 8 year maturities. Terms and conditions of the Schuldschein are fully aligned with CPIPG's EMTN programme.

Subordinated ("hybrid") financings
In April 2019, CPIPG issued €550 million of undated 4.875% fixed rate resettable subordinated notes under CPIPG's EMTN programme. The notes have no fixed maturity date and are callable by CPIPG from 16 October 2025.

New revolving credit facility and expanded EMTN programme
In March 2019, CPIPG signed a €510 million three-year unsecured revolving credit facility, which replaced the Company's €150 and €80 million facilities signed in 2018. All nine lenders in the 2018 facilities increased and extended their commitments, while Goldman Sachs and Bank of China also joined the lending group.

In April 2019, CPIPG increased the size of its EMTN programme to €5 billion, from €3 billion previously. The approval for the base prospectus was received in June.

Financial policy update
CPIPG tightened its financial policy guidance in June 2019. CPIPG now targets a net LTV of 40% or below in the normal course of business. In the case of acquisitions with high strategic merit, the Group may consider a net LTV up to 45% on a temporary basis. The Group also revised the ICR target to 4× or above and aims to retain 50–100% of FFO annually. In addition, CPIPG reiterated its commitment to maintaining a high level of unencumbered assets and substantial levels of liquidity.

"**Strengthening**
our *corporate governance*
to support our funding activities and **solidify**
our reputation as a *leader in our region.*

Economic Review

Mamaison Riverside Hotel, Prague, Czech Republic

Europe

The EU economy continued to expand in 2019. GDP grew by 1.2% in the euro area and by 1.5% in the EU27, relative to +1.9% and +2.1% respectively in 2018. However, economic growth across the region began to decelerate towards the end of 2019. Seasonally adjusted GDP rose by 0.1% in both the euro area (EA19) and the EU27 during the fourth quarter of 2019, compared with 0.3% and 0.4% respectively in the previous quarter. This is largely due to the impact of external factors including global trade tensions, a slowdown in the German industrial and automotive sectors, weak demand from key trading partners and political uncertainty.

December 2019's manufacturing PMI highlights the weakness in industrial activity in the region. The reading of 46.3 pointed to the eleventh straight month of contraction in factory activity. However, weakness in the manufacturing sector has been to an extent offset by relatively robust services sector activity. The December 2019 services PMI reached a four-month high of 52.8, while business confidence about the future strengthened to its highest level since July, led by a strong improvement in sentiment amongst German service providers.

Despite the sharp contraction in manufacturing activity, many other key indicators suggested a more benign economic environment in the region. For example, the unemployment rate in the Euro Area fell to a new low of 7.4% at the end of the year, down from 7.8% at the beginning of the year. In addition, the inflation rate in the EU remained 1.6% in December 2019, below but close to the ECB's target, while retail sales grew 2% year-on-year, and interest rates remain low. Central bank policy also became more accommodative towards the end of the year as the ECB restarted its quantitative easing programme.

Sources: Trading Economics, Focus Economics, Eurostat

Czech Republic

Economic growth in the Czech Republic remained healthy in 2019, with GDP growth of 1.8% (Q4 2019 year-on-year change versus Q4 2018), albeit below the level of 2.8% recorded in the previous year. The rate of growth modestly declined throughout the course of the year as quarterly GDP growth was 0.3% in Q4 compared to 0.4%-0.6% in prior quarters. Nevertheless, despite subdued export demand and reduced investment levels beginning to bite, the economy remained on a stronger footing in contrast to the bloc as a whole, where annualised GDP growth was only 1.0%.

Domestic labour data also painted a strong picture, given the very low unemployment rate of 2.0% (seasonally adjusted) at the end of 2019, the lowest of all EU states. This had compressed slightly since the end of the prior year. The tightness of the labour market supported strong nominal wage growth of around 7%, which in turn sustained relatively high consumer confidence and spending. Meanwhile, annual inflation edged up to 3.2% at the end of the year, slightly above the Czech National Bank's 1.0%–3.0% tolerance range, and despite an interest rate increase in May 2019.

In terms of industrial and manufacturing activity, exports climbed 0.8% percent from a year earlier in December 2019, however among major trade partners, exports to Germany, Slovakia, Poland and France declined. Business confidence deteriorated throughout the year across the majority of industrial sectors, with the indicator falling to 96.8 at the end of December, largely reflecting concerns about slower economic growth and external challenges facing industrial and manufacturing sectors. However, the story was more positive in services, where year-on-year sales in the retail trade increased by 4.8% in December 2019.

The Czech Republic maintains low levels of government debt relative to GDP, being the fourth lowest in the EU. The Czech National Bank remains focused on fiscal stability and manages the national currency carefully to maintain close parity with the Euro. The Czech Koruna remained relatively stable against the Euro throughout the year, despite a 25bps interest rate increase by the central bank in May and diverging inflation expectations compared to the Euro area.

Sources: Trading Economics, Eurostat, Czech National Bank

Key Macro Figures – Group Core Economies

	Growth rate of real GDP (%)	Annual inflation rate (%)	Unemployment rate (%)	Gross public debt (% of GDP)
Germany	0.6	1.5	3.2	61.2
Czech Republic	2.4	3.2	2.0	32.0
Hungary	4.9	4.1	3.3	68.2
United Kingdom	1.4	1.3	3.8	84.2
Poland	4.1	3.0	3.3	47.4
EU average	1.5	1.6	6.2	80.1

The table uses December 2019 GDP, annual inflation rates and unemployment rates. Q3 2019 data on Gross public debt as a percentage of GDP were used due to data limitations.

Sources: Eurostat, Trading Economics

Franklinstraße 9-15a, Berlin, Germany

Germany and Berlin

Germany's economy grew by just 0.6% in 2019, the weakest annual expansion since 2013 and well below the 1.5% increase recorded in 2018. The primary driver was a negative contribution from net external demand, as exports rose 0.9% (vs. 2.1% in 2018) and imports increased 1.9% (vs. 3.6% in 2018).

While the economy continued to grow, the rate of growth decelerated rapidly in 2019 due to external factors impacting Germany's manufacturing and industrial sector – namely, waning demand for diesel vehicles in the automotive sector, subdued export demand across Europe, and lingering global trade tensions impacting business confidence and investment. Nevertheless, the services sector remained buoyant, with a PMI reading of 52.9 in December.

In addition, domestic fundamentals were relatively positive. Retail sales increased by 0.8% year-on-year in December, though with growth on a decelerating trend, as the labour market remained tight with unemployment at 3.2% and above-inflation wage growth.

Despite the cooling of the German economy as a whole, Berlin specifically continued to demonstrate strong economic growth, having achieved annual GDP growth of 3.1% in 2018. Growth in 2019 (data not yet available) is also expected to be significantly higher than Germany as a whole.

With close to 3.7 million inhabitants and 1.6 million employees, Berlin is the largest and most densely populated city in Germany. At just over €40,000, the GDP per employed person is still 3% below the national average and well below the figures for the other major German cities. For historical reasons, Berlin is in the process of catching up economically. Both GDP and the number of employees have been growing at an above-average rate for years.

While the unemployment rate in Berlin was 7.6% at the end of November 2019, significantly higher than the national figure, this is gradually decreasing given steady growth in total employment across the vast majority of sectors, together with consistent growth in new job creation with a close to 4% year-on-year increase in the number of employed people in the city (as of Q3 2019). In the booming information technology sector alone, employment rose by 14.5%.

The services sector remains a critical pillar and growth engine of the Berlin economy, achieving sales growth of 5.2% in the first three quarters of 2019, more than double the growth achieved in the previous year of 2.1%. However, Berlin's manufacturing and industrial sectors are also performing significantly better than the national trend, with industrial sales up 5.7% in the first three quarters of the year compared to the prior period. The Berlin economy is also less exposed to the weakness of the German economy, since the industrial share of total gross value added is only 8.6% in contrast to the national average of 23.1%.

Sources: CEIC, Trading Economics, Federal Employment Agency, Senate Department for Economics, Energy and Operations – Department of Economics, Investitionsbank Berlin – Berlin Economy December 2019 edition, Eurostat

Poland, Hungary & Other CEE

CEE countries benefit from strong fundamentals including young and well-educated labour forces, low levels of unemployment, increasing domestic consumption and strong levels of local business activity and foreign investment. All CEE countries achieved GDP growth rates above the EU27 average of 1.5% in 2019. In fact, Hungary was the second fastest-growing economy in the EU28 bloc in 2019, achieving growth of 4.9%, while Poland was 5th fastest, with growth of 4.1%.

The regional economy shifted into a lower gear in 2019, due to spillovers from a weak Eurozone amid lingering global trade tensions, and as capacity constraints bite harder. Overall, investment activity is set to lose the most steam, while consumer spending should also ebb on softer employment growth despite still-healthy wage gains.

Regional inflation came in at 2.8% in November, and is expected to remain relatively stable, with the impact of tightening supply-side constraints largely offset by softening domestic demand.

Central banks in Hungary, Poland and Romania held their ground at their latest meetings. The ECB's accommodative monetary policy stance, softening growth at home and protracted weakness in the Eurozone were behind the banks' decisions. In 2019, on the whole CEE currencies remained relatively steady against the Euro.

In Poland, the economy grew 4.1% in 2019, marginally down from 2018's 5.1% increase. Fixed investment growth moderated but remained robust nonetheless, increasing by 7.8% in 2019 (compared to 8.9% in 2018), underpinned by sizable inflows of EU funds. Meanwhile, household spending also eased but remained buoyant, growing 3.9% compared to 4.3% in the prior year, supported by strong wage growth (6.2% for 2019), a tight labour market (3.3% unemployment) and substantial social transfers.

Specifically in Warsaw, economic factors are stronger than the national average – unemployment stood at just 1.3% in the at the end of 2019 and wage growth was 4.8% higher than the previous year, while job growth continues apace as average employment in the enterprise sector in December 2019 was by 2.0% higher than a year before.

In Hungary, the economy advanced 4.9% in 2019, making it the second fastest-growing economy in the EU27 bloc. This was supported by strong labour and consumption data – the unemployment rate decreased to an all-time low of 3.3% in December 2019, combined with increasing retail sales (up 6.1% year-on-year). Nominal wage growth of over 10% vastly outstripped inflation, which ticked up to 4.1% in December, at the top of the central bank's inflation target range.

Sources: Trading Economics, Focus Economics, Statistical Office in Warszawa, Eurostat

Business Clusters

The Group operates in four clusters: Czech Republic, Berlin, Hotels & Resorts and our Complementary Assets Portfolio. In each cluster we have a market-leading platform and benefit from scale, experience and active asset management.

Czech Republic

Property Portfolio*
€3.8 bn
Net Business Income
€164 m

Largest owner of real estate nationally

#1 retail owner nationally

#1 office owner in Prague

** Excluding Czech Republic hotels, which are included in the Hotels & Resorts cluster*

Berlin

Property Portfolio
€2.5 bn
Net Business Income
€71 m

Largest owner of commercial property in Berlin

#1 office landlord in Berlin

Nearly 1 million square metres of GLA

Hotels & Resorts

Property Portfolio
€0.9 bn
Net Business Income
€42 m

Regional leader

#1 congress & convention hotel owner in the Czech Republic

Resorts in Hvar, Croatia and Crans-Montana, Switzerland

Tomáš Salajka
Director of Acquisitions, Asset Management & Sales

Complementary Assets

Property Portfolio
€2.0 bn
Net Business Income
€68 m

Strong platforms in Poland and Hungary

Long-term presence in Slovakia

Western European assets

Czech Republic

Our history in the Czech Republic dates back to the founding of Czech Property Investments, a.s. in 1991 by the Group's primary shareholder, Radovan Vítek. This is CPIPG's largest market, where our experience and local expertise are unparalleled.

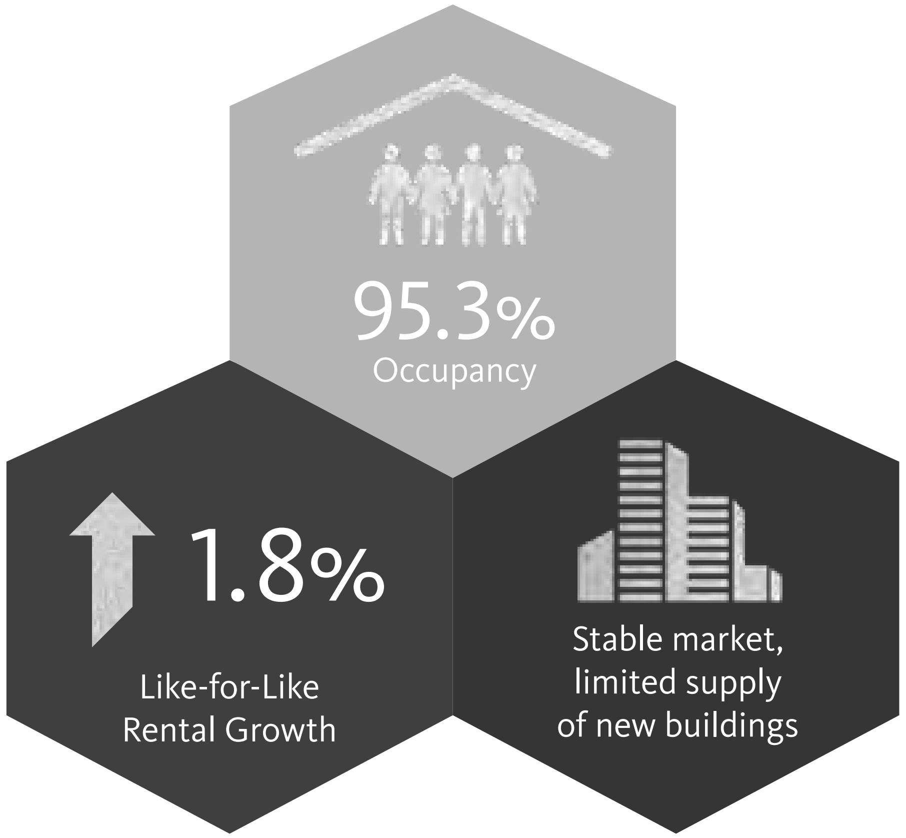
The Group owns the largest real estate portfolio in the Czech Republic, with leading market positions in office, retail and residential properties. We actively manage our portfolio, work closely with our tenants, and have a long history in the local market.

In the office segment, CPIPG is focused on Prague where we have a #1 position including headquarters of prominent multinational companies.

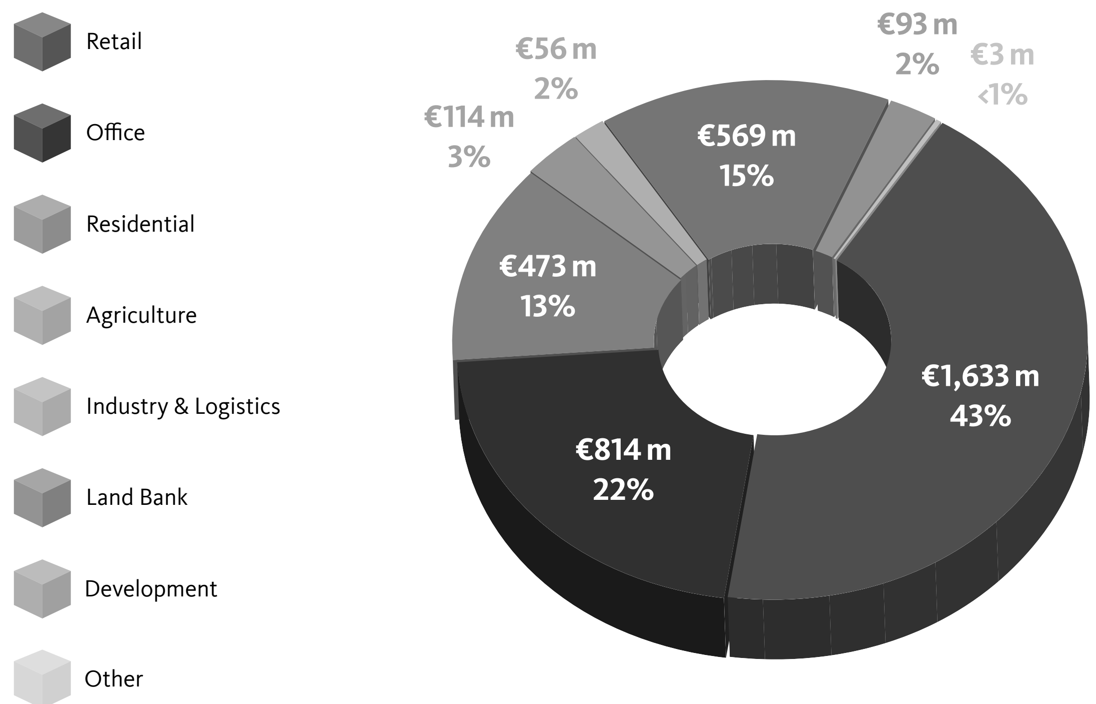
In the retail segment, we hold a #1 position in the Czech Republic, with dominant shopping centres in regional cities of the Czech Republic, and high-quality, well-located retail assets in Prague. The Group is also the second largest residential landlord in the Czech Republic and owns hotels, which are reported as part of our "Hotels & Resorts" cluster.

- Nearly 1.8 million square metres of GLA
- #1 retail landlord in the Czech Republic
- #1 office landlord in Prague
- #2 residential landlord in the Czech Republic
- 14% market share in Czech shopping centres
- 5% market share in the Prague office market
- High-quality portfolio with an average age of 14 years

Zdeněk Havelka
Executive Director



Czech Property Portfolio by Segment



Notes:
Shopping centre market share based on centres with GLA above 5,000 m².
Average age of portfolio excludes Convenience Shops.
The Group's hotels in the Czech Republic are reported as part of the "Hotels & Resorts" cluster.

Summary

The portfolio value of the Czech Republic cluster rose from €3.5 billion to **€3.8 billion** compared to the end of 2018. We completed the Mayhouse office development in Prague and also achieved solid increases in valuations across all key segments in the portfolio.

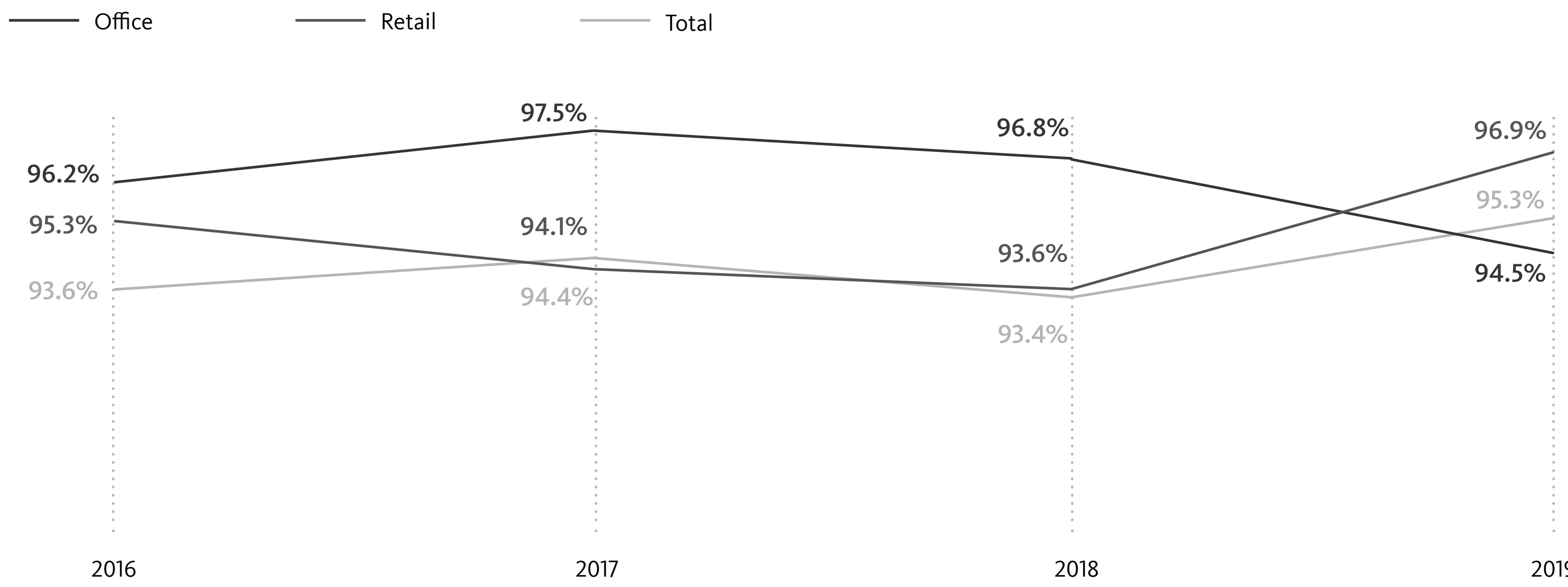
Occupancy across all segments rose from 93.4% to **95.3%**, driven by a significant increase in our shopping centre portfolio, as well as a very strong increase in our residential portfolio. Occupancy in the office portfolio declined slightly as a result of temporary vacancy in the recently completed development Mayhouse, as well as some tenant rotation in Marisa West.

Growth in net rental income was **1.7%** in 2019, reflecting the stability of rents across the portfolio. Excluding exceptional factors such as the sale of the Modřanská office property in the second half of 2018, as well as higher refurbishment and fit-out costs in retail, growth would have been even stronger.

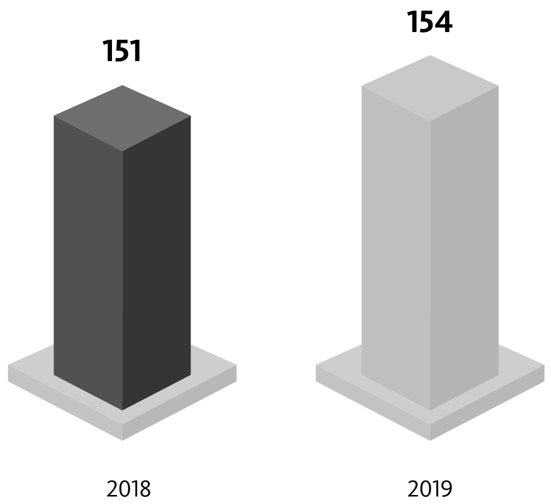
In retail, despite sectoral challenges in many other European markets, our shopping centres enjoyed better footfall and tenant sales growth than ever, achieving growth of **5.8%** and **8.8%** in 2019 respectively.

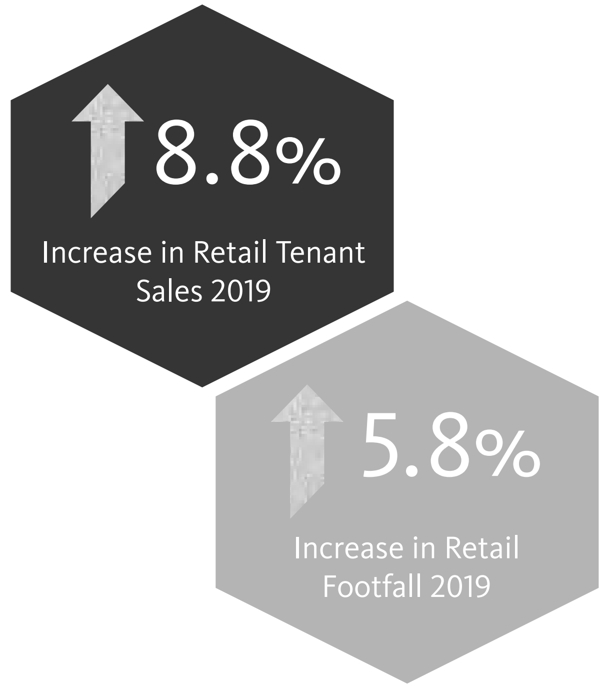
Olympia Plzeň Shopping Centre, Czech Republic

Occupancy Rate (based on Estimated Rental Value)



Net Rental Income (€ million)





	Czech Republic 2019					Czech Republic 2018				
	PP value (€ million)	Occupancy (%)	GLA (m²)	Land area (m²)	No. of properties	PP value (€ million)	Occupancy (%)	GLA (m²)	Land area (m²)	No. of properties
Retail	**1,633**	**96.9%**	**636,000**	**–**	**122**	1,584	93.6%	672,000	–	182
Office	**814**	**94.5%**	**304,000**	**–**	**24**	756	96.8%	306,000	–	24
Residential	**473**	**90.7%**	**739,000**	**–**	**–**	452	85.7%	741,000	–	–
Agriculture	**114**	**–**	**–**	**234,528,000***	**–**	99	–	–	223,320,000*	–
Industry & Logistics	**56**	**91.6%**	**88,000**	**–**	**12**	49	91.8%	83,000	–	12
Land Bank	**569**	**–**	**–**	**20,916,000**	**–**	500	–	–	19,585,000	–
Development	**93**	**–**	**–**	**–**	**8**	57	–	–	–	7
Other	**3**	**–**	**–**	**–**	**–**	4	–	–	–	–
Total	3,755	95.3%	1,767,000	255,444,000	166	3,502	93.4%	1,802,000	242,905,000	225

* *Includes farmland operated, but not owned by the Group.*

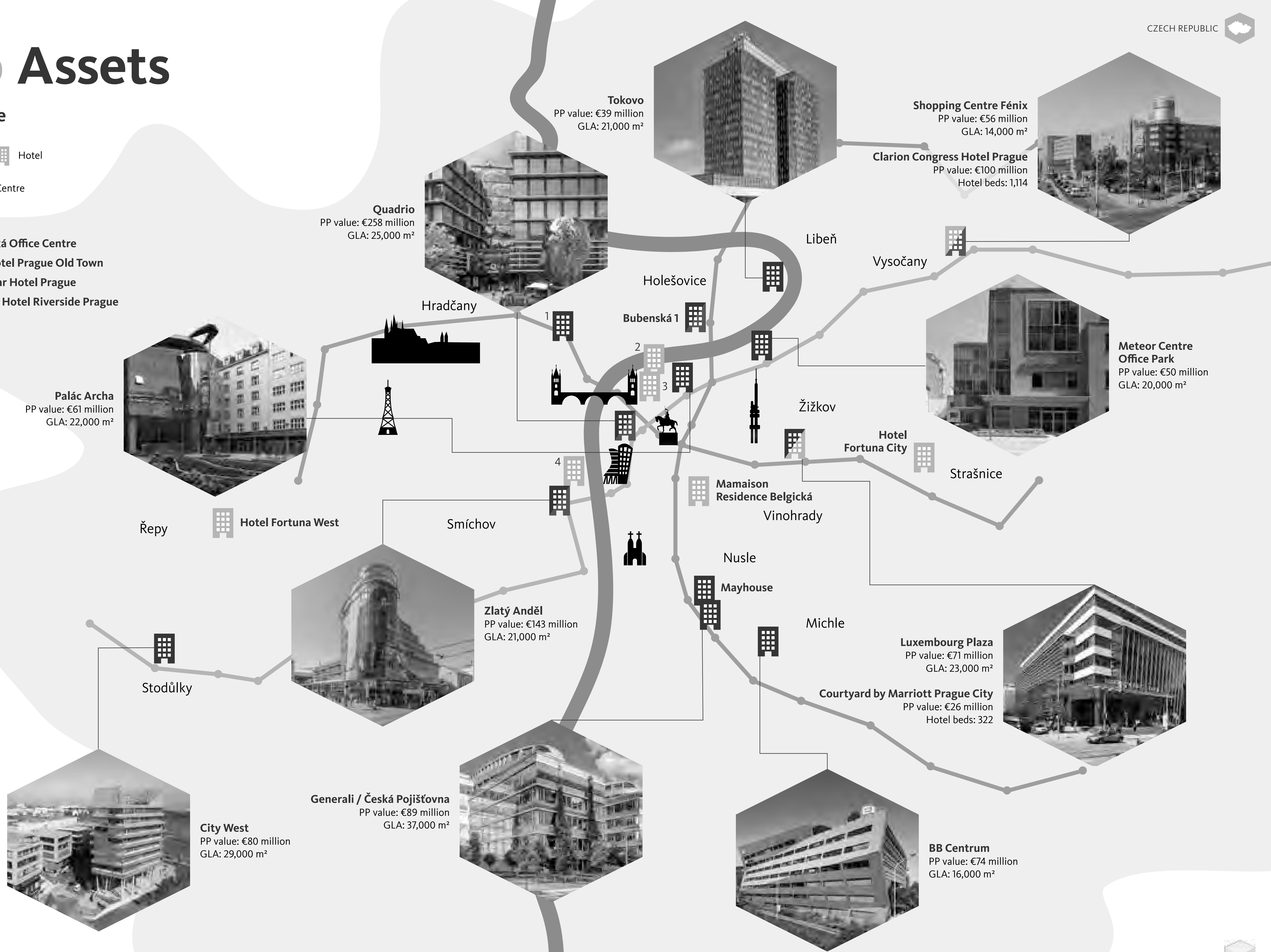
Top **Assets**

in Prague

Office Hotel

Shopping Centre

1 **Hradčanská Office Centre**
2 **Clarion Hotel Prague Old Town**
3 **Buddha-Bar Hotel Prague**
4 **Mamaison Hotel Riverside Prague**

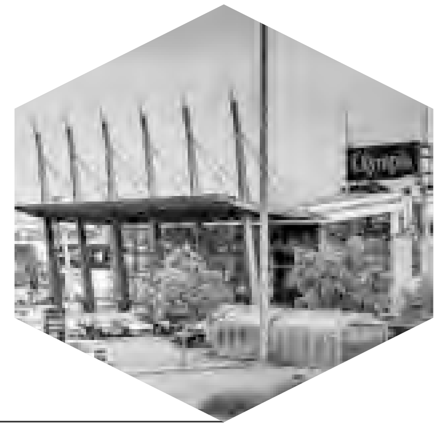


Top **Assets**

in the Czech Republic (outside of Prague)

Bondy
City: Mladá Boleslav
PP value: €63 million
GLA: 21,000 m²

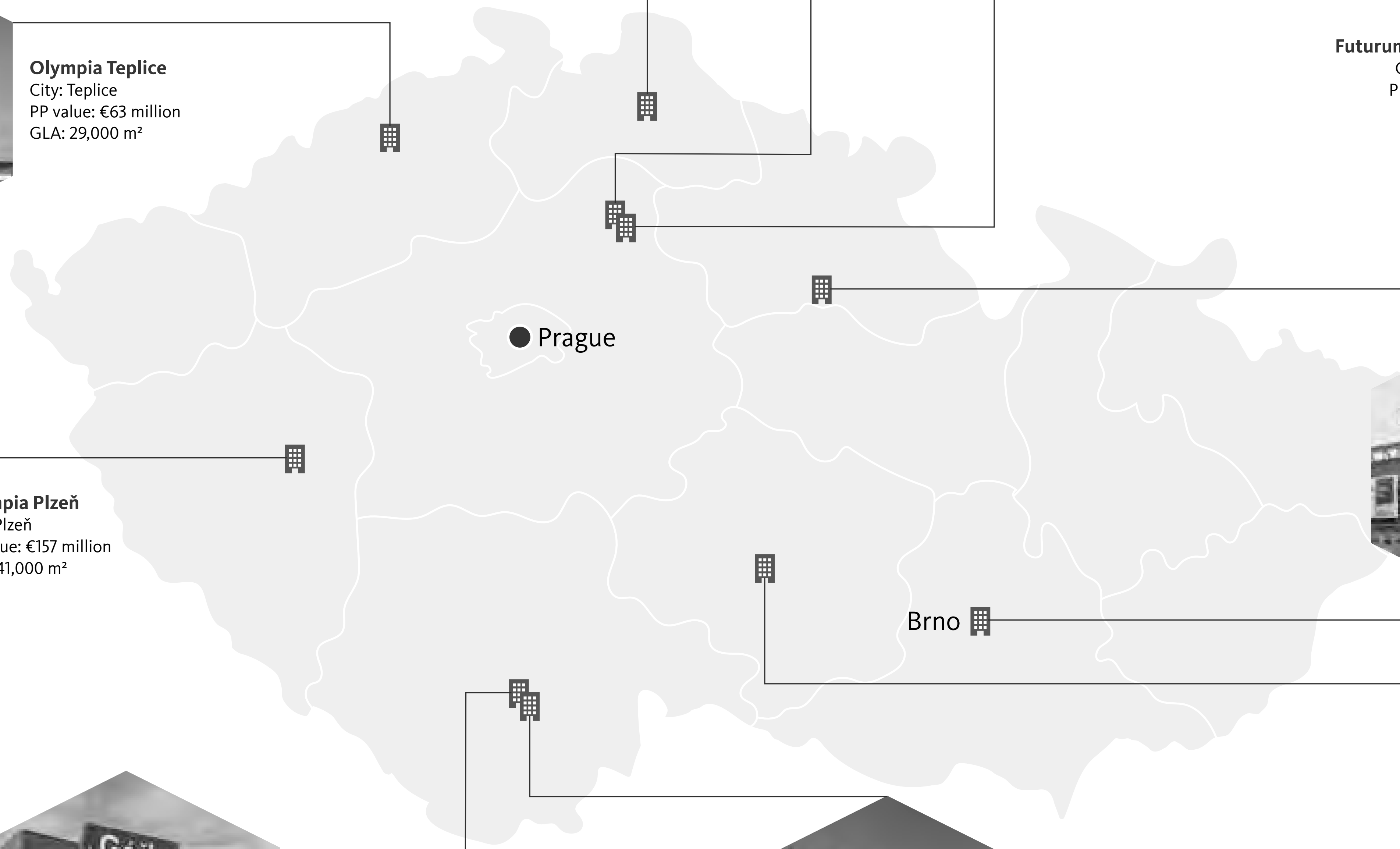
Nisa
City: Liberec
PP value: €105 million
GLA: 50,000 m²



Olympia Mladá Boleslav
City: Mladá Boleslav
PP value: €55 million
GLA: 20,000 m²

Olympia Teplice
City: Teplice
PP value: €63 million
GLA: 29,000 m²

Futurum Hradec Králové
City: Hradec Králové
PP value: €131 million
GLA: 39,000 m²



Královo Pole
City: Brno
PP value: €69 million
GLA: 27,000 m²

Olympia Plzeň
City: Plzeň
PP value: €157 million
GLA: 41,000 m²

Citypark
City: Jihlava
PP value: €121 million
GLA: 28,000 m²

Géčko
City: České Budějovice
PP value: €35 million
GLA: 12,000 m²

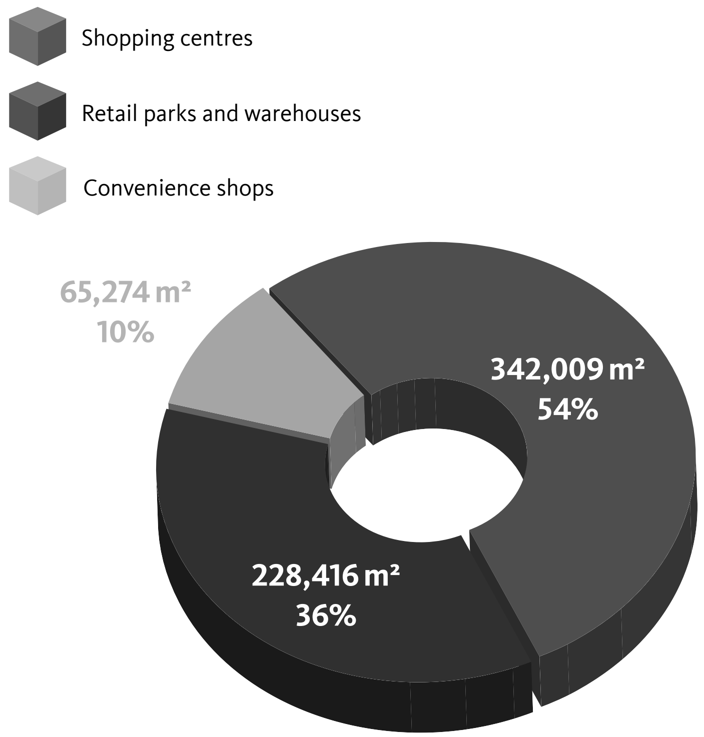
IGY I
City: České Budějovice
PP value: €75 million
GLA: 26,000 m²

IGY II
PP value: €27 million
GLA: 8,000 m²

Retail Properties

Fénix Shopping Centre, Prague, Czech Republic

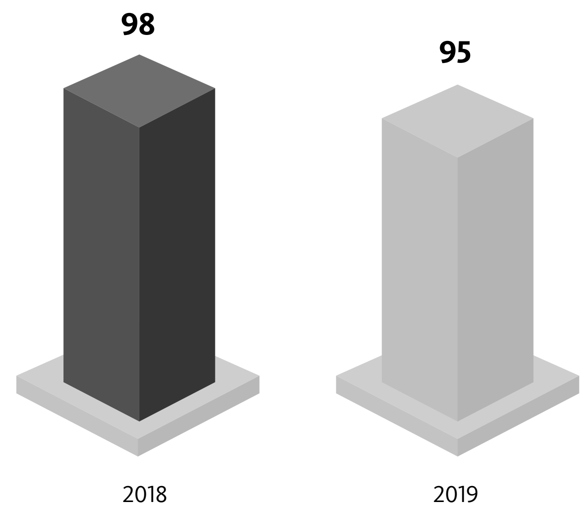
Retail Assets by Type (GLA)



Retail parks are multi-store assets with no common areas/ common indoor space; retail warehouses are stand-alone retail assets. Convenience shops include small retail assets (i.e., individual shops).

Net Rental Income – Retail

(€ million)



At the end of 2019, the valuation of the Czech retail portfolio increased slightly (3.1%) to **€1,633 million,** of which about 76% by value is attributed to our shopping centres. CPIPG owned 122 retail properties at the end of 2019, compared to 182 in 2018, as the Group focused the portfolio on the best-performing locations and asset types.

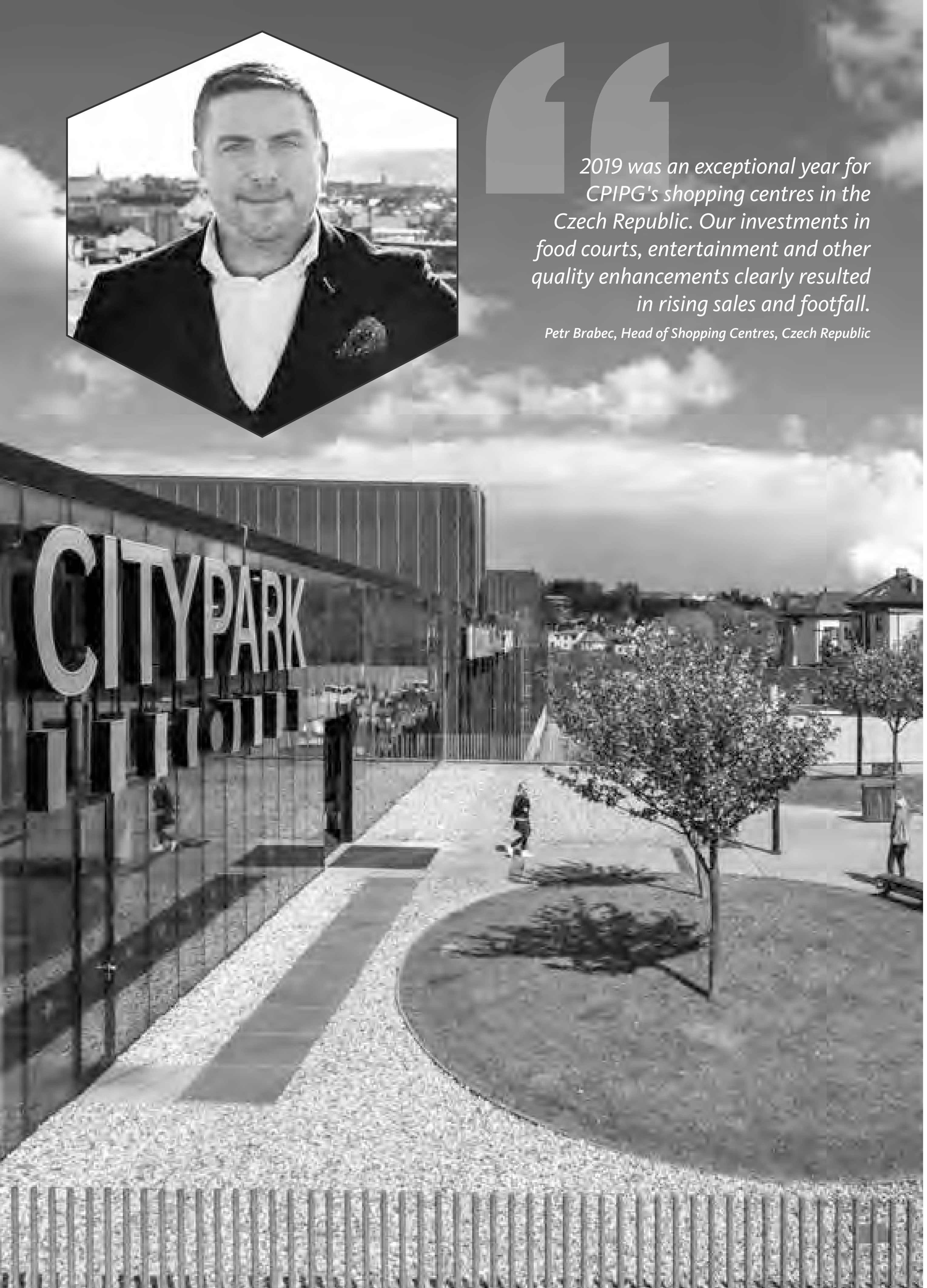
Footfall in our shopping centres increased by **5.8%** in 2019 to **77.2 million** visitors compared to 73.0 million in the prior year. Total sales achieved by our tenants also increased by **8.8%** to **CZK 15.1 billion,** from CZK 13.9 billion in 2018. Footfall and tenant sales increased in all shopping centres apart from Citypark Jihlava, which was undergoing extensive refurbishment until it fully reopened in November 2019.

Total occupancy (across all formats) increased significantly from 93.6% at the end of 2018 to **96.9%** at the end of 2019. The increase was driven by our shopping centre portfolio, where occupancy increased by **4.6%** to **97.2%,** owing to very strong leasing activity as a record number of retailers extended leases or entered into new contracts. Over the course of the year, we signed over 125 new tenant contracts and also extended more than 210 leases within the shopping centre portfolio. We also signed a deal with LPP Group for the bulk renewal of ten lease contracts across more than 15,000 m² of space. In fact, during the year the Group renegotiated leases covering about 53,000 m² GLA in our shopping centres, where we were able to achieve an increase in contracted like-for-like rents of **7.1%.**

Our retail parks continue to demonstrate resilient, stable performance, with occupancy close to 100% across the portfolio and average lease maturities of 6+ years. We renewed or extended 33 leases during the period, with an average extension of lease maturities by six years.

Net rental income achieved overall in the Czech retail segment decreased slightly to €95 million from €98 million in the prior year. This was largely due to the impact of asset sales at the end of 2018, together with higher refurbishment and fit-out costs in 2019. Excluding the impact of asset sales, growth of net rental income would have increased slightly.

	Retail 2019				Retail 2018			
	PP value (€ m)	Occupancy (%)	GLA (m²)	No. of properties	PP value (€ m)	Occupancy (%)	GLA (m²)	No. of properties
Prague	**377**	**96.1%**	**95,000**	**38**	349	94.5%	94,000	38
Major cities	**932**	**96.7%**	**343,000**	**27**	895	93.1%	346,000	27
Other	**325**	**98.1%**	**197,000**	**57**	341	93.9%	232,000	117
Total	1,633	96.9%	636,000	122	1,584	93.6%	672,000	182

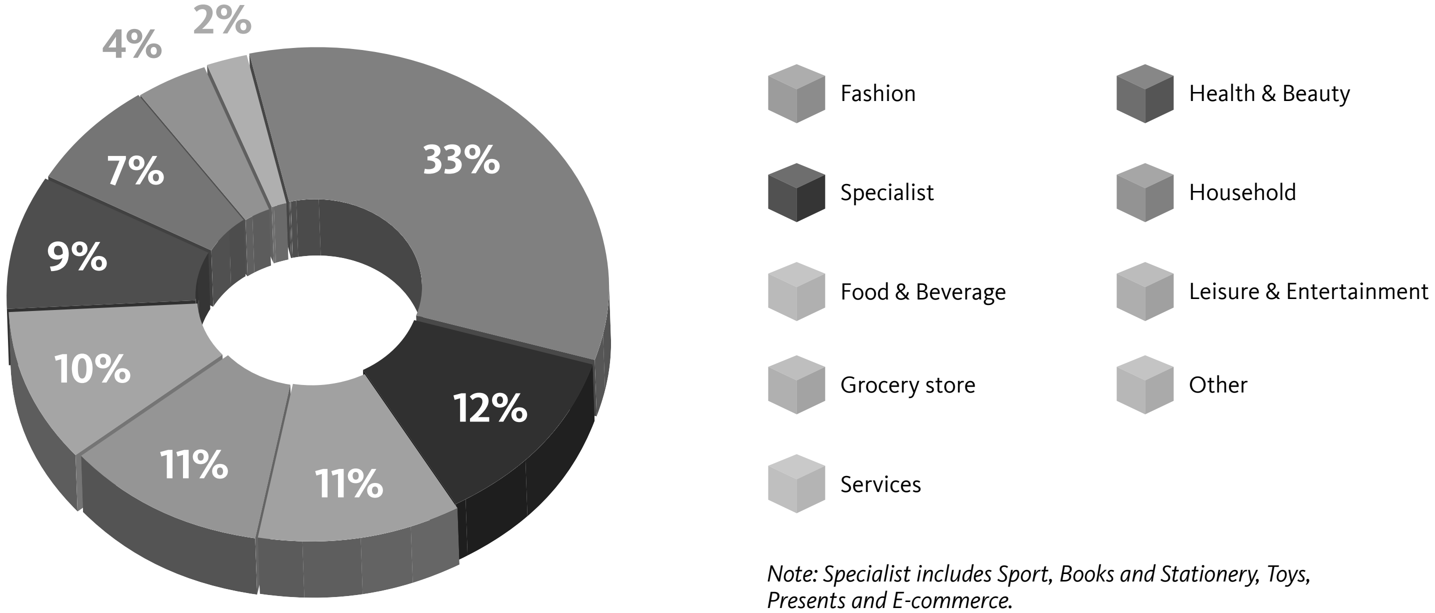


2019 was an exceptional year for CPIPG's shopping centres in the Czech Republic. Our investments in food courts, entertainment and other quality enhancements clearly resulted in rising sales and footfall.

Petr Brabec, Head of Shopping Centres, Czech Republic

Citypark Shopping Centre, Jihlava, Czech Republic

Shopping Centre Tenants by Type (according to headline rent)



Note: Specialist includes Sport, Books and Stationery, Toys, Presents and E-commerce.

Market Overview

Total retail sales in the Czech Republic grew by close to 5% year-on-year in 2019, buoyed by strong economic growth, seasonally adjusted unemployment of only 2% at the end of the year, and nominal wage growth around 7%. Despite a cooling of the economy as the year progressed, the Czech Republic remains a strong performer compared to the European average.

Significant growth of sales was registered in non-food products, such as fashion, electronics and equipment. However, as in previous years, the highest dynamics were seen in e-commerce, reaching a penetration level of 11% by year end, the highest level of penetration and number of e-shops per capita in Europe. The sector also recently saw the entry of big e-commerce retailers such as About You and Zalando.

Despite the continued growth of e-commerce, Czech Republic prime rents continued to grow in shopping centres (+3.4% year-on-year) in excess of the high street (+2.2% year-on-year). Shopping centre prime yields increased slightly to around 5.0% in Prague, while prime high street yields remain c. 100 basis points lower, albeit having widened by a greater margin than shopping centres since 2018. Prime retail locations continue to attract new tenants in all segments of the market.

New development in shopping centres remains limited and activity is primarily focused on refurbishments and extensions. With only two new shopping centre deliveries on the Czech market, the Czech shopping centre market grew by only 21,500 m² and totalled 2.44 million m² by the end of 2019. Due to very marginal supply, shopping centre density remained stable at 229 m²/1,000 inhabitants. New supply is expected to be mainly driven by retail parks in the regions for at least the next three years.

About 19 new brands entered the Czech market in 2019, a declining number compared to previous years (30 in 2018). Around the same amount of retailers confirmed their entry into the Czech market at the beginning of 2020, thus proving the continued attractiveness of the Czech market.

Sources: Cushman & Wakefield, CBRE, Savills

Significant Investment in Our Shopping Centres is Driving **Record Performance**

IGY – since refurbishment, IGY has achieved growth in footfall of **44%** and tenant sales of **57%**.

In 2019 alone, these figures were **12%** and **15%** respectively.

2019 performance versus year prior to commencing refurbishment (2015)

Value	+66%
Footfall	+44%
Tenant Sales	+57%
Turnover per sqm/month	+55%

Quadrio – since refurbishment, Quadrio has achieved growth in footfall of **+24%** and tenant sales of **+79%**.

In 2019 alone, these figures were **+4%** and **+11%** respectively.

2019 performance versus year prior to commencing refurbishment (2016)

Value	+27%
Footfall	+24%
Tenant Sales	+79%
Turnover per sqm/month	+81%

Fenix – since refurbishment, Fenix has achieved growth in footfall of **+5%** and tenant sales of **+23%**.

In 2019 alone, these figures were **+10%** and **+6%** respectively.

2019 performance versus year prior to commencing refurbishment (2016)

Value	+28%
Footfall	+5%
Tenant Sales	+23%
Turnover per sqm/month	+19%

Preparing Our Assets **for the Future**

Focused on *enhancing* shopping experiences and **optimising tenant mix** to preserve the **destination status** of our assets.

Affordability ratio **12%**

rent, service & marketing charges as a % of turnover

16 yrs

average age of our shopping centres

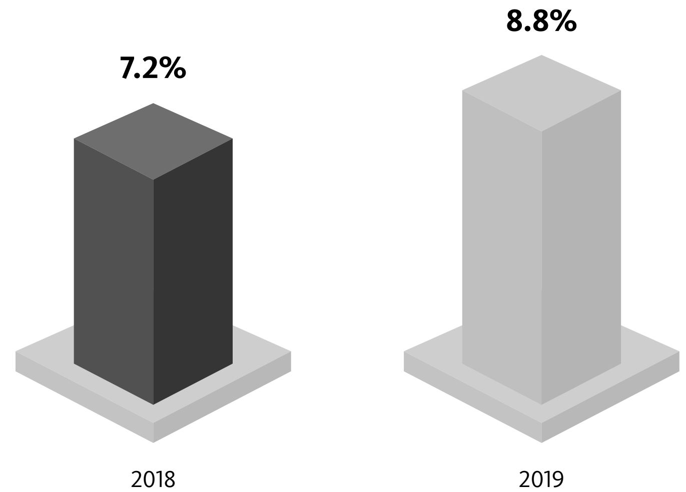
Food court, IGY Shopping Centre, České Budějovice, Czech Republic

Physical retail continues to perform robustly in the Czech Republic, supported by:

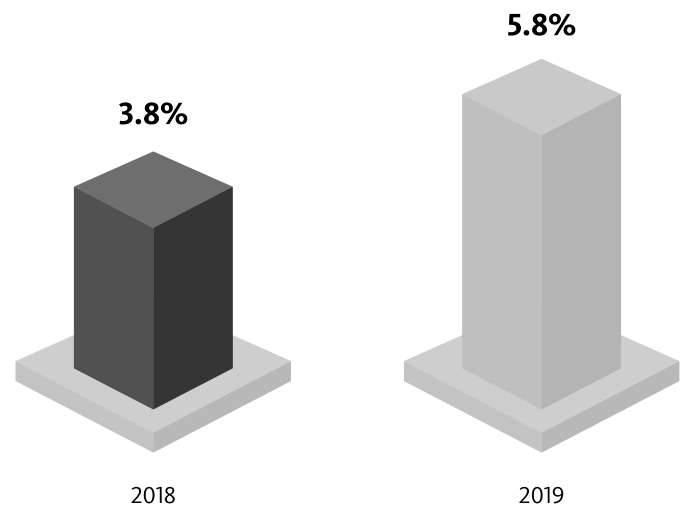
- **solid economic growth drivers;**
- **lower physical retail density** compared to more developed Western European or US retail markets;
- **low exposure** to department store tenants, and;
- very **limited high street retail.**

CPIPG's shopping centres are typically the dominant centre in a regional city, with a large catchment area and strong transportation connections. E-commerce has been a factor in the Czech Republic for several years, with both local and international retailers active in the sector. E-commerce penetration (as a % of total sales) in the Czech Republic reached 11% in 2019, compared to the EU average of 6%.

Increase in Tenant Sales



Increase in Footfall



Despite the presence of E-commerce, CPIPG's shopping centres continue to see increasing footfall and sales. Our centres are considered destinations by the local populations, and we are consistently undertaking new measures to improve customer experience and shopping centre performance, including:

Refurbishments

- Almost every shopping centre in our portfolio has either recently been refurbished, or is soon to be refurbished.
- Right-sizing and recalibration to ensure focus remains on food retail, whilst also scaling back our exposure to hypermarkets.

Working with Tenants and Employees

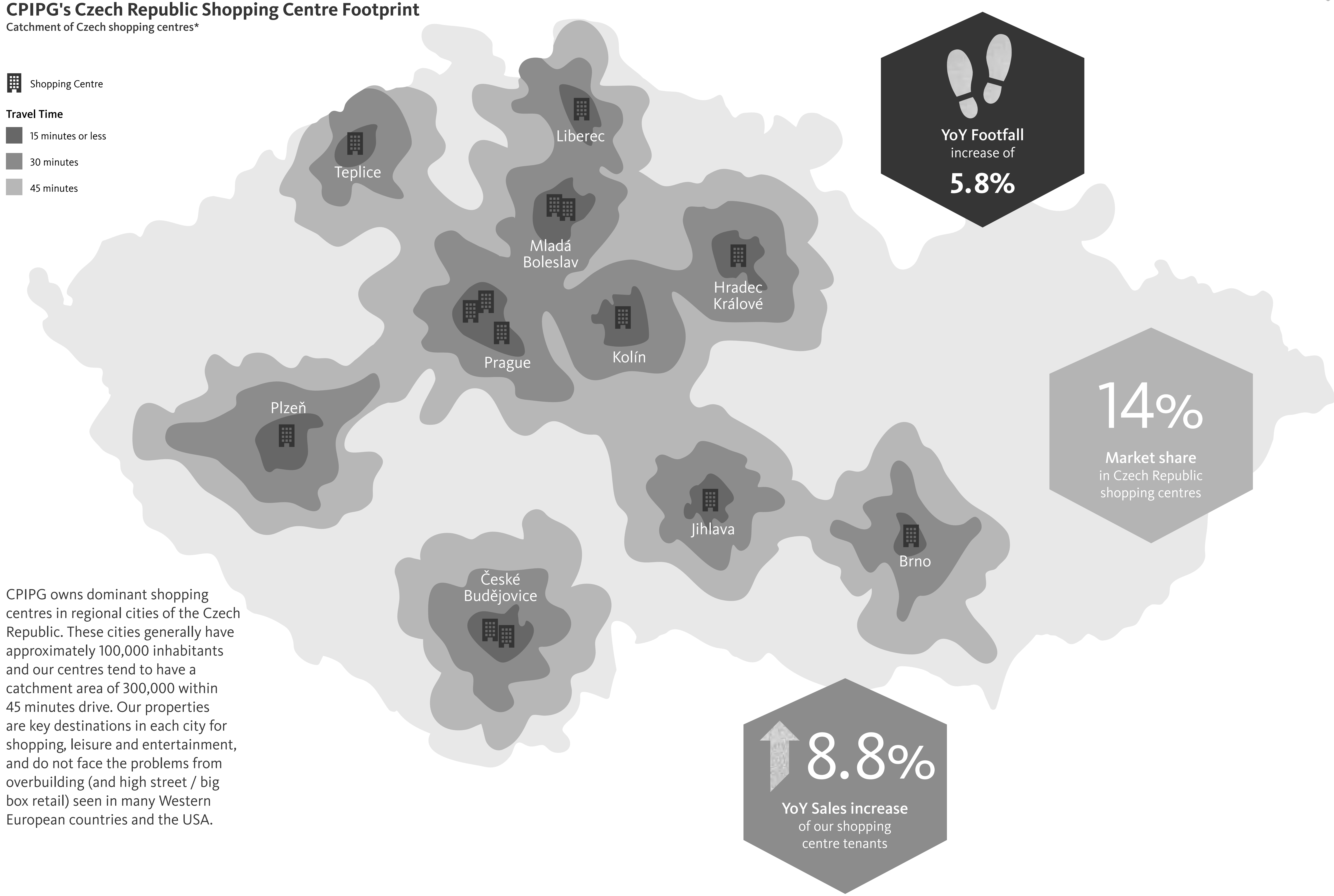
- In March we launched our CPI Akademie Retail development and educational programme to help shop managers better respond to the evolving retail market and create an enhanced customer experience at the point-of-sale. The programme attracted almost 170 shops across nine shopping centres with more than 700 attendees. In 2020, CPIPG will conduct another workshop and expand to 13 shopping centres.
- We also launched an employee benefit program. Every employee within the shopping centre is allowed to receive special discounts, prices or products within almost all units, in an effort to mutually support employee loyalty sales within the centres (on average there are 700 employees in regional centres).

Understanding Consumer Behaviour

- CPIPG conducted an extensive and unique customer behaviour research survey, Mall Shoppers Connection Typology, with more than 10,000 respondents in 2019, which will help us to better understand customer preferences and needs.

CPIPG's Czech Republic Shopping Centre Footprint

Catchment of Czech shopping centres*



CPIPG owns dominant shopping centres in regional cities of the Czech Republic. These cities generally have approximately 100,000 inhabitants and our centres tend to have a catchment area of 300,000 within 45 minutes drive. Our properties are key destinations in each city for shopping, leisure and entertainment, and do not face the problems from overbuilding (and high street / big box retail) seen in many Western European countries and the USA.

*GfK for CPI, August 2017

Office Properties

New terrace at Tokovo high-rise, Prague, Czech Republic

5.2% market share in Prague Office

Regional Headquarters

GENERALI

CEZ GROUP

WPP

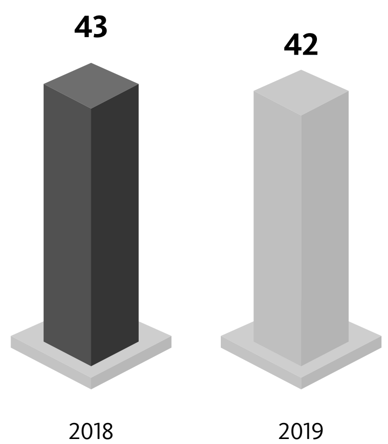
CTP

SIEMENS

CUSHMAN & WAKEFIELD

Net Rental Income – Office

(€ million)



The valuation of CPIPG's office portfolio in the Czech Republic increased by **7.7%** in 2019 to **€814 million.** The majority of the increase was driven by positive revaluations in Prague as well as the completion of Mayhouse, a newly developed office in Prague 4. The removal of Longin from the office portfolio at the end of 2019 (reclassified to hotels) means that the underlying valuation increase was even higher than the headline figure.

Net rental income decreased slightly to €42 million in 2019 compared to €43 million in the prior year, primarily due to the sale of Modřanská (Nestlé building) in late 2018, investments in tenant incentives in the City West building, as well as the temporary effect of tenant changes in Luxembourg Plaza in 2019. In Luxembourg Plaza, vacancy was temporarily elevated for a short period early in 2019. The vacant space could have been leased very quickly, but we strategically focused on securing a **new lease with Exxon Mobil** with an attractive rent, extending their space by more than 50% in the property, which took a few months to successfully negotiate. However, 2019 results do not fully reflect the resulting improvement to annualised net rental income of the portfolio; this should be clearer in future.

Occupancy in our office portfolio declined slightly to 94.5% from 96.8% at the end of 2019. The decrease is primarily due to temporary vacancy in the recently completed development Mayhouse, as well as some tenant rotation in Marisa West. Given continued **robust demand dynamics for Prague offices,** we actively took the decision to bring Mayhouse to the market when it was 33% let. Negotiations are ongoing with potential tenants to lease the remaining space. In Marisa West, we have already signed a lease with a new tenant to fill part of the space vacated during the year, with a higher rent. Discussions are ongoing for remaining vacant space to be filled in the near term. Excluding these exceptions, vacancy across CPIPG's Prague office portfolio was 3.2%, significantly lower than the 5.5% market average at the end of 2019.

Later in 2020, our portfolio will benefit from the completion of ZET.Office, a 20,000 m² office development which is part of the Nová Zbrojovka project in Brno. During December 2019 we signed two leases with KIWI.com (c. 10.900 m²) and Axians (c. 1,700 m²), bringing pre-let occupancy to 63%, despite opening of the building not being scheduled until summer 2020.

Overall, leasing activity in 2019 has been strong, enabling CPIPG to increase headline rents with new and existing tenants. During the year, **we signed 106 leases with new and existing tenants,** achieving headline rent increases of over 20% against previous contracted rents.

	Office 2019				Office 2018			
	PP value (€ m)	Occupancy (%)	GLA (m²)	No. of properties	PP value (€ m)	Occupancy (%)	GLA (m²)	No. of properties
Prague	772	95.1%	277,000	19	713	96.9%	278,000	19
Major cities	42	85.3%	27,000	5	43	95.1%	27,000	5
Total	814	94.5%	304,000	24	756	96.8%	306,000	24

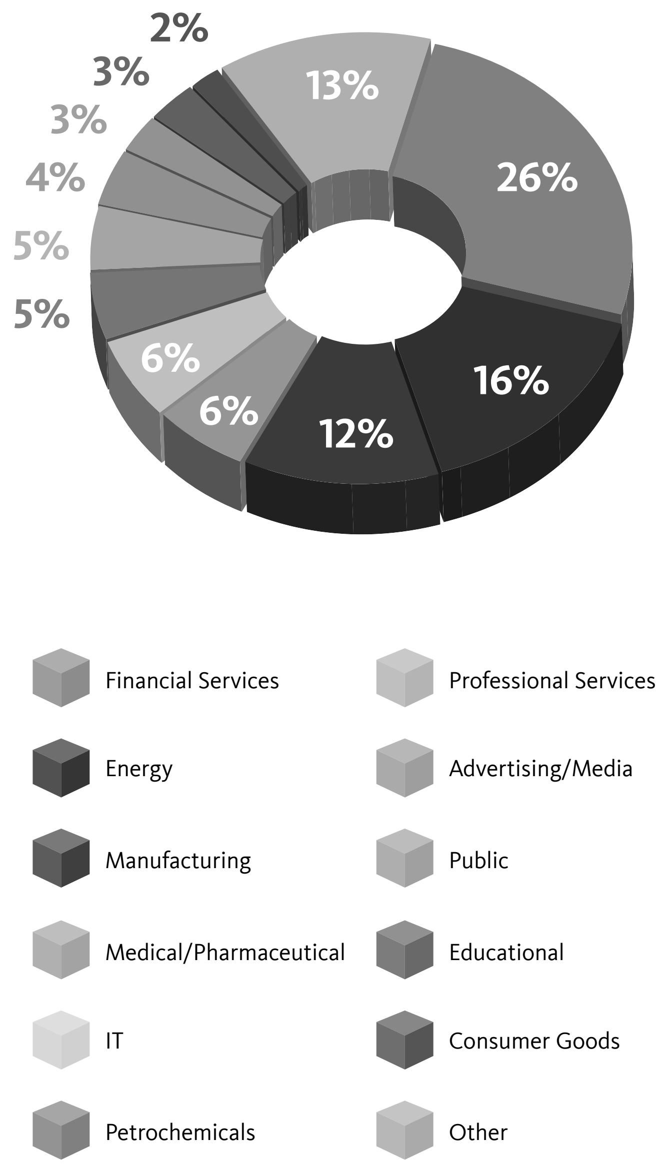
Office **Market**

Thanks to the expertise of our team and the quality of our assets in the Czech Republic, we signed some of the largest leasing transactions of the year including Exxon Mobil in Prague and KIWI.com in Nová Zbrojovka, Brno.

Pavel Semrád, Asset Management Director for Czech Republic & Slovakia

ZET.office of Nová Zbrojovka Development, Brno, Czech Republic

Office Tenants by Type
(according to headline rent)



New supply of almost 214k m² in 2019 (+36% versus 2018) brought total office stock in Prague to nearly 3.67 million m² at the end of the year. About 247k m² of office space was under construction at the end of 2019, more than 70% of which is due to be completed by the end of 2020. The new development activity has been recently expanding to districts of Prague that have previously been deemed less attractive or appealing, such as Prague 9 and 10. Nevertheless, total office stock per capita still remains relatively low compared to other major financial centres in CEE and Western Europe.

Gross take-up in 2019 reached close to 445k m², representing a decrease of 7% compared to 2018. Net take-up slowed down more sharply, decreasing 17% since 2018 to about 274k, with the share of renegotiations remaining stable at around 40% of total take-up. IT and professional services firms continue to exhibit the strongest growth in annual take-up.

Continuing significant new supply and lower leasing activity has resulted in a slight uptick in the vacancy rate, which edged up to 5.5% at the end of 2019, having been at 5.1% at the end of 2018. However, this remains very low in a historical context given the consistent reduction in vacancy across Prague over previous years from relatively high levels. In addition, differences in vacancy rates by district are large, at one end of the scale Prague 6 and 7 both have vacancy rates above 10%, in contrast to Prague 1 and 2 (below 3%).

Despite pressures on vacancy rates, prime rents increased by 2.2% since 2018 to €23.5/m², continuing the steady rate of increase prevalent over the past five years, and rising faster than other CEE major cities. Office location still plays a very important role and differences in the speed of leasing of available space are large among individual office hubs. Average asking rents across districts varies, but tends to be in the €10–€17/m² range, with the exception of Prague 1 (€17–€23.5/m²).

Prague office investment volumes in 2019 remained very high, representing more than double the investment volume of any other sector. This contributed to positive pressure on valuations and thus prime yields falling close to 4% for the first time, the lowest level across the CEE region.

Sources: Cushman & Wakefield, www.praguecitytourism.cz/en/our-services/statistics/guests-and-nights-revised-data-2012-2019-14836

Residential Properties

CPI BYTY is a core business for the group and can be traced back to CPIPG's origins. We have a significant market share in our geographic locations and believe that by investing in our portfolio we can continue to offer a solid value proposition to our tenants.

Petr Mácha, Director of CPI BYTY, Czech Republic

#2 residential landlord in the Czech Republic

Letňany Apartments, Prague, Czech Republic

CPIPG's residential platform, CPI BYTY, owns a stable portfolio of residential properties in prosperous industrial regions of the Czech Republic as well as in Prague. The portfolio was valued at €473 million at the end of 2019, increasing slightly since 2018.

Gross rental income exhibited solid growth of **€0.8 million (4.0%)** compared to the prior year, attributed to a combination of an increase in overall portfolio occupancy from 89.1% to **90.7%,** together with growth in like-for-like rents.

Receivables remain stable across all regions, where we continue to maintain tenant default rates below 1%.

Occupancy increased across all regions, especially in regions such as Ostrava and Ústí nad Labem where occupancy is improving from a lower base. However, even in regions such as Prague and Liberec where occupancy is close to 100%, increases were also recorded.

CPI BYTY has established a strong track record of improving occupancy throughout the portfolio, with further improvement expected in future. In the second half of 2019, the portfolio underwent the first phase of a refurbishment of 351 units in the Litvínov, Ústí nad Labem and Třinec portfolios. In addition, CPI BYTY is making selective disposals of dilapidated or vacant units in the Ústí nad Labem and Třinec portfolios, of which 20 were sold in 2019.

Both of these measures are aimed to boost occupancy in 2020.

Average market rents in our regions are higher than the rents we charge in our portfolio. While our strategic priority has historically been focused on improving occupancy, there is significant potential for improvement in rental income.

The rental market for residential properties in the Czech Republic remains robust. Market rents have been consistently rising in Prague and major regional cities for a number of years, buoyed by economic factors such as very low unemployment, population growth, rising wages and solid inflation. Furthermore, the rental market has been supported by the increasing unaffordability of housing in the country, rising interest rates and mortgage lending restrictions imposed in late 2018.

Region	Residential 2019				Residential 2018			
	PP value (€ million)	Occupancy* (%)	No. of units	No. of rented units	PP value (€ million)	Occupancy* (%)	No. of units	No. of rented units
Prague	**72**	**98.9%**	**461**	**456**	72	98.7%	465	459
Ostrava region	**171**	**87.9%**	**4,322**	**3,798**	172	87.0%	4,322	3,758
Ústí region	**139**	**89.2%**	**5,004**	**4,462**	127	86.9%	5,013	4,357
Liberec region	**86**	**98.5%**	**2,018**	**1,987**	76	96.7%	2,018	1,952
Central Bohemia	**5**	**100.0%**	**77**	**77**	5	98.7%	77	76
Total	473	90.7%	11,882	10,780	452	89.1%	11,895	10,602

* *Occupancy based on rented units.*

Development **Properties**

Selective development is an attractive way to continue growing our portfolio of income-generating assets. Our approach towards development is conservative, and we typically develop to hold.

Overall development activity in the Czech Republic remains subdued given the challenges associated with obtaining building permits.

CPIPG's development activities in the Czech Republic include both new developments and redevelopments of existing office and retail properties. The Company benefits from an extensive land bank which can be developed over time.

Once work on a development project is commenced, the area is presented either as a future sale (potential gross saleable area) or as a future rental (potential gross leasable area). The group primarily develops properties to hold and rent.

