FINANCIAL INFORMATION
2015

Including the

Consolidated financial statements

and

Report of the Réviseur d´Entreprises

for the year ended as at 31 December 2015

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

R. C. S. Luxembourg – B 44.996

SUMMARY

Management Report as at 31 December 2015

Management report

ORCO PROPERTY GROUP, société anonyme (the “Company”) and its subsidiaries (together the “Group” or “OPG”) is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in the development of properties for its own portfolio or intended to be sold in the ordinary course of business and is also active in leasing investment properties under operating leases as well as in asset management.

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

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

1 Message from the management

Dear Shareholders, Business Partners, Ladies and Gentlemen,

In all respects, 2015 was a year of considerable challenges for the Company. To confront these obstacles, we established significant transformations in the management of the Group as well as strategy for our development projects. In addition to the sale of non-strategic assets, we successfully completed the financial and operational restructuring of the Group. Centralising the Company in this way has helped us to become more streamlined, make significant savings and concentrate our portfolio

The most significant event in 2015 was the successful exit from the Company’s Safeguard Plan. The Company managed to repay its liabilities admitted to the Safeguard Plan. As a consequence thereof, the Paris Commercial Court pronounced on 26 October 2015 the termination of the Company’s Safeguard Plan. The Company thereby exited its past, marked by the real estate and capital market crisis. The management views the decision to terminate the Safegaurd Plan as a fundamental step to re-establishing the Company as an important player on the real estate development market in the Czech Republic and CEE.

In addition to the successful exit from the Safeguard Plan, the Company significantly changed its stock exchange presence. In September 2015, the Commission de Surveillance du Secteur Financier in Luxembourg approved the prospectus for the admission of Company shares to trading on the regulated market of the Luxembourg Stock Exchange. The Company shares were admitted to trading as of 2 October 2015.

Following an in-depth review of its structure, operational and financial performances and costs related to its listing on Euronext Paris as well as taking the liquidity and trade volumes into account, the Company voluntarily requested the delisting of all of its shares from Euronext Paris in December 2015. Following the completion of the sales facility procedure aimed at the protection of shareholder’s interests, the Company shares (were delisted from Euronext Paris as of 18 February 2016.

In addition to the above corporate events, the Company finalised several significant projects that had been initiated in 2014..

The Company concluded the settlement with general contractor of Zlota 44 in January 2015, which enabled the finalization of the sales price for the project disposal. Accordingly, the Company proceeded with “Mandatory Prepayment on the Zlota Disposal” in the amount of EUR 2.22 million to the holders of “New Notes” on 30th January 2015, further decreasing the outstanding amount.

The Group also completed the acquisition of a EUR 5.7 million development project, initiated in December 2014. We successfully broadened our portfolio by 33,000 sqm in Prague 10, Czech Republic. Directly adjacent to this new acquisition, the Group already owns a 31,000 sqm. Combined these acquisitions represent an exceptional 64,000 sqm plot of developable land.

On the organization and structure side, the Company completed the reorganisation of insolvency proceedings for its three Hungarian subsidiaries. Váci 1 and Szervita assets were transferred to the financing bank and the Paris Department Store was transferred to the Hungarian Republic which exercised its rights of preemption. In addition to the successful restructuring in Hungary, the Company intends to proceed with orderly disposals of its remaining Hungarian assets, subject to its satisfaction with market offers. In June 2015, the Commercial Court in Split successfully approved the restructuring plan of Suncani Hvar (initiated in early 2014), increase the value of Suncani Hvar shares held by the Company. This is in line with the Company's strategy to exit the Hungarian, Slovak and Croatian markets at favorable conditions.

We are of the view that in 2015, the Company achieved many essential ambitions in its transformation towards a more streamlined and profitable operation which will remain to be the Company's primary intention for 2016.

Jiri Dedera,
CEO & Managing Director

2 2015 and post-closing key events

2.1.1 Company Shares Delisted from Euronext Paris

Since 18 February 2016, the Company shares have been delisted from Euronext Paris. The 314,507,629 Company shares continue to be listed on the regulated market of the Luxembourg Stock Exchange under the same ISIN code LU0122624777.

2.1.2 Disposal of Marki project in Poland

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

2.1.3 Exit from Kosik joint venture and minor disposal

On 26 November 2015 the Company sold its stake in Kosik, a residential project in Prague, to its joint venture partner. The transaction price was EUR 1.4 million. The Company has also proceeded with disposals or liquidation of certain subsidiaries that disposed of their assets and projects in the past. This is done in order to simplify the Group structure and decrease administration and management costs related thereto.

2.1.4 Termination of Safeguard Plan

Considering the full payment by OPG of its liabilities due under the Safeguard plan, the Paris Commercial Court (the "Court") pronounced on 26 October 2015 the termination of the Company's Safeguard Plan.

The Safeguard was opened in favor of the Company by a judgement of the Court on 25 March 2009 pursuant to the European Regulation n°1346/2000 and articles L.620-1 et seq. of the French Commercial Code. The Safeguard Plan of the Company was approved by the Court on 19 May 2010 and provided the Company with a ten year payment schedule to repay its liabilities admitted to Safeguard. In 2012 the Company successfully completed the group's bond restructuring, which restructured EUR 411 million in nominal OPG bond debt (EUR 549 million in remaining Safeguard payments) and EUR 100 million in nominal former ORCO Germany bond debt (EUR 129 million including interest and redemption premium).

Following the Company's reorganization that took place in 2014 the Company filed on 19 June 2015 a request aimed at the termination of its Safeguard Plan linked with an early repayment of those liabilities admitted to the Safeguard Plan that became due. By judgment dated 19 August 2015 the Court accepted the Company's request to modify its Safeguard Plan and the Company paid on 28 August 2015 the amount of EUR 9,762,152 for liabilities that are subject to and due under the Safeguard Plan to the Safeguard administrator. This amount included the remaining Safeguard bond debt (EUR 4,375,934) as well as debts towards suppliers and called bank guarantees (EUR 5,386,218). The Safeguard administrator proceeded with the distribution of the funds on or before 5 October 2015.

2.1.5 Listing the Company Shares on Luxembourg Stock Exchange

On 30 September 2015 the Commission de surveillance du secteur financier in Luxembourg (the "CSSF") approved the prospectus (the “Prospectus”) for the admission to trading on the regulated market of the Luxembourg Stock Exchange of 314,507,629 ordinary shares (ISIN code LU0122624777) with an accounting par value of € 0.10 each, representing the entire share capital of the Company and issued by the Company under the laws of the Grand Duchy of Luxembourg (the "Shares").

2.1.6 Finalization of Zlota Disposal and Prepayment on New Notes

Following the settlement of disputes with Zlota 44 general contractor INSO, the Company agreed on 7 January 2015 on final sales price of EUR 50,040,501 for the disposal of Zlota 44 to the international consortium of AMSTAR and BBI Development. Further to this the Company proceeded with an additional “Mandatory Prepayment on Zlota Disposal” under the terms and conditions of the notes registered under ISIN code XS0820547742, issued by the Company on 4 October 2012, as amended and restated on 7 November 2014 (the “Notes”). The prepayment in the amount of EUR 2.2 million was distributed to the holders of the Notes on 30 January 2015. Accordingly, the current outstanding principal of the Notes amounts to EUR 65,064,248.49.

2.1.7 Kingstown Legal action

On 20 January 2015 the Group received a summons containing legal action of the three companies Kingstown Partners, Kingstown Partners II and Ktown, claiming to be former shareholders of the Group. The action seeks a condemnation of the Group, CPI PROPERTY GROUP (“CPI PG”) and certain members of the Group´s board of directors as jointly and severally liable to pay damages in the amount of EUR 14,485,111.13 and compensation for moral damage in the amount of EUR 5,000,000. According to Kingstown´s allegation the claimed damage has arisen as a consequence of inter alia alleged violation of the Group´s minority shareholders rights.

2.1.8 Successful Reorganization of Suncani Hvar

In Croatia, the Split Commercial Court approved on 9 June 2015 the restructuring plan of Suncani Hvar (“SHH”), which is a successful outcome of pre-bankruptcy procedure initiated by SHH in 1H 2014 in order to allow the restructuring of its operations. Following the long-term negotiations among SHH’s biggest creditors and shareholders, the restructuring plan was approved at the creditors meeting in December 2014 as well as at the shareholders meeting in January 2015, which provided a solid basis for the approval of the plan by the Split Commercial Court

2.1.9 The death of its Board Member Guy Wallier

The Company announces with sadness that its respected Board member, Mr. Guy Wallier passed away at the age of 79. Mr. Wallier, French national and a former banker was a member of OPG’s Board since the Company’s creation. Recently he was also a member of the audit committee and the remuneration committee.

3 Market environment

3.1.1 Global macro-economic conditions

3.1.1.1 Czech Republic

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

The growth of the Czech economy in 2015 was the highest since 2007. According to the preliminary estimate, the gross domestic product (GDP) adjusted for price effects and seasonally adjusted increased in 2015 by 4.3%. The GDP growth was significantly contributed to by all demand components, especially household consumption and increased investment activity. Growing household consumption (by 2.9%) together with higher investment activity (9.6%) helped accelerate the growth of the economy which started in 2013. Both of these most important domestic demand components were growing the fastest since

2007. Therefore, it was rather the domestic demand than external trade on which the economic growth was based. Investments including inventories contributed to the GDP growth by 1.9 p.p., household consumption by 0.8 p.p., and general government consumption by 0.6 p.p.

The consumer price level in December 2015 was 0.1%. The biggest influence on the growth of the price level in December came from prices in 'alcoholic beverages and tobacco. Next in order of influence were prices in housing, water, electricity, gas and other fuels. The increase in the average consumer price index in the twelve months 2015 compared with the average CPI in the twelve months 2014 was 0.3%, of which prices of services rose by 0.8% and prices of goods remained unchanged.

The general unemployment rate according to the International Labour Organization (ILO) definition in the age group 15-64 years attained 4.5% in December 2015 and declined by 1.3 p.p. y-o-y. The number of unemployed persons reached 236.9 thousand decreasing by 68.3 thousand persons, y-o-y.

3.1.1.2 Hungary

In 2015 gross value added grew by 6.3% in industry, by 2.9% in construction and by 2.8% in services, and it decreased by 13% in agriculture. Quarterly GDP growth was above 3% during the first three quarters of the year, which means that the country´s economy expanded (consumption expenditure of foreigners in Hungary and household consumption expenditure grew strongly). Although the official statistics are not published yet, based on the latest forecast, a 2.9% annual growth is predicted for 2015. Economy is also having a positive impact on the exports and imports. Hungary´s unemployment rate between October and December was 6.2%, which is a slight improvement compared to the corresponding period of last year.

3.1.1.3 Poland

The Polish economy according to the preliminary estimate has grown solidly, the increase of real gross domestic product in 2015 was 3.6% against 3.3% in 2014. Total consumption expenditure in 2015 increased by 3.2% compared with the previous year, in which consumption expenditure in the households sector rose by 3.1% (in 2014 the growth was 3.1% and 2.6% respectively). Moreover, 2016 paints a positive picture for the Polish economy which will be driven by strong domestic demand and industrial production. The unemployment rate in 2015 was in a downward trend, reaching 9.8% in December 2015 and was lowest since 2011. The consumer price level according to the preliminary estimate in December 2015 was -0.5%.

3.1.2 Selected market focus

3.1.2.1 Prague office market

Overall in 2015, approximately 190,600 sqm of offices were completed which represents the highest level since the record year of 2008. The majority of this supply was delivered to Prague 4 (51%), followed by Prague 5 (28%) and Prague 8 (13%). At the end of Q4 2015, the modern office stock in the capital city totalled 3,222,402 sqm. The share of A class office space remained at 69%, with top quality projects, i.e. AAA class buildings, increasing to ca. 15% of the total stock. The largest office district remains to be Prague 4 (27.5% of the total stock), followed by Prague 5 (16.1%) and Prague 1 (15.8%). Currently, there is approximately 123,700 sqm of office space under construction. Out of this number, ca. 32,600 sqm should be delivered to the market in 2016. In 2015, the cumulative gross take-up reached almost 448,900 sqm representing an increase of 36% when compared to the previous year, thus the year 2015 exceeded the record breaking result of last year and became the most successful year in terms of gross demand. Thanks to the strong net take-up, limited supply and significant amount of absorbed space, the Q4 vacancy rate in Prague decreased to its current level of 14.61%. In Q4 2015, prime headline rents in the city centre remained stable, ranging between EUR 18.5 – 19.5/sqm/month.

3.1.2.2 Prague residential market

In Q4 2015 Real estate price index announced by Hypoteční banka (HB INDEX) confirmed a slight increase in prices of residential real estate which already started at the beginning of 2014. The prices of family houses increased in 2015 by 2.2% y-o-y and reached HB INDEX 108.2. That is the highest level since the beginning of 2010. The land prices increased by 4.4% y-o-y due to the growing demand. The average market price of land and the flats reached HB INDEX 124.7 and 103.6, retrospectively in Q4 2015.

HB Index is regularly presented by Hypoteční banka, a.s. and is based on realistic estimates of market prices of real estates. INDEX HB itself is calculated for the entire Czech Republic, and for the three types of real estates: flats, houses and land. For basis 100.0 were selected real estate prices as of 1 January 2008.

3.1.2.3 Czech industrial market

The total modern A-class industrial stock in the Czech Republic was 5.69 million sqm at the end of Q4 2015. For the entire year, 2015 new supply amounted to a post crisis record level of 565,700 sqm. The highest share of new space was delivered in Prague (45%) followed by the Pilsen with 30%. For full year 2015, gross take-up amounted to 1,394,300 sqm, a new record in the history of the Czech market. It beat last year´s record by 8%. Net take-up reached 875,600 sqm and surpassed last year´s results by more than 6%. The vacancy rate in the Czech Republic has dropped by 314 bps y-o-y and reached a level of 5.1%. Prime headline rents in Prague remained stable at EUR 3.80-4.25/sqm/month. Prime rents in the Brno region are also stable at EUR 3.90-4.25/sqm/month.

3.1.2.4 Budapest office market

Almost 50,900 sqm were delivered to the office market in 2015. Only one speculative development was delivered with 20,100 sqm (Váci Greens C – 100% occupied by GE). It is 25% below last year level. Despite the long-term trend shows a gradual recovery from 2012. The total vacant stock on the market stands at 395,800 sqm, which is 128,500 sqm less than a year ago. The annual take-up totaled 364,800 sqm, which is an all-time high in the history of the Budapest office market and 51% stronger than in 2014. In addition to take-up, renewals added another 171,500 sqm, thus total leasing activity exceeded the half million sqm threshold for the first time on record. The vacancy rate declined by 4.1 bps y-o-y, dropping to 12.1%, the lowest level on record since Q2 2008. Average asking rent stands at EUR 10.7/sqm/month. This level is only achievable in a few, selected prime properties in the Central Business District. For example: Lipótváros micromarket (northern part of Central Business District) has an average asking rent of EUR 14.0/sqm/month, whilst the Belváros micromarket (Southern part of Central Business District) stands at EUR 13.2/sqm/month. Average asking rents are qradually declining by moving outwards from the city centre.

3.1.2.5 Warsaw office market

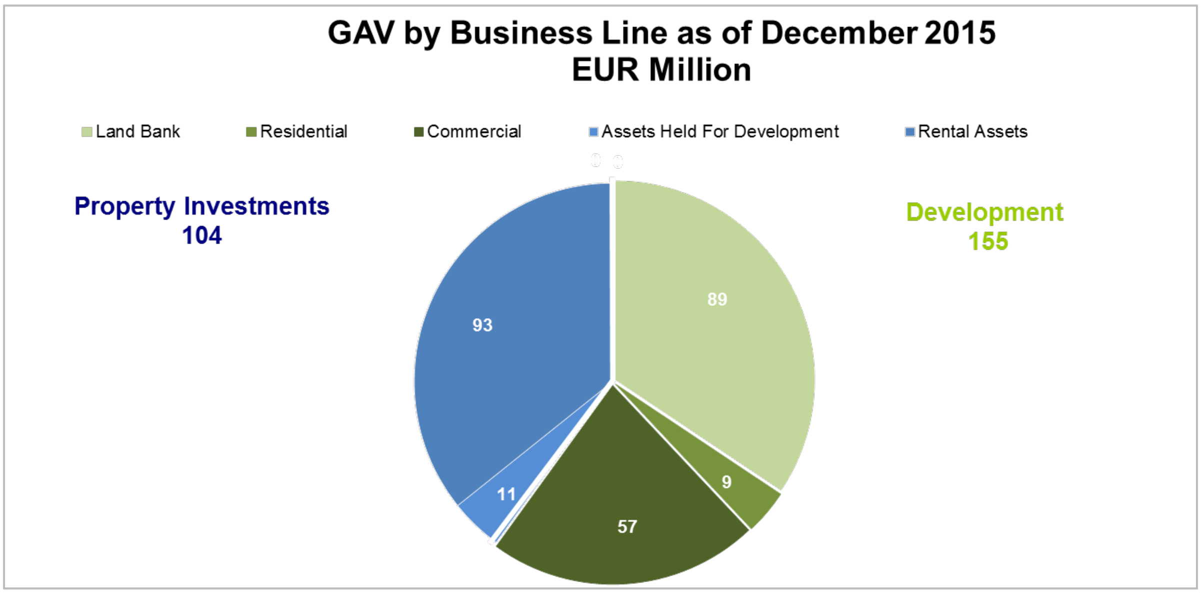
The total supply of new office space delivered to the Warsaw market in 2015 exceeded 277,600 sqm, which represents a 3% decrease from 2014. The largest buildings completed last year was Postępu 14 (HB Reavis, 34,300 sqm) and Royal Wilanów (Capital Park, 29,800 sqm). As a result, the total office stock reached almost 4.66 million sqm as of the end of December. 2016 might result a record-breaking year in terms of supply. The developers are planning to complete ca. 460,000 sqm, with over 45% in the city centre. The largest projects to be delivered in 2016 include Warsaw Spire – Tower (Ghelamco, 61,000 sqm), Q22 (Echo Investment, 50,000 sqm). The Warsaw market saw in 2015 the highest leasing activity in history. Lease agreements for the total of more than 836,500 sqm were signed, which is over 37% better than 2014. New leases comprised 58% of the total take-up, with renegotiations and expansions corresponding to 32% and 7%, respectively. The forecasts for the next year suggest that take-up will decrease as compared to 2015, by ca. 10%. However, this value still exceed the average for the last five years. Last year decrease of rents concerned mainly central locations, with base rents in prime buildings falling to EUR 24/sqm/month, constituting a 4% decrease from the end of 2014. The rents in non-central modern buildings in attractive locations averaged EUR 13–15.5/sqm/month, only exceptionally reaching the level of EUR 16.5/sqm/month.

4 Portfolio: Gross Asset Value[1] and operational performance

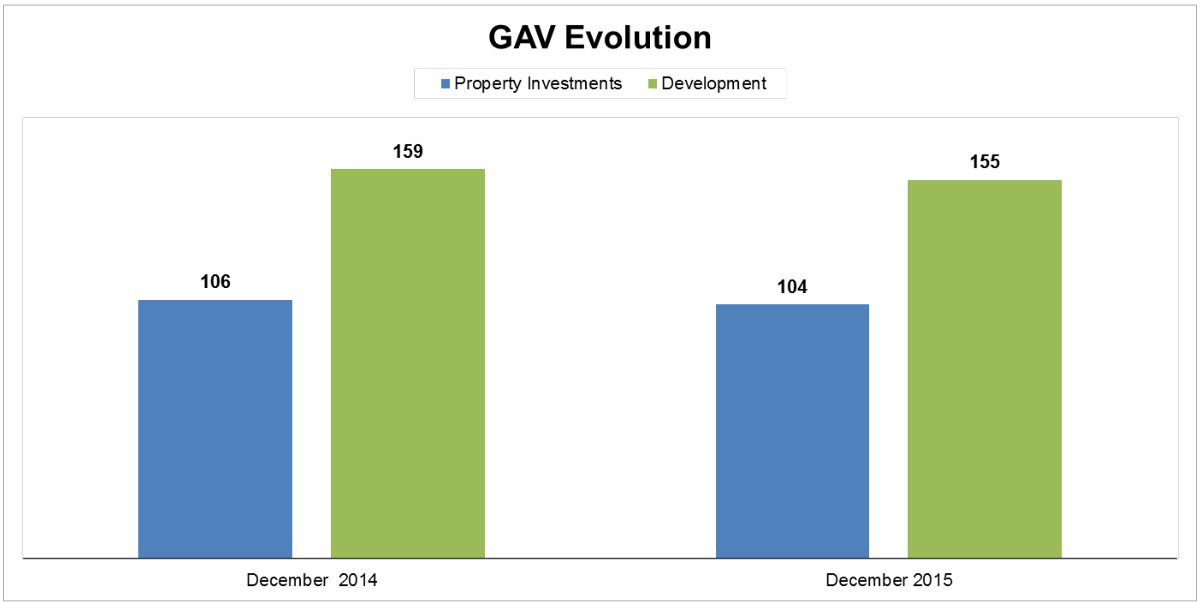
4.1 Total portfolio evolution

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

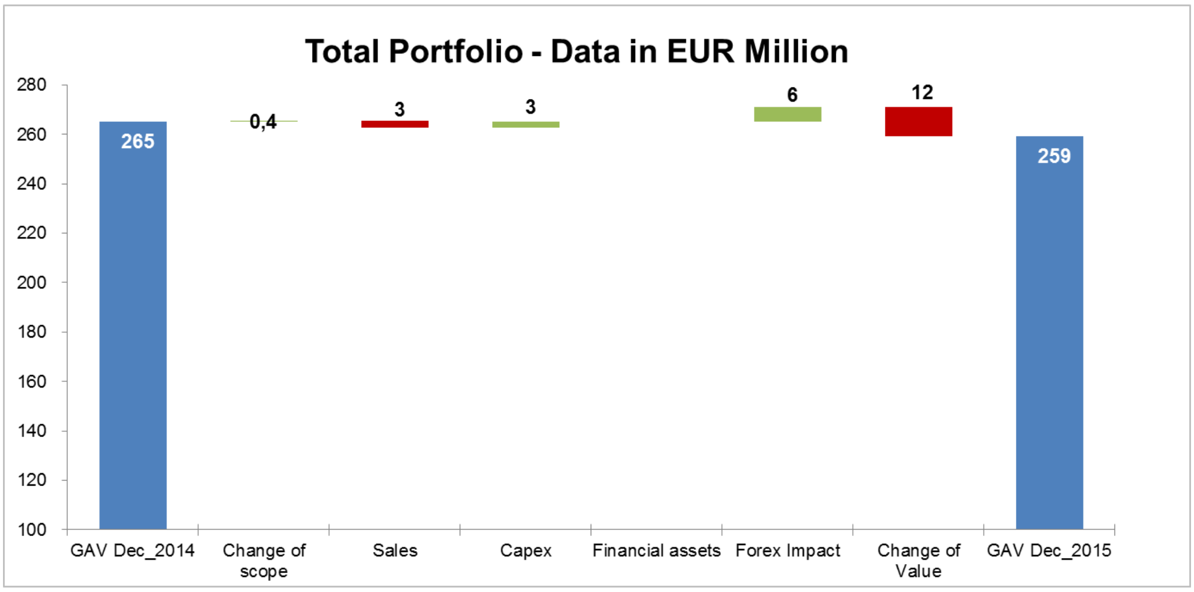
Over the year 2015, the GAV decreased from EUR 265 million to EUR 259 million. The GAV breaks down into 40% of Property Investments and 60% of projects or land bank for the Development business line.



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



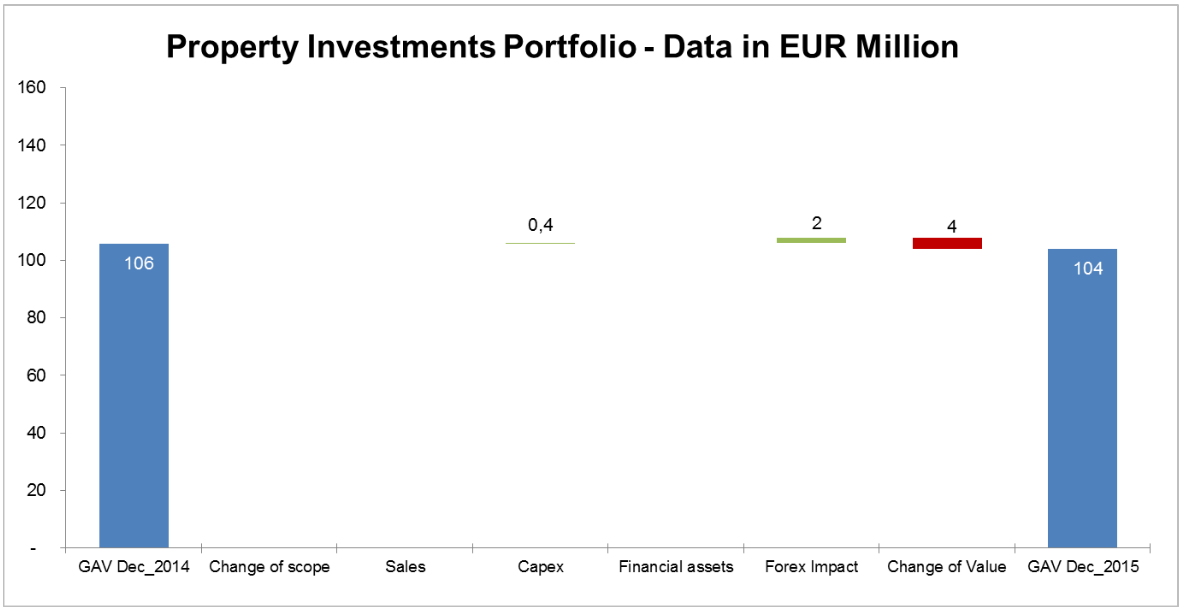
Over the year 2015, the Group carried out minor disposals in total amount of MEUR 3 million, made CAPEX investments in amount of MEUR 3 million, which with FX impact in amount of MEUR 6 million and portfolio revaluation (loss EUR 12 million) resulted in net decrease of GAV by EUR 6 million.



4.2 Property Investments evolution

4.2.1 Gross Asset Value

As of December 2015, the GAV of the Group's Property Investments business line represented EUR 104 million in value (89% rental assets and 11% Assets held for development). Assets held for development encompass a group of assets rented on a short-term basis, which the Group is planning to fully redevelop.



The EUR 2 million decrease of the portfolio's gross asset value encompasses:

- EUR 0,4 million of investments on the rental portfolio;
- EUR 2 million of positive currency conversion impact mainly related to the strengthening of the Czech crown;
- EUR 4 million of net decrease in market value.

4.2.2 Rental assets and Assets held for development

4.2.2.1 Valuation change of rental assets

As of December 2015, the rental assets' value is estimated at EUR 93 million. In December 2014 the GAV of rental assets amounted to EUR 93 million. The changes during 2015 can be split in:

- EUR 1 million of investments;
- EUR 1 million of positive forex impact,
- EUR 2 million of decrease in value.

4.2.2.2 Change in Assets Held for Development

As of December 2015, the Assets held for Development portfolio's value is estimated at EUR 11 million. In December 2014 the GAV of these assets amounted to EUR 13 million. The EUR 2 million change is composed of EUR 2 million negative valuation impact.

On a like for like basis the valuation of these assets decreased by 15 % in comparison with December 2014 valuation.

4.2.2.3 Business review

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

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

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

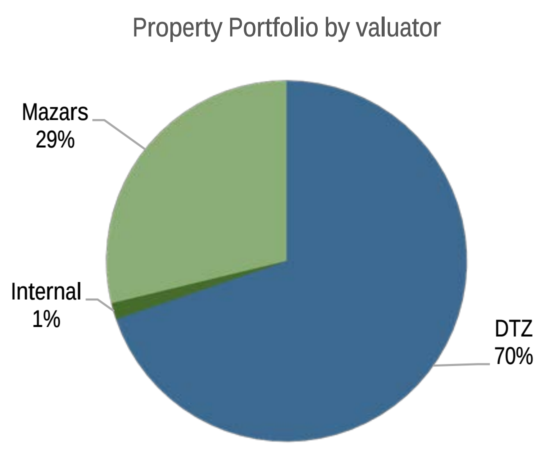
“Development” consist of land bank (represents properties held for development and/or capital appreciation), inventories, residential and Asset held for sale (comprise properties are intended for a future sale in the ordinary course of business).

4.2.2.4 Property Valuation

The consolidated financial statements of the Group as of 31 December 2015 was prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the Investment properties owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

The property portfolio valuation as at 31 December 2015 is based on reports issued by:

- DTZ. DTZ is a global leader in property services. The organization has more than 24,000 employees, operating in more than 200 offices in 52 countries and offers a complete range of tailored services on any scale, across multiple service lines and geographies. In the Czech Republic provides occupiers and investors on a local, regional and international scale with industry leading, end to end property solutions. DTZ in the Czech Republic has over 80 employees operating across 2 offices.
- Mazars. Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. Mazars operate in 260 offices across the globe and located in 77 countries and draw on the expertise of over 17,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development.



The following table shows the carrying value of the Group’s property portfolio as of 31 December 2015 and 31 December 2014:

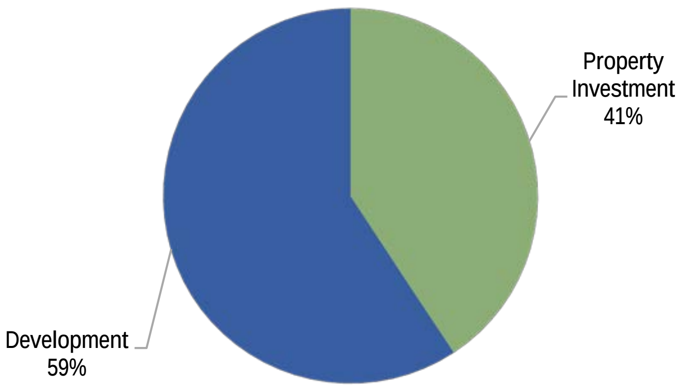
Property portfolio 31 December 2015	Property Investment	Development	Carrying value	Carrying value	Bank Loans
	TEUR	TEUR	TEUR	%	TEUR
Czech Republic*	63,582	151,061	214,643	84%	42,992
Hungary	7,550	0	7,550	3%	0
Poland*	9,870	240	10,110	4%	4,895
Luxembourg	23,610	0	23,610	9%	15,161
CE property portfolio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

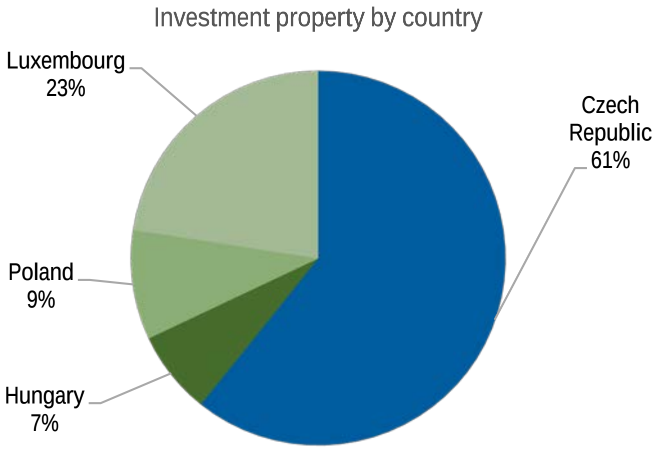
*Include asset held for sale

Property portfolio 31 December 2014	Property Investment	Development	Carrying value	Carrying value	Bank Loans
	TEUR	TEUR	TEUR	%	TEUR
Czech Republic	61,690	152,936	214,626	83%	65,320
Croatia	-	1,124	1,124	0%	-
Hungary	10,800	-	10,800	4%	-
Poland	11,300	433	11,733	5%	5,072
Luxembourg	21,770	-	21,770	8%	16,611
CE property portfolio	**105,560**	**154,493**	**260,053**	**100%**	**87,003**

The Group property value total EUR 256 million as of 31 December 2015 (31 Dec 2014: EUR 260 million). As showed in the chart below, 41% of the Group property portfolio value is made of property investment assets. The majority of the income generating assets are located in the Czech Republic with 61% of the total value, followed by Luxembourg with 23%, Poland with 9% and Hungary with 7%.

Property Portfolio





4.2.2.5 Property Investment

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

*Include asset held for sale

Investment Property - renting 31 December 2014	Carrying value TEUR	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Average rent EUR / SQM	Bank Loans TEUR
Prague, Czech Republic	61,690	58%	60	79.0%	8.4	54,958
Budapest, Hungary	10,800	10%	16	14.2%	4.2	-
Warsaw, Poland	11,300	11%	36	24.7%	4.4	2,096
Capellen, Luxembourg	21,770	21%	8	91.1%	22.7	16,611
Portfolio total	**105,560**	**100%**	**120**	**54.9%**	**9.2**	**73,665**

Investment property renting portfolio with a carrying value of EUR 105 million (31 December 2014: EUR 106 million) represents the major part of the Group´s property portfolio. The Group is renting out a great variety of assets but is primarily focusing on office, retail and industrial. There has not been significant changes in the portfolio gross lettable area compared to 31 December 2014 as it remains on 120 thousand sqm of lettable area as at 31 December 2015.

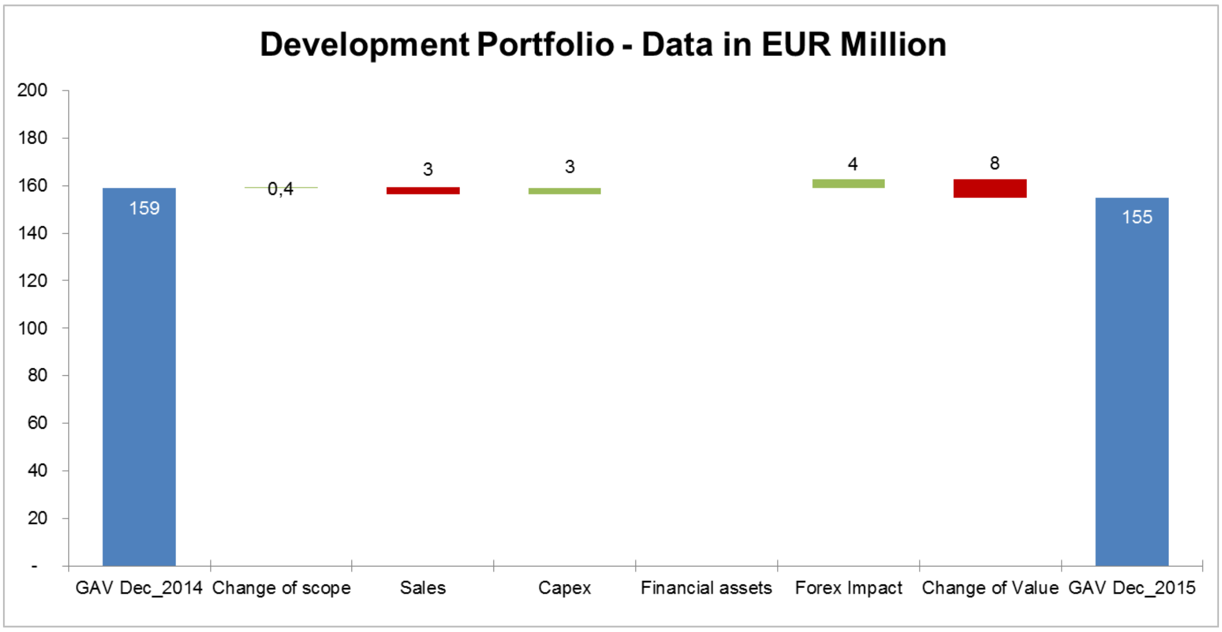
The renting investment property portfolio is financed by bank loans in total of EUR 60 million (31 December 2014: EUR 74 million).

4.3 Development evolution

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

4.3.1 Gross asset value

As of December 2015, the Group's development GAV amounts to EUR 155 million (57% of land bank, 37% commercial and mixed use developments, 6% of residential developments). The development assets are mainly located in the Czech Republic (99%) with key projects such as Bubny and Benice in Prague.



4.3.2 Commercial

4.3.2.1 Changes in commercial developments

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

The GAV of commercial developments portfolio, which mainly encompasses the Bubny project, decreased to EUR 57 million. This decline of EUR 8 million is mainly due to decrease in market value, which is impacted by uncertainty regarding the future change of Bubny masterplan:

- EUR 2 million of positive exchange rate impact;
- EUR 10 million of net decrease in market value expressed in Euros.

4.3.2.2 Business review

Key Project held in portfolio as of December 2015						
Committed	Location	Asset type	Area in SQM	Permit status	Construction completion	Current value December 2015 EUR Million
Bubny	Czech Republic, Prague	Mixed commercial	24 ha*	Pending	2025	53,7

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

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

4.3.3 Residential developments

4.3.3.1 Change in residential developments

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

The decrease of EUR 6 million over the year 2015 (December 2015 GAV amounting to EUR 9 million compared to December 2014 EUR 15 million) is driven by:

- EUR 1 million of sales mainly on projects Benice and V Mezihori;
- EUR 4 million of change of scope (exit from Kosik joint venture and minor disposal);
- EUR 1 million of negative change in market value.

Projects completed - Inventory

Over the year 2015, the completed inventories decreased as follows:

- Mostecka: The project is a mixed-use space with ground floor, basement and inner courtyard designated for retail and commercial space, and upper floors used for apartments. As of December 2014, 100% of the residential area was delivered with remaining of one commercial unit (former cinema) for a total area of 2.6 thousand SQM. This unit was transferred into its own SPV and the Group is now negotiating about the sale with one potential buyer.
- Klonowa Aleja: the property, located in the Targówek district of Warsaw, comprises 284 apartments as well as retail space and underground car parking facilities (402 parking spaces). The project was completed at the beginning of the year 2010 and as of December 2015 remain unsold 2 retail units and two cellars.

Projects under construction

As of December 2015, there was ongoing residential developments: Benice 1 in Prague.

- Benice – Phase 1: the Project Benice is a large scale residential development located in the south east of Prague, about 15 kilometres from the city center. Phase 1B is currently on offer comprising 32 row houses, semi-attached and detached houses, which were completed during H1 2014, and 4 apartments and 2 commercial units completed in Q4 2014. As of December 2014, 93% SQM of the project is delivered. An additional phase, Benice 1C with 9 houses is currently under development. Phases II-V, whose value is not included in the table above as they are categorized as land bank, will be developed in the future.

4.3.4 Land bank and assimilated

The total GAV of the land bank and assimilated (including empty buildings and land plots to develop or redevelop classified in the IFRS financial statements under investment properties or inventories) increased from EUR 79 million in December 2014 to EUR 89 million in December 2015.

This increase of EUR 10 million year on year is driven by:

- EUR 2 million of sales (mainly Rubeška EUR 0.9 million);
- EUR 5 million of change of scope (acquired developable land plot);
- EUR 2 million of investments mainly due to purchase of new acquisition for future development;
- EUR 2 million of positive exchange rate impact;
- EUR 3 million of positive change in market value.

As of December 2015, the Group holds some 1.9 million SQM of land plots (0.2 million SQM zoned and 1.7 million SQM unzoned). The potential GEFA development is currently estimated at 0.7 million SQM. Potential GEFA is not estimated on all the land plots and should be considered here as only an indication of the potential pipeline on the short to mid-term basis.

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

	With zoning		Without zoning		Total	
Country	Land plot area	GEFA estimated	Land plot area	GEFA estimated*	Land plot area	GEFA estimated*
The Czech Republic	76 586 sqm	88 665 sqm	800 305 sqm	66 250 sqm	876 891 sqm	154 915 sqm
Poland	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Slovakia	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Croatia	0 sqm	0 sqm	18 579 sqm	0 sqm	18 579 sqm	0 sqm
Germany	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Sub-total land bank	76 586 sqm	88 665 sqm	818 884 sqm	66 250 sqm	895 470 sqm	154 915 sqm
The Czech Republic	18 881 sqm	32 008 sqm	885 813 sqm	530 400 sqm	904 694 sqm	562 408 sqm
Poland	131 130 sqm	0 sqm	0 sqm	0 sqm	131 130 sqm	0 sqm
Slovakia	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Croatia	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Germany	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Sub-total other category	150 011 sqm	32 008 sqm	885 813 sqm	530 400 sqm	1 035 824 sqm	562 408 sqm
Total	226 597 sqm	120 673 sqm	1 704 697 sqm	596 650 sqm	1 931 294 sqm	717 323 sqm

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

Over December 2015, the Landbank decreased due to:

- the sale of land plot in Ostrava, Děčín and Prague (55 thousand SQM).
- the sale of land plot In Croatia (93 thousand SQM)

Decrease in the Czech Republic was offset by new acquisition made during 1Q 2015. New acquisitions contain two development projects for residential use, counting approximately 31 thousands SQM of developable land area in Prague and the surroundings.