Bubenská Redevelopment Prague

- Bubenská 1 is a 26,400 m² office redevelopment in Prague 7
- Due for completion in 2020, built to the highest technological standards
- It will become the Prague headquarters of WPP, with a lease for 18 years
- Primarily office space as well as retail, wellness, big hall, storage and common space
- Located close to critical transportation infrastructure

Spektrum Redevelopment, Čestlice

- The redevelopment of Spektrum shopping centre in Čestlice began in 2019
- Creation of a 6,500 m² modern and convenience-oriented shopping experience
- Premium and minimalistic design, created by the renowned Chapman Taylor Architects
- Set to open in the spring of 2021, housing up to 20 retail units

ZET.office Development in Nová Zbrojovka, Brno

- The ZET.office development is a 20,000 m² modern office development in Brno
- The first modern development in the disused area of the former Zbrojovka factory
- ZET.office will offer modern office and co-working spaces, cafes and a fitness facility
- We have already signed two leases with KIWI.com and Axians, bringing pre-let occupancy to 63%
- Handover is scheduled for summer 2020

	Development 2019			Development 2018		
	PP value (€ million)	Potential GLA (m²)	Potential GSA (m²)	PP value (€ million)	Potential GLA (m²)	Potential GSA (m²)
Prague	57	26,000	10,000	42	34,000	20,000
Major cities	23	20,000	–	9	20,000	–
Other	13	14,000	–	6	7,000	–
Total	93	60,000	10,000	57	61,000	20,000

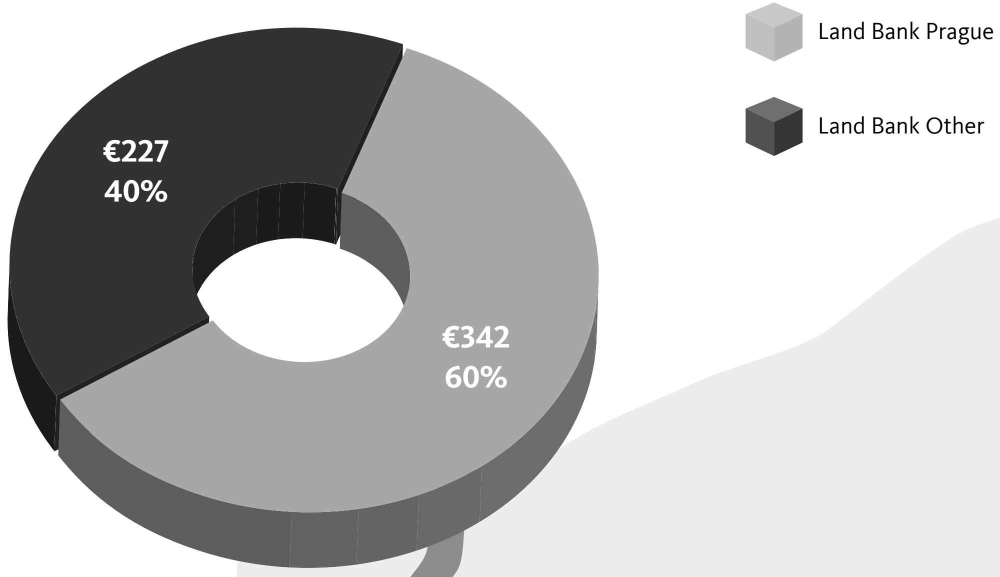
Land Bank in the Czech Republic

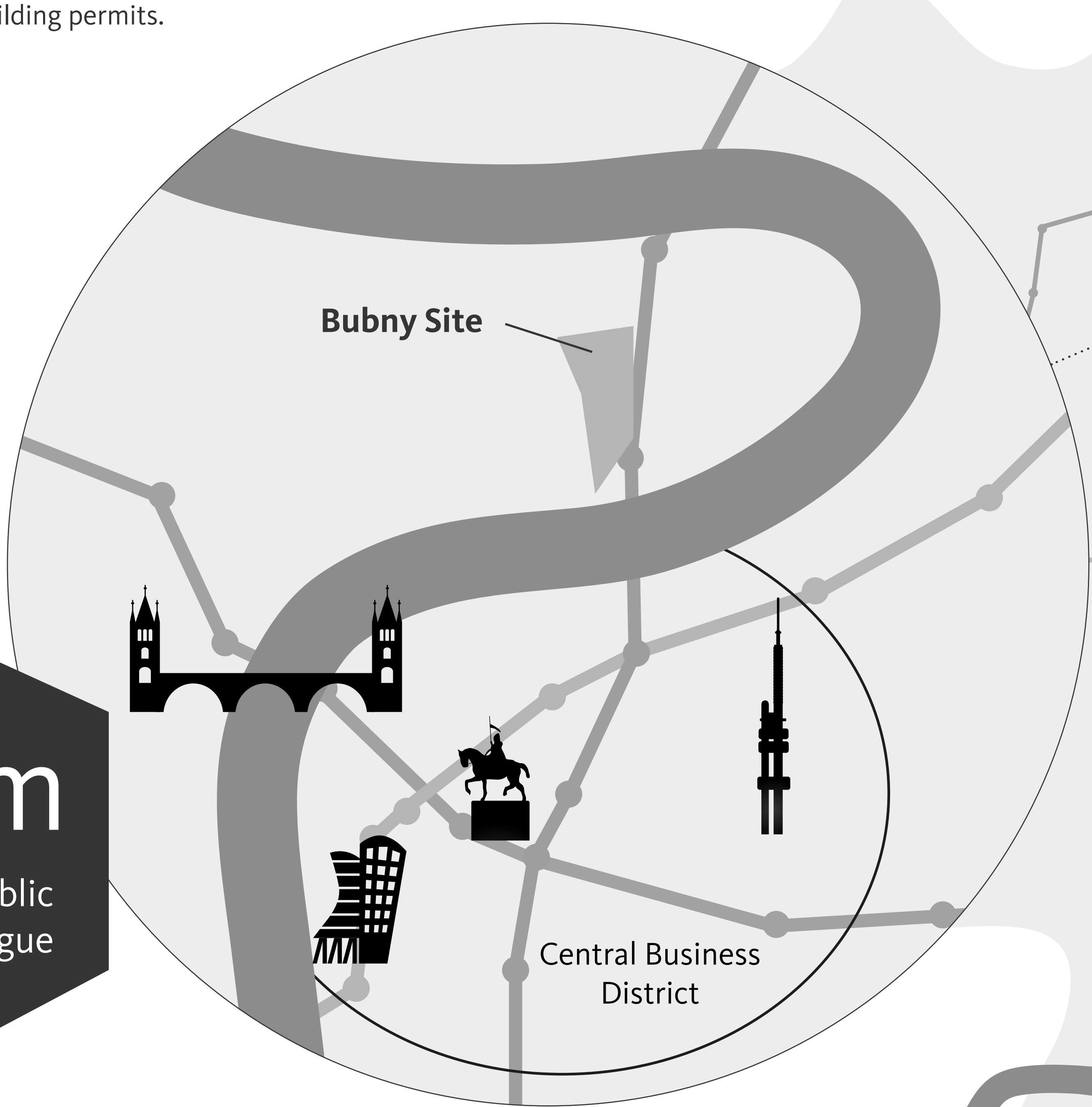
The Group's land bank of close to €570 million in the Czech Republic is a key strategic asset which can be held and developed over the long-term.

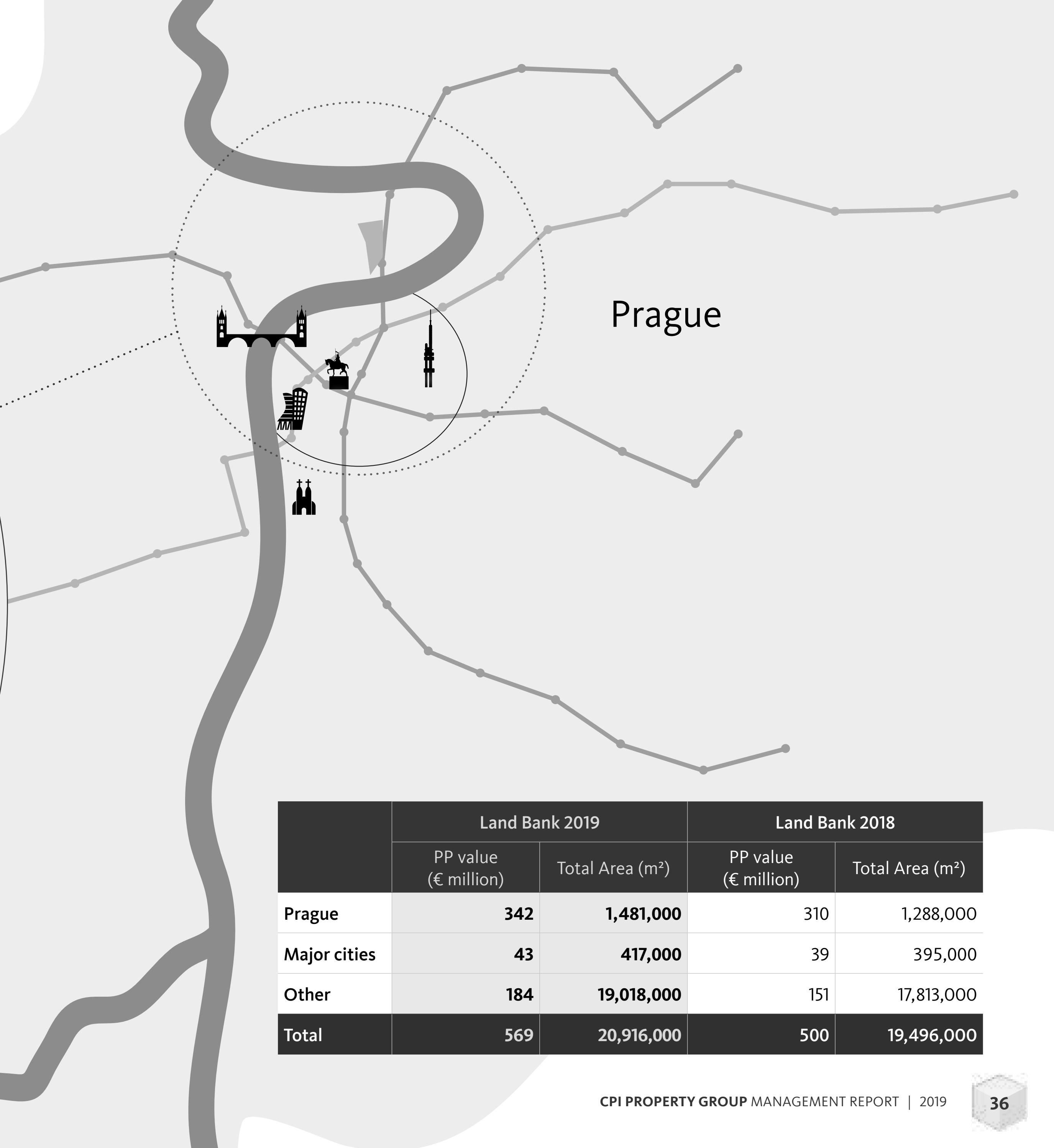
€342 million (60%) of the Czech land bank is in Prague, largely relating to Bubny, a 202,000 m² area strategically located close to the CBD and where we are already redeveloping one of our flagship offices, Bubenská 1, due for completion in 2020.

Our land bank is an important competitive advantage given the scarce availability of land in Prague, steadily increasing property valuations and constraints in obtaining building permits.

Land Bank in the Czech Republic
(€ million and %)







€342m

of our Czech Republic land bank is in Prague

	Land Bank 2019		Land Bank 2018	
	PP value (€ million)	Total Area (m²)	PP value (€ million)	Total Area (m²)
Prague	**342**	**1,481,000**	310	1,288,000
Major cities	**43**	**417,000**	39	395,000
Other	**184**	**19,018,000**	151	17,813,000
Total	569	20,916,000	500	19,496,000

Berlin

GSG BERLIN

Our subsidiary, Gewerbesiedlungs-Gesellschaft mbH ("GSG"), had a superb year in 2019, achieving record increases in valuations, net rental income, average rents and WAULTs.

GSG provides multi-functional premises for all kinds of small and medium-sized companies from the technology, creative, services and light manufacturing sectors. The strong market for office space in Berlin and GSG's asset management have driven consistently improving performance in terms of occupancy, rents and valuation.

GSG's Portfolio is Comprised of Three Main Clusters:

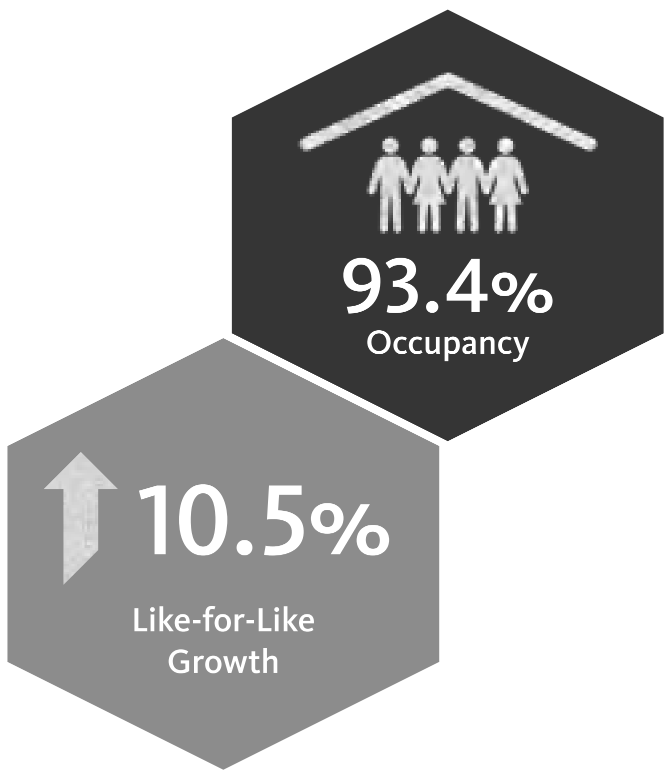
Kreuzberg is a district which has become a hub for the tech and start-up industries, which continue to experience strong employment growth.

Rest-West includes assets which are located in several western districts in Berlin. Most of these buildings have served industrial tenants in the past, but there is an increasing demand by tenants from the service, technology and creative industries.

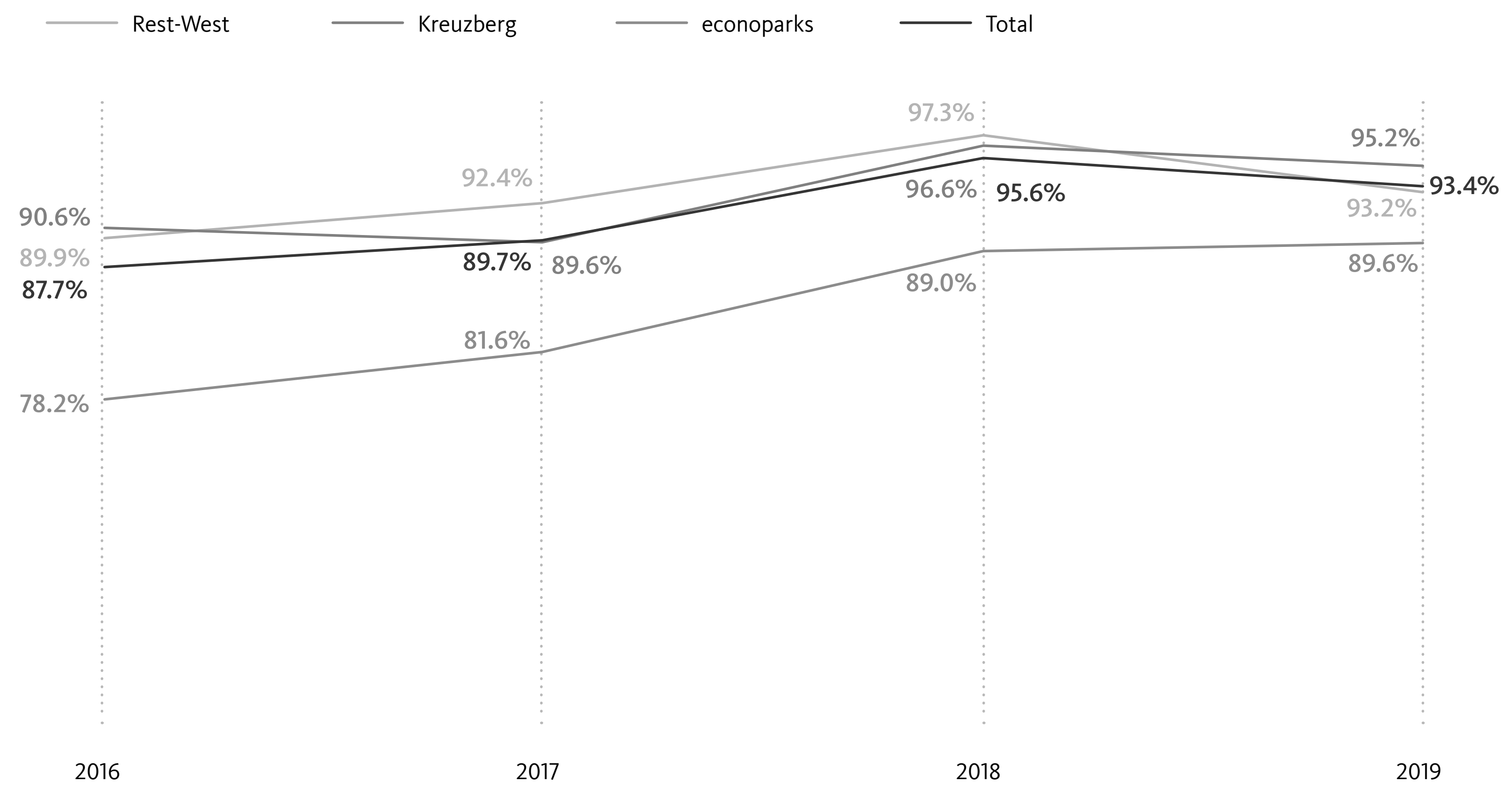
econoparks include assets from Eastern parts of Berlin with good inner-city connections and competitively priced space which tenants can tailor to meet their business needs and development/growth plans.

History of GSG

GSG was founded in 1965 as a joint venture by the Federal State of Berlin and local trade organizations to promote the development of economic infrastructure in West Berlin by developing or redeveloping suitable office and commercial space to offer to small and medium-sized enterprises and start-ups. The company was privatized in 2007 and was acquired by the Group in 2014.



Occupancy Rate
(based on Estimated Rental Value)



Berlin is the most international city in Germany and *continues to attract* new residents and jobs, driving **consistent demand for office space.**

- #1 commercial real estate platform in Berlin
- Portfolio uniquely suited to creative and IT sectors
- Nearly 2,000 tenants
- Strong market with 1.6% overall vacancy

Oliver Schlink
CFO, GSG Berlin

Summary

> *GSG is proud of our 55-year track record of working closely with tenants to deliver space which fits their needs.*
> *Oliver Schlink, CFO, GSG Berlin*

Sebastian Blecke, COO and Oliver Schlink, CFO, GSG Berlin

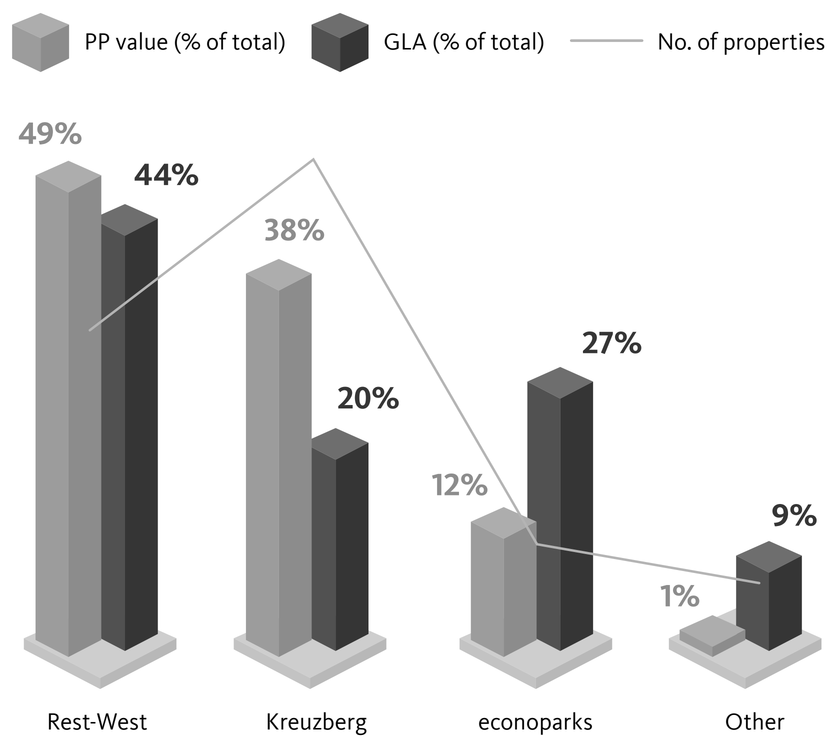
photo: GSG Berlin © CHL

The value of the portfolio increased significantly by more than **€0.4 billion,** standing close to **€2.5 billion** at the end of the year. The increase was attributed to positive revaluations primarily in West Berlin (our Kreuzberg and Rest-West clusters), where the commercial real estate market is especially strong.

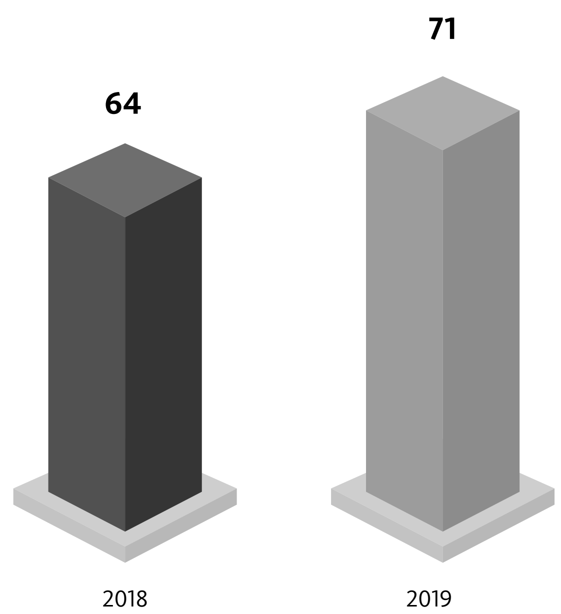
Net rental income increased by almost **13%** to **€71.4 million** in 2019. The majority of this increase is attributed to like-for-like growth in rents. Completed developments also contributed to the increase, given the successful redevelopment of AQUA-Höfe in the second half of 2018, as well as the opening of "The Briq" in early September 2019. GSG expects the strong trajectory in increasing rental income and average rents to continue, further bolstered by upcoming development projects.

Overall occupancy declined slightly to 93.4% at the end of 2019, compared to 95.6% at the end of 2018. This was primarily due to investments we made to upgrade vacant space (mostly in West Berlin), which resulted in an increase in the value of vacant space at year-end when revalued, impacting EPRA occupancy. These **investments are strategic and will enhance GSG's portfolio value** as well as our ability to rent vacant space more easily and at a higher rent in future. Occupancy in terms of GLA actually increased by about 0.5% in 2019, which in this case is a more relevant and less distorted indicator of demand for space in our portfolio. We also see a positive outlook for occupancy rates, especially in our econoparks cluster where the vacancy rate remains over 10%. Increasingly, some tenants are seeking more affordable locations away from the CBD. Here we offer great opportunities with our high quality assets.

Our Berlin Portfolio



Net Rental Income
(€ million)

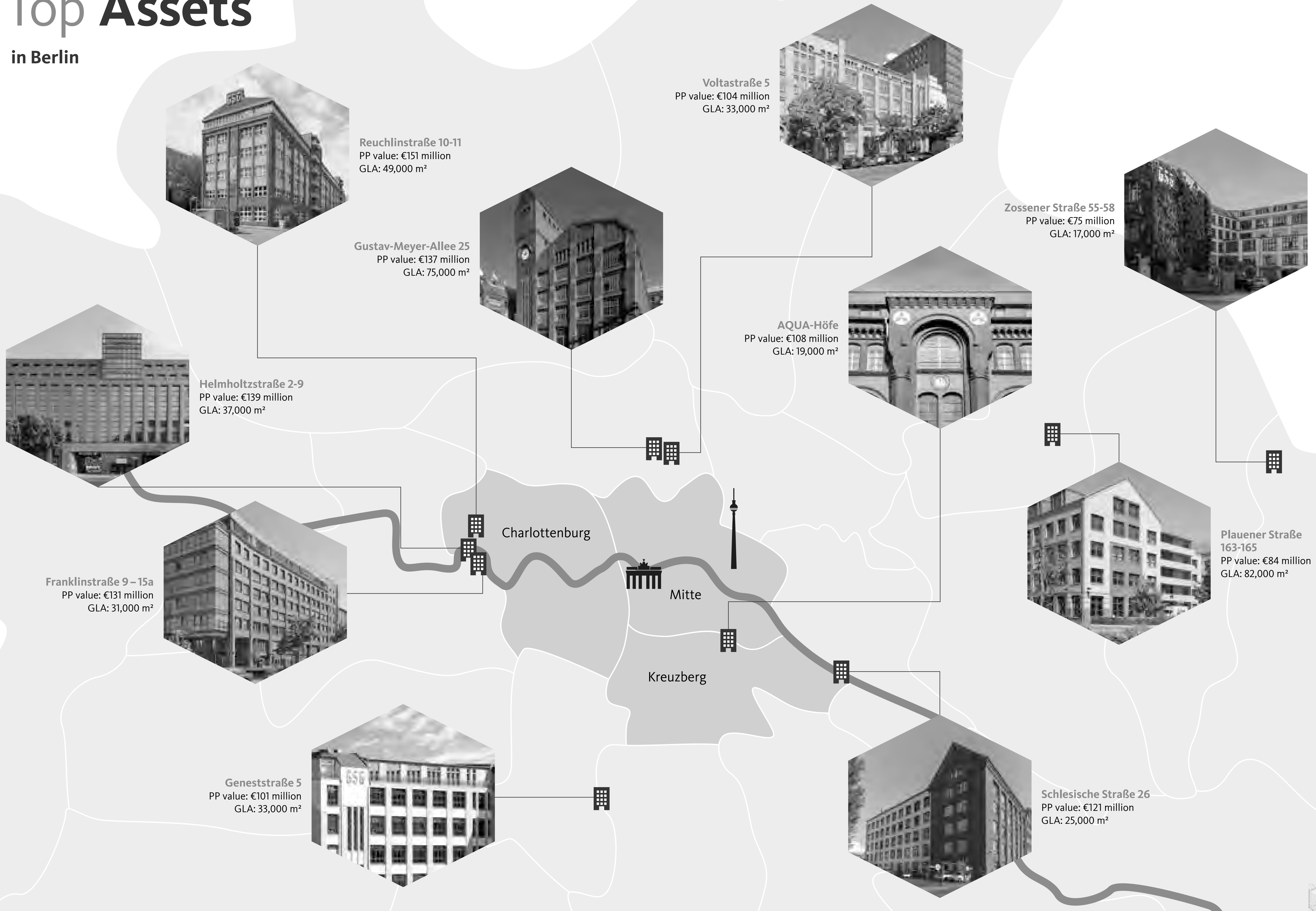


	Berlin 2019				Berlin 2018			
	PP value (€ m)	Occupancy* (%)	GLA (m²)	No. of properties	PP value (€ m)	Occupancy* (%)	GLA (m²)	No. of properties
Rest-West	**1,197**	**93.2%**	**428,000**	**16**	958	97.3%	430,000	16
Kreuzberg	**941**	**95.2%**	**198,000**	**25**	794	96.6%	204,000	25
econoparks	**304**	**89.6%**	**262,000**	**5**	277	89.0%	263,000	5
Other*	**26**	**100.0%**	**84,000**	**3**	27	100.0%	84,000	3
Total	2,468	93.4%	971,000	49	2,056	95.6%	981,000	49

** "Other" consists of Wupperstraße and Ettlingen*

Top **Assets**

in Berlin



Reuchlinstraße 10-11
PP value: €151 million
GLA: 49,000 m²

Gustav-Meyer-Allee 25
PP value: €137 million
GLA: 75,000 m²

Helmholtzstraße 2-9
PP value: €139 million
GLA: 37,000 m²

Franklinstraße 9 – 15a
PP value: €131 million
GLA: 31,000 m²

Geneststraße 5
PP value: €101 million
GLA: 33,000 m²

Voltastraße 5
PP value: €104 million
GLA: 33,000 m²

AQUA-Höfe
PP value: €108 million
GLA: 19,000 m²

Zossener Straße 55-58
PP value: €75 million
GLA: 17,000 m²

Plauener Straße 163-165
PP value: €84 million
GLA: 82,000 m²

Schlesische Straße 26
PP value: €121 million
GLA: 25,000 m²

€26/m²

Market average in Berlin

€7.3/m²

Our average rent for Berlin

€14/m²

Savills estimated average market rent for our portfolio

Waldemarstraße, Berlin, Germany

photo: GSG Berlin © CHL

Record increases in rents in 2019, continued upside potential

The continued structural supply/demand imbalance in Berlin continues to drive average rents higher across the city. GSG's average rents increased by **10%** year-on-year to **€7.3/m²** (versus €6.6/m² in the prior year), driven predominantly by increases achieved with existing tenants in Kreuzberg (+14.7%) and Rest-West (+9.3%). For example, in 2019 we managed to achieve a rent of €30/m² at Lobeckstraße, a first for our portfolio. Nevertheless, increases were also achieved in our econoparks cluster, where we achieved a **4.7% increase in average rents.**

According to management analysis in consultation with external advisors, **GSG's average rents are still well below the Berlin market average.** Savills places our estimated average market rents at €14 per m², in contrast to the Berlin average of €26 per m².

The Group sees significant upside potential in the Berlin portfolio. Not only are we able to consistently increase rents in our existing assets, we are also able to lease new developments at rents in line with the market. For example, in "The Benjamin" a development in the Franklinstraße area due for completion towards the end of 2020, in the second half of the year we signed a new lease contract with Flaconi for the entire building. Similarly, in "TorHaus²" a recently-started 9,000 m² development on Helmholtzstraße, the property was fully let to a software developer for the automotive industry in the second half of the year. On 1st September 2019, a subsidiary of a blue-chip automotive company moved into our recently-completed development "The Briq" in the Franklinstraße area. In each of these cases, **we were able to sign leases which are longer than our overall WAULT** and in the range of **€25 to €30/m²,** reflecting current market rents. This – and other deals – also helped to support an increase in GSG's WAULT by 0.1 years to 3.2 years at the end of 2019. Nevertheless, our rents are expected to remain comparatively affordable compared to most prime office real estate in Berlin for some time.

Average Rent

(per m² by Berlin clusters)

	2015	2016	2017	2018	2019
Rest West	€5.95	€6.30	€6.62	€6.80	**€7.43**
Kreuzberg	€7.22	€8.00	€9.00	€10.44	**€11.98**
econoparks	€4.41	€4.44	€4.48	€4.56	**€4.78**
Other*	€1.20	€2.03	€2.05	€2.98	**€3.14**
Total	**€5.49**	**€5.86**	**€6.22**	**€6.63**	**€7.27**

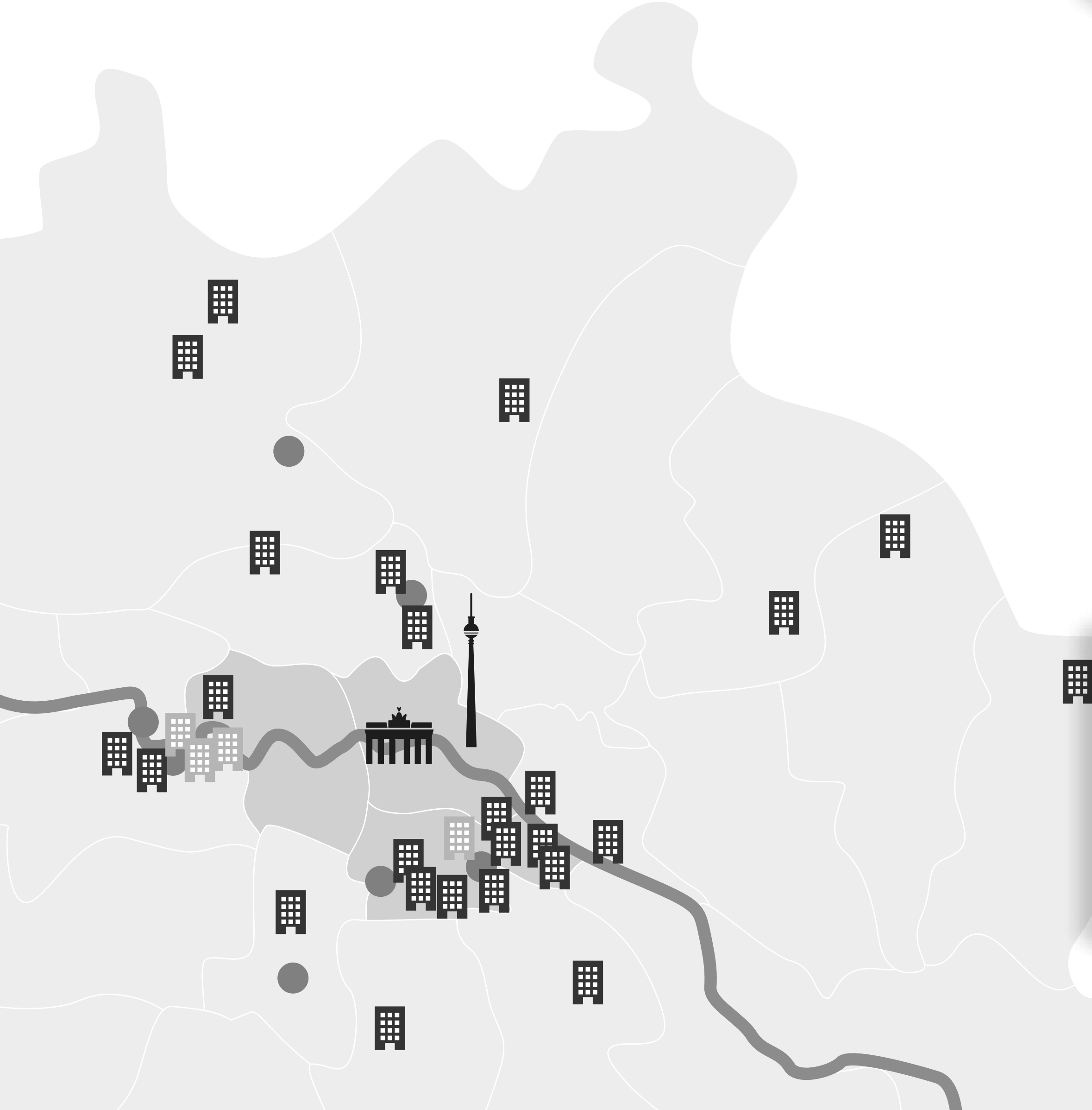
** "Other" consists of Wupperstraße and Ettlingen*

Development Properties & **Land Bank** in Berlin

GSG owns land bank plots in attractive areas, with close proximity to our existing assets. This provides opportunities for low risk extensions and developments.

Given the magnitude of office demand in Berlin, which continues to exceed supply, property prices are rising. Besides significant growth in rents and falling yields, development of our strategic land bank plots provides another source of growth for portfolio value and rents. In our new developments we are able to attract blue-chip tenants with rents in line with the Berlin market.

For significant new-build developments, GSG always applies for BREEAM certification, which helps support the Group's ESG objectives.



The Briq

- Comprises the conversion of an existing storage building into a modern office
- Highly attractive location in the Franklinstraße area of Charlottenburg, close to the Spree river
- Over 1,400 m² of new GLA
- Was completed in the second half of 2019
- Fully pre-let to three separate tenants prior to completion
- Attractive rent in line with the market

Prinzessinnen-Höfe

- Comprises the conversion of an existing storage building into a modern office
- Highly attractive location in the Franklinstraße area of Charlottenburg, close to the Spree river
- Over 8,800 m² of new GLA
- Scheduled for completion in the second half of 2020
- Fully pre-let to the subsidiary of a blue-chip automotive manufacturer
- Attractive rent in line with the market

The Benjamin

- A new landmark building in the Franklinstraße area of Charlottenburg
- Desirable location, directly on the Spree river
- Due for completion in Q4 2020
- Over 5,000 m² of new GLA
- We have leased the entire building to Flaconi
- Attractive rent in line with the market

TorHaus²

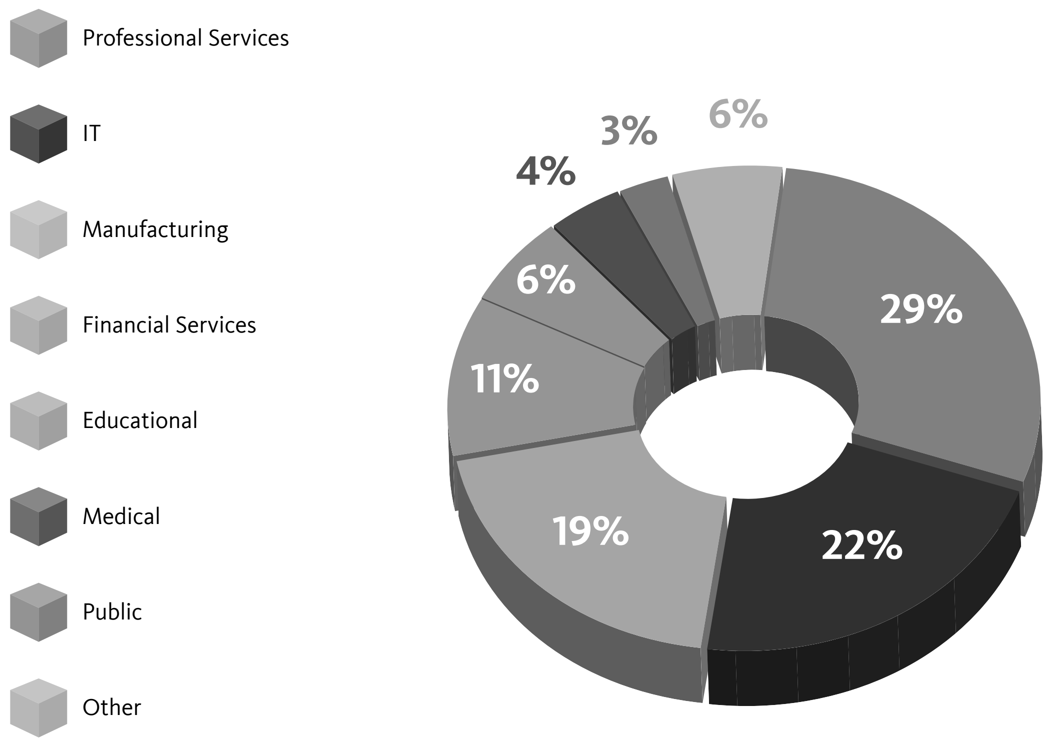
- A new development comprising an extension to the existing GSG courtyard at Helmholtzstraße, Charlottenburg
- Desirable location, directly on the Spree river
- Due for completion in Q4 2021 and tenant handover in Q1 2022
- Over 8,000 m² of new GLA
- We have leased the entire building to a software developer for the automotive industry
- Attractive rent in line with the market

Our Tenants

GSG has about 2,000 tenants across nearly one million square metres of space in Berlin. Strong markets and active asset management allows us to retain tenants, even as rents are rising across the portfolio; **the "churn" rate of tenants continues to improve, having fallen to around 2.1% at the end of 2019 compared to 5.7% at the end of 2018.**

Our offices cater to burgeoning demand from dynamic, creative IT and professional services-focused companies and other small businesses. At the same time, tenant diversity as well as granularity is a key strength as GSG also attracts large international companies. For example, we recently signed a new lease with a Dax 30-listed company for the first time in our portfolio.

GSG Tenants by Type



GSG Berlin leadership team

Market Overview

At 1,016,900 m² of office take-up, rising by 17% from the previous year, 2019 set a record for the strongest year ever in Berlin. This record level was largely due to leases in development projects. 490,100 m² of take-up was in this segment, almost half of the total take-up. The third quarter was the strongest with 361,300 m² let between July and September alone.

The vacancy rate remained unchanged year-on-year, at a very low 1.6%. Especially in the central office locations there is a lack of space that is available for immediate occupancy – only 27% of this space, approximately 81,500 m², is located here, and this is also limited to small and medium-sized spaces. At 634,200 m², a historically large amount of space from new construction and core renovation is expected to be completed in 2020, but 80% of this space has already been pre-let.

In the last twelve months the prime rent increased by 18% to €39.00/m²/month, the weighted average rent increased by 26% to €26.10/m²/month, higher than any other office market in Germany.

Office investment volume totaled almost €9 billion making Berlin the top market. Prime yields in central and peripheral locations fell by 20 and 15 basis points respectively, in the first nine months of 2019, but have remained stable since then and are now standing at 2.90% and 4.15% respectively.

Part of the driving force behind the trajectory of the Berlin market is the burgeoning growth of technology-focused start-ups. Despite only representing 4.4% of the German population and 4.3% of national GDP, close to 60% of all investment in German start-ups was invested in Berlin-based companies in 2019 (in contrast, Bavaria has a market share of only 25% while all other 14 federal states have a combined market share of 15%). Berlin plays a dominating role in the fin-tech/insure-tech segments, with about 80% market share of invested capital and financing rounds, as well as a dominant 72% share in the e-commerce sector.

Sources: Cushman & Wakefield, EY: Start-up-Barometer Deutschland

Hotels & Resorts

CPIPG owns and operates our hotels, which are primarily located in the CEE region. We benefit from local knowledge, scale, and the ability to tightly control costs.

The Group's hotel business, CPI Hotels, is one of the largest hotel owners in central Europe and operates in several segments:

Congress & Convention Centres: operating under the Clarion, Quality, Comfort and Holiday Inn brands, these hotels are designed for conferences and events with a dedicated sales force to attract and retain corporate groups.

Resort Hotels: the Group owns Sunčani Hvar, which is the leading owner and operator of hotels on the Croatian resort island of Hvar.

Boutique Hotels & Residences: well established brand Mamaison Hotels & Residences and Buddha-Bar Hotel, located in the heart of European capitals. The very highest quality of accommodation and personal touch.

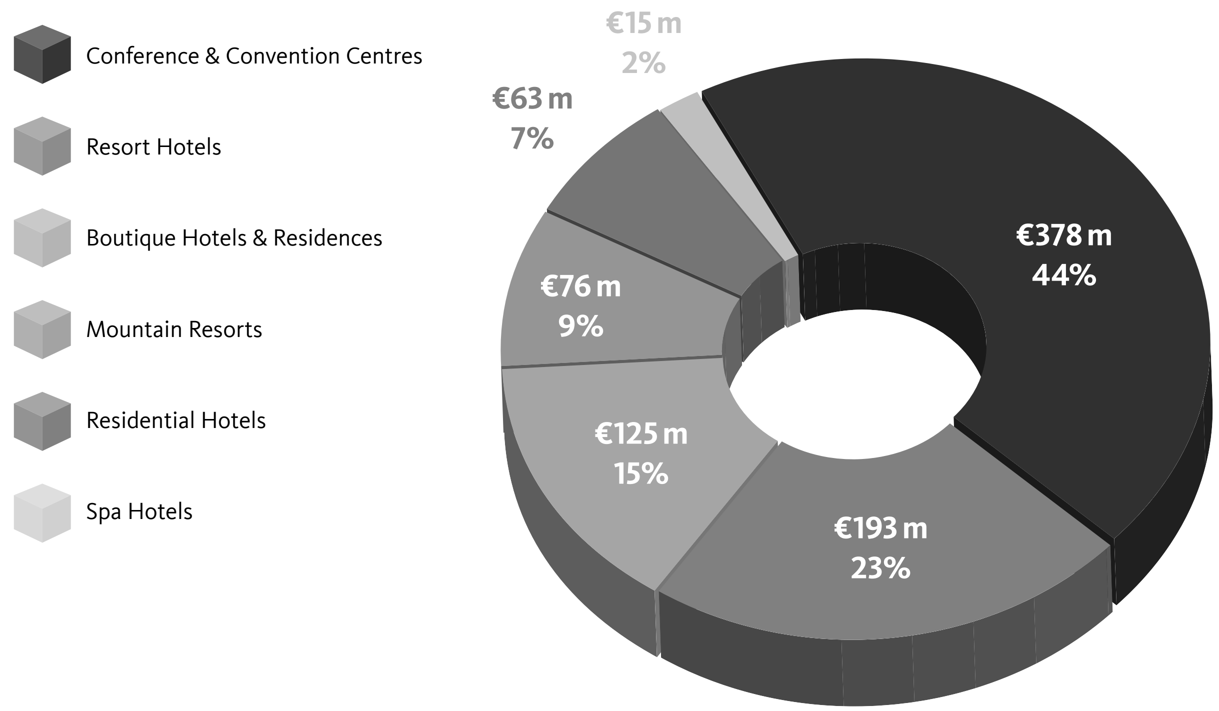
Residential Hotels: these hotels are well-suited for long-term accommodation and are popular with business travellers and tourists. Our properties in this segment are primarily located in Prague.

Mountain Resorts: the Group is the majority owner of Crans-Montana Aminona SA ("CMA"), which operates and maintains the ski lifts, pistes, shops and restaurants in the Swiss ski resort of Crans-Montana.

Spa Hotels: the newly established brand Spa & Kur Hotels offers wellness and spa treatment properties located in the world-famous spa city Františkovy Lázně.

Jan Kratina,
Director of CPI Hotels

CPIPG Hotels by Type (based on property portfolio value)



Summary

	Hotels & Resorts 2019					Hotels & Resorts 2018				
	PP value (€ million)	Hotel Beds	RevPAR YoY increase (%)	ADR YoY increase (%)	No. of properties	PP value (€ million)	Hotel Beds	RevPAR YoY increase (%)	ADR YoY increase (%)	No. of properties
Czech Republic	**431**	**8,971**	**6**	**6**	**23**	332	7,855	7	9	20
Croatia	**193**	**1,646**	**(1)**	**(4)**	**7**	178	1,646	(5)	1	7
Hungary	**61**	**756**	**10**	**7**	**4**	58	756	9	7	4
Italy	**36**	**543**	**(9)**	**1**	**1**	38	543	–	–	1
Poland	**30**	**216**	**(3)**	**(2)**	**2**	26	216	(9)	(4)	2
Russia	**24**	**184**	**(12)**	**(12)**	**1**	21	184	20	16	1
Switzerland	**76**	**–**	**–**	**–**	**1**	74	–	–	–	1
Slovakia	**–**	**100**	**19**	**15**	**–**	–	100	1	(1)	–
Total	851	12,416	1	1	39	726	11,300	8	9	36

Note: Czech Republic & Slovakia includes hotels operated, but not owned by the Group.

Holiday Inn Brno, Czech Republic

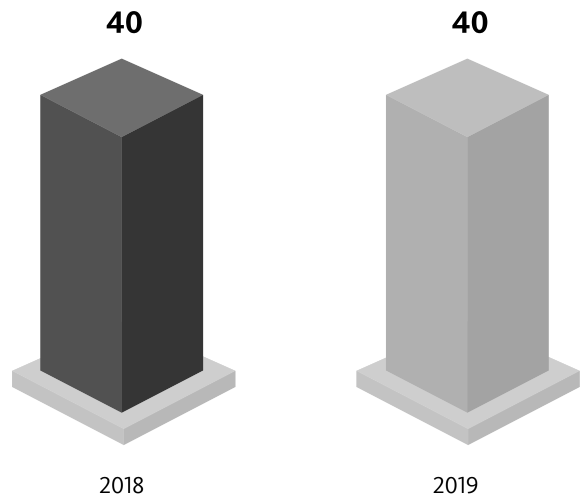
Our Hotel Brands and Partnerships

Clarion Hotel · Comfort Hotel · Holiday Inn · sunčani hvar hotels · FORTUNA HOTELS · PRIVATE LABEL HOTELS · buddha-bar hotel PRAGUE · mamaison Hotels & Residences · SPA & KUR HOTELS

The value of CPIPG's hotels and resorts portfolio increased to **€0.9 billion** at the end of 2019, rising from €0.7 billion at the end of 2018, primarily due to the **acquisition of two properties** in the Czech Republic in the first half of the year (Quality Ostrava City and Holiday Inn Brno), together with the opening of the Palace Elisabeth Hotel on Hvar towards the end of the third quarter. Longin Business Center has also been reclassified from our office portfolio into the hotels & resorts portfolio at the year-end under the Mamaison Hotels & Residences brand.

The profile of our owned and operated hotels portfolio remained very similar to the end of 2018, with just less than half (44%, €378 million value) relating to conference and convention centres, around a quarter (€193 million) relating to resort hotels in Hvar, with the other quarter split between primarily boutique hotels (€125 million), the Crans-Montana mountain resort (€76 million) and residential and spa hotels (€78 million).

Net Hotel Income (€ million)



Performance Overview

Palace Elisabeth Hotel, Hvar, Croatia

Hotels

In our hotels portfolio, we achieved a RevPAR and ADR **increase of about 1%** in 2019. Combined with stable average occupancy figures of 67%, overall hotel **revenues grew significantly to €134 million** (+10%). The strong year-on-year growth was also boosted significantly by the acquisition of the Holiday Inn Hotel in Rome in June 2018, and to a lesser extent two acquisitions made in the Czech Republic in the first half of 2019.

Our largest market, the Czech Republic, which represents more than 50% of our hotel revenues, achieved year-on-year **revenue growth of 12%**. On a like-for-like basis excluding 2019 acquisitions, ADR and RevPAR increased by 5% and 7% respectively, together with a 1% increase in average occupancy.

The strong performance in our Czech Republic portfolio was broad-based, with close to 90% of our hotels achieving revenue increases in 2019, with the largest contributor being our congress hotels. The Group announced the acquisition of a four-star congress hotel in Brno at the end of the first half of 2019, expanding our congress hotel portfolio and our regional presence. This was our first hotel acquisition in Brno, the second largest city in the Czech Republic, and will be rebranded to Quality Hotel Brno Exhibition Center in early 2020. The hotel is in a strategic location close to the trade fair and exhibition compound in Brno. CPI Hotels further strengthened its position in the regional cities in the Czech Republic, in February acquiring the Park Inn Hotel in Ostrava with the following rebranding to Quality Hotel Ostrava City. Quality Hotel Ostrava City is a modern four-star conference hotel with 185 rooms and conference space for up to 400 delegates. CPIPG at the end of the year finished the full renovation of a Comfort Hotel Prague City East. It is the latest addition to the congress hotels segment and introduces to the market a whole new hotel experience in the selected service conference hotel. The property opened on January 2nd 2020.

Sunčani Hvar, our resorts business in Croatia, is the **#1 owner of hotels on the island of Hvar**. Performance in 2019 was Sunčani Hvar's best year to date, supported by a record pre-season, followed by the opening of Palace Elisabeth in the second half. An increase in room nights sold of 4.9% drove average occupancy across the portfolio from 74% to 76%. Despite stable RevPAR and a slight decrease in ADR of 4%, the higher occupancy was sufficient to drive revenues 2.6% higher in 2019 to **€29.6 million**. Our five largest resorts, which together represent close to 90% of Sunčani Hvar's revenues (Amfora, Adriana, Riva, Pharos and Vela Vala Beach), all achieved average revenue growth over the prior year of close to 3%.

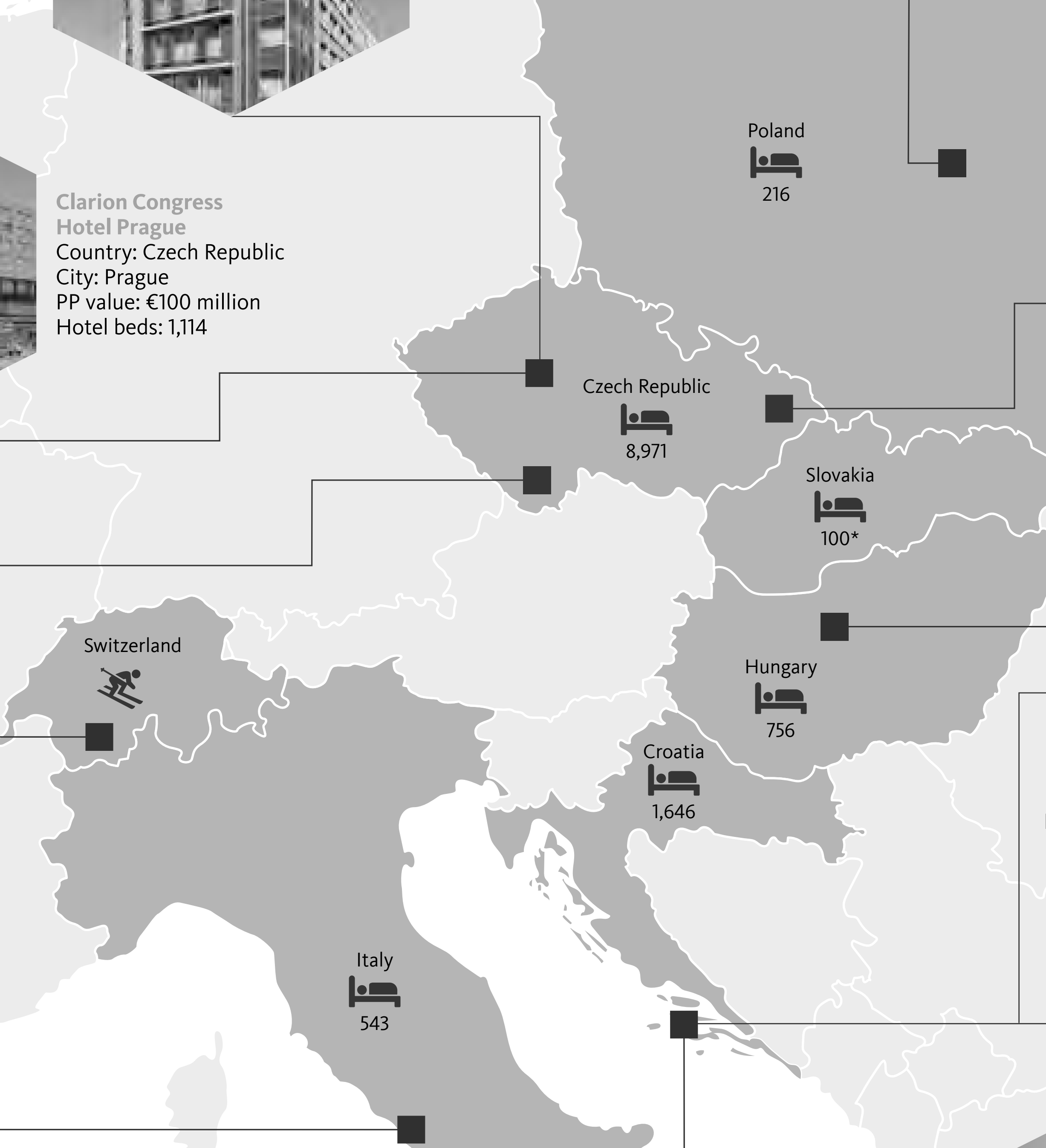
On 1st September 2019, we opened the doors of Palace Elisabeth, the first and only 5-star hotel on the island of Hvar, and the first member of the "Leading hotels of the world in Split-Dalmatia County". The hotel boasts 45 luxury rooms and suites, and some of the finest views of the island.

Given many of our visitors come from demanding and technology-driven tourism markets such as the USA and UK (representing 44% of overnight stays in 2019), digital marketing is fundamental to our marketing strategy. Besides continued investment in social media and PR in order to increase brand recognition and awareness, we continue to improve user access and experience through digital innovation (e.g. "mobile first" philosophy, Google smart bidding in the US market, new software that will enable a "360 degree view" of our guests and their preferences).

Top **Assets**

Hotels & Resorts

Number of Hotel beds in each country



Mamaison Residence Downtown Prague
Country: Czech Republic
City: Prague
PP value: €37 million
Hotel beds: 346

Mamaison Hotel Le Regina
Country: Poland
City: Warsaw
PP value: €19 million
Hotel beds: 122

Clarion Congress Hotel Ostrava
Country: Czech Republic
City: Ostrava
PP value: €24 million
Hotel beds: 327

Clarion Congress Hotel Prague
Country: Czech Republic
City: Prague
PP value: €100 million
Hotel beds: 1,114

Europeum Marriott Courtyard
Country: Hungary
City: Budapest
PP value: €29 million
Hotel beds: 468

Clarion Congress Hotel České Budějovice
Country: Czech Republic
City: České Budějovice
PP value: €25 million
Hotel beds: 407

Palace Elisabeth Hotel
Country: Croatia
City: Hvar
PP value: €15 million
Hotel beds: 146

Crans-Montana Ski Resort
Country: Switzerland
City: Crans-Montana
PP value: €76 million

Holiday Inn Rome Eur Parco Dei Medici
Country: Italy
City: Rome
PP value: €36 million
Hotel beds: 543

Amfora Grand Beach Resort
Country: Croatia
City: Hvar
PP value: €96 million
Hotel beds: 648

Adriana Hotel
Country: Croatia
City: Hvar
PP value: €25 million
Hotel beds: 118

** Operator: CPI Hotels, Owner: third party investor*

The successful opening of Palace Elisabeth, the first and only five-star hotel on Hvar, marked the pinnacle of 2019 for Sunčani Hvar. This not only consolidated our leading position on the island, but will enhance the breadth and quality of our offering for future visitors.

Gordana Tomičić, President of the Management Board, Sunčani Hvar Hotels, Croatia

Palace Elisabeth Hotel, Hvar, Croatia

Hotel Markets

Czech Republic and Prague

Tourism numbers increased again in the Czech Republic in 2019, the seventh consecutive year of growth. The total number of guests was up 4.1% compared to the same time last year, with overnight stays growing by 3.5%. There was a roughly 50:50 split between Czech nationals and foreigners, though growth of the former is slightly faster at 4.4% vs. 2.6%. In 2019, all regions except Vysočina saw an increase in guests and overnight stays. Broad-based growth across the country shows encouraging increases in tourism beyond Prague to many of the country's other notable urban and natural sights. Germany was the biggest source of foreign tourists visiting the Czech Republic, up 2.2%, followed by Slovakia (+2.6%) and Poland (+8.4%).

In Prague, the total number of guests was up 1.6% compared to the same time last year, with overnight stays growing by 0.9%. Of the 18.4 million overnight stays in 2019, only roughly 11.5% related to Czech residents vs. foreign tourists, also the driving factor behind the growth in total overnight stays. Prague's largest source of incoming foreign tourists is from Germany, making up close to 13% of all tourist overnight stays in 2019, albeit slightly lower than in 2018, while the top 10 countries account for close to 60%. In 2019, the top 10 saw an increase in both guests and overnight stays, with strong increases from the USA, France, UK, Poland and Slovakia. In addition, while the number of guests and overnight stays from China and Korea declined slightly, there was significant growth from Taiwan (+16.3% / +9.6% respectively) and other Asian countries collectively (+20.4% / +16.8% respectively).

Croatia and Hvar

In 2019, 19.57 million tourist arrivals and 91.24 million tourist nights were realised in commercial accommodation in Croatia, which is 4.8 percent and 1.8 percent more (respectively) than in 2018. Structurally, 2019's growth in tourist nights resulted from an increase in the number of overnight stays by domestic (9.5%) and foreign (1.2%) tourists.

In the structure of overnight stays made up by foreign tourists, the most overnight stays were recorded by tourists from Germany (19.94 million), Slovenia (7.50 million) and Austria (7.06 million), with the strongest growth coming from Slovenian tourists (+3.1%). Tourists from these three countries alone accounted for as much as 41% of overnight stays realised by foreign tourists, although the last five years has seen consistent growth in tourism from the UK and Far East.

In the Split-Dalmatia region, visits increased 4.9% and overnight stays increased by 1.9%. Hvar specifically saw visitors up 1.7%, nights down 2.4% overall. Sunčani Hvar's 2019 performance therefore significantly outperformed the overall market.

Hvar continues to establish itself as a holiday destination of choice for both long and short haul travellers and the island continues to win numerous industry accolades. Among them, **Hvar was voted the "#1 island in Europe"** by Conde Nast Traveler Readers Choice Awards 2019.

Hvar's guests come from all over the world, with heavy demand from the USA, followed by the UK, Canada, Australia, Brazil, and more latterly strong demand from the Far East, especially China and Korea. Visits to the island and to our hotels were also enhanced during the year due to an increase in the number of catamaran lines between Split and Hvar.

Sources: Czech Statistical Office, Croatia Central Bureau of Statistics, https://www.dalmatia.hr/hr/statistike/turisticki-promet-u-2019-godini

Complementary Assets

The complementary assets portfolio primarily consists of the Group's platforms in Poland and Hungary. This cluster also includes investments in Slovakia, France, Italy, the UK and Romania.

Overall portfolio value increased significantly to **€2.0 billion** at the end of 2019 from €1.3 billion in the prior year, primarily as a result of **office acquisitions in Warsaw, Poland** towards the end of 2019. In addition, the increase was also supported by completed developments and positive revaluations in Hungary, together with two acquisitions in London: 7 St James's Square and seven homes in West Village, Notting Hill.

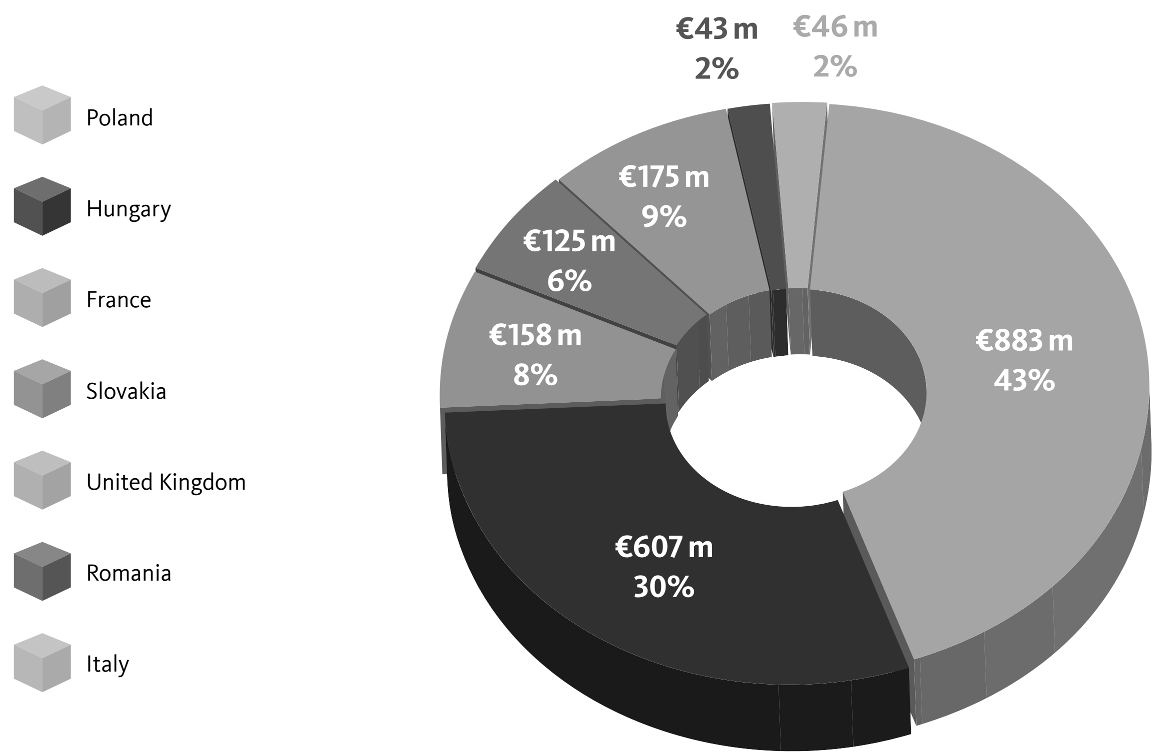
NRI increased to **€69 million** in 2019 compared to €57 million in the prior year. This was mainly driven by office and retail acquisitions in Poland at the end of the first half of 2018, but also bolstered by robust like-for-like growth in rents in Hungary. Acquisitions in Poland completed in the last two months of 2019 had a less significant impact on rental income in 2019, but are expected to have a more significant impact on results in 2020.

Occupancy declined slightly to 93.6% from 95.2% at the end of 2018, somewhat skewed by exceptional and temporary factors – primarily, completed developments in Hungary where occupancy has continued to increase after the year-end, together with tenant changes in existing office assets in the Poland portfolio.

CPIPG has a positive outlook for its main markets within the Complementary Assets cluster, Poland and Hungary, especially the office markets of Warsaw and Budapest. In early October 2019, CPIPG announced that the Group was targeting a pipeline of office acquisitions in Warsaw over the fourth quarter of 2019 and the first quarter of 2020. By the end of 2019, the Group had already executed over €560 million of acquisitions across three properties, significantly increasing the emphasis on Warsaw offices within our overall portfolio. CPIPG completed additional acquisitions in Warsaw in early 2020, hence Poland is likely to continue to gain in prominence not only within the Complementary Assets cluster, but also for CPIPG as a whole.

- Assets primarily in Poland and Hungary, with local teams and platforms
- Net rental income increased by 21% in 2019
- Provides the Group with an additional level of diversification
- Significant expansion in Warsaw offices began in Q4 2019

Complementary Assets Portfolio (by value)

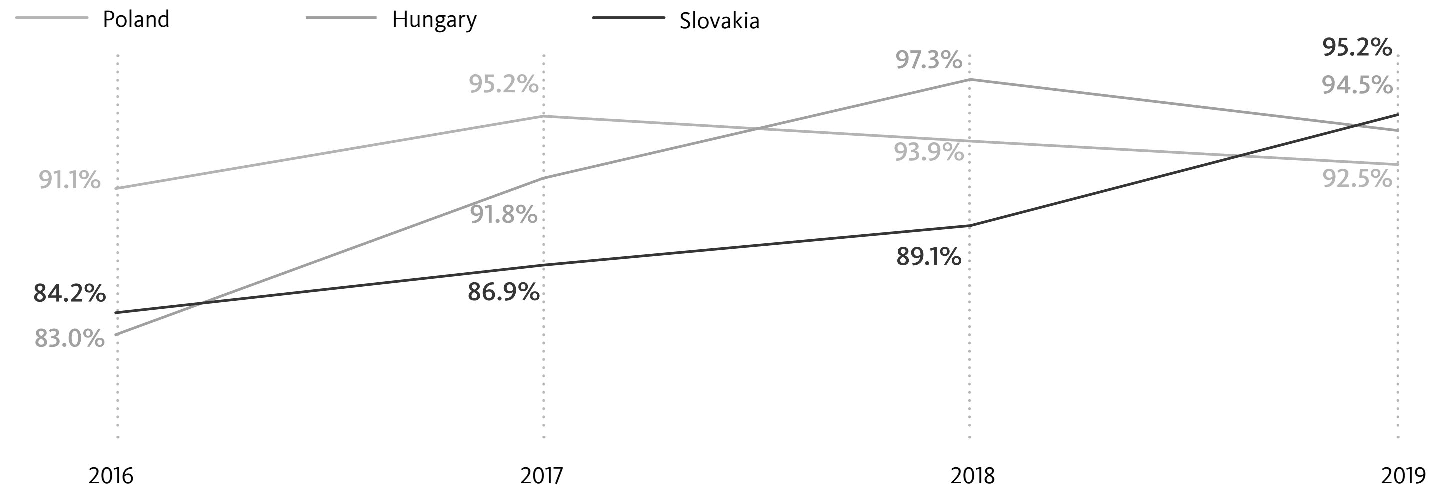


We believe in providing modern, enjoyable and sustainable environments for our tenants, which ultimately enhance their experience in our properties. Our recent award-winning development, Balance Hall, is the ultimate expression of this ethos.

Mátyás Gereben, Country Manager, Hungary

Quadra Building, Budapest, Hungary

Occupancy Rate



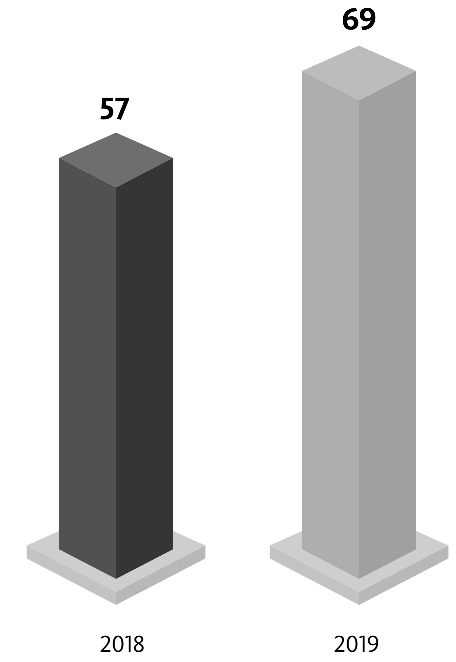
Significant Investments in Green Certified Assets

Many of the assets in the Complementary Assets portfolio have received strong green certifications, and this has increased significantly this year in light of recent acquisitions in Poland and new certifications in Hungary.

In Poland, the green portfolio was significantly enhanced in 2019 through the acquisitions of Eurocentrum and Green Corner A **(LEED Platinum)**, Warsaw Financial Centre **(LEED Gold)** and Equator IV **(BREEAM Very Good)**. Ogrody shopping centre is also certified **BREEAM Very Good.** Three of the four acquisitions in Warsaw in the first quarter of 2020 are also certified.

In Hungary, office buildings certified as **BREEAM Very Good** include Balance Hall (received during the first quarter of 2020), Balance Building (received in December 2019), Arena Corner, Gateway Office Park, Quadra Building, Balance Loft and Andrássy Palace.

Net Rental Income
(€ million)



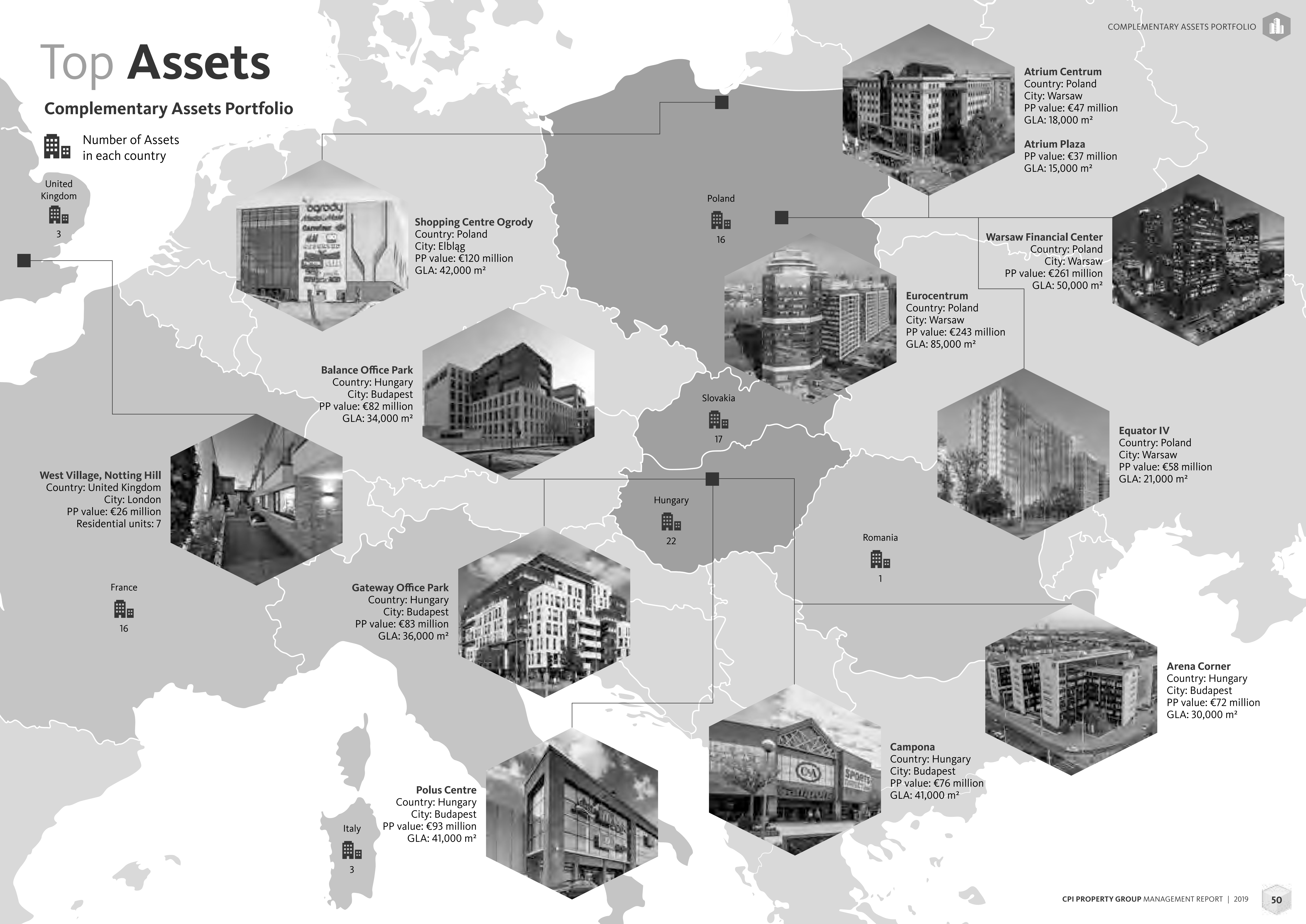
	Complementary Assets Portfolio 2019				Complementary Assets Portfolio 2018			
	PP value (€ million)	Occupancy (%)	GLA (m²)	No. of properties	PP value (€ million)	Occupancy (%)	GLA* (m²)	No. of properties
Poland	**883**	**92.5%**	**284,000**	**16**	316	93.9%	128,000	13
Hungary	**607**	**94.5%**	**325,000**	**22**	549	97.3%	293,000	18
United Kingdom	**175**	**–**	**9,000**	**3**	91	–	5,000	1
France	**158**	**–**	**7,000**	**16****	132	–	6,000	13**
Slovakia	**125**	**95.2%**	**88,000**	**17**	126	89.1%	94,000	18
Italy	**46**	**–**	**1,000**	**3**	15	–	–	1
Romania	**43**	**100.0%**	**11,000**	**1**	41	96.9%	11,000	1
Total	2,037	93.6%	726,000	78	1,270	95.2%	536,000	65

* *Excluding GLA under development.*
** *Includes residential properties.*

Top **Assets**

Complementary Assets Portfolio

Number of Assets in each country



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

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

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

Warsaw Financial Center
Country: Poland
City: Warsaw
PP value: €261 million
GLA: 50,000 m²

Eurocentrum
Country: Poland
City: Warsaw
PP value: €243 million
GLA: 85,000 m²

Balance Office Park
Country: Hungary
City: Budapest
PP value: €82 million
GLA: 34,000 m²

Equator IV
Country: Poland
City: Warsaw
PP value: €58 million
GLA: 21,000 m²

West Village, Notting Hill
Country: United Kingdom
City: London
PP value: €26 million
Residential units: 7

Gateway Office Park
Country: Hungary
City: Budapest
PP value: €83 million
GLA: 36,000 m²

Arena Corner
Country: Hungary
City: Budapest
PP value: €72 million
GLA: 30,000 m²

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

Polus Centre
Country: Hungary
City: Budapest
PP value: €93 million
GLA: 41,000 m²

Poland Overview

91.4%
Office occupancy

Equator IV, Warsaw, Poland

Offices

Portfolio Overview

In 2019, CPIPG significantly expanded our presence in Warsaw, establishing the Group as one of the leaders in the market. For the majority of 2019, CPIPG's office portfolio in Poland consisted of five properties in Warsaw's Central Business District ("CBD"). However, on 8 October 2019, CPIPG announced **plans to acquire more than €800 million of office properties** in central Warsaw during the fourth quarter of 2019 and first quarter of 2020. In total during the final quarter of 2019, the Group acquired three properties in Warsaw for over €560 million, significantly increasing the size of the portfolio, with a total gross lettable area (GLA) exceeding 156,000 m². Warsaw Financial Center is located in the strict CBD (Central Business District) of Warsaw whereas the remaining two new acquisitions are situated along Aleje Jerozolimskie (one of the most sought-after business districts close to the city centre). Furthermore in the first quarter of 2020, CPIPG has acquired four more properties – Equator II, Green Corner A, Equator I and Moniuszki 1A.

As a result of these acquisitions, the office portfolio increased from €146.5 million at the end of 2018 to **€712.7 million** at the end of 2019. Excluding new acquisitions, the value of the existing portfolio was relatively unchanged.

Occupancy across the portfolio was stable compared to the end of 2018, declining slightly to 91.4% from 91.9%. The positive impact on occupancy from the properties acquired in the final quarter of 2019, which are all close to 100% occupied, was slightly offset by temporary reductions in the existing portfolio – primarily a tenant departure from Prosta 69 and tenant rotation across the other existing assets. We are currently in discussions with numerous parties to fill vacant space.

The existing portfolio delivered robust growth in net rental income for the year compared to 2018 – **up to €10.2 million from €6.0 million.** The majority of the increase is due to the full year contribution of Atrium Complex, acquired in May 2018. NRI also increased in Central Tower, while a decrease was recorded in Prosta 69 due to tenant changes. New acquisitions made in November and December 2019 had a relatively small impact on rental income generation in 2019, but together with acquisitions already completed in 2020, will have a material impact in the current financial year.

Despite an uptick in vacancy, our portfolio demonstrated resilience in rents with **average rents increasing by 3.3% year-on-year.** Noticeably, the best result was delivered by Central Tower with tenants recognizing its superior location and the upgrades carried out by the Group over the years. The balance of the rental growth is attributable to indexation.

Market Overview

Warsaw is currently the fastest growing office market in the EU. The market has continued to strengthen, with demand reaching spectacular levels, driving vacancy down and boosting the pre-leasing status of pipeline developments. This, in turn, resulted in increases in rents in 2019.

2019 saw an all-time-high result in terms of demand for office space in Warsaw, with close to 880,000 m² transacted (2.3% higher than 2018). Companies from the financial sector were responsible for 23% of the total demand in Warsaw and 42% in central parts of the city. Pre-letting activity set a new record, making up almost 26% of total transactions, while close to two thirds of all transactions related to new contracts.

The new supply in 2019 totalled 162,200 m² across 17 projects. It was the lowest level of supply recorded in the last 10 years, exacerbating the supply shortage in the market.

Almost 5.6 million m² of office stock was outstanding in Warsaw at the end of 2019. The total under-construction pipeline includes close to 800,000 m² to be completed by 2022. Notably, approximately 40% of that volume is already pre-leased. Construction activity is highly focused in the city centre (57% of construction activity), while CBD accounts for 24%. Jerozolimskie corridor (where CPIPG has acquired a handful of properties in recent months) represents less than 5% of construction activity, but is the third highest area in terms of demand (16%).

Given the rampant demand characteristics in the city, the vacancy rate decreased to 7.8% in Warsaw overall (5.3% in central zones and 9.4% in Non-Central zones of the city), which is a fall of 0.9 p.p. year-on-year. This is the lowest vacancy rate since the second quarter of 2012.

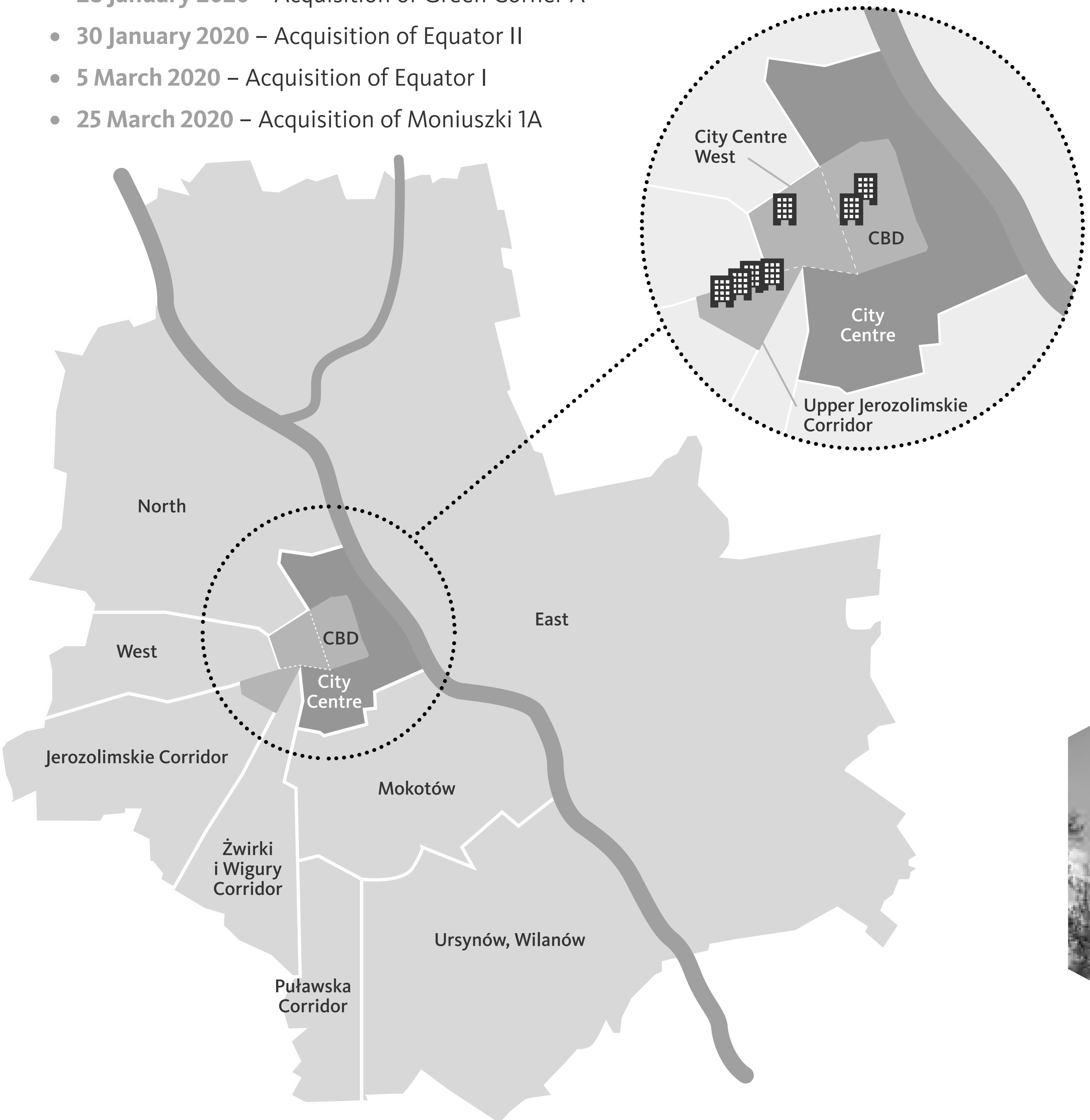
Prime headline rents rose in the central areas of Warsaw, due to the high demand, the low vacancy rate and increasing construction costs. One of the most dynamic areas in that respect continues to be the city centre west. Prime rents in Warsaw are currently quoted at €18.0 to €24.0/m²/month, while prime assets in the best non-central areas lease for €11.0 to €16.0/m²/month.

Sources: JLL, Colliers

Strong Progress on Warsaw Office Acquisition Pipeline

Acquisition Timeline

- **8 October** – Announcement of €800 million pipeline
- **7 November** – Acquisition of Equator IV
- **27 November** – Acquisition of Eurocentrum
- **5 December** – Acquisition of Warsaw Financial Center
- **28 January 2020** – Acquisition of Green Corner A
- **30 January 2020** – Acquisition of Equator II
- **5 March 2020** – Acquisition of Equator I
- **25 March 2020** – Acquisition of Moniuszki 1A



Eurocentrum

- Over 85,100 m² GLA
- Located on Aleje Jerozolimskie, in one of the most sought-after business districts close to the city centre
- LEED Platinum certified and the largest green certified office complex in Warsaw
- Occupancy close to 100%
- High-quality tenants – Unilever, COTY, Group One, Randstad, SAGE, PSE S.A., and Urząd Transportu Kolejowego among others

Warsaw Financial Center

- 50,000 m² GLA of grade-A office space across 32 floors
- Located at the intersection of Emilii Plater and Świętokrzyska Streets in Central Warsaw
- Certified LEED gold
- Occupancy close to 100%
- High quality tenants – Google, Bloomberg and Kompania Piwowarska (owned by Asahi)

Equator IV

- Over 21,000 m² of GLA
- Located at Jerozolimskie Aleje close to transport hubs
- About 90% occupied
- Significant further upside potential

Shopping Centre Ogrody, Elbląg, Poland

Retail

Portfolio Overview

Our retail assets in Poland delivered solid growth in net rental income in 2019 compared to 2018 – **up by 11% to €10.5 million.** The increase was also partly due to the full-year contribution of rent from four retail parks acquired in April 2018.

In our retail portfolio, we are seeing increased tenant sales despite the impact of the Sunday trading ban which increased the number of non-trading days in 2019 to 46 versus 32 in 2018.

Ogrody, a 41,900 m² GLA food-anchored shopping centre in Elblag, is the only modern shopping mall in the city. In 2019, occupancy increased from 96.1% to **97.7%** at the end of the year. Absolute footfall in 2019 fell by 5.1% compared to 2018, though **tenant sales increased by 3.2%,** demonstrating not only higher average spend per customer but also the muted impact of the Sunday trading ban on sales.

The performance at Orkana (8,000 m² convenience-oriented local shopping centre based in Lublin) further demonstrates this trend – while total footfall declined slightly (-2.2%), **tenant sales increased by 3.8%.** Occupancy fell slightly to 92.0% due to the closure of Tesco situated next to Orkana, but is expected to quickly reverse with the space due to be taken up by Kaufland.

Our shopping centres recorded **average rent increases of 1.1%** over 2019 on a like-for-like basis despite challenges facing the sector. We attribute the positive outcome to our CAPEX programme successfully implemented in Ogrody as well as improving market fundamentals in Lublin, where Orkana is located.

The Group also owns six retail parks in Poland. Four were acquired in April 2018, currently operating under the HopStop brand, but are soon to be rebranded under City Market in April 2020. Occupancy increased during the year and remains close to 100% across the portfolio, which exhibited very resilient performance over the year.

Market Overview

The vacancy ratio in shopping centres in the main markets remains low at around 4%. In addition, the Polish market still attracts large international brands – 20 international brands signed lease agreements or opened their first stores in Poland last year, including iconic luxury brand Hermes, Monki, Weekday, Under Armour and Primark, to name just a few.

The sector remains resilient to challenges such as the ban on Sunday trading, the steady rise of the e-commerce sector and fierce competition on the market.

Although shopping centres remain the most widespread format on the market, developers' activity in this segment is consistently falling. 169,000 m² of GLA in shopping centres were delivered in 2019 (out of total retail stock added of 391,000 m² GLA), 100,000 m² less than in 2018. As a result of recent openings, the total modern retail stock in Poland, covering large scale formats, reached the level of 14.6 million m² of GLA at the end of 2019. Total shopping centre density stands at 266 m²/1,000 inhabitants, slightly below the West-European average of 279 m².

Prime rents have remained relatively stable over the year, peaking at €135/m²/month in Warsaw, while in regional cities they range between €45 and €60/m²/month. Prime shopping centre yields achievable for best-in-class, dominant, major schemes in Poland currently stand at the level of 4.9%, while prime retail parks are expected to trade in the region of 6.8%.

Further Sunday trading ban restrictions are due to be implemented from January 2020, when the only allowed trading Sundays (seven specified Sundays in a year) will be before Christmas and Easter to accommodate seasonal sales. Throughout 2019 one Sunday per month was allowed for trading.

Sources: JLL

Hungary Overview

The value of the Hungary portfolio increased to **€607 million** at the end of 2019 from €549 million, primarily due to completed developments and positive revaluations.

In April 2019, we completed the new E-F hall of Airport City Park, offering an additional 13,000 m² of logistics and office space. Subsequently, in December 2019 tenants moved into **Balance Hall,** a 16,000 m² **ultra-modern and sustainable office property** on the Váci Corridor.

Overall occupancy of the portfolio decreased slightly to 94.5% at year-end 2019 from 97.3%. This was skewed primarily by the temporarily elevated vacancy levels in Balance Hall at year-end. Balance Hall was nearly 60% occupied in December on an EPRA basis, when it was handed over to tenants. However, forward-looking committed occupancy (based on signed lease agreements) was 74%.

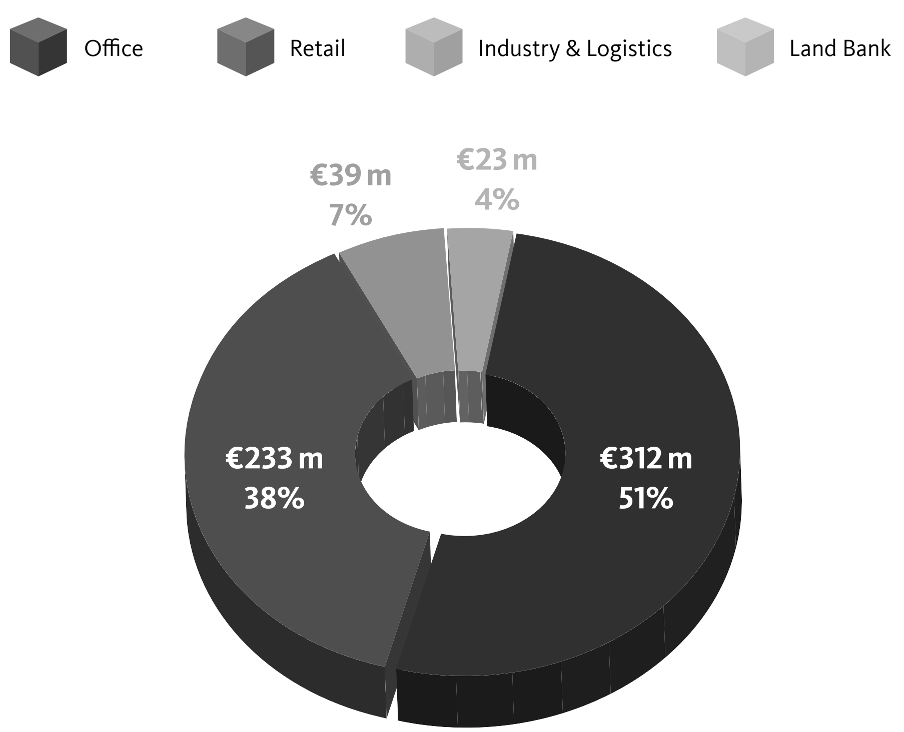
Nevertheless, occupancy across all segments paints a strong picture. In the office segment, all properties except for Balance Hall were either fully or close to fully occupied at the end of the year – with strong increases in Gateway, Balance Loft, BC30, BC91 and Arena Corner, each with **occupancy of 99%**. Apart from a small decrease in Campona, occupancy held firm across all other assets in the retail segment, which were also all either fully or close to fully occupied at the end of 2019. In the Industry & Logistics segment, apart from the new E-F hall at Airport City Park, all other properties either recorded occupancy increases or remained fully let.

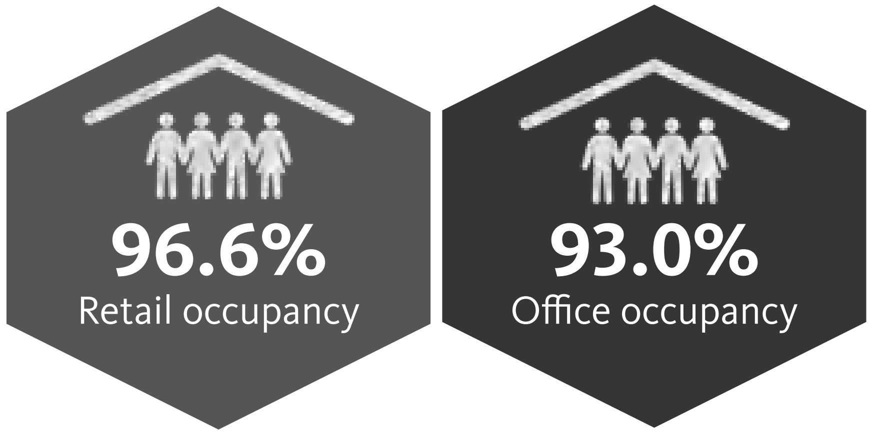
Reported NRI growth for the whole Hungarian portfolio was **outstanding at +15.3%** for 2019. This was primarily driven by strong like-for-like growth in rents, mainly in the office segment, as well as the up-tick in occupancy across numerous assets. The contribution from new developments (primarily the E-F hall of Airport City Logistics Park) and lower fit-out costs in 2019 also supported the increase.

Like-for-like GRI growth was **+4.1%** across the portfolio in 2019. The office segment alone was **+10.5%**, driven by the combined impact of occupancy increases and expiry of rent-free periods. Like-for-like growth in the retail segment was also positive, at +0.2%.

Airport City Logistics Park, Budapest, Hungary

Hungarian Assets (by PP Value)





Retail Market

In line with previous years' trends, domestic consumption growth remained robust leading to an expansion in retail trade by 6% y/y. Although this indicates a 0.7 p.p. slowdown from the preceding year, it is more than double the Eurozone average, and ranks second only to Romania in the region. The expansion remained driven by the growth in non-food sector (+ 9.3% y/y). Fashion sales growth accelerated to 4.8% last year. Purchasing power also increased by 11.4% year-on-year.

11 new brands entered the Hungarian retail market in 2019. E-commerce retail, while growing rapidly, still remains below 6% of total retail, significantly less than other CEE countries.

Vacancy rates continue to decline due to continued strong demand combined with little new retail supply. After several quarters of no new supply volume, the first new additions to the modern stock were recorded in H2 2019, albeit only two deliveries totalling 10,700 m².

Average prime rents fell slightly for shopping centres (-4%) in Budapest to €97/m² owing to the unfavourable VAT environment, along with high labour costs, though the rental market remains robust.

Source: CBRE Research, KSH, GFK, Euromonitor

Office Market

The Budapest office market continued in 2019 on the strong trajectory of previous years, given continued robust demand pressure was still met by rather modest new supply, sending the citywide vacancy rate to a new record low. As a consequence, the rent appreciation carried on as well, with developments in the pipeline exhibiting the largest moves. Nevertheless, pre-leasing activity in new developments continues to remain buoyant.

Overall, 571,400 m² is under construction as of January 2020, **up by 18%** from a year ago. Some developments that were expected to be delivered in the fourth quarter have dragged into 2020. The modest new supply trend witnessed throughout the year continued in the fourth quarter, with only two new office completions in Budapest spanning 24,300 m² altogether (-45% y/y), the largest of which was Balance Hall. This resulted in a rather conservative 2019 completion figure of 70,500 m², only a third of the level seen in 2018.

At the end of 2019, the citywide average vacancy rate declined further by 0.3 p.p. quarter-on-quarter and 1.7 p.p. year-on-year to 5.6%, hitting its lowest level on record. All areas of the city apart from Central Buda and in the periphery saw vacancy rates remain stable or decrease.

Average rents in Budapest continued to climb, reaching €13/m² per month from €12.2/m² per month at the beginning of the year. Given scarcity of available space, Grade A rents also climbed 3.6% in 2019 to €15.3/m² per month and rents amongst new developments are generally still on an upward trajectory. The largest appreciation was again seen in Central Pest and Váci Corridor.

Leasing demand increased further in the fourth quarter with agreements signed for 202,500 m², up by 6% quarter-on-quarter and 18% year-on-year. This helped raise the annual leasing activity figure to 637,100 m², which is by far the highest on record, even though net take-up fell 6% year-on-year. In addition, annual net absorption volume amounted to 128,400 m², down by 44% year-on-year, but still far above the level of new supply delivered.

Source: CBRE, BRF

Balance Hall – Hungary's first “Conscious Building”

Balance Hall, Budapest, Hungary

Balance Hall, CPIPG's and Hungary's first “Conscious Building”, opened its doors in late 2019. The 16,000 m² building is an ultra-modern office with a focus on sustainability and technology. Balance Hall is designed to fulfil all 21st century requirements in terms of cost and energy-efficient operation, as well as conscious application of sustainable and modern technologies. The building includes tools to cut energy consumption: electricity and water consumption can be traced in real time, heating and cooling can be set separately for different zones, and lighting can be adjusted according to the intensity of natural light.

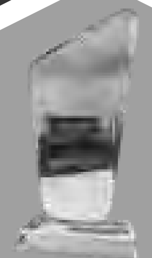
An award-winning platform

- In recognition of the “Conscious Building” initiative, the company received the CIJ Innovation of The Year Award (2018) and HOF Award CEE (2019) in the category New Concept/Innovation
- Balance Hall was named the “Office Development of the Year” and CPI Hungary named “Office Developer of the Year” at the Europa Property Real Estate Awards gala
- “Best Asset Management Firm of 2019” was awarded to CPI Hungary for the second consecutive year at the Real Estate Award Gala dinner organized by Iroda.hu
- “Asset Management Company of the Year 2018” at this year's Real Estate Awards Gala
- CPI Hungary's next office development project “New Age” was awarded the “Concept of the Year” award at the 2019 Portfolio Property Awards

HOF Award CEE (2019)
New Concept/Innovation

Office Developer of the Year 2019

Best Asset Management Firm of 2019



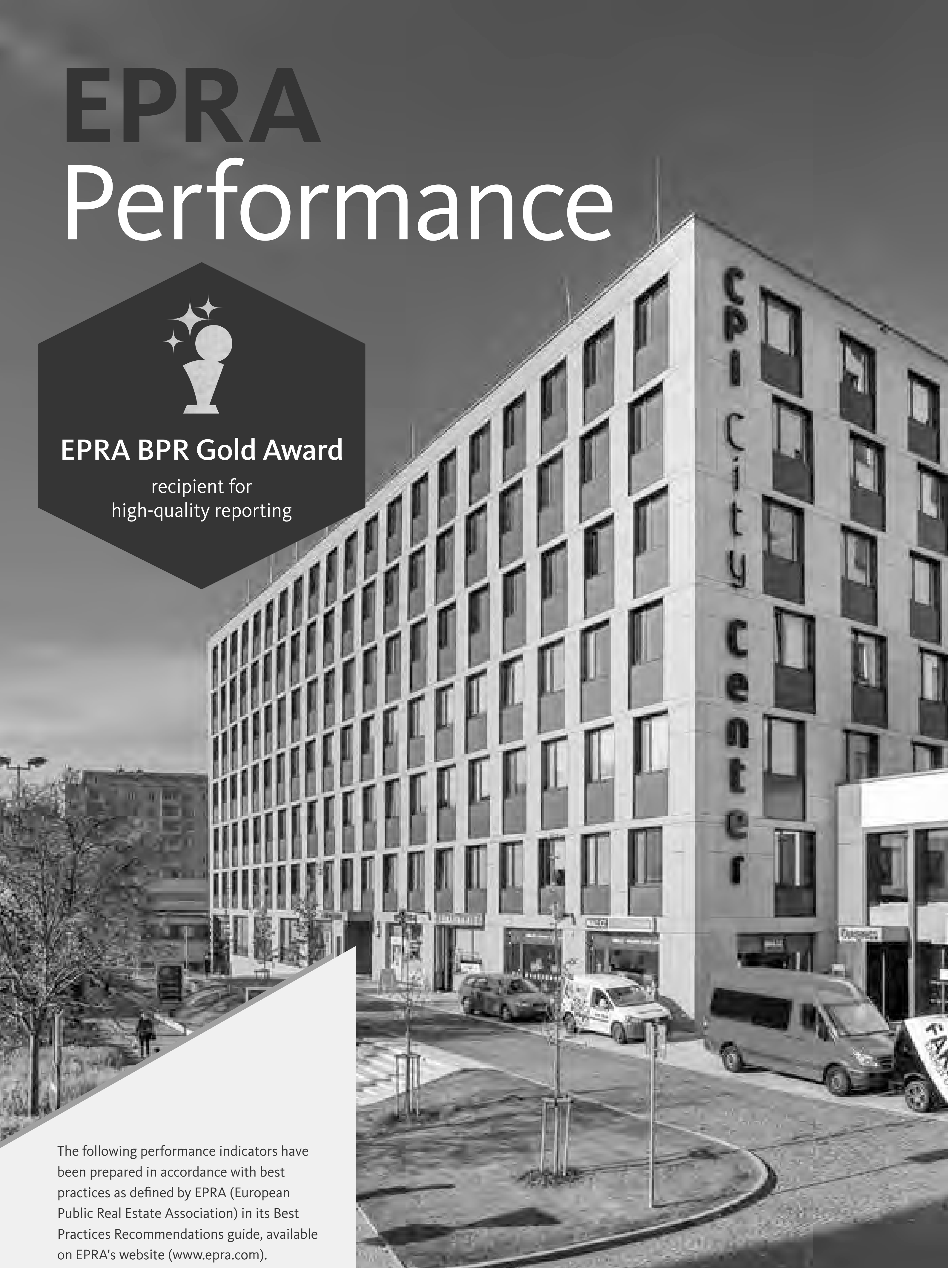
Concept of the Year 2019

At the forefront of CSR and ESG initiatives in Hungary

CPIPG is proud to be at the forefront of CSR and ESG-related activities, through supporting innovative programmes such as:

- **Human Innovation Program (“HIP”)** is a support programme provided to tenants in our office buildings aimed at supporting and improving their mental and physical health and well-being
- **Access4you** is a company that audits and certifies buildings based on their access to people with special needs. We are the first real estate company in Hungary to be certified
- **Spaceflow** is an app that will enable tenants in “HIP” office buildings to follow events and programmes organised by the HIP community managers
- **Recobin** is a range of bins made of recycled materials for selective waste collection. They can reduce waste transportation costs by as much as 50% and the services comply with the ISO14001 and the EMAS office standards regarding waste recycling

EPRA Performance



CPI City Center Olomouc, Czech Republic

EPRA BPR Gold Award

recipient for
high-quality reporting

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

EPRA Earnings

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)

	2019	2018
Earnings per IFRS income statement	**685**	**631**
Adjustments to calculate EPRA Earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	550	579
Profits or losses on disposal of investment properties, development properties held for investment and other interests	2	1
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	2	3
Tax on profits or losses on disposals	0	0
Negative goodwill / goodwill impairment	(7)	(13)
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	(45)	(51)
Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	0	(1)
Non-controlling interests in respect of the above	0	0
EPRA Earnings	**181**	**116**
Weighted average number of shares	8,573,605,213	8,832,966,895
EPRA Earnings per Share (EPS) (in €)	**0.021**	**0.013**
Company specific adjustments:		
Impairments	1	(20)
Amortisation, depreciation	(33)	(33)
Net foreign exchange gain – unrealised	0	0
Net foreign exchange loss – unrealised	19	0
Company specific Adjusted Earnings	**194**	**168**
Company specific Adjusted EPS	**0.023**	**0.019**

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)

	2019	2018
IFRS Equity attributable to owners	**4,334**	**3,776**
Include / Exclude		
Hybrid instruments	0	0
Diluted NAV	**4,334**	**3,776**
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	2	7
Exclude		
Fair value of financial instruments	0	5
Deferred tax	(807)	(745)
Goodwill as a result of deferred tax	43	43
EPRA NAV	**5,100**	**4,480**
Fully diluted number of shares	8,332,414,083	8,761,566,410
EPRA NAV per share (in €)	0.612	0.511

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)

	2019	2018
Estimated rental value of vacant space	**24**	20
Estimated rental value of the whole portfolio	**427**	358
EPRA Vacancy Rate	5.7%	5.5%

EPRA Triple Net Asset Value (NNNAV)

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 material balance sheet items which are not reported at their fair value as part of the EPRA NAV.

EPRA Triple Net Asset Value (€ million)

	2019	2018
EPRA NAV	**5,100**	**4,480**
Include		
Fair value of financial instruments	0	5
Fair value of debt	(62)	31
Deferred tax*	(320)	(244)
EPRA NNNAV	**4,718**	**4,273**
Fully diluted number of shares	8,332,414,083	8,761,566,410
EPRA NNNAV per share (in €)	0.566	**0.488**

* *(1.) The Company assumes disposals through share deals. (2.) The Company considers local tax legislation and incorporation of the "Directive on the Common System of Taxation Applicable in the Case of Parent Companies and Subsidiaries of Different Member States". (3.) The Company considers disposals of companies with material properties.*

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

The EPRA NIY (Net Initial Yield) is calculated as the annualised 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)

	2019	2018
Investment property – wholly owned	8,157	6,687
Investment property – share of JVs/Funds	0	0
Trading property (including share of JVs)	0	0
Less: Developments	**943**	**701**
Completed property portfolio	7,214	5,986
Allowance for estimated purchasers' costs	0	0
Gross up completed property portfolio valuation	**7,214**	**5,986**
Annualised cash passing rental income	354	301
Property outgoings	39	39
Annualised net rents	**315**	**262**
Add: Notional rent expiration of rent free periods or other lease incentives	**12**	**15**
Topped-up net annualised rent	**328**	**277**
EPRA NIY	**4.37%**	**4.38%**
EPRA "topped-up" NIY	**4.54%**	**4.63%**

Mamaison Hotel Andrassy Budapest, Hungary

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)

	2019	2018
Include:		
Administrative/operating expense line per IFRS income statement	113	105
Net service charge costs/fees	(35)	(26)
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	1
Service charge costs recovered through rents but not separately invoiced	0	0
EPRA Costs (including direct vacancy costs)	**77**	**78**
Direct vacancy costs	3	3
EPRA Costs (excluding direct vacancy costs)	**73**	**75**
Gross Rental Income less ground rents – per IFRS	**318**	**301**
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	318	301
EPRA Cost Ratio (including direct vacancy costs)**	**0.24**	**0.26**
EPRA Cost Ratio (excluding direct vacancy costs)**	**0.23**	**0.25**

* *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 works with international appraisers to value our properties every year. This is a core element of our approach to external reporting.*
>
> *Petr Mizera, Head of External Reporting*

Property Valuation

The consolidated financial statements for the year ended 31 December 2019 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), whilst an immaterial amount are prepared according to Czech valuation standards. The Group revalues the entire portfolio on an annual basis; for semi-annual periods, CPIPG revalues properties where 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 2019 is based on reports issued by:

- **Jones Lang LaSalle**
- **Savills**
- **Cushman & Wakefield**
- **RSM TACOMA**
- **Knight Frank**
- **CBRE**
- **BNP**
- **and 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 informative value, 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 Clusters (as at 31 December 2019)

Appraisers	Clusters	Number of properties	Valuation	% of total PP value
Jones Lang Lasalle	Czech Republic	100	3,314	36%
	Hotels & Resorts	4	184	2%
	Complementary Assets Portfolio	43	909	10%
Savills	Berlin	49	2,462	27%
Cushman & Wakefield	Czech Republic	49	144	2%
	Hotels & Resorts	24	491	5%
	Complementary Assets Portfolio	3	175	2%
RSM Tacoma	Czech Republic	3	34	0%
	Hotels & Resorts	9	100	1%
CBRE	Czech Republic	1	101	1%
BNP	Hotels & Resorts	1	36	0%
	Complementary Assets Portfolio	12	131	1%
Knight Frank	Complementary Assets Portfolio	8	166	2%
Other	Czech Republic	13	128	1%
	Berlin	0	6	0%
	Hotels & Resorts	1	40	0%
	Complementary Assets Portfolio	7	59	1%
Acquisition costs	Czech Republic	0	34	0%
	Complementary Assets Portfolio	5	597	7%
Total		332	9,111	100%

Portfolio Net Yields

	EPRA Net Initial Yield	EPRA Topped-up Net Initial Yield	Net Equivalent Yield	Prime Yield
Czech Republic	**4.9%**	**5.1%**	**5.4%**	
Retail	5.5%	5.6%	5.9%	4.9%
Office	4.7%	5.2%	5.5%	4.3%
Berlin	**3.3%**	**3.3%**	**3.3%**	
Office	3.3%	3.3%	3.3%	2.7%
Complementary Assets Portfolio	**5.5%**	**5.8%**	**5.9%**	
Retail	6.7%	7.0%	7.7%	5.2%
Office	4.8%	5.1%	4.8%	4.6%
Total	4.4%	4.5%	4.8%	

The table shows a comparison of yields across various countries and segments of the Group. The EPRA NIY (Net Initial Yield) is calculated as the annualised 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.

On a Group basis, the EPRA Net Initial Yield of our portfolio remained at the level of 4.4% compared to the end of 2018.

Buxmead, London, United Kingdom

Finance Review

CPIPG cares deeply about the quality of our reporting and data transparency, to ensure our banks and bond investors can clearly see the strong positioning of our business.

Pavel Měchura, Group Finance Director

Budda-Bar Hotel, Prague, Czech Republic

In 2019, CPIPG continued to optimise and diversify our capital structure. We further improved our credit metrics, strengthened our liquidity and tightened our financial policy.

During 2019, CPIPG continued our successful track record on the international capital markets, increasing the depth and diversity of our global investor base by issuing across multiple currencies and formats. We improved our debt maturity profile by issuing in longer maturities, as well as breaking new ground by becoming the **first corporate issuer from our region to issue a benchmark-size Euro-denominated green bond.**

Over the course of the year, we issued over **€1,200 million** equivalent of unsecured bonds under our EMTN programme across Euros, Hong Kong Dollars and US Dollars (in both cases fully swapped back into Euros). In March 2019, we also issued Schuldschein loans of **€170 million,** followed by the issuance of a further **€550 million** of subordinated “hybrid” notes in April.

In the first half, proceeds from issues were partially used to refinance debt and repay drawings under our revolving credit facility, while the rest was held in cash to pre-fund potential future acquisitions. Our sole issuance in the second half of the year, a €750 million senior unsecured green bond, was issued to support our acquisitions of green certified office buildings in Warsaw.

We further strengthened our liquidity by signing a **€510 million** three-year revolving credit facility with 11 regional and international banks, replacing the Group's €150 and €80 million facilities signed during 2018. In keeping with the Group's objective to achieve **“high BBB”** credit ratings in the future, **we tightened our financial policies** in July with regard to net LTV and net ICR targets, as well as providing our stakeholders with greater clarity around the amount of FFO we intend to retain on an annual basis.

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

We now target a **Net LTV of 40% or below**

CPI may consider a Net LTV up to 45% temporarily for strategic acquisitions

3 Interest coverage

CPI now intends to maintain an **ICR of 4x or above**

4 Shareholder distributions

Shareholder distributions will be subject to **50% – 100% FFO retention annually**

No intention to institute dividend distributions

5 Funding strategy

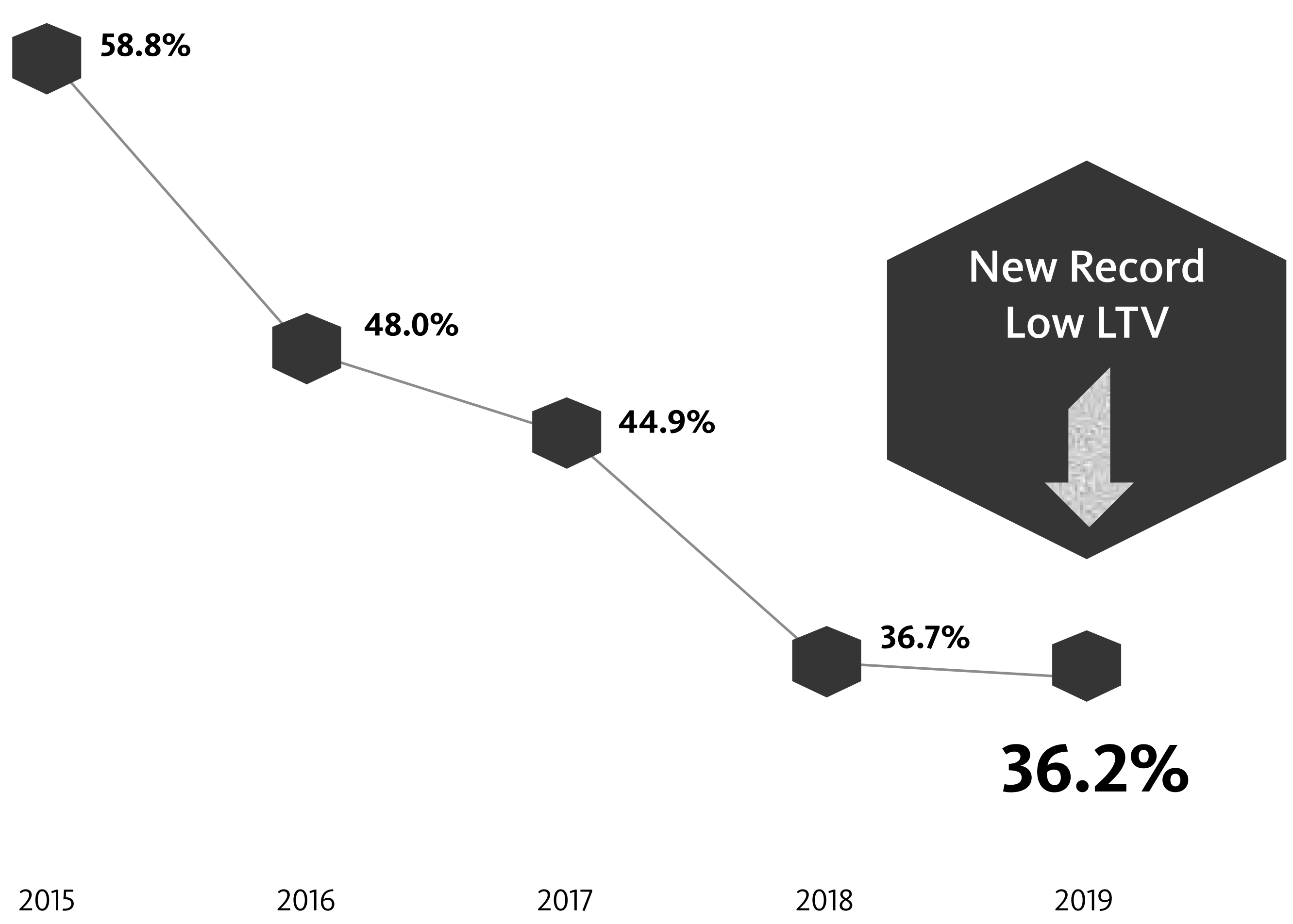
Maintain a high level of unencumbered assets

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 2015–2019 (%)



The Group's net LTV improved further to 36.2% at the end of December 2019, even as the property portfolio increased by **€1.6 billion** since the end of 2018. CPIPG targets a net LTV of **40% or below,** but we may consider an LTV of up to 45% in the case of acquisitions with high strategic merit. CPIPG recognises that a conservative leverage policy is important for our bondholders, lenders, rating agencies and other counterparties.

Eurocentrum, Warsaw, Poland

Senior Unsecured Financing

CPIPG issued €1,234 million equivalent of senior unsecured bonds under our EMTN programme during 2019 across Euros, Hong Kong Dollars and US Dollars. We issued an inaugural green bond in October of €750 million, becoming the first CEE corporate issuer to issue benchmark-sized Euro-denominated green bonds. With a 7.5-year tenor, we also improved the average maturity of our debt profile. Earlier in the year, we also issued €82 million equivalent in Hong Kong Dollars with maturities in 2024 and 2026, as well as €402 million equivalent in US Dollars, maturing in 2023. Foreign currency bond proceeds were entirely swapped to Euros. In addition, the Group also completed Schuldschein loans for €170 million in March 2019.

Undated Subordinated (“Hybrid”) Notes

In April 2019, the Group issued €550 million of undated 4.875% fixed rate resettable subordinated “hybrid” notes. The notes were issued under the Group's €5 billion Euro Medium Term Note programme (EMTN). The notes are classified as equity under IFRS and receive 50% equity credit treatment from S&P and Moody's. Together with the inaugural hybrid issuance in May 2018, CPIPG's total hybrid capital stood at €1.1 billion at the end of the year. In January 2020, an additional €99 million equivalent was issued in Singapore Dollars.

Active Presence on the Capital Markets

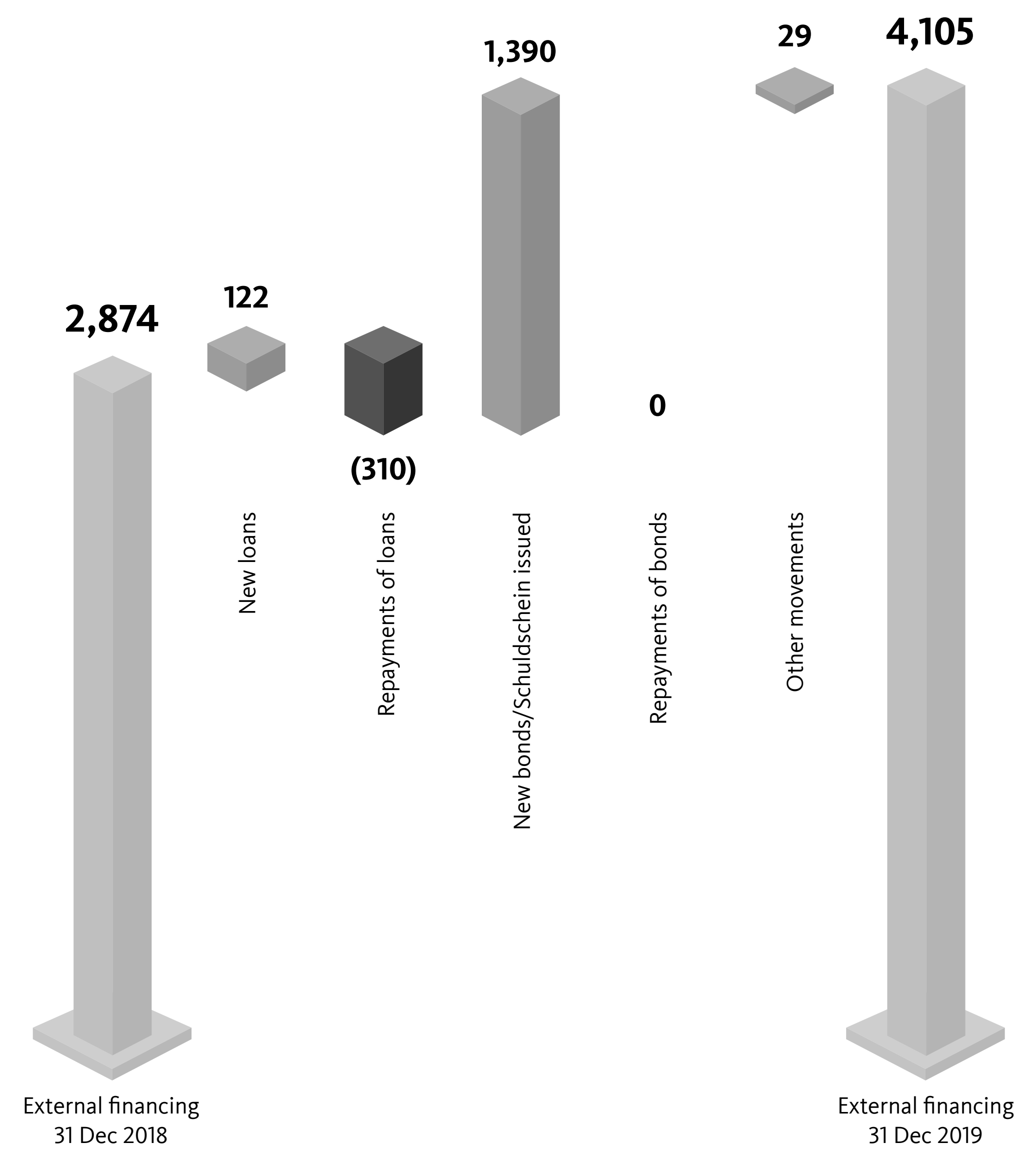
The Group has established itself as an active issuer on the international capital markets since October 2017. Within that time, CPIPG has issued senior unsecured bonds via our EMTN programme in Euros, Swiss Francs, Japanese Yen, Hong Kong Dollars and US Dollars. In 2018 and 2019, the Group issued Euro hybrid bonds under our EMTN programme, and in 2019 issued three tranches of Euro-denominated Schuldschein (assignable loans). Furthermore, after the year-end, CPIPG gained access to new markets and investors by issuing a senior unsecured bond in Sterling (€411 million equivalent) and additional hybrid capital in Singapore Dollars (€99 million equivalent)

Issue Date	Currency	Amount (million)	€ equivalent (million)	Coupon (%)	Maturity Date	Format	% swapped to €
Feb 2020	HKD	250	29	3.014	Feb 2030	EMTN	100%
Jan 2020	SGD	150	99	5.800	Jul 2025	EMTN (hybrid)	100%
Jan 2020	GBP	350	411	2.750	Jan 2028	EMTN (green)	100%
Oct 2019	EUR	750	750	1.625	Apr 2027	EMTN (green)	–
Jun 2019	HKD	283	32	4.450	Jun 2026	EMTN	100%
Apr 2019	EUR	550	550	4.875	Perpetual	EMTN (hybrid)	–
Mar 2019	EUR	111	111	FRN	Mar 2023	SSD	–
Mar 2019	EUR	49	49	FRN	Mar 2025	SSD	–
Mar 2019	EUR	10	10	2.696	Mar 2027	SSD	–
Mar 2019/Jul 2019	USD	450	402	4.750	Mar 2023	EMTN	100%
Feb 2019	HKD	450	50	4.510	Feb 2024	EMTN	100%
Dec 2018	JPY	8,000	62	1.414	Dec 2021	EMTN	100%
Dec 2018	JPY	3,000	23	1.995	Dec 2028	EMTN	100%
Oct 2018	CHF	165	145	1.630	Oct 2023	EMTN	61%
Oct 2018	EUR	610	610	1.450	Apr 2022	EMTN	–
May 2018	EUR	550	550	4.375	Perpetual	EMTN (hybrid)	–
Oct 2017/Dec 2017	EUR	825	825	2.125	Oct 2024	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.

Changes in External Financing During 2019

(€ million)

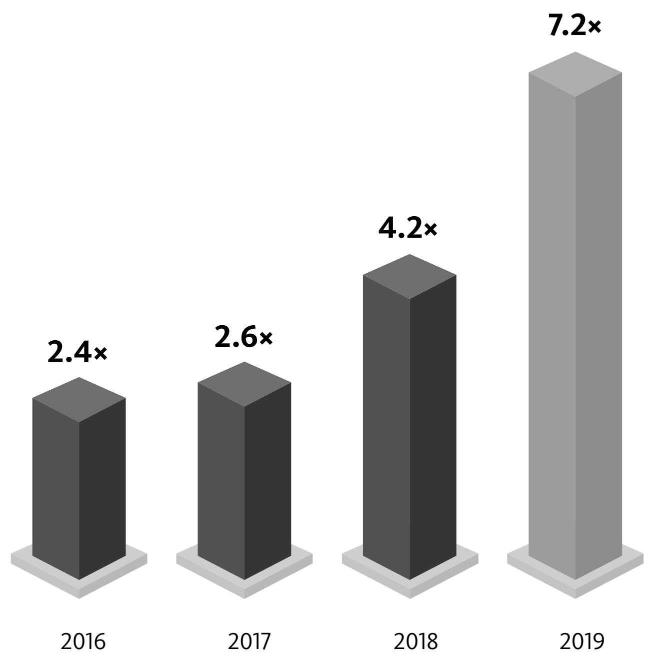


Note: the chart above does not include the impact of our €1.1 billion hybrid bonds, which are treated as equity for IFRS purposes.

Atrium Centrum and Atrium Plaza, Warsaw, Poland

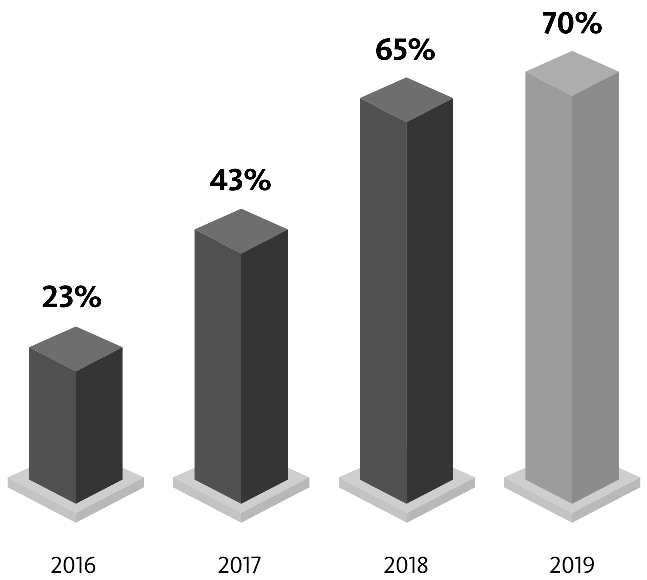
Improvement in the Group's Net Interest Coverage (ICR)

Due to significant refinancing activity in 2018 and 2019 and through continual improvements in profitability, the Group's Net ICR has improved significantly to **7.2×** in 2019. We tightened our financial policy in 2019 and revised the ICR target to 4× or above.



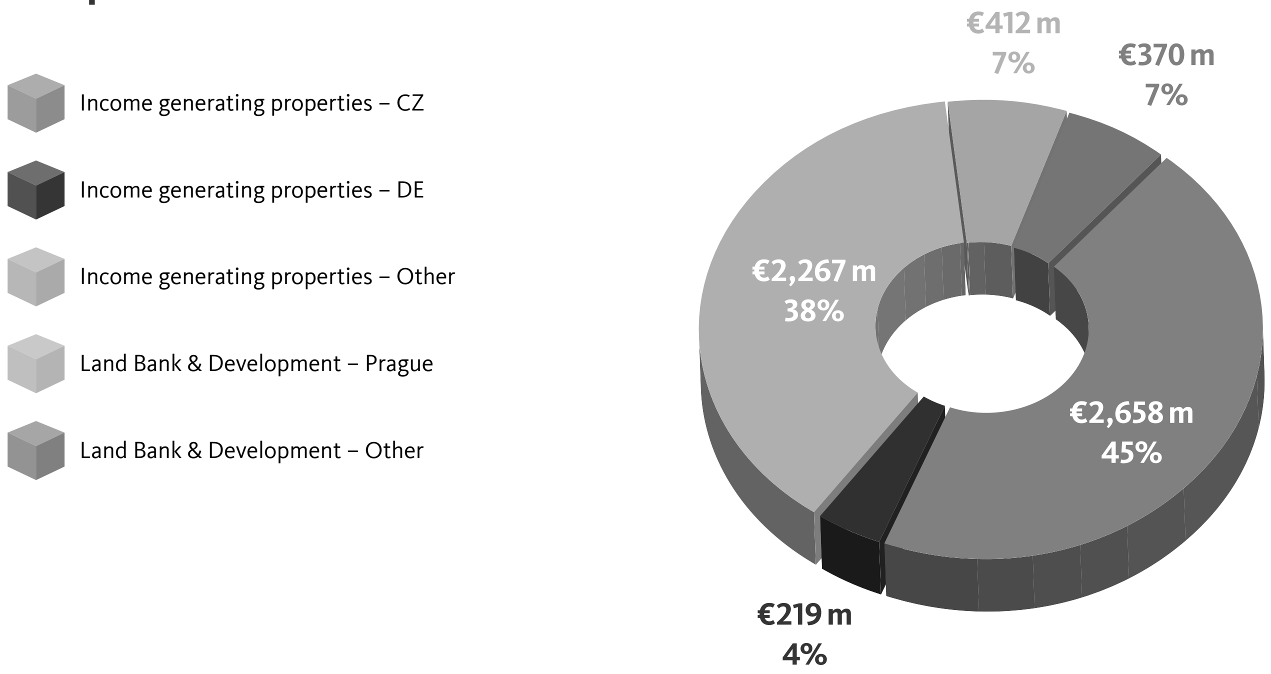
Increased Level of Unencumbered Assets

The Group reached a record **70%** of unencumbered assets at the end of 2019, relative to 65% at the end of 2018. Unencumbered assets primarily consist of retail and office properties in the Czech Republic, along with high-quality land bank, residential assets and selected assets in Germany and other geographies of the Group.



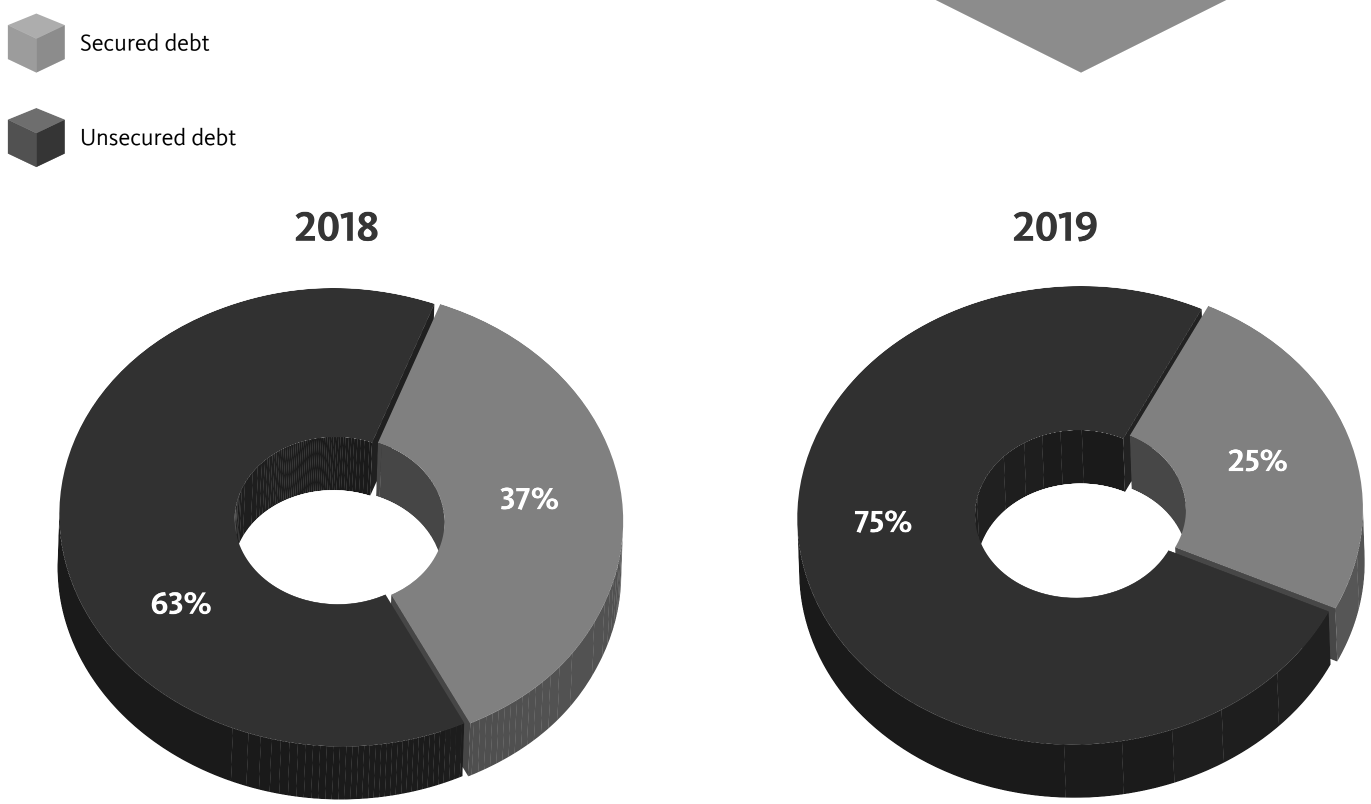
Mamaison Residence Downtown Prague, Czech Republic

Composition of Unencumbered Asset Portfolio



Senior Unsecured Debt a Majority of Funding

The Group further reduced the level of secured debt as a percentage of total debt to 25% at the end of 2019, relative to 37% at the end of 2018. CPIPG intends to maintain a simple, flexible capital structure focused primarily on senior unsecured financing. Nevertheless, we also believe retaining access to secured bank financing is an important element of liquidity and financial flexibility for the group, which also supports strong interest cover given historically low base rates in Europe.



Spa & Kur Hotel Harvey, Františkovy Lázně, Czech Republic

Unsecured Revolving Credit Facilities

In March 2019, the Group signed a new **€510 million** three-year revolving credit facility with eleven international and regional banks, replacing the **€150 million** and **€80 million** 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. In light of the significant amount of liquidity the Group has retained throughout the year and even after the year-end in order to support the acquisition pipeline, the new facility has remained undrawn since it was signed.

Debt Maturity Profile

The Group has no significant debt maturities until 2022 and is confident in our liquidity position. We will continue to monitor market conditions for appropriate opportunities to refinance debt well in advance of maturity and extend our debt maturity profile.

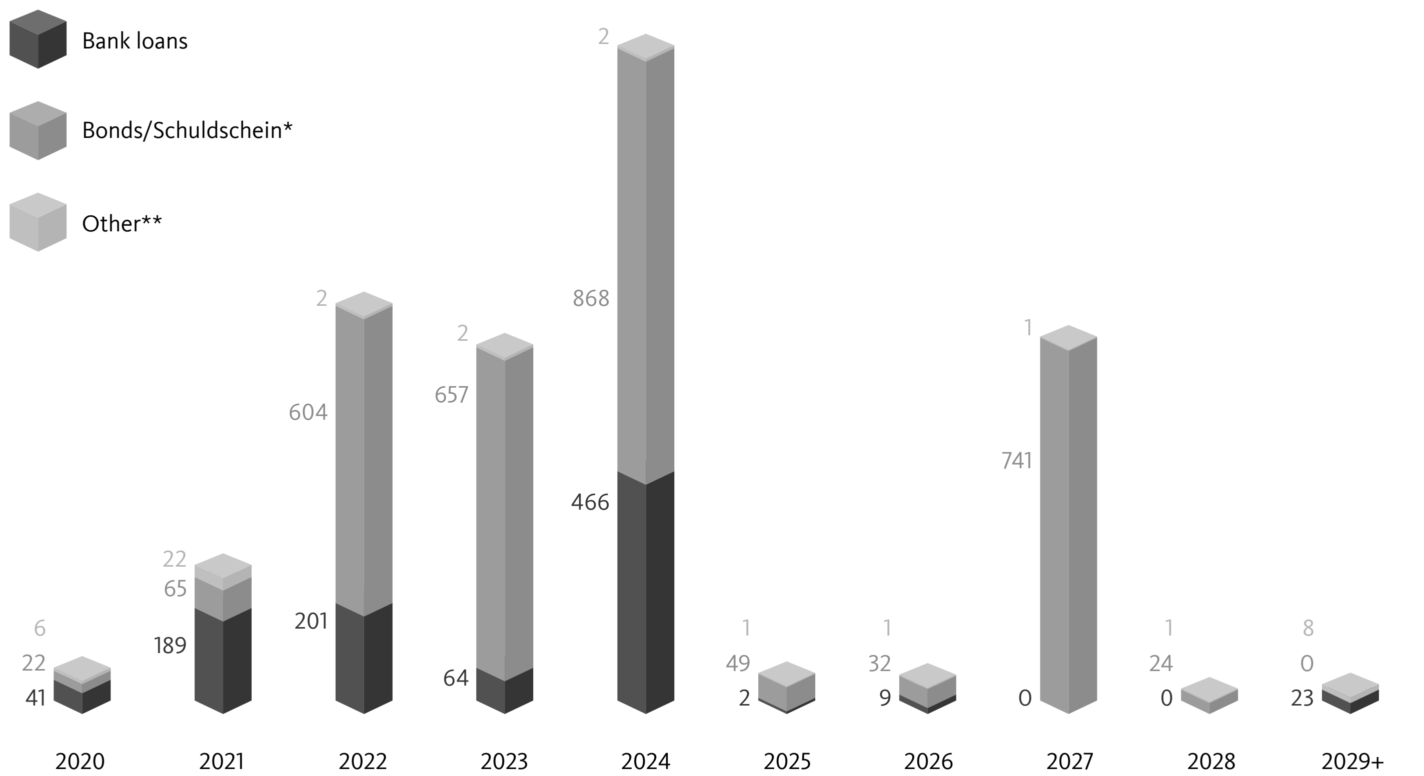
The Group's hybrid bonds issued in May 2018 and April 2019 totalling **€1.1 billion** are callable in 2023 and 2025 respectively. While the hybrids are classified as equity under IFRS, the Group incorporates the hybrid into our internal financing and refinancing plans and sees hybrids as an important part of the Group's capital structure.

Total Available Liquidity of the Group

At the end of December 2019, the Group had over **€1.3 billion** of available liquidity. Considering CPIPG's limited amount of debt maturities until at least 2022, as well as the fact that the majority of the Warsaw pipeline acquisitions (over **€560 million**) were already completed in the fourth quarter of the year, this provided significant flexibility for the group looking ahead for 2020.

Cash as at 31 December 2019 (€ million)	805
(+) RCF – fully undrawn	510
Total liquidity as at 31 December 2019	**1,315**

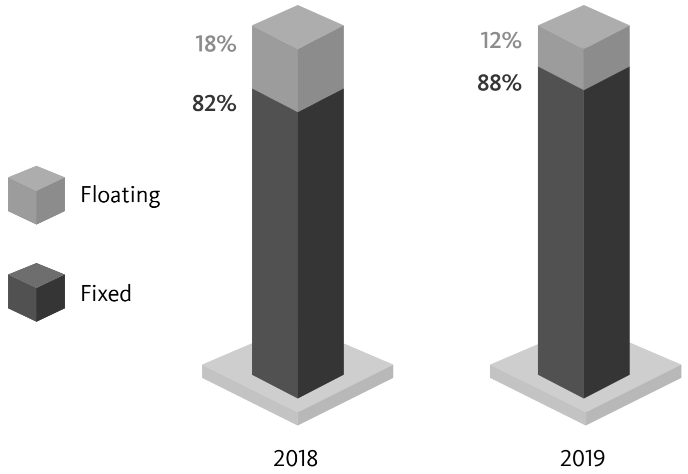
Maturity profile of external debt by type of debt (€ million)



Bonds/Schuldschein 2020 include only accrued interest payable in 2020.
** *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 88% at the end of 2019, relative to 82% at the end of 2018. 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 0.4 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 2019*

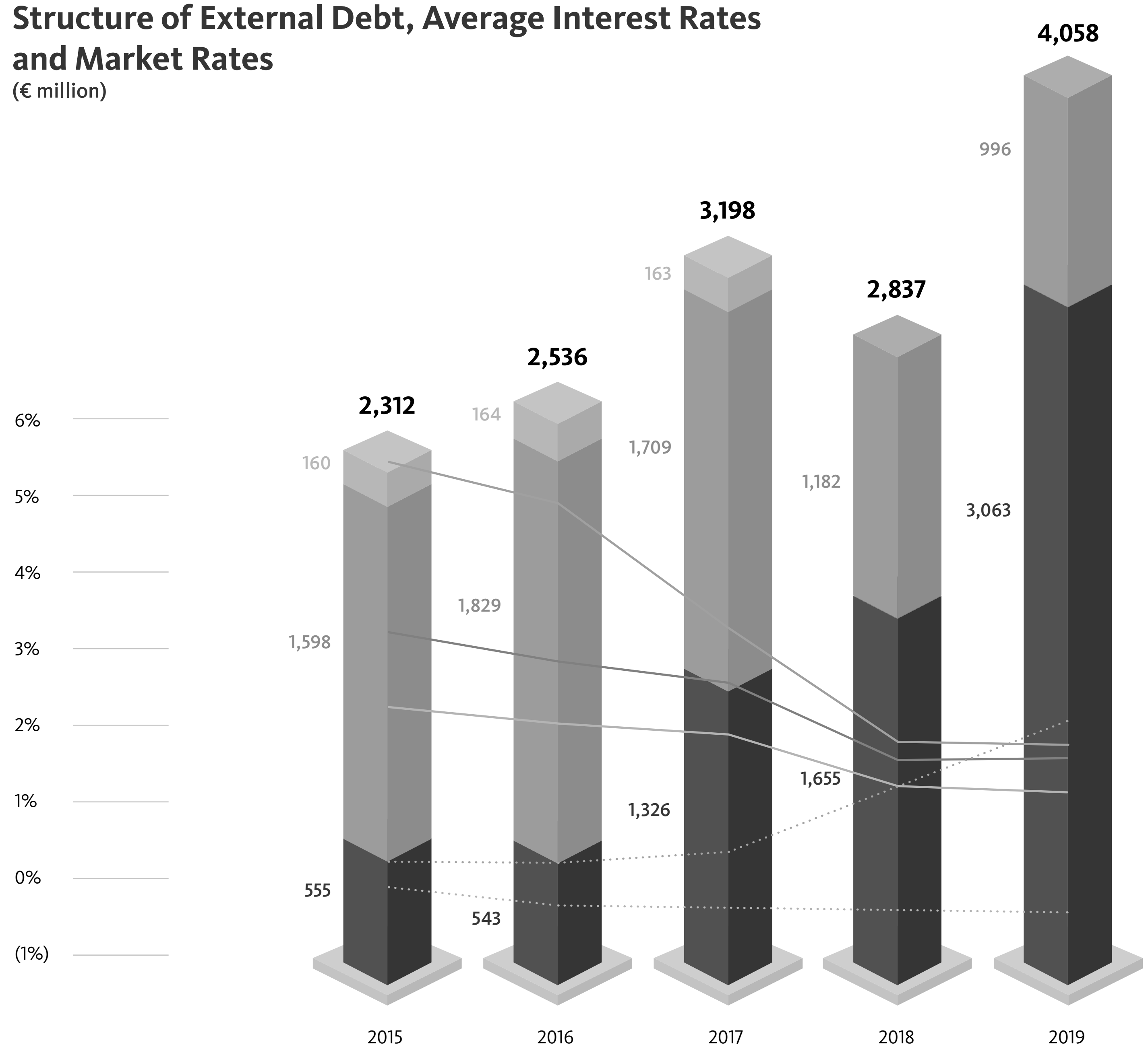
Type of liability	Share of external debt	Average interest rate as at 31 Dec 2019	if market interest rate +1 p.p.	if market interest rate +2 p.p.	if market interest rate +3 p.p.
Bonds/Schuldschein	75%	1.8%	1.9%	1.9%	2.0%
Bank loan	24%	1.2%	1.4%	1.7%	1.9%
Leasing	1%	0.8%	0.8%	1.0%	1.1%
Non-bank loan	0%	1.5%	1.5%	1.6%	1.6%
Total	100%	1.6%	1.7%	1.9%	2.0%

* *Includes impact of contracted interest rate swaps.*

Gateway Office Park, Budapest, Hungary

Structure of External Debt, Average Interest Rates and Market Rates

(€ million)



		2015	2016	2017	2018	2019
	Project bonds	160	164	163	0	**0**
	Bank loans	1,598	1,829	1,709	1,182	**996**
	Corp. bonds/Schuldschein	555	543	1,326	1,655	**3,063**
	Avg. bank loan interest rate	2.32%	2.10%	1.96%	1.29%	**1.19%**
	Avg. bond/SSD interest rate	5.46%	4.93%	3.34%	1.84%	**1.81%**
	Total average interest rate	**3.29%**	**2.89%**	**2.60%**	**1.61%**	**1.65%**
	Average 3m EURIBOR	(0.02%)	(0.27%)	(0.33%)	(0.32%)	**(0.36%)**
	Average 3m PRIBOR	0.31%	0.29%	0.41%	1.27%	**2.12%**

At the end of 2019, the Group's cost of debt remained broadly stable in the comparison with the end of 2018. Given that we were able to issue in longer tenors this year, primarily as a result of the 7.5-year green bond issuance in October, maintaining stable cost of debt overall reflects our ability to achieve tighter like-for-like issue levels on our bonds compared to 2018.

CPIPG is fully committed to our credit ratings, and views business decisions through the lens of financial policy.

Joe Weaver, Director of Capital Markets

Secured Bank Loans

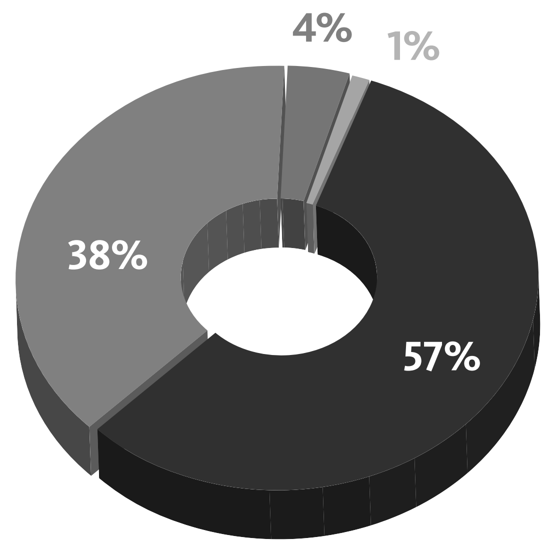
At the end of 2019, only 25% of the Group's total debt was secured, having decreased significantly versus 37% at the end of 2018. The vast majority of the Group's bank loans are denominated in Euros. The largest portion of the Group's secured loans (57%) relate to Berlin, which is due for renewal primarily in 2024. 93% of outstanding secured bank loans are drawn from six banks. In total, the Group has secured loans from 13 banks who are active in the CEE region and Germany.