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

5 Liabilities and financial profile

5.1 Loan to value

The calculation of the Loan to value (LTV) as of 31 December 2015 is shown in the table below:

	31 December 2015	31 December 2014
Non-current liabilities		
Financial debts	20,394	65,252
Non-current Bonds	60,714	62,237
Current liabilities		
Financial debts	68,512	13,557
Current Bonds	668	278
Accrued interest	621	915
Liabilities linked to assets held for sale	2,901	237
Current assets		
Cash and cash equivalents	(3.264)	(7,103)
Net debt	**150,546**	**135,373**
Investment property	241,825	249,236
Investments in equity affiliates	35	35
Financial assets at fair value through profit or loss	-	2,627
Financial assets available-for-sale	106,522	86,995
Non-current loans and receivables	6,873	4,669
Inventories	7,774	9,422
Assets held for sale	6,314	1,395
Revaluation gains / losses on projects and properties	(21)	697
Fair value of assets	**369,322**	**355,076**
Loan to Value	**40.8 %**	**38.1 %**

The LTV ratio as at 31 December 2015 increased to 40.8 % compared to 38.1 % as at 31 December 2014. Total amount of financial liabilities including bonds is EUR 150.3 million as at the end of December 2015 in comparison to EUR 141.3 million at the end of 2014. Fair value of assets increased from EUR 355 million to EUR 369.3 million.

5.2 EPRA Net Asset Value

The EPRA Net Asset Value (EPRA NAV) per share as of 31 December 2015 is EUR 0.65 compared to EUR 0.67 as at 31 December 2014.

The Triple NAV amounts to EUR 0.65 per share compared to EUR 0.66 at the end of last year. The calculation is compliant with the EPRA (European Public Real Estate Associations) “Triple Net Asset Value per share” standard methodology which is described below.

	December 2015	December 2014
Consolidated equity	**204,402**	**205,510**
Fair value adjustments on asset held for sales	(21)	-
Fair value adjustments on inventories	-	697
Deferred taxes on revaluations	1,446	4,112
Goodwill	-	-
Own equity instruments	-	-
EPRA Net asset value	**205,827**	**210,319**
Existing shares (in thousands)	314,508	314,508
Net asset value in EUR per share	0.65	0.67
EPRA Net asset value	**205,827**	**210,319**
Deferred taxes on revaluations	(1,446)	(4,112)
EPRA Triple Net asset value (*)	**204,381**	**206,207**
Fully diluted shares	314,508	314,508
Triple net asset value in EUR per share	0.65	0.66

(*) EPRA Triple Net Asset Value Methodology:

The triple NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

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

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

Over the year 2015, the consolidated equity decreased by EUR 1.1 million. The main driver of this decrease is the loss for the period amounting to EUR 20.5 million, which is compensated by foreign exchange gains of EUR 5.2 million and revaluation gain of CPI PG shares in amount of EUR 14.2 million.

5.3 Income statement

In 2015 is reflecting stabilization after the reorganization of the Group throughout 2014. In line with this, the Group recorded lower net loss attributable to owners of the Company in the amount of EUR 20.5 million compared to a loss of EUR 23.6 million over the year 2014.

	12 months 2015	12 months 2014
Revenue	**13,960**	**75,176**
Sale of goods	*1,914*	*60,691*
Rent	*8,008*	*8,507*
Hotels and restaurants	*-*	*1,032*
Services	*4,038*	*4,946*
Net gain / (loss) from fair value adjustments on Investment Property	(14,940)	2,073
Other operating income	1,012	445
Net result on disposal of assets	34	29
Cost of goods sold	(2,183)	(58,840)
Employee benefits	(755)	(16,113)
Amortization, impairments and provisions	1,704	38,256
Other operating expenses	(12,168)	(15,065)
Operating result	**(13,336)**	**25,961**
Interest expense	(11,147)	(21,115)
Interest income	804	2,181
Foreign exchange result	1,743	(46)
Other net financial results	(5,895)	(29,208)
Financial result	**(14,495)**	**(48,188)**
Share of profit or loss of entities accounted for using the equity method	**6,811**	**(493)**
Loss before income taxes	**(21,021)**	**(22,720)**
Income taxes	220	299
Loss from continuing operations	**(20,800)**	**(22,421)**
Loss after tax from discontinued operations	-	(2,722)
Net loss for the period	**(20,800)**	**(25,143)**
Total loss attributable to:		
Non-controlling interests	(329)	(1,527)
Owners of the Company	**(20,471)**	**(23,616)**
Basic earnings in EUR per share	(0.07)	(0.17)
Diluted earnings in EUR per share	(0.07)	(0.17)

5.4 Balance sheet

ASSETS	31 December 2015	31 December 2014
NON-CURRENT ASSETS	**355,607**	**344,630**
Intangible assets	**-**	**38**
Investment property	**241,825**	**249,236**
Property, plant and equipment	**353**	**1,030**
Hotels and owner occupied buildings	-	-
Fixtures and fittings	353	1,030
Equity method investments	**35**	**35**
Financial assets at fair value through profit or loss	**-**	**2,627**
Financial assets available-for-sale	**106,522**	**86,995**
Non-current loans and receivables	**6,873**	**4,669**
Deferred tax assets		**-**
CURRENT ASSETS	**16,641**	**28,089**
Inventories	7,774	9,422
Trade receivables	3,409	2,362
Derivative instruments	-	-
Cash and cash equivalents	3,264	7,103
Other current financial assets	404	6,092
Other current non-financial assets	1,790	3,110
ASSETS HELD FOR SALE	**6,314**	**1,395**
TOTAL	**378,562**	**374,114**

EQUITY & LIABILITIES	31 December 2015	31 December 2014
EQUITY	**204,589**	**206,016**
Equity attributable to owners of the Company	**204,402**	**205,510**
Non-controlling interests	**187**	**506**
LIABILITIES	**173,974**	**168,098**
Non-current liabilities	**88,113**	**138,795**
Bonds	60,714	62,237
Financial debts	20,394	65,252
Provisions and other long term liabilities	3,129	7,209
Deferred tax liabilities	3,876	4,097
Current liabilities	**81,909**	**29,066**
Current bonds	668	278
Financial debts	68,512	13,557
Trade payables	4,937	4,008
Advance payments	1,845	1,474
Derivative instruments	332	599
Other current financial liabilities	2,606	4,414
Other current non-financial liabilities	3,009	4,736
LIABILITIES LINKED TO ASSETS HELD FOR SALE	**3,951**	**237**
TOTAL	**378,562**	**374,114**

5.5 Cash flow statement

	31 December 2015	31 December 2014
OPERATING RESULT	**(13,336)**	**23,239**
Net gain / loss from fair value adjustments on investment property	14,940	(2,073)
Amortization, impairments and provisions	(1,704)	(38,256)
Net result on disposal of assets	(34)	(29)
Adjusted operating profit / loss	**(134)**	**(17,119)**
Financial result	(6,087)	(885)
Income tax paid	(193)	(945)
Financial result and income taxes paid	**(6,280)**	**(1,830)**
Changes in operating assets and liabilities	**4,536**	**53,483**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**(1,878)**	**34,534**
Acquisition of subsidiaries, net of cash acquired	-	(37,000)
Capital expenditures and tangible assets acquisitions	(1,114)	(1,754)
Proceeds from sales of non-current tangible assets	674	110
Purchase of financial assets	-	(48,532)
Loans granted to joint ventures and associates	(60)	-
Dividends received	1,348	1,585
Proceeds from disposal of subsidiaries	472	-
Proceeds from disposal of financial assets	469	60,354
Changes in the Group	-	(87,415)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	**1,789**	**(112,652)**
Proceeds from issuance of ordinary shares	-	59,200
Proceeds from capital increase in subsidiary by non-controlling interests	-	36,000
Proceeds from borrowings	26,795	7,019
Net interest paid	(3,235)	(7,578)
Repayment on Safeguard bonds and New Notes	(6,600)	(13,156)
Repayments of borrowings	(15,110)	(84,416)
Repayment interests on Safeguard bonds and New Notes	(4,866)	(321)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	**(3,016)**	**(3,252)**
NET INCREASE/(DECREASE) IN CASH	**(3,105)**	**(81,370)**
Cash and cash equivalents at the beginning of the year	7,103	88,669
Cash and cash equivalents at the beginning of the year of assets held for sale	(736)	-
Exchange difference on cash and cash equivalents	-	(196)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,264**	**7,103**

5.6 Annual statutory financial information

The Group parent company, Orco Property Group S.A. prepares its separate financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and as permitted by Luxembourg Law dated December 10, 2010 and subsequently amended.

As of 31 December 2015 the total assets of the Company amount to EUR 311.3 million compared with EUR 293.6 million in the previous year. The net equity as of 31 December 2015 amounts to EUR 188.4 million. The Company reports an operating loss of EUR 4.3 million mainly due to the losses recognized on reevaluation of its financial investments (EUR 9.1 million).

The subscribed share capital of the Company amounting to EUR 31.45 million is considered as the corporate capital of the Company.

6 Corporate governance

6.1 Principles

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

Since the Company was founded in 1991, its accounts have been audited regularly each year. KPMG has been appointed Company's auditor since the general meeting in 2013. In addition, the Company's portfolio of assets is regularly evaluated by an independent expert, DTZ, which was re-appointed after a tender process in 2014. In case of properties connected with higher risk, a second appraiser opinion is requested.

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

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

In 2009, the Company began applying the best practices recommended by the European Public Real Estate Association (EPRA), of which it is a member, and which major listed European real estate companies follow.

In 2009 and 2010, the Company reviewed the reporting structures of leaders in the real estate development industry and started adapting those structures to its own corporate structure. As such, the Company restructured its reporting by business lines in order to optimize reporting practices in its two activities: Development and Property Investment, thereby improving reporting for internal management and external communication.

On 23 May 2012, the Board of Directors elected the Ten Principles and their Recommendations of the Luxembourg Stock Exchange as a reference for its Corporate Governance Rules.

6.2 Board of Directors

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

6.2.1 Appointment of Directors

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

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

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

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

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

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

6.2.2 Current Board of Directors

As of 31 December 2015 the Board of Directors consisted of:

- 1 executive member representing the management of the Company: Mr. Jiri Dedera,
- 1 independent members: Mr. Edward Hughes,
- 1 non-executive member representing shareholders: Mr. Pavel Spanko.

The current Board of Directors is appointed until the annual general meeting of 2016 concerning the approval of the annual accounts for the financial year ending 31 December 2015. In September 2015 the Company’s respected Board member, Mr. Guy Wallier passed away at the age of 79.

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

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

In 2015, the Board of Directors held six meetings.

6.2.3 Powers of the Board of Directors

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

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

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

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

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

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

6.2.4 Deliberations

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

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

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

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

6.2.5 Delegations of powers to Managing Directors

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

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

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

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

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

The general meeting of shareholders held on 28 May 2015 appointed Jiri Dedera as Managing Director (*administrateur delegue*) of the Company until the annual general meeting of shareholders concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2015. Mr. Dedera has been also appointed as the Chairman of the Board of Directors until the annual general assembly of the Company concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2015.

6.2.6 Signatory powers within the Board of Directors

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

6.2.7 Training of members of the Board of Directors

The Company has started in 2011 to provide its directors with training in governance offered either internally or by specialist external institutions. For members of the Audit Committee, an overview has been given of the company's organization and of its risk management systems including information on IFRS, company's accounting, financial and operational features.

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

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

6.3 Committees of the Board of Directors

As of 31 December 2015 the Board of Directors has the following committees:

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

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

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

6.3.1 Audit Committee

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

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

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

In 2015, the Audit Committee held five meetings.

6.3.2 Remuneration, Appointment and Related Party Transaction Committee

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

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

Given the reduced size of the Board, there was no meeting of the Remuneration Committee in 2015.

6.3.3 Management of the Company

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

- be responsible for preparing complete, timely, reliable and accurate financial reports in accordance with the accounting standards and policies of the Company;
- submit an objective and comprehensible assessment of the company's financial situation to the Board of Directors;
- regularly submit proposals to the Board of Directors concerning strategy definition;
- participate in the preparation of decisions to be taken by the Board of Directors;
- supply the Board of Directors with all information necessary for the discharge of its obligations in a timely fashion;
- set up internal controls (systems for the identification, assessment, management and monitoring of financial and other risks), without prejudice to the Board's monitoring role in this matter; and
- regularly account to the Board for the discharge of its responsibilities.

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

As of 31 December 2015, the Company's management consisted of the following members:

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

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

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6.4 Description of internal controls relative to financial information processing.

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

6.4.1 Control Environment

An organization chart has been redesigned for the two business segments (Property Investment and Development) and a job description has been issued for all positions across Central Europe. There is a limited and defined power of attorney.

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

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

6.5 Remuneration and benefits

6.5.1 Board of Directors

See Note 6.11 to the consolidated financial statements.

6.5.2 Top management

See Note 6.11 to the consolidated financial statements.

6.6 Corporate Governance rules and regulations

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

(a) The structure of the capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents:

The share capital of the Company is represented by only one class of shares carrying same rights.

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

The 314,507,629 Company shares have been admitted to trading on the regulated market of the Luxembourg Stock Exchange since 15 October 2015. The 114,507,629 Company shares (representing app. 36.4% of the total share capital) are also listed on the Warsaw Stock Exchange, but the Company intends to delist them, subject to legal and regulatory requirements.

In July 2014 the Company decided to apply for delisting of all of its shares from the regulated market of the Prague Stock Exchange (the "PSE"). All of the 114,507,629 ordinary shares (ISIN: LU0122624777) of the Company have been delisted from the regulated market of the PSE as of 22 September 2014 and the last trading day was 19 September 2014.

In November 2011 the Company applied to delist all of its shares from the regulated market of the Budapest Stock Exchange (the "BSE"). The last trading day of the shares on the BSE was 25 November 2011 and the shares were delisted and removed from the BSE product list on 1 December 2011.

(b) Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC:

There is no restriction on the transfer of securities of the Company as of 31 December 2015.

(c) Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 31 December 2015. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
Aspley Ventures Limited (entity associated with Mr. Pavel Spanko)	100,000,000	31.80%
Fetumar Development Limited (entity associated with Mr. Jan Gerner)	100,000,000	31.80%
Gamala Limited (entity associated with Mr. Radovan Vítek)	35,177,765	11.19%
Others	79,329,864	25.21%
Total	**314,507,629**	**100.0%**

In 2013, the Company transferred 1 share to Edward Hughes for free and until he holds the Board function. In 2014, the Company transferred 1 share to Jiri Dedera for free and until they hold the Board function.

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

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

The Company will respect the rights of its shareholders and ensure they receive equitable treatment. The Company has established a policy of active communication with the shareholders.

To the Company's knowledge, the Company is not aware of any person who owns, directly or indirectly, or exercises control of the Company.

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

This is not applicable. The Company has no employee share scheme. A share option plan that was set up in the past expired as of the date of this Management Report.

(f) Any restrictions on voting rights, such as limitation on the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities:

There is no restriction on voting rights.

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

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

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

See section 6.2.1 Appointment of Directors of this report.

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

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

(j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements:

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

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

(k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid:

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

As at 31 December 2014, there were no potential termination indemnity payments in place payable to the members of the Company's management in the event of termination of their contracts in excess of the compensation as required by the respective labour codes.

6.7 Additional information

6.7.1 Legal form and share capital

ORCO PROPERTY GROUP is a public limited company ("*société anonyme*") incorporated and existing under Luxembourg law. Its corporate capital and subscribed and fully paid-up capital of EUR 31,450,762.90 is represented by 314,507,629 shares without nominal value. The accounting par value price is EUR 0.1 per share.

6.7.2 Date of incorporation and termination

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

6.7.3 Jurisdiction and applicable laws

The Company exists under the Luxembourg Act of 10 August 1915 on commercial companies, as amended. The Company's shares are listed on the regulated market of the Luxembourg Stock Exchange and its primary regulator is the Commission de Surveillance du Secteur Financier, Luxembourg. In addition, as the Company's shares are also listed on the regulated market of the Warsaw Stock Exchange, the securities laws of Poland could be applicable.

6.7.4 Object of business

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

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

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

6.7.5 Trade register

RCS Luxembourg B 44 996.

6.7.6 Financial year

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

6.7.7 Distribution of profits and payment of dividends

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

Payment of dividends:

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

- an accounting statement must be established which indicates that the available funds for the distribution are sufficient;
- the amount to be distributed may not exceed the amount of revenues since the end of the last accounting year for which the accounts have been approved, increased by the reported profits and by the deduction made on the available reserves for this purpose and decreased by the reported losses and by the sums allocated to reserves in accordance with any legal and statutory provision;
- the Board of Directors' decision to distribute interim dividends can only be taken within two months after the date of the accounting statement described above;
- the distribution may not be determined less than six months after the closing date of the previous accounting year and before the approval of the annual accounts related to this accounting year;
- whenever a first interim dividend has been distributed, the decision to distribute a second one may only be taken at least three months after the decision to distribute the first one; and
- the statutory and independent auditor(s) in its (their) report to the Board of Directors confirm(s) the conditions listed above are fulfilled.

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

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

6.7.8 Exceeding a threshold

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

6.7.9 Documents on display

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

1. Articles of Association of the Company;

2. Audited consolidated financial statements of the Company as of and for the years ended 31 December 2015, 2014 and 2013, prepared in accordance with IFRS;

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

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

6.8 External Auditors

The annual general meeting of 27 June 2013 decided to terminate the mandate of Deloitte and to appoint KPMG Luxembourg as the external auditors of the Company. The appointment of KPMG expires at the end of the annual general meeting of shareholders to be convened in 2016 to approve the accounts for the financial year ended 31 December 2016. The annual general meeting of 27 June 2013 also appointed HRT Révision S.A. (*cabinet de révision agréé*), however, their mandate was terminated by the annual general meeting as of 28 May 2015.

7 Shareholding

7.1 Share capital and voting rights

The subscribed and fully paid-up capital of the Company of EUR 31,450,762.90 is represented by 314,507,629 shares without nominal value. The accounting par value is EUR 0.1 per share.

As of the date of this report, the Company's authorized capital amounts to one hundred million euro (EUR 100,000,000.00), which would authorize the issuance of up to one billion (1,000,000,000) new ordinary shares in addition to the 314,507,629 shares currently outstanding (for more details see 7.2 below).

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

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

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

7.2 Shareholder holding structure

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 31 December 2015. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
Aspley Ventures Limited (entity associated with Mr. Pavel Spanko)	100,000,000	31.80%
Fetumar Development Limited (entity associated with Mr. Jan Gerner)	100,000,000	31.80%
Gamala Limited (entity associated with Mr. Radovan Vítek)	35,177,765	11.19%
Others	79,329,864	25.21%
Total	**314,507,629**	**100.0%**

In 2013, the Company transferred 1 share to Edward Hughes for free and until he holds the Board function. In 2014, the Company transferred 1 share to Jiri Dedera for free and until they hold the Board function.

7.3 General meetings of shareholders

7.3.1 Ordinary general meetings of shareholders

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

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

7.3.2 Extraordinary general meetings of shareholders/bondholders

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

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

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

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

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

7.4 Stock subscription rights

See Note 6.11 of the consolidated financial statements.

7.5 Authorized capital not issued

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

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

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

7.6 Transactions with treasury shares

As of 31 December 2015, the Company does not own any treasury shares (as of 31 December 2014 the Company owned 20 treasury shares) through its subsidiaries and none directly owned by the Company itself.

8 Potential risks and other reporting requirements

8.1 Subsequent closing events: See point 2 of this report

8.2 Activities in the field of research and development

Not applicable.