Breakdown of Secured Bank Debt by Principal

as of 31 December 2019

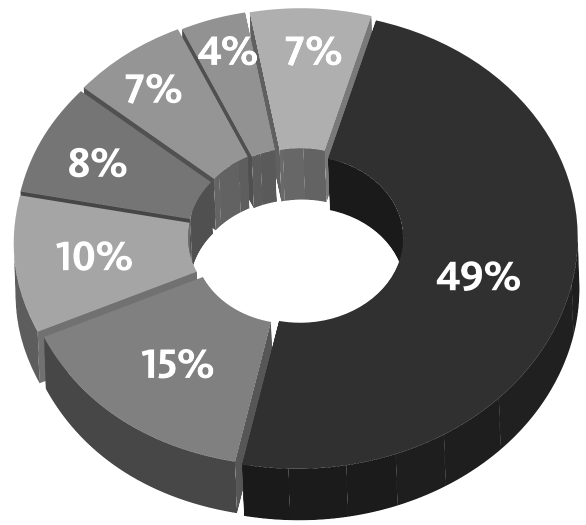
Secured Bank Debt by Geography

- Germany
- Czech Republic
- France
- Switzerland



Secured Bank Debt by Bank

- Berlin Hyp
- UniCredit Group
- Komerční banka
- Československá obchodní banka
- DZ HYP
- Česká Spořitelna
- Other (seven banks)



Mamaison Residence Downtown Prague, Czech Republic

Foreign Exchange Risk

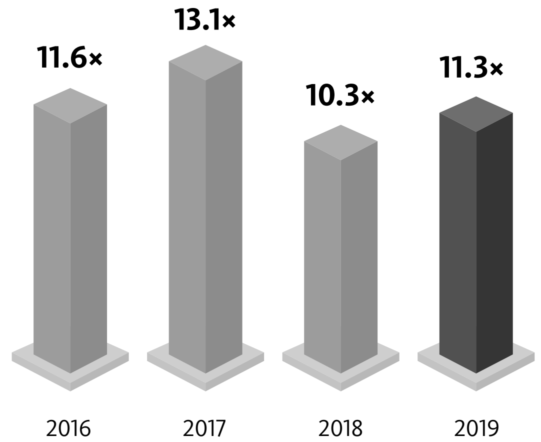
The Group is exposed to fluctuations in foreign currencies, primarily the Czech Koruna (CZK). The impact of foreign exchange is mostly unrealised (non-cash) and arises whenever there is a mismatch between the currency in which a property is valued and the functional currency of the entity into which the property is consolidated. 29% 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. During 2019, due to the slight appreciation of CZK relative to EUR, CPIPG recorded an unrealised FX loss of €17 million on Euro-denominated assets in the Czech Republic. In addition to the non-cash effects, the Group is exposed to foreign currencies (primarily CZK) through rental income and expenses. In 2019, 28% of the Group's gross rental income was received in CZK. However, 54% of the Group's property operating expenses and 43% 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 €	5%	10%	15%	20%	25%
LTV	+0.5 p.p.	+1.0 p.p.	+1.5 p.p.	+1.9 p.p.	+2.3 p.p.
Net ICR	(0.09×)	(0.18×)	(0.25×)	(0.32×)	(0.38×)
EBITDA	(€2.2 m)	(€4.1 m)	(€5.9 m)	(€7.6 m)	(€9.1 m)

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 measure. 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 Net debt/EBITDA, although we may consider increasing the level in a short-term period in the case of acquisitions with high strategic merit. The level of Net debt/EBITDA increased moderately in 2019 compared to the prior but remained below 2016 and 2017 levels. The increase in 2019 was affected primarily by the Group's acquisition of over €560 million of offices in Warsaw in the final quarter of 2019, for which only a small EBITDA contribution from the properties was recognised in 2019. The assets acquired generate strong rental income with attractive yields, which should contribute positively on the ratio in future.



Commitment to Retain FFO

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 is able to retain and reinvest the majority of income generated.

The Group has conducted share repurchases from time to time. **In July 2019, the Group established a financial policy stipulating that we will retain at least 50% of FFO in any given year. In 2019, CPIPG retained 51% of FFO.** Share repurchases may be conducted in future on an ad hoc basis, but we do not expect these to occur annually.

Our primary shareholder has also contributed equity into the company over the years, particularly in 2016/2017 to support acquisitions and improve the balance sheet. In 2016, Mr. Vítek converted bonds issued by CPIPG, which he was holding personally, into shares. In total, our shareholder has contributed €886 million into CPIPG since 2016.

51%

FFO retained in 2019

	2016	2017	2018	2019	Total
FFO	103	127	164	220	614
Share Repurchases	–	–	(145)	(109)	(254)
FFO Retained	100%	100%	12%	51%	59%

Results & Net Assets

- Net rental income grew by 8% to €294 million, versus €272 million in 2018.

  The positive development in net rental income was predominantly driven by an increase in our gross rental income.

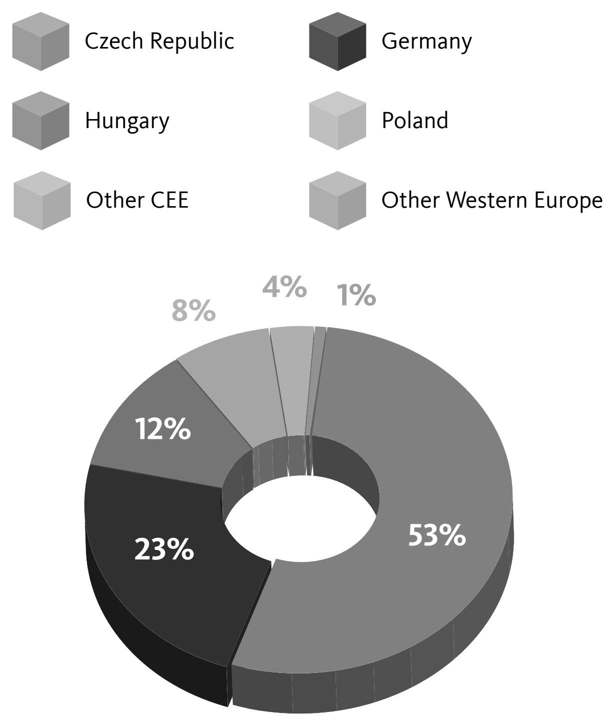
- Net hotel income remained stable reflecting 1% increase of RevPAR and ADR and proportional increase of operating expenses.

Income Statement (part 1)

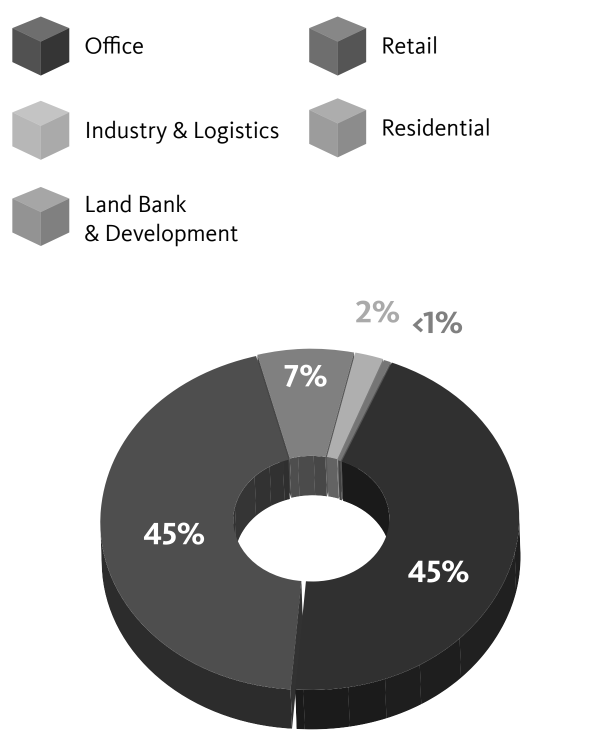
€ million	2019	2018
Gross rental income	319	302
Service charge and other income	123	111
Cost of service and other charges	(88)	(85)
Property operating expenses	(60)	(56)
Net rental income	**294**	**272**
Development sales	50	30
Development operating expenses	(46)	(31)
Net development income	**4**	**0**
Hotel revenue	134	122
Hotel operating expenses	(94)	(82)
Net hotel income	**40**	**40**
Other business revenue	46	38
Other business operating expenses	(39)	(30)
Net income from other business operations	**7**	**8**
Total revenues	672	604
Total direct business operating expenses	(327)	(284)
Net business income	345	320
Administrative expenses	(53)	(49)
Consolidated adjusted EBITDA	292	270

In 2019, the Group generated gross rental income of €319 million, representing a y-o-y increase of 6% compared to €302 million in 2018, reflecting our successful asset management and the impact of properties acquired during 2018 and 2019, partially offset by the impact of disposals.

Gross Rental Income by Country



Gross Rental Income by Segment

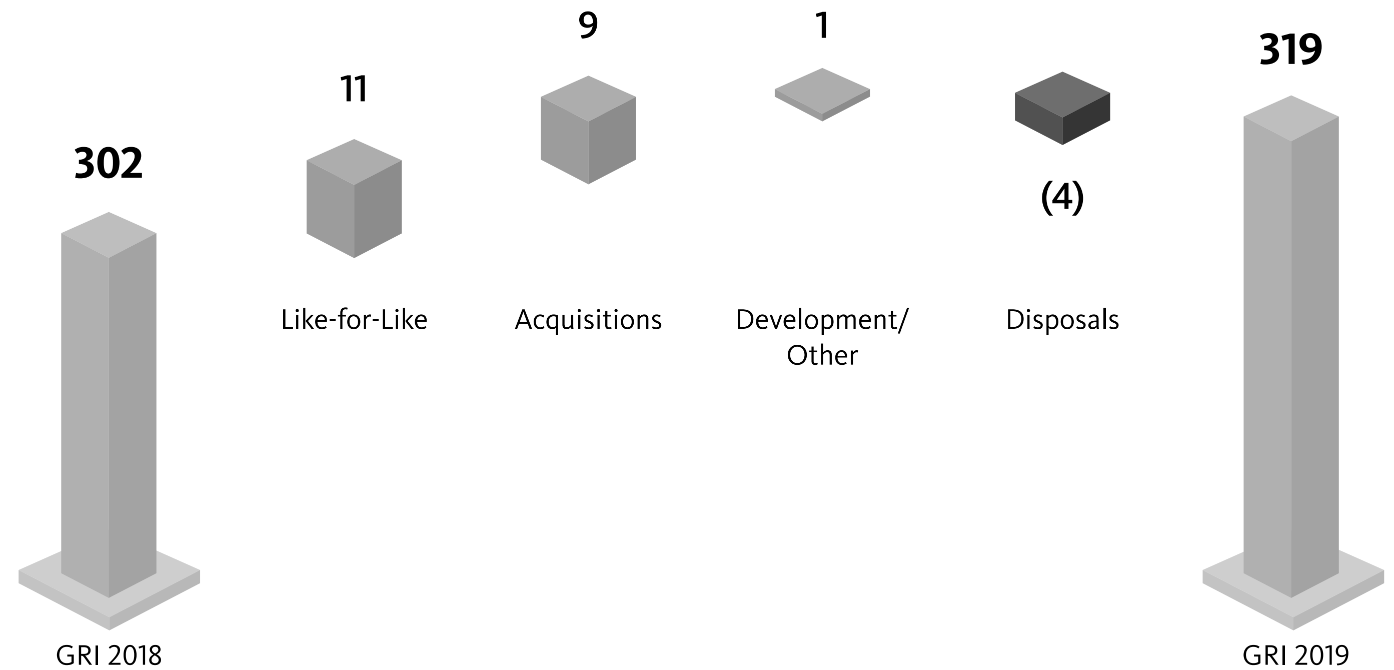


Our focus to continually improve the performance and quality of our assets is reflected in the robust 4.4% increase in gross rental income on a like-for-like basis.

The growth occurred across all countries and asset classes; the greatest increase (10.5%) was realised in Berlin's office properties.

The like-for-like growth was fully driven by an increase of rents, while occupancy slightly decreased on a like-for-like basis.

Like-for-like gross rental income	**2019 € m**	2018 € m	Increase/ (decrease)
Czech Republic	**129.5**	127.2	1.8%
Germany	**71.3**	64.6	10.5%
Hungary	**36.4**	35.0	4.1%
Poland	**14.0**	13.7	2.0%
Slovakia	**8.3**	8.1	2.4%
Other	**3.2**	3.1	2.9%
Total like-for-like gross rental income	**262.7**	251.7	4.4%
Not like-for-like gross rental income			
Acquisitions/Transfers	**19.9**	10.6	
Disposals	**12.4**	16.7	
Development	**23.2**	21.9	
Other	**0.8**	0.7	
Total gross rental income	**319.1**	301.7	5.8%



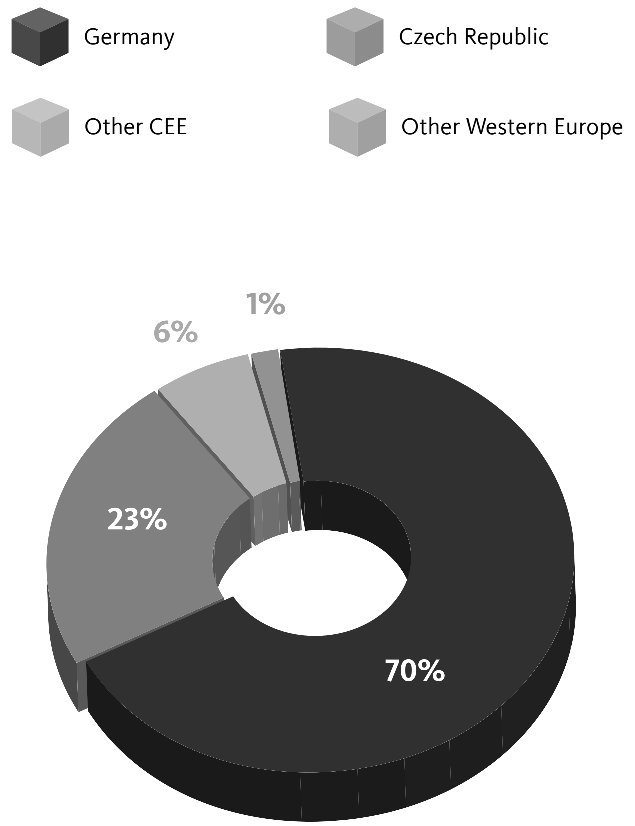
Income Statement (part 2)

€ million	2019	2018
Consolidated adjusted EBITDA	**292**	**270**
Net valuation gain	550	579
Net gain or loss on the disposal of investment property and subsidiaries	2	1
Amortization, depreciation and impairments	(42)	(64)
Other operating income	10	7
Other operating expenses	(7)	(7)
Operating result	**805**	**786**
Interest income	14	14
Interest expense	(54)	(78)
Other net financial result	0	(72)
Net finance income / (costs)	**(40)**	**(136)**
Share of profit of equity-accounted investees (net of tax)	0	(1)
Profit / (Loss) before income tax	765	649
Income tax expense	(80)	(18)
Net profit / (Loss) from continuing operations	685	631

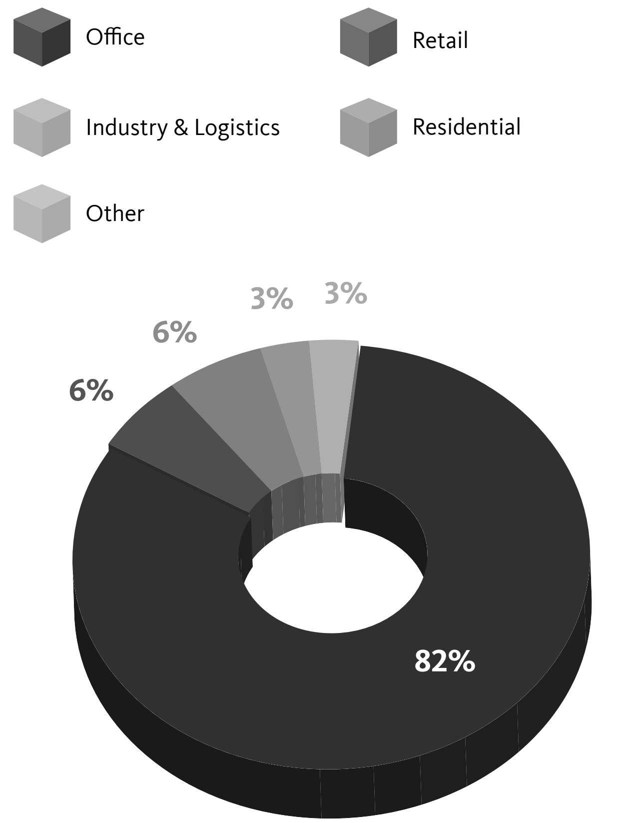
Net valuation gain of €550 million results principally from the valuation gain on the office portfolio in Berlin. The gain was driven by the significantly improved performance of our properties together with a market characterised by strong economic fundamentals and high investor demand.

The following graphs show the split of net valuation gain 2019 by country and segment.

Valuation Gain by Country



Valuation Gain by Segment



Interest expense was €54 million in 2019 compared to €78 million in 2018.

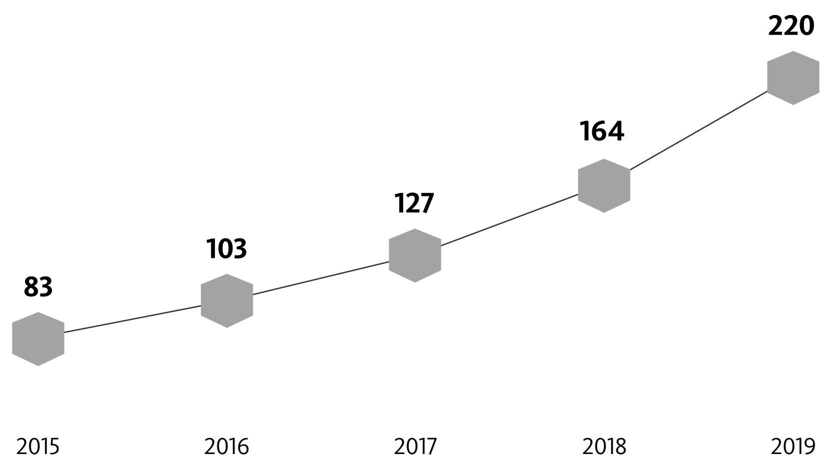
This significant decrease reflects the change in the Group's capital structure when a substantial portion of high-coupon bonds and secured bank loans was repaid during 2018.

Interest Expenses (€ million)	2019	2018
Interest expense from bank and other loans	(18.2)	(33.9)
Interest expense on bonds issued	(35.2)	(43.8)
Interest expense related to leases	(0.5)	(0.5)
Other interest expenses	(0.3)	(0.2)
Total interest expenses	(54.2)	(78.4)

Change in other net financial result is attributable to a slight strengthening of the CZK/EUR exchange rate during 2019, relative to a depreciation of CZK/EUR during 2018. The impact of foreign exchange relates principally to intra-group loans. In 2018, other net financial result was also negatively affected by early repayment of the subsidiary bonds.

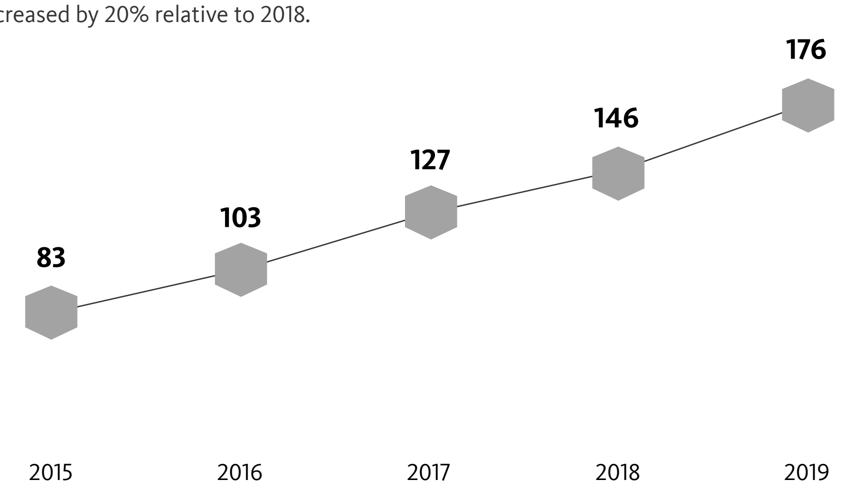
Funds from Operations – FFO (€ million)

Funds from operations (FFO) increased to €220 million, up 34% relative to 2018.



Funds from Operations – FFO II (€ million)

FFO II, which includes the effect of coupon payments on hybrid bonds, increased by 20% relative to 2018.



Balance Sheet

€ million	31 Dec 2019	31 Dec 2018
Non-Current Assets		
Intangible assets and goodwill	**107**	110
Investment property	**8,157**	6,687
Property, plant and equipment	**886**	736
Deferred tax asset	**168**	195
Other non-current assets	**246**	91
Total non-current assets	**9,564**	7,819
Current Assets		
Inventories	**51**	72
Trade receivables	**81**	68
Cash and cash equivalents	**805**	99
Assets held for sale	**22**	67
Other current assets	**151**	134
Total current assets	**1,109**	440
Total assets	**10,673**	8,259
Equity		
Equity attributable to owners of the Company	**4,334**	3,776
Perpetual notes	**1,085**	542
Non controlling interests	**50**	44
Total equity	**5,469**	4,362
Non-Current Liabilities		
Bonds issued	**2,871**	1,648
Financial debts	**1,165**	1,062
Deferred tax liabilities	**806**	762
Other non-current liabilities	**74**	53
Total non-current liabilities	**4,916**	3,525
Current liabilities		
Bonds issued	**21**	7
Financial debts	**48**	158
Trade payables	**86**	98
Other current liabilities	**133**	110
Total current liabilities	**287**	372
Total equity and liabilities	**10,673**	8,259

Property Portfolio (IP, PPE, INV, AHFS)
Change in PP by €1,554 million primarily due to:

- Acquisitions of €789 million, mainly attributed to three office properties in Warsaw, Poland (over €560 million), two hotels in the Czech Republic and two properties in London;
- Change in fair value of €627 million;
- CAPEX and development of €240 million;
- Disposals of €77 million.

Total Assets
Total assets increased by €2,414 million (29%) to €10,673 million as of 31 December 2019, primarily driven by higher investment property (€1,470 million) and cash and cash equivalents (€706 million).

Equity
Equity increased by €1,107 million mainly due to:

- + €633 million profit for the year
- + €543 million hybrid issued
- + €32 million hedging and translation reserves
- + €25 million revaluation reserve
- − €109 million share repurchase

Financial Debts
Financial debts slightly decreased due to:

- − €68 million of bridge loan repaid
- − €50 million of term loan repaid
- − €34 million of RCF repaid
- − €74 million of bank loans repaid
- + €170 million of Schuldschein drawn
- + €36 million of new bank loans

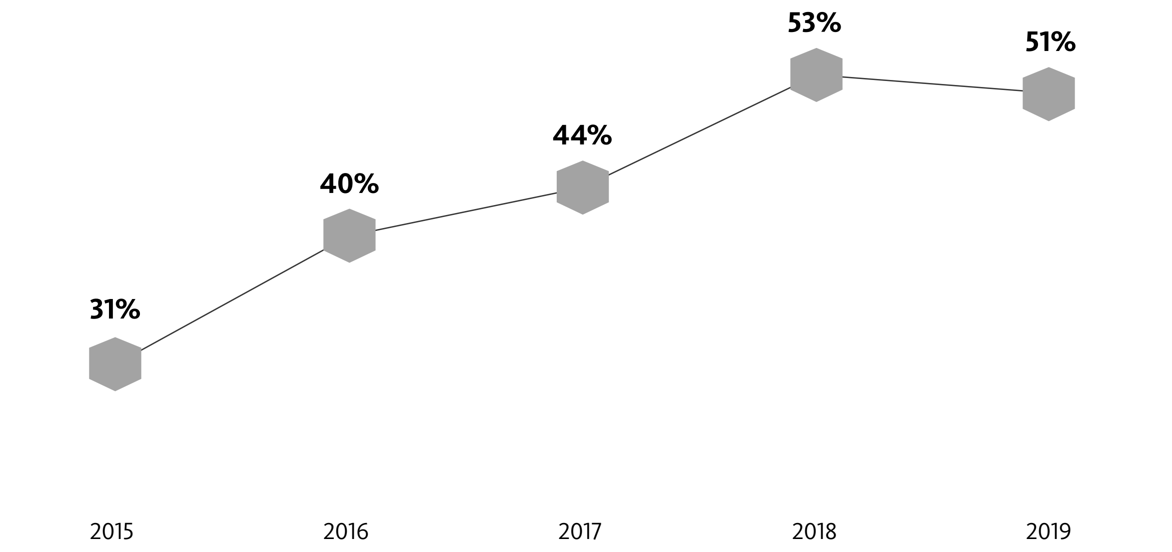
Bonds Issued
All bonds issued are represented by notes used by CPI PROPERTY GROUP S.A. under our EMTN programme.

Bonds issued increased due to:

- + €733 million of Green bonds
- + €401 million of USD bonds
- + €85 million of HKD bonds

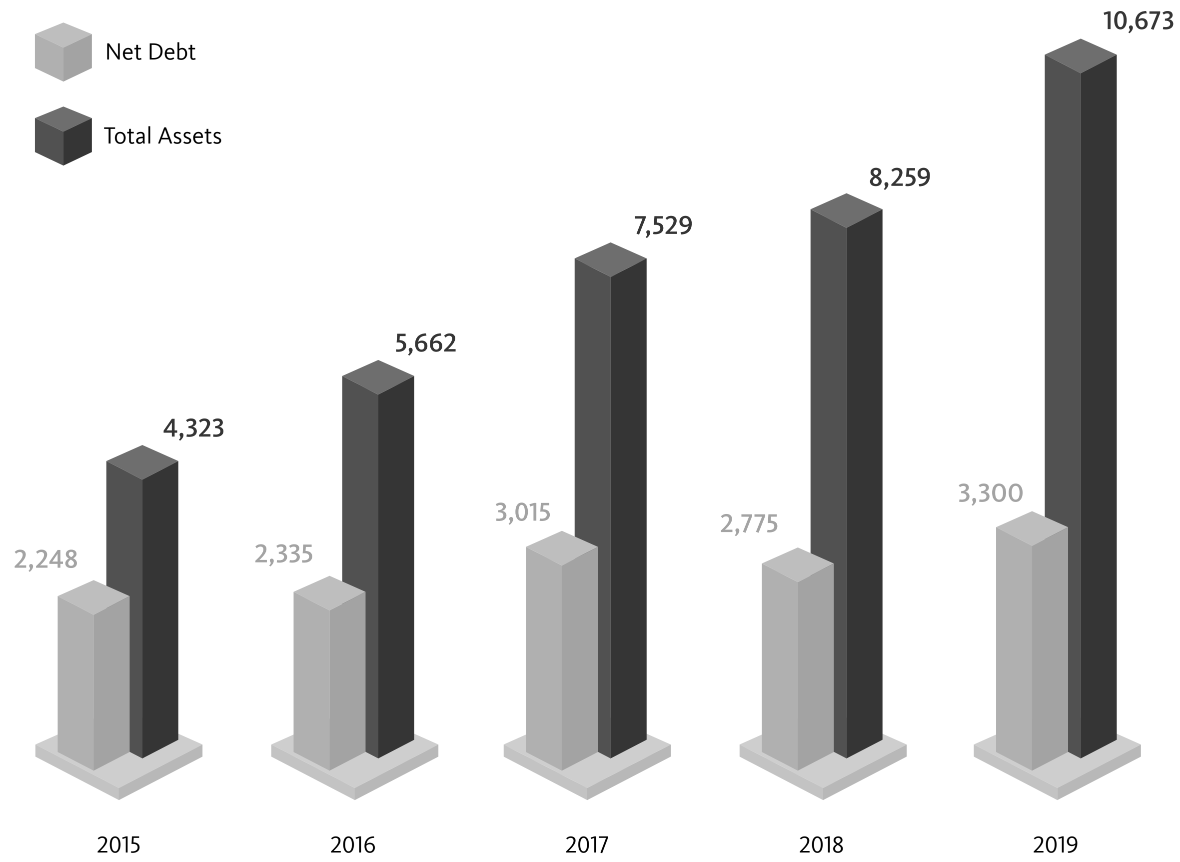
Equity Ratio

Despite the Group's retention of profit, higher property portfolio valuations and hybrid bond issuance in 2019, CPIPG's equity ratio slightly decreased in 2019 compared to 2018 due to issues of senior unsecured bonds.



Total Assets and Net Debt

In 2019, the Group continued increasing total assets through acquisitions and revaluations and via hybrid bond issuance, while also increasing total debt via senior unsecured bonds issues with proceeds partially held in cash at the end of 2019.



Governance & Sustainability

Olympia Plzeň Shopping Centre, Czech Republic

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.

Our governance standards are already high, but CPIPG never stops elevating our goals and expectations.

Martin Matula, General Counsel

CPIPG's Approach to Corporate Governance

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 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, two independent directors and non-executive directors representing shareholders. A new independent Board member, Omar Sattar, was appointed by the AGM during the first half of the year. 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.

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:

- 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.

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.

Bicycle storage station at Futurum Shopping Centre, Kolín, Czech Republic

CPIPG employees in Quadrio, Czech Republic

I am excited about the environmentally friendly approach within the Group and the efforts pursued by the CSR Committee.

Sebastian Blecke, COO of GSG Berlin and CSR Committee member

photo: GSG Berlin © CHL

CSR Governance & Management

CSR Committee

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.

The main task of the CSR Committee is the supervision, oversight and active promotion of CSR principles across the Group.

In relation to the sustainability and environmental risks the CSR Committee monitors and enhances:

(a) active use and promotion of energy efficiency and energy savings in line with current strategies and objectives;
(b) consideration of the life cycle implications at all stages of investments and planning;
(c) optimization of usage of natural and other resources in order to benefit from efficient and responsible use, minimize waste, prevent pollution and promote reusing and recycling of raw materials;
(d) active promotion and encouragement of environmentally friendly conduct both internally and externally;
(e) increase of the share of the renewable energy sources in all Group's operations, such as equipping existing assets with solar panels;
(f) high-standard performance, including green LEED/BREEAM certifications, as well as other relevant external certifications, where possible;
(g) strengthened commitment to electro mobility, development of biking infrastructure, ensuring proximity to public transport and access to amenities, and support of the concept of smart cities;
(h) increase of the share of green buildings in the Group's portfolio in line with the current strategy and seeking to apply real estate life cycle assessment on new projects;
(i) application of innovative approaches in the Group's undertakings, including green roofs and net zero buildings; and
(j) setting 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:

(a) transparency and accountability within the Group and vis-à-vis its stakeholders. The CSR Committee promotes active interaction with relevant stakeholders, development of communication channels across the Group;
(b) promotion of accessibility, inclusivity and smart livelihoods through Group's assets;
(c) 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;
(d) promotion of personal and professional development of Group's employees.
(e) promotion of diversity and equal opportunity in the workspace in line with the Group's policies and applicable legal standards.
(f) Proper disclosures in relation to corporate social responsibility efforts on regular basis.

The members of the Committee are appointed by the Board of Directors. The Composition shall have at least five members. Any member of the Committee may be removed with or without cause (*ad nutum*) by a simple decision of the Board of Directors.

The Committee shall be composed of highly experienced and qualified professionals with an excellent track record and thorough knowledge of the Group and its business. The Committee shall be composed of a balanced mix of executive and independent directors as well senior managers from finance, operation and legal departments, preferably from various jurisdictions.

The members of the Committee shall always act in the best corporate interest of the Group, its shareholders and other stakeholders. The Committee shall ensure that the Group takes into account corporate social responsibility and the interests of all stakeholders.

As at 31 December 2019, the CSR Committee is comprised of the following members:

- Sebastian Blecke, COO, GSG Berlin;
- David Greenbaum, CFO;
- Edward Hughes, Chairman of the CSR Committee, independent, non-executive member of the Board of Directors;
- Martin Matula, General Counsel;
- Tomáš Salajka, Director of Acquisitions, Asset Management & Sales, executive member of the Board of Directors, and;
- Marie Vítek, non-executive member of the Board of Directors.

During 2019, the CSR Committee held two meetings with 100% attendance. The CSR Committee dealt with the scope of its works and responsibilities, division of internal roles, tasks and framework under which it operates. The CSR Committee appointed Edward Hughes as its chairman. The CSR Committee reviewed the CSR initiatives within the Group and dealt with green bond related matters, including the green bond framework, allocation of proceeds as well as overall strategy with regard to green financing.

Balance Loft, Budapest, Hungary

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 following:

- **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 well as 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.

** defined as employees, agents and members of the Group's corporate bodies*

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 fulfil all ethical and legal obligations concerning use of intellectual property.

Tamás Pásztor, Head of Legal and Operation, CPI Hungary; Gisbert Schwarze, Head of Legal, GSG Berlin; Martin Matula, General Counsel; Ivan Mimica, Head of Legal, Sunčani Hvar; Kamil Lewandowski, Head of Legal Asset Management, Poland

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

Nisa Shopping Centre, Liberec, Czech Republic

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 practice 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. 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 (3) members. The members of the Board of Directors 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. Resolutions shall require a majority vote. In the case of an equality of votes, the chairman of the meeting (if designated) will have a second or casting vote.

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

The current Board members were appointed during the Company's annual general meeting held on 29 May 2019 and their term expires at the annual general meeting of 2020 concerning the approval of the annual accounts of the Company for the financial year ending 31 December 2019.

In 2019, the Board of Directors proposed to the Company's annual general meeting a second independent board member, Mr. Omar Sattar, a former managing director of Colliers International in the Czech Republic and a long-time CEE real estate specialist.

As at 31 December 2019, the Board of Directors consists of the following members:

Edward Hughes, independent, non-executive member. Chairman of the Board of Directors, president of the Audit Committee, president of the Remuneration Committee, and president of the CSR Committee.

Edward, 53, has been the member of the Board of Directors since 10 March 2014. He has been engaged in real estate investment, consultancy and brokerage activities in the Czech Republic and other Central European countries for more than 20 years. Through his finance and real estate background Edward is an experienced professional and has significant experience in asset acquisition, project preparation and developments. In 1996, he established Lexxus and developed it to become the leading real estate agency in Prague and Bratislava. Prior to establishing Lexxus, in 1996, Edward was Associate Director of GE Capital Europe, responsible for Central European business development and subsequently, in 1997, he became Finance Director of Multiservis, a GE consumer finance company in the Czech Republic. Edward started his career in Arthur Andersen in London in 1988, qualifying as a Chartered Accountant in 1991. In September 1991 he transferred to work for Arthur Andersen in Prague. Edward is a graduate of Trinity College, Dublin where he majored in Business and Economics with Honours (1988).

Mr. Philippe Magistretti, executive member. President of CMA s.a. Crans Montana.

Philippe, 63, has been a member of the Board of Directors since 28 May 2014. Before joining CPI Property Group, Philippe acted as Chairman of Seveneast, a private wealth management firm in Switzerland, from 2009 to 2015. He was a Member of the Executive Committee and Head of Wealth Management at Renaissance Investment Management in Moscow from August 2006 to January 2008. Prior to joining Renaissance Investment Management, Philippe worked with UBP for two years where he was a Member of the Executive Committee and Head of Private Banking. Philippe worked for Lazard Group for more than ten years, as a General Partner of Lazard Frères & Co., New York (from January 1994 to January 2002), Managing Director of Lazard Brothers, London (from January 2002 to February 2004) and CEO of Crédit Agricole Lazard Financial Products Bank, London, a derivatives subsidiary of Lazard Group (from April 1995 to June 2003). Prior to that, Philippe held executive positions at AIG Financial Products, Credit Suisse First Boston and Solomon brothers in New York. Philippe was a member of the board of Fellows at Harvard Medical School for ten years (1992-2002). He holds an MBA from IMD (Lausanne) and a Doctorate in Medicine from the University of Geneva (1982-1984) (Nuclear Medicine), is Fellow of the Harvard Medical School (1978- 1981), received an MD degree from the University of Geneva in 1980 and holds a Masters in Philosophy from the University of Geneva.

Martin Němeček, executive member. CEO & Managing Director. Martin, 44, has been the member of the Board of Directors since 10 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 also oversees the bank project financing and legal affairs of CPI Group. From 2001 to 2011, he worked for Salans (today Dentons), Linklaters and Kinstellar law firms. Martin graduated from the Faculty of Law of the Charles University in Prague and from the University of Economics, Prague.

Tomáš Salajka, executive member. Director of Acquisitions, Asset Management & Sales, member of the CSR Committee.
Tomáš, 44, has been the member of the Board of Directors since 10 March 2014. Tomáš is responsible for asset management of the Group's portfolio, including all the transactions and platforms in Germany, Poland and Hungary. Before joining CPI Property Group, Tomáš was CEO of Orco Property Group and also was working over the last 10 years for GE Real Estate Germany/CEE where his latest position was the Head of Asset Management & Sales CEE and before that for CSOB in the Restructuring Department. He studied foreign trade at the University of Economics in Prague, Czech Republic (VSE).

Omar Sattar, independent, non-executive member. Member of the Audit Committee, member of the Remuneration Committee, and member of the CSR Committee.

Omar, 49, has been the member of the Board of Directors since 29 May 2019. Omar is a seasoned property professional and a RICS qualified Chartered Surveyor with over 25 years of experience. Omar is from the UK, but has spent most of his career working in the CEE region in roles such as the Managing Director of Colliers International and DTZ Zadelhoff in the Czech Republic and has also held senior Director positions at both Avestus Capital Partners and the Orco Property Group. Omar currently runs his own independent real estate advisory business and holds a BSc (Hons) degree in Land Economics from the University of West of Scotland.

Oliver Schlink, executive member. CFO and Managing Director of GSG Berlin.

Oliver, 49, has been the member of the Board of Directors since 28 May 2014. Oliver has been working for GSG Berlin for approximately six and a half years. Oliver is solely responsible for finance areas (accounting, controlling, tax, financing), legal, HR and financially driven communication of GSG Berlin and has shared responsibility, with the other GSG Berlin managing directors, for the areas of IT and development. Oliver started his career at KPMG in 1998, where he worked for four years. In 2001 he joined Deutsche Annington (today Vonovia), where he worked for almost ten years, mostly as the Head of Controlling. In 2001, Oliver was responsible for managing one of the four regions of the Deutsche Annington group, comprising 43,000 flats in Westphalia. Oliver holds a dual degree in Business Administration and Engineering from TU Berlin, where he graduated as Diplom Wirtschaftsingenieur in 1997.

Radovan Vítek, non-executive member representing shareholders. Member of the Remuneration Committee.

Radovan, 49, has been the member of the Board of Directors since 10 March 2014. Radovan is an entrepreneur, investor and founder of CPIPG. He started his investment career in Slovakia in the early 1990s' voucher privatisation, before moving his business activities to the Czech Republic to focus on real estate investments in Prague. In 1996, Radovan acquired an investment fund, Boleslavsko, which he transformed into his key real estate investment vehicle (now CPI). In the early 2000s, CPI acquired a wide portfolio of real properties and land in the Czech Republic and Slovakia. His primary focus was the quickly developing retail sector, as the Czech Republic was preparing to join the European Union in May 2004. During the economic downturn, in the absence of competitive bidders, Radovan significantly increased his investment into the office segment.
In 2014, Radovan established CPIPG in its current format by the combination of CPI and GSG Group (the leading owner-operator of commercial real estate in Berlin), creating a platform that has become one of the largest CEE real estate groups.

Marie Vítek, non-executive member representing shareholders.

Marie, 43, has been the member of the Board of Directors since 26 May 2017. Member of the CSR Committee. Between 2012 and 2016 Marie worked at CPI Property Group as a Strategic Financial Manager. Previously she managed the ZIBA Glass Experience Museum, an extensive glass exhibition project in Prague. Currently, Marie oversees investments in Crans-Montana in Switzerland. Before joining CPI Property Group, she worked for Wotan Invest as the Director of Acquisitions and Project Financing. Marie gained further years of experience with her own company focused on organising golf tournaments and economic congresses and finally as an advisor to Heineken during its years of expansion. Marie graduated from the Faculty of Business and Management at the University of Technology in Brno Management.

Board of Directors meetings in 2019

During 2019 the Board of Directors held a total of fifteen meetings, out of which four were quarterly meetings, and thirteen were ad hoc board meetings, dealing with transactions and ongoing business matters of the Group. The average participation rate during the 2019 meetings of the Board of Directors was 98%, of which 83% represents personal attendance and 15% representation by another director pursuant to ad hoc proxy.

Independence

The Group is committed tocontinual enhancements to board transparency and independence. The Board proposed to the Company's annual general meeting a second independent board member, Mr. Omar Sattar, a former managing director of Colliers International in the Czech Republic and a long-time CEE real estate specialist.

Omar has been appointed to the Audit Committee and the Remuneration Committee. These committees are comprised of independent and non-executive members only, whereas the majority is independent.

The independence criteria are is revised semiannually, and is assessed in line with the X Principles. An independent director must not have any significant business relationship with the company, close family relationship with any member of the executive management, or any other relationship with the company, its controlling shareholders or members of the executive management which is liable to impair the independence of the director's judgment.

The potential conflict of interest is taken very seriously. In accordance with the Luxembourg law of 10 August 1915 on commercial companies, as amended, a director who has a direct or indirect patrimonial conflict between his interests and those of the Company in any business or matter to be resolved upon by the Board of Directors (i) must promptly inform the Board of Directors of such potential conflict; (ii) must request that it is stated in the minutes of the Board of Directors' meeting; and (iii) cannot take part in these deliberations nor vote in relation to the matter in which such Director is conflicted. These provisions are strictly enforced by the Board of Directors. In addition, the Group requests the members of the Board of Directors and senior management lists of their related parties for review and check of related parties transactions and potential conflict.

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 Group's reporting procedures by business lines and reviews risks factors and risk control procedures.

As at 31 December 2019, the Audit Committee is comprised of the following members:

- Edward Hughes, independent, non-executive member.
- Iveta Krašovicová, independent, non-executive member.
- Omar Sattar, independent, non-executive member.

Following the appointment Omar Sattar as the new independent, non-executive member of the Board of Directors, the Board agreed to appoint Omar to the Audit Committee. This appointment further strengthened the composition of the Audit Committee and the number of independent members. Philippe Magistretti agreed to resign from the Audit Committee. The current composition of the Audit Committee ensures the proper mix of audit, accounting and real estate experience.

During 2019, the Audit Committee focused mainly on the ongoing review of the Group's financial statements: (i) review of the Annual Management Report and consolidated financial statements for the years ended 31 December 2018, (ii) review of the Interim Management Report and unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2019, and (iii) review of the unaudited financial results for the first and third quarter of the 2019 financial year. The Audit Committee also reviewed and discussed the implementation of new or amended IFRS standards and interpretations that are mandatory for the preparation of the financial statements for the 2019 financial year. The Audit Committee focused on valuation of the property portfolio, revenue recognition, accounting treatment of major acquisitions and risk of misstatement due to fraud or error.

The Audit Committee focused on valuations of the property portfolio and reviewed the outcomes of the Valuation Committee on quarterly basis. The Audit Committee was involved in the Group's financing and capital structure, mainly in relation to senior unsecured bonds, hybrid bonds and green bonds and their accounting treatment.

Last but not least the Audit Committee dealt with external and internal audit. In relation to the external audit, the Audit Committee actively participated in the tender process for a new auditor. The Audit Committee recommended EY as a new auditor and approved White list of tax and non-audit services to be provided by Ernst & Young and their thresholds. The Committee members held a number of meetings with auditors to discuss audit planning.

In 2019, the Audit Committee held six meetings. The average attendance was 95.5% (one absence in total).

Remuneration and Related Party Transaction Committee

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

As at 31 December 2019, the Remuneration Committee is comprised of the following members:

- Edward Hughes, independent, non-executive member.
- Omar Sattar, independent, non-executive member.
- Radovan Vítek, non-executive member.

During 2019, the Board of Directors took over the role of the Remuneration Committee. In particular, the Board of Directors discussed and agreed to increase the number of independent members of the Board. The Board proposed Omar Sattar to the Company's shareholders for the appointment.

Following the appointment Omar Sattar as the new independent, non-executive member of the Board of Directors, the Board agreed to appoint Omar Sattar to the Remuneration Committee. This appointment further strengthened the composition of the Remuneration Committee and the number of independent members. Philippe Magistretti agreed to resign from the position in the Remuneration Committee.

The Board also discussed and reviewed its composition and composition of the committees, checked related party transactions and cross-board mandates of the members. The Board also appointed the CSR committee, and approved plans to link a portion of management's variable compensation to fulfillment of ESG objectives.

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 expenditures 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 international capital markets bonds issued under the Company's EMTN programme, RCF, 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 2019.

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 experts 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 limited 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 Including COVID-19 Impact

Please refer to Note 11 of the Financial Statements as of 31 December 2019.

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 2019.

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 as follows.

(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 8,651,716,331 ordinary shares of one class, out of which 112,135,971 shares (approximately 1.3% 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 8,539,580,360 Company shares (approximately 98.7% 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 €5,000,000,000 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 2019, the following table sets out information regarding the ownership of the Company's shares:

Radovan Vítek (directly or indirectly)	7,847,502,824	90.70%
Others	484,911,259	5.60%
Treasury shares held by the Company's indirect subsidiary CPI FIM SA (directly or indirectly)	319,302,248	3.69%
Total	**8,651,716,331**	**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 are no restrictions on voting rights of the securities issued by the Company, except for the own shares held by the Company, where the voting rights are suspended under law.

(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 a 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 2019, 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 2019, the Company is authorized to redeem/repurchase up to 637,847,673 own shares under the buy-back programme approved in 2019. For more details on the authorized share capital and the buy back please refer to Note 6.10 of the Consolidated financial statements as of 31 December 2019.

(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 30 May 2019, prepared in connection with the Company's €5,000,000,000 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 2019. Certain credit facility documentation with financing banks of the Group contain market standard change of control.

(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 2019.

Energy Transition & Circular Economy

Energy intensity in Like-for-Like performance reduced by

2.7% YoY

Intensity of GHG in Like-for-Like performance reduced by

1.4% YoY

Share of certified buildings in portfolio by value increased to

20.3%

Zlatý Anděl, Prague, Czech Republic

> **CPIPG's environmental strategy** and objectives are a **core element** of our overall approach to *sustainability.*

CPIPG's environmental strategy is designed to reduce the environmental impact of each of the Group's properties, making them resilient to climate change risks and ensuring transition into a portfolio of ecologically-sound properties, while maintaining the quality and services demanded by our tenants.

Contribution to UN Sustainable Development Goals

CPIPG backs all the 17 Sustainable Development 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:

CPIPG has Established Long-term Targets to Mitigate the Impact of Climate Change

The Group is committed to continuously 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 the goals of the Paris Agreement and European energy regulations by setting appropriate targets for the Group. In February 2019, the Group set objectives for the reduction of GHG emissions and water consumption (20% and 10% reductions respectively compared to the 2018 baseline). The Group will closely monitor further development of new EU legislation and standards that aligns with Paris Agreement objectives going forward.

The Group has Tools to Finance Projects that will Contribute Towards these Objectives

In April 2019 CPIPG developed a green bond framework (the "Framework") under which the Group has committed to use proceeds from green bonds to finance or refinance existing or future projects which improve the environmental performance of CPIPG's property portfolio and contribute to the Group's climate impact mitigation objectives. The Framework defines eligibility criteria according to four types of green assets/initiatives: certified green buildings, energy efficiency, renewable energy and the promotion of sustainable farming. The Framework is fully aligned with ICMA GBP 2018[1] and has a Second Party Opinion (SPO) provided by Sustainalytics. In August, the framework was updated to increase the scope of energy efficiency to include new or existing commercial buildings belonging to top 15% most energy efficient buildings in the Czech Republic, based on a study we published with the help of EnergySim.

On 28 October 2019 the Group issued its inaugural Green bond of €750 million and became the first company in its region to issue a benchmark Euro-denominated green bond. This was followed by a subsequent green bond issuance in January 2020 of £350 million.

We are Focused on Continuous Improvement in our Data Collection and Reporting

Our objective is to continually improve the detail, accuracy and quality of our environmental performance reporting, as well as improve the tools used to collect data in our properties.

Considering the diversity of our portfolio, both geographically and by segment, an effective system for data collection and evaluation is essential.

2018 was the first year where we began reporting on the environmental performance of our property portfolio. Since then, the Group has made significant strides in 2019, with the support of various third party experts. For example, the Group has refined the list of environmental Key Performance Indicators (KPIs) and put in place a methodology to allow reporting in line with the GHG Protocol, with the help of CI2. CPIPG's online Environmental Impact Reporting Tool (ERT) was launched and utilised for 2019 data collection. This tool allows disclosure across the Group and all its segments and is tailored to report all scopes in line with GHG Protocol.

[1] International Capital Market Association: The Green Bond Principles (GBP) 2018

Our Objective is to Increase the Share of Certified Green Buildings in our Portfolio

CPIPG's acquisition strategy prioritises properties with strong green credentials, with certifications that will qualify according to our Framework. In addition, the Group makes significant annual investments into our properties in order to improve their quality and environmental performance, where possible achieving new or upgraded environmental certifications. We have "in-use" certifications on our properties, reflecting their performance under current operation.

At the end of 2019, the share of certified buildings in our portfolio had increased to **20.3% of total value and 14.0%[2] of total GLA.**

The Group Actively Participates in External Organisations and Initiatives

The Group is a member of a key industry initiative in the Czech Republic, the Czech Green Building Council ("CZGBC"). The Council was established in 2009 with the aim to support the principles of sustainable building. 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 certification organisations including LEED, BREEAM, DGNB and Czech SBToolCZ.

In August 2019 the Group was **elected as a board member of CZGBC** and is represented by Petra Hajná.

Within CPIPG, Petra focuses on both the broader area of sustainable development and individual projects within the project management team.

By participating in task groups with leading developers, consultants, engineers and manufacturers we 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. Participation in task groups also allows for commenting and advising on new legislation that is drafted by government agencies.

Our ESG Ratings are Strong and Improving

In March 2019, CPIPG's ESG risk assessment by **Sustainalytics**[3] was improved to 17.2/100, representing "Low Risk" and in the 23rd percentile of all rated issuers.

According to Sustainalytics "The company is at low risk of experiencing material financial impacts from ESG factors, due to its low exposure and strong management of material ESG issues."

In October 2019, **MSCI** also affirmed the Group's ESG rating at BBB.

We Adopt Innovative Technologies to Improve Energy Performance in our Buildings

We look for opportunities to review existing building standards and where reasonable go beyond best practice to implement new innovative and efficient systems that improve environmental performance while contributing to tenant satisfaction. Examples include studies for flexible lighting systems, lighting control based on daylight intensity, fresh air ventilation based on CO_2 concentration, cooling and heating with high EER or energy recovery and water management technologies.

The **"Conscious Building"** pilot launched in Balance Hall in Budapest is a prime example of this approach, allowing tenants to understand the impact of their behaviour patterns on building performance and the environment in real-time. Predictive functions and advanced algorithms of building systems optimise building performance in changing weather conditions and significantly reduce energy consumption.

CPI Hotels launched a new program in 2019 called **"Join Pure Life"** across its entire operated portfolio, focused on sustainable procurement and use of resources, energy efficiency aligned with the Group's overall strategy and also encouraging customers to contribute to eco-friendly operation of the hotels.

[2] *For this comparison total area includes area of CPIPG owned hotels. GLA of residential portfolio is excluded.*

Petra Hajná, Project Manager and CZGBC Board Member

Key Sustainability & Environmental Achievements in 2019

January

- In January 2019, the Group **committed to carry out a Life-Cycle Assessment ("LCA")** for all new real estate projects over 10,000 m², new development projects which are assessed by sustainability certification schemes such as BREEAM or LEED and key capital expenditures beginning in March 2019

February

- In February 2019, CPIPG established **long-term group targets for the reduction of GHG emissions and water consumption** in line with original EU objectives set in October 2014

March

- In March 2019, our **Sustainalytics ESG risk assessment improved** to 17.2/100 ("Low risk")
- We also became a **member of the Czech Green Building Council** ("CZGBC")

April

- In April 2019, we published our **Green Bond Framework** and received a **Second Party Opinion** ("SPO") from Sustainalytics

September

- In collaboration with EnergySim and the Czech Green Building Council, we published a statistical analysis of the **top 15% most energy efficient commercial buildings in the Czech Republic[4], in order to improve our efficiency benchmarking of non-certified properties in the portfolio**

October

- In October 2019, we **issued our inaugural benchmark-size Euro-denominated Green bond,** a first for a corporate issuer in our region

November

In November 2019, we made further **significant improvements in CPIPG's environmental reporting framework and data collection capabilities,** such as:

- We launched phase 1 of our **Environmental Impact Reporting Tool**
- Inclusion of waste indicators in our reporting
- Reporting methodology updated to performance-based and aligned with the GHG Protocol, through cooperation with CI2

December

- Petra Hajná was **elected to the board of the Czech Green Building Council**
- By the end of December 2019, CPIPG had increased the share of certified buildings in our portfolio to **20.3% of total value and 14.0%[2] of total GLA**

[3] *Sustainalytics is the leading independent global provider of ESG and corporate governance research and ratings to investors. A global leader in sustainability research & analysis, serving investors & financial institutions with responsible investment solutions.*

[4] *Full methodology for the top 15% most energy-efficient buildings in the Czech Republic. is available here.*

Environmental Reporting Approach & Methodology

Working Closely with Experts

CPIPG integrates sustainability principles into the management processes across all segments. Since 2018, the Group has been working closely with the University Centre for Energy Efficient Buildings ("UCEEB") of the Czech Technical University in Prague ("CTU"). UCEEB acts as a technical support provider and adviser for the implementation of environmental reporting, supports the establishment and quantification of environmental Key Performance Indicators (KPIs) and co-defines principles for regular monitoring and reporting in line with the global environmental reporting standards (GRI, EPRA, GHG Protocol).

The Group Adopts a Rigorous Approach to Environmental Reporting, With an Emphasis on Continuous Improvement

CPIPG has implemented tools to monitor the environmental performance of its properties and performance of the Group's operations. This enables efficient data collection processes, the ability to track and analyse performance across multiple levels (site, segment, region, group) on a regular basis, assess results against targets, and implement suitable corrective measures.

We Utilise Innovative Tools to Enhance Our Data Collection and Reporting Capabilities

The Group has developed an Environmental Impact Reporting Tool. The platform facilitates data disclosure of metrics for KPI calculation across all segments in line with EPRA and GHG Protocol and differentiates all three Scopes.

The first phase of the tool was launched in the third quarter of 2019. All divisions in the Group were trained to annually report the environmental performance of their assets and portfolios and all historical data was uploaded into the tool before going live.

The second phase of the project will deliver an analytical platform for environmental management of an asset, portfolio or region and will simplify annual reporting disclosures.

Our Environmental Key Performance Indicators Are Compliant with Relevant Reporting Frameworks

In May 2019 the Group updated the list of KPIs that is currently composed of GRI and all the EPRA core indicators that allow tracking performance across segments and Group's core processes: operation, acquisition, development & refurbishment and impact reporting. KPIs cover climate change and resource use.

This report fully complies with EPRA Best Practices Recommendations ("BPR") on Sustainability Reporting. The Group integrated GRI Guidelines and reports against GRI G4 with a core approach. The Group plans to report its environmental performance utilising the 2020 Climate Change Information Request platform in our 2020 half-year reporting.

Reporting Values

Data is reported using KPIs in absolute values (energy and water consumption, GHG emissions, waste production) or normalised values (to show the efficiency and a comparative trend). In addition to the standard intensity that provides the ratio between an environmental indicator and the corresponding floor space (energy, GHG emissions and water consumption per m²), CPIPG utilises indicators reflecting specific use of a building (intensity per average occupancy, visitor rates, guest-nights) and the intensity of use relating to financial performance. Core EPRA KPIs are disclosed in this report.

Reporting Scope

The majority of CPIPG's portfolio is reported excluding France, the UK and Russia, which represented less than 0.5% of total reported area at the end of 2019 in terms of GLA.

Reported area – Retail, Offices, Logistics and Residential segments are reported on the basis of GLA. Hotels are reported based on the area that represents space leased to hotel operators. Farms are calculated based on agricultural land area. The ski resort Crans-Montana does not report intensities per area.

KPIs are reported in two ways:

Absolute values for the reported year – the value of an indicator for the year in question. This scope includes assets that were owned or operated by the Group in any period of the reported year. Assets which enter the portfolio in a given year through acquisition, completed development, major refurbishment or the delivery of a management mandate are included in the scope for the period of ownership beginning from the first full month following the entry into the portfolio. Divested assets or assets under construction are included up to the last full month prior to disposal or shut down.

Like-for-like YoY comparison – the change in an indicator between the reported year and the preceding year on a constant portfolio basis. This scope includes only group of assets that were owned or operated by CPIPG throughout an entire two-year comparison period. To expediently assess the positive impact of its management policy, CPIPG includes in the like-for-like scope for year (Y+1) sites acquired in year (Y) and/or managed as from year (Y), if and only if a complete set of data is available for the whole year (Y).

Monitoring Entire Assets, Even Including Areas Independently Operated by Tenants, Allows Us to Better Understand Building Performance and Identify Opportunities for Improvement

The Group reports on the environmental performance of assets in operation as a whole. The scope is further split based on operational control as follows:

- Assets and/or areas that are under CPIPG's operational control, where data on energy consumption and resources use can be measured and verified;
- Assets and/or spaces that are operated by tenants with limited operational control by CPIPG (metering);
- Assets or spaces that are leased in full with independent operation (measurement provided by tenants)

"Operational control" is assessed depending on whether the Group, or one of its subsidiaries, has full authority to introduce and implement its own policies at the operation. It is expected that except in very rare circumstances, if the Group or one of its subsidiaries is the operator of a property, it will have the full authority to introduce and implement its operating policies and thus has full operational control over the property.

The Group's long-term goal is to monitor the environmental performance of all assets and any activity that contributes to its revenue.

Changes in Reporting Scope

Changes in the reporting scope may occur as a result of the start or end of a management mandate; acquisition or disposal of assets; development of new assets or major realizations of major refurbishments and extensions. The following rules apply to reflect these situations:

Reported Values Split by Operation Mode

		Total	Operated by Landlord		Operated by Tenant					
			Metered by Landlord	%	Metered by Landlord	%	Provided by Tenant	%	% of reported value estimated	% of reported area not covered
Fuels	MWh pa	204,296	163,313	79.9	6,280	3.1	34,702	17.0	9.0	1.3
Electricity	MWh pa	473,331	243,192	51.4	77,454	16.4	152,686	32.3	19.5	1.3
DH&C	MWh pa	222,056	119,103	53.6	91,539	41.2	11,415	5.1	14.6	1.2
Water	m³ pa	2,472,057	1,410,275	57.0	953,090	38.6	108,692	4.4	1.3	1.3
Waste	t pa	50,424	11,517	22.8	22,638	44.9	16,269	32.3	17.3	23.9
Refrigerants	kg	46,511	28,317	60.9	2,493	5.4	15,701	33.8	0.0	23.9

Note: Waste values are disclosed for 2018.

- Developments in progress are not included in the reporting scope until the first full calendar month after a building goes into operation. The asset will be included in the like-for-like scope following the second full rolling calendar year in operation;
- Assets that are owned and/or operated for less than a full year are excluded from the calculations of intensities and like-for-like reporting in the reported year. Major refurbishment is defined as any alteration that affects more than 50% of the total building floor area or causes relocation of more than 50% of regular building occupants. For the setting of annual targets, we include assets that were under major refurbishment and disclose their total absolute consumptions, while GLA values are proportionately reduced to reflect the actual period of full operation in the year.

Changes in reporting scope are also made to increase the accuracy and scope of our reporting. In 2019, new regions were introduced (Croatia, Italy, Switzerland), new segments (Farms, Residential) as well as recently acquired and disposed assets.

Reporting Data for 2018 and 2019

Reported Period	Reported Area (m²)	No of Buildings	Average Age of Portfolio
Reported Scope in 2018	3,151,800	364	–
Revised Scope for 2018	3,673,340	1,073	38.8
Reported Scope in 2019	3,889,570	1,025	37.3

Notes: Reported area excludes Farms and ski resort Crans-Montana in Switzerland. Total reported area and Building count include the residential segment in the Czech Republic. Portfolio age is weighted based on reported area and excludes buildings under major refurbishment and farms in the Czech Republic. The number of buildings sums individual properties/units and does not correspond with building count in other sections of the report.

Reporting Period

CPIPG publishes environmental reporting KPIs consolidated over a calendar year. All data that is available in the data collection period until 28 February 2020 was considered. Some information related to 2019 operation was still not available within this period. This information will be included in subsequent environmental reporting.

Continuous Improvement of Definitions and Data Quality

The CPIPG portfolio is diversified and develops over time. To fully understand and evaluate its performance across segments and geographies, data quality and suitably selected metrics are critical. CPIPG continues to improve the quality and comparability of its environmental data, to develop internal benchmarks, and introduce sub-metering to collect necessary detail for analysis. As a result, adjustments may occur in data from the previous reported years whenever relevant.

Transparency & Accuracy are Critical for Understanding & Improving Portfolio Performance

Revisions to our environmental disclosures in 2018 are as follows:

- Updated reported 2018 renewable energy production in the Berlin portfolio;
- Inclusion of refrigerants installed on site and calculation of their impact from leakage and reuse;
- Inclusion of residential and agricultural segments in the Czech Republic;
- Inclusion of Croatia, Italy and Switzerland with proxy values for 2018;
- GHG calculation split by Scopes 1, 2 and 3;
- Utilisation of latest available market-based emission factors for GHG calculation of Scope 2 where available along with updated location-based emission factors;
- Inclusion of Scope 3 emissions from freshwater production and distribution and from waste management were added;
- Consolidated waste production for the Group is based on 2018 values as 2019 information was not available. 2019 data will be disclosed in our half-year 2020 report. Waste production contracted directly by tenants was not available for the Berlin portfolio and was estimated for part of the residential portfolio, and;
- All EPRA KPIs for 2018 were recalculated to include extended scope and updated emission factors

Revisions to our environmental reporting scope and disclosures in 2019 are as follows:

- Median values for all KPIs 1 through 6 were replaced with mean values KPIs defined through GRI and EPRA environmental reporting standards;
- Buildings are reported as a whole, but we make a distinction based on the level of operational control between landlord and tenant;
- Values for district heating in the Berlin portfolio were not available for 2019 and an estimate based on 2018 data is reported. Measured consumptions will be updated in the half-year 2020 report;
- Values for part of the residential portfolio in the Czech Republic for 2019 are estimated based on 2018 performance as measured data was not available. Disclosure for 2019 will be included in the half-year 2020 report;
- Improved alignment of our retail segment with our portfolio structure. As a result, some properties reported in 2018 have been moved to a new segment "Complementary Retail";
- Inclusion of car fleet fuel consumption within regions (proxy values are utilised for 2018), and;
- Accuracy of reported area has been improved

EPRA Environmental Performance Disclosure

Due to disparity in operational characteristics, EPRA environmental disclosures are reported separately for built assets in operation, ski resorts (Crans-Montana) and farms (Spojené farmy a.s.).
Disclosures relating to built assets in operation represents the vast majority of the Group's assets.

Disclosure of EPRA Key Environmental Performance Indicators by geography

EPRA Sustainability Performance Measures – Environmental impact					Czech Republic			Germany			Hungary			Poland			Romania			Slovakia			Others			Total		
					Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance	
Impact area	EPRA Code	Units	Indicator		2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY
Energy	Elec-LfL	MWh pa	Electricity	Building operation	276,224	258,349	-5.1	71430.4	68,573	2.9	59,185	58,165	-5.1	33,293	28,173	-7.0	3,126	3,126	-6.7	14,676	13,233	12.8	15,396	13,831	4.7	473,331	443,450	-3.3
				Proportion of electricity from renewable sources	0.025	0.026	43.6	0.230	0.241	-8.4	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.021	0.022	38.3
	DH&C-LfL		District heating and cooling	Building operation	151,611	144,690	-3.1	56,278	53,890	-1.5	0	0		14,167	11,047	-5.6	0	0		0	0		0	0		222,056	209,628	-2.9
				Proportion of district heating and cooling from renewable sources	0.003	0.003	7.7	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.002	0.002	5.9
	Fuels-LfL		Fuels	Building operation	102,122	100,663	2.8	70,193	67,894	-1.5	19,641	18,510	-12.9	212	188	-33.8	1,614	1,614	-11.2	5,179	4,926	-10.4	5,335	2,971	9.6	204,296	196,766	-0.8
				Proportion of fuels from renewable sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
	Energy-Int	$kWh/(m^2\ pa)$			262	258	-3.3	215	213	0.3	239	239	-7.2	329	335	-6.8	420	420	-8.3	225	226	5.5	233	240	5.6	249	247	-2.7
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	$t\ CO_{2}eq\ p$	Direct	Fuels, Refrigerants	24,516	23,677	2.8	15,996	15,477	-1.5	4,967	4,611	-11.9	329	166	-15.1	405	405	-10.4	1,474	1,410	-8.4	1,568	1,014	9.3	49,256	46,761	-0.7
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect	DH&C & Elec, Generation, Transmission & Distribution, Water & Waste	246,659	232,635	-2.5	65,934	63,870	0.9	27,694	27,215	7.8	34,075	28,489	-6.8	1,294	1,294	-6.2	3,171	2,833	9.5	12,248	11,678	1.6	391,073	368,014	-1.4
	GHG-Int	$t\ CO_{2}eq\ p/(m^2\ pa)$	Intensity		0.134	0.131	-2.3	0.089	0.089	0.7	0.099	0.099	4.4	0.241	0.244	-6.8	0.150	0.150	-7.2	0.053	0.053	2.9	0.155	0.181	2.2	0.122	0.120	-1.4
Water	Water-Abs, Water-LfL	$m^3\ pa$		Building operation	1,612,122	1,552,294	-1.2	235,702	225,261	4.1	246,981	236,246	5.2	90,923	78,303	-7.8	43,697	43,697	11.2	19,665	17,074	16.3	222,967	156,967	14.8	2,472,057	2,309,842	0.9
				Proportion of water obtained from other sources	0.013	0.014	1.3	0.000	0.000		0.001	0.001	-18.9	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.009	0.010	-1.2
	Water-Int	$m^3/(m^2\ pa)$	Intensity		0.793	0.795	-1.5	0.256	0.253	4.4	0.735	0.735	5.1	0.650	0.666	-7.8	3.868	3.868	11.2	0.226	0.212	16.4	2.506	2.238	14.8	0.683	0.671	0.8
Waste	Waste-Abs	tons pa		Building operation	25,240	24,553		14,802	14,681		2,822	2,822		560	483		233	233		1,339	1,062		5,427	5,412		50,423	49,246	
				Proportion of waste diverted from landfill	0.494	0.493		0.259	0.255		0.741	0.741		0.713	0.692		1.000	1.000		0.661	0.633		0.003	0.000		0.396	0.390	
Certifications	Cert-Tot			Number of sustainably certified assets	10	8		0	0		6	6		7	1		0	0		0	0		0	0		23	15	
				Percentage of the portfolio's total floor area	10.2%	8.5%	-0.3	0.0%	0.0%		28.7%	32.3%	0.0	74.0%	35.6%	0.0	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%		13.8%	9.0%	-0.1

Notes: Only properties held for a full year in the portfolio are included for KPI per m², and full-year consecutive holding in 2018 and 2019 in Like-for-Like disclosure, excluding Crans-Montana resort and Farms. Region Czech Republic excludes Farms. Others excludes ski resort Crans-Montana in Switzerland. Regions include fuels consumed in the Group's car fleets. Waste values represent 2018 production.

The energy intensity of the Like-for-Like built assets in operation reduced by 2.7% Year-Over-Year. The savings were realised in all categories of energy consumption: electricity (-3.3%), district heating and cooling (-2.9%) and fuels (-0.8%). In the majority of geographies reductions in energy intensity ranged from 3.3% to 8.3%. **Intensity of GHG emissions decreased by 1.4%.** The main contributor to GHG emissions in 2019 was the Czech Republic (271,175 t CO_2 eq), followed by Germany (81,930 t CO_2 eq) and Poland (34,404 t CO_2 eq). The water consumption intensity rose by 0.9%.

Disclosure of ERPA Key Environmental Performance Indicators by Asset Type

EPRA Sustainability Performance Measures – Environmental impact					Offices			Retail Parks			Retail Warehouses			Shopping Centres			Retail Complementary			Hotels			Logistics			Residential		
					Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance	
Impact area	EPRA Code	Units	Indicator		2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2018	2019	% YoY
Energy	Elec-LfL	MWh pa	Electricity	Building operation	154,956	146,295	-2.5	21,205	21,205	-2.5	42,153	40,710	7.3	140,559	126,502	-6.4	10,940	9,656	5.6	42,916	38,688	-2.9	27,156	26,959	-14.3	33,446	33,435	0.0
				Proportion of electricity from renewable sources	0.079	0.085	27.2	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
	DH&C-LfL		District heating and cooling	Building operation	79,751	74,243	-3.5	2,945	2,945	5.8	3,344	3,344	15.8	19,876	15,580	-4.2	5,283	4,452	-19.7	22,962	21,169	-6.1	278	278	-77.2	87,617	87,617	0.0
				Proportion of district heating and cooling from renewable sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.005	0.005	
	Fuels-LfL		Fuels	Building operation	96,234	93,532	-0.5	3,995	3,995	-19.9	11,559	11,305	-9.2	23,378	22,808	-1.1	3,154	2,917	17.9	17,692	14,230	2.6	7,588	7,417	7.3	27,994	27,859	0.0
				Proportion of fuels from renewable sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
	Energy-Int	$kWh/(m^2\ pa)$			231	230	-2.0	168	168	-1.6	285	287	1.1	376	368	-5.5	180	176	-1.9	238	240	-2.8	274	274	-15.6	202	202	0.0
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	$t\ CO_{2}eq\ p$	Direct	Fuels, Refrigerants	22,747	21,854	-0.5	1,110	1,110	-17.3	3,550	3,485	-6.9	6,692	6,216	-0.9	1,178	1,033	10.7	4,580	3,733	3.0	1,836	1,797	6.9	4,307	4,277	0.0
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect	DH&C & Elec, Generation, Transmission & Distribution, Water & Waste	130,341	122,316	-0.1	12,093	12,093	2.6	24,901	24,564	5.2	95,184	85,136	-2.3	10,003	8,726	4.7	44,836	41,562	-3.6	16,479	16,389	-16.6	57,237	57,229	0.0
	GHG-Int	$t\ CO_{2}eq\ p/(m^2\ pa)$	Intensity		0.107	0.106	0.0	0.079	0.079	3.8	0.142	0.146	0.7	0.209	0.204	-2.3	0.104	0.101	4.1	0.142	0.147	-3.1	0.144	0.144	-17.8	0.083	0.083	0.0
Water	Water-Abs, Water-LfL	$m^3\ pa$		Building operation	553,045	527,573	-3.2	33,944	33,944	-5.9	56,777	54,186	-5.8	478,481	450,074	7.4	59,233	55,612	-3.0	567,592	466,732	4.1	43,469	42,899	-7.1	679,517	678,822	0.0
				Proportion of water obtained from other sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.038	0.047	-3.9	0.007	0.007	-8.1	0.000	0.000	0.0
	Water-Int	$m^3/(m^2\ pa)$	Intensity		0.388	0.386	-3.0	0.203	0.203	-2.9	0.285	0.281	-8.4	0.977	1.005	7.3	0.550	0.573	-4.1	1.638	1.513	4.1	0.339	0.339	-10.4	0.919	0.919	0.0
Waste	Waste-Abs	tons pa		Building operation	18,044	17,847		802	802		4,355	4,078		6,797	6,549		1,703	1,272		6,308	6,284		3,653	3,653		8,760	8,760	
				Proportion of waste diverted from landfill	0.358	0.353		0.548	0.548		0.705	0.701		0.658	0.664		0.724	0.772		0.105	0.103		0.986	0.986		0.000	0.000	
Certifications	Cert-Tot			Number of sustainably certified assets	16	10		0	0		0	0		6	5		0	0		1	0		0	0		0	0	
				Percentage of the portfolio's total floor area	20.6%	12.0%	0.2	0.0%	0.0%		0.0%	0.0%		37.7%	33.1%	0.0	0.0%	0.0%		3.0%	0.0%		0.0%	0.0%		0.0%	0.0%	0.0

Notes: Only properties held for a full year in the portfolio are included for KPI/m², and full-year consecutive holding in 2018 and 2019 in like-for-like disclosure, excluding Crans-Montana resort and Farms). Segment Hotel excludes ski resort Crans-Montana in Switzerland.Waste values represent 2018 production. Performance of Residential portfolio in the Czech Republic is reported for 2018 and estimate is made for 2019. 2019 values will be disclosed in HY 2020 report.

The like-for-like segments contributing to energy savings were Offices (-2.0%), Shopping Centres (-5.5%), Retail Parks (-1.6%), Retail Complementary (-1.9%), Hotels (-2.8%) and Logistics (-15.6 %). The energy intensity increased in Retail Warehouses. GHG intensity decreased in most segments except for Retail Parks, Retail Warehouses and Retail Complementary segments and was flat in Offices. The intensity of water consumption decreased in all segments except Shopping Centres and Hotels.

Disclosure of EPRA Key Environmental Performance Indicators for Farms and Ski Resort Crans-Montana

EPRA Sustainability Performance Measures – Environment impact					Absolute performance (Abs) Farms	Absolute performance (Abs) Ski Resort
Impact area	EPRA Code	Units	Indicator		2019	2019
Energy	Elec-LfL	MWh pa	Electricity	Farm or Resort operation	2,075	9,718
				Proportion of electricity from renewable sources	0.396	0.302
	Fuels-LfL		Fuels	Farm or Resort operation	12,792	5,767
				Proportion of landlord-obtained fuels from renewable sources	0.0063	0.0596
	Energy-Int	kWh/(m² pa)			620	N/A
Greenhouse gas emissions	GHG-Dir-Abs	$tCO_{2,eq}$ p	Direct	(Fuels, Refrigerants, Agricultural production)	31,040	1,834
	GHG-Indir-Abs		Indirect	(DH&C & Elec, Gen., Trans. & Distri., Water & Waste, Refrigerants replacement)	3,688	714
	GHG-Int	$tCO_{2,eq}$ p/(m² pa)	Intensity		1.682	N/A
Water	Waste-Abs	m³ pa		Farm or Resort operation	93,094	297,937
				Proportion of water obtained from other sources	0.636	0.986
	Water-Int	m³/(m² pa)	Intensity		4.145	N/A
Waste	Waste-Abs	tons pa		Farm or Resort operation	43,844	165
				Proportion of waste diverted from landfill	0.995	0.982
Certifications	Cert-Tot			Number of sustainably certified farms	48	0
				Percentage of the portfolio's total agricultural land of certification attained	100%	0%

Note: Only performance in absolute values for 2019 is reported.

Environmental Certifications and Green Portfolio

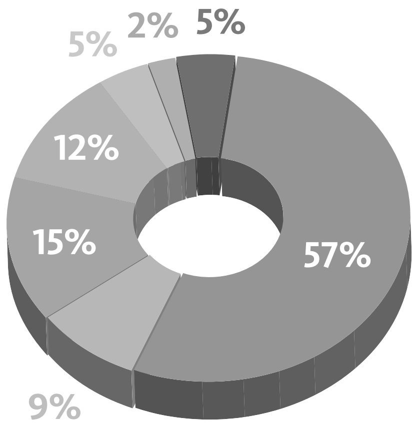
Green buildings provide benefits such as higher asset value, operational efficiency, improved workplace productivity and health, climate risk mitigation and lower environmental impact.

90% of CPIPG's Certified Buildings are BREEAM "Very Good" or Above and LEED "Gold" and Above

The Group's goal is to gradually increase the share of green and certified buildings in its portfolio. Certification criteria are considered for new developments and major refurbishments as well as buildings in operation. Environmental certification schemes are a way to validate the sustainability of key assets in main areas of environmental impact and occupation comfort (management, health & well-being, energy, water, materials, waste, land use, pollution, transport). The target rating for all certifications is BREEAM Very good or better and LEED Gold or better from 2018 onwards. BREEAM[5] is the most widely used sustainable construction certification scheme in regions where CPIPG operates. For purposes of benchmarking, CPIPG utilises BREEAM certification scheme across its portfolio, particularly BREEAM In-Use for in-use assets, as this scheme reflects performance of an asset on an annual basis. Other certification schemes such as LEED are utilised upon request or achieved through acquisitions.

Certification Type per GLA

BREEAM Excellent
LEED Platinum
Other
BREEAM Very Good
LEED Gold
BREEAM Good
LEED Silver



CPIPG's Share of Certified Buildings Represented 14.0% of Reported GLA[6] and 20.3% of Total Portfolio Value at the End of 2019

New Development Projects

CPIPG considers environmental certifications for all of its new major developments and refurbishments at early stages of the design process. The structure of the project team encourages review and discussion about new innovations and lessons learned from operated buildings between teams and regionally across the Group.

New Constructions Planned to Add Over 130,000 m² of certified GLA

New development projects are in the process of certification or planned to be certified in the future in Prague (16,500 m²), Berlin (80,700 m²) and Budapest (33,100 m²).

New developments are also reviewed from an energy efficiency perspective. The Group considers technical specifications targeting efficiency benchmarks for the top 15% most energy efficient buildings in the Czech Republic and in the case of the Berlin portfolio, compliance with Berlin Low Carbon Trajectory methodology set by the Climate Bond Initiative.

Assets in Operation and New Acquisitions

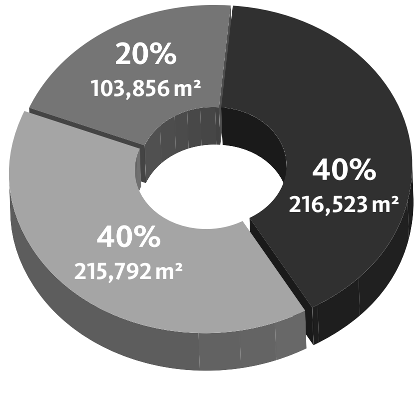
At the end of the reporting period, CPIPG's portfolio included 19 certified assets in operation. In 2019, certified GLA increased by 275,843 m² and €933 million in asset value, which represents an increase of over 100% in both metrics.

The Portfolio of Certified Assets in Operation Doubled in Size Over the Past Year

A significant portion of new certified assets is related to acquisitions in Warsaw made in the final quarter of 2019 where all acquired assets (156,227 m² GLA) hold LEED or BREEAM certifications. In addition, two shopping centres in the Czech Republic (80,255 m² GLA) and one office building in Budapest (9,440 m² GLA) achieved new BREEAM "Very Good" certifications during 2019.

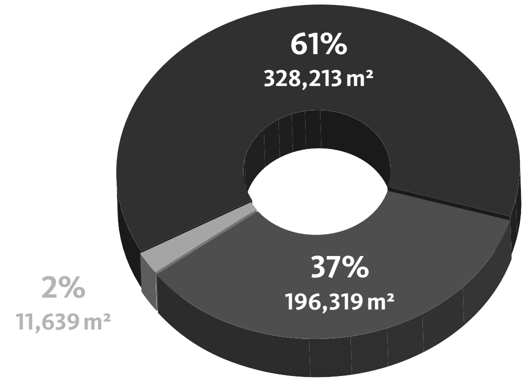
Certified Buildings GLA[6] Split by Geography

Czech Republic
Poland
Hungary



Certified Buildings GLA[6] Split by Segment

Office
Retail
Hotel



We Expect to Achieve an Increase of In-operation Certified GLA of Over 13% in 2020

Certifications planned for 2020 within the in-use portfolio (excluding possible future acquisitions) accounts for 16,350 m². The acquisitions in Warsaw that were completed in the first quarter of 2020 represent an additional 57,460 m² GLA of certified office space and an estimated annual increase of 13.8% in certified GLA.

Balance Hall, Budapest, Hungary

[5] BREEAM is an environmental assessment method and rating system for buildings launched in 1990. BREEAM sets a standard for best practice in sustainable building design, construction and operation and a measure of a building's environmental performance. It encourages designers, clients and others to think about low carbon and low impact design, minimising the energy demands created by a building before considering energy efficiency and low carbon technologies (see www.breeam.org for more information).

[6] For this comparison total compared area includes area of CPIPG hotels. GLA of residential portfolio is excluded.

Green Building **Portfolio**

Certified Assets
(as at 31 December 2019)

Office

Shopping centre

Hotel

Poland

Czech Republic

Hungary

SC Nisa
Location: Liberec, CZ
Year Built: 1999
PP value: €105 million
GLA: 50,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Olympia Plzeň
Location: Plzeň
Year Built: 2004
PP value: €157 million
GLA: 41,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Shopping Centre Ogrody
Location: Elbląg, PL
Year Built: 2002
PP value: €120 million
GLA: 42,000 m²
BREEAM 2009 Europe Commercial – Very Good
Year Certified: 2016

Eurocentrum
Location: Warsaw, PL
Year Built: 2006
PP value: €243 million
GLA: 85,000 m²
LEED BD+C – Platinum
Year Certified: 2017

Equator IV
Location: Warsaw, PL
Year Built: 2018
PP value: €58 million
GLA: 21,000 m²
BREEAM 2009 Europe Commercial – Very Good
Year Certified: 2018

Zlatý Anděl
Location: Prague, CZ
Year Built: 2000
PP value: €143 million
GLA: 21,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Quadrio
Location: Prague, CZ
Year Built: 2015
PP value: €258 million
GLA: 25,000 m²
LEED BD+C – Silver
Year Certified: 2014

Arena Corner
Location: Budapest, HU
Year Built: 2007
PP value: €72 million
GLA: 30,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Gateway Office Park
Location: Budapest, HU
Year Built: 2008
PP value: €83 million
GLA: 36,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Quadra – B30
Location: Budapest, HU
Year Built: 2006
PP value: €30 million
GLA: 13,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Balance Loft
Location: Budapest, HU
Year Built: 1996
PP value: €13 million
GLA: 7,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Atrium Centrum
Location: Warsaw, PL
Year Built: 2001
PP value: €47 million
GLA: 18,000 m²
BREEAM In-Use – Good
Year Certified: 2018

Warsaw Financial Center
Location: Warsaw, PL
Year Built: 1998
PP value: €261 million
GLA: 50,000 m²
LEED O+M – Gold
Year Certified: 2020

Ostrava City Hotel
Location: Ostrava, CZ
Year Built: 2007
PP value: €11 million
Hotel beds: 370
Green Key
Year Certified: 2020

Futurum Hradec Králové
Location: Hradec Králové, CZ
Year Built: 2009
PP value: €131 million
GLA: 39,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Balance Tower
Location: Budapest, HU
Year Built: 2001
PP value: €20 million
GLA: 9,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

City West B2 + B3
Location: Prague, CZ
Year Built: 2009
PP value: €80 million
GLA: 29,000 m²
BREEAM In-Use – Excellent
Year Certified: 2019

Andrássy Palace
Location: Budapest, HU
Year Built: 1997
PP value: €23 million
GLA: 8,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Quadrio, Prague, Czech Republic

Climate Change

Possible effects of climate change on CPIPG's portfolio in the coming years will vary by region and by asset. The scale and severity of changes will determine the extent of the impact, along with factors such as age, location, construction methods, asset operational efficiency, local infrastructure quality, and capacity.

Risks to the Group's activities are likely to include: stringent governmental regulation in terms of energy efficiency and refrigerant use, higher insurance premiums; higher operating costs for energy, water and maintenance; a higher chance of flooding; and a higher risk of disruption to commercial activity from extreme weather events, including problems affecting local infrastructures that are outside the Group's control. However, thanks to CPIPG's strategic focus on major cities in continental Europe, there is a low likelihood of significant changes to the Group's activities due to tidal flooding, extreme temperature variations, aridity, demographic shifts, etc.

CPIPG's due diligence process for acquisitions and new development projects covers a wide range of financial and operational issues and takes many of these risks and opportunities into account. For example, the due diligence process includes a complete audit of technical, regulatory, environmental, and health and safety performance. The potential financial impact of identified risks is taken into account during negotiations and investments. Issues covered include asbestos, legionella, electromagnetic radiation and soil pollution.

As well as preparing its assets to face the potential effects of climate change, CPIPG is working to limit the impact of its activities on the climate. The Group's GHG emissions reduction strategy is based on energy-efficient behaviour, equipment replacements by low energy consumption technologies and, when possible, the use of low-carbon and renewable energies. The Group complies with regulatory requirements in each region with regard to flooding risks, water management, and drainage systems for exceptionally heavy rainfall.

We Have Appropriate Targets in Place to Reduce Our Carbon Footprint Over Time

The Group is committed to climate change mitigation and works with the target that was set by the EU in October 2014 to reduce GHG emissions by 40% compared to the 1990 baseline, which represents approximately a 20% reduction from GHG production reported in 2018. The Group is aware that this target doesn't align with the current Paris Agreement climatic goal to sustain global temperature below 2°C as well as the EU's ambition to increase the target for 2030 (55%) and the goal to become climate natural by 2050 (The European Green Deal) and closely watches development of new EU legislation and standards that aligns with Paris Agreement goals.

The carbon footprint was first calculated in the 2018 report. Since then, the Group has revisited the reporting method, extended the scopes and calculated indicators to evaluate areas for potential improvements.

Our Reporting is Aligned with the GHG Protocol

CPIPG teamed up with the CI2 initiative to review GHG reporting methodology and its implications to GHG strategy and target setting. The review added another level of transparency and verification to the reporting process and aligned with the GHG Protocol. The updated methodology will allow the Group to report its environmental performance in the CDP in 2020.

Scope 1, Scope 2 and Scope 3 approach reporting is based on operational control. Under the operational control approach, CPIPG accounts for 100% of the GHG emissions from operations over which it or one of its subsidiaries has operational control.

It consolidates emissions generated by the buildings in operation, which are owned and/or operated by the Group. The choice of this approach impacts the content counted in the different scopes according to the responsibilities of different parties i.e. between landlords and tenants. The split of carbon emissions relating to energy is as follows:

Scope 1: GHG emission from greenhouse gas sources (greenhouse gas source physical unit or process that releases a GHG into the atmosphere) owned or controlled by the organisation (Direct GHG emissions);

Scope 2: Energy indirect greenhouse gas emissions. GHG emission from the generation of imported electricity, heat or steam consumed by the organisation (Energy indirect GHG emissions);

Scope 3: Other indirect greenhouse gas emission emissions, other than energy indirect GHG emissions, which is a consequence of an organisation's activities, but arises from greenhouse gas sources that are owned or controlled by other organisations (Other indirect GHG emissions).

Assets and Scopes Relevancy

Assets	Scope 1	Scope 2	Scope 3
Headquarters	X	X	–
Shopping Centres	X	X	X
Hotels – Option A (owned and operated by CPIPG)	X	X	X
Hotels – Option B (owned but not operated by CPIPG)	–	–	X
Hotels – Option C (not owned but operated by CPIPG)	X	X	–
Office	X	X	X
Retail	X	X	X
Retail-warehouse	–	–	X

CPIPG occupies spaces within reported assets, so its operation is reported under Scope 1 and 2. Business travel is planned to be reported starting from 2021.

Below is list of relevant categories under Scope 3 the Group considers for phased inclusion in reporting scope over the medium term:

Relevant Categories Under Scope 3

Scope 3 category	Relevant for 2019 reporting	Relevant in future	Note
3.1 Purchased Goods and Services	Yes	Yes	Water consumption 2022 – Main purchased goods and services, Equipment acquisition, Assets refurbishment, etc.
3.2 Capital Goods	No	Yes	2022 – Main purchased or acquired capital goods
3.3 Fuel-and Energy-Related Activities Not Included in Scope 1 or Scope 2	Yes	Yes	A key category for Scope 3 reporting of CPI Group, described in detail below.
3.5 Waste Generated in Operations	Yes	Yes	Waste production
3.6 Business Travel	No	Yes	2021 – Reporting year
3.7 Employee Commuting	No	Yes	2021 – Reporting year
3.14 Franchises	Yes	Yes	CPI Hotels operation is reported under Scope 1+2

Dual reporting of electricity consumption is obligatory in the framework of the GHG Protocol: location-based and market-based methods. CPIPG is reporting both values separately. Location-based factors are sourced from the European Environmental Agency (EEA) database for a given country of operation – CO_2 emission intensity for electricity generation. Marked-based factors are sourced from electricity suppliers. In case emission factors from suppliers were not available, residual mix values or location-based factors were used as proxies.

GHG Emissions

The reporting of GHG emissions is aligned with the CDP. The GHG emissions are reported in absolute values per Scopes 1-3. Each Scope is split down into the main subcategories in the following table.

Scope 1 includes GHG emissions from fuels (including CPIPG's car fleet) and from modelled leakages of refrigerants in buildings' HVAC systems at directly managed assets. Agricultural production includes emissions from total production of crops and from livestock.

Scope 2 includes GHG emissions related to purchased electricity and heat from district heating systems. In ski resorts the GHG emissions from energy consumption considers also energy for the operation of the ski resort facilities including ski lifts, pumping of water for snowmaking and snowmaking itself.

Scope 3 covers the indirect production of GHG emissions originating from generation, transmission and distribution of energy, from fresh water and wastewater treatments and from waste management. Scope 3 also includes direct and indirect GHG emissions from assets owned, but not operated by CPIPG. GHG emissions from purchased electricity was calculated separately for location-based emissions factors (per country) and for market-based factors (per respective electricity provider) when the information was available. Due to extended scope, total GHG emissions reported for 2019 are not directly comparable with the amount disclosed in 2018, but the like-for-like scopes were compared and are consistent.

The carbon footprint of construction projects is undertaken through LCA that is currently performed for all major projects with GLA above 10,000 m².

GHG Impact of Built Portfolio per GHG Protocol

CO_2e footprint per GHG Protocol		Built portfolio & CPIPG operation		Ski Resort Crans-Montana		Farms	
		$t\ CO_{2\ eq}$ pa	%	$t\ CO_{2\ eq}$ pa	%	$t\ CO_{2\ eq}$ pa	%
Scope 1	Fuels	33,065	8.0%	1,455	57.1%	3,197	87.2%
	Agricultural production	2,283		0		6	
	Refrigerants	N/A		N/A		27,086	
Scope 2	DH&C & Elec (market-based)	164,115	37.4%	162	6.4%	643	1.9%
	DH&C & Elec (location-based)	143,224		162		643	
Scope 3	Fuels	11,909	54.6%	379	36.5%	751	10.9%
	Refrigerants	2,284		0		0	
	DH&C & Elec (market-based)	130,133		0		0	
	DH&C & Elec (location-based)	124,289		0		0	
	Generation, Transmission & Distribution	48,404		121		113	
	Water & Waste	48,137		432		2,932	
Scope 1-3 (market-based)	S1-S3 total	440,330		2,548		34,727	
	S1-S3 per revenue ($t\ CO_2e$/€ m)	1,058.3		273.1		6,806.7	
	S1-S3 per area ($t\ CO_{2\ eq}/m^2$) or ha ($CO_{2\ eq}$/ha)	0.122		N/A		1.682	
Scope 1+2 (market-based)	S1+S2 per revenue ($CO_{2\ eq}$/€ m)	479.4		173.3		753.8	
	S1+S2 per area ($CO_{2\ eq}/m^2$) or ha ($CO_{2\ eq}$/ha)	0.055		N/A		1.576	

Notes: Farms intensity is calculated per agricultural land utilising ha. Only assets owned through a full year in the portfolio are included in intensity calculations.

The Group maintains a strategic performance benchmark for its specific GHG production as 20% reduction by 2030 compared to the 2018 baseline. A significant portion (92.2%) of GHG production (Scope 1-3) comes from operated buildings. For the purpose of accurate tracking of the performance of the operated buildings (the major GHG contributor), ski resort Crans-Montana and Farms are reported separately.

GHG Production Split

Type of source	Buildings in operation	Ski resort	Farms	Total
	$t\ CO_{2\ eq}$ pa	$t\ CO_{2\ eq}$ pa	$t\ CO_{2\ eq}$ pa	$t\ CO_{2\ eq}$ pa
Scope 1	35,349	1,455	30,289	67,092
Scope 2	164,115	162	643	164,920
Scope 3	240,867	931	3,796	245,593
% of total	92.2%	0.5%	7.3%	477,605

Note: GHG calculated with market-based emission factors

The annual GHG reduction target percentage per reported area is the total remaining reduction value required divided by the years remaining until the target year. For the purposes of providing greater comparability of portfolio performance relative to the target year-on-year, annual intensity is calculated as absolute GHG production per reported area adjusted for the fraction of year in operation.

We Met Our Target in Terms of Reduction in GHG Intensity in 2019

In 2019, total GHG intensity across the entire portfolio (adjusted for reported area) outperformed the required 2019 target by 0.4% based on absolute consumption and outperformed the target by 0.5% on a like-for-like portfolio basis. Further assessments will be undertaken across regions and segments to identify ways to continue to improve the trend.

Revised GHG Intensity Target through 2030

Year	GHG Intensity ($t\ CO_{2\ eq}/m^2$ pa)		
	2018	2019	2030
	0	1	12
2018 report	0.120	0.118	0.096
Revised 2018 target	0.123	0.121	0.099

GHG Intensity in 2019 per Region

Region	GHG Intensity ($t\ CO_{2\ eq}/m^2$ pa)	GHG-Int LfL ($t\ CO_{2\ eq}/m^2$ pa)
Czech Republic	0.133	0.131
Germany	0.089	0.089
Hungary	0.095	0.099
Poland	0.225	0.244
Romania	0.150	0.150
Slovakia	0.050	0.053
Others	0.155	0.181
Whole portfolio	0.121	0.120

Energy Consumption and Efficiency Improvements

Energy consumption from buildings in operation is identified as the main contributor to GHG production under all Scopes. The Group introduced a strategic plan for sustainable operation with the aim to identify opportunities to reduce GHG emissions. The pillars of the strategy are in order of importance: **Improved operational efficiency, Modernisation of building systems** through green capital expenditures, **Occupiers' engagement, Clean energy mix** and **Reduction of use of refrigerants** with global warming potential (GWP) above 10.

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 with the support of consultants and various monitoring and analytical tools (online metering and monitoring of MEP systems etc.). Regular checks on consumption patterns take place throughout the majority of the portfolio. A thorough performance assessment is underway in selected assets in the Czech Republic, Poland and Hungary with a primary focus on increasing operational efficiency in existing building systems.

In support of this effort, a review of energy management practices and implementation of energy management systems in line with ISO 50001 is underway in the Czech Republic portfolio.

Green Investments

Gradual modernisation of aging core building systems through capital expenditures (CAPEX) represents another pillar in the CPIPG strategy. CAPEX investments includes measures to improve energy and water efficiency as well as projects enhancing ecological value of the site. Among the most frequent types of improvements are the replacement of existing lighting with LED and upgrades in heating systems. Other types of improvements include installation of features reducing water flow, replacement of windows and/or renovation of entire building envelopes, improvements to HVAC systems, BMS, additional roof insulation and installation of submetering.

Our Planned Green CAPEX Investments Are Expected to Deliver Significant Improvements in Energy Efficiency

Green CAPEX Type Projects Planned Through 2024

Region	Green CAPEX completed in 2019 (€ m)	Green CAPEX planned thru 2024 (€ m)	Total CAPEX planned thru 2024 (€ m)	Share of Green CAPEX in total planned thru 2024
Czech Republic & Slovakia	1.24	18.66	117.74	15.9%
Hungary	3.51	3.14	23.81	13.2%
Poland	0.03	3.68	23.61	15.6%
Germany	1.11	6.77	152.74	4.4%

Notes: Investments planned through 2024 may be subject to change. CAPEX plan for the Czech Republic is calculated with 2019 CZE/EUR average exchange rate.

Annual primary energy consumption of projects in this category is estimated at about 35,000 MWh pa. post refurbishment, equating to a **50% improvement in efficiency,** while total CO_2 reduction is estimated at **12,500 t CO_2 eq pa.**

Examples of green capex investments include the replacement of cooling systems across the entire Hungary office portfolio with state-of-the-art equipment, resulting in energy savings of 30%. In addition, the entire mechanical system of Polus shopping centre in Hungary has been replaced resulting in a GHG production reduction of **291 t CO_2 eq pa.**

Energy Efficiency Projects Contribute to transition into ecologically-sound Portfolio

List of Projects Meeting Energy Efficiency Criteria per CPIPG's Green Bond Framework

Asset name	Building type	Country	Year of completion	GLA (m²)	Efficiency criteria
SC IGY	Shopping centre	CZ	2017	25,401	Reduction of CO_2 ≥ 30%
Bubenská 1	Office	CZ	2020	17,778	Efficiency two letter grade improvement per EPC
ZET.office	Office	CZ	2019	20,189	Reduction of CO_2 ≥ 30%, top 15% energy efficient building
Longin	Hotel	CZ	2019	14,960	Reduction of CO_2 ≥ 30%

Occupier Engagement

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 GHGs, solid and effluent wastes. The Group recognises the importance of engaging with occupants, educating and cooperating with them on reducing the environmental impact of the portfolio. The Group exercises the following opportunities across the segments:

- **Certification process** –Platform for CPIPG and occupiers to coordinate in setting mutual goals in areas of environmental impact (office buildings City West with tenant Siemens, ZET.office with tenant KIWI.com).
- **Green lease principles** – Incorporation of Green principles into standard lease forms is being reviewed and considered for future renewals and newly refurbished projects.
- **Refurbishment projects** – Innovative systems above building standards are reviewed typically as part of the lease renewal process. CPIPG advises its clients on sustainable solutions that may positively impact the environment and increase working environment comfort while paying back within the period of a prolonged lease contract. Efficient AC systems, ventilation systems regulated based on CO_2 levels or lighting intensity control systems and others are presented in a form of LCAA during the design brief phase for tenants' consideration.
- **Pilot projects** – Conscious building: Balance Hall is equipped with a state-of-the-art BMS system which allows its occupants through an online application to see and understand their impact on the building performance in real time.
- **Cooperation with tenants that have their own environmental strategies** – The Group is in close contact with tenants and coordinates with their environmental strategies to support efforts in installing efficient building systems and sourcing renewable energy.

Energy Mix

CPIPG considers options for reducing the environmental impact of the energy it consumes, by purchasing low-carbon or renewable energy from suppliers and generating low-carbon or renewable energy onsite. The energy mix is a key focus in regions which have carbon-intensive national energy infrastructure.

9.45 GWh Total Production of Renewable Energy in 2019. GSG is the Largest Producer of Solar Energy in Berlin.

In Berlin, GSG Solar has 45,000 m² of photovoltaic (PV) area (25,360 solar modules, 6.3 MWp output) which represents **Berlin's largest photovoltaic system**. It spans across 29 assets (65 buildings). Annual production for 2019 decreased to **5,466 MWh** (compared to 2018 production of 6,043 MWh) due to weather conditions and represents an offset of **2,700 t CO_2 eq** in 2019. The energy produced is both sold to the grid and consumed locally, providing access to solar energy for 1,800 tenants.

Spojené farmy acquired a renewable energy plant on biogas with power output of 600 kWp and annual production of **3,982 MWh** that represent an offset of **2,400 t CO_2 eg** in 2019. Surplus electricity is sold to the grid and heat is utilised on the farm.

In the medium term, the Group considers utilising the KPI carbon weight of energy mix (kg CO_2 eq/kWh) and further analysis of carbon dependency of the primary energy mix across the portfolio.

GSG Solar PV, Berlin, Germany

Transport

CO_2 emissions from visitor and occupant transport significantly contribute to the CO_2 emissions along with those generated by properties. Buildings which are accessible mainly by car have a far higher indirect carbon footprint than those which are well connected to public transport networks. Furthermore, the relative impact of visitor transport on overall CO_2 emissions will continue to rise as buildings become more energy efficient.

Our Properties Cater to Clean Modes of Transport

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. A majority of assets (87% of all built assets) are located in urban areas within a reasonable distance[8] to public transportation which applies for over 90% of offices, shopping centres and hotels.

Cycling is supported at the Group's properties with bike racks fitted as standard. **Sport facilities** providing necessary background (showers, lockers and restrooms) are available at most 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.

In 2019, **the electric vehicle charging infrastructure in the portfolio comprised of 55 charging points** in the Czech Republic and Berlin with plans for further extension.

56 charging stations for electric cars within the Berlin portfolio are in planning or early construction phase. The electricity for the charging process will be generated by the PV panels from our roof installations. Project preparations for electric car infrastructure is underway in Hungary and ski resort Crans-Montana.

Electromobility Infrastructure Across the CPIPG Portfolio

Building type	Total no of buildings	Buildings equipped with charging points	Number of charging points	Installed charging capacity (kW)
Office	104	13	31	798
Shopping centres	23	26	14	437
Retail	148	1	2	44
Hotels	49	10	8	48

Charging station and EV company car, GSG Berlin

[8] *A compliant node includes any bus/tram/metro service stop within 250 m.*

Use of Resources

CPIPG develops guides for new projects and existing assets that provide clear, comprehensive directions on the use of resources (materials, water, waste and biodiversity). Third-party certification systems such as BREEAM or LEED and audits are used to validate these guidelines and ensure that imposed standards are met.

Materials

We Conduct Life Cycle Assessment for All New Developments >10,000 m² GLA

The Group has made a commitment to systematically carry out LCA for all new real estate projects over 10,000 m² or new real estate projects that would be subject to assessment in sustainability certification schemes (BREEAM, LEED) starting from March 2019.

LCA is considered one of the key environmental indicators that would be reviewed and compared to benchmarks. More than 28 projects combined in Germany, Hungary and Czech Republic are scheduled for LCA through 2025.

CPIPG holds large brownfield areas in Prague and Brno in the Czech Republic that amounts to 52.2 ha. The Group actively works with experts and task group in CZGBC to identify legal obstructions and specifics, such as material reuse and recycling, relevant to this development type.

List of Brownfields in CPIPG Portfolio

Brownfield	Area (ha)	Planned GIA (m²)	Capacity
Prague 9	5.2	90,000	residential and offices
Prague 10	6.4	105,000	1,000 flats with retail
Prague 7	20.0	500,000	mixed use
Prague 8	0.6	17,500	219 flats
Brno	20.0	500,000	residential, retail, office, light manufacturing

In brownfield projects CPIPG pursues extra care during site preparation in terms of proper material identification, decomposition, sorting into streams and reuse on site. All disassembled material is first sorted according to its origin and the pre-demolition survey determines its route of disposal (an inert or contaminated material). All contaminated material departs for biodegradation areas for remediation. All inert material remains on site and is modified utilising mobile recycling line that creates new raw material suitable for backfills, fills or construction layers. Reuse on site material has saved approximately 28,000 truck round trips in urban areas to date.

Charging station at Eurocentrum, Warsaw, Poland

Water

Water is essential for life. The amount of fresh water on earth is limited, and its quality is under constant pressure. Preserving the quality of fresh water and optimising its use is recognised as a global responsibility by the Group.

We Have Appropriate Targets in Place to Reduce Our Water Consumption Over Time

Key strategic pillars in the Group water management efforts are respectively reduction and optimisation of water flow rate and implementation of water re-use solutions to further advance already optimised water consumption.

The Group reports consumption of municipal water separate from water sourced on site (extraction or capture) and water re-used. Buildings in operation represents the largest source of water consumption in the portfolio, with water sourced from grid representing 85.5%, while consumption from on-site sources represents below 1%. Consumption in ski resort Crans-Montana represents 10.4% share of overall consumption in our portfolio with a split between 98% ground water and 2% municipal. Farms represent 3.3% annual consumption in the portfolio. For complete EPRA indicators see section EPRA environmental performance disclosure.

Summary of Absolute Water Consumption Across the Portfolio

Type of source	Buildings in operation	Ski resort	Farms	Total
	m³ pa			
Municipal source	2,450,023	4,104	33,892	2,488,019
On-site extraction	22,034	293,833	59,202	375,069
% of total	86.3%	10.4%	3.3%	2,863,088

Note: Buildings in operation represent all operating reported assets.

The Group sets a benchmark for the reduction of the specific consumption of the fresh water sourced from municipal grids and water sourced on site **aiming for a 10% reduction compared to 2018 reporting values by 2030.** For the purpose of accurate tracking of the major consumer, ski resort Crans-Montana and water consumed for farming are excluded from target intensity calculation and is reported separately.

The annual water consumption reduction target percentage per reported area is the total remaining reduction value required divided by the years remaining until the target year. For the purposes of providing greater comparability of portfolio performance relative to the target year-on-year, annual intensity is calculated as absolute water consumption per reported area adjusted for the fraction of year in operation.

We Met Our Target in Terms of Reduction in Water Consumption in 2019

In 2019, total water consumption reduction across the entire portfolio (adjusted for reported area) was in line with the required 2019 target. We outperformed the target by 0.8% on a like-for-like portfolio basis, while there was a small negative deviation of only -0.2% in terms of absolute performance. Further assessments will be undertaken across regions and segments to identify ways to continue to improve the trend.

Revised Water Intensity Target through 2030

Year	Water Intensity (m³/m²) 2018	2019	2030
	0	1	12
2018 report	0.473	0.469	0.426
Revised 2018 target	0.682	0.676	0.614

Water Intensity in 2019 per Region

Region	Water Intensity (m³/m²)	Water-Int LfL (m³/m²)
Czech Republic	0.788	0.795
Germany	0.256	0.253
Hungary	0.721	0.735
Poland	0.595	0.666
Romania	3.868	3.868
Slovakia	0.214	0.212
Others	2.506	2.238
Total	**0.677**	**0.671**

Waste

Throwing away things wastes resources. It wastes the raw materials and energy used in making the items and it wastes money. Reducing waste means less environmental impact, less resources and energy used and saves money.

All assets fully comply with local legislation and allow for waste separation into streams relevant to building operation, recycling and occupant's needs beyond local legal requirements.

Reporting on Waste for the First Time

The Group includes disclosure of consolidated waste production from building operation for the first time. The majority of waste is the result of occupiers' activities and their business operation, yet CPIPG plans to pursue evaluation and review opportunities to optimise waste management with a focus on recycling and diverting waste disposal to landfill. As a result of the evaluation the Group will consider setting long term targets to:

- Reduce the share of waste sent to landfill by a certain percentage by 2030 compared to 2019
- Achieve a recycling rate of certain percentage by 2030

Waste Diverted from Landfills

	Czech Republic		Germany		Hungary		Poland		Romania		Slovakia		Others		Total	
	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%
Total waste production	25,241		14,802		2,822		560		233		1,339		5,427		50,424	
Waste diverted from landfill	**12,963**	**51.4**	**3,841**	**25.9**	**2,099**	**74.4**	**415**	**74.2**	**233**	**100.0**	**885**	**66.1**	**15**	**0.3**	**20,451**	**40.6**
Recycled content	**9,326**	**36.9**	**3,841**	**25.9**	**389**	**13.8**	**399**	**71.3**	**95**	**40.5**	**672**	**50.1**	**40**	**0.7**	**14,760**	**29.3**
Avg. number of waste streams	4		12		2		12		3		3		5			

Note: Waste production is reported for 2018 calendar year and excludes waste production managed by tenants in the Berlin portfolio.

Biodiversity

Most of assets in operation are located in urban zones where there is limited potential for improving ecological value and biodiversity on site. Yet, ecology is an area that is being reviewed in cooperation with experts to fully assess and understand the context of the site. Green features are considered as they naturally improve the working environment, such as by adding new green terraces and relax zones to increase flexibility for building users. An accredited ecologist is typically part of the design team for new developments.

The Group constantly reviews options how to integrate green solutions and promote ecology within its sites and properties. As a result, it operates several beehives on roof tops of the office buildings in the Czech Republic and Poland and refurbishes its roofs through green roofs projects, some of which have been nominated for regional awards.

Beehives on Eurocentrum roof top, Eurocentrum, Warsaw, Poland

Climate-Smart and Ecological Agriculture

The Group's agricultural activities under Spojené farmy a.s. span across 40 organic farms located in North Bohemia at higher altitudes in protected landscape areas. Our farmers have been producing sustainable and healthy organic food since 1996. The Group breeds nature-friendly organic cattle (Aberdeen Angus, Charolais, Limousine, Wagyu etc.), 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 gentle works that lead to soil remediation and natural fertilisation through regular vegetation treatment to maintain positive yields and thus produce sufficient fodder for our livestock.

Organic farming has a positive relationship to animals, soil, plants and nature without the use of artificial fertilisers, chemical products, sprays, hormones and other artificial substances. It takes into account natural cycles, biodiversity 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**
- Aberdeen Angus, Charolais, Limousine, Wagyu etc.: **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**

Aberdeen Angus & Limousine cattle, Spojené farmy, North Bohemia

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 (or at random) 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.

EPRA Key Environmental Performance Indicators for Farms is contained within the EPRA environmental performance disclosure section in this report.

Health and Safety and Environmental Risks and Pollution

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.

Fines for Environmental Breaches

For 2019 the Group didn't cause any environmental damage. Fines resulting from defaulting administrative requirements amounted to total €13,830.

Third-party Independent Verification

The report is prepared in cooperation and advisory provided by UCEEB.

In the second quarter of 2019 the Group started cooperation with CI2. CI2 is a non-profit organisation focused on sustainable development, education, publishing, science and research. Its aim is to promote sustainable development in cooperation. CI2 is regional partner for CDP.

CI2 acts as a third party and monitors, reviews and independently validates the GHG disclosure and methodology used. Through the review process CI2 advised on compatibility with GHG Protocol and ISO 14064 and compatibility with CDP reporting standard.

As the result of this cooperation, CPIPG's GHG footprint was verified, confirmed according to the procedures defined in the ISO 14064 and GHG Protocol and awarded CI2 conformity certificate. Recommendations and guides were prepared and will be incorporated into subsequent environmental reporting.

Employees, Communities, **Stakeholder Involvement**

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 2019, the Group undertook annual average training of 16.4 hours per employee.

16.4 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

CPI Property Group also strives to cater to the continuous professional development of all of its employees. For example, recently the group became an “ACCA Approved Employer” in recognition of the continuing professional development opportunities provided to ACCA members working at the company.

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.

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.

Rooftop Yoga, Quadrio, Prague, Czech Republic

- **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.

Tenants and CPIPG employees celebrate Quadrio's 5th Birthday together with a weeklong series of special perks, Prague, Czech Republic

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. Sunčani 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. We ensure all of our employees receive mandatory annual health and safety training, with additional training provided for specific roles where required.

In 2019, the Group recorded 54 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.

Workplace accidents	No.
Total no. of workplace accidents	54
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 2019, the Group comprised of 2,976 employees in the Czech Republic, Germany, Hungary, Poland and Croatia of which (49%) are female and (51%) are male.

In terms of new hires, in 2019 we had 845 new hires, of which 55% were women.

New Hires	No. of Hires	% of hires
Total	845	
Female	468	55%
Male	377	45%

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

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 2019, 28% of employees were under 30 years old, 49% were between 30-50 years and 23% 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	829	28%
30-50 years	1,460	49%
50 years and over	443	23%

The Group cares for special needs and for the inclusion of disabled persons. In 2019, the Group employed a total of 42 disabled people, representing 1.4% of total employees. Our Berlin subsidiary employs 7 disabled people representing 6% 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.

In Hungary, we were the first recipient in the country of the Access4You certification, which aims to ensure the right to equal access to our own buildings for everyone, regardless of disability. Properties comprising 295,000 m² of GLA in Hungary have so far received the certification.

Disabled employees	Total	%
Disabled employees	42	1.4%

(calculated by total disabled employees/total permanent employees)

Access4You, Hungary

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	1.9%
Total no. of days off work	12,684
Average no. of days lost/employee	4

(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 1,049 hotel staff, that make up 35% of the Group's total workforce. It is well known that high employee turnover rates are a major concern for all hotels worldwide. Hotel employment is highly substitutable, attracting a more mobile, entry-level demographic. Excluding our hotel staff, the Group's turnover rate was 11.4%. Including the hotels business, the rate was 25.3%.

Employee Turnover	
Turnover rate %	11.4%
no. of employees	219

(Turnover rate calculated by (total no. of resignations, retirements, deaths)/total permanent workforce)
Note: Excludes CPI Hotels where employee turnover is significantly higher than the rest of the group

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.

Nová Zbrojovka redevelopment – we are giving local residents the opportunity to comment and vote on our proposals for the redevelopment of Nová Zbrojovka in Brno, where we are creating a central public space focused on bringing together and enhancing the experience of residents in the community.

Human Innovation Program – CPI Hungary provide convenience services to tenants within its offices, aimed at inspiring tenants, helping them enhance everyday life, as well as preserve their mental and physical health. Connected to this is Spaceflow, a community app for our tenants. Tenants can use the app to follow key events, discounts and programs organized by Human Innovation community managers.

HiP
HUMAN INNOVATION PROGRAM

CPI Retail Akademie – in February 2019, we launched our Akademie Retail development and educational programme to help shop managers better respond to the evolving retail market and create an enhanced customer experience at the point-of-sale. The inaugural round in spring 2019 attracted 170 shops and excellent feedback. For 2020, the programme will be rolled out to 13 shopping centres across the country.

CPI AKADEMIE | RETAIL

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, provides 'honesty libraries', providing space in 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.

Introduction to shopping centre management – we joined forces with Prague University of Economics to launch the Czech Republic's first shopping centre management course, aimed to provide the first ever opportunity for students in the country to gain academic education in the sphere of commercial real estate.

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 our hotels

Red Cross Organisation 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.

Affordable housing – CPIPG, in coordination with municipalities supports affordable housing across regions of the Czech Republic:

- Ústí nad Labem: 15 apartments since 2013;
- Třinec: 17 apartments since 2014;
- Česká Lípa: 10 apartments since 2011;
- Litvínov: 28 apartments since 2009

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

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. Some of the key examples of this are as follows:

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 CZK 400,000 towards the foundation.

Hospice Foundation support – The group signed an annual support contract with regional children hospice foundations to care for disadvantaged children.

Charity collections and charity days – The group organises frequent ad hoc charity collections throughout the year for employees and tenants to participate in. During the charity day for "Let's give children a chance", our employees and tenants contributed almost CZK 20,000 towards supporting children in homes.

Christmas charity trees – The Group's shopping centres, alongside their visitors, support more than 30 children's and retirement homes by providing them with gifts during the Christmas season.

Jitka Havrdova, PR and Marketing Manager, Offices with Veronika Hozáková, child psychologist in orphanage with school in Dobřichovice.

Green Bond Financing

Warsaw Financial Center, Warsaw, Poland

Green Bond Framework

In April 2019 CPIPG developed a green bond framework ("GBF") under which the Group has committed to use proceeds from green bonds to finance or refinance existing or future projects which **improve the environmental performance of CPIPG's property portfolio** and contribute to the Group's climate impact mitigation objectives. The Framework (available on CPIPG's website) defines four types of eligibility criteria: **Certified Green Buildings, Energy Efficiency Projects, Renewable Energy and the Promotion of Sustainable Farming.** The Framework is fully aligned with ICMA GBP 2018[1] and has a Second Party Opinion (SPD) provided by Sustainalytics.

Another update of the Framework followed in August 2019 implementing the methodology that defines the top 15% most energy efficient buildings in the Czech Republic. A Second Party Opinion ("SPO") from Sustainalytics was provided on the methodology and the updated Framework.

CPIPG is monitoring the development of the **EU Green Bond Standard**[2] and **EU Taxonomy** on sustainable activities and Technical Screening Criteria and will consider updating its Framework in the future to maintain the current levels of transparency and alignment with EU market standards.

For each Green Bond issued, CPIPG utilises Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting, as set out in the Framework.

Use of Proceeds

Proceeds of CPIPG Green Bonds are allocated to finance or refinance projects that meet the following eligible criteria:

Eligible Sector	Eligibility Criteria
Green Buildings	Acquisition, construction or refurbishment of buildings which meet recognised standards, such as: • BREEAM (Very good and above) • LEED (Gold and above)
Energy Efficiency	• New or existing commercial buildings belonging to top 15% most energy efficient buildings in the local market[3] • Renovations or refurbishment of existing buildings, delivering a minimum 30% reduction in carbon emissions intensity or two letter grade improvements according to local Energy Performance Certificate
Renewable Energy	• Installation of photovoltaic solar • Dedicated support infrastructure for photovoltaic solar across building management systems
Environmentally sustainable management of living natural resources and land use	Promotion of ecological value, biodiversity and organic agriculture such as: • Farmland certified against EU standards on organic farming production • Installation of green roof gardens • Facility and infrastructure new build or upgrades that contribute to the protection of living natural resources, including for instance beehive rooftop installations and artificial nesting sites for birds

Project Selection and Evaluation Process

The Project Evaluation and Selection Process ensures that the proceeds of CPIPG green bond(s) are allocated to finance or refinance projects that meet the criteria and objectives set out in Use of Proceeds.

The evaluation and selection process for Eligible Projects is carried out internally by the **CPIPG Green Bond Team,** which is composed from the legal, finance and investor relations departments across the Group.

On an ongoing basis, eligible Use of Proceeds from CPIPG's portfolio of projects are identified and proposed by the Green Bond Team. The Green Bond Team screens projects against the Eligibility Criteria set out in CPIPG's Green Bond Framework and recommends eligible projects for inclusion as Eligible Use of Proceeds to the CSR Committee. On an annual basis, the Green Bond Team reviews all proposed Eligible Use of Proceeds to determine their compliance with the CPIPG Green Bond Framework in order to approve the allocation of proceeds. The Green Bond Team reviews the allocation of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary. While any CPIPG Green Bonds are outstanding, in the case of divestment or cancellation of a project to which proceeds have been allocated, CPIPG will reallocate the proceeds to other eligible projects.

The Green Bond Team takes the **CSR Principles and Policy** into account. The selected Eligible Projects are presented to the CSR Committee for review. The Committee, after a thorough review presents its conclusion to the Board of Directors.

The Green Bond Team also reviews the management of proceeds and facilitates reporting.

The Committee supervises the processes under the Green Bond Framework and requires relevant updates from the Green Bond Team. As part of its reporting to the Board of Directors, its findings, conclusions and recommendations are submitted to the Board of Directors.

Management of Proceeds

Proceeds of CPIPG Green Bond(s) are managed through the **Green Financing Register.** The proceeds of each CPIPG Green Bond are earmarked against the pool of eligible projects and expenditures identified in the Green Financing Register. The Green Financing Register is reviewed annually by the Green Bond Team to account for any re-allocation, repayments or drawings on the eligible projects and expenditures within the pool. The conclusion of the Green Bond Team is presented to the Committee.

Reporting

On an annual basis, until full allocation, CPIPG provides reporting in regard to the green bond in line with the ICMA GBP 2018 **Harmonised Framework for Impact Reporting.**

Eligible Green Assets Portfolio

Framework criteria are considered for new acquisitions, developments, major refurbishments and key building improvements across the regions. **The list of eligible projects and buildings is continually updated to allow funding through favourable green bond financing.**

[1] *International Capital Market Association: The Green Bond Principles (GBP) 2018*

[2] *CPIPG's Green Bond Framework is aligned to the core components of the EU Green Bond Standards, as proposed in June 2019: (1) defined Green Projects aligned to the EU-GBS environmental objectives of climate change mitigation and protection of healthy ecosystems; (2) publication of a Green Bond Framework; (3) commitment to Allocation and Impact Reporting; and (4) commitment to Verification.*

[3] *CPIPG has commissioned a report from EnergySim to determine a threshold for the top 15% most energy-efficient buildings in the Czech Republic. The full methodology is available on CPIPG's website.*

Details of Issued Green Bonds

CPIPG has issued two Green Bonds since 2019:

- **28 October 2019** – the Group issued its first Green Bond on the Euro market at value **€750 million** and become first company in its region to issue a benchmark Euro-dominated green bond (Green Bond 1).
- **17 January 2020** – the Group issued second Green Bond (Green Bond 2) on GBP market at value **€408.6 million[4].**

	Green Bond 1	Green Bond 2
Size	€750 million	£350 million
Tenor	7.5 years	8 years
Issue Date	28 October 2019	17 January 2020
Coupon	1.625%	2.75%
Ranking	Senior unsecured	Senior unsecured
Ratings	BBB / Baa2	BBB / Baa2
Framework Second Party Opinion Provider	Sustainalytics	Sustainalytics

Green Bond 1 and 2 Allocations

The net proceeds from the **Green Bond 1, €750 million** have been fully allocated to the following green projects:

Allocation of Green Bond 1 Proceeds (as at 30 March 2020)

Category	Region	Project	Green Bond Proceeds Allocated	
Green Buildings	Poland	Eurocentrum Office Complex, Warsaw Financial Center	€520 m	69.3%
Green Buildings	Czech Republic	Zlatý Anděl, SC Nisa	€230 m	30.7%

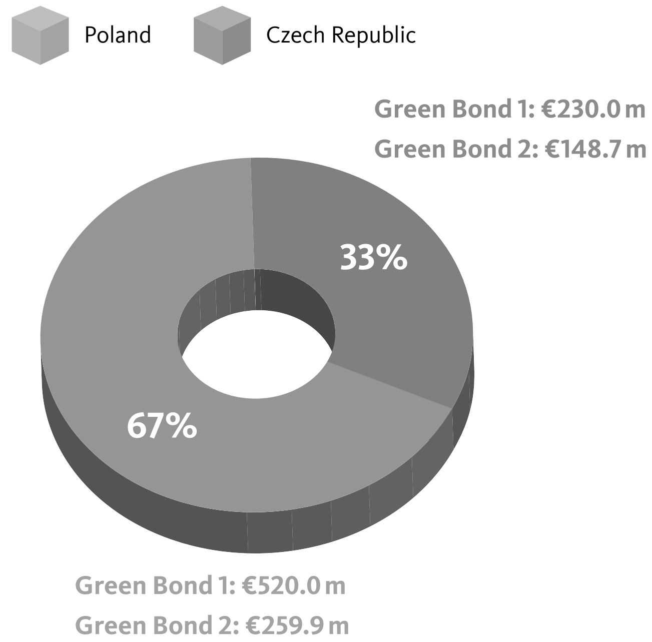
The net proceeds from the **Green Bond 2, €408.6 million[4]** have been fully allocated to the following green projects:

Allocation of Green Bond 2 Proceeds (as at 30 March 2020)

Category	Region	Project	Green Bond Proceeds Allocated	
Green Buildings	Czech Republic	SC Olympia Plzeň	€125.3 m	30.7%
Green Buildings	Poland	SC Ogrody, Equator IV, Green Corner A, Equator II	€259.9 m	63.6%
Energy Efficiency	Czech Republic	SC IGY	€23.4 m	5.7%

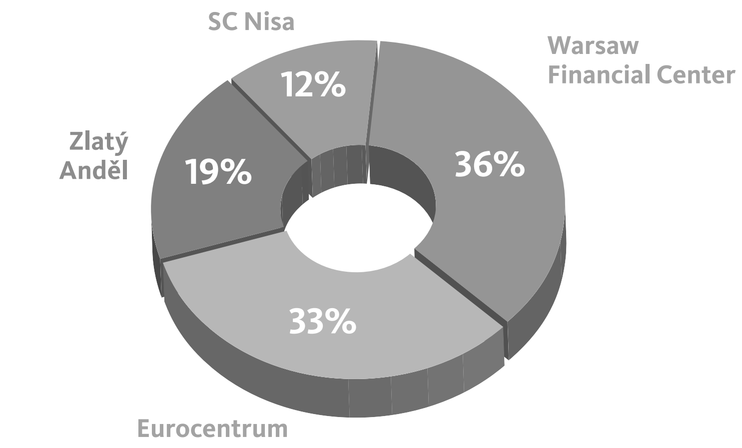
100% of projects are at the time of allocation in operation and proceeds are utilised to refinance acquisitions or capital expenditures based on eligibility criteria of the projects. **Polish acquisitions in Warsaw** realised through H2 2019 and Q1 2020 represent majority of allocated assets.

Geographical Distribution of Green Bond Proceeds

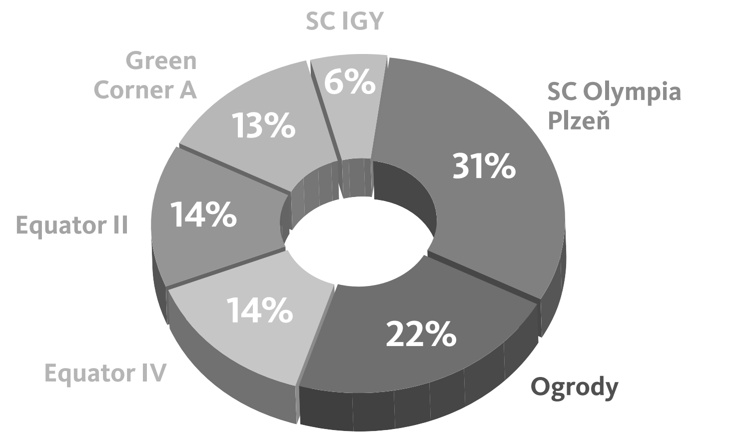


Allocation and use of proceeds for each eligible green project are made according to the approval of the Green Bond Team and CSR Committee of CPIPG.

Allocation of Green Bond 1 Proceeds (as at 30 March 2020)



Allocation of Green Bond 2 Proceeds (as at 30 March 2020)



Portfolio	List of Assets – Green Bond 1				List of Assets – Green Bond 2					
Project name	Zlatý Anděl	SC Nisa	Eurocentrum	Warsaw Financial Center	SC Olympia Plzeň	SC Ogrody	Equator IV	Green Corner A	Equator II	SC IGY
Type of asset	Mix-use	Shopping centre	Office	Office	Shopping centre	Shopping centre	Office	Office	Office	Shopping centre
Building status	In-use	In-use	In-use	In-use	In-use	In-use	In-use	In-use	In-use	In-use
Region	Czech Republic	Czech Republic	Poland	Poland	Czech Republic	Poland	Poland	Poland	Poland	Czech Republic
Current asset value (€ m)	143.3	104.9	242.8	261.3	156.8	120.1	58.0	52.2	58.7	–
Project cost (€ m)	–	–	–	–	–	–	–	–	–	23.4
Gross Lettable Area (GLA m²)	21,132	49,629	85,269	49,766	40,996	41,877	21,192	14,860	23,100	25,733
Environmental Objective	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation
Use of Proceed Eligibility sector	Green building	Green building	Green building	Green building	Green building	Green building	Green building	Green building	Green building	Efficiency
Eligibility criteria	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Refurbishment
Eligibility criteria met on this date	29 March 2017	29 March 2017	27 November 2019	05 December 2019	29 March 2017	29 March 2017	07 November 2019	28 January 2020	30 January 2020	30 November 2017
Certification	BREEAM In-Use PART 1	BREEAM In-Use PART 2	LEED BD+C	LEED O+M	BREEAM In-Use PART 1	BREEAM 2009 Europe	BREEAM 2009 Europe	LEED BD+C	BREEAM In-Use PART 1	–
Level of certification	Very Good	Very Good	Platinum	Gold	Very Good	Very Good	Very Good	Platinum	Very Good	–
Valid through	18 December 2020	10 May 2020	–	30 January 2025	17 December 2020	–	–	–	19 February 2021	–
Improvement (CO_2 t pa)	–	–	–	–	–	–	–	–	–	42.0%
Allocation date	29 October 2019	29 October 2019	27 November 2019	05 December 2019	17 January 2020	17 January 2020	17 January 2020	28 January 2020	30 January 2020	17 January 2020
Signed amount (€ m)	143.0	87.0	250.0	270.0	125.3	93.5	57.5	52.2	58.7	21.5
Share of total project financing	19.1%	11.6%	33.3%	36.0%	30.7%	22.9%	14.1%	12.8%	14.4%	5.2%
Eligibility for green bonds	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Allocated Amount (€ m)	143.0	87.0	250.0	270.0	125.3	93.5	57.5	52.2	58.7	21.5

[4] Total proceeds of €408.6 million represents the £350 million raised from the issuance of the Green Bond 2 as listed in chapter Green Bonds Issued by CPIPG.

Green Bonds Impact Reporting

Impact performance indicators are calculated and reviewed by the **Czech Technical University, UCEEB** as part of Environmental performance disclosure of the Group. In addition to that the methodology and calculation of GHG was reviewed and verified by independent second party CI2.

Assets that qualify under Green Buildings and were acquired in Q4 2019 and Q1 2020 do not have measured data available. For assets that qualify under the 3-year-look-back period annual environmental performance is reported. Performance of buildings in operation is subject to change due to weather patterns, building occupation and visitor rates. Changes in occupation and associated retrofits may in the short-term effect building systems and fluctuation in energy and water consumptions. To allow for more accurate performance disclosure intensities, occupancy and visitor rates will be included in future reporting. Target performance and estimated impact of Green Bond 1 and Green Bond 2 that will include newly acquired Polish assets through Q3 2019 and Q1 2020 will be reported in the annual Green Bond report in our half-year Management Report for 2020 subject to availability of data.

Green Bonds Impact Report[5]

Green Bond	Energy				GHG		Water	
	Annual energy savings (combined Elec-Abs + DH&C-Abs + Fuels-Abs)		Renewable energy capacity added (combined Elec-Abs + DH&C-Abs + Fuels-Abs)		Annual GHG emissions reduced (combined GHG-Dir-Abs + GHG-Indir-Abs)		Water consumption savings	
	MWh pa	YoY	kWh pa	YoY	t $CO_{2\,eq}$ pa	YoY	m³ pa	YoY
Green Bond 1	654.1	2.6%	0.0	–	334.5	2.4%	-3449.0	-311.1%
Green Bond 2	1,338.5	3.4%	0.0	–	1,205.6	4.6%	-311.1	-0.4%

Estimated Environmental Impact of Buildings in Operation

(excluding recent Polish acquisitions in Q3 2019 and Q1 2020)

Green Bond 1:

- **13.3%** GHG reduction by 2030 compared to 2018 (that is, **12,253 t $CO_{2\,eq}$ pa** by 2030) and
- **5%** reduction in water consumption compared to 2018 (that is, **47,737 m³ pa** by 2030)

Green Bond 2:

- **16.3%** GHG reduction by 2030 compared to 2018 (that is, **21,714 t $CO_{2\,eq}$ pa** by 2030) and
- **5%** reduction in water consumption compared to 2018 (that is, **66,686 m³ pa** by 2030)

In accordance with the Framework, CPIPG is committed to verification of its reporting by an independent, third party. The first reporting period for which this will apply will be in our Half-year Management Report for 2020, which will be published on 30 September 2020, less than twelve months since the issuance of our inaugural green bond. In addition, CPIPG will also provide additional performance data for specific properties green bond proceeds have been allocated to.

Eurocentrum, Warsaw, Poland

Case Study Green Building in Operation: Zlatý Anděl

Building completion	2000
Acquisition	March 2017
Building type	Mix-use
Office GLA	13,782 m²
Retail GLA	7,350 m²
Floors	6
Occupancy rate	98% (office) / 100% (retail)
Location	Prague 5, Czech Republic
Certification	BREEAM In-Use International 2015 Part 1 (Office & Retail) issued in Dec 2019

Highlights of Green Elements Utilised in Green Building in Operation:

- Phased re-commissioning since asset acquisition
- **Regulation of central HVAC system** in optimised modes for summer and winter season
- Replacement of aged humidifiers for new ones (office space), optimised operation resulting in **estimated 100 MWh pa saved electricity**
- New FCU fitted with electronically controlled fans (office space)
- **Energy efficiency lighting**
- Implementation of water flow monitoring and **water leak alarm system**
- Implementation of online monitoring and analytics of building system operation
- **Implementation of new building standard** throughout office space with focus on submetering and energy efficient HVAC in combination of FCU with electronic control motors, pressure independent control valves for heating and cooling systems, room controls with window sensors
- **Heating and cooling distribution** including pumps with variable speed drivers and pressure independent control valves
- **Air Handling Units** (AHU) with variable speed drivers

Estimated environmental impact and asset contribution within Green Bond Portfolio 1 in Direct and Indirect Energy targets performance 6,106 MWh (3,237 t $CO_{2\,eq}$ pa) and water consumption 15,330 m³ by 2030 which would represent **reduction of $CO_{2\,eq}$ pa production by 14.1%[5].**

Case Study Efficiency Projects: Shopping Centre IGY

Building completion	2004
Refurbishment completion	December 2017
Building type	Mix-use
Office GLA	4,924 m²
Retail GLA	20,809 m²
Floors	4
Occupancy rate	97% (office) / 97% (retail)
Location	České Budějovice, Czech Republic

Highlights of Green Elements Utilised in Efficiency Project:

- Improved building envelope thermal parameters U (W/m²K) (façade, roof, new openings) for **42%**
- **AHU with variable speed drivers** and efficient chillers
- **Heating and cooling distribution** including pumps with variable speed drivers and pressure independent control valves
- **New Building Management System** with monitoring and analytical functions
- **Energy efficient lighting**

Realised Improvements in Energy Efficiency[6]:

- Final Energy consumption **78%**
- Final Energy Intensity **67%** (217 kWh/m² pa)
- Primary Energy consumption **61%**
- Primary Energy Intensity **40%** (566 kWh/m² pa)
- **CO_2 emission annual reduction 62%** which represent 10,900 t CO_2 pa and CO_2 **intensity reduction 42%** (0.191 t CO_2/m² pa)

Realised efficiency improvements are estimated to contribute to the Green Bond 2 Portfolio with improved consumption of Direct and Indirect Energy targeting performance 7,459 MWh pa (3,934 t $CO_{2\,eq}$ pa) and water consumption 18,837 m³ pa by 2030 which would represent a **reduction of $CO_{2}eq$ pa production by 12.9%[6].**

[5] *Indicators are consistent with CPIPG's EPRA Environmental Performance disclosure. GHG calculation includes Scope 1-3 and utilises methodology verified by CI2.*

[6] *Calculation was prepared by accredited energy specialist Jiri Novotny, JiNO Energy, based on local regulations and requirements for energy audits.*
Those are: Regulation No. 480/2012 Sb., about Energy audits and Actual emission factors CZT 1.8, 2018

Group **Management**

Quadrio, 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 €3 billion. Martin has 19 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 17 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 19 years of real estate experience, with six 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 13 years of real estate experience, ten years at CPIPG and six years with KPMG.

Jan Kratina

Director of CPI Hotels

Jan Kratina has served for more than 13 years as Chief Executive Officer and ten 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.
Company specific Adjusted Earnings	A measure derived from EPRA Earnings and reflecting the Group's specific adjustments.	The rationale for making adjustments other than strictly required by EPRA Earnings is to arrive at an underlying performance measure appropriate for the Group's business model.
Company specific Adjusted EPS	It is calculated as Company specific Adjusted Earnings divided by the weighted average number of shares for the period.	
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 material 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.	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).	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 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/depreciation, 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.	
Net Loan-to-value or Net 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.

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 and investees 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		2019	2018
A	Bonds collateral	0	0
B	Bank loans collateral	3,236	2,883
	Investment property	3,051	2,674
	Property, plant and equipment	135	162
	Trade receivables	23	23
	Bank accounts	26	24
C	Total assets	10,673	8,259
(C-A-B)/C	Unencumbered assets ratio	70%	65%

Secured Debt to Total Debt Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Secured bonds	0	0
B	Secured financial debts	1,017	1,055
C	Total debts	4,105	2,874
	Bonds issued	2,892	1,655
	Financial debts	1,213	1,219
(A+B)/C	Secured debt as of Total debt	25%	37%

Consolidated Adjusted EBITDA Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Net business income	345	320
B	Administrative expenses	(53)	(49)
A+B	Consolidated adjusted EBITDA	292	270

Net Interest Coverage Ratio Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Interest income	14	14
B	Interest expense	(54)	(78)
C	Consolidated adjusted EBITDA	292	270
C/-(A+B)	Net ICR	7.2	4.2

Equity Ratio Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Total assets	10,673	8,259
B	**Total equity**	**5,469**	**4,362**
B/A	Equity Ratio	51%	53%

FFO II Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018*
A	Funds from operations	220	164
B	**Interest on perpetual notes**	**(43)**	**(17)**
A+B	Funds from operations II	176	146

* *Restated*

Note: All dates are as at 31 December

Secured Consolidated Leverage Ratio Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Secured bonds	0	0
B	Secured financial debts	1,017	1,055
C	Consolidated adjusted total assets	10,566	8,149
	Total assets	10,673	8,259
	Intangible assets and goodwill	107	110
(A+B)/C	Secured consolidated leverage ratio	10%	13%

Net Debt/EBITDA Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Net debt	3,300	2,775
B	Net business income	345	320
C	Administrative expenses	(53)	(49)
A/(B+C)	Net debt/EBITDA	11.3	10.3

Funds from Operations (FFO) Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Net profit/(Loss) for the period	685	631
B	Deferred income tax	(61)	(3)
C	Net valuation gain or loss on investment property	550	579
D	Net valuation gain or loss on revaluation of derivatives	2	(2)
E	Net gain or loss on disposal of investment property and subsidiaries	2	2
F	Net gain or loss on disposal of inventory	5	1
G	Net gain or loss on disposal of PPE/other assets	0	0
H	Impairment/Reversal of impairment	(8)	(32)
I	Amortization/Depreciation	(33)	(33)
J	Other non-cash items	19	(1)
K	GW/Bargain purchase	0	0
L	Other non-recurring items	(9)	(43)
	Non-recurring FX losses incurred	(7)	0
	Non-recurring financial and other charges	(2)	0
	Prepayment costs of bonds issued	0	(31)
	Prepayment costs of bank loans	0	(12)
M	JV adjustments	0	(1)
(A-B-C-D-E-F-G-H-I-J-K-L-M)	Funds from operations	220	164

EPRA NNNAV Deferred Tax Reconciliation (€ million)

Company in KG form	Residual tax value of properties	Share applicable	Tax rate	Fair value of properties	Tax
Total 2019	138	99.75%	15.83%	1,970	289
Total 2018	133	99.75%	15.83%	1,648	239
Company resold/ acquired in last 12 mo.	**Tax acquisition price of share**	**Share applicable**	**Tax rate**	**IFRS NAV**	**Tax**
Total 2019	508	98.56%-100%	9%-24.94%	598	26
Total 2018	265	100%	19%-26.01%	229	2
Company with Parent in GmbH form	**Tax acquisition price of share**	**Share applicable**	**Tax rate**	**IFRS NAV**	**Tax**
Total 2019	280	80%-100%	30.18%	598	4
Total 2018	280	80%-100%	30.18%	497	3
Company with other taxation rules	**Tax acquisition price of share**	**Share applicable**	**Tax rate**	**IFRS NAV**	**Tax**
Total 2019	1	100%	19%	2	0
Total 2018	–	–	–	–	–

City West Siemens, Prague, Czech Republic

Property Portfolio Reconciliation
(€ million)

as at 31 Dec	2019	2018
Investment property – Office	4,186	3,165
Investment property – Retail	2,173	2,097
Investment property – Residential	756	640
Investment property – Land bank	697	540
Investment property – Development	142	71
Investment property – Agriculture	101	90
Investment property – Industry & Logistics	99	80
Investment property – Other	3	5
Property, plant and equipment – Hospitality	775	630
Property, plant and equipment – Mountain resorts	76	74
Property, plant and equipment – Agriculture	13	9
Property, plant and equipment – Office	7	7
Property, plant and equipment – Residential	6	9
Property, plant and equipment – Retail	1	1
Equity accounted investees	4	4
Other financial assets	8	0
Inventories – Development	45	48
Inventories – Land bank	0	20
Assets held for sale	19	66
Total	9,111	7,555

Net LTV Reconciliation
(€ million)

Item per Consolidated financial statements as at 31 Dec		2019	2018
A	Financial debts	1,213	1,219
B	Bonds issued	2,892	1,655
C	Net debt linked to AHFS	0	0
D	Cash and cash equivalents	805	99
E	Property portfolio	9,111	7,555
(A+B+C-D)/E	Net LTV	36.2%	36.7%

CPI Property Group

DECLARATION LETTER

FINANCIAL REPORT

AS AT 31 DECEMBER 2019

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 2019, 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 2019, 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, 31 March 2020

Mr. Martin Němeček

CEO & Managing Director

CPI Property Group
Société anonyme
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T: +420 281 082 110,115 **E:** cpipg@cpipg.com **www.cpipg.com**

Space means opportunity

CPI PROPERTY GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

All financial information is presented in millions of Euros, except when otherwise indicated.