8.3 Financial Risks Exposure

For a thorough description of the principal risks and uncertainties, see note 7 in 2015 consolidated financial statements.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Group's Chief Financial Officer (CFO) and his team. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Audit Committee and the Board of Directors provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

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

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

8.3.2 Certain subsidiaries may be in breach of loan covenants

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

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

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

8.3.4 Market risk

Foreign exchange risk

Currency risk is applicable generally to those business activities and development projects where different currencies are used for repayment of liabilities under the relevant financing to that of the revenues generated by the relevant property or project. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF) and the Croatian Kuna (HRK) and secondarily to the US Dollar (USD). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Currency risk is managed where possible by using the same currency for financing as that in which revenues will be generated. In the event that different currencies are used, the Group companies limit the risk, where appropriate, by using hedging instruments. Nevertheless, because the Group companies' operating costs are denominated in local currencies, fluctuations in the exchange rates of these currencies can lead to volatility in the financial statements of the Group companies. In addition, loans, operating income and - except in the development activities - sales of buildings are mainly denominated in Euro (EUR). The Group currently does not use foreign currency derivatives contracts, as salaries, overhead expenses, and future purchase contracts in the development sector, building refurbishment and construction costs are mainly denominated in local currencies, but may do so in the future. The main circumstance for the Group to put in place currency derivatives is for the financing of a construction contract when the local currency operations do not generate sufficient cash and as a result that construction contract must be financed with another currency. Any loss accruing to the Group due to currency fluctuations may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

Price risk

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

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

Interest rate risk

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

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

Other risks

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

8.3.5 Credit risk

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

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

8.3.6 Liquidity risk

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

8.3.7 Capital Risk management

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

8.3.8 Risks associated with real estate and financial markets

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

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

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

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

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

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

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

The Group is involved in residential, commercial and retail development projects. Changing residential trends are likely to emerge within the markets in Central and Eastern Europe as they mature and, in some regions, relaxed planning policies may give rise to over-development, thereby affecting the sales potential of the Group's residential developments. Changing real estate taxes or VAT taxes may also have a notable impact on sales (such as for example a hike in sales before implementation of a tax increase followed by structurally lower sales). These factors will be considered within the investment strategy implemented by the Group but may not always be anticipated and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

9 Stock market performance

9.1 Shares of the Company

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

The Company shares have been admitted to trading on the regulated market of the Luxembourg Stock Exchange since 2 October 2015. The 114,507,629 Company shares are also listed on the Warsaw Stock Exchange, but the Company intends to delist them, subject to legal and regulatory requirements.

Changes in share price (COB) and volume traded in 2015 on Euronext Paris are listed below.

Prices are in EUR/share:

Period	Low	High	Volume
jan-15	0.34	0.41	6 844 900
feb-15	0.34	0.41	9 398 300
mar-15	0.35	0.39	10 249 800
apr-15	0.35	0.39	5 341 900
may-15	0.34	0.37	2 706 100
jun-15	0.33	0.36	3 173 800
jul-15	0.29	0.35	2 790 000
aug-15	0.24	0.32	4 972 600
sep-15	0.23	0.29	2 146 600
oct-15	0.22	0.31	7 847 100
nov-15	0.22	0.28	3 210 000
dec-15	0.21	0.24	2 977 600
Total annual transactions			**61 658 700**

9.2 Other financial instruments of Orco Property Group

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

Name	Type	ISIN
Orco Property Group shares including : (ORCO PROPERTY GROUP SA, Orco Group OPG.WA, Orco Property GP NPV)	Equity	LU0122624777
Warrant 2007 - 2014	Equity	XS0290764728
New note OrcPropG AVR2018	Fixed income	XS0820547742

October 26, 2015 the Paris Commercial Court pronounced the termination of Company's Safeguard plan. It led the Company to repay by anticipation on October 2015 all its liabilities amounting to EUR 4,375,934 to its Bonds holders; following the settlement all bonds were delisted and cancelled. Settlement per bonds is described below:

- Bonds 2010, FR0010249599: repayment in aggregate of EUR 75,727.07;

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

10 Corporate Responsibility

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

The Group approach is environment oriented. The entire Group is engaged in a sustainable development drive. This is reflected in several initiatives including:

- the development of a "green" charter for the entire staff,
- efforts to reduce water and power consumption,
- the examination of innovative systems combining different types of energy (solar, geothermal, etc.) to be included in our projects,
- the development of an offer of residential projects compliant with high standards of "green developments".

OPG's management team is dedicated to implement that approach in every project of the portfolio.

11 Glossary & Definitions

Adjusted EBITDA

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

Average daily rate (ADR)

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

EPRA

European Public Real Estate Association.

EPRA NAV per share

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

EPRA Net Initial Yield

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

EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

Methodology:
The triple net NAV is an EPRA recommended performance indicator.
Starting from the NAV following adjustments are taken into consideration:

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

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

EPRA Vacancy rate

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

Estimated rental value (ERV)

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

Gross asset value (GAV)

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

Gross Lettable Area (GLA)

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

Gross operating profit (GOP)

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

Gross rental income

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

Interests Cover Ratio (ICR)

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

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

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

Market value

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

Net Lettable Area (NLA)

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

Net rental income

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

Occupancy rate (sqm)

The ratio of leased premises to leasable premises.

Passing rent

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

Reversion

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

Vacancy

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

ORCO PROPERTY GROUP S.A.
40 rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg B 44996
(the "**Company**")

DECLARATION LETTER
ANNUAL FINANCIAL REPORTS
AS AT 31 DECEMBER 2015

1.1. Person responsible for the Annual Financial Report

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

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

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

- the consolidated financial statements of the Company as at 31 December 2015, prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidation taken as a whole;

- the financial statements of the Company as at 31 December 2015 prepared in accordance with the IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and results of the Company; and

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

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

Luxembourg, on 30 March 2016

Mr. Jiří Dedera
CEO, Managing Director

ORCO PROPERTY GROUP

Société Anonyme

Consolidated financial statements

As at and for the year ended 31 December 2015

ORCO PROPERTY GROUP's Board of Directors has approved the consolidated financial statements as at and for the period ended 31 December 2015 on 30 March 2016.

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

I. Consolidated income statement

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

	Note	12 months 2015	12 months 2014
Revenue	5.1	**13,960**	**75,176**
Sale of goods		*1,914*	*60,691*
Rent		*8,008*	*8,507*
Hotels and restaurants		*-*	*1,032*
Services		*4,038*	*4,946*
Net gain / (loss) from fair value adjustments on Investment Property	6.2	(14,940)	2,073
Other operating income		1,012	445
Net result on disposal of assets		34	29
Cost of goods sold	6.6	(2,183)	(58,840)
Employee benefits	5.2	(755)	(16,113)
Amortization, impairments and provisions	5.3	1,704	38,256
Other operating expenses	5.2	(12,168)	(15,065)
Operating result		**(13,336)**	**25,961**
Interest expense	5.4	(11,147)	(21,115)
Interest income		804	2,181
Foreign exchange result		1,743	(46)
Other net financial results	5.5	(5,895)	(29,208)
Financial result		**(14,495)**	**(48,188)**
Share of profit or loss of entities accounted for using the equity method	6.4.1	**6,811**	**(493)**
Loss before income taxes		**(21,021)**	**(22,720)**
Income taxes	5.6	220	299
Loss from continuing operations		**(20,800)**	**(22,421)**
Loss after tax from discontinued operations		-	(2,722)
Net loss for the year		**(20,800)**	**(25,143)**
Total loss attributable to:			
Non-controlling interests	5.7	(329)	(1,527)
Owners of the Company		**(20,471)**	**(23,616)**
Basic earnings in EUR per share	6.11	(0,07)	(0,17)
Diluted earnings in EUR per share	6.11	(0,07)	(0,17)

The consolidated income statement and relevant tables in the Notes which provide detailed breakdown of the income or expense refer to continuing operations only.

II. Consolidated statement of comprehensive income

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

	Note	12 months 2015	12 months 2014
Loss for the period		**(20,800)**	**(25,143)**
Other comprehensive income/ (expense)			
Items that may be reclassified to profit or loss		**19,373**	**1,555**
Currency translation differences		5,210	(2,403)
Change in value of available-for-sale financial assets	6.5.1	14,163	3,958
Total comprehensive expense attributable to:		**(1,427)**	**(23,588)**
Owners of the Company		(1,108)	(21,239)
Non-controlling interests		(319)	(2,349)

III. Consolidated statement of financial position

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

ASSETS	Note	31 December 2015	31 December 2014
NON-CURRENT ASSETS		**355,607**	**344,630**
Intangible assets	6.1	**-**	**38**
Investment property	6.2	**241,825**	**249,236**
Property, plant and equipment		**353**	**1,030**
Fixtures and fittings	6.3	353	1,030
Equity method investments	6.4	**35**	**35**
Financial assets at fair value through profit or loss		**-**	**2,627**
Financial assets available-for-sale	6.5.1	**106,522**	**86,995**
Non-current loans and receivables	6.5.2	**6,873**	**4,669**
CURRENT ASSETS		**16,641**	**28,089**
Inventories	6.6	7,774	9,422
Trade receivables		3,409	2,362
Cash and cash equivalents	6.7	3,264	7,103
Other current financial assets	6.8	404	6,092
Other current non-financial assets	6.9	1,790	3,110
ASSETS HELD FOR SALE	6.10	**6,314**	**1,395**
TOTAL		**378,562**	**374,114**

EQUITY & LIABILITIES		31 December 2015	31 December 2014
EQUITY		**204,589**	**206,016**
Equity attributable to owners of the Company		**204,402**	**205,510**
Non-controlling interests		**187**	**506**
LIABILITIES		**173,974**	**168,098**
Non-current liabilities		**88,113**	**138,795**
New Notes / Bonds	6.12	60,714	62,237
Financial debts	6.14	20,394	65,252
Provisions and other long term liabilities	6.16	3,129	7,209
Deferred tax liabilities	5.6	3,876	4,097
Current liabilities		**81,909**	**29,066**
New Notes / Bonds	6.12	668	278
Financial debts	6.14	68,512	13,557
Trade payables		4,937	4,008
Advance payments		1,845	1,474
Derivative instruments	6.15	332	599
Other current financial liabilities	6.17.1	2,606	4,414
Other current non-financial liabilities	6.17.2	3,009	4,736
LIABILITIES LINKED TO ASSETS HELD FOR SALE	6.10	**3,951**	**237**
TOTAL		**378,562**	**374,114**

IV. Consolidated statement of changes in equity

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

		Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
At 1 January 2014		**229,015**	**647,164**	**10,267**	**(231)**	**(710,307)**	**175,909**	**87,208**	**263,117**
Comprehensive income:									
Loss for the period						(23,616)	**(23,616)**	(1,527)	**(25,143)**
Other comprehensive income				(1,581)		3,958	**2,377**	(822)	**1,555**
Total comprehensive income / (expense)		**-**	**-**	**(1,581)**	**-**	**(19,657)**	**(21,239)**	**(2,349)**	**(23,588)**
Capital decrease of 8 April 2014	Note 6.11	(114,507)				114,507	**-**		**-**
Capital decrease of 28 May 2014	Note 6.11	(103,057)				103,057	**-**		**-**
Capital increase of 10 November 2014	Note 6.11	20,000	39,200				**59,200**		**59,200**
Own equity transactions					231	(187)	**44**		**44**
Non-controlling interests' transactions						(8,404)	**(8,404)**	44,943	**36,539**
Deconsolidation of subsidiaries with non-controlling interests							**-**	(129,296)	**(129,296)**
At 31 December 2014		**31,451**	**686,364**	**8,686**	**-**	**(520,991)**	**205,510**	**506**	**206,016**
Comprehensive income / (expense):									
Loss for the period						(20,471)	**(20,471)**	(329)	**(20,800)**
Other comprehensive income / (expense)				5,200		14,163	**19,363**	10	**19,373**
Total comprehensive income / (expense)		**-**	**-**	**5,200**	**-**	**(6,308)**	**(1,108)**	**(319)**	**(1,427)**
At 31 December 2015		**31,451**	**686,364**	**13,886**	**-**	**(527,299)**	**204,402**	**187**	**204,589**

Definitions

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

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

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

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

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

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

V. Consolidated statement of cash flows

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

		31 December 2015	31 December 2014
OPERATING RESULT		**(13,336)**	**23,239**
Net gain / loss from fair value adjustments on investment property		14,940	(2,073)
Amortization, impairments and provisions	5.3	(1,704)	(38,256)
Net result on disposal of assets		(34)	(29)
Adjusted operating profit / loss		**(134)**	**(17,119)**
Financial result	5.5	(6,087)	(885)
Income tax paid		(193)	(945)
Financial result and income taxes paid		**(6,280)**	**(1,830)**
Changes in operating assets and liabilities		**4,536**	**53,483**
NET CASH FROM / (USED IN) OPERATING ACTIVITIES		**(1,878)**	**34,534**
Acquisition of subsidiaries, net of cash acquired		-	(37,000)
Capital expenditures and tangible assets acquisitions		(1,114)	(1,754)
Proceeds from sales of non-current tangible assets		674	110
Purchase of financial assets		-	(48,532)
Loans granted to joint ventures and associates		(60)	-
Dividends received		1,348	1,585
Proceeds from disposal of subsidiaries		472	-
Proceeds from disposal of financial assets		469	60,354
Changes in the Group		-	(87,415)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		**1,789**	**(112,652)**
Proceeds from issuance of ordinary shares		-	59,200
Proceeds from capital increase in subsidiary by non-controlling interests		-	36,000
Proceeds from borrowings	6.14	26,795	7,019
Net interest paid	5.4	(3,235)	(7,578)
Repayment on Safeguard bonds and New Notes	6.12	(6,600)	(13,156)
Repayments of borrowings	6.14	(15,110)	(84,416)
Repayment interests on Safeguard bonds and New Notes	6.12	(4,866)	(321)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		**(3,016)**	**(3,252)**
NET INCREASE/(DECREASE) IN CASH		**(3,105)**	**(81,370)**
Cash and cash equivalents at the beginning of the year		7,103	88,669
Cash and cash equivalents at the beginning of the year of assets held for sale		(736)	-
Exchange difference on cash and cash equivalents		-	(196)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6.7	**3,264**	**7,103**

1 General information

ORCO PROPERTY GROUP, *société anonyme* (the “Company”) and its subsidiaries (together the “Group” or “OPG”) is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in the development of properties for its own portfolio or intended to be sold in the ordinary course of business and is also active in leasing investment properties under operating leases as well as in asset management.

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

As at 31 December 2015 the Company’s shares were listed on the regulated markets of Euronext Paris (until 17 February 2016 – see note 13.1), the Warsaw Stock Exchange and of the Luxembourg Stock Exchange (starting 2 October 2015).

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2016.

The structure of the shareholders as at 31 December 2015 is as follows:

Aspley Ventures Limited (entity associated with Mr. Pavel Spanko)	100 000 000 shares	31.80% voting rights
Fetumar Development Limited (entity associated with Mr. Jan Gerner)	100 000 000 shares	31.80% voting rights
Gamala Limited (entity associated with Mr. Radovan Vitek)	35 177 765 shares	11.19% voting rights
Others	79 329 864 shares	25.21% voting rights
Total	314 507 629 shares	100.00% voting rights

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

Mr. Jiri Dedera

Mr. Edward Hughes

Mr. Pavel Spanko

2 Basis of preparation and significant accounting policies

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

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).
The consolidated financial statements were authorized for issue by the Board of Directors on 30 March 2016.

2.2 Going concern

In determining the appropriate basis of preparation of the consolidated financial information, the Board of Directors is required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group recorded a net loss after tax of EUR 20.8 million for the year ended 31 December 2015 (EUR 25.1 million for the year ended 31 December 2014) and has had a net operating cash outflow of EUR 1.8 million. The current liabilities amounting to EUR 81.9 million and the current liabilities exceed the current assets by EUR 65.3 million. This represents material uncertainty towards going concern of the Group.

To address its financing requirements, the Group will actively seek financing through debt restructuring and sale of financial and non-financial assets.

Notwithstanding the loss incurred for the financial year 2015 and the negative working capital of EUR 65.3 million, the Board of Directors is of the view that going concern of the Group is appropriate as at 31 December 2015 based on the following reasons:

- A significant part (EUR 14.9 million) of the loss suffered in 2015 is attributable to the net loss from fair value adjustments on investment property representing the adverse, but non-cash impact on Group's consolidated financial statements.
- The Group had a cash and cash equivalents balance of EUR 3.3 million as at 31 December 2015 out of which EUR 2.7 million is cash deposited in accounts reserved as collateral for loans related to property.
- The management of the Group takes necessary steps to extend the maturity of the loan provided by CPI Property Group of EUR 28.7 million. The maturity of the loan is 15 September 2016.
- The Group considered also the cash inflow from sale of selected assets in certain jurisdictions.
- The Group has a stake of 15.76% in Suncani Hvar valued at EUR 8 million as at 31 December 2015 and actively seeks a potential buyer of this stake.
- The Group has a stake of 4.82% in CPI PG with a fair value of EUR 98.5 million (see Note 6.5.1) as at 31 December 2015. The management considers firstly to sell these shares in a market transaction. Otherwise in a bulk sale through the put option agreement concluded with Mr. Vitek in 2014. The put option agreement with Mr. Vitek concerns a significant portion of the shares in CPI PG (approximately 41 % of total shares held by the Group) whereby the Group is entitled to request Mr. Vitek, major shareholder of CPI PG, to purchase part of these shares for defined price (EUR 31.0 million) to ensure the liquidity for satisfaction of the Group's future liabilities.

Accordingly the consolidated financial statements as at 31 December 2015 have been prepared on the going concern basis that contemplates the continuity of regular business activities and realization of assets together with the settlement of liabilities in the ordinary course of business.

2.3 Summary of significant accounting policies

Except for the changes described below in note 2.3.1, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

2.3.1 Changes in accounting policies

2.3.1.1 New and amended standards adopted by the Group in 2015

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 2015 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).

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

- The amendment to IFRS 3 Business combinations clarifies that paragraph 2(a) of IFRS 3 Business Combinations:
    - excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and
    - the scope exception only applies to the financial statements of the joint venture or the joint operation itself.

  This amendment has no impact on the Group's results for the financial year ending 31 December 2015.

- The amendment to IAS 40 Investment properties clarifies that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgement is based on the guidance in IFRS 3. These amendments have no impact on the Group´s results for the financial year ending 31 December 2015.

- The interpretation IFRIC 21 Levies clarifies that a levy is not recognized until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. These interpretation has no impact on the Group´s results for the financial year ending 31 December 2015.

2.3.1.2 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards and the extent of the impact has not been determined.

The amendment to IFRS 3 Business Combinations (with consequential amendments to other standards) clarifies that when contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, rather than to any other standard. It also clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. The Group is assessing the impact of IFRS 3, however it does not assume the impact to be material.

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

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

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

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

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

These amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Group is assessing the impact of IAS 1, however it does not assume the impact to be material.

IAS 16, ‘Property, Plant and Equipment‘ and IAS 38, ‘Intangible Assets‘ face to following amendments:

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

These amendments to IAS 16, respectively to IAS 38 are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Group is assessing the impact of IAS 16, respectively IAS 38.

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

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

2.3.1.3 Basis of measurement

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

- Inventories at net realisable value;
- Assets held for sale at fair value;
- investment property is measured at fair values;
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration assumed in a business combinations is measured at fair value;
- financial assets available-for-sale are measured at fair value.

2.3.1.4 Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company’s functional currency. All financial information presented in Euro (EUR) has been rounded to the nearest thousand (TEUR), except when otherwise indicated. The functional currencies of other entities within the Group are listed in note 2.3.4

2.3.1.5 Use of estimates and judgements

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

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

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

- Note 2.3.6 – Classification of investment property
- Note 2.3.8 – Leased asset classification
- Note 2.3.15 - Commission revenue: determination of whether the Group acts as an agent in the transaction rather than as the principal
- Note 2.3.2 - Contingent consideration

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

- Note 2.4.1. – Valuation of investment property
- Note 5.6 - Recognition of deferred tax assets
- Note 7 - Financial risk management
- Note 2.3.12 - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs

2.3.2 Consolidation

2.3.2.1 Basis of consolidation

Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

Business combinations involving entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the period presented. The assets and liabilities acquired are recognised at the carrying amounts (book values) recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity.

Property asset acquisition

Transaction that is not in scope of IFRS 3 Business combinations due to the fact that acquired company do not constitute of the business in accordance with the IFRS are accounted for as assets acquisition with the impact to profit and loss statement.

2.3.2.2 *Subsidiaries*

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

2.3.2.3 *Loss of control*

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

2.3.2.4 *Equity accounted investees*

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

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

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

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

2.3.2.5 *Transactions eliminated on consolidation*

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

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

2.3.3 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Each segment within the group is periodically evaluated during the regular meetings of established task forces and results of such evaluations are reported during the Board of Directors meetings. Segment results that are reported to the Board of Directors, which is the chief operating decision maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total expenditure incurred during the period to acquire property, plant and equipment, investment property, intangible assets other than goodwill and trading property.