Consolidated statement of comprehensive income

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

	Note	12 month period ended 31 December 2019	31 December 2018
Gross rental income	5.1	319.1	301.7
Service charges and other income	5.2	123.1	111.2
Cost of service and other charges	5.2	(88.0)	(85.0)
Property operating expenses	5.3	(59.8)	(56.0)
Net rental income		**294.4**	**271.9**
Development sales	5.4	50.1	30.3
Development operating expenses	5.4	(46.3)	(30.7)
Net development income		**3.8**	**(0.4)**
Hotel revenue	5.5	133.8	122.1
Hotel operating expenses	5.5	(93.8)	(82.1)
Net hotel income		**40.0**	**40.0**
Other business revenue	5.6	45.7	38.4
Other business operating expenses	5.6	(39.0)	(30.4)
Net other business income		**6.7**	**8.0**
Total revenues		671.8	603.7
Total direct business operating expenses		(326.9)	(284.2)
Net business income		**344.9**	**319.5**
Net valuation gain	5.7	550.0	578.9
Net gain on disposal of investment property and subsidiaries	5.8	2.0	0.5
Amortization, depreciation and impairment	5.9	(41.5)	(64.4)
Administrative expenses	5.10	(53.2)	(49.2)
Other operating income		10.2	6.7
Other operating expenses		(7.3)	(6.5)
Operating result		**805.1**	**785.5**
Interest income		13.5	14.3
Interest expense	5.11	(54.2)	(78.4)
Other net financial result	5.12	0.4	(72.0)
Net finance costs		**(40.3)**	**(136.1)**
Share of profit of equity-accounted investees (net of tax)	6.5	(0.2)	(0.7)
Profit before income tax		**764.6**	**648.7**
Income tax expense	5.13	(80.0)	(17.9)
Net profit from continuing operations		**684.6**	**630.8**
Items that may or are reclassified subsequently to profit or loss			
Translation difference		25.1	(22.9)
Cash flow hedges		7.7	(6.6)
Income tax on other comprehensive income items		(2.6)	0.9
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	6.3	25.1	22.7
Defined benefit plan actuarial loss		(0.4)	(0.4)
Income tax on other comprehensive income items		(9.3)	(3.0)
Other comprehensive income for the period, net of tax		**45.6**	**(9.3)**
Total comprehensive income for the year		**730.2**	**621.5**
Net profit attributable to:			
Owners of the parent		633.2	607.2
Non controlling interests		8.0	6.5
Perpetual notes holders		43.4	17.1
Profit for the year		**684.6**	**630.8**
Total comprehensive income attributable to:			
Owners of the parent		678.8	597.9
Non controlling interests		8.0	6.5
Perpetual notes holders		43.4	17.1
Total comprehensive income for the year		**730.2**	**621.5**
Earnings per share			
Basic earnings in EUR per share	6.12	**0.07**	**0.07**
Diluted earnings in EUR per share	6.12	0.07	0.07

Consolidated statement of financial position

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

	Note	31 December 2019	31 December 2018
Non-current assets			
Intangible assets and goodwill	6.1	107.0	110.3
Investment property	6.2	8,156.8	6,687.1
Property, plant and equipment	6.3	885.7	736.2
Hotels	6.3	*761.6*	*626.0*
Other property, plant and equipment	6.3	*124.1*	*110.2*
Biological assets		4.2	1.7
Equity accounted investees	6.4	3.7	3.9
Other financial assets	6.5	38.1	15.1
Loans provided	6.6	200.2	69.9
Deferred tax assets	5.13	168.1	195.2
Total non-current assets		**9,563.8**	**7,819.4**
Current assets			
Inventories	6.7	51.2	71.5
Biological assets		2.5	3.7
Income tax receivables		6.2	7.6
Trade receivables	6.8	80.9	68.4
Loans provided	6.6	71.5	63.8
Cash and cash equivalents	6.9	804.5	99.2
Other financial assets		21.8	17.8
Other non-financial assets	6.10	48.9	40.9
Assets linked to assets held for sale	6.11	21.5	66.7
Total current assets		**1,109.0**	**439.6**
Total assets		**10,672.8**	**8,259.0**
Equity			
Equity attributable to owners of the parent	6.12	4,334.2	3,775.6
Share capital	6.12	*833.2*	*876.2*
Share premium	6.12	*911.1*	*1,013.4*
Other reserves	6.12	*400.0*	*328.2*
Retained earnings	6.12	*2,189.9*	*1,557.8*
Non-controlling interests	6.12	49.8	44.2
Perpetual notes	6.12	1,085.5	542.5
Total equity		**5,469.5**	**4,362.3**
Non-current liabilities			
Bonds issued	6.13	2,870.9	1,648.4
Financial debts	6.14	1,165.3	1,061.6
Deferred tax liability	5.13	805.9	761.6
Provisions	6.16	10.1	8.9
Other financial liabilities	6.17	63.8	44.0
Total non-current liabilities		**4,916.0**	**3,524.5**
Current liabilities			
Bonds issued	6.13	20.8	6.7
Financial debts	6.14	47.7	157.6
Trade payables	6.18	86.0	97.5
Income tax liabilities		13.7	8.3
Other financial liabilities	6.19	98.1	82.2
Other non-financial liabilities		20.3	17.3
Liabilities linked to assets held for sale	6.11	0.7	2.6
Total current liabilities		**287.3**	**372.2**
Total equity and liabilities		**10,672.8**	**8,259.0**

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	Revaluation reserve	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 as at 1 January 2019		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
Profit for the period		-	-	-	-	-	-	633.2	633.2	43.4	676.6	8.0	684.6
Translation difference		-	-	25.1	-	-	-	-	25.1	-	25.1	-	25.1
Defined benefit plan actuarial loss	6.16	-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)	-	(0.4)
Cash flow hedges		-	-	-	-	7.7	-	-	7.7	-	7.7	-	7.7
Revaluation of property, plant and equipment	6.3	-	-	-	-	-	25.1	-	25.1	-	25.1	-	25.1
Income tax on other comprehensive income		-	-	-	-	(2.6)	(9.3)	-	(11.9)	-	(11.9)	-	(11.9)
Total other comprehensive income/ (expense)		-	-	25.1	-	5.1	15.8	(0.4)	45.6	-	45.6	-	45.6
Total comprehensive income for the period		-	-	25.1	-	5.1	15.8	632.8	678.8	43.4	722.2	8.0	730.2
Common control transaction	3.4	-	-	-	-	-	25.8	-	25.8	-	25.8	-	25.8
Acquisition own shares	6.12	(6.7)	(29.8)	-	-	-	-	-	(36.5)	-	(36.5)	-	(36.5)
Share buy-back	6.12	(36.3)	(72.5)	-	-	-	-	-	(108.8)	-	(108.8)	-	(108.8)
Issuance of perpetual notes	6.12	-	-	-	-	-	-	-	-	537.2	537.2	-	537.2
Amount paid to perpetual notes holders	6.12	-	-	-	-	-	-	-	-	(37.6)	(37.6)	-	(37.6)
Acquisition of NCI	6.12	-	-	-	-	-	-	(0.7)	(0.7)	-	(0.7)	(2.4)	(3.1)
Balance as at 31 December 2019		833.2	911.1	49.0	5.8	12.7	332.5	2,189.9	4,334.2	1,085.5	5,419.7	49.8	5,469.5

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Revaluation reserve	Retained earnings	Equity attributable to shareholders of the parent	Equity attributable to perpetual notes investors	Equity attributable to shareholders of the Company and perpetual notes investors	Non controlling interests	Total equity
Balance as at 1 January 2018		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
Profit for the period		-	-	-	-	-	-	607.2	607.2	17.1	624.3	6.4	630.8
Translation difference		-	-	(22.9)	-	-	-	-	(22.9)	-	(22.9)	-	(22.9)
Defined benefit plan actuarial loss		-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)	-	(0.4)
Cash flow hedges		-	-	-	-	(6.6)	-	-	(6.6)	-	(6.6)		(6.6)
Revaluation of property, plant and equipment		-	-	-	-	-	22.7	-	22.7	-	22.7	-	22.7
Income tax on other comprehensive income		-	-	-	-	0.9	(3.0)	-	(2.1)	-	(2.1)	-	(2.1)
Total other comprehensive income/ (expense)		-	-	(22.9)	-	(5.7)	19.7	(0.4)	(9.3)	-	(9.3)	-	(9.3)
Total comprehensive income for the period		-	-	(22.9)	-	(5.7)	19.7	606.8	597.9	17.1	615.0	6.4	621.5
Capital increase	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)
Issuance of perpetual notes	6.12	-	-	-	-	-	-	-	-	537.9	537.9	-	537.9
Amount paid to perpetual notes holders	6.12	-	-	-	-	-	-	-	-	(12.5)	(12.5)	-	(12.5)
Balance as 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 cash flow statement

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

	Note	12 month period ended 31 December 2019	31 December 2018
Profit before income tax		**764.6**	**648.7**
Adjusted by:			
Net valuation gain	5.7	(550.0)	(578.9)
Net gain on the disposal of investment property and subsidiaries	5.8	(2.0)	(0.5)
Depreciation and amortization	5.9	33.1	32.6
Impairment of assets	5.9	8.4	31.8
Net gain on the disposal of property, plant and equipment		-	(1.4)
Net interest expense		40.7	64.1
Other net finance expense		4.4	55.2
Share of loss of equity accounted investees	6.5	0.2	0.7
Unrealized exchange rate differences and other non-cash transactions		(8.0)	(0.3)
Profit before changes in working capital and provisions		**291.4**	**252.0**
Decrease in inventories		13.8	12.3
(Increase)/ decrease in trade receivables		(17.9)	7.2
Increase in trade payables		5.9	20.0
Increase/ (decrease) in other liabilities		0.7	(5.9)
Income tax paid		(13.2)	(16.0)
Net cash from operating activities		**280.7**	**269.6**
Acquisition of subsidiaries, net of cash acquired	3.2	(640.5)	(290.8)
Acquisition of other financial investments		(7.9)	-
Acquisition of non-controlling interest	6.12	(3.1)	-
Proceeds from disposals of subsidiaries, net of cash disposed		13.4	41.8
Purchase and expenditures on investment property	6.2	(264.5)	(117.7)
Purchase and expenditures on property, plant and equipment	6.3	(66.4)	(23.9)
Purchase of intangible assets	6.1	(4.9)	(1.5)
Purchase of biological assets		(1.2)	(0.4)
Proceeds from sale of investment property		8.2	4.8
Proceeds from sale of property, plant and equipment		-	3.5
Proceeds from sale of biological assets		0.1	0.2
Loans provided		(125.8)	(20.1)
Loans repaid		7.7	28.0
Interest received		1.2	12.0
Net cash used in investing activities		**(1,083.7)**	**(364.1)**
Proceeds from issue of share capital	6.12	-	50.0
Share buy-back	6.12	(108.8)	(145.0)
Proceeds from perpetual notes	6.12	537.2	537.9
Payment to perpetual notes investors	6.12	(37.6)	(12.5)
Proceeds from bonds issued	6.14	1,217.4	840.0
Repayment of bonds issued	6.14	-	(689.4)
Interest paid	6.14	(37.2)	(86.6)
Drawings of loans and borrowings	6.14	255.9	390.0
Repayments of loans and borrowings	6.14	(316.7)	(922.2)
Repayment of lease liabilities	6.14	(2.0)	(7.3)
Net cash from/ (used in) financing activities		**1,508.2**	**(45.1)**
Net increase/ (decrease) in cash		**705.2**	**(139.6)**
Cash and cash equivalents at the beginning of the period	6.9	99.2	238.9
Less: Cash and cash equivalents reclassified from/ (to) assets held for sale		0.1	(0.1)
Cash and cash equivalents at the end of the period		**804.5**	**99.2**

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 primarily the Czech republic.

The Group is primarily focused on investment properties, as well as development and 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 2019, Radovan Vítek is the primary shareholder of the Company holding indirectly 90.7% of the Company shares.

For the list of shareholders as at 31 December 2019, refer to note 6.12.

Board of Directors

As at 31 December 2019, the Board of Directors consists of the following directors:

Chairman:	Edward Hughes
CEO and Managing Director:	Martin Němeček
Members:	Philippe Magistretti
	Tomáš Salajka
	Omar Sattar
	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 30 March 2020.

(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 2019.

Several other amendments and interpretations apply for the first time in 2019, 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 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 recognised the lease liability and an asset during the lease term. Lessees are 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.

The Group adopted IFRS 16 using the cumulative catch-up method of adoption with the date of initial application of 1 January 2019. Under this method the Group does not restate comparative information and measures assets at amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The outstanding liability is calculated using incremental borrowing rate last date of transition.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease term 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.

Impact on the statement of financial position as at 31 December 2019:

	31 December 2019
Right-of-use assets (included in other property, plant and equipment)	10.3
Total assets	**10.3**
Retained earnings	(0.1)
Total equity	**(0.1)**
Interest-bearing loans and borrowings	10.4
Non-current liabilities	**10.4**
Total equity and liabilities	**10.3**

Impact on the statement of profit or loss for the year ended 31 December 2019:

	2019
Depreciation expense (included in hotel operating expenses)	(0.7)
Rent expense (included in hotel operating expenses)	0.9
Net business income	0.2
Operating result	**0.2**
Finance costs	(0.3)
Net finance costs	**(0.1)**
Profit before income tax	**(0.1)**
Net profit from continuing operations	**(0.1)**

Impact on the statement of cash flows for the year ended 31 December 2019:

	2019
Net cash flows from operating activities	0.6
Net cash flows from financing activities	(0.6)

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

- Right-of-use assets: The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.
- Lease liabilities: At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.
- Short-term leases and leases of low-value assets: The Group applies the short-term lease recognition exemption to its short-term leases. Short term leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.
- The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

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.

Amendments to IFRS 3: Definition of a Business

The amendments help entities to determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements. The Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors were issued to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a 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 – measured at fair value;
- Property, plant and equipment, asset type Hotels – measured at fair value;
- Biological assets – 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 (hundreds of EUR), 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 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 (n) – Service charges: Gross versus net revenue recognition.

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

- Note 2.2 (j) – Impairment test;
- Note 2.3 (b) – Determination of fair value
- Note 5.13 – 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 Euro. 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 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 2019 and 2018 respectively.

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) Right of use assets (leased assets)

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Short-term leases and leases of low-value assets: The Group applies the short-term lease recognition exemption to its short-term leases. Short term leases have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

(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	2019	2018
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	2019	2018
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.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is 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.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(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.

(v) Perpetual bonds

The Group analyses the bonds issued if it holds unconditional rights to avoid delivering cash in respect of both, the principal and related interests. The bonds are classified as an equity instrument and classified separately as equity attributable to perpetual bond holders if the Group has an unconditional right to avoid delivering cash (or another financial instrument).

(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) 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 when tenant obtains control of the goods or services.

(iii) 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.

(iv) Development sales

A sale of self-constructed trading property is generally a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. Revenue is recognized immediately when the customer obtains control of the property.

(v) Other business revenue

Other business is represented by mountain resort and agriculture operations. Other business revenue is recognised in profit or loss when the customer obtains control of the goods or services.

(vi) 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.

(vii) 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.

(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 leases, on bonds issued and interest charges related to 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.

The Group reports four operating segments: Czech Republic, Berlin, Hotels & Resorts in Europe and Complementary assets in Europe.

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 2019 and 2018 based on external valuations prepared by professionally qualified valuers, except for an insignificant part of the portfolio valued by an internal expert (see note 6.2). The Group's property portfolio in the Czech Republic is valued mainly by Jones Lang LaSalle, Cushman & Wakefield and CBRE, selected properties are valued also by Mazars and RSM; Slovak portfolio is valued by JLL. The property portfolios in Hungary, Poland, Romania and the United Kingdom are valued by Jones Lang LaSalle, Knight Frank and Cushman & Wakefield. The valuation of the German portfolio is undertaken by Savills. Assets located in France, Italy and Switzerland are valued by BNP Paribas, Cushman & Wakefield and Mazars. The Group also uses its valuation department for providing an internal valuation of part of the residential segment and land banks located in the Czech Republic. As at 31 December 2019, the Group did not revalue recent acquisitions (see note 3.2 and 3.4) and leased properties.

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 and 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 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 methods.

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.

The 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 the direct comparison method based on data from comparable transactions. The data was obtained from Cadastral offices 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 the 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.

3 The Group structure

CPI PG is the Group's ultimate parent company.

As at 31 December 2019, the Group comprises its parent company and 364 (353 subsidiaries as at 31 December 2018) and three joint ventures. For list of subsidiaries refer to Appendix I.

3.1 Changes in the Group in 2019

In 2019, the Group acquired, founded or demerged (within the Group) the following subsidiaries:

Entity	Change	Group's share	Date
One Crans-Montana SA (1)	Acquisition	99.70%	6 February 2019
Orchard Hotel a.s.	Acquisition	100.00%	27 February 2019
Brno INN, a.s.	Acquisition	100.00%	28 June 2019
Tachov Investments, s.r.o. (2)	Acquisition	100.00%	2 July 2019
AVENA, VOD	Acquisition	98.56%	18 July 2019
GCA Property Development Sp. z o.o. (3)	Acquisition	100.00%	5 August 2019
CT Development Sp. z o.o. (4)	Acquisition	100.00%	3 September 2019
Equator II Development Sp. z o.o. (5)	Acquisition	100.00%	3 September 2019
Equator IV Offices Sp. z o.o. (6)	Acquisition	97.31%	7 November 2019
Eurocentrum Offices Sp. z o.o. (7)	Acquisition	97.31%	27 November 2019
LES MAS DU FIGUIER	Acquisition	97.31%	29 November 2019
Pietroni, s.r.o.	Acquisition	97.31%	29 November 2019
SCP Reflets	Acquisition	97.31%	29 November 2019
Castor Investments Sp. z o.o.	Acquisition	97.31%	5 December 2019
Castor Investments Sp. z o.o. S.K.A.	Acquisition	97.31%	5 December 2019
WFC Investments Sp. z o.o.	Acquisition	97.31%	5 December 2019
7 St James´s Square Limited	Founded	100.00%	27 March 2019
Vysočany Office, a.s.	Founded	99.26%	23 April 2019
Kosmonosy Investments, s.r.o.	Founded	100.00%	10 July 2019
Kravařská zemědělská, a.s.	Founded	100.00%	15 July 2019
Olomouc Building, a.s.	Founded	100.00%	1 October 2019
Brno Development Services, s.r.o.	Founded	100.00%	9 October 2019
CPI Pigna S.r.l.	Founded	97.31%	18 October 2019
CPI REV Italy II S.r.l.	Founded	97.31%	18 October 2019
Moniuszki Office Sp. z o.o.	Founded	100.00%	24 October 2019
CPI Kvarta, s.r.o.	Founded	100.00%	4 November 2019
CPI Green, a.s.	Founded	100.00%	5 November 2019
CPI Kvinta, s.r.o.	Founded	100.00%	5 November 2019
CPI Omikrón, a.s.	Founded	100.00%	5 November 2019
CPI Orange, a.s.	Founded	100.00%	5 November 2019
CPI Prima, s.r.o.	Founded	100.00%	5 November 2019
CPI Sekunda, s.r.o.	Founded	100.00%	5 November 2019
CPI Tercie, s.r.o.	Founded	100.00%	5 November 2019
CPI Théta, a.s.	Founded	100.00%	5 November 2019
CPI Yellow, a.s.	Founded	100.00%	5 November 2019
Oxford Tower Sp. z o.o.	Founded	100.00%	19 November 2019
CPI Poland Property Management Sp. z o.o.	Founded	100.00%	2 December 2019
BARON PUGLIA S.a.r.l.	Founded	100.00%	2 December 2019
WFC Offices Sp. z o.o.	Founded	100.00%	18 December 2019
CPI Poland Offices Sp. z o.o.	Founded	100.00%	18 December 2019
Třebíč Investment, s.r.o.	Demerger (within the group)	100.00%	1 July 2019
Kosmonosy Property Development, s.r.o.	Demerger (within the group)	100.00%	1 November 2019
Prostějov Investments, a.s.	Demerger (within the group)	100.00%	1 November 2019
Vysočina Investments, a.s.	Demerger (within the group)	100.00%	1 November 2019

(1) Changed its name from Régie du Rhộne Crans-Montana SA to One Crans-Montana SA with effective date of 18 July 2019.
(2) Changed its name from JD-THOM s.r.o. to Tachov Investments, s.r.o. with effective date of 11 July 2019.
(3) Changed its name from Saint Barthelemy Sp. z o.o. to GCA Property Development Sp. z o.o. with effective date of 6 September 2019.
(4) Changed its name from San Andres Sp. z o.o. to CT Development Sp. z o.o. with effective date of 8 November 2019.
(5) Changed its name from Gimsoy Sp. z o.o. to Equator II Development Sp. z o.o. with effective date 30 September 2019.
(6) Changed its name from Cirrus Real Sp. z o.o. to Equator IV Offices Sp. z o.o. with effective date 18 December 2019.
(7) Changed its name from Dakota Investments Sp. z o.o. to Eurocentrum Offices Sp. z o.o. with effective date 18 December 2019.

In 2019, the Group disposed or liquidated the following subsidiaries:

Entity	Change	Group's share	Date
Vinohrady S.a.r.l.	Disposal	97.31%	14 November 2019
Spišská Nová Ves Property Development, a.s.	Disposal	100.00%	20 November 2019
Třebíč Investment, s.r.o.	Disposal	100.00%	29 November 2019
Vysočina Investments, a.s.	Disposal	100.00%	20 December 2019
Avacero Limited	Liquidation	100.00%	8 May 2019
Avidano Limited	Liquidation	100.00%	8 May 2019
Derisa Limited	Liquidation	100.00%	8 May 2019
Gomendo Limited	Liquidation	100.00%	8 May 2019
Goranda Limited	Liquidation	100.00%	8 May 2019
Istafia Limited	Liquidation	100.00%	8 May 2019
Jonvero Limited	Liquidation	100.00%	8 May 2019
Pringipo Limited	Liquidation	100.00%	8 May 2019
Tunelia Limited	Liquidation	100.00%	8 May 2019
Brillant 1419. GmbH & Co. Verwaltungs KG	Liquidation	97.31%	13 October 2019
Osmania Limited	Liquidation	100.00%	25 December 2019

3.2 Property asset acquisitions in 2019

Acquisition of 7 St James' Square Limited

On 27 March 2019, the Group founded 7 St James's Square Limited. The entity had no assets as at that date.

On 7 June 2019, 7 St James's Square Limited acquired a building which was purchased in a shell condition and it will offer up to 33,000 square feet of gross leasable area. The total consideration paid for the building was EUR 54.3 million, fully allocated to the investment property.

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

Acquisition of Tachov Investment, s.r.o.

On 2 July 2019, the Group acquired Tachov Investments, s.r.o. The consideration paid for 100% stake amounted to EUR 1.0 million, fully allocated to the investment property.

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

Acquisition of AVENA, VOD

On 18 July 2019, The Group acquired AVENA, VOD for the purchase price of EUR 4.3 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:

	Fair value
Investment property	4.7
Property, plant and equipment	3.0
Biological assets	0.3
Inventories	0.9
Other financial current assets	0.5
Other non-financial current assets	0.4
Identifiable acquired assets	**9.8**
Financial debts	(3.4)
Trade payables and other current liabilities	(2.1)
Identifiable acquired liabilities	**(5.5)**

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 4.2 million.

Acquisition of offices in Warsaw, Poland

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

- Equator IV Offices sp. z o.o.

On 7 November 2019, the Group acquired Equator IV Offices with more than 20,800 square metres of gross lettable area and 226 parking spaces. The property benefits from about 90% occupancy with further upside potencial.

The consideration paid for the 100% stake amounted to EUR 14.6 million.

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

	Fair value
Investment property	56.6
Cash and cash equivalents	0.8
Other non-financial current assets	0.2
Identifiable acquired assets	**57.6**
Financial debts	(42.4)
Trade payables	(0.4)
Other financial current liabilities	(0.2)
Identifiable acquired liabilities	**(43.0)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 14.6 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.8 million. The net cash outflow connected with the acquisition amounted to EUR 13.8 million. As part of the acquisition, financial debts of EUR 41.5 million were also repaid by the Group.

- Eurocentrum Offices sp. z o.o.

On 27 November 2019, the Group acquired Eurocentrum office complex in Warsaw. Eurocentrum boasts over 85,100 square metres of gross lettable area in one of the most sought-after business districts close to the city center.

The consideration paid for the 100% stake amounted to EUR 105.4 million.

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

	Fair value
Investment property	242.5
Cash and cash equivalents	1.9
Identifiable acquired assets	**244.4**
Financial debts	(136.2)
Trade payables	(2.7)
Other non-financial current liabilities	(0.1)
Identifiable acquired liabilities	**(139.0)**

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 105.4 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 1.9 million. The net cash outflow connected with the acquisition amounted to EUR 103.5 million. As part of the acquisition, financial debts of EUR 136.2 million were also repaid by the Group.

- WFC Investments sp. z o.o.

On 5 December 2019, the Group acquired Warsaw Financial Center located in Central Warsaw. WFC is one of the most prestigious high-rise buildings providing 50,000 square meters of grade-A office space across 32 floors. WFC is the sole shareholder of the company Castor Investments sp. z o. o. and WFC has also 100% shares in Castor Investments sp.z o.o. S.K.A. These entities are empty.

The consideration paid for the 100% stake amounted to EUR 272.3 million.

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

	Fair value
Intangible assets	0.2
Investment property	261.2
Trade receivables	1.3
Cash and cash equivalents	15.7
Identifiable acquired assets	**278.4**
Financial debts	(3.6)
Other non-current liabilities	(1.7)
Trade payables	(0.8)
Identifiable acquired liabilities	**(6.1)**

Net identifiable assets of subsidiary acquired at the date of acquisition amounted to EUR 272.3 million.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 15.7 million. The net cash outflow connected with the acquisition amounted to EUR 256.6 million.

3.3 Acquisition through business combinations in 2019

Acquisition of Régie du Rhộne Crans-Montana SA

On 6 February 2019, the Group acquired Régie du Rhộne (renamed to One Crans Montana in 2019), a Swiss real estate company. The company engages in the following business activities: property management, sale of properties, co-ownership, sale sales brokerage and rentals, as well as real estate project development. The company operates in the Crans Montana ski resort which is operated by the Group.

The consideration paid for the 100% stake amounted to EUR 1.4 million. The company was renamed to One Crans Montana on 27 June 2019.

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

	Fair value
Trade receivables	0.1
Cash and cash equivalents	1.1
Other financial current assets	0.1
Identifiable acquired assets	**1.3**
Financial debts	(0.8)
Other financial non-current liabilities	(0.2)
Other financial current liabilities	(1.1)
Identifiable acquired liabilities	**(2.1)**

Net identifiable assets of this subsidiary acquired at the date of the acquisition amounted to EUR -0.8 million. As a result of this business combination, the Group recognized goodwill in the amount of EUR 2.2 million.

Due to the acquisition, the Group acquired cash and cash equivalents of EUR 1.1 million. The net cash outflow connected with the acquisition amounted to EUR 0.3 million.

If the acquisition had occurred on 1 January 2019 with all other variables held constant, Group total revenues in 2019 would have been EUR 672.3 million and net profit from continuing operations would have been EUR 684.7 million.

Acquisition of Orchard Hotel

On 27 February 2019, the Group acquired a 100% stake in Orchard Hotel in the center of Ostrava, the Czech Republic, with 185 rooms. The consideration paid was EUR 0.6 million.

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

	Fair value
Property, plant and equipment	10.5
Trade receivables	0.1
Cash and cash equivalents	0.2
Identifiable acquired assets	**10.8**
Financial debts	(9.9)
Other current liabilities	(0.3)
Identifiable acquired liabilities	**(10.2)**

Net identifiable assets of this subsidiary acquired at the date of the acquisition amounted to EUR 0.6 million.

Due to the acquisition, the Group acquired cash and cash equivalents EUR 0.2 million. The net cash outflow connected with the acquisition amounted to EUR 0.4 million.

If the acquisition had occurred on 1 January 2019 with all other variables held constant, Group total revenues in 2019 would have been EUR 672.5 million and net profit from continuing operations would have been EUR 684.2 million.

Acquisition of BRNO INN, a.s.

On 28 June 2019, the Group acquired a four-star congress hotel in Brno, the Czech Republic. The hotel offers 200 double rooms and a congress hall with capacity for up to 600 people in a strategic location close to the trade fair and exhibition compound in Brno.

The consideration paid represents EUR 16.6 million.

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

	Fair value
Property, plant and equipment	15.6
Cash and cash equivalents	2.5
Other current assets	0.5
Identifiable acquired assets	**18.6**
Deferred tax liabilities	(1.7)
Other current liabilities	(0.3)
Identifiable acquired liabilities	**(2.0)**

Net identifiable assets of this subsidiary acquired at the date of the acquisition amounted to EUR 16.6 million.

Due to the acquisition, the Group acquired cash and cash equivalents EUR 2.5 million. The net cash outflow connected with the acquisition amounted to EUR 14.1 million.

If the acquisition had occurred on 1 January 2019 with all other variables held constant, Group total revenues in 2019 would have been EUR 673.9 million and net profit from continuing operations would have been EUR 684.7 million.

3.4 Common control transaction in 2019

Acquisition of Pietroni, s.r.o.

On 29 November 2019, the Group acquired 100% shares in Pietroni, s.r.o. along with its subsidiaries Sasu Les Mas Du Figuer and SCP Reflects, luxury properties located in South France, as well as CPI PG shares. The company was acquired from the Group's main shareholder Mr. Vítek for the consideration paid of EUR 1. The Group treated the transaction as a common control transaction. 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:

	Fair value
Investment property	34.0
Property, plant and equipment	0.7
Trade receivables	0.1
Cash and cash equivalents	0.1
CPI PG shares	36.5
Identifiable acquired assets	**71.4**
Financial debts	(35.5)
Other financial current liabilities	(10.1)
Identifiable acquired liabilities	**(45.6)**

The fair value of the Company's shares held by Pietroni, s.r.o. was determined based on the EPRA NAV per CPI PG's share (net asset value per share determined based on the methodology of European Public Real Estate Association) calculated as at 30 September 2019. The value of the investment property was determined by the independent valuer as of the date of acquisition.

Net identifiable assets of the subsidiary acquired at the date of acquisition amounted to EUR 25.8 million, the amount is classified as capital contribution by the Group's majority shareholder.

Due to the acquisition, the Group acquired cash and cash equivalents in the amount of EUR 0.1 million. The net cash outflow connected with the acquisition amounted to EUR -0.1 million.

3.5 Disposal of subsidiaries in 2019

The Group disposed the following subsidiaries, since they were considered as a non-core assets:

- Vinohrady S.a.r.l. in France was sold for EUR 0.5 thousand on 14 November 2019.
- Spišská Nová Ves Property Development, a.s. was sold for EUR 0.1 million on 20 November 2019.
- Třebíč Investment, s.r.o. was sold for EUR 7.0 million on 29 November 2019.
- Vysočina Investments, a.s. was sold for EUR 1.1 million on 20 December 2019.

3.6 Changes in the Group in 2018

In 2018, the Group acquired or 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%	7 March 2018
Atrium Complex Sp. z o.o. (1)	Acquisition	100.00%	21 March 2018
MB Futurum HK s.r.o.	Acquisition	100.00%	6 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%	2 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%	6 December 2018
CPI Finance Netherlands III B.V.	Liquidation	100.00%	6 December 2018
CPI Finance Ireland III Limited	Liquidation	100.00%	16 December 2018
CPI Finance Ireland Limited	Liquidation	100.00%	18 December 2018

3.7 Property asset acquisitions

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:

	Fair value
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 EUR 2 thousand. 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:

	Fair value
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 also repaid by the Group.

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:

	Fair value
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:

	Fair value
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 also repaid by the Group.

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:

	Fair value
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 also repaid by the Group.

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:

	Fair value
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 also repaid by the Group.

1 Bishops Avenue Limited

On 13 December 2018, the Group acquired 100% share of 1 Bishops Avenue Limited ("Bishops") for the consideration of 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 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.

3.8 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 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:

	Fair value
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.

3.9 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.

4 Segment reporting

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.

The Board of Directors, which is the chief operating decision maker, also reviews the Segment adjusted EBITDA. Segment adjusted EBITDA is segment business income after 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

2019

	Czech Republic	Berlin	Hotels & resorts in Europe	Complementary assets in Europe	Corporate and not attributable	Total
Gross rental income	170.6	74.2	-	74.3	-	319.1
Service charge and other income	61.1	31.2	-	30.8	-	123.1
Cost of service and other charges	(45.6)	(15.8)	-	(26.6)	-	(88.0)
Property operating expenses	(32.0)	(18.1)	-	(9.7)	-	(59.8)
Net rental income	**154.1**	**71.5**	**-**	**68.8**	**-**	**294.4**
- *Office portfolio*	*42.2*	*70.2*	-	*23.6*	-	*136.0*
- *Retail portfolio*	*95.3*	-	-	*36.9*	-	*132.2*
- *Residential portfolio*	*11.9*	-	-	*(0.8)*	-	*11.1*
- *Other*	*4.7*	1.3	-	*9.1*	-	*15.1*
Development sales	29.2	-	-	20.9	-	50.1
Development operating expenses	(24.4)	-	-	(21.9)	-	(46.3)
Net development income	**4.8**	**-**	**-**	**(1.0)**	**-**	**3.8**
Hotel revenue	-	-	133.8	-	-	133.8
Hotel operating expenses	-	-	(93.8)	-	-	(93.8)
Net hotel income	**-**	**-**	**40.0**	**-**	**-**	**40.0**
Other business revenue	14.9	-	30.8	-	-	45.7
Other business operating expenses	(10.1)	-	(28.9)	-	-	(39.0)
Net other business income	**4.8**	**-**	**1.9**	**-**	**-**	**6.7**
Total revenues	275.8	105.4	164.6	126.0	-	671.8
Total direct business operating expenses	(112.1)	(33.9)	(122.7)	(58.2)	-	(326.9)
Net business income	**163.7**	**71.5**	**41.9**	**67.8**	**-**	**344.9**
Administrative expenses	(2.5)	(10.7)	(0.2)	(3.2)	(36.6)	(53.2)
Segment adjusted EBITDA	**161.2**	**60.8**	**41.7**	**64.6**	**(36.6)**	**291.7**
Valuation gain	164.6	383.7	-	67.0	-	615.3
Valuation loss	(39.4)	(0.9)	-	(25.0)	-	(65.3)
Net gain/(loss) on disposal of investment property and subsidiaries	(2.8)	1.1	-	3.7	-	2.0
Amortization, depreciation and impairments	(14.5)	(1.5)	(20.3)	(1.5)	(3.7)	(41.5)
Segment operating result	**269.1**	**443.2**	**21.4**	**108.8**	**(40.3)**	**802.2**
Other operating income					10.2	10.2
Other operating expenses					(7.3)	(7.3)
Operating result						**805.1**
Interest income					13.5	13.5
Interest expense					(54.2)	(54.2)
Other net financial result					0.4	0.4
Net finance costs					**(40.3)**	**(40.3)**
Share of profit of equity-accounted investees (net of tax)					(0.2)	(0.2)
Profit before income tax						**764.6**
Income tax expense					(80.0)	(80.0)
Net profit from continuing operations						**684.6**

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**

4.2 Revenues by countries

The following table presents revenues by countries:

	12 month period ended			
	31 December 2019		31 December 2018	
	Amount	In %	Amount	In %
Czech Republic	348.1	52%	313.1	52%
Germany	105.4	16%	94.5	15%
Hungary	66.9	10%	64.3	11%
Poland	40.1	6%	29.9	5%
Croatia	29.6	4%	28.9	5%
Other	81.7	12%	73.0	12%
Total revenues	**671.8**	**100%**	**603.7**	**100%**

4.3 Non-current assets by operating segments and countries

The following table presents investment property by operating segments and countries:

	31 December 2019		31 December 2018	
	Amount	In %	Amount	In %
By operating segments				
Czech Republic	3,703.0	46%	3,453.3	52%
- *Office portfolio*	*813.6*	*22%*	*751.9*	*22%*
- *Retail portfolio*	*1,625.2*	*44%*	*1,587.1*	*45%*
- *Residential portfolio*	*465.9*	*13%*	*447.1*	*13%*
- *Land bank and development*	*634.6*	*17%*	*523.7*	*16%*
- *Other*	*163.7*	*4%*	*143.5*	*4%*
Berlin	2,462.1	30%	2,049.8	31%
- *Office portfolio*	*2,298.3*	*93%*	*2,013.9*	*98%*
- *Land bank and development*	*160.3*	*6%*	*31.5*	*2%*
- *Other*	*3.5*	*1%*	*4.4*	-
Complementary assets in Europe	1,991.7	24%	1,184.0	17%
- *Office portfolio*	*1,073.9*	*54%*	*417.0*	*35%*
- *Retail portfolio*	*544.7*	*27%*	*513.8*	*43%*
- *Land bank and development*	*43.6*	*3%*	*50.7*	*4%*
- *Residential portfolio*	*290.3*	*15%*	*196.8*	*17%*
- *Other*	*39.2*	*1%*	*5.7*	*1%*
Total	**8,156.8**	**100%**	**6,687.1**	**100%**
By countries				
Czech Republic	3,703.0	46%	3,453.3	52%
Germany	2,462.1	30%	2,049.8	31%
Hungary	607.5	7%	548.5	8%
Poland	874.7	11%	312.2	5%
Other	509.5	6%	323.3	4%
Total	**8,156.8**	**100%**	**6,687.1**	**100%**

The following table presents property, plant and equipment by operating segments and countries:

	31 December 2019		31 December 2018	
	Amount	In %	Amount	In %
By operating segments				
Hotels and resorts	852.2	96%	704.8	96%
Czech Republic	22.9	3%	22.8	3%
Berlin	9.7	1%	8.2	1%
Complementary assets in Europe	0.9	0%	0.4	-
Total	**885.7**	**100%**	**736.2**	**100%**
By countries				
Czech Republic	454.7	51%	353.6	48%
Croatia	194.0	22%	178.0	24%
Switzerland	76.1	9%	74.4	10%
Hungary	61.3	7%	58.4	8%
Other	99.6	11%	71.8	10%
Total	**885.7**	**100%**	**736.2**	**100%**

The following table presents goodwill by operating segments and countries:

	31 December 2019 Amount	31 December 2018 Amount
Czech Republic	-	7.1
Berlin	42.6	42.6
Hotels and resorts	48.8	45.9
Complementary assets in Europe	1.9	1.9
Total	**93.3**	**97.5**

5 Consolidated statement of comprehensive income

5.1 Gross rental income

	12 month period ended 31 December 2019	31 December 2018
Gross rental income	319.1	301.7

An increase of gross rental income was primarily driven by growth of rents in the Berlin and Hungary portfolios, together with the impact of acquisitions in 2019 and 2018.

5.2 Net service charge and other income

	12 month period ended 31 December 2019	31 December 2018
Service revenue	7.6	5.2
Service charge income	100.6	93.1
Revenues from sales of utilities	14.9	12.9
Service charges and other income	**123.1**	**111.2**
Service charge expenses	(79.0)	(76.6)
Cost of utilities	(9.0)	(8.4)
Cost of service and other charges	**(88.0)**	**(85.0)**
Total net service charge and other income	**35.1**	**26.2**

In 2019 and 2018, revenue from sales of utilities relates primarily to the sale of water and electricity.

5.3 Property operating expenses

	12 month period ended 31 December 2019	31 December 2018
Building Maintenance	(26.9)	(28.5)
Personnel expenses (5.3.1)	(8.6)	(8.2)
Utility services	(4.9)	(4.4)
Real estate tax	(4.0)	(4.1)
Letting fee, other fees paid to real estate agents	(3.8)	(2.3)
Facility management	(3.9)	(2.1)
Other property related expenses	(7.7)	(6.4)
Total net property operating expenses	**(59.8)**	**(56.0)**

In 2019 and 2018, property operating expenses also include Group's expenses related to vacant premises.

5.3.1 Personnel expenses

	12 month period ended 31 December 2019	31 December 2018
Personnel operating expenses		
Wages and salaries	(6.4)	(6.1)
Social and health security contributions	(2.0)	(1.9)
Other social expenses	(0.2)	(0.2)
Total personnel operating expenses (note 5.3)	**(8.6)**	**(8.2)**
Personnel administrative expenses		
Wages and salaries	(19.8)	(18.6)
Social and health security contributions	(4.9)	(4.4)
Other social expenses	(0.7)	(0.5)
Total personnel administrative expenses (note 5.10)	**(25.4)**	**(23.5)**
Personnel expenses – hotel operations		
Wages and salaries	(29.7)	(24.1)
Social and health security contributions	(7.7)	(6.4)
Other social expenses	(0.8)	(0.5)
Total personnel expenses – hotel operations (note 5.5)	**(38.2)**	**(31.0)**
Personnel expenses – other business operations		
Wages and salaries	(16.6)	(12.8)
Social and health security contributions	(3.1)	(2.5)
Other social expenses	(0.6)	(0.4)
Total personnel expenses – other business operations (note 5.6)	**(20.3)**	**(15.7)**
Total personnel expenses	**(92.5)**	**(78.4)**

The Group has 4,353 employees as at 31 December 2019 (3,891 employees as at 31 December 2018).

5.4 Net development income

	12 month period ended 31 December 2019	31 December 2018
Development sales	50.1	30.3
Development operating expenses	(46.3)	(30.7)
Net development income	**3.8**	**(0.4)**

Development income and development operating expenses in 2019 and 2018 represent primarily sale of apartments in Nice, France (sales of EUR 20.9 million and operating expenses of EUR 21.9 million in 2019 and sales of EUR 22.3 million in 2018 and operating expenses of |EUR 25.0 million, respectively) and sales of family houses from the ongoing development project in Prague, the Czech Republic (sales of EUR 20.3 million and operating expenses of EUR 18.1 million in 2019 and sales of EUR 7.6 million and operating expenses of EUR 5.8 million in 2018, respectively).

5.5 Net hotel income

	12 month period ended 31 December 2019	31 December 2018
Hotel revenue	133.8	122.1
Personnel expenses (5.3.1)	(38.2)	(31.0)
Hotel other operating expenses	(55.6)	(51.1)
Net hotel income	**40.0**	**40.0**

5.6 Net other business income

	12 month period ended 31 December 2019	31 December 2018
Other business revenue	45.7	38.4
Personnel expenses (5.3.1)	(20.3)	(15.7)
Other business operating expenses (except for personnel expenses)	(18.7)	(14.7)
Net other business income	**6.7**	**8.0**

5.7 Net valuation gain

	12 month period ended 31 December 2019	31 December 2018
Fair value change, net of foreign exchange gain/(loss)	561.0	544.0
Net foreign exchange gain/(loss)	(11.0)	34.9
Net valuation gain	**550.0**	**578.9**

Valuation gains and losses per operating segments

	Czech Republic	Berlin	Complementary assets in Europe	Total
12 months period ended 31 December 2019				
Valuation gain	164.6	383.7	67.0	615.3
Valuation loss	(39.3)	(1.0)	(25.0)	(65.3)
Net valuation gain	**125.3**	**382.7**	**42.0**	**550.0**
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**

Czech Republic

In 2019, the most significant valuation gains related to revaluation of the Prague office portfolio (EUR 36.1 million), Czech residential portfolio (EUR 20.1 million), two significant retail and office projects in Prague, Czech Republic (EUR 17.5 million and EUR 14.2 million, respectively), and the retail portfolio (EUR 45.0 million) and land banks (EUR 17.2 million).

In 2019, the valuation loss primarily related to revaluation of retail portfolio and land banks (EUR 19.0 million and EUR 7.0 million).

In 2018, the main significant valuation gain related to residential portfolio (EUR 41.0 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 12.0 million).

Berlin

Berlin's valuation gain in both 2019 and 2018 relates to Berlin's office portfolio and reflects continuously growthing real estate market in Berlin.

Complementary assets in Europe

In 2019, the most significant valuation gains related to revaluation of the Hungarian retail and office portfolio (EUR 45.9 million) and residential portfolio in Monaco (EUR 11.1 million).

In 2018, the most significant valuation gains related to revaluation of London's apartments (EUR 24.2 million) and retail and office portfolio in Hungary, Poland and Romania (in total of EUR 19.9 million).

For the assumptions used by the professional valuers in the preparation of appraisals as at 31 December 2019, refer to note 7.5.3.

5.8 Net gain on the disposal of investment property and subsidiaries

The following table summarizes effects of investment property disposals:

	12 month period ended	
	31 December 2019	31 December 2018
Net gain on the disposal of investment property	**1.4**	**2.0**
Proceeds from disposal of investment property	9.0	9.5
Carrying value of investment property disposed of and related cost	(7.6)	(7.5)
Net Gain on the disposal of subsidiaries	**0.6**	**(1.5)**
Proceeds from disposal of subsidiaries	8.7	22.3
Carrying value of subsidiaries disposed of and related cost	(8.1)	(23.8)
Total gain on the disposal of investment property and subsidiaries	**2.0**	**0.5**

The following table summarizes disposal effects of subsidiaries sold:

	12 month period ended	
	31 December 2019	31 December 2018
Investment property	30.2	21.7
Property, plant and equipment	-	5.6
Total non-current assets	**30.2**	**27.3**
Current income tax receivables	-	0.1
Trade receivables	0.7	1.5
Cash and cash equivalents	0.6	18.8
Other non-financial current assets	-	0.5
Assets held for sale	-	63.0
Total current assets	**1.3**	**83.9**
Identifiable disposed assets	**31.5**	**111.2**
Financial debts	(17.6)	(38.3)
Deferred tax liabilities	(4.2)	(1.3)
Other non-current liabilities	(0.6)	-
Total non-current liabilities	**(22.4)**	**(39.6)**
Financial debts	(0.3)	(6.8)
Trade payables	(0.3)	(1.4)
Advance payments	-	(5.5)
Other financial current liabilities	-	(20.5)
Other non-financial current liabilities	(0.4)	-
Liabilities from assets held for sale	-	(13.6)
Total current liabilities	**(1.0)**	**(47.8)**
Identifiable disposed liabilities	**(23.4)**	**(87.4)**
Net assets disposed of	8.1	23.8
Proceeds from disposal of subsidiaries	8.7	22.3
Net gain (loss) on disposal of subsidiaries	**0.6**	**(1.5)**

In 2019 and 2018, new owners repaid loans which were provided by the Group to disposed subsidiaries of EUR 5.3 million and EUR 38.3 million, respectively.

For details on sale of subsidiaries in 2019 and 2018, refer to note 3.5 and 3.9, respectively.

5.9 Amortization, depreciation and impairment

	12 month period ended	
	31 December 2019	31 December 2018
Depreciation and amortization	(33.1)	(32.6)
Impairment of assets	(8.4)	(31.8)
Amortization, depreciation and impairment	**(41.5)**	**(64.4)**

Movement of impairment of assets

	12 month period ended	
	31 December 2019	31 December 2018
Impairment/ reversal of impairment of property, plant and equipment	5.3	(19.7)
Impairment of goodwill	(7.0)	(13.2)
Impairment/ reversal of impairment of inventories	(2.2)	1.5
Impairment of trade receivables and loans provided	(4.5)	(0.4)
Total impairment of assets	**(8.4)**	**(31.8)**

In 2018, the Group recognized impairment of property, plant and equipment of EUR 15.8 million related to CMA mountain resort in Switzerland and agriculture properties, see note 6.3.

In 2019, the Group wrote-off goodwill related to the acquisition of agricultural group Spojené farmy in the amount of EUR 7.0 million (see note 6.1).

In 2018, the Group wrote-off goodwill related to the acquisition of Hospitality group and CPI Hotels Italy in the amount of EUR 8.8 million and EUR 4.4 million, respectively.

5.10 Administrative expenses

	12 month period ended	
	31 December 2019	31 December 2018
Personnel expenses (5.3.1)	(25.4)	(23.5)
Audit, tax and advisory services	(3.2)	(5.5)
Legal services	(6.4)	(4.8)
Advertising	(2.1)	(2.5)
IT expenses	(1.8)	(1.6)
Other administrative expenses	(14.3)	(11.3)
Total administrative expenses	**(53.2)**	**(49.2)**

In 2019, the audit, tax and advisory expenses also include the cost of services provided by the Group's auditor in total of EUR 1.8 million (EUR 2.0 million in 2018), of which EUR 1.4 million (EUR 1.6 million in 2018) related to audit services and EUR 0.4 million (EUR 0.4 million in 2018) related to other assurance and advisory services (primarily comfort letters for bonds issued, benchmarking for transfer pricing and due diligence).

In 2019 and 2018, the Group paid EUR 0.8 million and EUR 0.8 million to independent valuers for valuation of its investment property. The fees are classified as other administrative expenses.

5.11 Interest expense

	12 month period ended	
	31 December 2019	31 December 2018
Interest expense from bank and other loans	(18.2)	(33.9)
Interest expense on bonds issued	(35.2)	(43.8)
Interest expense related to leases	(0.5)	(0.5)
Interest expense on other non-current liabilities	(0.3)	(0.2)
Total interest expense	**(54.2)**	**(78.4)**

In 2019, the interest expense from bank and other loans decreased due to repayment of major part of the bank loans in 2018.

In 2019, the interest expense on bonds issued decreased due to improved terms of newly issued bonds.

5.12 Other net financial result

	12 month period ended	
	31 December 2019	31 December 2018
Change in fair value and realized result on derivative instruments not used for hedging	1.8	(2.4)
Net foreign exchange gain/ (loss)	8.7	(16.8)
Bank charges	(4.0)	(2.8)
Other net financial result	(6.1)	(50.0)
Total other net financial result	**0.4**	**(72.0)**

In 2018, the other net financial result primarily related to early repayment of bank loans and bonds issued (EUR 43.0 million).

5.13 Income tax expense

	12 month period ended	
	31 December 2019	31 December 2018
Income tax expense		
Current year income tax expense	(18.8)	(14.1)
Adjustment for prior years	0.1	(1.0)
Total current year income tax expense	**(18.7)**	**(15.1)**
Deferred income tax expense		
Temporary differences	(38.3)	(54.2)
Changes in income tax rate	1.2	0.2
(Utilization)/ recognition of tax losses carried forward	(23.9)	51.2
Other effects	(0.3)	-
Total deferred tax expense	**(61.3)**	**(2.8)**
Total income tax recognised in profit or loss	**(80.0)**	**(17.9)**

In 2019, the Group's effective tax rate in respect of continuing operations was 10.5% (2.75% in 2018). A significantly lower effective tax rate in 2018 was due to recognition of previously unrecognized deferred tax assets from tax losses carried forward by CPI FIM Group (deferred tax impact of EUR 51.7) and partially released deferred tax liability due to trade tax exemption of significant part of the rental income generated by the Group's office portfolio in Berlin, Germany (EUR 86.8 million).

Reconciliation of effective tax rate

	12 month period ended	
	31 December 2019	31 December 2018
Profit for the period	684.6	630.8
Total income tax recognised in profit or loss	80.0	17.9
Profit before income tax	**764.6**	**648.7**
Domestic corporate income tax rate	24.94%	26.01%
Income tax expense using the domestic corporate income tax rate	(190.7)	(168.7)
Effect of tax rates in foreign jurisdictions	13.0	10.3
Changes in income tax rates	1.2	0.2
Non-deductible expense	(22.4)	(17.3)
Tax exempt income	104.6	102.4
Change in unrecognized deferred tax asset	(5.7)	37.3
Income tax adjustment for prior years	(0.4)	(0.5)
Other	20.4	18.4
Total income tax recognised in profit or loss	**(80.0)**	**(17.9)**

The main tax rules imposed on the Group companies

Luxembourg: The effective tax rate is 24.94% considering the combined corporate income tax rate (corporate income tax rate for companies with taxable income exceeding EUR 30 thousand 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 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 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 is 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%. 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 2030, while tax losses generated after 2015 may be carried forward for 5 years. The utilization of tax losses in each year is capped at 50% of the tax base.

France: Corporate income tax rate is 28% on taxable income up to EUR 500 thousand and 31% on taxable income exceeding EUR 500 thousand for 2019. 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 small size taxpayers (sales revenues including VAT below 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 thousand 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 thousand and 9.5% for income above CHF 150 thousand. Since the taxes are deductible the overall effective tax rate ranges from 12.66% (income up to up to CHF 150 thousand) 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 above 25% of their turnover outside Monaco, otherwise 0%.

United Kingdom: The corporate income tax rate is 19%. 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 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Investment property	12.5	12.4	(756.7)	(712.5)	(744.2)	(700.1)
Property, plant and equipment	14.9	14.7	(66.6)	(54.8)	(51.7)	(40.1)
Inventories	2.0	0.1	(0.9)	(0.6)	1.2	(0.5)
Financial debts	5.2	1.9	(0.4)	(1.2)	4.8	0.7
Derivative instruments	3.6	0.5	(9.7)	(6.0)	(6.1)	(5.5)
Tax losses carried-forward*	164.2	180.9	-	-	164.2	180.9
Other	3.7	2.1	(9.5)	(4.0)	(5.9)	(1.9)
Gross deferred tax assets/(liabilities)	206.1	212.6	(843.8)	(779.1)	(637.7)	(566.5)
Deferred tax offset by subsidiaries	(37.9)	(17.4)	37.9	17.5	-	-
Total	**168.2**	**195.2**	**(805.9)**	**(761.6)**	**(637.7)**	**(566.5)**
Deferred tax linked to AHFS	-	3.5	(0.3)	(4.9)	(0.3)	(1.4)
Total including AHFS	**168.2**	**198.7**	**(806.2)**	**(766.5)**	**(638.1)**	**(567.9)**

* The Group recognizes the deferred tax asset from tax losses carried forward by CPI FIM Group in amount of EUR 148.9 million as at 31 December 2019 (EUR 175.3 million as at 31 December 2018). 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 CPI FIM renders financial services to the Group. The major part can be carried forward undefinitely. The Group's perspective of tax losses utilization is based on a 10 years budget of CPI FIM's taxable profits.

Unrecognised deferred tax assets and liabilities

	31 December 2019	31 December 2018
Investment property*	(125.3)	(79.4)
Tax losses carried-forward**	201.5	204.1

* 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.

Expiry of unrecognized tax losses carried forward

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
As at 31 December 2019	10.3	61.8	71.7	766.5	**910.3**
As at 31 December 2018	10.7	43.3	66.8	785.3	**906.1**

Movement in deferred tax

	12 month period ended	
	31 December 2019	31 December 2018
Deferred tax as at 1 January	(566.5)	(565.8)
Recognized in profit or loss	(61.3)	(3.8)
Recognized in other comprehensive income	(11.9)	(2.1)
Effect of business combinations	(1.7)	(0.7)
Disposal of subsidiaries	4.2	1.3
Transfers	(1.1)	1.2
Translation reserve	0.5	3.5
Total net deferred tax liabilities	**(637.8)**	**(566.5)**
Deferred tax linked to AHFS as at 1 January	(1.4)	(4.3)
Transfers	1.1	(1.2)
Recognized in profit or loss	-	0.9
Disposal of subsidiaries	-	3.2
Total net deferred tax liabilities linked to AHFS	**(0.3)**	**(1.4)**
Total including those linked to AHFS	**(638.1)**	**(567.9)**

In 2019, EUR 45.5 million (EUR 51.3 million in 2018) of deferred tax expense recognized in profit or loss related to revaluation of investment property and property, plant and equipment.

6 Consolidated statement of financial position

6.1 Intangible assets and goodwill

2019

	Goodwill	Software	Other	Total
Cost				
Balance as at 1 January 2019	112.7	7.1	11.6	131.4
Effect of business combinations (note 3.3)	2.2	-	-	2.2
Additions	-	1.3	1.4	2.7
Effect of movements in exchange rates	0.7	-	-	0.7
Balance at 31 December 2019	**115.6**	**8.4**	**13.0**	**137.0**
Amortization and impairment losses				
Balance as at 1 January 2019	15.2	4.1	1.8	21.1
Amortization for the period	-	1.4	0.5	1.9
Impairment loss / (reversal of impairment loss)	7.1	-	-	7.1
Disposals out of the Group	-	-	(0.1)	(0.1)
Balance as at 31 December 2019	**22.3**	**5.5**	**2.2**	**30.0**
Carrying amounts				
As at 1 January 2019	97.5	3.0	9.8	110.3
As at 31 December 2019	**93.3**	**2.9**	**10.8**	**107.0**

2018

	Goodwill	Software	Other	Total
Cost				
Balance as 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 as at 31 December 2018	**112.7**	**7.1**	**11.6**	**131.4**
Amortization and impairment losses				
Balance as 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**

As at 31 December 2019, the goodwill consists of:

- goodwill of EUR 42.6 million (EUR 42.6 million at 31 December 2018). 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 1.9 million (EUR 1.9 million at 31 December 2018). 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 46.6 million (EUR 45.9 million at December 2018). The goodwill was recognized at acquisition of CPI Hotels, the goodwill is allocated to the hotels and resorts in Europe operating segment.
- goodwill of EUR 2.2 million (refer to note 3.3). The goodwill was recognized at acquisition of Régie du Rhộne Crans-Montana SA in 2019.

In 2019, the Group wrote off goodwill of EUR 7.0 million, which was allocated to the Czech Republic operating segment (see note 5.9). The goodwill was recognized at acquisition of agricultural group Spojené farmy in 2014 and was written off by the Group in 2019 primarily due to decreased budgeted EBITDA. As at 31 December 2019 and 2018, the recoverable amount of the related CGU (Group's agricultural business) was EUR 73.1 million and EUR 97.5 million, respectively. The recoverable amount was calculated as value in use, the Group used pre-tax discount rate of 6.14% (6.17% as at 31 December 2018) in the calculation.

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 3.7). The amount was written off in 2018 (see note 5.9).

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.

None of the goodwill recognized is expected to be deductible for tax purposes.

Impairment of goodwill and trademark

The Group performed its annual impairment tests in December 2019. The recoverable amounts of related CGUs as at 31 December 2019, 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 2019 as the CGU's recoverable amount is higher than its carrying value (calculated with the following assumptions):

- budgeted average annual EBITDA growth rate of 12.0% and 8.4% for next 5 years as at 31 December 2019 and 2018;
- pre-tax discount rate of 4.68% and 4.63% as at 31 December 2019 and 2018;
- terminal value growth rate of 2.00% and 2.00% as at 31 December 2019 and 2018.

The Group did not identify any impairment of CPI hotel's goodwill as at 31 December 2019 as the CGU's recoverable amount is higher than its carrying value. The recoverable amount was based on value in use. 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:

- budgeted average annual free cash flows (FCF) growth rate of 12% and 17% for next 5 years as at 31 December 2019 and 2018;
- pre-tax discount rate of 11.32% and 11.67% as at 31 December 2019 and 2018;
- terminal value growth rate of 2.00% and 2.00% as at 31 December 2019 and 2018.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use of CGUs is most sensitive to the following assumptions:

- Budgeted EBITDA (FCF)
- Discount rate
- Terminal value (perpetuity) growth rates

Budgeted EBITDA (FCF): the projection 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 97.0 million (2018: EUR 25.4 million). Based on the impairment test performed in both 2019 and 2018, the management has identified that a reasonably possible change in the three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would have to change individually for the recoverable amount to equal to the carrying amount:

	Change required for carrying amount to equal recoverable amount	
	31 December 2019	31 December 2018
Pre-tax discount rate	0.12	0.04
Terminal value growth rate	(0.13)	(0.04)
Budgeted average annual EBITDA growth	(0.61)	(0.20)

CPI Hotels related goodwill

The estimated recoverable amount exceeded its carrying amount by approximately EUR 1.1 million (2018: EUR 14 million). The following table shows the amount by which these assumptions would have to change individually for the 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	
	31 December 2019	31 December 2018
Pre-tax discount rate	0.25	5.54
Terminal value growth rate	(0.23)	(4.82)
Budgeted average annual FCF growth	(0.30)	(5.43)

6.2 Investment property

	Note	Czech Republic	Berlin	Complementary assets in Europe	Total
Balance at 1 January 2018		**3,224.7**	**1,627.7**	**955.5**	**5,807.9**
Acquisition of subsidiaries	3	121.0	-	169.0	290.0
Transfers to property, plant and equipment		(0.5)	-	(35.9)	(36.4)
Development costs and other additions		65.7	35.8	20.4	121.9
Disposals		(28.8)	(0.5)	(0.3)	(29.6)
Net valuation gain	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**
Acquisition of subsidiaries	3	5.7	-	648.6	654.3
Transfers to property, plant and equipment		(27.3)	-	-	(27.3)
Transfers from inventory		4.0	-	0.4	4.4
Transfers from/ (to) assets held for sale		(5.7)	-	30.4	24.7
Development costs and other additions		143.1	30.5	90.9	264.5
Disposals		(33.6)	(0.9)	(3.7)	(38.2)
Net valuation gain	5.7	125.2	382.8	42.0	550.0
Translation differences		38.4	(0.2)	(0.9)	37.3
Balance at 31 December 2019		**3,703.0**	**2,462.1**	**1,991.7**	**8,156.8**

Acquisitions

In 2019, the Group acquired investment property in total value of EUR 654.3 million. The most significant investment property acquisitions were (see note 3.2 and 3.3):

- office buildings in Warsaw, Poland in total value of EUR 560.3 million;
- office buildings on 7 St James's Square, London, United Kingdom in value of EUR 54.3 million; and
- luxury apartments located in South of France in value of EUR 34.0 million.

In 2018, the Group acquired investment property in total value of EUR 290.0 million. The most significant investment property acquisitions were (see note 3.7 and 3.8):

- 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.

Development costs and other additions

In 2019, the development costs primarily related to the office portfolio in Berlin, Germany of EUR 30.5 million and Hungary of EUR 28.5 million, to development project Nová Zbrojovka in Brno, Czech Republic in the amount of EUR 17.2 million and Prague's Bubenská project of EUR 17.2 million. There also were significant additions of EUR 28.3 million and EUR 25.1 million related to project Bubny in Prague, Czech Republic and Bishops in London, Great Britain.

In 2018, the most significant additions to investment property related to the office portfolio in Germany of 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 2018, the Group further 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 related to revitalization of an old factory in Brno, the Czech Republic.

Disposals

In 2019 and 2018, the Group disposed primarily the Czech retail portfolio in the amount of EUR 27.2 million and EUR 27.9 million, respectively.

Transfers from investment property to property, plant and equipment

In 2019, the Group transferred primarily one building in Prague, the Czech Republic valued at EUR 26.3 million from investment property to property plant and equipment. This originally office building was refurbished to hotel in 2019. From assets held for sale, the Group reclassified one retail project in Romania of EUR 30.6 million in 2019.

In 2018, the Group acquired operator of the Holiday Inn hotel in Rome (see note 3.8). 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 2019	31 December 2018
Market value as estimated by the external valuer	7,482.7	6,668.1
Market value as estimated by the internal valuer	27.7	7.5
Market value based on letter of intent	26.0	6.5
Add: recent acquisitions	616.7	-
Add: leased assets	3.7	5.0
Reported value in consolidated financial statements	**8,156.8**	**6,687.1**

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 35.5 million as at 31 December 2019 (EUR 31.9 million as at 31 December 2018) are held under long-term 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. The hotels and resorts are owned and operated by the Group.

	2019	2018
Gross carrying amounts		
Balance as at 1 January	685.5	639.9
Acquisition of subsidiaries	26.1	-
Development costs and other additions	32.4	11.8
Disposals	(2.0)	(6.2)
Transfers from investment property	29.1	37.4
Transfers from/ (to) assets held for sale	20.6	(23.5)
Transfers from other property, plant and equipment	14.9	-
Translation differences	6.1	3.4
Valuation gain or loss through OCI	25.1	22.7
Balance as at 31 December	837.8	685.5
Accumulated depreciation and impairment losses		
Balance as at 1 January	(59.5)	(41.0)
Depreciation	(21.1)	(18.7)
Impairment loss	5.2	(4.8)
Disposals	-	2.1
Transfer to assets held for sale	-	2.9
Translation differences	(0.8)	-
Balance as at 31 December	(76.2)	(59.5)
Net carrying amounts		
As at 1 January	626.0	598.9
As At 31 December	761.6	626.0

Acquisitions through business combination

In 2019, the Group acquired two hotels in the Czech Republic for total of EUR 26.1 million (see note 3.2).

Development costs and other additions

In 2019, the Group refurbished primarily hotels in Prague, the Czech Republic (EUR 14.1 million) and Hvar, Croatia (EUR 13.2 million).

Transfers from investment property

In 2019, the Group transferred one building in Prague, the Czech Republic valued at EUR 26.3 million from investment property to property plant and equipment. This originally office building was refurbished to hotel in 2019.

In 2018, the transfer from investment property relates to Holiday Inn Hotel in Rome, Italy (see note 6.2).

Transfers from assets held for sale

In 2019, the Group transferred hotel in Moscow, Russia of EUR 20.6 million from assets held for sale to hotels.

Transfers from other property, plant and equipment

Upon completion of its development in 2019, the Group transferred hotel in Hvar, Croatia of EUR 15.0 million from other property, plant and equipment under construction to hotels.

Valuation gain through OCI

As at 31 December 2019 and 2018 respectively, the fair values of Hotels are based on valuations performed by independent valuer. The fair value of hotels was determined using the discounted cash flow method. This means that valuations are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific hotel. For the key assumptions made in relation of hotel property valuations refer to note 7.5.3.

If the Group measured hotels using the cost model, the carrying amounts would be EUR 599.5 million as at 31 December 2019 (EUR 515.3 million as at 31 December 2018).

b) Other property, plant and equipment

	Owner occupied buildings	Plant and equipment	PPE under leases	Property under construction	Other	Total
Cost						
Balance at 1 January 2019	91.3	92.8	1.4	4.8	2.1	192.4
Acquisition of subsidiaries	3.0	-	-	-	0.6	3.6
Development costs and other additions	1.3	6.0	11.5	14.9	0.3	34.0
Disposals	(0.2)	(4.6)	-	(0.9)	-	(5.7)
Transfers	-	0.2	-	(15.3)	0.1	(15.0)
Translation differences	3.2	2.8	0.1	-	-	6.1
Balance at 31 December 2019	98.6	97.2	13.0	3.5	3.1	215.4
Accumulated depreciation and impairment losses						
Balance at 1 January 2019	(28.2)	(52.4)	(0.9)	(0.4)	(0.3)	(82.2)
Depreciation	(2.6)	(8.1)	(0.7)	-	-	(11.4)
Impairment loss/ (reversal of impairment loss)	(7.1)	7.6	-	-	-	0.5
Disposals	-	4.6	-	-	-	4.6
Translation differences	(1.3)	(1.4)	(0.1)	-	-	(2.8)
Balance at 31 December 2019	(39.2)	(49.7)	(1.7)	(0.4)	(0.3)	(91.3)
Carrying amounts						
Balance at 1 January 2019	63.1	40.4	0.5	4.4	1.8	110.2
At 31 December 2019	**59.4**	**47.5**	**11.3**	**3.1**	**2.8**	**124.1**

	Owner occupied buildings	Plant and equipment	PPE under leases	Property under construction	Other	Total
Cost						
Balance at 1 January 2018	82.7	88.6	1.4	2.7	5.9	181.3
Development costs and other additions	4.6	4.3	(0.1)	3.2	-	12.0
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)
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						
Balance at 1 January 2018	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

As at 31 December 2019, the owner occupied buildings primarily represent buildings at CMA mountain resort EUR 47.9 million (EUR 54.8 million as at 31 December 2018) and agricultural farms of EUR 11.4 million (EUR 6.1 million as at 31 December 2018).

Plant and equipment

As at 31 December 2019, plant and equipment primarily represents ski lifts at CMA mountain resort, Switzerland of net amount of EUR 28.2 million (EUR 19.6 million as at 31 December 2018).

Development costs and other additions

In 2019, the development costs on property under construction related primarily to hotel at Hvar, Croatia (EUR 13.2 million).

In 2018, the most significant additions to property, plant and equipment related to CMA mountain resort (EUR 5.9 million) and hotel at Hvar, Croatia (EUR 1.6 million).

Impairment on other property, plant and equipment

As at 31 December 2019 and 2018, the Group accounts for accumulated impairment of CMA mountain resort of EUR 54.1 million and EUR 50.5 million, respectively. The impairment is recorded based on the valuation appraisals received from independent valuers as at 31 December 2019 and 2018, respectively. For key assumptions used in the valuation, 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 Equity accounted investees

The equity accounted investment in the amount of EUR 3.7 million (EUR 3.8 million as at 31 December 2018) 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%.

	2019	2018
At 1 January	3.9	4.6
Share of loss	(0.2)	(0.7)
At 31 December	**3.7**	**3.9**

Condensed statement of financial position of Uniborc S.A.

	31 December 2019	31 December 2018
Investment property	52.4	50.6
Cash and cash equivalents	0.2	0.1
Total assets	**52.6**	**50.7**
Non-current financial liabilities	(34.3)	(31.6)
Deferred tax liabilities	(7.6)	(7.7)
Curent financial liabilities	(0.2)	-
Other current liabilities	-	(0.3)
Total liabilities	**(42.1)**	**(39.6)**
Net assets	**10.5**	**11.1**

Condensed statement of comprehensive income of Uniborc S.A.

	12 month period ended	
	31 December 2019	31 December 2018
Net valuation gain on investment property	1.6	(0.1)
Administrative expenses	(0.1)	-
Operating result	**1.5**	**(0.1)**
Interest expenses	(1.9)	(1.8)
Loss before taxes	**(0.4)**	**(1.9)**
Income taxes	(0.4)	-
Loss for the period	**(0.8)**	**(1.9)**

6.5 Other non-current financial assets

	31 December 2019	31 December 2018
Derivative instruments (see note 6.15)	25.2	10.1
Other non-current financial assets	12.9	5.0
Total other non-financial current assets	**38.1**	**15.1**

6.6 Loans provided

6.6.1 Non-current

	31 December 2019		31 December 2018	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties and joint ventures	192.2	5.14%	65.9	5.34%
Loans provided - third parties	8.1	3.74%	4.1	5.97%
Total non-current loans provided	**200.3**		**70.0**	
Impairment to non-current loans provided to related parties	(0.1)		(0.1)	
Total non-current loans provided net of impairment	**200.2**		**69.9**	

The maturity of non-current loans provided was as follows:

31 December 2019	1-2 years	2-5 years	Total
Loans provided to related parties and joint ventures	180.3	11.9	192.2
Loans provided - third parties	-	8.1	8.1
Total the maturity of non-current loans provided	**180.3**	**20.0**	**200.3**
31 December 2018	1-2 years	2-5 years	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**

6.6.2 Current

	31 December 2019		31 December 2018	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties and joint ventures	65.2	5.00%	59.5	5.00%
Loans provided - third parties	2.4	5.97%	0.5	5.02%
Bills of exchange - third parties	3.9	5.26%	3.8	5.26%
Total current loans provided net of impairment	**71.5**		**63.8**	

The Group provides loans to related parties from the Luxembourg (see note 10).

6.7 Inventories

	31 December 2019	31 December 2018
Projects and property for resale	7.6	56.7
Impairment of projects and property for resale	(2.5)	(24.3)
Projects under development	41.4	34.3
Other inventories	4.7	4.8
Total inventories	**51.2**	**71.5**

As at 31 December 2019 and 2018, the projects and property for resale consist primarily of apartments in France in net amount of EUR 5.1 million and EUR 26.1 million, respectively.

As at 31 December 2019 and 2018, the projects under development consisted primarily of residential projects in the Czech Republic in the amount of EUR 21.5 million and EUR 18.4 million, respectively and residential projects in Italy of EUR 19.2 million and EUR 15.3 million, respectively.

6.8 Current trade receivables

	31 December 2019	31 December 2018
Trade receivables due from related parties	1.2	0.8
Trade receivables due from third parties	93.5	83.3
Impairment to trade receivables due from third parties	(13.8)	(15.7)
Total current trade and other receivables	**80.9**	**68.4**

As at 31 December 2019 and 2018, the trade receivables from third parties represent primarily trade receivables against tenants and receivables from sales of utilities.

The movement of the impairment of trade receivables:

	2019	2018
As at 1 January	(15.7)	(14.5)
Impairment of trade receivables – creation	(1.5)	(5.7)
Impairment of trade receivables – release	3.4	4.5
As at 31 December	**(13.8)**	**(15.7)**

6.9 Cash and cash equivalents

	31 December 2019	31 December 2018
Bank balances	802.2	98.3
Cash on hand	2.3	0.9
Total cash and cash equivalents	**804.5**	**99.2**

As at 31 December 2019 and 2018, restricted cash in banks amounts to EUR 26.4 million and EUR 24.8 million, respectively. 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 2019	31 December 2018
Other advances paid to third parties	9.9	7.4
Value added tax receivables	8.1	6.2
Other tax receivables (excl. CIT and VAT)	1.9	2.0
Agricultural subsidies	6.2	5.4
Prepaid expenses	22.8	19.9
Total other non-financial current assets	**48.9**	**40.9**

Agricultural subsidies are obtained by the Group's agriculture business in the Czech Republic.

6.11 Assets and liabilities linked to assets held for sale

The following table summarizes the effect of the reclassifications made in relation to projects transferred to assets held for sale:

	31 December 2019	31 December 2018
Non-current assets		
Investment property	15.4	44.8
Property, plant and equipment	-	20.6
Current assets		
Inventories	5.3	-
Trade receivables	-	0.8
Cash and cash equivalents	0.3	0.4
Other financial current assets	0.5	-
Other non-financial current assets	-	0.1
Assets held for sale	**21.5**	**66.7**
Non-current liabilities		
Deferred tax liabilities	(0.3)	(1.4)
Other non-current liabilities	(0.2)	-
Current liabilities		
Trade payables	-	(0.3)
Advance payments	(0.2)	(0.2)
Other financial current liabilities	-	(0.4)
Other non-financial current liabilities	-	(0.3)
Liabilities linked to assets held for sale	**(0.7)**	**(2.6)**

As at 31 December 2019, the following projects are classified as assets held for sale:

- One retail project in Czech Republic and Slovakia with total fair value of EUR 3.9 million and EUR 3.1 million, respectively;
- One office center in Slovakia with total fair value of EUR 6.3 million; and
- Two land banks in the Czech Republic and Poland of EUR 2.2 million and EUR 5.3 million, respectively.