Segment information is presented in respect of the Group's operating and geographical segments. The Group's primary format for segment reporting is based on operating segments. The operating segments are determined based on the Group's management and internal reporting structure.

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

2.3.4 Foreign currency translation

2.3.4.1 Functional and presentation currency

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

Summary of countries and functional currencies:

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

2.3.4.2 Transactions and balances

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

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

2.3.4.3 Foreign operations

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

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

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

The following exchange rates were used during translations:

Date	Closing exchange rate EUR/CZK	Average exchange rate EUR/CZK for the 12-month period
31 December 2015	0.037	0.037
31 December 2014	0.036	0.036
31 December 2013	0.037	0.039
31 December 2012	0.040	0.040
1 January 2012	0.039	N/A

Date	Closing exchange rate EUR/PLN	Average exchange rate EUR/PLN for the 12-month period
31 December 2015	0.235	0.239
31 December 2014	0.235	0.239
31 December 2013	0.241	0.238
31 December 2012	0.245	0.239
1 January 2012	0.224	N/A

Date	Closing exchange rate EUR/100 HUF	Average exchange rate EUR/100 HUF for the 12-month period
31 December 2015	0.319	0.323
31 December 2014	0.318	0.324
31 December 2013	0.337	0.337
31 December 2012	0.343	0.346
1 January 2012	0.318	N/A

2.3.5 Intangible assets

2.3.5.1 Goodwill

Business combinations are accounted for by applying the acquisition method. Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 2.3.2.1.

Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is not amortised but is tested annually for impairment (see accounting policy Note 2.3.12).

2.3.5.2 Trademarks

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

2.3.5.3 Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives, are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see accounting policy Note 2.3.12).

2.3.5.4 Subsequent expenditure

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

2.3.5.5 Amortisation

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

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

2.3.6 Investment property

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

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

An external independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 2015 and 2014 respectively.

A property interest held under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. The initial cost of a property interest held under an operating lease and classified as an investment property is recognised as prescribed for a property held under a finance lease, i.e., the asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability. Subsequently, a property interest held under an operating lease and classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy Note 2.3.16.

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

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

2.3.7 Investment property under development

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

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

2.3.8 Leased assets

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

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy Note 2.3.16.

Property held under finance lease that meets the criteria of investment property is classified as such and is measured at fair value as described in accounting policy Note 2.3.6.

Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see accounting policy Note 2.3.12).

Leases other than finance leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's consolidated statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. Investment property held under an operating lease is recognised in the Group's consolidated statement of financial position at its fair value. Lease payments are accounted for as described in accounting policy Note 2.3.16.

2.3.9 Property, plant and equipment

2.3.9.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy note 2.3.12).

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

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

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

2.3.9.2 Reclassification to investment property

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

2.3.9.3 Subsequent costs

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

2.3.9.4 Depreciation

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

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

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

Assets	2015	2014
Property	50-80 years	50-80 years
Equipment	5-10 years	5-10 years
Fittings	3-20 years	3-20 years

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

2.3.10 Inventories

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

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

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

2.3.11 Financial instruments

2.3.11.1 Non-derivative financial assets

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

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

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

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

<u>Loans provided</u>

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy Note 2.3.12).

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

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

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

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy Note 2.3.12).

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.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy Note 2.3.12).

Held-to-maturity financial assets comprise bonds.

Available-for-sale financial assets

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

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy Note 2.3.12) are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

Available-for-sale financial assets comprise equity securities.

2.3.11.2 Non-derivative financial liabilities

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

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

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

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

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

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

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

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

Transaction costs

Bonds payable are initially recognized at the amount of the proceeds from issued bonds, net of transaction costs.

Bond transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

2.3.11.3 Share capital

Ordinary shares

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

2.3.11.4 Derivative financial instruments

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

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

2.3.12 Impairment

2.3.12.1 Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

Available-for-sale financial assets

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

2.3.12.2 Non - financial assets

The carrying amounts of the Group's non-financial assets, other than investment property (see accounting policy Note 2.3.6), inventories, and deferred tax assets (see accounting policy Note 2.3.18) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into cash generating units (CGU's) - the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

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

2.3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

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

2.3.14 Guarantees provided

In the normal course of business, the Group entities may enter into credit related commitments which are accounted for in accounts outside of the consolidated statement of financial position. These commitments primarily include financial guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Group refers to the historical data regarding risk parameters (credit conversion factors, probability of default and loss-given default).

2.3.15 Revenue

2.3.15.1 Rental revenue

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

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

2.3.15.2 Service charges and expenses recoverable from tenants

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

2.3.15.3 Services rendered

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

2.3.15.4 Commissions

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

2.3.15.5 Sale of investment property and trading property, investment in subsidiaries and equity-accounted investees

Revenue from the sale of investment property, trading property, investments in subsidiaries and equity-accounted investees is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, usually on the date on which the application is submitted to the Land Registry for transfer of legal ownership title. The property has to be completed and the apartments are ready for sale, including the necessary regulatory permissions.

2.3.15.6 Utilities

In respect of utilities (energy, water, etc.) consumed by tenants the Company acts as an agent to its tenants. The Company performs payments to utilities providers on behalf of tenants, receives advances paid by tenants and issues final settlements to tenants based on actual utilities consumption. Amounts received from tenants and paid to utilities providers are recognised as payables and receivables respectively until final settlement and do not gross up revenues and expenses.

2.3.15.7 Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

2.3.16 Expenses

2.3.16.1 Service costs and property operating expenses

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

2.3.16.2 Operating lease payments

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

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

2.3.16.3 Finance lease payments

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

2.3.17 Interest income, Interest expenses and Other net financial result

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

Interest costs comprise interest expense on loans and borrowings, on finance leases, on bonds issued and interest charges related to finance leases.

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

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

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

2.3.18 Income tax

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

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

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

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

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

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

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

2.3.19 Earnings per share

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

2.4 Determination of fair value

2.4.1 Investment property

Investment properties are stated at fair value as at 31 December 2015 based on external valuations performed by professionally qualified valuers. The Group's property portfolio is valued mainly by DTZ Czech Republic, a.s. and MAZARS.

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

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

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolio of the size similar to that of the Group one are very rare. Global volatility of the financial system was reflected also in local residential and commercial real estate markets. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2014 and 31 December 2015, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

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

2.4.1.1 Retail, Office, Industry and Logistics

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

2.4.1.2 Land and vacant buildings

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

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

2.5 Critical accounting estimates and assumptions

2.5.1 Properties fair value measurement and valuation process

2.5.1.1 Valuation process

The valuation process is performed at least once a year. The management communicates the list of assets to be reviewed to the external independent appraiser, who hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

The external appraiser has access to all the required documents to support his review including details of the properties, actual figures and budgets. The result of the review is then discussed with the management in order to ensure that the highest and best use assumption is respected and that the fair value reflects the latest update on the projects. Material valuation changes, assumptions and inputs are systematically reviewed and challenged by the management. Once finalized, the valuations are then presented to the audit committee by the external appraiser before communication internally for reporting purposes.

Valuation results are regularly compared to actual market yield data, actual transactions by the Group and those reported by an independent expert, DTZ and MAZARS.

2.5.1.2 Valuation techniques

The best evidence of fair value is current prices in an active market for similar assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. The Group uses assumptions that are mainly based on market conditions existing at each reporting date.

The fair value of properties is based on the highest and best use of the assets as described by IFRS 13. It takes into account the use of the asset that is physically possible, legally permissible and financially feasible. On a general basis the current use of the asset has been considered as the highest and best use, but the possibility of a full redevelopment has been systematically tested and carefully evaluated.

Assets and financial instrument have been classified according to the nature and risks of the properties. The following factors have been taken into consideration:

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Only assets valued under the Sales comparison approach are described as being Level 2 assets. Sales comparison approach is a market approach, the value is based on comparable transactions or recently recorded prices on similar inventory items. When the Group is in advance stage of negotiation with potential buyer, the fair value as at the reporting date is adjusted to the estimated sales price. Transaction price is based on verified interest from a potential buyer.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Level 3 fair value valuation method integrates non observable inputs and includes:
    - Income approach such as discounted cash flow and income capitalization method. It requires the non-observable inputs such as discount rates, exit capitalization rates or equivalent yield;
    - Development appraisal or residual value method requiring the estimate of the expected gross development value of the project, the required costs to complete the project and the margin that a potential investor would require to complete the project;
    - Sales comparison approach can be considered as a level 3 valuation method type when some of the input are not observable or when liquidity of the market is particularly low.

2.5.1.3 *Main observable and non-observable inputs*

The following table presents the main observable and non-observable inputs supporting the valuation of the portfolio. In some specific cases the valuation is supported by a letter of interest or specific circumstances related to ownership. In those cases the carrying amount is different from the externally appraised value. As at 31 December 2015 all properties are subject to the external valuation.

Per asset type	Equivalent Yield		Initial Yield	
	Min	Max	Min	Max
Central Europe portfolio Rental	6.75%	15.0%	-3.4%	10%

a) Inputs

Table below presents the following for each class of investment properties owned by the Group, the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs and the fair value as of the end of December 2015.

Investment Properties

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 31.12.2015 in EUR million		Range Weighted average
					Average construction cost	760 EUR/SQM
					Equivalent Yield	8,5%
					Profit on costs	20%
CE portfolio	Office	Level 3	Residual Method	1.4		
					Equivalent Yield	6.8%-11.5% (8%)
					ERV/SQM/Year	169
					Initial void (if applicable) in Month	2
					Expiry void in Month	4
					New lease length in year	4
					CAPEX	603,746
CE portfolio	Office	Level 3	Income capitalization	96.9	Total Area in SQM	74,338
CE portfolio	Logistic and industrial	Level 3	Market comparison	4.1	Total Area in SQM	164,487
					Equivalent Yield	12%
					ERV/SQM/Year	20
CE portfolio	Logistic and industrial	Level 3	Income capitalisation	1.2	Total Area in SQM	8,800
					Price /SQM	117
CE portfolio	Land Bank	Level 3	Market comparison	142.4	Total Area in SQM	1,213,581

Sub-totals & Total Investment Properties

CE portfolio	Office	Level 3		98.3		
CE portfolio	Logistic and industrial	Level 3		5.3		
Sub-total	Freehold building			103.6		
CE portfolio	Land Bank	Level 3		142.4		
Sub-total	Land Bank			142.4		
Total	Investment properties			246		
Included	Assets Held for Sales (AHS)			4.2	valued on transaction basis	

Investment Properties

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 31.12.2014 In EUR Million		Range Weighted average
CE portfolio	Office	Level 3	Sales comparison	2.0		
					Equivalent Yield	8%
					ERV/SQM/Year	153
					Initial void (if applicable) in Month	11
					Expiry void in Month	5
					New lease length in year	4
					CAPEX	565,509
CE portfolio	Office	Level 3	Income capitalisation	95.7	Total Area in SQM	86,791.4
					Equivalent Yield	13%
					ERV/SQM/Year	20
					Initial void (if applicable) in Month	12
					Expiry void in Month	9 - 18
					New lease length in year	0

					Non-recoverables p.a.	21,963
CE portfolio	Logistic and industrial	Level 3	Investment	1.1	Total Area in SQM	8,762.0
					Equivalent Yield	15%
					ERV/SQM/Year	16
					Initial void (if applicable) in Month	9
					Expiry void in Month	9
					New lease length in year	0
					Non-recoverables p.a.	21,963
CE portfolio	Logistic and industrial	Level 3	Income capitalisation	2.8	Total Area in SQM	35,198.2
CE portfolio	Logistic and industrial	Level 3	Residual Method	3.9	Total Area in SQM	131 130.0
					Price /SQM	98.4
CE portfolio	Land Bank	Level 3	Sales comparison	78.4	Total Area in SQM	797,167.0
					GDV/SQM	535
					Profit on costs	18%
					Price /SQM	27.9
CE portfolio	Land Bank	Level 2	Sales comparison	0.5	Total Area in SQM	17,065.0
					Price /SQM	169.5
CE portfolio	Land bank	Level 3	Residual Method	65.7	Total Area in SQM	411,829.0
					Price/SQM	5.1
Croatia	Land Bank	Level 3	Sales comparison	0.5	Total Area in SQM	92,573.0

Sub-totals & Total Investment Properties

CE portfolio	Office	Level 3	97.7	
CE portfolio	Logistic and industrial	Level 3	7.8	
Sub-total	Freehold building		105.6	
CE portfolio	Land Bank	Level 2	0.5	
CE portfolio	Land Bank	Level 3	144.1	
Croatia	Land Bank	Level 3	0.5	
Sub-total	Land Bank		145.1	
Total	Investment properties		250.6	
Included	Assets Held for Sales (AHS)		1.4	valued on transaction basis

b) Sensitivity information:

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

- Equivalent Yield
- Estimated Rental Value (ERV) for rental asset or Gross Development Value (GDV) for development
- Capex for rental assets or Construction costs when the residual method is used
- Ability to obtain construction permits for certain land bank properties

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

Figures in EUR Million

Investment Properties

Portfolio - Investment Properties	Equivalent Yield (EY) 2015 EY - 25 bps	Equivalent Yield (EY) 2015 EY + 25 bps	Equivalent Yield (EY) 2014 EY - 25 bps	Equivalent Yield (EY) 2014 EY + 25 bps
Czech Republic	2.2	(2.1)	2.1	(2.1)
Hungary	2.0	(1.3)	0.2	(0.2)
Luxembourg	0.8	(0.7)	0.7	(0.7)
Poland	0.4	(0.4)	0.2	(0.3)
Total	5.4	(4.5)	3.3	(3.3)

EY : Equivalent Yield

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

Prolongation of period assumed for obtaining construction permits by one year would result into decrease of respective land bank property fair value by EUR 1.7 million.

2.5.1.1 Changes in fair value by class and level

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

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

Class		**Land banks**		**Total land Banks**	**Total**	**Investment properties**	**Assets held for sale***
Fair value hierarchy level	3	2	3				
Geographical area	Central Europe	Central Europe	Croatia				
Fair value as of December 2014	144,116	476	470	**145,062**	**250,622**	249,236	1,386
o/w Assets held for sale	*1,386*	-	-	***1,386***	***1,386***		
Investments / acquisitions	715	-	-	**715**	**1,114**	1,114	-
Asset sales	(1,156)	(476)	(65)	**(1,697)**	**(1,766)**	(413)	(1,353)
Change in value	(10,617)	-	(404)	**(11,021)**	**(14,940)**	(14,940)	-
Translation differences	3,761	(5)	3	**3,759**	**5,501**	5,501	-
Other movements**	5,534	5	(4)	**5,535**	**5,535**	1,327	4,208
Fair value as of December 2015	142,353	-	-	**142,353**	**246,066**	241,825	4,241
o/w Assets Held for Sale					***4,241***		

(*) The column "Assets held for sale" will not necessarily reconcile to the amounts disclosed in Note 6.10 as the amounts disclosed in the table above are limited to the investment properties, while the note 6.10 presents the sum of all the assets classified as held for sale.

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

Class	Freehold buildings					Total freehold buildings
	Office	Logistics and Industrial	Retail	Mixed Commercial	Mixed Commercial	
Fair value hierarchy level	3	3	3	3	2	
Geographical area	Central Europe	Central Europe	Central Europe	Germany	Germany	
Fair value as of December 2013	119,805	27,314	26,400	527,140	1,100	**701,759**
o/w Assets held for sale	*5,182*	*18,457*	-	-	-	***23,639***
Investments / acquisitions	82	425	-	612	-	**1,119**
Change in value	1,242	(809)	-	-	-	**433**
Translation differences	(1,747)	(8)	(1,507)	-	-	**(3,262)**
Other movements**	(21,661)	(19,082)	(24,893)	(527,752)	(1,100)	**(594,488)**
						-
Fair value as of December 2014	97,720	7,840	-	-	-	**105,560**
o/w Assets Held for Sale	-	-	-	-	-	**-**

Class	Land banks				Total land Banks	Extended stay hotels	Total	Investment properties	Assets held for sale*
Fair value hierarchy level	3	2	3	2		2			
Geographical area	Central Europe	Central Europe	Croatia	Germany		Central Europe			
Fair value as of December 2013	19,646	891	1,386	3,994	**25,917**	10,922	**738,598**	710,552	28,046
o/w Assets held for sale	*4,407*	-	-	-	***4,407***	-	***28,046***		
					-				
Investments / acquisitions	28	-	-	-	**28**	-	**1,147**	1,147	-
Change in value	*1,654*	(477)	-	-	**1,177**	463	**2,073**	2,073	-
Translation differences	*(533)*	62	(4)	-	**(475)**	(10)	**(3,747)**	(4,065)	318
Other movements**	*123,321*	-	(912)	(3,994)	**118,415**	(11,375)	**(487,448)**	(460,472)	(26,976)
					-				
Fair value as of December 2014	144,116	476	470	-	**145,062**	-	**250,622**	249,236	1,386
o/w Assets Held for Sale	*1,386*	-	-	-	***1,386***	-	***1,386***		

(*) The column "Assets held for sale" will not necessarily reconcile to the amounts disclosed in Note 6.10 as the amounts disclosed in the table above are limited to the investment properties, while the note 6.10 presents the sum of all the assets classified as held for sale.

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

2.5.2 Determination of remaining construction costs and impairment on developments

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

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

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

2.5.3 Income taxes assumptions

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

As stated in note 2.3.18, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

2.6 Critical judgments in applying the Group's accounting policies

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

2.6.1 Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease) the Group is accounting the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

2.6.2 Transfer from inventories to investment property

If a commercial or office development becomes partially rented, as a result of tenants moving in before the contemplated sale of the asset, the project is not automatically reclassified as investment property. A development will be reclassified as investment property only if it is held for capital appreciation and if the nature of this building has been changed and formally approved by the Management. The renting revenue on this development project is specifically disclosed in the consolidated financial statements.

2.6.3 Transfer from investment property to inventories

Freehold lands for which the destination is not determined at acquisition are classified under Investment property as land bank. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Management to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Board of Directors. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained sufficient support from state or city authorities in order to start working on the master plan modification.

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

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

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

2.6.5 Classification of non-current assets as held for sale

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

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

2.7 Subsidiaries with uncertainty of going concern

Some Group subsidiaries and joint ventures are dependent on their ability to obtain additional funding. Financing deficiency suggests liquidity concerns that may cast doubts on these Group’s subsidiaries and joint ventures ability to sustain operations and complete current projects. Where such uncertainties exist and are estimated as material to those entities, the Group recognizes impairments and provisions for relevant assets in order to recognize the expected transaction value for the repayment of the liabilities as a result of a breach of covenants in the bank loan contract or bankruptcy proceeding. In addition to the impairments of the assets, the Group may have to provide for risks linked to corporate guarantees granted by other Group entities that might be exercised as a result of these material uncertainties.

Furthermore, the control of the subsidiaries with uncertainty of going concern has to be reassessed in order to determine whether they should still be integrated in the consolidation scope. In such circumstances, the Group takes into account its capacity to negotiate a restructuring, the probable outcome and the extent of the banks’ protective rights. Until then the Group considers that it is still in capacity to take any measure that could change the course of actions and hence the ability to use its power over the investee to affect the amount of its returns.

3 The Group Structure

Control of the Group

Orco Property Group is the Group´s ultimate parent. For list of subsidiaries refer to Note 12.

3.1 Changes in the Group in 2015

3.1.1 Acquisition of development project

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

3.1.2 Liquidation of Orco Vagyonkezelo Kft.

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

3.1.3 Disposals in Croatia

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

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

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

In November 2015, the Company sold 180,000 shares of Suncani Hvar d.o.o (see note 6.5.1)

3.1.4 Disposal of Hungary entities

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

3.1.5 Disposal of share in **project Slunečný V**ršek

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

3.1.6 Disposal of **OBI Děčín project**

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

3.2 Changes in the Group in 2014

Over the year 2014, the following changes occurred in the Group:

3.2.1 Loss of control over CPI PROPERTY GROUP and Suncani Hvar

The Group lost control over CPI PROPERTY GROUP (former GSG GROUP, and former ORCO Germany S.A, hereinafter also as “CPI PG”) and its subsidiaries and over the portfolio of Suncani Hvar hotels. The events and circumstances leading to loss of control and the result on loss of control are described in note 5.7. The assets and liabilities belonging to the deconsolidated entities met the IFRS classification of discontinued operations and, in order to be clearly distinguished from continuing activities of the Group, their impact is presented separately in the consolidated income statement.