As at 31 December 2018, the following projects are classified as assets held for sale:

- One retail project in Romania with total value of EUR 29.9 million;
- Mamaison Hotel in Russia with value of EUR 20.5 million; and
- Land bank projects in Romania and Poland with total value of EUR 13.7 million.

6.12 Equity

Share capital and share premium

As at 31 December 2019, the aggregate share capital of the Company amounts to EUR 865.1 million and is represented by 8,651,716,331 ordinary fully paid shares with a nominal value of EUR 0.10 each. The Group holds 319,302,248 shares which represent treasury shares. Excluding the treasury shares, the share capital amounts to EUR 833.2 million.

The following table presents information regarding the ownership of the Company's shares:

Shareholder	Number of shares	Share held	31 December 2018 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%
Total except treasury shares	**8,761,566,410**		**100%**
Treasury shares held by the Group	252,302,248	2.80%	0.00%
Total shares	**9,013,868,658**	**100.00%**	**100.00%**
			31 December 2019
Mr. Vítek and entities controlled by Mr. Vítek	7,847,502,824	90.70%	94.18%
Others	484,911,259	5.60%	5.82%
Total except treasury shares	**8,332,414,083**		**100%**
Treasury shares held by the Group	319,302,248	3.70%	0.00%
Total shares	**8,651,716,331**	**100.00%**	**100.00%**

The share premium comprises the amount received in excess of the nominal value of the shares issued:

	Number of shares	Share Capital	Share premium
Balance at 1 January 2018	**9,488,722,610**	**923.6**	**1,060.8**
Share buy-back on 12 March 2018	-	(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**	**1,013.4**
Share buy-back on 1 July 2019	-	(36.3)	(72.5)
Cancellation of treasury shares on 18 December 2019	(362,152,327)	-	-
Acquisition of own shares (through acquisition of Pietroni s.r.o.)	-	(6.7)	(29.8)
Balance at 31 December 2019	**8,651,716,331**	**833.2**	**911.1**

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 EUR 5,000 million for a period of 5 years from 1 March 2018, which would authorise the issuance of up to 40,000,000,000 new ordinary shares and up to 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 2019, the authorized share capital of the Company amounts to EUR 4,975 million 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 annual general meeting of the shareholders of the Company held on 29 May 2019 (the "2019 AGM") approved the terms and conditions of a buy-back programme of the Company. The buy-back programme enables the Company to repurchase its own shares and authorises the Company to redeem/repurchase its own shares under the terms and conditions set forth therein. In particular, the 2019 AGM authorised the Board of Directors of the Company to repurchase, in one or several steps, a maximum number of 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 EUR 5, for a period of five years from the date of the 2019 AGM. The 2019 AGM 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 2019 AGM, the Board of Directors has decided on 17 June 2019, to proceed to a buy-back of certain shares of the Company. On 1 July 2019, the Company repurchased a total of 362,152,327 shares for the proposed acquisition price of EUR 0.30 per share (representing a total repurchase cost of about EUR 108.8 million). At the time of the repurchase, this represented a direct holding of 4.02% of the Company's share capital. The bought-back shares were cancelled by the extraordinary general meeting of shareholders of the Company held on 18 December 2019.

As at 31 December 2019, the Company is authorised to redeem/repurchase up to 637,847,673 own shares under the buy-back programme approved by the 2019 AGM. For further terms and conditions of buy-back please refer to the buy-back programme of the Company.

Hedging reserve

The Group uses cross currency swaps to manage its exposure to movements of foreign currency rates on its bonds issued, respectively. The hedging reserve includes effective portion of the fair value changes of hedging instruments designated as a cash flow hedge (see note 6.15).

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 16 April 2019, the Company issued another 5,500 undated 4.875% fixed rate resettable subordinated notes (perpetual notes) in total amount EUR 550 million. The perpetual notes have no fixed maturity date and are callable at the Company's sole discretion from 2027. The issue price of the notes was 98.676% of the nominal amount equating to EUR 542.7 million. Less the issue costs of EUR 5.4 million, the perpetual notes were initially recognized in the amount of EUR 537.3 million.

On 9 May 2018, the Company issued 5,500 undated 4.375% fixed rate resettable subordinated notes (perpetual notes) in total amount of EUR 550 million. The perpetual notes have no fixed maturity date and are callable at the Company's sole discretion from 2027. The issue price of the notes was 98.833% of the nominal amount equating to EUR 543.6 million. Less the issue costs of EUR 5.7 million, the perpetual notes were initially recognized in the amount of EUR 537.9 million.

The Company may, at its sole discretion, also elect to defer any payment of interest on the perpetual 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 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.

Movement of the perpetual notes:

	31 December 2019	31 December 2018
Opening balance as of 1 January	542.5	-
Issuance of the perpetual notes	537.2	537.9
Interest to perpetual notes holders	43.4	17.1
Payment of the interest to the perpetual notes holders	(37.6)	(12.5)
Closing balance	**1,085.5**	**542.5**

Acquisition of non-controlling interest

On 5 April 2019, the Group acquired its non-controlling interest in Croatian hotel complex Suncani Hvar for a consideration of EUR 3.1 million. The carrying value of the non-controlling interest as at the acquisition date was EUR 2.4. The difference of EUR 0.7 million was recognized against retained earnings.

Mandatory takeover bid for CPI FIM S.A. (former Orco Property Group) shares

On 8 June 2016 the Company's fully owned subsidiary Nukasso Holdings Limited directly and indirectly acquired approximately 97.31% of shares in CPI FIM. As a consequence, Nukasso Holdings Limited became obliged to launch a mandatory takeover bid to purchase any and all of the ordinary shares of CPI FIM (the "Mandatory Takeover Offer"). On 22 August 2016, the Czech Office for the Protection of Competition granted the merger clearance for the acquisition of CPI FIM 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 CPI FIM. 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 2019	31 December 2018
Shares held by shareholders at the beginning of the period	8,761,566,410	9,236,420,362
Weighted average movements	(187,961,197)	(403,453,467)
Issue of new shares	-	182,005,495
Shares buy-back	(182,071,087)	(460,003,470)
Acquisition of own shares (through acquisition of Pietroni)	(5,890,110)	(125,455,492)
Weighted average outstanding shares for the purpose of calculating the basic EPS	8,573,605,213	8,832,966,895
Weighted average outstanding shares for the purpose of calculating the diluted EPS	8,573,605,213	8,832,966,895
Net profit attributable to owners of the parent	633.2	607.2
Net profit attributable to owners of the parent after assumed conversions/exercises	633.2	607.2
Total Basic earnings in EUR per share	**0.07**	**0.07**
Diluted earnings in EUR per share	**0.07**	**0.07**

Basic earnings per share 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

	31 December 2019		31 December 2018	
CPI Property Group, S.A.	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds (ISIN CH0441186472)	33,000	152.0	33,000	146.4
Proceeds from issued bonds (ISIN XS1894558102)	6,100	607.4	6,100	606.2
Proceeds from issued bonds (ISIN XS1917855337)	30	24.6	30	23.8
Proceeds from issued bonds (ISIN XS1917880012)	80	65.6	80	63.6
Proceeds from issued bonds (ISIN XS1693959931)	8,250	821.6	8,250	820.9
Proceeds from issued bonds (ISIN XS1955030280)	1,750	397.6	-	-
Proceeds from issued bonds (ISIN XS1950499639)	450	51.4	-	-
Proceeds from issued bonds (XS2008905155)	283	32.4	-	-
Proceeds from issued bonds (XS2069407786)	7,500	736.0	-	-
Less: transaction costs		(17.7)		(12.5)
Total non-current bonds issued		**2,870.9**		**1,648.4**
Accrued interest on bonds		20.8		6.7
Total current bonds issued		**20.8**		**6.7**
Total bonds issued		**2,891.7**		**1,655.1**

Bonds issued as at 31 December 2019

- 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 regulated market of Euronext Dublin. 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 regulated market of Euronext Dublin.
- 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.
- ISIN XS1950499639: On 12 February 2019, the Company issued unsecured bonds of HKD 450 million. The bonds were issued under the EMTN Programme, mature on 12 February 2024 and bear fixed interest at a rate of 4.51% p.a. Interest is due annually on 12 February. The bonds are listed on the regulated market of Euronext Dublin. The Company converted the proceeds from HKD into Euros through a cross-currency swap.
- ISIN XS1955030280: On 8 March 2019, the Company issued unsecured bonds of USD 350 million. The bonds were issued under the EMTN programme, mature on 8 March 2023 and bear fixed interest at a rate 4.75% p.a. The bonds are listed on the regulated market of Euronext Dublin. The Company converted the US Dollar principal and coupons into Euros through cross-currency swaps.
- ISIN XS2008905155: On 6 June 2019, the Company issued bonds of HKD 283 million under the EMTN programme. The bonds mature on 6 June 2026 and bear a fixed interest at a rate of 4.45 % p.a. The bonds are listed on the regulated market of Euronext Dublin. The bonds were fully hedged to EUR.
- ISIN XS2034727144: On 29 July 2019, the Company issued an additional USD 100 million (EUR 89.9 million) of Reg S bonds under the Company's EMTN programme. The bonds, due 8 March 2023, are listed on the regulated market of Euronext Dublin. The Notes are consolidated with the existing USD 350 million notes and form a single series totalling USD 450 million with ISIN code XS1955030280. The Company converted the US Dollar proceeds into Euros through cross currency swaps.
- ISIN XS2069407786: On 28 October 2019, the Company issued unsecured green bonds of EUR 750 million. The bonds were issued under the EMTN programme, mature on 23 April 2027 and bear fixed interest at rate of 1.625% p.a. The bonds are listed on the regulated market of Euronext Dublin.

Covenants

Bonds issued by CPI PG are subject to covenants. The covenants were met as at 31 December 2019 and 2018.

Structure of bond financing

As at 31 December 2019 and 2018, the total value of unsecured bonds is EUR 2,891.7 million and EUR 1,655.1 million, respectively. Unsecured bonds are bonds that are not collateralized by any assets.

6.14 Financial debts

	31 December 2019	31 December 2018
Loans from related parties	0.3	2.6
Loans from third parties	9.6	9.7
Bank loans	1,124.8	1,032.0
Lease liabilities	30.6	17.3
Total non-current financial debts	**1,165.3**	**1,061.6**
Loans from related parties	1.2	-
Loans from third parties	2.2	5.3
Bank loans	41.9	150.2
Lease liabilities	2.4	2.1
Total current financial debts	**47.7**	**157.6**
Total financial debts	**1,213.0**	**1219,2**

In 2019, the Group repaid EUR 68.2 million loans provided by Barclays Bank and EUR 50 million provided by HSBC Bank and the revolving facility of EUR 34.0 million.

On 15 March 2019, the Group entered into three Schuldschein loans in total amount of EUR 170 million. The loans are unsecured and repayable in 4, 6 and 8 years respectively.

On 22 March 2019, the Company signed a new EUR 510 million 3-year unsecured revolving credit facility with a group of 11 leading international banks. The EUR 510 million facility aligns with Group's EMTN programme. The facility was not drawn as at 31 December 2019.

As an effect of acquisition of Pietroni (see note 3.4), the Group reports two new bank loans of EUR 35.5 million maturing between 2020 and 2030.

As at 31 December 2019 and 2018, the total value of unsecured financial debts amounts to EUR 195.8 million and EUR 164.2 million, respectively.

As at 31 December 2019 and 2018, financial debts in the amount of EUR 1,017.1 million and EUR 1,055.0 million, respectively 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 3,050.8 million as at 31 December 2019 (EUR 2,673.5 million as at 31 December 2018).
- Property, plant and equipment with total value of EUR 135.0 million as at 31 December 2019 (EUR 162.4 million as at 31 December 2018).
- Trade receivables with total carrying amount of EUR 23.4 million as at 31 December 2019 (EUR 23.4 million as at 31 December 2018).
- Bank accounts in total amount of EUR 26.4 million as at 31 December 2019 (EUR 24.2 million as at 31 December 2018).
- Shares of subsidiaries: Agrome s.r.o., Angusland s.r.o., Biochov s.r.o., Biopark s.r.o., Biopotraviny s.r.o., Carpenter Invest, a.s., CB Property Development, a.s., CMA Immobilier SA, Conradian, a.s., CPI Jihlava Shopping, a.s., CPI Národní, s.r.o., Českolipská farma s.r.o., Českolipská zemědělská a.s., Děčínská zemědělská a.s., Ekofarma Postřelná, s.r.o., Farma Javorská, a.s., Farma Krásný Les, a.s., Farma Liščí, s.r.o., Farma Ploučnice a.s., Farma Poustevna, s.r.o., Farma Radeč, a.s., Farma Svitavka s.r.o., Farma Valteřice, a.s., Farma zelená sedma, s.r.o., Farmy Frýdlant a.s., 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, IGY2 CB, a.s., JAGRA spol. s r.o., Janovická farma, a.s., Jizerská farma, s.r.o., Limagro s.r.o., Marissa Tau, a.s., Marissa West, a.s., Marissa Yellow, a.s., Mařenická farma, a.s., Nymburk Property Development, a.s., Pastviny a.s., Prostějov Investments, a.s., PV - Cvikov s.r.o., Remontées Mécaniques Crans Montana Aminona (CMA) SA, Spojené farmy a.s., Statek Mikulášovice, s.r.o., Statek Petrovice, s.r.o., Šenovská zemědělská, s.r.o., Valdovská zemědělská, a.s., Valkeřická ekologická, a.s., Verneřický Angus a.s., Vigano, a.s., Zákupská farma, s.r.o., Zelená farma s.r.o., Zelená louka s.r.o., Zelená pastva s.r.o. and ZEMSPOL s.r.o.

Covenants

Bank loans are subject to covenants. The covenants were met as at 31 December 2019 and 2018.

Maturity of loans from third parties

31 December 2019	Less than one year	1 to 5 years	More than 5 years	Total
Loans from third parties	2.2	2.8	6.8	11.8
Bank loans	41.9	1,030.7	94.1	1,166.7
Total	**44.1**	**1,033.5**	**100.9**	**1,178.5**
31 December 2018	Less than one year	1 to 5 years	More than 5 years	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**

Lease liabilities

31 December 2019	Less than one year	1 to 5 years	More than 5 years	Total
Nominal future minimum lease payments	2.6	10.7	21.2	34.5
Interest	(0.2)	(0.8)	(0.5)	(1.5)
Net present value of future minimum lease payments	**2.4**	**9.9**	**20.7**	**33.0**
31 December 2018	Less than one year	1 to 5 years	More than 5 years	Total
Nominal future minimum lease payments	2.3	7.4	11.5	21.2
Interest	(0.2)	(0.9)	(0.7)	(1.8)
Net present value of future minimum lease payments	**2.1**	**6.5**	**10.8**	**19.4**

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

	Loans and borrowings	Lease liabilities	Bonds issued	Total
Balance as at 1 January 2019	1,199.8	19.4	1,655.1	2,874.3
Proceeds from bonds issued	-	-	1,217.4	1,217.4
Interest paid	(15.6)	(0.5)	(21.1)	(37.2)
Drawings of loans and borrowings	255.9	-	-	255.9
Repayments of loans and borrowings	(316.7)	-	-	(316.7)
Repayment-net of lease liabilities	-	(2.0)	-	(2.0)
Total changes from financing cash flows	**(76.4)**	**(2.5)**	**1,196.3**	**1,117.4**
Changes arising from obtaining or losing control of subsidiaries	37.0	4.5	-	41.5
The effect of changes in foreign exchange rates	1.2	-	10.2	11.4
Interest expense	18.4	0.5	35.2	54.1
Other net financial result	-	-	(5.1)	(5.1)
Leases – effect of IFRS adoption	-	10.4	-	10.4
New lease contracts	-	0.7	-	0.7
Balance as at 31 December 2019	**1,180.0**	**33.0**	**2,891.7**	**4,104.7**

	Loans and borrowings	Lease liabilities	Bills of exchange	Bonds issued	Total
Balance as at 1 January 2018	1,720.0	26.6	11.1	1,489.2	3,246.9
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 lease liabilities	-	(7.3)	-	-	(7.3)
Total changes from financing cash flows	**(555.8)**	**(7.7)**	**(11.4)**	**99.4**	**(475.5)**
Changes arising from obtaining or losing control of subsidiaries	(5.1)	-	-	-	(5.1)
The effect of changes in foreign exchange rates	0.7	-	-	(5.7)	(5.0)
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)
Balance as at 31 December 2018	**1,199.8**	**19.4**	**-**	**1,655.1**	**2,874.2**

6.15 Derivative instruments

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.

The fair value of the open derivative instruments

	31 December 2019		31 December 2018	
Type of derivative	Assets	Liabilities	Assets	Liabilities
Interest rate swaps used for hedging	-	-	4.7	(3.7)
Cross currency swap contracts used for hedging	22.2	-	3.6	-
Other interest rate swaps	3.1	(4.7)	1.8	-
Total derivative instruments	**25.3**	**(4.7)**	**10.1**	**(3.7)**
Type of derivative				
Current	0.1	-	-	-
Non-current	25.2	(4.7)	10.1	(3.7)
Total derivative instruments	**25.3**	**(4.7)**	**10.1**	**(3.7)**

Cross currency swaps designated as hedging instruments

As at 31 December 2019, the cross currency swap contracts with nominal amount of EUR 666.8 million (2018: EUR 84.1 million) of which EUR 83.8 million relates to HKD denominated bonds, EUR 92.1 million relates to CHF denominated bonds, EUR 90.2 million relates to JPY denominated bonds and EUR 400.7 million relates to USD denominated bonds.

The bonds and cross currency swaps have the same critical terms. The Group applies hedge accounting, the derivative 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 471.8 million (2018: EUR 363.3 million) have fixed interest at an average rate of -0.70% (2018: 0.53 %) and have floating interest rate at Euribor.

The Group does not designate these derivative instruments as hedging instruments. The Group does not apply hedge accounting.

6.16 Provisions

	2019	2018
Balance at 1 January	8.9	14.2
Provisions created in the period	1.2	1.5
Provisions used in the period	-	(2.4)
Disposals and transfers	-	(4.6)
Effect of movements in the exchange rates	-	0.2
Balance at 31 December	**10.1**	**8.9**

Defined benefit pension plans

The Group operates a defined benefit plan in Switzerland. 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 a 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 a company provided 2nd pillar pension system. The pension fund is either autonomous or established with an independent collective foundation – in both cases 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 aspects such 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 can set their pension plan design (e.g. the salary covered, level of retirement benefits) 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 with a minimum insured salary defined by law, and a required interest-crediting rate which is set by the government. 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 defined benefit pension plans.

The changes in the defined benefit obligation were as follows:

1 January 2018	3.0
Interest cost	0.4
Remeasurement gains recognized in equity	0.1
31 December 2018	3.5
Interest cost	0.4
31 December 2019	**3.9**

As at 31 December 2019 and 2018, the principal actuarial assumptions used were: discount rate and interest credit rate of 0.75%, inflation of 1.00% and annual future salary increase of 1.25%.

6.17 Other financial non-current liabilities

Non-current trade and other payables	31 December 2019	31 December 2018
Tenant deposits	34.3	28.7
Advances received	8.4	1.4
Payables from retentions	8.0	3.1
Trade and other payables due to third parties	8.4	7.1
Derivative instruments (see note 6.15)	4.7	3.7
Total other non-current liabilities	**63.8**	**44.0**

As at 31 December 2019 and 2018, the deposits from tenants represent Group's payables from received rental related deposits. Their classification corresponds with terms of related rental contracts.

6.18 Trade payables

The decrease of trade payables from EUR 97.5 million as at 31 December 2018 to EUR 86.0 million as at 31 December 2019 relates primarily to projects of revitalization of the old factory to complex of offices located in Brno, the Czech Republic (decrease by EUR 3.4 million) and one shopping centre in the Czech Republic (decrease by EUR 2.1 million).

There are no significant overdue balances as at 31 December 2019 and 2018, respectively.

6.19 Other financial current liabilities

	31 December 2019	31 December 2018
Advances received from third parties	36.9	35.5
Tenant deposits	18.4	18.0
Deferred income and accrued liabilities	16.0	11.9
Other payables due to related parties	1.7	1.2
Other payables due to third parties	25.1	15.6
Total other financial current liabilities	**98.1**	**82.2**

Advances received from tenants as at 31 December 2019 and 2018 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 Maturity of borrowings

The table below shows the carrying amount of the debts allocated by date of repayment. Most floating interest debt instruments have a fixing period of 3 months. The Group's borrowings are denominated in EUR, CZK, CHF, PLN, HRK, HKD , USD and JPY.

At 31 December 2019	Less than one year	1 to 5 years	More than 5 years	Total
Bonds	20.8	2,083.4	787.5	2,891.7
Financial debts	47.7	1,043.6	121.7	1,213.0
Bank loans	41.9	1,030.7	94.1	1,166.7
Bank loans fixed rate	*6.3*	*338.0*	*35.4*	*379.7*
Bank loans floating rate	*35.6*	*692.7*	*58.7*	*787.0*
Loans from related parties	1.2	0.3	-	1.5
Loans from third parties	2.2	2.8	6.8	11.8
Other borrowings	2.4	9.8	20.8	33.0
Total	**68.5**	**3,127.0**	**909.2**	**4,104.7**

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	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**

6.21 Leases where the Group acts as a lessor

The commercial property leases typically have lease terms of between 5 and 10 years and include clauses to enable periodic upward revision of the rental charge according to market conditions. Some contracts contain options to terminate before the end of the lease term.

The following table shows the future rental income from lease agreements where the terms are non-cancellable.

	31 December 2019	31 December 2018
Less than one year	342.9	291.6
Between one and five years	719.2	612.5
More than five years	190.9	185.4
Total operating leases	**1,253.0**	**1,089.5**

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, 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. As at 31 December 2019 and 2018, there were 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.

The Group limits the risk of rent receivables becoming doubtful by requesting its tenants to pay deposits before moving in. If the future rent is not collected, related receivable is settled against the deposit. The tenants are subject to credit verification procedure before the rent contract is approved. Receivables are monitored on an ongoing basis in order to manage the Group's exposure to bad debts. 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.

Aging structure of financial assets as at 31 December 2019 and 2018:

At 31 December 2019	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Loans provided	267.8	3.9	(0.1)	271.7
Derivatives	25.3	-	-	25.3
Trade and other receivables	69.2	15.9	(13.8)	85.1
Trade receivables presented as other financial assets – non current	*4.1*	*0.1*	-	*4.2*
Trade and other receivables – current	*65.1*	*15.8*	*(13.8)*	*80.9*
Other financial current assets	17.5	4.3	(1.0)	21.8
Cash and cash equivalents	804.5	-	-	804.5
Assets held for sale (excluding non-financial assets)	0.8	-	-	0.8
Total	**1,185.1**	**24.1**	**(14.9)**	**1,209.2**

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**

The aging 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 2019	12.3	1.9	0.5	0.5	0.7	15.9
Trade and other receivables as at 31 December 2018	6.7	1.2	0.6	0.2	0.8	9.5

The Group does not assume any credit risk related to its financial derivative contracts.

Cash and cash equivalents

Cash and cash equivalents classified per Moody´s ratings of respective counterparties:

	31 December 2019	31 December 2018
A1	121.4	19.3
A2	26.5	0.6
A3	73.3	14.2
Aa2	-	8.3
Aa3	453.1	0.1
Ba1	-	0.2
Ba2	-	5.4
Baa1	21.9	18.3
Baa2	0.8	1.9
Not rated	107.5	30.9
Total cash and cash equivalents	**804.5**	**99.2**

7.2 Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Group does not have available resources to meet its financial obligations, working capital and committed capital expenditure requirements.

The Group maintains liquidity management to ensure that funds are available to meet all cash flow needs. Concentration of risk is limited thanks to diversified maturity of the Group's liabilities and diversified portfolio of the Group's financing.

The Group manages liquidity risk by constantly monitoring forecasts and actual cash flows and by various long-term financing. 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.

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 lenders a right to call in the loan before its maturity. The Group monitors loan covenants on a regular basis.

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 2019	Carrying value	< 3 month	3-12 months	1-2 years	2-5 years	> 5 year	Total
Bonds issued	2,891.7	10.4	46.5	129.7	2,141.3	819.4	3,147.3
Financial debts	1,213.0	14.3	47.5	207.7	883.3	128.6	1,281.4
- Loans from related parties	*1.5*	*0.1*	*1.2*	*0.3*	-	-	*1.6*
- Loans from third parties	*11.8*	*1.9*	*0.4*	*0.9*	*2.1*	*7.6*	*12.9*
- Bank loans	*1,166.7*	*10.9*	*44.4*	*201.7*	*874.2*	*97.4*	*1,228.6*
- Lease liabilities	*33.0*	*1.4*	*1.5*	*4.8*	*7.0*	*23.6*	*38.3*
Derivative instruments	4.7	-	-	0.2	4.5	-	4.7
Other non-current liabilities	59.1	-	-	14.3	32.1	12.7	59.1
Other current liabilities	184.1	128.2	55.9	-	-	-	184.1
Liabilities from assets held for sale	0.7	0.7	-	-	-	-	0.7
Total	**4,353.3**	**153.6**	**149.9**	**351.9**	**3,061.2**	**960.7**	**4,677.3**

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*
- 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**

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.

7.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk primarily in respect of cash and cash equivalents, loans provided, financial debts and bonds issued.

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) providing all other variables remaining constant:

31 December 2019	Original currency	MEUR	Change in MEUR (functional currency depreciated by 10%)	Change in MEUR (functional currency appreciated by 10%)
Cash and cash equivalents		**804.5**		
	EUR	345.3	-	-
	CZK	433.9	43.4	(43.4)
	GBP	0.9	0.1	(0.1)
	HRK	0.1	-	-
	HUF	8.3	0.8	(0.8)
	CHF	3.5	0.4	(0.4)
	PLN	11.4	1.1	(1.1)
	RON	1.1	0.1	(0.1)
Loans provided		**271.7**		
	EUR	233.1	-	-
	CZK	34.7	3.5	(3.5)
	USD	3.9	0.4	(0.4)
Financial debts		**(1,213.0)**		
	EUR	(1,139.2)	-	-
	CZK	(40.6)	(4.1)	4.1
	CHF	(21.3)	(2.1)	2.1
	HRK	(0.5)	(0.1)	0.1
	PLN	(11.4)	(1.1)	1.1
Bonds issued		**(2,891.7)**		
	EUR	(2,163.7)	-	-
	JPY	(89.9)	(9.0)	9.0
	USD	(401.0)	(40.1)	40.1
	CHF	(151.9)	(15.2)	15.2
	HKD	(85.2)	(8.5)	8.5
Net exposure to currency risk	CZK	428.0	42.8	(42.8)
	CHF	(169.7)	(17.0)	17.0
	HKD	(85.2)	(8.5)	8.5
	USD	(397.1)	(39.7)	39.7
	JPY	(89.9)	(9.0)	9.0
	HRK	(0.4)	-	-
	RON	1.1	0.1	(0.1)
	HUF	8.3	0.8	(0.8)
	GBP	0.9	0.1	(0.1)

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		**99.2**		
	EUR	42.4	-	-
	CZK	44.2	4.4	(4.4)
	HUF	6.7	0.7	(0.7)
	CHF	0.9	0.1	(0.1)
	PLN	3.3	0.3	(0.3)
	GBP	1.3	0.1	(0.1)
	RUB	0.2	-	-
	HRK	0.2	-	-
Loans provided		**133.7**		
	EUR	102.0	-	-
	CZK	26.7	2.7	(2.7)
	PLN	1.2	0.1	(0.1)
	USD	3.8	0.4	(0.4)
Financial debts		**(1,219.2)**		
	EUR	(1,116.2)	-	-
	CZK	(6.5)	(0.7)	0.7
	CHF	(24.9)	(2.5)	2.5
	PLN	(3.4)	(0.3)	0.3
	GBP	(68.2)	(6.8)	6.8
Bonds issued		**(1,655.1)**		
	EUR	(1,420.8)	-	-
	CHF	(146.9)	(14.7)	14.7
	JPY	(87.4)	(8.7)	8.7
Net exposure to currency risk	CZK	64.4	6.4	(6.4)
	HUF	6.7	0.7	(0.7)
	PLN	1.1	0.1	(0.1)
	GBP	(66.9)	(6.7)	6.7
	HRK	0.2	-	-
	USD	3.8	0.4	(0.4)
	CHF	(170.9)	(17.1)	17.1
	JPY	(87.4)	(8.7)	8.7
	RUB	0.2	-	-

The Group uses cross currency swaps to manage its exposure to movements of foreign currency rates on its bonds issued.

The total amount of bonds hedged is EUR 666.7 million as at 31 December 2019 (in original currency CHF 100 million, JPY 11,000 million, HKD 733 million and USD 450 million, respectively).

The total amount of bonds hedged is EUR 176.8 million as at 31 December 2018 (in original currency CHF 100 million and JPY 11,000 million, respectively).

7.3.2 Interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is described in 6.6 and 6.14, respectively. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

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

As the loans provided are based on fixed rates (except for the loan of EUR 11.9 million provided to Uniborc S.A.), 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, lease liabilities and bonds issued.

Bank loans have flexible interest rates based on Euribor or Libor rates for the reference period from 1 to 6 months increased by a fixed margin. 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 2019	Effective interest rate	Liability with variable interest rate	Interest calculated
Loans & lease liabilities	0.95%	783.8	7.4
31 December 2018			
Loans & lease liabilities	1.40%	769.9	10.8

31 December 2019	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 & lease liabilities	1.95%	15.3	(7.8)	(0.05%)	-	7.4
31 December 2018						
Loans & lease liabilities	2.40%	18.5	(7.7)	0.40%	3.1	7.7

Effective interest rate and repricing analysis

The following tables indicate effective interest rates of financial debts and periods of their repricing.

31 December 2019	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Bonds issued*	2.24%	2,891.7	-	-	2,891.7
Financial debts		1,213.0	635.8	160.7	416.5
- loans from related parties	*4.20%*	*1.5*	*0.3*	*-*	*1.2*
*- loans from third parties***	*1.09%*	*11.8*	*-*	*-*	*11.8*
- bank loans	*1.15%*	*1,166.7*	*626.2*	*160.7*	*379.8*
- lease liabilities	*1.74%*	*33.0*	*9.3*	*-*	*23.7*
Total		**4,104.7**	**635.8**	**160.7**	**3,308.2**

*Including unpaid interest of EUR 20.8 million.

**Including unpaid interest of EUR 0.4 million (fixed interest rate).

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*
- 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).

7.3.3 Price risk

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rental risk. For sensitivity analysis on changes in assumptions of investment property valuation refer to note 7.5.

7.4 Capital management

The Group's objectives of the Group's capital management is 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.

The 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 limited seasonality effect on the Group. It is rather volatility of financial markets what might positively or negatively influence the Group.

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 2019	31 December 2018
Debt	5,203.3	3,896.7
Equity	5,469.5	4,362.2
Gearing ratio in %	**95 %**	**89 %**

Loan to value 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. Property portfolio consists of investment property, hotels, inventory and part of other PPE and part of assets held for sale.

	31 December 2019	31 December 2018
Bonds issued	2,891.7	1,655.1
Financial debts*	1,212.7	1,218.8
Cash and cash equivalents	804.5	99.2
Net debt	**3,299.9**	**2,774.7**
Property portfolio	**9,111.4**	**7,555.2**
Loan to value ratio in %	**36.2%**	**36.7 %**

*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.

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).

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the period 2019.

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 2019		31 December 2018	
Financial assets measured at fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivative instruments	25.3	25.3	10.1	10.1
Financial assets not measured at fair value				
Long-term Equity investments	8.7	8.7	0.5	0.5
Loans provided	271.7	278.6	129.9	137.4
Financial liabilities measured at fair value				
Derivative instruments	4.7	4.7	3.7	3.7
Financial liabilities not measured at fair value				
Bonds	2,891.7	2,950.4	1,655.1	1,622.0
Financial debt – bank loans (floating rate)	787.0	787.0	770.3	770.3
Financial debt – bank loans (fixed rate)	379.7	381.8	412	407.8
Financial debt – other	46.3	47.0	37	36.2

The Group classifies bonds and long-term equity investments as Level 1, derivative instruments as Level 2 and other positions as Level 3 in the fair value hierarchy.

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 and biological assets

The Group's investment properties, hotels and biological assets were valued at 31 December 2019 and 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 2019 and 2018 respectively.

Investment property

Class of property - Retail	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Czech Republic - Retail Warehouse Level 3	48	19	Income capitalisation	ERV per sqm	€61-€125 (€107)	€58-€116 (€93)
				NRI per sqm	€55-€177 (€116)	€52-€114 (€94)
				Equivalent yield	6.8%-7.7% (7.1%)	7.2%-8.3% (7.5%)
				Vacancy rate	0%-7.3% (0.3%)	0%
Czech Republic - Retail Warehouse Level 3	268	310	DCF	ERV per sqm	€47-€137 (€105)	€44-€136 (€104)
				NRI per sqm	€14-€159 (€107)	€32-€178 (€108)
				Discount Rate	6.9%-8.9% (7.4%)	7.0%-8.8% (7.5%)
				Exit Yield	6.7%-7.9% (7.2%)	6.8%-8.0% (7.3%)
				Vacancy rate	0%-84.7% (2.7%)	0%-98.1% (2.5%)
Czech Republic - Shopping Centres and Galleries Level 3	17	14	Income capitalisation	ERV per sqm	€203-€210 (€206)	€131-€169 (€156)
				NRI per sqm	€188-€191 (€189)	€97-€174 (€157)
				Equivalent yield	4.0%-6.3% (5.0%)	6.4%-6.7% (6.5%)
				Vacancy rate	0%-1.2% (0.5%)	0%
Czech Republic, Prague - Shopping Centres and Galleries Level 3	297	138	DCF	ERV per sqm	€254-€627 (€540)	€211-€292 (€261)
				NRI per sqm	€255-€647 (€551)	€216-€305 (€271)
				Discount Rate	3.5%-6.3% (4.3%)	5.5%-6.5% (5.9%)
				Exit Yield	3.5%-6.0% (4.2%)	5.0%-6.3% (5.5%)
				Vacancy rate	0%-3.0% (1.4%)	5.6%-21.0% (15.1%)
Czech Republic - Shopping Centres and Galleries Level 3	934	893	DCF	ERV per sqm	€145-€256 (€195)	€137-€243 (€181)
				NRI per sqm	€130-€225 (€184)	€110-€219 (€176)
				Discount Rate	5.8%-7.3% (6.4%)	5.8%-7.5% (6.5%)
				Exit Yield	5.5%-6.5% (6.0%)	5.5%-6.5% (6.0%)
				Vacancy rate	0%-10.3% (3.7%)	0%-30.7% (7.5%)
Czech Republic - Other retail properties Level 3	65	62	Income capitalisation	ERV per sqm	€21-€171 (€95)	€21-€169 (€98)
				NRI per sqm	€0-€167 (€88)	€1-€164 (€88)
				Equivalent yield	5.5%-9.5% (7.0%)	5.5%-9.5% (7.1%)
				Vacancy rate	0%-100% (13.3%)	0%-100% (10.3%)
Complementary Assets Portfolio - Retail Warehouse Level 3	28	188	Income capitalisation	ERV per sqm	€112-€140 (€126)	€54-€137 (€101)
				NRI per sqm	€97-€124 (€111)	€1-€143 (€94)
				Equivalent yield	7.0%-7.8% (7.6%)	6.2%-11.1% (7.6%)
				Vacancy rate	0%-5.5% (2.3%)	0%-100% (6.8%)
Complementary Assets Portfolio - Retail Warehouse Level 3	158	0	DCF	ERV per sqm	€54-€117 (€97)	
				NRI per sqm	€47-€143 (€99)	
				Discount Rate	7.4%-9.0% (7.8%)	
				Exit Yield	7.15%-8.4% (7.5%)	
				Vacancy rate	0%-12.3% (1.9%)	
Complementary Assets Portfolio - Shopping Centres and Galleries Level 3	137	307	Income capitalisation	ERV per sqm	€185-€188 (€186)	€161-€219 (€184)
				NRI per sqm	€158-€175 (€172)	€125-€229 (€162)
				Equivalent yield	6.3%-7.3% (6.4%)	6.3%-8.3% (7.2%)
				Vacancy rate	3.1%-5.3% (3.4%)	1.5%-3.9% (2.9%)
Complementary Assets Portfolio - Shopping Centres and Galleries Level 3	220	19	DCF	ERV per sqm	€163-€254 (€195)	€191
				NRI per sqm	€128-€249 (€176)	€168
				Discount Rate	7.0%-9.5% (8.2%)	7.8%
				Exit Yield	6.8%-9.0% (7.8%)	7.5%
				Vacancy rate	0%-6.8% (3.3%)	0.1%

Class of property - Office	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Czech Republic - Office Level 3	29	123	Income capitalisation	ERV per sqm	€100-€147 (€136)	€141-€234 (€201)
				NRI per sqm	€79-€123 (€112)	€118-€232 (€214)
				Equivalent yield	6.5%-7.9% (7.6%)	4.4%-8.0% (5.0%)
				Vacancy rate	0.3%-6.6% (1.9%)	0.0%-8.3% (6.9%)
Czech Republic - Office Level 3	785	595	DCF	ERV per sqm	€86-€255 (€181)	€81-€203 (€163)
				NRI per sqm	€0-€302 (€166)	€66-€298 (€153)
				Discount rate	4.5%-8.5% (5.8%)	5.5%-8.9% (6.6%)
				Exit Yield	4.5%-8.8% (6.0%)	5.5%-8.4% (6.3%)
				Vacancy rate	0%-60.6% (6.0%)	0%-11.4% (2%)
Berlin – Office Level 3	2298	2,011	DCF	ERV per sqm	€46-€298 (€185)	€19-€291 (€163)
				NRI per sqm	€46-€197 (€105)	€1-€184 (€91)
				Discount rate	3.3%-12.0% (4.8%)	2.5%-6.0% (5.2%)
				Exit Yield	3.8%-5.8% (5.0%)	3.5%-12.0% (4.8%)
				Vacancy rate	0%-20.8% (7.2%)	0%-98.6% (9.7%)

Class of property - Office	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Complementary Assets Portfolio - Office Level 3	63	-	Comparable	Fair value per sqm	€2,779-€19,241 (€16,636)	
Complementary Assets Portfolio - Office Level 3	445	62	DCF	ERV per sqm NRI per sqm Discount rate Exit Yield Vacancy rate	€96-€232 (€179) €87-€211 (€143) 6.0%-9.0% (7.0%) 6.5%-9.0% (7.5%) 0%-43.3% (9.2%)	€155-€226 (€199) €108-€199 (€167) 7.3%-8.3% (8.2%) 6.8%-8.0% (7.9%) 0%-8.0% (6.0%)

Class of property - Industry & Logistics	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Czech Republic - Industry & Logistic Level 3	56	11	DCF	ERV per sqm NRI per sqm Discount rate Exit yield Vacancy rate	€24-€106(€55) €13-€113 (€52) 6.5%-12.0% (7.3%) 6.5%-11.5% (7.1%) 0%-64.5% (6.2%)	€60-€105 (€76) €75-€112 (€85) 7.3%-7.9% (7.7%) 7.0%-7.6% (7.2%) (0%)
Germany - Industry & Logistic Level 3	4	-	DCF	ERV per sqm NRI per sqm Discount rate Exit yield Discount rate	€19 €19 2.5% 5.0% 0%	
Complementary Assets Portfolio – Industry & Logistic Level 3	39	-	DCF	ERV per sqm NRI per sqm Discount rate Exit yield Discount rate	€41-€62(€57) €42-€60 (€49) 7.3%-7.5% (7.4%) 7.0%-7.0% (7.0%) 0%-18.3% (7.2%)	

Class of property - Residential	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Czech Republic - Residential Level 3	394	372	Comparable	Fair value per sqm	€86-€1,078 (€602)	€105-€1,076 (€578)
Czech Republic, Prague - Residential Level 3	72	72	Comparable	Fair value per sqm	€2,099-€6,902 (€2,505)	€1,987-€6,309 (€2,354)
Complementary Assets Portfolio - Residential Level 3	274	197	Comparable	Fair value per sqm	€6,635-€36,800 (€21,819)	€5,714-€31,388 (€20,569)

Class of property – Landbank & Development	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Czech Republic - Landbank Level 3	212	173	Comparable	Fair value per sqm	€1-€2,517 (€81)	€1-€2,544 (€101)
Czech Republic, Prague - Landbank Level 3	311	299	Comparable	Fair value per sqm	€6-€3,225 (€452)	€5-€3,280 (€693)
Czech Republic - Landbank Level 3	5		Residual	Total EMRV per sqm Gross development value per sqm Development margin	€15 €2,073 25%	
Czech Republic - Development Level 3	72	42	Development Appraisal	Total EMRV per sqm Gross development value per sqm Development margin	€55-€238 (€189) €925-€4,767 (€3,130) 7.5%-20.0% (13.6%)	€133-€172 (€161) €1,835-€3,074 (€2,654) 7.5%-15.0% (11.5%)
Germany - Landbank Level 3	102	32	Comparable	Fair value per sqm	€3,095-€6,229 (€4,381)	€3,143-€3,143 (€3,143)
Complementary Assets Portfolio - Landbank Level 3	33	22	Comparable	Fair value per sqm	€2-€1,124 (€373)	€2-€1,124 (€482)
Czech Republic - Development Level 3	72	42	Development	Gross development value per sqm	€55-€238 (€189)	€133-€172 (€161)

Class of property - Agriculture Land	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Czech Republic - Agriculture Level 3	101	90	Comparable	Fair value per sqm	€0-€1 (€1)	€0-€1 (€1)

Hotels

Class of property – PPE Hotels & Resorts	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Czech Republic – Hotels & Resorts Level 3	423	322	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	147	121	DCF	Rate per key Exit yield Discount rate	€72,417-€298,333 (€192.948) 6.5%-7.3% (7.0%) 7.0%-10.5% (8.9%)	€111,111-€274,918(€166,220) 6.8%-7.3% (7.1%) 7.0%-10.3% (8.9%)
Croatia – Hotels & Resorts Level 3	192	177	DCF	Rate per key Exit yield Discount rate	€5,833-€790,833 (€469.077) 7.5%-9.5% (7.9%) 8.0%-11.2% (9.8%)	€8,861-€372,881(€230,463) 7.3%-9.5% (7.8%) 9.0%-11.0% (9.5%)

Mountain Resorts

Class of property – PPE Mountain resort	Fair Value 2019 MEUR	Fair Value 2018 MEUR	Valuation technique	Significant unobservable inputs	Range (weighted avg) 2019	Range (weighted avg) 2018
Mountain resorts - hotel development Level 3	40	40	Development appraisal	Gross development value per sqm Development margin	€ 5 587 20 %	€5 396 20%
Mountain Resort Level 3	39	34	DCF	Discount rate Terminal Growth Rate	5.9% 1.6%	10.9% 1.0%

The tables above are net of properties classified as assets held for sale, recent acquisitions (see note 3.3) and selected leased properties.

The amounts of classes of property as at 31 December 2019 in the table above is not fully comparable to the amounts as at 31 December 2018, 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), rental or terminal growth
- 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 2019

Berlin office

		Discount rate		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	2,322	2,276	2,230
	-	2,345	2,298	2,252
	5.00%	2,367	2,320	2,274

Czech Republic - Retail - Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	126	125	124
	-	132	130	129
	5.00%	137	135	134

Complementary - Retail Income - Capitalization

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	165	158	152
	-	172	165	159
	5.00%	179	172	166

Czech Republic - Retail - DCF

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	1,486	1,426	1,371
	-	1,561	1,498	1,440
	5.00%	1,637	1,571	1,510

Complementary Retail - DCF

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	373	361	350
	-	390	377	366
	5.00%	406	393	382

Czech Republic - Office - Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	30	30	29
	-	29	29	29
	5.00%	28	28	28

Complementary Office - DCF

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	445	436	426
	-	455	445	436
	5.00%	465	454	445

Czech Republic - Office – DCF

		Yield		
ERV	MEUR	(0.25%)	-	MEUR
	(5.00%)	778	745	716
	-	818	785	754
	5.00%	859	824	791

Complementary Industry – DCF

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	39	39	38
	-	40	39	39
	5.00%	40	40	39

Czech Republic - Industry - DCF

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	55	53	52
	-	58	56	54
	5.00%	61	59	57

Croatia - Hotels - DCF

		Discount rate		
Growth	MEUR	(0.25%)	-	0.25%
	(5.00%)	183	182	180
	-	193	192	190
	5.00%	204	202	200

Czech Republic - Hotels - DCF

		Discount rate		
Rental growt	MEUR	(0.25%)	-	0.25%
	(5.00%)	408	395	384
	-	436	422	410
	5.00%	464	450	436

Complementary Hotels – DCF

		Discount rate		
Growth	MEUR	(0.25%)	-	0.25%
	(5.00%)	142	140	138
	-	150	147	145
	5.00%	157	154	152

CMA Mountain resort

		Discount rate		
Terminal Growth	MEUR	(0.25%)	-	0.25%
	(0.50%)	38	34	31
	-	43	39	35
	0.50%	50	45	40

Residual Value in MEUR	Czech Republic Development	Czech Republic Land Residual	Mountain resorts - Hotel Development
Developer´s Profit (5.00%)	78	6	49
Developer´s Profit (2.50%)	75	6	44
Developer´s Profit as set	72	5	40
Developer´s Profit 2.50%	69	5	36
Developer´s Profit 5.00%	67	4	32

As at 31 December 2018

Czech Republic - Retail - Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	231	231	232
	-	239	240	240
	5.00%	248	248	248

Czech Republic - Retail - DCF

		Capitalisation rate		
ERV	MEUR	(0.25%)	-	0.25%
	(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		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	11	10	10
	-	11	11	11
	5.00%	12	12	11

Czech Republic - Office - Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	120	119	118
	-	125	123	123
	5.00%	130	129	128

Czech Republic - Office - DCF

		Capitalisation rate		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	588	566	545
	-	619	595	575
	5.00%	650	628	603

Czech Republic - Industrial – Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	38	37	37
	-	39	39	38
	5.00%	40	40	40

Complementary - Retail - Income capitalisation

		Yield		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	488	476	464
	-	508	495	483
	5.00%	529	515	502

Complementary Retail - DCF

		Discount rate		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	18	18	17
	-	19	19	18
	5.00%	20	20	19

Complementary assets - Office - DCF

		Discount rate		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	60	59	57
	-	64	62	60
	5.00%	67	65	63

Hospitality - Complementary assets portfolio - DCF

		Discount rate		
Growth	MEUR	(0.25%)	-	0.25%
	(5.00%)	120	116	112
	-	126	121	117
	5.00%	132	127	123

Complementary industry - Income capitalisation

		Discount rate		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	26	25	25
	-	26	26	25
	5.00%	27	26	26

Berlin - Office & Other

		Discount rate		
Market Rent	MEUR	(0.25%)	-	0.25%
	(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		
ERV	MEUR	(0.25%)	-	0.25%
	(5.00%)	328	320	312
	-	338	329	321
	5.00%	348	339	330

Czech Republic - Hotels - DCF

		Discount rate		
Rental growth	MEUR	(0.25%)	-	0.25%
	(5.00%)	310	299	290
	-	333	322	311
	5.00%	357	344	333

Croatia - Hotels - DCF

		Discount rate		
Rental growth	MEUR	(0.25%)	-	0.25%
	(5.00%)	174	171	169
	-	180	177	175
	5.00%	186	183	180

CMA Mountain resort

		Discount rate		
Terminal Growth	MEUR	(0.25%)	-	0.25%
	(0.50%)	35	34	33
	-	35	34	33
	0.50%	36	35	34

Residual Value in MEUR	Czech Republic Development	Landbank Hospitality Development	Office Development	Hospitality Development PPE	Mountain resorts - Hotel Development
Developer's Profit (5.00%)	48	10	27	10	49
Developer's Profit (2.50%)	45	10	26	9	44
Developer's Profit as set	42	10	26	9	40
Developer's Profit 2.50%	40	9	26	8	36
Developer's Profit 5.00%	37	9	26	8	32

The fair value used in the sensitivity analysis above includes properties, which were valued by income based or residual valuation method (with exception for development in Germany and German leasehold industry and logistics where no development margin was applied in the valuation). Properties valued by comparable method are not subject of Sensitivity analyses.

8 Contingencies and Litigations

Kingstown dispute in Luxembourg

On 20 January 2015, the Company 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 CPI FIM SA, filed with the Tribunal d´Arrondissement de et a Luxembourg (the "Court"). The petition seeks condemnation of the Company together with CPI FIM SA and certain members of CPI FIM SA'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 CPI FIM SA's minority shareholders rights. To the best of Company´s knowledge, Kingstown was not at the relevant time 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. On 19 February 2016 the Court rendered 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.

On 21 June 2019 the Company received a first instance judgment, which declared that a claim originally filed by Kingstown in 2015 was null and void against CPIPG. The Court dismissed the claim against CPIPG because the claim was not clearly pleaded ("libellé obscur"). Specifically, Kingstown did not substantiate or explain the basis of their claim against CPIPG and failed to demonstrate how CPIPG committed any fault. In relation to the admissibility of Kingstown's claim against CPI FIM SA and other defendants, the Court is expected to rule only after it further examines positions of the remaining parties on certain procedural aspects; until then, the case will continue in a procedural stage. The merits of the case will be pleaded by any remaining defendants only if the Court declares the claim admissible.

Kingstown dispute in the United States

On 10 April 2019, a group of Kingstown companies, Investhold LTD and Verali Limited (together, the "Kingstown Plaintiffs") filed a claim in the United States District Court of the Southern District of New York (the "SDNY Court") against, among others, CPIPG and Mr. Radovan Vítek (together, the "CPI Plaintiffs"). The claims brought by the Kingstown Plaintiffs against CPIPG include alleged violations of RICO.

CPIPG believes that the claims are without merit and were designed to create negative press attention for CPIPG and to force an undue settlement. The Group's business has been totally unaffected by the New York lawsuit and by similar attempts by the Kingstown Plaintiffs to harm the reputation of CPIPG and Mr. Vitek. CPIPG reported superb preliminary operating results for 2019 and is pleased to have successfully issued nearly EUR 2 billion of bonds on the international capital markets since the New York lawsuit was filed.

On 10 September 2019, the CPIPG Defendants filed a motion to dismiss the case in the SDNY Court. On 22 November 2019, the Kingstown Plaintiffs filed an amended complaint in the SDNY Court. The amended complaint adds new non-US defendants and simply continues the false campaign against CPIPG and Mr. Vitek. The amended complaint does nothing to cure the serious jurisdictional deficiencies and pleading defects present in the original complaint.

On 14 February 2020, the CPIPG Defendants filed a motion to dismiss the amended complaint. The arguments presented in the motion resemble those presented by the CPIPG Defendants in September 2019 and are further refined given the new allegations:

i) The Kingstown Plaintiffs have failed to justify the application of RICO outside the United States;
ii) The SDNY Court lacks jurisdiction over the CPIPG Defendants;
iii) The Kingstown Plaintiffs' alleged RICO claims are time-barred under RICO's four-year statute of limitations;
iv) The SDNY Court is an improper forum to hear the case given that, among other things, Kingstown initiated nearly identical proceedings in Luxembourg in January 2015 which are still pending against some of the CPIPG Defendants;
v) The Kingstown Plaintiffs have nonetheless failed to adequately state any claim against the CPIPG Defendants.

CPIPG believes the amended complaint warrants dismissal and awaits a decision from the Court on the motion to dismiss in due course. The Group will continue to update all of our stakeholders on progress in the case and appreciates the steadfast support that CPIPG has received from our tenants, bond investors, banks and other stakeholders.

The Group did not account for any provision in respect of the Kingstown disputes.

Disputes related to warrants issued by CPI FIM SA

The Group's subsidiary CPI FIM SA 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 CPI FIM for approximately EUR 1.2 million in relation to the Change of Control Notice published by CPI FIM SA, 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 CPI FIM SA 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. CPI FIM SA will defend itself against these lawsuits.

It is reminded that in accordance with the judgement of the Paris Commercial Court pronounced on 26 October 2015 concerning the termination of the CPI FIM SA'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 CPI FIM SA's Safeguard will be unenforceable. As such, only claims of holders of the 2014 Warrants, whose potential claims were admitted to the CPI FIM SA'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 CPI FIM SA's Safeguard will be unenforceable against CPI FIM SA. To the best of Company's knowledge, none of the holders of the 2014 Warrants who sued CPI FIM SA filed their claims 2014 Warrants related claims in the CPI FIM SA's Safeguard Plan.

Hagibor Office Building dispute

In March 2016, the insolvency administrator of the CPI FIM SA's subsidiary HAGIBOR OFFICE BUILDING ("HOB"), filed a lawsuit, requesting that the CPI FIM SA returns to HOB in aggregate USD 16.49 million, paid by HOB to CPI FIM SA in 2012. CPI FIM SA is of the opinion that the lawsuit has no merit given that in 2012 HOB duly repaid its loan to CPI FIM SA. CPI FIM SA 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 CPI FIM SA 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, CPI FIM SA filed a new claim in the matter of non-existence of pledges.

In November 2019, a global settlement agreement was agreed in relation to the above disputes relating to HOB and Radio Free Europe building. The settlement agreement was concluded along with extensive ancillary documentation, which included, inter alia, termination of all court proceedings and confirmations that concerned parties no claims against each other. The settlement became effective on 20 March 2020.

Vitericon

On 15 March 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 is claiming invalidity of a intragroup debt settlement from 2013 and claims a payment of EUR 10.4 million from the Company. The Company appointed a counsel and is prepared to defense itself in front of the Berlin Court. The first hearings are expected to occur in May 2020.

9 Capital and other commitments

Capital commitments

The Group has capital commitments in total amount of EUR 77.2 million in respect of capital expenditures contracted as at 31 December 2019 (EUR 73.6 million as at 31 December 2018).

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 2019	31 December 2018
Remuneration paid to the key management personnel and members of Board of Directors	1.5	0.8
Total remuneration	**1.5**	**0.8**

Balances and transactions with the key management personnel and members of Board of Directors and the Group:

	31 December 2019	31 December 2018
Loans provided	0.1	0.1
Trade receivables	0.6	-
Trade payables	0.1	-
Perpetual notes	0.4	0.2
Transactions		
Interest income and other revenues	0.5	0.7
Other costs	(1.4)	(0.1)

Balances and transactions with the majority shareholder of the Group:

	31 December 2019	31 December 2018
Loans provided	-	0.1
Trade receivables	0.4	0.6
Other receivables	5.2	4.7
Loans received	0.9	-
Other payables	0.1	0.4
Perpetual notes	-	4.9
Transactions		
Interest income	0.1	2.8

Balances and transactions with other related parties:

Entities over which the majority shareholder has control	31 December 2019	31 December 2018
Loans provided	245.4	114.0
Trade receivables	0.2	0.2
Loans received	0.3	2.5
Other payables	0.4	-
Transactions		
Other revenues	0.2	-
Interest income	8.9	7.6
Other costs	(0.1)	(0.4)
Lease and rental	(0.1)	-
Close family members/entities controlled by close family members of the majority shareholder	31 December 2019	31 December 2018
Other payables	1.2	0.8
Transactions		
Other revenues	0.1	-
Entities controlled by members of Board of Directors	31 December 2019	31 December 2018
Other receivables	-	0.2
Loans received	0.3	0.1
Transactions		
Proceeds from sale of subsidiaries, trading property or investment property	-	0.2
Other revenues	0.1	0.2
Advisory and accounting services	-	0.1
Lease and rental	(0.2)	-
Joint ventures	31 December 2019	31 December 2018
Loans provided	11.9	11.2
Transactions		
Interest income	0.8	0.7

Main transactions with related parties

Acquisition of Pietroni, s.r.o.

On 29 November 2019, the Group acquired 100% shares in Pietroni, s.r.o. from the majority shareholder for EUR 1 (see note 3.4). Pietroni, s.r.o. owned 67,000,000 of the CPI PG shares as of the acquisition date (see note 6.12). As part of the transaction, the Group acquired current financial liability of EUR 10.1 million provided by (and repaid to) the majority shareholder.

Loans provided by the Group to the majority shareholder and related parties

As at 31 December 2019, the Group provides loans to Gamala Limited company closely related to the majority shareholder, in the total outstanding balance of EUR 238.5 million (EUR 113.9 million as at 31 December 2018). The majority of these loans bear a fixed interest at a rate of 5% p.a and is repayable in 2020 and 2021.

Company shares

In March 2018, as part of its share buy-back, the Company acquired 724,853,952 of its shares from Rivaroli, a.s. (entity affiliated with the majority shareholder) for total of EUR 145.0 million.

In April 2018, the Company issued 250,000,000 new shares to CPI PG Holding (entity affiliated with the majority shareholder) for a global subscription price of EUR 50.0 million.

Acquisition of bonds issued by the Group

In August 2018, the Group acquired bonds issued by CPI BYTY in the amount of EUR 77.7 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).

The related party transactions are priced on arm's length basis.

11 Events after the reporting period

On 22 January 2020, the Group issued green bonds of GBP 350 million (EUR 411 million) maturing on 22 January 2028. The bonds are listed on the regulated market of Euronext Dublin (ISIN XS2106589471) and were fully hedged to EUR for a fixed rate of less than 2% p.a.

On 23 January 2020, the Group issued of SGD 150 million (EUR 99 million) of perpetual subordinated bonds which are callable beginning in 2025. The bonds carry a coupon of 5.8% p.a. in SGD, were fully swapped into EUR at a fixed rate of about 4% p.a.

On 27 January 2020, the Group acquired 13,391,959 shares of Globalworth Real Estate Investments Limited ("Globalworth") representing about 6% of outstanding shares. On 31 January 2020, the Group acquired Zakiono Enterprises Limited which owned 23,734,670 shares of Globalworth, representing additional 10.7% stake. On 3 February 2020, the Group acquired 24,258,408 shares in Globalworth, representing additional 11% stake. On 4 February 2020, the Group purchased additional 3,680,494 shares representing additional 1.7% stake. In total, the Group owns a total of 65,250,000 Globalworth shares representing 29.4% of voting rights. This makes the Group the largest shareholder in Globalworth. The total acquisition price of the Globalworh shares was EUR 687 million.

On 28 January 2020, the Group acquired Green Corner A office building in Warsaw, Poland for EUR 52.2 million. It is an office building spanning 14,860 square metres of leasable area over seven floors.

On 30 January, the Group acquired Equator II office building in Warsaw, Poland for EUR 58.7 million. The building spanning 23,100 square metres over 14 floors.

On 13 February 2020, the Group issued HKD 250 million bonds (EUR 29 million). The bonds are listed on the regulated market of Euronext Dublin (ISIN XS2117757182), matured in 2030 and were fully hedged to Euros at a fixed rate of less than 1.7% p.a.

On 6 March 2020, the Group acquired Equator I office in Warsaw, Poland for EUR 15.2 million.

On 25 March 2020, the Group acquired Moniuszki Tower in Warsaw, Poland for EUR 32.7 million.

Impact of COVID-19 pandemic on the Group

The current impact on the Group's property portfolio is the following:

- With limited exceptions, the Group's offices in Berlin, Prague, Warsaw, and Budapest remain open.
- Approximately 30% to 40% of retail space is open and continues to serve the local community;
- Group's hotels are mostly closed, the Group operates nearly all the hotels owned and was able to act quickly to reduce costs.
- Residential and other properties in the Czech Republic are generally operating normally.

The Group currently has over EUR 1 billion of liquidity comprised of more than EUR 500 million of cash and an undrawn EUR 510 million revolving credit facility with 11 local and international banks maturing in 2022. 70% of Group's assets are unencumbered. Therefore, the Group does not expect the COVID-19 pandemic to have impact on its ability to continue as a going concern.

As an effect of COVID-19 pandemic, the Group's capital expenditure and development plans are being reassessed and reprioritized. The Group is taking actions to reduce overhead and other costs.

The Group considers the impact of COVID-19 pandemic on the Group as non-adjusting event after the reporting period. Until the date, no estimate of an impact on the total value of the Group's property portfolio is available.

Appendix I – List of group entities

Subsidiaries fully consolidated

Company	Country	31 December 2019	31 December 2018
"Diana Development" Sp. z o.o.	Poland	100.00%	100.00%
7 St James's Square Limited (12)	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 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.	Poland	100.00%	100.00%
AVACERO LIMITED	Cyprus	-	100.00%
AVENA, VOD	Czech Republic	98.56%	-
AVIDANO LIMITED	Cyprus	-	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
BARON PUGLIA S.a.r.l.	Italy	100.00%	-
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s. (1)	Czech Republic	-	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Gama, a.s.	Czech Republic	91.16%	91.16%
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%
Bishops Avenue Limited (12)	United Kingdom	100.00%	100.00%
BPT Development, a.s.	Czech Republic	100.00%	100.00%
Brandýs Logistic, a.s.	Czech Republic	100.00%	100.00%
BREGOVA LIMITED	Cyprus	100.00%	100.00%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	-	97.31%
Brillant 2800. GmbH	Germany	99.75%	99.75%
Brno Development Services, s.r.o.	Czech Republic	100.00%	-
BRNO INN, a.s.	Czech Republic	100.00%	-
Brno Property Development, a.s.	Czech Republic	91.16%	91.16%
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%	99.26%
Buy-Way Dunakeszi Kft.	Hungary	100.00%	100.00%
Buy-Way Soroksár Kft.	Hungary	100.00%	100.00%
Byty Lehovec, s.r.o.	Czech Republic	100.00%	100.00%
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%
Castor Investments Sp. z o.o.	Poland	97.31%	-
Castor Investments Sp. z o.o. S.K.A.	Poland	97.31%	-
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 (2)	Switzerland	99.70%	99.70%
CMA Services S.à.r.l.	Switzerland	92.52%	92.52%
CODIAZELLA LTD	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
Cordonier & Valério Sàrl (2)	Switzerland	-	59.82%
CPI - Bor, a.s. (3)	Czech Republic	100.00%	100.00%
CPI - Horoměřice, a.s.	Czech Republic	91.16%	91.16%
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%	91.16%
CPI - Real Estate, a.s.	Czech Republic	100.00%	100.00%

Company	Country	31 December 2019	31 December 2018
CPI - Štupartská, a.s. (4)	Czech Republic	-	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. (4)	Czech Republic	-	100.00%
CPI Beet, a.s.	Czech Republic	100.00%	100.00%
CPI Beta, a.s. (1)	Czech Republic	-	100.00%
CPI Blatiny, s.r.o.	Czech Republic	100.00%	100.00%
CPI BYTY, a.s. (5)	Czech Republic	-	100.00%
CPI BYTY, a.s. (5)	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.	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s. (1)	Czech Republic	-	100.00%
CPI Facility Management Kft.	Hungary	100.00%	100.00%
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI FIM S.A. (6)	Luxembourg	97.31%	97.31%
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 Netherlands II B.V.	Netherland	100.00%	100.00%
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI France, a SASU	France	100.00%	100.00%
CPI Green, a.s.	Czech Republic	100.00%	-
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Hotels Catering, s.r.o.	Czech Republic	100.00%	100.00%
CPI Hotels Europeum Kft. (7)	Hungary	100.00%	100.00%
CPI Hotels Hungary Kft.	Hungary	100.00%	100.00%
CPI Hotels Italy S.r.l.	Italy	100.00%	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.	Czech Republic	100.00%	100.00%
CPI Kvarta, s.r.o.	Czech Republic	100.00%	-
CPI Kvinta, s.r.o.	Czech Republic	100.00%	-
CPI Lambda, a.s. (1)	Czech Republic	-	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 Omikrón, a.s.	Czech Republic	100.00%	-
CPI Orange, a.s.	Czech Republic	100.00%	-
CPI Palmovka Office, s.r.o.	Czech Republic	100.00%	100.00%
CPI Park Mlýnec, a.s. (3)	Czech Republic	-	100.00%
CPI Park Žďárek, a.s.	Czech Republic	97.25%	97.25%
CPI PG Management, S.á r.l	Luxembourg	100.00%	100.00%
CPI Pigna S.r.l.	Italy	97.31%	-
CPI Poland Offices Sp. z o.o.	Poland	100.00%	-
CPI Poland Property Management Sp. z o.o.	Poland	100.00%	-
CPI Poland Sp. z o.o.	Poland	100.00%	100.00%
CPI Prima, s.r.o.	Czech Republic	100.00%	-
CPI Property a Facility, s.r.o.	Czech Republic	100.00%	100.00%
CPI Property Development Sp. z o.o.	Poland	100.00%	100.00%
CPI Reality, a.s. (4)	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 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 VIII s.r.o.	Czech Republic	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%

Company	Country	31 December 2019	31 December 2018
CPI Retails TWO, a.s.	Czech Republic	100.00%	100.00%
CPI REV Italy II S.r.l.	Italy	97.31%	-
CPI Romania S.R.L.	Romania	100.00%	100.00%
CPI Sekunda, s.r.o.	Czech Republic	100.00%	-
CPI Services, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping MB, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping Teplice, a.s.	Czech Republic	100.00%	100.00%
CPI South, s.r.o.	Czech Republic	97.58%	97.58%
CPI Tercie, s.r.o.	Czech Republic	100.00%	-
CPI Théta, a.s.	Czech Republic	100.00%	-
CPI Vestec, s.r.o.	Czech Republic	100.00%	100.00%
CPI West, s.r.o. (1)	Czech Republic	-	100.00%
CPI Yellow, a.s.	Czech Republic	100.00%	-
CT Development Sp. z o.o.	Poland	100.00%	-
Czech Property Investments, a.s. (1)	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%
Darilia, a.s.	Czech Republic	99.26%	99.26%
Děčínská zemědělská a.s.	Czech Republic	100.00%	100.00%
DERISA LIMITED	Cyprus	-	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. (8)	Czech Republic	-	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Ekofarma Postřelná s.r.o.	Czech Republic	100.00%	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%
Equator II Development Sp. z o.o.	Poland	100.00%	-
Equator IV Offices Sp. z o.o.	Poland	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%
Eurocentrum Offices Sp. z o.o.	Poland	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%	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%	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%	91.16%
Futurum HK Shopping, s.r.o. (9)	Czech Republic	100.00%	100.00%
GADWALL, Sp. z o.o.	Poland	100.00%	100.00%
GARET Investment Sp. z o.o.	Poland	100.00%	100.00%
GATEWAY Office Park Kft.	Hungary	100.00%	100.00%
GCA Property Development Sp. z o.o.	Poland	100.00%	-
Gebauer Höfe Liegenschaften GmbH	Germany	94.74%	94.74%
Gewerbehöfe Services GmbH	Germany	100.00%	100.00%
Gewerbesiedlungs-Gesellschaft GmbH	Germany	99.75%	99.75%
GOMENDO LIMITED	Cyprus	-	100.00%
GORANDA LIMITED	Cyprus	-	100.00%
GSG 1. Beteiligungs GmbH	Germany	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	99.75%	99.75%
GSG Berlin Invest GmbH	Germany	94.66%	94.66%
GSG Europa Beteiligungs GmbH	Germany	99.75%	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%

Company	Country	31 December 2019	31 December 2018
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Gewerbehöfe Berlin 6. GmbH & Co. KG	Germany	99.75%	99.75%
GSG Mobilien GmbH	Germany	99.75%	99.75%
GSG Solar Berlin GmbH	Germany	99.75%	99.75%
GSG Wupperstraße GmbH	Germany	99.75%	99.75%
HAGIBOR OFFICE BUILDING, a.s.	Czech Republic	97.31%	97.31%
HD Investment s.r.o.	Czech Republic	100.00%	100.00%
Hightech Park Kft.	Hungary	100.00%	100.00%
Hofnetz und IT Services GmbH	Germany	99.75%	99.75%
Hospitality Invest Sàrl	Luxembourg	100.00%	100.00%
Hotel Andrássy Zrt.	Hungary	100.00%	100.00%
Hotel Lucemburská, s.r.o.	Czech Republic	100.00%	100.00%
Hotel Pokrovka, org. Unit	Russia	100.00%	100.00%
Hotel Sirena d.o.o.	Croatia	100.00%	96.43%
HOTEL U PARKU, s.r.o.	Czech Republic	91.16%	91.16%
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%
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. (8)	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%	91.16%
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	97.31%	97.31%
Jizerská farma, s.r.o.	Czech Republic	100.00%	100.00%
JONVERO LIMITED	Cyprus	-	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.	Czech Republic	100.00%	100.00%
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
Kosmonosy Investments, s.r.o.	Czech Republic	100.00%	-
Kosmonosy Property Development, s.r.o.	Czech Republic	100.00%	-
Kravařská zemědělská, a.s.	Czech Republic	100.00%	-
Labská Property, s.r.o.	Czech Republic	100.00%	100.00%
Land Properties, a.s.	Czech Republic	97.27%	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 MAS DU FIGUIER	France	97.31%	-
LES TROIS DILAIS	France	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. (1)	Czech Republic	-	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s. (1)	Czech Republic	-	100.00%
Marissa Omikrón, a.s.	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s.	Czech Republic	100.00%	100.00%
Marissa West, a.s.	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s.	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s.	Czech Republic	100.00%	100.00%
Marissa, a.s. (1)	Czech Republic	-	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. (9)	Czech Republic	-	100.00%
MB Property Development, a.s.	Czech Republic	100.00%	100.00%
Mercuda, a.s.	Czech Republic	100.00%	100.00%
MESARGOSA LIMITED	Cyprus	100.00%	100.00%
MH Bucharest Properties S.R.L	Romania	88.00%	88.00%
Michalovce Property Development, a.s.	Slovak Republic	100.00%	100.00%

Company	Country	31 December 2019	31 December 2018
MMR Russia S.à r.l	Luxembourg	100.00%	100.00%
Moniuszki Office Sp. z o.o.	Poland	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%
Olomouc Building, a.s. (10)	Czech Republic	100.00%	-
Olomouc City Center, a.s. (10)	Czech Republic	-	100.00%
Olomouc Office, a.s. (10)	Czech Republic	-	100.00%
One Crans-Montana SA (11)	Switzerland	99.70%	-
Orco Immobilien GmbH	Germany	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	100.00%	100.00%
Orchard Hotel a.s.	Czech Republic	100.00%	-
OSMANIA LIMITED	Cyprus	-	100.00%
Outlet Arena Moravia, s.r.o.	Czech Republic	100.00%	100.00%
Oxford Tower Sp. z o.o.	Poland	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%
Peitroni, s.r.o.	Czech Republic	97.31%	-
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%
Pro Tower Development S.R.L.	Romania	100.00%	100.00%
PROJECT FIRST a.s.	Czech Republic	91.16%	91.16%
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%
Prostějov Investments, a.s.	Czech Republic	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%
Radom Property Development Sp. z o.o.	Poland	100.00%	100.00%
Real Estate Energy Kft.	Hungary	100.00%	100.00%
Rembertów Property Development Sp. z o.o.	Poland	100.00%	100.00%
Remontées Mécaniques Crans Montana Aminona (CMA) SA	Switzerland	85.33%	85.33%
Residence Belgická, s.r.o.	Czech Republic	100.00%	100.00%
Residence Izabella, Zrt.	Hungary	100.00%	100.00%
Rezidence Jančova, s.r.o.	Czech Republic	100.00%	100.00%
Rezidence Malkovského, s.r.o.	Czech Republic	100.00%	100.00%
Rezidence Pragovka, s.r.o.	Czech Republic	97.31%	97.31%
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 Reflets	Monaco	97.31%	-
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%
Spojené farmy a.s.	Czech Republic	100.00%	100.00%
ST Project Limited	Guernsey	100.00%	100.00%

Company	Country	31 December 2019	31 December 2018
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%	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	100.00%	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%
Tachov Investments, s.r.o.	Czech Republic	100.00%	-
Tarnów Property Development Sp. z o.o.	Poland	100.00%	100.00%
Telč Property Development, a.s.	Czech Republic	91.16%	91.16%
Tepelné hospodářství Litvínov s.r.o.	Czech Republic	100.00%	100.00%
Trebišov Property Development, s. r. o.	Slovak Republic	100.00%	100.00%
Třinec Investments, s.r.o.	Czech Republic	100.00%	100.00%
Třinec Property Development, a.s.	Czech Republic	100.00%	100.00%
TUNELIA LIMITED	Cyprus	-	100.00%
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%
VOLANTI LIMITED	Cyprus	100.00%	100.00%
Vysočany Office, a.s.	Czech Republic	99.26%	-
Vyškov Property Development, a.s. (4)	Czech Republic	-	100.00%
Wertpunkt Real Estate Experts GmbH	Germany	99.75%	99.75%
WFC Investments Sp. z o.o.	Poland	97.31%	-
WFC Offices Sp. z o.o.	Poland	100.00%	-
Zákupská farma, s.r.o.	Czech Republic	100.00%	100.00%
Zamość Property Development Sp. z o.o.	Poland	100.00%	100.00%
Zamość Sadowa Property Development Sp. z o.o.	Poland	100.00%	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%	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 2019	31 December 2018
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) On 1 December 2019 Baudry, a.s.; CPI Beta, a.s.; CPI Epsilon, a.s.; CPI Lambda, a.s.; CPI West, s.r.o.; Malerba, a.s.; Marissa, a.s. and Marissa Kappa, a.s. has merged with Czech Property Investments, a.s. – the "successor company" (with effective date of 1 January 2019). All assets and liabilities of Baudry, a.s.; CPI Beta, a.s.; CPI Epsilon, a.s.; CPI Lambda, a.s.; CPI West, s.r.o.; Malerba, a.s.; Marissa, a.s. and Marissa Kappa, a.s. passed to the successor company.

(2) On 18 July Cordonier & Valério Sàrl has merged with CMA Immobilier – the "successor company" (with effective date of 1 January 2019). All assets and liabilities of Cordonier & Valério Sàrl passed to the successor company.

(3) On 8 July CPI Park Mlýnec, a.s. has merged with CPI – Bor, a.s. – the "successor company" (with effective date of 1 January 2019). All assets and liabilities of CPI Park Mlýnec, a.s. passed to the successor company.

(4) On 1 August 2019 CPI – Štupartská, a.s.; CPI Alfa, a.s. and Vyškov Property Development, a.s. has merged with CPI Reality, a.s. – the "successor company" (with effective date of 1 October 2018). All assets and liabilities of CPI – Štupartská, a.s.; CPI Alfa, a.s. and Vyškov Property Development, a.s. passed to the successor company.

(5) On 1 June 2019 CPI BYTY, a.s. has merged with CPI Residential, a.s. - the "successor company" (with the effective date of 1 July 2018). All assets and liabilities of CPI BYTY, a.s. passed to the successor company. CPI Residential, a.s. changed its name to CPI BYTY, a.s. on 1 July 2018.

(6) On 24 April 2019 Orco Property Group S.A. changed its name to CPI FIM S.A. ("CPI FIM").

(7) On 25 April 2019 CPI Retail Two Kft. changed its name to CPI Hotels Europeum Kft.

(8) On 1 July Dienzenhoferovy sady 5, s.r.o. has merged with Janáčkovo nábřeží 15, s.r.o. – the "successor company" (with effective date of 1 January 2019). All assets and liabilities of Dienzenhoferovy sady 5, s.r.o. passed to the successor company.

(9) On 1 March 2019 MB Futurum HK, s.r.o. has merged with BAYTON ONE, s.r.o. - the "successor company" (with the effective date of 7 April 2018). All assets and liabilities of MB Futurum HK, s.r.o. passed to the successor company. BAYTON ONE, s.r.o. changed its name to Futurum HK Shopping, s.r.o. on 7 April 2018.

(10) On 1 October 2019 Olomouc City Center, a.s. and Olomouc Office, a.s. has merged to new company Olomouc Building, a.s. – to the "successor company" (with effective date of 1 January 2019). All assets and liabilities of Olomouc City Center, a.s. and Olomouc Office, a.s. passed to the successor company.

(11) On 18 July 2019 Régie du Rhône Crans-Montana changed its name to One Crans-Montana SA.

(12) Exempt from statutory audit in UK (7 St James's Square Limited – registration number: 11909387 and Bishops Avenue Limited – registration number: 11675713).

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Independent auditor's report

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of CPI Property Group S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the 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 2019, and of its consolidated financial performance and 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 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" ("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 the "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 ("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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of 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.

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a) Valuation of investment property and property, plant and equipment

Description

The Group owns a portfolio of investment properties comprising residential, office and retail type of properties located in Europe. Investment property represents the single largest class of assets on the balance sheet, representing 76% of the total assets of the Group as at 31 December 2019. In addition, the Group operates hotels classified within property, plant and equipment representing 7% of the total assets of the Group as at 31 December 2019. Investment properties are valued at fair value and hotels, representing major part of the property, plant and equipment are stated at revalued amounts, that are fair values based, in accordance with the Group accounting policies.

Valuation of the investment property and property, plant and equipment is a significant judgemental area and is underpinned by a number of factual inputs and assumptions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, the location and the expected cash flows generated by future rentals for investment property or expected EBITDA (earnings before interest, tax, depreciation and amortisation) generated by hotel operations for property, plant and equipment. The Board of Directors engaged independent external valuers to value 92% of the Group's investment property and property, plant and equipment (hereafter the "Valuers"). Acquisitions taking place mainly during the last quarter 2019 representing 7% of the Group's investment property and property plant and equipment, have been valued at acquisition cost.

In determining a property's valuation, the Valuers take into account property specific characteristics and information such as the correct tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to come up with their assessment of the fair value.

Due to the above mentioned matters, we consider valuation of investment property and property, plant and equipment as a key audit matter.

Auditors response

Our audit procedures over the valuation of investment property and property, plant and equipment included, but were not limited to, the following:

- We evaluated the competence, capabilities and objectivity of the valuers and read the terms of engagement of the valuers to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.
- For a sample of the valuations across all asset classes, geographical locations and external valuers, we traced the inputs used in the valuation process to corresponding lease agreements and other relevant documentation.
- In particular, we assessed whether the applied valuation methods are appropriate for the purpose of the valuation of the underlying investment property and property, plant and equipment.
- We also involved our own real estate specialist to assist us in evaluating the reasonableness of the assumptions used in valuation models including yields and estimated market rent.
- We assessed the adequacy of the disclosures in the consolidated financial statements.

b) Contingencies and litigations

Description

The Company and some of its direct and indirect subsidiaries are involved as a party in legal proceedings, being the most significant one in relation to a lawsuit being filed in April 2019 against the Company, among others, by a group of Kingstown companies alleging violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO") (further referred to as "Kingstown dispute"), as disclosed in note 8 of the consolidated financial statements.

This area is significant to our audit, since the accounting and disclosure for contingent liabilities is complex and judgmental (due to complexity of prediction of the outcome of the matter and estimating the potential impact if the outcome is unfavourable), and the amounts involved are, or can be, material to the financial statements as a whole.

This matter was considered a key matter in our audit, since the aforementioned estimates are complex and require significant judgements by management of the Group.

Auditors response

Our audit procedures over the contingencies and litigations included, but were not limited to, the following:

- We obtained an understanding of and assessed the Group's internal control environment relating to the identification, recognition and measurement of provisions for disputes, potential claims and litigation, and contingent liabilities.
- We sent confirmation letters to, and obtained responses from, the lawyers and legal advisors used by the Group as part of our audit procedures, and in our analysis we paid particular attention to the matters relating to the most significant court proceedings in progress.
- We have obtained the summary of the significant legal cases from the in-house Group's legal counsel and compared the assessment of the Group's legal counsel with the information provided by the external Group's legal advisors. We made inquiries to the Group legal counsel to understand the actions taken to manage these legal cases and also discussed such actions with management.
- We have reviewed the minutes of the meetings Board of Directors, Audit Committee and General Shareholders' Meetings.
- We have involved our own legal specialists for the purpose of analysing the reasonableness of the conclusions reached by the Board of Directors on Kingstown dispute considering the various factors on which these conclusions were based.
- We assessed the completeness and adequacy of disclosures required in respect of the Contingencies and litigations in the notes to the consolidated financial statements 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 included in the consolidated annual report including the management report and the corporate governance statement but does not include the consolidated financial statements and our report of "réviseur d'entreprises agréé" thereon.

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

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

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- 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 communicate to 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 3 October 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

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

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The corporate governance statement, included in the management report, is the responsibility of the Board of Directors. 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 EU Regulation No 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, the 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.

The consolidated financial statements of CPI Property Group S.A. for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 29 March 2019.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jesus Orozco

Luxembourg, 31 March 2020

CPI Property Group

Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND REPORT

OF THE REVISEUR D'ENTREPRISES AGREE

DECEMBER 31, 2019

TABLE OF CONTENTS

40, rue de la Vallée
L-2661 Luxembourg
Share Capital: EUR 865,171,633
R.C.S. Luxembourg B 102.254

Ernst & Young
Société anonyme

Independent auditor's report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CPI Property Group S.A. (the "Company"), which comprise the balance sheet as at 31 December 2019, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 financial statements.

Basis for opinion

We conducted our audit in accordance with 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" ("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 the "réviseur d'entreprises agréé" for the audit of the financial statements" 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 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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a) Contingencies and litigations

Description

The Company and some of its affiliated undertakings are involved as a party in legal proceedings, being the most significant one in relation to a lawsuit being filed in April 2019 against the Company, among others, by a group of Kingstown companies alleging violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO") (further referred to as "Kingstown dispute"), as disclosed in note 24 of the financial statements.

This area is significant to our audit, since the accounting and disclosure for contingent liabilities is complex and judgmental (due to complexity of prediction of the outcome of the matter and estimating the potential impact if the outcome is unfavourable), and the amounts involved are, or can be, material to the financial statements as a whole.

This matter was considered a key matter in our audit, since the aforementioned estimates are complex and require significant judgements by management of the Company.

Auditors response

Our audit procedures over the contingencies and litigations included, but were not limited to, the following:

- We obtained an understanding of and assessed the Company's internal control environment relating to the identification, recognition and measurement of provisions for disputes, potential claims and litigation, and contingent liabilities.
- We sent confirmation letters to, and obtained responses from, the lawyers and legal advisors used by the Company as part of our audit procedures, and in our analysis we paid particular attention to the matters relating to the most significant court proceedings in progress.
- We have obtained the summary of the significant legal cases from the in-house Company's legal counsel and compared the assessment of the Company's legal counsel with the information provided by the external Company's legal advisors. We made inquiries to the Company legal counsel to understand the actions taken to manage these legal cases and also discussed such actions with management.
- We have reviewed the minutes of the meetings of Board of Directors, Audit Committee and General Shareholders' Meetings.
- We have involved our own legal specialists for the purpose of analysing the reasonableness of the conclusions reached by the Board of Directors on Kingstown dispute considering the various factors on which these conclusions were based.
- We assessed the completeness and adequacy of disclosures required in respect of the Contingencies and litigations in the notes to the financial statements pursuant to the relevant accounting and financial reporting standards.

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

Description

Financial assets represent 92% of the total assets of the Company as at 31 December 2019.

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 permanent nature of the impairment.

This matter was considered to be a key matter in our audit, since the aforementioned estimates are complex and require significant judgements by management of the Company.

Auditors response

Our audit procedures over the valuation of financial assets included, but were not limited to, the following:

- Ensured existence, initial cost of investment and ownership of the investment through inspection of acquisition agreements and commercial registers of the underlying investees.
- Understood the process of financial assets valuation and management's impairment assessment and evaluated the appropriateness of the application of the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.
- Tested the arithmetical accuracy of the management's impairment test based on comparison with the net equity of the underlying investees and assessed the conclusions reached by the management in respect of recognized impairment and/or reversal of historical impairment.
- Tested the accuracy and completeness of the provided loan database, on a representative sample basis, by tracing the loan terms to the underlying loan agreements, the repayments of principal and interest to the bank statements and the outstanding loan and accrued interest balances to the counterparties.
- Performed recalculation of the interest on loans to affiliated undertaking based on known data.
- Reviewed and ensured the completeness of the financial statements' disclosures.

Other information

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

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

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 for the financial statements

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

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

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

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "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 EU Regulation N° 537/2014, the Law of 23 July 2016 and with the 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 financial statements.

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

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

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

EY

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- 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to 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 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 3 October 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The management report, which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

EY

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The corporate governance statement is the responsibility of the Board of Directors. 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 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 EU Regulation No 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, the 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.

The financial statements of CPI Property Group S.A. for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 March 2019.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Jesus Orozco

Luxembourg, 31 March 2020

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Annual Accounts Helpdesk :

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Email : centralebilans@statec.etat.lu

RCSL Nr. : B102254	Matricule : 2004 2214 745
	eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2019 **to** 02 31/12/2019 *(in* 03 EUR)

CPI PROPERTY GROUP S.A.

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	6.409.098.864,00	110	4.115.253.321,00
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	

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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	6.409.098.864,00	136	4.115.253.321,00
1. Shares in affiliated undertakings	1137	Note 3.1	137	2.267.556.514,00	138	1.805.205.581,00
2. Loans to affiliated undertakings	1139	Note 3.2	139	4.133.617.350,00	140	2.310.045.240,00
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	7.925.000,00	146	2.500,00
6. Other loans	1147		147		148	
D. Current assets	1151		151	757.217.127,00	152	138.023.911,00
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	247.164.227,00	164	136.596.138,00
1. Trade debtors	1165		165		166	
a) becoming due and payable within one year	1167		167		168	
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171	Note 4	171	246.563.961,00	172	136.326.216,00
a) becoming due and payable within one year	1173	Note 4.1	173	69.185.662,00	174	88.632.213,00
b) becoming due and payable after more than one year	1175	Note 4.2	175	177.378.299,00	176	47.694.003,00
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	600.266,00	184	269.922,00
a) becoming due and payable within one year	1185	Note 4.3	185	600.266,00	186	269.922,00
b) becoming due and payable after more than one year	1187		187		188	

	Code	Reference(s)	Code	Current year	Code	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	Note 4.5	197	510.050.480,00	198	1.425.353,00
E. Prepayments	1199	Note 5	199	65.953.347,00	200	33.321.672,00
TOTAL (ASSETS)			201	7.232.269.338,00	202	4.286.598.904,00

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RCSL Nr. : B102254	Matricule : 2004 2214 745

CAPITAL, RESERVES AND LIABILITIES

	Code	Reference(s)	Code	Current year	Code	Previous year
A. Capital and reserves	1301	Note 6	301	1.578.088.995,00	302	1.678.451.941,00
I. Subscribed capital	1303		303	865.171.633,00	304	901.386.866,00
II. Share premium account	1305		305	647.906.757,00	306	1.039.046.471,00
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	0,00	320	-303.524.863,00
VI. Profit or loss for the financial year	1321		321	8.282.752,00	322	-15.184.386,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331	Note 7	331	1.000.000,00	332	1.000.000,00
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	1.000.000,00
C. Creditors	1435		435	5.649.678.822,00	436	2.606.535.428,00
1. Debenture loans	1437		437	4.042.792.906,00	438	2.228.945.055,00
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	4.042.792.906,00	446	2.228.945.055,00
i) becoming due and payable within one year	1447		447	29.946.122,00	448	10.120.033,00
ii) becoming due and payable after more than one year	1449		449	4.012.846.784,00	450	2.218.825.022,00
2. Amounts owed to credit institutions	1355	Note 9	355	170.960.156,00	356	152.306.426,00
a) becoming due and payable within one year	1357		357	960.156,00	358	102.306.426,00
b) becoming due and payable after more than one year	1359		359	170.000.000,00	360	50.000.000,00

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	Code	Reference(s)	Code	Current year	Code	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	1.505.694,00	368	2.609.122,00
a) becoming due and payable within one year	1369		369	1.505.694,00	370	2.609.122,00
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	1.420.116.234,00	380	222.297.380,00
a) becoming due and payable within one year	1381	Note 10.1	381	37.054.889,00	382	130.366.552,00
b) becoming due and payable after more than one year	1383	Note 10.2	383	1.383.061.345,00	384	91.930.828,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385		386	
a) becoming due and payable within one year	1387		387		388	
b) becoming due and payable after more than one year	1389		389		390	
8. Other creditors	1451	Note 11	451	14.303.832,00	452	377.445,00
a) Tax authorities	1393	Note 11.1	393	548.455,00	394	9.110,00
b) Social security authorities	1395		395	0,00	396	3.738,00
c) Other creditors	1397		397	13.755.377,00	398	364.597,00
i) becoming due and payable within one year	1399	Note 11.2	399	8.255.377,00	400	364.597,00
ii) becoming due and payable after more than one year	1401	Note 11.3	401	5.500.000,00	402	0,00
D. Deferred income	1403	Note 12	403	3.501.521,00	404	611.535,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	7.232.269.338,00	406	4.286.598.904,00

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 01/01/2019 **to** 02 31/12/2019 *(in* 03 EUR)

CPI PROPERTY GROUP S.A.

40, rue de la Vallée
L-2661 Luxembourg

PROFIT AND LOSS ACCOUNT

	Code	Reference(s)	Code	Current year	Code	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	3.830.632,00	714	531.100,00
5. Raw materials and consumables and other external expenses	1671		671	-2.389.198,00	672	-1.223.747,00
a) Raw materials and consumables	1601		601	0,00	602	-398,00
b) Other external expenses	1603	Note 14	603	-2.389.198,00	604	-1.223.349,00
6. Staff costs	1605	Note 15	605	-181.060,00	606	-168.491,00
a) Wages and salaries	1607		607	-171.511,00	608	-156.462,00
b) Social security costs	1609		609	-9.549,00	610	-10.868,00
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655	-9.549,00	656	-10.868,00
c) Other staff costs	1613		613	0,00	614	-1.161,00
7. Value adjustments	1657	Note 16	657	684.343,00	658	390.389,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659		659		660	
b) in respect of current assets	1661		661	684.343,00	662	390.389,00
8. Other operating expenses	1621	Note 17	621	-438.801,00	622	-5.666.860,00

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		Reference(s)		Current year		Previous year
9. Income from participating interests	1715	Note 18	715	40.285.000,00	716	17.344,00
a) derived from affiliated undertakings	1717		717	40.285.000,00	718	17.344,00
b) other income from participating interests	1719		719		720	
10. Income from other investments and loans forming part of the fixed assets	1721	Note 19	721	106.044.630,00	722	42.808.828,00
a) derived from affiliated undertakings	1723		723	106.044.630,00	724	42.808.717,00
b) other income not included under a)	1725		725	0,00	726	111,00
11. Other interest receivable and similar income	1727	Note 20	727	24.863.011,00	728	8.252.876,00
a) derived from affiliated undertakings	1729	Note 20.1	729	723.547,00	730	7.111.265,00
b) other interest and similar income	1731	Note 20.2	731	24.139.464,00	732	1.141.611,00
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	-8.077.280,00	666	-5.183.915,00
14. Interest payable and similar expenses	1627	Note 22	627	-156.329.910,00	628	-54.932.190,00
a) concerning affiliated undertakings	1629	Note 22.1	629	-15.882.116,00	630	-6.322.049,00
b) other interest and similar expenses	1631	Note 22.2	631	-140.447.794,00	632	-48.610.141,00
15. Tax on profit or loss	1635		635		636	
16. Profit or loss after taxation	1667		667	8.291.367,00	668	-15.174.666,00
17. Other taxes not shown under items 1 to 16	1637	Note 23	637	-8.615,00	638	-9.720,00
18. Profit or loss for the financial year	1669		669	8.282.752,00	670	-15.184.386,00

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, 2019 to December 31, 2019.

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, 2019, CPI PG is indirectly controlled by Radovan Vítek, ultimate beneficial owner, at 90.70% (2018: 91.61%) through his investment vehicles (Voting rights 2019: 94.18%; 2018: 94.25%).

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 Board of Directors has concluded that it is appropriate to prepare the separate annual accounts as at December 31, 2019 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 cost less permanent impairment 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 adjustments 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 adjustments 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.

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R.C.S. Luxembourg B 102.254

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.

Cross-currency swaps

Cross-currency swap Interest is recorded at its nominal value. The interest is reported in balance sheet together with converted source. The interest is reported separately in profit and loss account.

The Company records the fixed amounts on off-balance accounts. The same approach is used for fair value of a cross-currency swap.

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

2019	Shares in affiliated undertakings	Loans to affiliated undertakings
	KEUR	KEUR
Gross book value		
Balance at January 1, 2019	1,939,920	2,406,930
Additions for the year	460,366	2,031,130
Disposals for the year	--	(197,496)
Balance at December 31, 2019	2,400,286	4,240,564
Accumulated Value adjustments		
Balance at January 1, 2019	(134,714)	(96,885)
Additions for the year	(1,553)	(10,776)
Disposals for the year	3,538	714
Balance at December 31, 2019	(132,729)	(106,947)
Net book value as at January 1, 2019	**1,805,206**	**2,310,045**
Net book value as at December 31, 2019	**2,267,557**	**4,133,617**

3.1 Shares in affiliated undertakings

The Company during 2019:

- established:
  - 7 St. James's Square Limited.
- increased its investments in:
  - CPI Hotels Italy S.r.l.
  - Parco delle Case Bianche S.r.l.
- acquired:
  - Airport City Phase B Kft. from ST Project Limited,
  - Sunčani Hvar d.d. from PTR Prime Tourist Resort (Cyprus) Limited,
  - 97.31 % of CPI FIM SA (formerly Orco Property Group S.A.) from Nukasso Limited, Jagapa Limited, Fetumar Development Limited and Aspley Ventrures Limited,
  - Baron Puglia S.r.l. from Radovan Vítek, the ultimate benefical owner of the Company.
- entered with CPI FIM SA (formerly Orco Property Group S.A.) into Promissory Sale agreement with KOKSI Holding for future sale of shares of CSP CAYO (see Note 11.2, Note 27).

The Company compared acquisition cost with Net Equity of undertakings and applied value adjustments. The Management of the Company has decided to not fully impair the investment in Parco delle Case Bianche S.r.l. basing their decision on positive market value of the Company's project, that is not considered in Net Equity of the Undertakings. Results of Value adjustments are reported in Note 21.

Undertakings in which the Company holds participation in their share capital are detailed in the following table:

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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 2019
		as at	31.12.2019	31.12.2018	in 2019	31.12.2019	31.12.2018	in 2019	31.12.2019	31.12.2018	31.12.2019		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
1 Bishops Avenue Limited	Great Britain	GBP	100.00%	--	--	--	--	--	--	--	--	26,977	1,032
7 ST JAMES'S SQUARE LIMITED*	Great Britain	GBP	100.00%	--	--	--	--	--	--	--	--	24,775	(108)
Airport City Phase B Kft.*	Hungary	HUF	100.00%	--	718	718	--	--	--	--	718	4,151	998
Baron Puglia S.r.l.*	Italy	EUR	100.00%	--	10	10	--	--	--	--	10	10	0
CM Hotels SA	Switzerland	EUR	100.00%	92	--	92	(92)	--	(92)	--	--	(2,090)	(423)
CPI Alberghi HI Roma S.r.l.	Italy	EUR	100.00%	31,662	--	31,662	--	--	--	31,662	31,662	35,519	60
CPI FIM SA (formerly ORCO Property Group S.A.)*	Luxembourg	EUR	97.31%	44	358,143	358,186	--	--	--	44	358,186	587,183	73,604
CPI Finance CEE, a.s.	Czech Republic	CZK	100.00%	75	--	75	(4)	--	(4)	71	71	71	(1)
CPI Hotels Italy S.à r.l.	Italy	EUR	100.00%	10	1,004	1,014	--	(1,014)	(1,014)	10	--	(6,632)	(2,464)
CPI North, s.r.o.	Czech Republic	CZK	100.00%	4	--	4	--	--	--	4	4	5;73	116
Czech Property Investments, a.s.	Czech Republic	CZK	100.00%	1,633,204	--	1,633,204	--	--	--	1,633,204	1,633,204	2,394,296	157,159
Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	94.99%	74,768	--	74,768	--	--	--	74,768	74,768	1,883,246	494,506
GSG Holding 2 GmbH	Germany	EUR	100.00%	198	--	198	(179)	2	(177)	19	21	21	3
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	94.99%	3,765	--	3,765	--	--	--	3,765	3,765	95,471	24,767
IVRAVODA LIMITED	Cyprus	EUR	100.00%	640	--	640	--	(539)	(539)	640	101	101	6,351
Mercuda, a.s.	Czech Republic	CZK	100.00%	37,186	--	37,186	--	--	--	37,186	37,186	73,327	(1,366)
ORCO Immobilien GmbH	Germany	EUR	100.00%	12,906	--	12,906	(12,906)	--	(12,906)	--	--	(51,202)	(1,582)
Parco delle Case Bianche S.r.l.	Italy	EUR	100.00%	2,389	1,307	3,696	--	--	--	2,389	3,696	(1,576)	(1,586)
Remontées Mécaniques Crans Montana Aminoma (CMA) SA	Switzerland	EUR	83.42%	97,889	--	97,889	(81,055)	3,399	(77,655)	16,835	20,234	24,256	3,671
SCI MAS CANTAGRELI	France	EUR	100.00%	1	--	1	(1)	--	(1)	--	--	(3,915)	(288)
SCP AILEY	Monaco	EUR	99.90%	1	--	1	(1)	--	(1)	--	--	(783)	(85)
SCP CAYO	Monaco	EUR	99.90%	1,377	--	1,377	(117)	117	--	1,261	1,377	1,775	513

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 2019
		as at	31.12.2019	31.12.2018	in 2019	31.12.2019	31.12.2018	in 2019	31.12.2019	31.12.2018	31.12.2019		
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
SCP CISKEY	Monaco	EUR	99.90%	116	--	116	(116)	--	(116)	--	--	(9,698)	(2,139)
SCP KANDLER	Monaco	EUR	99.90%	14	--	14	(14)	--	(14)	--	--	(4,209)	(405)
SCP MADRID	Monaco	EUR	99.90%	1	--	1	(1)	1	--	--	1	307	444
SCP NEW BLUE BIRD	Monaco	EUR	99.90%	--	--	--	--	--	--	--	--	(5,339)	(539)
SCP PIERRE CHARRON	Monaco	EUR	99.90%	19	--	19	(19)	19	--	--	19	3,012	3,727
SCP VILLA DE TAHITI	Monaco	EUR	99.90%	3,348	--	3,348	--	--	--	3,348	3,348	7,068	3,179
Sunčani Hvar d.d.*	Croatia	HRV	100.00%	--	99,185	99,185	--	--	--	--	99,185	158,198	3,593
Vitericon Projektentwicklung GmbH	Germany	EUR	100.00%	40,210	--	40,210	(40,210)	--	(40,210)	--	--	--	--
ZLATICO LIMITED	Cyprus	EUR	0.10%	--	--	--	--	--	--	--	--	33,200	(24,033)
Total				**1,939,919**	**460,367**	**2,400,285**	**(134,715)**	**1,985**	**(132,729)**	**1,805,206**	**2,267,556**		

(*)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:

	2019	2018
	KEUR	KEUR
Amount due	4,240,564	2,406,934
Value adjustments	(106,947)	(96,887)
Net value	**4,133,617**	**2,310,047**

The Company provides loans to affiliated undertakings with interest rate range 1.5-8% p.a. and maturity date until December 2028. The Company provides non-interest loan to British entities with maturity December 31, 2069 or the maturity date is not specified.

Results of Value adjustments are reported in Note 21.

In March 2019, the Company together with CPI FIM SA (formerly Orco Property Group S.A.) have entered into Promissory Sale Agreement with KOKSI Holding for future assignment of receivable of loans provided to CSP CAYO (see Note 11.2, Note 27) in the amount of KEUR 19,416 (2018: KEUR 19,124).

3.3 Investments held as fixed assets

As of December 31, 2019, the Company is holding investments held as fixed assets as follows:

Name of the undertaking	Country	Cur.	% held	Cost	Accumulated Impairment	Carrying Value	Carrying Value
		as at	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2019
				KEUR	KEUR	KEUR	KEUR
Globalworth Real Estate Investments Limited	Guernsey	GBP	0.38%	7,905	--	--	7,905
Total undertakings				**7,905**	**--**	**--**	**7,905**
Deposit bank account						3	20
Total						**3**	**7,925**

On December 30, 2019, the Company acquired 0.0383 % of Globalworth Real Estate Investments Limited through a broker. Because of the acquisition date, the Company valued this investment at acquisition cost. The Company has acquired more shares in 2020 (see Note 27).

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.

	2019				2018			
	Principal	Interest	Other	Total	Principal	Interest	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Amount due	--	53,347	17,499	70,846	35,106	34,244	21,627	90,977
Value adjustments	--	(1,373)	(287)	(1,660)	--	(2,058)	(287)	(2,345)
Net value	**--**	**51,974**	**17,212**	**69,186**	**35,106**	**32,186**	**21,340**	**88,632**

4.2 Amounts owed by affiliated undertakings becoming due and payable after more than one year

The following amounts owed by affiliated undertakings have been considered:

	2019				2018			
	Principal	Interest	Other	Total	Principal	Interest	Other	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Amount due	173,378	4,000	--	177,378	47,694	--	--	47,694
Value adjustments	--	--	--	--	--	--	--	--
Net value	**173,378**	**4,000**	**--**	**177,378**	**47,694**	**--**	**--**	**47,694**

The interest rate is 5% p.a. with maturity date December 31, 2021.

4.3 Other debtors becoming due and payable within one year

The following amounts owed by other debtors have been considered:

	2019				2018			
	Principal	Other	Tax authorities	Total	Principal	Other	Tax authorities	Total
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Amount due	--	988	--	988	--	530	129	659
Value adjustments	--	(388)	--	(388)	--	(389)	--	(389)
Net value	**--**	**600**	**--**	**600**	**--**	**141**	**129**	**270**

4.4 Other investments

The Company has the following transferable securities:

				2019			2018		
Securities	ISIN	Quantity	Maturity	Cost	Value adj.	Net value	Cost	Value adj.	Net value
				KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Warrants ORCO Property Group S.A.	XS029764728	15,125	31.12.2019	0.24	--	0.24	0.24	0.00	0.24
Total				**0.24**	**--**	**0.24**	**0.24**	**0.00**	**0.24**

4.5 Cash at bank and in hand

The Company concluded short term deposit in the amount of KEUR 510,050 with interest rate range 0-1.85 % p.a., at the end of the year 2019 at HSBC France – pobočka Praha and Bank of China (Hungary) Close Ltd. Prague branch, odštěpný závod. The deposit interest is disclosed in Note 4.3 in the amount of KEUR 599.

NOTE 5 - PREPAYMENTS

Prepayments are mainly composed of transaction cost and discounts relating to the issuance of non-convertible loans (see Note 8). The corresponding issuance cost is amortized until the final maturity date of the related non-convertible loans.

				2019				2018
	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
Notes costs	14,552	41,652	7,446	63,650	7,128	23,381	1,520	32,029
Credit institution loans costs	967	760	18	1,745	914	292	--	1,206
Other	558	--	--	558	87	--	--	87
Total prepayments	**16,077**	**42,412**	**7,464**	**65,953**	**8,129**	**23,673**	**1,520**	**33,322**

NOTE 6 - CAPITAL AND RESERVES

6.1 Subscribed capital and share premium account

As of December 31, 2019, the share capital amounts to EUR 865,171,633 (2018: EUR 901,386,869) and is represented by 8,651,716,331 ordinary shares (2018: 9,013,868,658) with par value of EUR 0.10 each fully paid in.

Share buy-back programme

The annual general meeting of the shareholders of the Company held on May 29, 2019 (the "2019 AGM") approved the terms and conditions of a buy-back programme of the Company. The buy-back programme enables the Company to repurchase its own shares and authorises the Company to redeem/repurchase its own shares under the terms and conditions set forth therein. In particular, the 2019 AGM authorised the Board of Directors of the Company to repurchase, in one or several steps, a maximum number of 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 EUR 5, for a period of five years from the date of the 2019 AGM. The 2019 AGM 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 2019 AGM, the Board of Directors has decided on 17 June 2019, to proceed to a buy-back of certain shares of the Company. On 1 July 2019, the Company repurchased a total of 362,152,327 shares for the proposed acquisition price of EUR 0.30 per share (representing a total repurchase cost of about EUR 108.6 million). At the time of the repurchase, this represented a direct holding of 4.02% of the Company's share capital. The bought-back shares were cancelled by the extraordinary general meeting of shareholders of the Company held on December 18, 2019.

As at December 31, 2019, the Company is authorised to redeem/repurchase up to 637,847,673 own shares under the buy-back programme approved by the 2019 AGM. For further terms and conditions of buy-back please refer to the buy-back programme of the Company, that is available on the Company's websites www.cpipg.com.

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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, 2019, 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, 2018	**901,387**	**1,039,046**	**56,728**	**(303,525)**	**(15,184)**	**1,678,452**
Annual General Meeting on May 29, 2019 - allocation of 2018 result	-	-	-	(15,184)	15,184	--
Annual General Meeting on May 29, 2019 – use share premium to offset losses carried forward	--	(318,709)	--	318,709	--	--
Extraordinary General Meeting on December 12, 2019 – cancellation of treasury shares	(36,215)	(72,430)	--	--	--	(108,645)
Profit for the financial year	-	-	-	-	8,282	8,282
As at December 31, 2019	**865,172**	**647,907**	**56,728**	**--**	**8,282**	**1,578,089**

NOTE 7 - PROVISIONS

The Company keeps the provision as at December 31, 2019 at the same level as at December 31, 2018 in the amount of KEUR 1,000. The provision was created to cover the potential exposure from Khan Litigation.

NOTE 8 - NON CONVERTIBLE LOANS

The Company has issued 14 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 3 billion to EUR 5 billion in April 2019.

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	2.13%	Euronext Dublin
XS1693959931	225,000,000	EUR	2,250	100.323	October 4, 2024	2.13%	Euronext Dublin
XS1819537132	550,000,000	EUR	5,500	98.833	Undated*	4.38%	Euronext Dublin
XS1894558102	610,000,000	EUR	6,100	99.340	April 14, 2022	1.45%	Euronext Dublin
CH0441186472	165,000,000	CHF	33,000	100.000	October 25, 2023	1.63%	SIX Swiss Exchange
XS1917880012	8,000,000,000	JPY	80	100.000	December 10, 2021	1.41%	Tokyo Pro-Bonds market
XS1917855337	3,000,000,000	JPY	30	100.000	December 8, 2028	2.00%	Tokyo Pro-Bonds market
XS1950499639	450.000.000	HKD	450	100.000	February 12, 2024	4.51%	Euronext Dublin
XS1955030280	350,000,000	USD	1,750	99.551	March 8, 2023	4.75%	Euronext Dublin
XS1955030280	100,000,000	USD	500	103.770	March 8, 2023	4.75%	Euronext Dublin
XS2069407786	750,000,000	EUR	7,500	98.122	April 23, 2027	1.63%	Euronext Dublin
XS1982704824	550,000,000	EUR	5,500	98.676	Undated**	4.88%	Euronext Dublin
XS2008905155	283,000,000	HKD	283	100.000	June 6, 2026	4.45%	Euronext Dublin

(*) subordinated, no fixed maturity date, are callable by the Company from August 11, 2023
(**) subordinated, no fixed maturity date, are callable by the Company from July 18, 2025

Total	Within one year	Within 5 years	After more than 5 years	Total 2019	Within one year	Within 5 years	After more than 5 years	Total 2018
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Nominal value	1,254	2,104,638	1,906,955	4,012,847	--	819,987	1,398,838	2,218,825
Interest	29,946	--	--	29,946	10,120	--	--	10,120
Total non-convertible loans (Nominal value)	**31,200**	**2,104,638**	**1,906,955**	**4,042,793**	**10,120**	**819,987**	**1,398,838**	**2,228,945**
Prepayment	(14,552)	(41,652)	(7,446)	(63,650)	(7,128)	(23,381)	(1,520)	(32,029)
Deferred income	1,052	2,449	--	3,501	107	425	80	612
Total	**17,700**	**2,065,435**	**1,899,509**	**3,982,644**	**3,099**	**797,031**	**1,397,398**	**2,197,528**

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).

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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 8.13).

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 8.13).

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 8.13).

8.7 ISIN XS1950499639

On February 12, 2029 the Company issued HKD 450 million of 5-year senior notes. The Company converted the proceeds into Euros through a cross-currency swap (see Note 8.13).

8.8 ISIN XS1955030280

On March 8, 2019 the Company issued USD 350 million of senior notes due March 8, 2023 at an issue price 99.551%. The corresponding discount has been recorded under the caption “Prepayments” (see Note 5). The Company converted the proceeds into Euros through cross-currency swaps.

On July 29, 2019 the Company issued second tranche of USD senior notes in the amount of USD 100 million at an issue price 103.77%. The corresponding premium has been recorded under the caption “Deferred income” (see Note 12). The Company converted the proceeds into Euros through cross-currency swaps as well. (see Note 8.13).

8.9 ISIN XS1982704824

On April 16, 2019 the Company issued EUR 550 million of resettable undated subordinate notes at an issue price 98.676%. The corresponding discount has been recorded under the caption “Prepayments” (see Note 5). The notes have no fixed maturity date and are callable by the Company from July 18, 2025.

8.10 ISIN XS2008905155

On June 6, 2019 the Company issued HKD 283 million of senior notes due June 6, 2026. The Company converted the proceeds into Euros through a cross-currency swap (see Note 8.13).

8.11 ISIN XS2069407786

On October 28, 2019 the Company issued EUR 750 million of senior notes, "green bonds", due April 23, 2027. The corresponding discount has been recorded under the caption "Prepayments" (see Note 5).

8.12 Costs linked to non-convertible loans

During the financial year end December 31, 2019, the notes generated expenses in the amount of KEUR 118,012 (2018: KEUR 40,356).

8.13 Cross-currency interest rate swaps

The proceeds from the issuance of notes in CHF, JPY, HKD and USD, the Company converted 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, J.P. Morgan Securities PLC., Deutsche Bank AG London, Goldman Sachs International, Raiffeisen Bank International AG.

The fair value of the cross-currency interest rate swaps is as follows:

2019	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
HKD	--	--	--	450	51,444	2,015	283	32,353	(387)
CHF	--	--	--	100	92,132	4,095	--	--	--
JPY	--	--	--	8,000	65,606	3,554	3,000	24,602	--
USD	--	--	--	452	402,644	12,856	--	--	--
Total		**--**	**--**		**611,826**	**22,520**		**56,955**	**(387)**

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**

8.14 Covenants

The issued Notes are subject to covenants (detail of covenants is available in the Company prospectus on the Company's website). As of December 31, 2019, all covenants were met (2018: all covenants were met).

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NOTE 9 - AMOUNTS OWED TO CREDIT INSTITUTIONS

In March 2019, the Company repaid and replaced EUR 230 million facilities by signature a EUR 510 million 3-year unsecured revolving credit facility. The Company signed EUR 170 million of senior unsecured Schuldschein. Credit facilities and unsecured term loans are summarized in the following:

				2019				**2018**
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	170,000	--	--	170,000	102,192	50,000	--	152,192
Interest	960	--	--	960	114	--	--	114
Total amounts owed to credit institution	**170,960**	**--**	**--**	**170,960**	**102,306**	**50,000**	**--**	**152,306**
Prepayment	(967)	(760)	(18)	(1,745)	(914)	(292)	--	(1,206)
Deferred income	--	--	--	--	--	--	--	--
Total	**169,993**	**(760)**	**(18)**	**169,215**	**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 had own maturity and interest rate. The rate of interest was the aggregate of the applicable margin, depending on the Company's rating by rating agencies, and EURIBOR, depending on the maturity date of utilisation.

In March 2019, the Company repaid all utilisation and terminated contract.

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 had own maturity and interest rate. The rate of interest was the aggregate of the applicable margin, depending on the Company's rating by rating agencies, and EURIBOR, depending on the maturity date of utilisation.

In March 2019, the Company repaid utilisation and terminated contract.

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 had own maturity and interest rate. The rate of interest was 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.

In March 2019, the Company repaid utilisation and terminated contract.

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. Utilisation of loan had its own interest rate. The rate of interest was 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.

In November 2019, the Company repaid unsecured term loan.

9.5 EUR 510 million 3-year unsecured revolving credit facility

On March 22, 2019, the Company signed a EUR 510 million 3year unsecured revolving credit facility. This facility replaced EUR 150 million unsecured revolving credit facility and EUR 80 million unsecured revolving credit facility. Eleven regional and international banks participated in the new facility; all nine lenders (Barclays, Credit Suisse, Deutsche Bank, HSBC, J.P. Morgan, Komercni Banka, Nomura, Raiffeisen Bank and UniCredit) in the 2020 facilities increased and extended their commitments, while two new banks also joined the facility (Goldman Sachs and Bank of China). As of December 31, 2019 there is no outstanding balance on facility.

9.6 Schuldschein instruments

On March 15, 2019, the Company entered into Promissory Loans, traditional German loan-style instruments called Schuldschein, with UniCredit Bank AG and Raiffeisen Bank International AG.

There is loan in total amount of EUR 111 million of floating-rate, 6M-EURIBOR + margin 150 bp, due March 21, 2023. The second loan is in total amount of EUR 49 million of floating-rate, 6M-EURIBOR + margin 190 bp, due March 21, 2025. The third loan is in total amount of EUR 10 million of 2.696% Fix Rate, due March 21, 2027.

9.7 Costs linked to Amounts owed to credit institutions

In 2019, the credit facilities, unsecured term loans and Schuldschein generated expenses in the amount of KEUR 5,948 (2018: KEUR 1,073).

9.8 Covenants

Bank loans are subject to a number of covenants, none of these covenants were breached as at December 31, 2019 and 2018. The bank loans covenants are fully aligned with the Company’s EMTN programme.

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:

	2019	2018
	KEUR	KEUR
Principal	2,436	101,067
Interest	14,890	17,557
Other	19,729	11,743
Total	**37,055**	**130,367**

The Company amended the most of loan contracts to prolong maturity date to December 31, 2023 and 2024.

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

The following amounts owed to affiliated undertakings have been considered:

	2019	2018
	KEUR	KEUR
Principal	1,382,344	83,953
Interest	717	2
Other	--	7,976
Total	**1,383,061**	**91,931**

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The Company received loan with interest range 1.5-6% p.a. with maturity date December 31, 2024 at the latest. The increase in principal is result of prolongation maturity date and received loan from CPI FIM SA (formerly Orco Property Group S.A.).

NOTE 11 - OTHER CREDITORS

11.1 Tax authorities

The Company recognize VAT tax payable in the amount of KEUR 544 (2018: KEUR 0).

11.2 Other creditors becoming payable within one year are composed as follow:

	2019	2018
	KEUR	KEUR
Audit Committee - attendance fees	1	--
Directors - attendance fees	--	14
Others	8,254	351
Total	**8,255**	**365**

The item Others includes consideration of purchase price of shares of Globalworth Real Estate Investments (see Note 3.3) in the amount of KEUR 7,905.

11.3 Other creditors becoming due and payables after more than one year

The Company together with CPI FIM SA have entered into Promissory Sale Agreement with KOKSI Holding LTD in the presence of SCP CAYO. The Company and CPI FIM SA intend to sale of shares of SCP CAYO and assign loans, provided to SCP CAYO, to KOKSI Holding LTD in December 2021 at the latest. The Company received advance payments of the considerations in the total amount of KEUR 5,500 (see Note 27).

NOTE 12 - DEFERRED INCOME

Deferred income consists of premium that arose from the issuance of notes under EMTN programme (see Note 8.1 and 8.8).

				2019				2018
	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
Total Notes	1,052	2,449	--	3,501	107	425	80	612
Other	1	--	--	1	--	--	--	--
Total	**1,053**	**2,449**	**--**	**3,502**	**107**	**425**	**80**	**612**

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 item Others includes income as result from termination of Exclusivity Agreement in form of "Priority Right Abort Fee" in the amount of KEUR 3,000.

	2019	2018
	KEUR	KEUR
CPI FIM SA (formerly ORCO Property Group S.A.) – remuneration for services	582	531
Others	3,249	--
Total	**3,831**	**531**

NOTE 14 - OTHER EXTERNAL EXPENSES

Other external expenses are compose as follows:

	2019	2018
	KEUR	KEUR
Rental, maintenance and repairs	12	27
Financial services	68	178
Bank fees	16	9
Professional fees:	**2,140**	**883**
legal fee	1,196	256
audit fee	193	482
advisory fee	369	56
other fee	382	89
Advertising, publications, public relations	70	81
Travelling costs	36	23
Other various fees	47	22
Total	**2,389**	**1,223**

NOTE 15 - STAFF COSTS

The Company had three employees in 2019 (2018: three).

	2019	2018
	KEUR	KEUR
Wages and salaries	171	158
Social security costs	10	11
Total	**181**	**169**

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NOTE 16 - VALUE ADJUSTMENTS IN RESPECT OF CURRENT ASSETS

The Company has been considered Value adjustments of current assets as follows:

	2019	2018
	KEUR	KEUR
Affiliated undertakings	685	386
Others	(1)	4
Total	**684**	**390**

NOTE 17 - THE OTHER OPERATING EXPENSES

The other operating expenses mainly includes impact of unclaimed VAT.

	2019	2018
	KEUR	KEUR
Sale of CPI Finance Slovakia II, a.s.	--	6,190
Liquidation of Mondello, a.s.	--	3
Increase of provision for Khan litigation	--	600
Affiliate based in Monaco cost	4	(1,222)
Unclaimed VAT	358	--
Directors - attendance fees	57	72
Audit Committee - attendance fees	8	7
Others	12	17
Total	**439**	**5,667**

NOTE 18 - INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

The Company received dividends as follows:

	2019	2018
	KEUR	KEUR
ZLATICO LIMITED	25	17
IVRAVODA LIMITED	40,260	--
Total	**40,285**	**17**

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 2019 in the amount of KEUR 106,045 (2018: KEUR 42,809).

NOTE 20 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

20.1 Derived from affiliated undertakings

In 2019, other interest receivable from affiliated undertakings mainly concerned the entities listed below:

	2019	2018
	KEUR	KEUR
Interest	698	5,514
FX	26	1,597
Other	--	--
Total	**724**	**7,111**

20.2 Other interest and similar income

This position includes mainly interest from cross-currency interest rate swaps.

	2019	2018
	KEUR	KEUR
Interest	21,988	746
FX	779	356
Other	1,372	40
Total	**24,139**	**7,111**

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:

	2019	2018
	KEUR	KEUR
Shares	**1,985**	**(3,535)**
CPI Finance CEE, a.s.	--	(4)
CPI Hotels Italy S.r.l.	(1,014)	--
GSG Holding 2 GmbH	2	19
IVRAVODA LIMITED	(539)	--
Remontées Mécaniques Crans Montana Aminona (CMA) SA	3,399	(3,414)
SCP CAYO	117	(117)
SCP MADRID	1	--
SCP PIERRE CHARRON	19	(19)
Loans	**(10,062)**	**(1,648)**
Affiliated undertakings	(10,062)	(1,652)
Other	--	4
Total	**(8,077)**	**(5,183)**

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NOTE 22 - INTEREST PAYABLE AND SIMILAR EXPENSES

22.1 Concerning affiliated undertakings

Interest payable and similar expenses are composed as follows.

	2019	2018
	KEUR	KEUR
Interest	15,726	6,257
FX	156	63
Other	--	2
Total	**15,882**	**6,322**

22.2 Other interest and similar expenses

This position includes mainly interest from notes and cross-currency interest rate swaps.

	2019	2018
	KEUR	KEUR
Interest	106,570	36,138
FX	15,703	6,387
Other	18,175	6,085
Total	**140,448**	**48,610**

NOTE 23 - TAX ON PROFIT OR LOSS

The Company is taxable company for Luxembourg income and net wealth taxes. As at December 31, 2019, the Company has a payable amounting to KEUR 0 (2018: KEUR 10) towards the Luxembourg Tax Administration.

	2019	2018
	KEUR	KEUR
Wealth tax	5	10
Other taxes and duties	4	--
Total	**9**	**10**

NOTE 24 - OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

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 2019:

- Wattstrasse, limited to EUR 101,334
- Geneststrasse, limited to EUR 104,000
- Zossener Strasse, limited to EUR 102,133
- Adalbertstrasse, limited to EUR 41,069
- Waldemarstrasse, limited to EUR 94,931
- Gneisenaustrasse, limited to EUR 91,733
- Lübarser Strasse, limited to EUR 68,000

British entities guarantee

The Company has given a guarantee in accordance with s479C of the Companies Act 2006 which has the effect that the Company guarantees all outstanding liabilities to which 1 Bishops Avenue Limited and 7 St James's Square Limited is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full. The guarantee is enforceable against the Company by any person to whom 1 Bishops Avenue Limited or 7 St James's Square Limited is liable in respect of those liabilities.

In accordance with section 479A of the Companies Act, by virtue of this guarantee, 1 Bishops Avenue Limited and 7 St James's Square Limited are exempt from the requirements of the Companies Act relating to the audit of their individual accounts.

Other Guarantee, warranties

<u>CPI Hotels Italy</u>

The Company concluded an agreement with HSBC France, acting through its branch HSBC France – pobočka Praha ("HSBC"), in relation to a bank guarantee for its subsidiary CPI Hotels Italy S.r.l. Under this agreement, HSBC will provide a guarantee to IHG Hotels Limited up to amount of EUR 50,000 until December 31, 2031.

Credit Facility Agreements

As at balance sheet date, the Company has contracted below the credit facility agreements with its undertakings affiliated:

Undertakings	2019 Drawdown Limit (MEUR)	2018 Drawdown Limit (MEUR)
1 Bishops Avenue Limited	83	68
7 St James's Square Limited	71	--
CPI Hotels, a.s	17	17
CPI Hotels Italy	6	5
CPI Alberghi HI Roma S.r.l.	5	5
Czech Property Investments a.s.	765	765
ORCO Property Group S.A.	3,935	2,186
Parco Delle Case Bianche, S.R.L	30	30
Gamala Limited	200	208
GSG ARMO Holding GmbH (formerly Brillant 2800. GmbH	38	35
Orco Immobilien GmbH	57	57
PTR Prime Tourist Resort (Cyprus) Limited	150	150
Radovan Vitek	--	60
Spojené farmy, a.s.	4	39
SCI MAS Cantagreli	20	20

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Undertakings	2019 Drawdown Limit (MEUR)	2018 Drawdown Limit (MEUR)
SCP Ailey	20	20
SCP Cayo	23	23
SCP Ciskey	35	32
SCP Kandler	20	20
SCP Madrid	20	20
SCP New Blue Bird	21	21
SCP Pierre Charron	21	21
SCP Villa de Tahiti	23	23

Kingstown dispute in Luxembourg

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 CPI FIM SA, filed with the Tribunal d´Arrondissement de et a Luxembourg (the "Court"). The petition seeks condemnation of the Company together with CPI FIM SA and certain members of CPI FIM SA´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 CPI FIM SA´s minority shareholders rights. To the best of Company´s knowledge, Kingstown was not at the relevant time 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.

On June 21, 2019 the Company received a first instance judgment, which declared that a claim originally filed by Kingstown in 2015 was null and void against CPIPG. The Court dismissed the claim against CPIPG because the claim was not clearly pleaded ("libellé obscur"). Specifically, Kingstown did not substantiate or explain the basis of their claim against CPIPG and failed to demonstrate how CPIPG committed any fault. In relation to the admissibility of Kingstown's claim against CPI FIM SA and other defendants, the Court is expected to rule only after it further examines positions of the remaining parties on certain procedural aspects; until then, the case will continue in a procedural stage. The merits of the case will be pleaded by any remaining defendants only if the Court declares the claim admissible.

The Company did not account for any provision in respect of this disputes.

Kingstown dispute in the United States

On April 10, 2019, a group of Kingstown companies, Investhold LTD and Verali Limited (together, the "Kingstown Plaintiffs") filed a claim in the United States District Court of the Southern District of New York (the "SDNY Court") against, among others, the Company and Mr. Radovan Vítek (together, the "CPI Plaintiffs"). The claims brought by the Kingstown Plaintiffs against the Company include alleged violations of RICO.

The Company believes that the claims are without merit and were designed to create negative press attention for the Company and to force an undue settlement. The Group's business has been totally unaffected by the New York lawsuit and by similar attempts by the Kingstown Plaintiffs to harm the reputation of the Company and Mr. Vitek. The Company reported superb preliminary operating results for 2019 and is pleased to have successfully issued nearly EUR 2 billion of bonds on the international capital markets since the New York lawsuit was filed.

On September 10, 2019, the Company's Defendants filed a motion to dismiss the case in the SDNY Court. On November 22, 2019, the Kingstown Plaintiffs filed an amended complaint in the SDNY Court. The amended complaint adds new non-US defendants and simply continues the false campaign against the Company and Mr. Vitek. The amended complaint does nothing to cure the serious jurisdictional deficiencies and pleading defects present in the original complaint.

On 14 February 2020, the Company Defendants filed a motion to dismiss the amended complaint. The arguments presented in the motion resemble those presented by the CPIPG Defendants in September 2019 and are further refined given the new allegations:

i) The Kingstown Plaintiffs have failed to justify the application of RICO outside the United States;
ii) The SDNY Court lacks jurisdiction over the Company Defendants;
iii) The Kingstown Plaintiffs' alleged RICO claims are time-barred under RICO's four-year statute of limitations;
iv) The SDNY Court is an improper forum to hear the case given that, among other things, Kingstown initiated nearly identical proceedings in Luxembourg in January 2015 which are still pending against some of the Company Defendants;
v) The Kingstown Plaintiffs have nonetheless failed to adequately state any claim against the Company Defendants.

The Company believes the amended complaint warrants dismissal and awaits a decision from the Court on the motion to dismiss in due course. The Group will continue to update all of our stakeholders on progress in the case and appreciates the steadfast support that the Company has received from our tenants, bond investors, banks and other stakeholders.

The Company did not account for any provision in respect of this disputes.

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 an 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. The Company did not account for any provision in respect of the Vitericon litigation.

NOTE 25 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors attendance compensation for the year 2019 amounts to EUR 57,000 (2018: 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.

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NOTE 26 - RELATED PARTY TRANSACTIONS

The Company considers entities reported as affiliated undertaking:

- entity, that are owned by the Company (directly or indirectly),
- Radovan Vítek and related party owned by Radovan Vítek, the ultimate beneficial owner of the Company.

Entity owned by the Company (directly and indirectly)

The list contains only affilitated, with whom the Company considers transaction in 2019 and 2018. The full list of subsidiaries is presented in the CPI PG's annual report, available at www.cpipg.com.

1 Bishops Avenue Limited
7 ST JAMES'S SQUARE LIMITED
Branch of MMR RUSSIA S.à r.l. (Luxembourg)
CM Hotels SA
CMA Immobilier SA
CODIAZELLA LTD,
CPI Alberghi HI Roma S.r.l.
CPI FIM SA (formerly ORCO Property Group S.A.)
CPI Finance (BVI) Limited
CPI Finance Netherlands II B.V.
CPI Hotels Italy S.r.l.
CPI Hotels, a.s.
CPI Management, s.r.o.
CPI Poland Sp. z o.o.
CPI Property Group S.A.
CPI Services, a.s.
Czech Property Investments, a.s.
Gewerbesiedlungs-Gessellschaft mbH
GSG Armo Holding GmbH (formerly Brillant 2800. GmbH)
GSG Asset GmbH & Co. Verwaltungs KG
GSG Europa Beteiligungs 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 Holding 2 GmbH
Isalotta GP GmbH & Co.Verwaltungs KG
IVRAVODA LIMITED
Mercuda, a.s.
Mondello, a.s., v likvidaci (liquidated)
Orco Immobilien GmbH
Parco delle Case Bianche, S.r.l.
PTR PRIME TOURIST RESORT (CYPRUS) LIMITED
Remontées Mécaniques Crans Montana Aminona (CMA) SA
SCI MAS CANTAGRELI
SCP AILEY
SCP CAYO
SCP CISKEY
SCP KANDLER
SCP MADRID
SCP NEW BLUE BIRD
SCP PIERRE CHARRON
SCP VILLA DE TAHITI
Spojené farmy a.s.
ST Project Limited
Vitericon Projektentwicklung GmbH
ZLATICO LIMITED

Related party owned by Radovan Vítek reported as affiliated undertaking

- Gamala Limited

Other related party reported as other

- CPIPG Holding S.à r.l. (formerly Rindostern S.à r.l.) through Radovan Vítek

Related party balances

Receivable	2019 Financial fixed asset affiliated	2019 Current assets affiliated more than one year	2019 Current assets affiliated within one year	2019 Total	2018 Financial fixed asset affiliated	2018 Current assets affiliated more than one year	2018 Current assets affiliated within one year	2018 Total
Note	3.2	4.2	4.1	--	3.2	4.2	4.1	--
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Owned by the Company (directly, indirectly)	**4,133,619**	**4,000**	**60,549**	**4,198,168**	**2,310,048**	**--**	**85,742**	**2,395,790**
1 Bishops Avenue Limited	72,561	2,640	--	75,201	66,242	--	127	66,369
7 ST JAMES'S SQUARE LIMITED	54,658	662	--	55,320	--	--	--	--
CM Hotels SA*	--	--	--	--	--	--	--	--
CMA Immobilier SA*	15,830	--	207	16,037	4,406	--	133	4,539
CPI Alberghi HI Roma S.r.l.	365	--	15	380	365	--	5	370
CPI FIM SA (formerly ORCO Property Group S.A.)	3,685,990	--	50,866	3,736,856	1,923,918	--	31,747	1,955,665
CPI Hotels Italy S.r.l.*	--	--	--	--	4,701	--	79	4,780
CPI Hotels, a.s.	9,814	--	850	10,664	9,814	--	248	10,062
CPI Services, a.s.	--	--	4,372	4,372	--	--	5,228	5,228
Czech Property Investments, a.s.	130,273	--	784	131,057	130,273	--	4,707	134,980
Gewerbesiedlungs-Gessellschaft mbH	--	--	--	--	--	--	--	--
GSG Armo Holding GmbH (formerly Brillant 2800. GmbH)	35,632	534	--	36,166	--	--	35,632	35,632
GSG Europa Beteiligungs GmbH	8,192	164	--	8,356	8,050	--	142	8,192
GSG Holding 2 GmbH	5	--	--	5	5	--	--	5
Isalotta GP GmbH & Co.Verwaltungs KG	45	--	3	48	43	--	3	46
Mercuda, a.s.	43	--	8	51	43	--	6	49
Orco Immobilien GmbH**	--	--	--	--	--	--	--	--
Parco delle Case Bianche, S.r.l.	21,395	--	3,384	24,779	17,350	--	1,784	19,134
PTR PRIME TOURIST RESORT (CYPRUS) LIMITED	--	--	--	--	47,961	--	5,877	53,838
SCI MAS CANTAGRELI***	5,280	--	--	5,280	5,319	--	--	5,319
SCP AILEY***	2,290	--	--	2,290	2,262	--	--	2,262
SCP CAYO	19,416	--	--	19,416	19,124	--	--	19,124
SCP CISKEY***	23,575	--	--	23,575	24,941	--	--	24,941
SCP KANDLER***	6,721	--	--	6,721	6,675	--	--	6,675
SCP MADRID***	2,857	--	--	2,857	2,636	--	--	2,636
SCP NEW BLUE BIRD***	9,189	--	--	9,189	9,372	--	--	9,372
SCP PIERRE CHARRON***	13,335	--	--	13,335	11,448	--	--	11,448
SCP VILLA DE TAHITI	14,011	--	--	14,011	14,128	--	--	14,128
Spojené farmy a.s.	2,142	--	60	2,202	972	--	24	996
Vitericon Projektentwicklung GmbH**	--	--	--	--	--	--	--	--
Radovan Vítek and his entity reported as affiliated	**--**	**173,378**	**8,637**	**182,015**	**--**	**47,694**	**2,890**	**50,584**
Gamala Limited	--	173,378	8,637	182,015	--	47,694	2,890	50,584
Vítek Radovan	--	--	--	--	--	--	--	--
Total	**4,133,619**	**177,378**	**69,186**	**4,380,183**	**2,310,048**	**47,694**	**88,632**	**2,446,374**

*The Company recognised value adjustments on principal and interest in 2019
**The Company recognised value adjustments on principal and interest in 2019 and 2018
***The Company recognised partial value adjustments on principal in 2019 and 2018

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Payable	2019 Owed to affiliated payable after more than one year	2019 Owed to affiliated payable within one year	2019 Total	2018 Owed to affiliated payable after more than one year	2018 Owed to affiliated payable within one year	2018 Total
Note	10.2	10.1	--	10.2	10.1	--
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Owned by the Company (directly, indirectly)	**1,383,061**	**37,044**	**1,420,105**	**91,930**	**130,266**	**222,196**
CODIAZELLA LTD,	--	9,180	9,180	--	9,180	9,180
CPI Alberghi HI Roma S.r.l.	--	--	--	--	500	500
CPI FIM SA (formerly ORCO Property Group S.A.)	1,102,426	20,451	1,122,877	61,339	2,251	63,590
CPI Finance (BVI) Limited	--	2,083	2,083	--	2,083	2,083
Czech Property Investments, a.s.	244,936	4,505	249,441	--	59,441	59,441
Gewerbesiedlungs-Gessellschaft mbH	28,198	--	28,198	29,002	45,829	74,831
GSG Asset GmbH & Co. Verwaltungs KG	--	93	93	--	93	93
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	1,155	69	1,224	--	1,155	1,155
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	1,422	85	1,507	--	1,422	1,422
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	1,350	81	1,431	--	1,350	1,350
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	1,791	107	1,898	--	1,791	1,791
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	1,783	107	1,890	--	1,783	1,783
Orco Immobilien GmbH	--	283	283	--	3,386	3,386
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	--	--	1,589	2	1,591
Radovan Vítek and his entity reported as affiliated	**--**	**10**	**10**	**--**	**--**	**--**
Gamala Limited	--	--	--	--	--	--
Vítek Radovan	--	10	10	--	--	--
Total	**1,383,061**	**37,054**	**1,420,115**	**91,930**	**130,266**	**222,196**

Related party transactions

Income	2019 Other operating income	2019 Financial fixed asset income_ afffiliated	2019 Other financial income_ affiliated	2019 Total	2018 Other operating income	2018 Financial fixed asset income_ afffiliated	2018 Other financial income_ affiliated	2018 Total
Note	13	19	20.1	--	13	19	20.1	--
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Owned by the Company (directly, indirectly)	**582**	**100,300**	**724**	**101,606**	**531**	**42,809**	**2,090**	**45,430**
1 Bishops Avenue Limited	--	2,514	--	2,514	--	127	--	127
7 ST JAMES'S SQUARE LIMITED	--	662	--	662	--	--	--	--
CM Hotels SA	--	55	1	56	--	40	4	44
CMA Immobilier SA	--	207	2	209	--	133	64	197
CPI Alberghi HI Roma S.r.l.	--	10	--	10	--	5	--	5
CPI FIM SA (formerly ORCO Property Group S.A.)	582	86,813	14	87,409	531	30,928	236	31,695
CPI Finance Netherlands II B.V.	--	--	--	--	--	9	--	9
CPI Hotels Italy S.r.l.	--	130	--	130	--	79	--	79
CPI Hotels, a.s.	--	850	--	850	--	1,031	178	1,209
CPI Services, a.s.	--	--	8	8	--	--	191	191
Czech Property Investments, a.s.	--	3,109	--	3,109	--	3,066	28	3,094
Gewerbesiedlungs-Gessellschaft mbH	--	--	--	--	--	--	--	--

Income	2019 Other operating income	2019 Financial fixed asset income_ afffiliated	2019 Other financial income_ affiliated	2019 Total	2018 Other operating income	2018 Financial fixed asset income_ afffiliated	2018 Other financial income_ affiliated	2018 Total
Note	13	19	20.1	--	13	19	20.1	--
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
GSG Armo Holding GmbH (formerly Brillant 2800. GmbH)	--	--	534	534	--	--	527	527
GSG Europa Beteiligungs GmbH	--	--	164	164	--	142	--	142
Isalotta GP GmbH & Co.Verwaltungs KG	--	3	--	3	--	3	--	3
Mercuda, a.s.	--	2	--	2	--	--	2	2
Orco Immobilien GmbH	--	1,110	--	1,110	--	2,018	--	2,018
Parco delle Case Bianche, S.r.l.	--	1,600	--	1,600	--	1,285	--	1,285
PTR PRIME TOURIST RESORT (CYPRUS) LIMITED	--	1,484	--	1,484	--	1,458	--	1,458
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	--	--	--	--	727	816	1,543
SCI MAS CANTAGRELI	--	128	--	128	--	131	--	131
SCP AILEY	--	43	--	43	--	43	--	43
SCP CAYO	--	272	--	272	--	288	--	288
SCP CISKEY	--	464	--	464	--	477	--	477
SCP KANDLER	--	151	--	151	--	153	--	153
SCP MADRID	--	40	--	40	--	41	--	41
SCP NEW BLUE BIRD	--	202	--	202	--	208	--	208
SCP PIERRE CHARRON	--	183	--	183	--	174	--	174
SCP VILLA DE TAHITI	--	198	--	198	--	212	--	212
Spojené farmy a.s.	--	70	1	71	--	31	44	75
Radovan Vítek and his entity reported as affilitated	**--**	**5,748**	**--**	**5,748**	**--**	**--**	**5,021**	**5,021**
Gamala Limited	--	5,748	--	5,748	--	--	3,170	3,170
Vítek Radovan	--	--	--	--	--	--	1,851	1,851
Total	**582**	**106,048**	**724**	**107,354**	**531**	**42,809**	**7,111**	**50,451**

Expense	2019 Other external expense	2019 Financial expense_affiliated	2019 Total	2018 Other external expense	2018 Financial expense_affiliated	2018 Total
Note	14	22.1	--	14	22.1	--
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Owned by the Company (directly, indirectly)	**250**	**15,882**	**16,132**	**33**	**6,312**	**6,345**
1 Bishops Avenue Limited	--	5	5	--	6	6
CPI Alberghi HI Roma S.r.l.	--	8	8	--	--	--
CPI FIM SA (formerly ORCO Property Group S.A.)	24	12,475	12,499	24	2,202	2,226
CPI Hotels, a.s.	1	1	2	1	6	7
CPI Management, s.r.o.	--	--	--	2	--	2
CPI Poland Sp. z o.o.	222	--	222	--	--	--
CPI Services, a.s.	3	--	3	5	14	19
Czech Property Investments, a.s.	--	2,076	2,076	1	2,711	2,712
Gewerbesiedlungs-Gessellschaft mbH	--	717	717	--	708	708
GSG Europa Beteiligungs GmbH	--	--	--	--	40	40
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	--	69	69	--	65	65
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	--	85	85	--	80	80
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	--	81	81	--	76	76

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Expense	2019 Other external expense	2019 Financial expense_affiliated	2019 Total	2018 Other external expense	2018 Financial expense_affiliated	2018 Total
Note	14	22.1	--	14	22.1	--
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	--	107	107	--	101	101
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	--	107	107	--	101	101
Orco Immobilien GmbH	--	77	77	--	176	176
Remontées Mécaniques Crans Montana Aminona (CMA) SA	--	74	74	--	20	20
Spojené farmy a.s.	--	--	--	--	6	6
Radovan Vítek and his entity reported as affilitated	**--**	**--**	**--**	**--**	**8**	**8**
Gamala Limited	--	--	--	--	8	8
Vítek Radovan	--	--	--	--	--	--
Total	**250**	**15,882**	**16,132**	**33**	**6,320**	**6,353**

Value adjustments	2019 Value adjustment of current assets	2019 Value adjustments of fixed assets	2019 Total	2018 Value adjustment of current assets	2018 Value adjustments of fixed assets	2018 Total
Note	16	21	--	16	21	--
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Owned by the Company (directly, indirectly)	**4**	**10,063**	**10,067**	**(1,322)**	**1,652**	**330**
CM Hotels SA	--	614	614	--	442	442
CPI Hotels Italy S.r.l.	--	4,827	4,827	--	--	--
Orco Immobilien GmbH	--	2,018	2,018	--	2,027	2,027
SCI MAS CANTAGRELI	--	287	287	(225)	422	197
SCP AILEY	--	85	85	(69)	265	196
SCP CAYO	--	--	--	(588)	--	(588)
SCP CISKEY	--	2,139	2,139	--	(2,079)	(2,079)
SCP KANDLER	--	405	405	--	478	478
SCP MADRID	1	(137)	(136)	(71)	114	43
SCP NEW BLUE BIRD	1	539	540	(369)	(731)	(1,100)
SCP PIERRE CHARRON	1	(714)	(713)	--	714	714
SCP VILLA DE TAHITI	1	--	1	--	--	--
Vitericon Projektentwicklung GmbH	--	--	--	--	--	--
Total	**4**	**10,063**	**10,067**	**(1,322)**	**1,652**	**330**

The positive value is increase of value adjustments, the negative value is decrease of value adjustments.

Other related party transactions

The Company issued in April 2018 250,000,000 shares to CPIPG Holding S.à r.l. for a global subscription price of EUR 0.2 per share.

NOTE 27 - POST BALANCE SHEET EVENTS

ISIN XS2106589471

On 22 January 2020, the Company issued GBP 350 million 8-years senior green 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 XS2106857746

On 23 January 2020, the Company issued SGD 150 million perpetual subordinated notes under the Company's Euro Medium Term Note (EMTN) programme. The notes are callable beginning in 2025. The Company converted the proceeds from the notes into Euros through cross-currency swaps.

ISIN XS2117757182

On 13 February 2020, the Company issued HKD 250 million 10-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 Schuldschein instrument

The Company repaid on March 23, 2020 the Schuldschein, maturing in 2025, in the amount of KEUR 49,000.

Globalworth Real Estate Investments Limited

On 4 February the Company reached 29.4 % of voting rights of Globalworth Real Estate Investments Limited. Shares in Globalworth were primarily purchased through a broker on the open market. Following the acquisition of Zakiono Enterprises Limited ("Zakiono") from Ioannis Papalekas, the founder and CEO of Globalworth, on January January 2020, CPIPG also gained rights which allow CPIPG to appoint representatives to Globalworth's board and board committees.

At the beginning of March 2020, the Company reconsidered group structure and resale shares of Globalworth Real Estate Investments to Zakiono Enterprises Limited.

COVID-19 disclosure

The assessment relating to COVID 19 is performed at the Group level (CPI Property Grous S.A. together with its subsidiaries as the "Group").

The current impact on the Group's property portfolio is the following:

- With limited exceptions, the Group's offices in Berlin, Prague, Warsaw, and Budapest remain open.

- Approximately 30% to 40% of retail space is open and continues to serve the local community;

- Group's hotels are mostly closed, the Group operates nearly all the hotels owned and was able to act quickly to reduce costs.

- Residential and other properties in the Czech Republic are generally operating normally.

The Group currently has over EUR 1 billion of liquidity comprised of more than EUR 500 million of cash and an undrawn EUR 510 million revolving credit facility with 11 local and international banks maturing in 2022. 70% of Group's assets are unencumbered. Therefore, the Group does not expect the COVID-19 pandemic to have impact on its ability to continue as a going concern.

As an effect of COVID-19 pandemic, the Group's capital expenditure and development plans are being reassessed and reprioritized. The Group is taking actions to reduce overhead and other costs.

The Group considers the impact of COVID-19 pandemic on the Group as non-adjusting event after the reporting period. Until the date, no estimate of an impact on the total value of the Group's property portfolio is available.