3.2.2 Deconsolidation of Hungarian assets in insolvency

Hungarian entities holding three rental assets in Budapest (Paris Department Store, Szervita and Váci 1) were deconsolidated from the Group statement of financial position after the opening of insolvency proceedings. The Group entered into negotiation with the financing bank and other creditors on restructuring program.

In November 2014, the Group and the financing bank reached an agreement regarding settlement of the corporate guarantee and mortgage over Váci 188 property. The Group agreed to pay to the financing bank EUR 9.0 million; in return the financing bank agreed to release the corporate guarantee provided by the Company and to waive the mortgage established in favour of the financing bank over Vaci 188 property. As part of the agreement the Paris Department Store, Szervita and Váci 1 assets are to be taken over by the financing bank. The creditor bodies approved this reorganization settlement.

The impact upon deconsolidation is presented in the other financial result (see note 5.5).

3.2.3 **Deconsolidation of Hlubočky and Dunaj due to transfer of ownership**

In June 2014, the Group completed restructuring of its rental portfolio financed by Crédit Agricole CIB. The transaction encompasses two investment properties located in the Czech Republic (Hlubočky) and Slovakia (Dunaj), which were transferred to the financing bank together with the related debt. At the same time, the transaction allowed the Group to retain the ownership in Bubenská commercial building in Prague and to achieve financing at more favourable conditions for this property (see note 6.10).

3.2.4 Sale of Zlota 44 project

On 27 August 2014 the Group entered into an agreement concerning a disposal of its stakes in the Zlota 44 project in Warsaw. The transaction with a subsidiary of international consortium of AMSTAR and BBI Development comprised of the disposal of shares that the Company held in the Zlota 44 project entity as well as of the disposal of loan receivables that the Group acquired from Bank Polska Kasa Opieki S.A. The pre-agreed gross transaction price was EUR 63 million in cash; partially payable upon completion of transfers and partially deferred upon the realization of certain conditions, notably the outcome of disputes pending at Zlota 44 level with the former general contractor and potential indemnities provided to the buyer in that respect.

The purchase price was finally agreed and decreased by EUR 13.0 million used for the settlement of disputes with Zlota 44 general contractor INSO. The final purchase amounts to EUR 50,040,501. Thus, the revenue recognised in the consolidated income statement in respect of proceeds from Zlota disposal is EUR 50.0 million.

3.2.5 Disposal of the Group's interest in hospitality portfolio to joint partner CPI Property Group

In December 2014, the Group disposed of 88% stake it held in the entities holding 50% shares in Hospitality Invest, S.á.r.l. including loans and receivables towards these entities. The aggregate transaction price amounts to EUR 13.3 million.

3.2.6 Acquisition of developments projects

In line with its new strategy, the Group completed on 12 November 2014 an acquisition of four development projects in the Czech Republic (STRM portfolio), counting approximately 186 thousand square meters of developable land area. The projects were acquired in a portfolio transaction as a share deal for total consideration of EUR 44.0 million, including acquisition cost for the loan provided by the former owner. The purchase price was paid on closing as follows: (i) EUR 37.0 million was paid in cash and (ii) EUR 7.0 million by transfer of liquid financial assets. These future projects, developable in the coming years, consist of freehold land with a potential for development of residential, office, hospitality and retail premises.

On 19 December 2014 the Group acquired Bianko, s.r.o., an owner of a brownfield area in Brno, Czech Republic. The project is located in Zidenice area of Brno with an area of approximately 22.5 hectares. The transaction is structured as a share deal and the transaction price amounts to EUR 13.95 million. The Group intends to build a mixed used project with similar size as its Bubny project in Prague.

The table below discloses the overview of assets and liabilities acquired within the new projects:

	Bianko	STRM portfolio
ASSETS	**20,631**	**45,841**
Non-current assets	**20,395**	**45,736**
Investment property	20,335	45,735
Other non-current assets	60	1
Current assets	**236**	**105**
LIABILITIES	**6,680**	**1,841**
Non-current liabilities	**6,235**	**-**
Financial debts	6,235	-
Current liabilities	**445**	**1,841**
NET ASSET VALUE	**13,951**	**44,000**
Acquisition costs	**13,951**	**44,000**

Had the group of assets been consolidated from 1 January 2014, their contribution would have no material impact on consolidated income statement and pro-forma revenue.

3.2.7 Deconsolidation of Szczecin Project

The assets and liabilities related to the entity were classified as held for sale as at the end of 2013 as the Group filed to the court a declaration of bankruptcy in the past. However, the bankruptcy petition was dismissed by the court. In 2014, the Group has approached the financing bank with an offer to purchase the loan towards Szczecin which was not accepted.

In the opinion of the management, the chances to agree on the refinancing are remote and the Group is no more in the position to control the policies and returns from the entity. An entity Szczecin Project sp. z o.o. has been removed from the consolidation scope. In 2015 the court execution was reopened based on initiative of the financing bank.

3.2.8 Insolvency of Orco Project

Another Polish Group subsidiary Orco Project sp. z o.o. was declared bankrupt by the court in November 2014. Consequently, the entity was deconsolidated from the Group financial statements.

4 Segment reporting

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

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

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

The Group structure lies on two main activities to which the Board of Directors is allocating the investment capacity on the basis of the defined strategy. On one hand, the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Board of Directors. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value accretion. On the other hand, the Group is actively investing in and managing its own or third parties real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analysed.

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

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the Property Investment Business line once completed;
- Property Investment business line covers all real estate assets operated (such as logistic parks) and rented out assets or that will be so without any major refurbishment.

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

4.1 Segment Reporting 2015

Profit & Loss 31 December 2015	**Development**	**Property Investments**	**TOTAL**
Revenue	**3,193**	**10,767**	**13,960**
Sale of goods	*1,914*	*-*	***1,914***
Rent	*949*	*7,059*	***8,008***
Hotels, Extended Stay & Restaurants	*-*	*-*	***-***
Services	*330*	*3,708*	***4,038***
Net gain or loss from fair value adjustments on investment property	(11,022)	(3,918)	**(14,940)**
Cost of goods sold	(2,171)	(12)	**(2,183)**
Impairments - Allowance	(1,028)	(2,036)	**(3,064)**
Impairments - Write-Back	1,378	3,699	**5,077**
Amortization and provisions	(559)	250	**(309)**
Other operating results	(2,383)	(9,494)	**(11,877)**
Operating Result	**(12,592)**	**(744)**	**(13,336)**
Net gain or loss from fair value adjustments on investment property	11,022	3,918	**14,940**
Impairments - Allowance	1,028	2,036	**3,064**
Impairments - Write-Back	(1,378)	(3,699)	**(5,077)**
Amortization and provisions	559	(250)	**309**
Net result on disposal of assets	10	(44)	**(34)**
Adjusted EBITDA	**(1,351)**	**1,217**	**(134)**
Financial Result			**(14,495)**
Share of profit or loss of entities accounted for using the equity method	(1,207)	8,018	**6,811**
Loss before income tax			**(21,021)**

Balance Sheet & Cash Flow 31 December 2015	**Development**	**Property Investments**	**TOTAL**
Segment Assets	**151,326**	**104,622**	**255,948**
Investment Property	142,353	99,472	**241,825**
Inventories	7,774	-	**7,774**
Assets held for sale	1,174	5,140	**6,314**
Equity method investments	25	10	**35**
Unallocated assets			*122,614*
Total Assets			**378,562**
Segment Liabilities	**59**	**3,892**	**3,951**
Liabilities linked to assets held for sale	59	3,892	**3,951**
Unallocated liabilities			*170,023*
Total Liabilities			**173,974**
Cash flow elements	**1,228**	**399**	**1,627**
Capital expenditure	1,228	399	**1,627**

Direct Operating Expenses 31 December 2015	**Development**	**Property Investments**	**TOTAL**
Direct operating expenses arising from investment property that :			
- generated rental income	(1,624)	(9,113)	**(10,737)**
- did not generate rental income	(21)	(50)	**(71)**

4.2 Segment Reporting 2014

Profit & Loss 31 December 2014	**Development**	**Property Investments**	**TOTAL**
Revenue	**61,328**	**13,848**	**75,176**
Sale of goods	*60,691*	*-*	***60,691***
Rent	*302*	*8,205*	***8,507***
Hotels, Extended Stay & Restaurants	*-*	*1,032*	***1,032***
Services	*335*	*4,611*	***4,946***
Net gain or loss from fair value adjustments on investment property	1,177	896	**2,073**
Cost of goods sold	(58,840)	-	**(58,840)**
Impairments - Allowance	(8,468)	(1,752)	**(10,220)**
Impairments - Write-Back	2,048	534	**2,582**
Amortization and provisions	48,810	(2,916)	**45,894**
Other operating results	(20,407)	(10,297)	**(30,704)**
Operating Result	**25,648**	**313**	**25,961**
Net gain or loss from fair value adjustments on investment property	(1,177)	(896)	**(2,073)**
Impairments - Allowance	8,468	1,752	**10,220**
Impairments - Write-Back	(2,048)	(534)	**(2,582)**
Amortization and provisions	(48,810)	2,916	**(45,894)**
Termination expenses	8,943	2,030	**10,973**
Net result on disposal of assets	19	(48)	**(29)**
Adjusted EBITDA	**(8,958)**	**5,533**	**(3,425)**
Financial Result			**(48,188)**
Share of profit or loss of entities accounted for using the equity method	(116)	(377)	**(493)**
Loss before income tax			**(22,720)**

Balance Sheet & Cash Flow 31 December 2014	**Development**	**Property Investments**	**TOTAL**
Segment Assets	**154,503**	**105,585**	**260,088**
Investment Property	143,676	105,560	**249,236**
Property, plant and equipment	-	-	**-**
Inventories	9,422	-	**9,422**
Assets held for sale	1,395	-	**1,395**
Equity method investments	10	25	**35**
Unallocated assets			*114,026*
Total Assets			**374,114**
Segment Liabilities	**237**	**-**	**237**
Liabilities linked to assets held for sale	237	-	**237**
Unallocated liabilities			*167,861*
Total Liabilities			**168,098**
Cash flow elements	**28**	**1,269**	**1,297**
Capital expenditure	28	1,269	**1,297**

Direct Operating Expenses 31 December 2014	**Development**	**Property Investments**	**TOTAL**
Direct operating expenses arising from investment property that :			
- generated rental income	(4)	(8,811)	**(8,815)**
- did not generated rental income	(168)	(47)	**(215)**

5 Consolidated income statement

5.1 Revenues

	12 months 2015	12 months 2014
Sale of goods	1,914	60,691
Rent	8,008	8,507
Hotels and restaurants	-	1,032
Services	4,038	4,946
Revenue	**13,960**	**75,176**

- 2015

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

Significant decline of revenue from sale of goods is reflecting disposal of Zlota project realized in 2014 (EUR 50.0 million). Revenue from sale of goods reported as of December 2015 includes remaining units sold on projects Klonova Aleja (EUR 0.4 million), Benice I (EUR 0.4 million), V Mezihoří (0.3 million) and revenue from sale of project Sunny House in Croatia (EUR 0.8 million).

- 2014

Disposal of Zlota project contributes EUR 50.0 million to the total amount of sale of goods reported as of December 2014. Main contributors to the remaining part are sold units on Mezihoří (EUR 4.6 million) and Benice projects (EUR 2.5 million).

Negative evolution on revenue from rent (EUR 3.5 million compared to 2013 restated) is explained mainly by the disposal of Hlubočky and Dunaj (EUR 1.2 million) and the deconsolidation of Hungarian entities (EUR 1.4 million).

5.1.1 Revenue by business line

	Development	Property Investments	Total
YTD Revenue			
As at December 2015	3,193	10,767	13,960
As at December 2014	61,328	13,848	75,176
Variation	**(58,135)**	**(3,081)**	**(61,216)**

5.1.2 Geographical information

Following tables disclose revenue per country and real estate portfolio:

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

	Total revenue	Rental revenue	Investment Property	Inventories
Czech Republic	19,329	5,195	204,896	8,212
Poland	51,753	579	11,300	554
Croatia	34	34	470	653
Hungary	1,054	584	10,800	-
Slovakia	977	116	-	3
Luxembourg	5,608	1,999	21,770	-
Inter-geographic	(3,580)	-	-	-
December 2014	**75,176**	**8,507**	**249,236**	**9,422**

5.2 Other operating expenses and employees benefits

	12 months 2015	12 months 2014
Other operating expenses	**(12,168)**	**(15,065)**
Leases and rents	(209)	(339)
Building maintenance and utilities supplies	(2,727)	(3,863)
Marketing and representation costs	(548)	(1,175)
Administration costs	(6,857)	(7,946)
Taxes other than income tax	(694)	(1,354)
Hospitality specific costs	-	(105)
Other operating expenses	(1,133)	(284)
Employee benefits	**(755)**	**(16,113)**
Total operating expenses	**(12,923)**	**(31,179)**

Significant decrease of employee benefits in 2015 compared to 2014 is a result of reduction in headcount and one-off expenses related to termination indemnities which occurred in 2014.

Non-cancellable operating leases commitments amount as follows:

- EUR 0.1 million not later than 1 year (2014: EUR 0.1 million)
- EUR 1.0 million later than 1 year and not later than 5 years (2014: EUR 0.5 million)

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

	31 December 2015	31 December 2014
Group auditor fees pursuant to legislation (KPMG)	(473)	(502)
Other services, accounting and tax advisory	(104)	-
Total administration costs	**(577)**	**(502)**

5.3 Amortisations, impairments and provisions

	31 December 2015	31 December 2014
Provisions for other risks and charges	1,947	11,004
Total Provisions	**1,947**	**11,004**
Impairment of Buildings	(310)	335
Impairment of Inventories	288	32,324
Impairment of Trade Receivables	(586)	(4,771)
Impairment of Other Current Assets	441	(12)
Total Impairments	**(167)**	**27,875**
Amortisation of Intangible assets	(33)	(380)
Depreciation of Hotels and owner occupied buildings	-	(9)
Depreciation of Fixtures and Fittings	(43)	(235)
Total Amortisation and Depreciation	**(76)**	**(623)**
Total Amortisation, Depreciation, Impairments and Provisions	**1,704**	**38,256**

- 2015

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

- 2014

In 2014, the Group reversed the impairment related to the Zlota 44 project in the amount of EUR 34.3 million. Impairment of trade receivables increased mainly as a result of recognition of impairment for trade receivables towards Endurance Hospitality Asset (EUR 2.3 million).

5.4 Interest expense

Total interest expenses in 2015 amount to EUR 11.1 million, out of which EUR 8.1 million have been paid, compared to EUR 21.1 million of interest expense and EUR 7.6 million of interest paid in 2014.

	12 months 2015	12 months 2014
Interest on bonds	**(7,487)**	**(10,414)**
Interest on bank loans – Development	(776)	(6,423)
Interest on bank loans - Property Investments	(2,349)	(4,278)
Interest on bank loans	**(3,125)**	**(10,701)**
Interest on third party loans	**(535)**	**-**
Total interest	**(11,147)**	**(21,115)**

The interest on bonds and bank loans in 2015 decreased compared to 2014 due to repayments in 2015 (see note 6.12 and 6.14).

In 2015, the interest on bank loans for development projects financing decreased from EUR 6.4 million in 2014 to EUR 0.8 million in 2015 as a result of the sale of Zlota 44 project.

5.4.1 Capitalized interest on projects under development

The capitalized interest on inventories in 2015 amount to EUR 0.3 million (EUR 0.4 million in 2014) and relate solely to project Benice.

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

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

	31 December 2014	
	EUR	CZK
New Notes	12.61%	-
Safeguard bonds	20.51%	-
Bank borrowings	4.09%	3.35%

5.5 Other net financial results

	12 months 2015	12 months 2014
Change in fair value and realized result on derivative instruments	226	(69)
Change in fair value and realized result on other financial assets	(353)	(7,534)
Realized result on repayment of borrowings	(3,840)	(3,474)
Result on disposal of subsidiaries/joint ventures	(1,320)	(17,646)
Other net financial results	(608)	(485)
Total	**(5,895)**	**(29,208)**

- **In 2015**

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

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

- a loss recognised on liquidation of investment in Endurance Fund of EUR 2.6 million that was partially compensated by dividends received (EUR 1.3 million) and resulted in the net loss of EUR 1.3 million;
- a gain of EUR 0.3 million on disposal of joint venture in JV Kosic;
- a gain realized on disposal of Hungarian entities of EUR 0.6 million.

❖ In 2014

Change in fair value and realized result on other financial assets relates to:

- negative revaluation of EUR 9.7 million realized on the PPL loan provided to hospitality joint venture prior to its disposal;
- further impairment of RFE promissory note of EUR 1.1 million;
- a dividend received from Endurance residential Sub Fund in the amount of EUR 1.6 million;
- reversal of impairment of EUR 1.5 million recognized on Endurance residential Sub Fund.

The result on repayment of borrowings consists of loss recognized in relation to revaluation of the Notes after the amendment of terms and conditions.

Result on disposal of subsidiaries includes the following:

- a gain recognized in relation to the deconsolidation of Hungarian entities of EUR 25.6 million;
- a loss upon deconsolidation of CPI PG of EUR 34.8 million and a loss on disposal of CPI PG shares of EUR 2.9 million (for more detail refer to note 5.7);
- a settlement payment of EUR 9.0 million transferred to financing bank of Hungarian assets in bankruptcy. In return the bank waived the guarantee provided by the Company in respect of the assets and released the mortgage over Váci 188 asset;
- a loss upon disposal of hospitality joint venture and related loan receivables in the amount of EUR 6.5 million;
- a gain of EUR 3.0 million resulting from deconsolidation of Orco Project, sp. z o.o. with negative net asset value due to declaration of bankruptcy of the company;
- a gain related to deconsolidation of company Szczecin Project, sp. z o.o. in the amount of EUR 5.4 million.

5.6 Income taxes

❖ In 2015

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

	December 2014	Scope Variation	Variation	Other	Currency translation	December 2015	Deferred tax asset	Deferred tax liability
Tangible assets	4,184	(270)	(171)	(2,780)	113	1,076	6,825	(5,749)
Financial assets	1,985	(251)	81	-	45	1,860	1,872	(12)
Inventories	5,536	(1)	(1,621)	2,780	154	6,848	6,862	(14)
Current assets	1,405	(1,190)	(217)	-	5	3	61	(58)
Provisions	257	-	102	-	3	362	365	(3)
Long term debts	(460)	982	(527)	-	10	5	24	(19)
Current debts	238	91	80	-	4	413	436	(23)
DTA derecognition	(18,420)	746	1,790	-	(425)	(16,309)	(16,309)	-
Recognized loss carried forward	1,178	(4)	693	-	(1)	1,866	1,866	-
Total deferred taxes	**(4,097)**	**103**	**210**	**-**	**(92)**	**(3,876)**	**2,002**	**(5,878)**
Deferred tax liabilities	(4,097)					(3,876)		

The Group does not recognise deferred tax asset as there is low probability that taxable profit will be generated against which the tax losses could be utilised in the future accounting periods when the tax losses expire.

As at December 2015, the losses carry forward not recognized in the local statutory accounts of the Group's subsidiaries represents a tax basis of EUR 558.0 million (EUR 793.7 million in 2014). The amount of aggregate Group tax losses carry forward went down compared to the previous year primarily due to decrease of unused tax losses of the Luxembourg entities.

❖ In 2014

In 2014, the weighted average applicable tax rate was 24.54% and the effective tax rate for the period was 1.31%. The income tax recognized in the income statement amounts to EUR 0.3 million and is composed of EUR 0.4 million of current income tax revenue which relates to return of income tax paid in respect of previous year and EUR 0.1 million of deferred tax expense.

	December 2013	Scope Variation	Variation	Other	Currency translation	December 2014	Deferred tax asset	Deferred tax liability
Intangible assets	(2,156)	2,156	-	-	-	-	-	-
Tangible assets	(90,753)	94,666	1,094	(425)	(398)	4,184	8,146	(3,962)
Financial assets	(3,679)	2,497	3,185	-	(18)	1,985	1,998	(13)
Inventories	33,428	(30,268)	3,091	-	(715)	5,536	7,657	(2,121)
Current assets	(3,492)	4,736	166	-	(5)	1,405	1,484	(79)
Equity	(275)	242	32	-	1	-	-	-
Provisions	(1,183)	4,174	(2,770)	-	36	257	260	(3)
Long term debts	(7,805)	8,423	(905)	(155)	(18)	(460)	534	(994)
Current debts	735	(1,537)	1,074	-	(34)	238	366	(128)
DTA derecognition	(86,124)	72,456	(6,534)	581	1,201	(18,420)	(18,420)	-
Recognized loss carried forward	54,078	(53,427)	533	-	(8)	1,178	1,178	-
Total deferred taxes	**(107,226)**	**104,119**	**(1,033)**	**1**	**42**	**(4,097)**	**3,203**	**(7,300)**
Deferred tax assets	313					-		
Deferred tax liabilities	(107,537)					(4,097)		

In the first half of 2014 significant groups of assets and liabilities were deconsolidated from the scope (see note 5.7). As a result the temporary differences giving arise the deferred taxes were derecognised. These movements are presented in the column scope variation. The amount of aggregate Group tax losses carry forward went down compared to the previous year due to deconsolidation of German entities.

The Group paid over the period EUR 0.1 million of current income taxes.

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

	2015	2014
Loss before tax from continued operations	**(21,021)**	**(22,720)**
Tax calculated at domestic rates applicable to profits in the respective countries	4,669	5,711
Tax effects of:		
Equity investments results reported net of tax	(1,143)	121
Untaxed gains or losses	3,365	13,890
Undeductible charges and interests	(478)	(1,226)
Current-year losses for which no deferred tax asset is recognised	(5,857)	(17,795)
Other income tax	(321)	(115)
Adjustments in respect of prior years	(15)	(287)
Income tax expense recognised in profit or loss from continued operations	**220**	**299**

Tax rates

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

	Income Tax Rates		Deferred Tax rates	
	2015	2014	2015	2014
Croatia	20.00%	20.00%	20.00%	20.00%
Czech Republic	19.00%	19.00%	19.00%	19.00%
France	33.33%	33.33%	33.33%	33.33%
Germany	30.18%	30.17%	30.18%	30.17%
Guernsey	0.00%	0.00%	0.00%	0.00%
Hungary	10.00%	10.00%	10.00%	10.00%
Luxembourg	29.22%	29.22%	29.22%	29.22%
Poland	19.00%	19.00%	19.00%	19.00%
Slovakia	22.00%	22.00%	22.00%	22.00%

Tax losses

The table below shows the expiry date of unused tax losses as of 31 December 2015, for which no deferred tax assets is recognized.

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

At 31 December 2014	Expiry date				
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	**Total**
Unused tax losses	19,187	35,908	8,239	730,356	**793,690**

Unused tax losses with expiry date more than 5 years in the amount of EUR 512.5 million have been incurred in Luxembourg (EUR 510.5 million), Hungary (EUR 2 million) and can be carried forward indefinitely.

5.7 Non-controlling interests' transactions

❖ In 2015

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

❖ In 2014

Deconsolidation and disposal of CPI PG shares

On 3 March 2014, CPI PG resolved to raise EUR 36.0 million in a reserved capital increase in favor of Stationway Properties Limited ("Stationway"), an entity affiliated with Jean-François Ott. Stationway subscribed 76,600,000 new shares which were issued on 5 March 2014. The total number of shares comprising the share capital of CPI PG as well as the number of voting rights was 421,256,445 shares as of 5 March 2014. This capital increase results from the 29 November 2013 decision of the CPI PG's Board of Directors to raise up to EUR 100 million pursuant to the authorization granted by shareholders during the extraordinary meeting of 26 April 2012.

As a result of the capital increase by Stationway without participation of OPG, the Group's shareholding interest was diluted to 47.85% represented by 201,571,194 shares and the equity attributable to the owners of the Company decreased by EUR 10.3 million. Consequently, the amount of non-controlling interests increased by EUR 46.3 million.

As a consequence of the dilution of participation and the removal of the Group's representatives from the management of CPI PG, the Company lost control over CPI PG and its subsidiaries. As at the date of loss of control, assets, liabilities and non-controlling interest attributable to the CPI PG were derecognized from the consolidated statement of financial position and the remaining shares were recognized at their fair value in the category financial asset available-for-sale. The fair value of the retained interest was determined based on the market price at closing as at the date of losing control (EUR 0.53 per share) multiplied by the total number of CPI PG shares held by OPG. In the opinion of the Group management, the market price represented the best indicator of the fair value. The deconsolidation and recognition of financial assets available for sale measured at fair value, as described above, resulted in a loss of EUR 34.8 million recorded in 2014 income statement. The non-controlling interests in the former subsidiaries have been derecognized in the carrying amount of EUR 152.8 million. The change in non-controlling interests is presented as an impact of deconsolidation of subsidiaries in the statement of changes in equity.

In order to meet the liquidity requirements, in particular to finance the acquisition of PEKAO receivable related to Zlota project, the Company entered on 28 April 2014 into an agreement to dispose of 108,395,743 shares it held in CPI PG for a total purchase price of EUR 55.0 million. The completion of the disposal of the shares was subject to certain conditions, including the approval of the Paris Commercial Court. The court approved the disposal of the shares on 2 June 2014. Following this disposal the shareholding of the Group in CPI PG decreased from 201,571,194 shares to 93,175,451 shares equal to 20.53% of the voting rights at the time of disposal.

The disposal of the CPI PG shares under distressed conditions but at market price gave rise to an accounting loss of EUR 2.9 million.

Disposal of Suncani Hvar shares

On 11 June 2014, Company entered into a transaction concerning partial disposal of its stake held in Suncani Hvar d.d. (SHH). OPG disposed of 2,080,000 shares corresponding to 24.94% of the voting rights. After the disposal, the Company held 2,636,734 SHH shares equal to 31.61% of the voting rights. Together with the shares, the Company transferred to the buyer shareholder receivables from SHH. The shares and receivables were sold at an aggregate purchase price of EUR 2.1 million.

After having recognized impairments in 2013 in relation to SHH as a result of the uncertainty regarding the going concern of the activities, the disposal of SHH shares and receivables resulted in an accounting gain of EUR 0.5 million.

Since the shareholding interest in SHH was reduced below 50% and, consequently, the Company lost control over SHH activities, related assets and liabilities were deconsolidated from the Group statement of financial position, including the non-controlling interest share in negative net assets of EUR 6.1 million.

Nevertheless, the Group continues to have a significant influence and as at 31 December 2014, the retained investment in SHH is classified as an investment in associate and accounted for under the equity method.

Increase of ownership interest in Praga and Benice

In September 2014, the Group signed an agreement regarding purchase of the 25% non-controlling interest in two SPVs holding projects in Benice and Praga (Jihovychodni Mesto, a.s and Orco Praga, s.r.o. respectively). The acquisition resulted in an increase of equity attributable to the owners of the Company by EUR 1.9 million. Non-controlling interests in the amount of EUR 1.3 million has been derecognized.

Other changes in non-controlling interest

As a result of other transactions described in the note 1.1, non-controlling interests share in negative net asset value related to the following projects or group of assets has been derecognized from the consolidated statement of financial position:

- Hospitality portfolio in the amount of EUR 10.6 million;
- Zlota 44 in the amount of EUR 5.6 million;
- Szczecin in the amount of EUR 1.2 million.

6 Consolidated statement of financial position

6.1 Intangible assets

Intangible assets	Gross amount	Amortisation and Impairments	Net amount
Balance at 1 January 2014	**53,049**	**(6,635)**	**46,414**
Changes in the Group	(49,132)	3,159	(45,973)
Increase	3	-	3
Assets sales	(9)	7	(2)
Impairments	-	(387)	(387)
Transfer	(105)	90	(15)
Translation difference	(52)	50	(2)
Balance at 31 December 2014	**3,754**	**(3,716)**	**38**
Assets sales	(3,037)	3,029	(8)
Impairments	-	(33)	(33)
Translation difference	49	(46)	3
Balance at 31 December 2015	**766**	**(766)**	**-**

Decrease of intangible asset recognised in 2015 is a result of sale of software. Remaining balance relates to fully amortized software licences.

6.2 Investment property

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
At 1 January 2014	**678,120**	**10,922**	**21,510**	**710,552**
Changes in the Group	(570,650)	-	(7,981)	(578,631)
Investments / acquisitions	1,119	-	28	1,147
Revaluation through income statement	433	463	1,177	2,073
Transfer from inventories	-	-	64,850	64,850
Acquisition of group of assets	-	-	66,072	66,072
Transfers to asset held for sale	-	(11,375)	(1,387)	(12,762)
Translation differences	(3,461)	(10)	(594)	(4,065)
At 31 December 2014	**105,561**	**-**	**143,675**	**249,236**
Investments / acquisitions	399	-	715	1,114
Asset sales	(69)	-	(344)	(413)
Revaluation through income statement	(3,919)	-	(11,021)	(14,940)
Acquisition of group of assets	-	-	5,568	5,568
Transfers to asset held for sale	(4,241)	-	-	(4,241)
Translation differences	1,742	-	3,759	5,501
At 31 December 2015	**99,473**	**-**	**142,352**	**241,825**

❖ In 2015

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

a) Investment / Acquisitions

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

b) Asset sales

During 2015 the following projects were sold:

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

c) Revaluation through the income statement

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

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

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

d) Acquisition of Group of assets

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

e) Transfer to assets held for sale

The property Marki in Poland was transferred to assets held for sale because of its sale in February 2016 (see Note13.2).

❖ In 2014

8 investment properties with a net book value of EUR 178.7 million located in special purpose entities (SPV) have been pledged as a security for bank loans amounting to EUR 76.9 million. The number of pledged assets decreased as a result of the loss of control over CPI PG and deconsolidation of three Hungarian assets and two investment properties within the Suncani Hvar portfolio.

a) Changes in the Group

As a result of the loss of control referred to above, freehold buildings in the amount of EUR 570.7 million and land bank of EUR 4.9 million were derecognized from the consolidated balance sheet. The book value of deconsolidated freehold buildings and land plots in CPI PG amounts to EUR 533.2 million and the value of Hungarian assets at the date of derecognition was EUR 41.4 million. Furthermore, one land bank in Poland in the book value of EUR 3.1 million was deconsolidated as a result of the bankruptcy. See note 5.7 for further details about the deconsolidation.

b) Investments / Acquisitions

In the first quarter of 2014 (when still contributing to OPG results), the CPI PG has invested EUR 0.6 million into refurbishment of buildings in the mixed retail and office portfolio in Berlin. CPI PG has also acquired an asset in Berlin (Voltastraße 29, 30) for EUR 0.4 million.

c) Revaluation through the income statement

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Czech Republic	1,011	463	1,117	2,651
Poland	(1,269)	-	-	(1,269)
Hungary	2,131	-	-	2,131
Luxembourg	(1,440)	-	-	(1,440)
Total for 2014	**433**	**463**	**1,117**	**2,073**

The main movements in fair value of assets related to the freehold buildings are:

- In the Czech Republic, the fair value decreased for Bubenská (EUR -0.5 million) and went up for Hradčanská (EUR 0.4 million) and Na Poříčí (EUR 0.9 million);
- In Poland, the market value of Diana Office went down by EUR 0.2 million. Also, the value of logistic park Marki decreased by EUR 1.1 million;
- In Hungary, the increase relates to the freehold buildings Váci 188 (EUR 1.5 million) and Váci 199 (EUR 0.6 million);
- In Luxembourg, the value of Capellen office building decreased by EUR 1.4 million.

The value of Pachtuv Palace hotel was adjusted by EUR 0.5 million to its fair value prior to the reclassification to held for sale (see below).

The improvement of the value of land bank in the Czech Republic is mainly attributable to Praga – an increase by EUR 1.1 million.

d) Acquisition of group of assets

Following its amended strategy aiming at development projects, the Group acquired four projects in the Czech Republic in November 2014 – STRM portfolio (see note 3.2.6). The entities were acquired in a portfolio transaction for total consideration of EUR 44.0 million and include freehold land with potential for development of residential, office, hospitality and retail premises. Since the Group did not decide about the form of development of the land bank yet and the final use of the plots is considered to remain uncertain, the acquired project real estate assets were classified as investment properties and recognized in the amount of EUR 45.7 million in the consolidated statement of financial position.

Further transaction occurred in December 2014, when the Group purchased a brownfield located in Brno, Czech Republic, with an area of 22.5 hectares. The transaction was structured as a share deal and the transaction price for net assets of the SPV amounts to EUR 13.95 million. In accordance with the Group policy and due to the fact that decision regarding final use of the land bank plots has not been taken yet, the freehold land was classified as land bank in investment properties. The value of the real estate assets acquired in the transaction is EUR 20.3 million.

e) Transfers

Transfer from inventories

At the end of 2014, the Group changed the classification of the Bubny plot, which was transferred from Inventories into Investment property in the amount of EUR 64.85 million.

Transfer to assets held for sale

In the first half of 2014, the Group reached an agreement with former management regarding compensation for their dismissal from managerial positions. The Pachtuv Palace hotel in Prague forms part of the compensation in-kind of the former management's indemnity package. Prior to completion of the handover, the hotel was transferred to held-for-sale category.

Two land banks (Rubeška and Na Františku) were transferred to held-for-sale in the expectation of their sale after the end of reporting period.

6.3 Fixtures and fittings

	Gross amount	Depreciation and Impairments	Net amount
At 1 January 2014	**23,136**	**(10,825)**	**12,310**
Changes in the Group	(16,636)	6,097	(10,539)
Increase	457	-	457
Assets sales and scraps	(2,015)	1,400	(615)
Allowance	-	(253)	(253)
Variation	(53)	-	(53)
Translation difference	(413)	137	(276)
At 31 December 2014	**4,477**	**(3,444)**	**1,030**
Increase	21	-	21
Assets sales and scraps	(2,661)	2,001	(660)
Allowance	-	(45)	(45)
Translation difference	38	(34)	4
At 31 December 2015	**1,875**	**(1,522)**	**353**

❖ In 2015

Decrease of fixtures and fittings recognised over 2015 relates primarily to sale of equipment and technical installation in gross amount of EUR 1.5 million.

❖ In 2014

In 2014, the decrease of fixtures and fittings is explained mainly by loss of control over CPI PG and its subsidiaries, deconsolidation of Hungarian assets in insolvency and Suncani Hvar.

6.4 Equity method investments

6.4.1 Investments in joint ventures

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

Joint ventures	2015	2014
Consolidated statement of financial position	35	35
Consolidated income statement – joint ventures	6,811	(493)

Income from joint ventures relates primarily to income of Suncani Hvar. As of the completion of restructuring of Suncani Hvar and connected decrease of ownership under 20%, the instrument was reclassified to financial assets available for sale.

	2015	2014
At 1 January	(516)	(49)
Additions	-	12
Share of loss	(1,207)	(493)
Other comprehensive income	(20)	13
Changes in the Group	406	-
At 31 December	(1,337)	(516)
Excess of loss applied to Group loans provided to joint ventures	(1,372)	(551)
Carrying amount at 31 December	**35**	**35**

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

6.4.1.1 Košík (Slunečný Vršek)

In 2015, the Group sold its stake in Kosic S.á.r.l. The transaction price was EUR 1.4 million.

Košík was a joint venture established with GE dedicated to residential development Slunečný Vršek in the south-east area of Prague. The Group had a 50% interest in Kosic S.à r.l., a Luxembourg based holding company which in turn holds 100% of two operational companies seated in the Czech Republic - SV Fáze II, s.r.o. and SV Fáze III, s.r.o.

6.4.1.2 Uniborc S.A.

Uniborc S.A is a joint venture constituted in 2013 with Unibail Rodamco aimed at developing a shopping center in the Bubny area, Prague. The Group's shareholding is 20%. The Group has an option until the start of the works for the future shopping mall to increase its shareholding to 50% at acquisition cost in the joint venture plus interest.

The net liabilities of the joint venture amount to EUR 6.9 million as at 31 December 2015 (2014: EUR 1.9 million). Losses in excess of the interest amounting to EUR 1.4 million in 2015 and EUR 0.4 million in 2014 were applied to a loan receivable provided to Uniborc joint venture by the Group.

Summarized balance sheet

	December 2015	December 2014
Non-current assets	18,082	21,171
Current assets	89	5
Cash and cash equivalents	*89*	*5*
Other current assets	-	-
Total assets	**18,171**	**21,176**
Non-current liabilities	24,727	22,741
Financial liabilities	*24,727*	*22,602*
Other liabilities	-	*139*
Current liabilities	309	313
Financial liabilities (excl. trade payables)	*235*	*240*
Other current liabilities	*74*	*73*
Total liabilities	**25,036**	**23,054**
Net liabilities	**(6,866)**	**(1,878)**

Summarized income statement

Operating result	**(88)**	**(61)**
Interest income	-	-
Interest expenses	(1,204)	(1,060)
Loss before taxes	**(1,292)**	**(1,121)**
Income taxes	(93)	(106)
Loss after income tax	**(1,385)**	**(1,227)**

6.5 Non-current financial assets

6.5.1 Financial assets available-for-sale

This balance sheet line is made of 2 financial assets:

Share in CPI PROPERTY GROUP

- In 2014, the Group lost control over CPI PG (at the time Orco Germany). As a result of the change in control and dilution of the participation interest, the shares of CPI PG were classified as financial assets available-for-sale.
- As at 31 December 2015 the Group´s share in CPI PROPERTY GROUP is 4.82% and is valued at EUR 98.5 million (2014 – EUR 84.3 million). For the valuation as at 31 December 2015 the share is valued using EPRA NAV per share of CPI PG as at 30 September 2015. The EPRA NAV published by CPI PG was 0.619 EUR per share as at 30 September 2015.
- As at 31 December 2014 the Group's share in CPI Property Group was valued using market price of shares from Frankfurt stock exchange.
- For the preparation of the consolidated financial statements as at 31 December 2015 the method of the fair value determination has been changed compared to the consolidated financial statements as at 31 December 2014. The primary reason for the change in the valuation technique represents Group´s management assessment of the market that is considered as not active, with low liquidity and high volatility.

Share in Suncani Hvar

- As at 31 December 2015 the Group holds 15.76% stake in Suncani Hvar. The Group´s share is valued at EUR 8 million as at 31 December 2015.
- Due to uncertainties regarding the going concern of Suncani Hvar as of 31 December 2014 the Group´s share was recognized in zero value. Suncani Hvar successfully completed its pre-bankruptcy reorganization during 2015 which mitigated the uncertainty and led to increase in valuation of the share.
- In determining the fair value of Suncani Hvar shares the Group used price of the shares that has been applied within the debt to equity swap transaction as a part of Suncani Hvar restructuring carried out in 2015.

6.5.2 Non-current loans and receivables

The "Non-current loans and receivables" mainly include:

- The loan including interest granted to the company Uniborc amounts to EUR 4.9 million in 2015 (EUR 4.1 million in 2014). This joint venture with Unibail Rodamco, started in April 2013, is mainly financed through an equity loan by both partners in the same proportion as their respective shareholdings. The value of the loan was reduced by EUR 1.4 million in 2015 and by EUR 0.4 million in 2014 to provide for the negative equity of the joint venture (see note 6.4.1.2).
- Receivable amounting to EUR 3 million related to Radio Free Europe / Hagibor Office Building deferred consideration.

6.6 Inventories

	2015	2014
Balance at 1 January	**9,422**	**114,720**
Impairments – Allowance	(83)	(1,770)
Impairments - Write-Back	212	53
Transfer to held for sale	(1,193)	(30,195)
Transfer to investment properties	-	(64,850)
Translation differences	242	(1,116)
Net increase in inventories	1,357	5,287
Cost of goods sold	(2,183)	(9,340)
Changes in the group	-	(3,367)
Balance at 31 December	**7,774**	**9,422**

Property classified as inventories are developed with the intention to be sold. The closing balance relates primarily to project Benice of EUR 7.5 million (EUR 6.8 million in 2014).

❖ In 2015

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

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

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

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

❖ In 2014

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

In 2014, an impairment charge has been recognized for Bubny plot in the amount of EUR 1.5 million based on an updated annual valuation.

In March 2014, the Board of Directors decided to sell the project Zlota 44 in Warsaw as is. After meeting the IFRS definition, the inventories related to Zlota 44 project were transferred to assets held for sale as at 30 June 2014 in the amount of EUR 30.2 million. On 27 August 2014, the Group disposed of its stake in the project (see note 3.2.4).

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

Following some uncertainties regarding future development of the Bubny area in Prague, the Group has reviewed the classification of this project. Due to the fact that the master plan has not been approved yet and there exists the uncertainty about the length of time to obtain the relevant permits and future use of the plot, the plot was transferred from inventories to investment properties as of the year end 2014 in the amount of EUR 64.9 million. The plot development has been suspended and the development plans have been deferred indefinitely. The Group continues to hold the property awaiting the change of the master plan and the plot is held for capital appreciation.

Significant part of the costs of sold units is attributable to the Prague residential project V Mezihoří (EUR 3.5 million) where almost all apartments were delivered by the end of December. Family houses at costs of EUR 2.3 million were sold in Benice near Prague. Over the year 2014, last remaining units were sold at another Prague project Mostecká with a book value of EUR 1.3 million and Koliba in Bratislava (EUR 0.8 million).

The amount of Cost of goods sold does not reconcile with the amount presented in the income statement due to the fact that the cost of goods in the income statement include costs related to disposal of Zlota 44 project in the amount of EUR 50.0 million.

The line Changes in the group mainly represents deconsolidation of the CPI PG residential project Naunynstraße.

6.7 Cash and cash equivalents

As at 31 December 2015, cash and cash equivalents consist of short-term deposits of EUR 78 thousand (EUR 28 thousand as at 31 December 2014), cash in bank of EUR 3.179 thousand (EUR 7.066 thousand as at 31 December 2014) and cash in hand of EUR 7 thousand (EUR 9 thousand as at 31 December 2014).

The cash in bank includes restricted cash of EUR 2.7 million in 2015 (EUR 2.5 million in 2014) representing:

- Cash deposited in accounts reserved as collateral for development projects of EUR 0 million (EUR 0.1 million in 2014);
- Cash deposited in accounts reserved as collateral for loans related to property of EUR 2.7 million (EUR 2.4 million in 2014).

6.8 Other current financial assets

	At 31 December 2015	At 31 December 2014
Operating loans	38	101
Other current assets	70	5,709
Accrued interest	296	281
Total other current financial assets	**404**	**6,092**

In 2014, the Group entered into agreement concerning acquisition of development project in Prague 10. Advance payment for this acquisition amounting to EUR 5.7 million was presented in other current assets. The completion was subject to certain corporate approvals on seller´s side, which were granted on 10 March 2015 (see Note 6.2 part d). Excluding this transaction, other current financial assets are comparable with prior period.

6.9 Other current non-financial assets

	At 31 December 2015	At 31 December 2014
Prepayment tax and social security	569	585
Accrued assets	827	2,363
Other assets	394	158
Advance payment for work in progress	-	4
Total other current non-financial assets	**1,790**	**3,110**

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

Assets held for sale	December 2015	December 2014
Opening Balance	**1,395**	**29,116**
Transfers to	6,276	45,957
Translation differences	5	(1,310)
Transfer of ownership / Asset sales	(1,362)	(72,368)
Closing Balance	**6,314**	**1,395**

Liabilities linked to assets held for sale	December 2015	December 2014
Opening Balance	**237**	**27,722**
Variation	(193)	(207)
Transfers to	3,911	80,470
Transfer of ownership	-	(107,984)
Translation differences	(4)	235
Closing Balance	**3,951**	**237**

❖ In 2015

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

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

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

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

❖ In 2014

During 2014, the Group sold 4 assets classified as held for sale:

- Zlota project (Poland): in March 2014, Board of Directors decided to sell Zlota project as is. After meeting criteria set by IFRS, all assets and liabilities related to this project were reclassified as held for sale. Total assets classified as held for sale amount to EUR 31.4 million and are presented on line "Transfers to". Total liabilities classified as held for sale amounted to EUR 74.6 million are presented on line line "Transfers to" in table "Liabilities linked to assets held for sale". The disposal of Zlota project is then presented on line "Transfer of ownership / Assets sale".
- Hlubočky (Czech Republic) and Dunaj (Slovakia) projects, classified as held for sale in 2013, were sold in June 2014 as part of a portfolio debt restructuring transaction with Crédit Agricole Corporate and Investment Bank, which concerned three assets that used to be cross collateralized: two in the Czech Republic (Bubenska, Hlubočky) and one in Slovakia (Dunaj department stores). As a result of this transaction, the Group transferred the ownership of Hlubočky and Dunaj, together with related debt to a fully owned subsidiary of Crédit Agricole CIB. In return, the Group retained the ownership of Bubenska 1 with leverage decreased to EUR 9.0 million with extended debt maturity to June 2017. This transaction does not have any major impact to financial result of the Group, as fair value of transferred assets was adjusted as at 31 December 2013 according to the value agreed for the purposes of expected

transaction. Impact to assets classified as held for sale is reported in this note on line “Transfer of ownership” – total assets amounting to EUR 24.7 million, total liabilities amounting to EUR 17.3 million.

- Pachtův Palác: In addition, the Group reached an agreement with the former management regarding compensation for their dismissal from the managerial functions. In line with that, Pachtuv Palace hotel in Prague – part of this compensation - was transferred to assets held for sale and reported on line “Transfers to” (assets amounting to EUR 12.2 million, liabilities EUR 5.6 million). After completion of the transfer administration procedure, Pachtův Palác was deconsolidated and is reported on line “Transfer of ownership / asset sales” – assets amounting to EUR 12.0 million, liabilities EUR 6.2 million.

The Group received an offer to sell the receivable for deferred consideration on the sale of Molcom. After repayment of EUR 0.6 million and impairment of EUR 35.2 million (no accrual of interests in 2014 or 2013), the fair value of the receivable was EUR 1.0 million in 2014 (EUR 0.9 million in 2013). The receivable was reclassified from financial assets to assets held for sale as at 30 June 2014 in value of EUR 1.0 million. The receivable and the related security rights were sold on 2 July 2014 for the amount of EUR 1.0 million.

After the rejection by the financing bank of the Group’s offer to purchase the loan provided by the bank towards Szczecin Project sp. z o.o., the entity has been removed from the consolidation scope (see note 3.2.7). According to this, all assets and liabilities related to the project Szczecin were deconsolidated and are presented on lines “Transfer of ownership” – assets in the amount of EUR 4.4 million, liabilities in the amount of EUR 10.4 million as at 31 December 2014.

In October 2014, the Board of Directors agreed to dispose of two non-strategic projects in the Czech Republic, namely Rubeška, located in Prague 9 and Na Františku, located in Ostrava - Slezka. All assets and liabilities related to these two projects were classified as held for sale. Total assets amount to EUR 1.4 million and total liabilities amount to EUR 0.2 million as at the end of December 2014.

6.11 Equity

Earnings per share

	31 December 2015	31 December 2014
At the beginning of the period	**314,507,629**	**114,389,629**
Shares issued	314,507,629	114,507,629
Treasury shares	-	(118,000)
Weighted average movements	**-**	**27,963,680**
Issue of new shares	-	27,945,205
Treasury shares	-	18,475
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**314,507,629**	**142,353,309**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**314,507,629**	**142,353,309**
Net loss attributable to the Equity holders of the Company	**(20,471)**	**(23,616)**
Net loss attributable to the Equity holders of the Company after assumed conversions / exercises	**(20,471)**	**(23,616)**
Total Basic earnings in EUR per share	**(0.07)**	**(0.17)**
o/w continuing operations	(0.07)	(0.15)
o/w discontinued operations	-	(0.02)
Diluted earnings in EUR per share	**(0.07)**	**(0.17)**
o/w continuing operations	(0.07)	(0.15)
o/w discontinued operations	-	(0.02)

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

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

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

Equity holders

Share capital

	Number of shares	Share Capital	Share premium
At 1 January 2014	**114,507,629**	**229,015**	**647,164**
Reduction of accounting par value of shares - 8 April 2014	-	(114,507)	-
Reduction of accounting par value of shares - 28 May 2014	-	(103,057)	-
Capital increase of 10 November 2014	200,000,000	20,000	39,200
At 31 December 2014	**314,507,629**	**31,451**	**686,364**
At 31 December 2015	**314,507,629**	**31,451**	**686,364**

All the shares of the Company have an accounting par value of EUR 0.10 per share with no nominal value and are fully paid. Each share is entitled to a prorate portion of the profits and corporate capital of the Company, as well as to a voting right and representation at the time of a general meeting, all in accordance with statutory and legal provisions.

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

During 2014, the share capital of the Company decreased twice. The extraordinary general meeting of 8 April 2014 resolved to approve the decrease of the share capital of the Company from the amount of EUR 229,015,258 to EUR 114,507,629 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 2 to EUR 1 per share, with allocation of the reduction proceeds to reserves. As such, the share capital of the Company amounted to EUR 114,507,629 as of 8 April 2014. The extraordinary general meeting of 28 May 2014 resolved to approve the decrease of the share capital of the Company from the amount of EUR 114,507,629 to EUR 11,450,762.90 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1 to EUR 0.1 per share, with allocation of the reduction proceeds to reserves. As such, the share capital of the Company was EUR 11,450,762.90 at 28 May 2014.

On 10 November 2014 the Board of Directors of the Company resolved to implement a reserved capital increase and raise EUR 59.2 million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 28 May 2014. The Company's Board of Directors agreed to issue and issued 200 million new ordinary shares having a par value of EUR 0.10 each, at a subscription price of EUR 0.296 per new share, for a global cash contribution of EUR 59.2 million, which were subscribed as follows: (i) 100,000,000 new shares were subscribed for a total subscription price of EUR 29,600,000 by ASPLEY VENTURES LIMITED, British Virgin Islands, an entity closely associated with Mr. Pavel Spanko, and (ii) 100,000,000 new shares were subscribed for a total subscription price of EUR 29,600,000 by FETUMAR DEVELOPMENT LIMITED, Cyprus, an entity closely associated with Mr. Jan Gerner. The corporate share capital of the Company has been increased from EUR 11,450,762.90 represented by 114,507,629 shares to EUR 31,450,762.90 represented by 314,507,629 shares. The total number of shares comprising the share capital of the Company as well as the total number of voting rights attached thereto is 314,507,629 as of 10 November 2014.

Authorized capital not issued

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

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

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

Securities giving access to equity (warrants)

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

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

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

Under the Securities Note and Summary dated 22 March 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) could result in a potential liability for the Company due to "Change of Control Compensation Amount". According to the Securities Note and Summary each 2014 Warrant would need to be repurchased by the Company at a price of EUR 8.25/ 2014 Warrant in the event of a Change of Control as at 31 December 2015. This "Change of Control Compensation Amount" per 2014 Warrant decreases as time goes by. Change of Control is defined as "the acquisition or control of more than 50 per cent of the voting rights of that entity or (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that entity, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise." Pursuant to the judgement of the Paris Commercial Court terminating the Safeguard plan, only claims of the holders of Warrants 2014, that were admitted to the Safeguard plan will be paid in accordance with their contractual terms i.e. in case that the Change of Control would occur. The Change of Control Compensation Amount with respect to 2014 Warrants filed with their respective holders has been admitted in the Company's Safeguard plan only in the amount of EUR 707,826.24. Pre-Safeguard liabilities that were not admitted to the Company's Safeguard will be unenforceable. The Group holds 1,354,487 2014 Warrants.

6.12 Bonds

Non-current bonds	
At 1 January 2014	**64,992**
Interest on Safeguard Bonds	439
Interest on New Notes	11,104
Transfer from long term to short term on Safeguard Bonds	(278)
Transfer from long term to short term on New Notes	-
Transfer of accrued interest on New Notes	(4,097)
Repayment on New Notes	(13,156)
Changes in the Group	(43)
Loss on restatement of New Notes	3,276
At 31 December 2014	**62,237**
Interest on Safeguard Bonds	231
Repayment on New Notes	(2,225)
Transfer of accrued interest to current part	(668)
Interest on New Notes	7,136
Safeguard bond settlement	2,966
Repayment of Safeguard bonds	(4,375)
Payment of interest on New Notes	(4,588)
At 31 December 2015	**60,714**

Current bonds	
At 1 January 2014	**321**
Repayment interests on Safeguard Bonds	(321)
Transfer from long term to short term on Safeguard Bonds	278
At 31 December 2014	**278**
Repayment interests on Safeguard Bonds	(278)
Transfer of accrued interest from non-current part	668
At 31 December 2015	**668**

- ❖ In 2015

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

Settlement per bonds is described below:

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

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

Following the Safeguard bonds settlement, the Company remaining derivates are New Notes (see Note 6.13).

6.13 New Notes

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

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

- ❖ In 2014

A general meeting of the holders of the Notes (registered under ISIN code XS0820547742) was held on 9 October 2014 in Luxembourg. At the meeting the holders of the Notes approved certain amendments to the terms and conditions of the Notes, which have become effective after its acceptance by the Company on 7 November 2014.

The amendments include, inter alia, the decrease of the interest rate applicable to the Notes to 7% per annum, the extension of the maturity to five years, the implementation of the guarantee by CPI PG for 3% per annum fee, and the change of the law governing the Notes from Luxembourg law to English law. The repayment terms were changed to one–off bullet payment at the maturity date as opposed to the previously applicable amortization payments (25% of the principal amount of the Notes due on 28 February 2015, 2016 and 2017 with the remaining outstanding principal amount due on the maturity date of 28 February 2018).

As a result of the amendment and the fact of the substantial change of the quantitative and qualitative characteristics of the Note liability, the liabilities from the Notes under original conditions were derecognised and liabilities from Notes under amended conditions were recognised which resulted in an accounting loss of EUR 3.3 million.

In August 2014, the Company repaid EUR 0.4 million as part of the cash sweep following the partial disposal of logistic park Stříbro. In addition, on 14 November 2014 the Company proceeded with "Mandatory Prepayment on Zlota Disposal" under the terms and conditions of the Notes in the amount of EUR 12.8 million.

The transfer from long term to short term corresponds to the interest on Safeguard Bonds to be paid in April 2015 in accordance with the repayment schedule of the Safeguard plan.

6.14 Financial debts

Non-current loans and borrowings	Bank loans	Other borrowings	Total
At 1 January 2014	**295,130**	**174**	**295,304**
Issue of new loans and drawdowns	2,908	341	**3,249**
Acquisition of group of assets	6,235	-	**6,235**
Repayments of loans	-	(36)	**(36)**
Changes in the Group	(250,243)	(94)	**(250,337)**
Transfers to Liabilities held for sale	(4,821)	-	**(4,821)**
Other transfers	16,538	(283)	**16,255**
Translation differences	(569)	(28)	**(597)**
At 31 December 2014	**65,178**	**74**	**65,252**
Changes in the Group	-	22	**22**
Repayments of loans	(5,608)	-	**(5,608)**
Other transfers	(40,097)	2	**(40,095)**
Translation differences	823	-	**823**
At 31 December 2015	**20,296**	**98**	**20,394**

❖ In 2015

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

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

❖ In 2014

Issue of new bank loans fully corresponds to Solar project in Germany before its deconsolidation.

Acquisitions amounting to EUR 6.2 million is long term part of bank loan related to development project in Brno, acquired by the Group in December 2014.

As a result of loss of control the Group excluded from the consolidation following subsidiary with impact shown on the row Changes in the Group (for more detail refer to note 5.7):

- CPI PG with bank loans amounting to EUR 250.4 million (see note 3.2.1) including the loan related to the Solar project.

The transfers to Liabilities linked to assets held for sale are wholly related to Pachtuv Palac which is part of the settlement in kind agreed with the former management, refer to comment for Current loans and borrowings below.

The Other transfers are mainly explained as following:

- Transfer from short-term part to long-term related to the bank loans financing Capellen (EUR +15.1 million), Diana (EUR +2.0 million) and Bubenska (EUR +6.0 million) after successful renegotiation process with the bank;
- Current part of the non-current bank loans (EUR -6.4 million).

Other non-current borrowings are mainly loans from related parties.

Current loans and borrowings	Bank loans - current part	Other borrowings	Bank loans and other borrowings linked to assets held for sale	Total
At 1 January 2014	**273,008**	**33**	**22,924**	**295,965**
Issue of new loans and drawdowns	306	3,464	-	**3,770**
Acquisition of group of assets	328	-	-	**328**
Repayments of loans	(40,494)	(2,666)	(51,569)	**(94,729)**
Repayments of loans upon sales	-	-	(16,176)	**(16,176)**
Changes in the Group	(128,492)	(22,921)	(12,041)	**(163,454)**
Transfers to Liabilities held for sale	(52,041)	-	56,862	**4,821**
Other transfers	(39,965)	23,710	-	**(16,255)**
Translation differences	(982)	269	-	**(713)**
At 31 December 2014	**11,668**	**1,889**	**-**	**13,557**
Issue of new loans and drawdowns	-	26,708	-	**26,708**
Repayments of loans	(9,500)	(1)	-	**(9,501)**
Disposal of the Group assets	-	(23)	-	**(23)**
Transfers to Liabilities held for sale	(2,901)	-	2,901	**-**
Other transfers	40,097	87	-	**40,184**
Translation differences	488	-	-	**488**
At 31 December 2015	**39,852**	**28,660**	**2,901**	**71,413**

❖ In 2015

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

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

The transfers to Liabilities held for sale are related solely to Marki project because of its sale in February 2016, refer to note 6.10.

❖ In 2014

Issue of new loans and drawdowns related to Other current borrowings is mainly composed of short-term loan provided by CPI PG to the Group.

The repayments of bank loans are mainly related to Suncani Hvar (EUR 11.5 million), Bubenska (EUR 9.7 million), Zlota 44 (EUR 8.2 million), Capellen (EUR 2.8 million) and Na Porici (EUR 3.8 million). The repayments of bank loans upon sales are related to successful debt restructuring of Bubenska, Hlubocky and Dunaj assets. As a result of the transaction, the Group has transferred the ownership of share interests in entities Hlubocky and Dunaj to the bank, refer to note 6.10.

As a result of loss of control the Group excluded from the consolidation following subsidiaries and related projects with impact shown on row Changes in the Group:

- CPI PG with bank loans amounting to EUR 33.9 million;
- Hungarian assets with bank loans amounting to EUR 64.4 million;
- Suncani Hvar with bank loans amounting to EUR 21.1 million and other borrowings amounting to EUR 22.9 million.

- Project Krakow with loans amounting to EUR 4.4 million;
- Loans related to hospitality portfolio in the amount of EUR 4.9 million;
- Project Szczecin with loans amounting to EUR 6.5 million and Pachtův Palác with bank loan amounting to EUR 5.5 million, which were classified as held for sale.

The transfers to Liabilities held for sale are related to Pachtuv Palace which is part of the settlement in kind agreed with the former management (EUR 5.5 million) and to Zlota 44 project (EUR 51.5 million). In April 2014 the Group decided to acquire the loan receivables and collateral related to the Zlota 44 project from Pekao bank. The agreed price was partly repaid from cash blocked in the SPV related to Zlota 44 project and the remaining part of EUR 51.4 million has been deposited on escrow account (refer to Note 6.10) till the transfer of pledges from Pekao bank to the Group in July 2014.

During 2014, the other transfers of bank loans and other current borrowings are mainly explained as following:

- Transfer from short-term part of bank loans to long-term related to the loans financing Capellen (EUR -15.6 million), Diana (EUR -2.0 million) and Bubenska (EUR -6.0 million) after successful renegotiation process with bank;
- Transfer from short-term part of bank loans to Other current borrowings related to Suncani Hvar (EUR -22.6 million);
- Current part of the non-current loans (EUR +6.4 million).

Other current borrowings are mainly loans from related parties, refer to note 11.

6.14.1 Borrowings maturity

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

(*) Includes only the financial debts.

The Group has entered into interest rate derivatives representing 15.4 % of the non-current floating rate borrowings (49,8% in 2014) and 68,7% of the current floating rate borrowings (37.6% in 2014), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

The bank loans include EUR 37.9 million for which the financing banks have no recourse on the Group. These loans finance assets with a total secured value of EUR 57.7 million.

At 31 December 2014	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Bonds	**-**	**-**	**62,237**	**-**	**62,237**
Financial debts	**-**	**45,483**	**5,285**	**14,484**	**65,252**
Bank loans	***-***	***45,428***	***5,285***	***14,467***	***65,180***
Bank loans fixed rate	*-*	*1,073*	*1,195*	*6,272*	*8,540*
Bank loans floating rate	*-*	*44,355*	*4,090*	*8,195*	*56,640*
Other non-current borrowings	***-***	***55***	***-***	***17***	***72***
Non-current borrowings	**-**	**45,483**	**67,522**	**14,484**	**127,489**
Current bonds	**278**	**-**	**-**	**-**	**278**
Financial debts	**13,557**	**-**	**-**	**-**	**13,557**
Bank loans - current part	***11,667***	***-***	***-***	***-***	***11,667***
Bank loans fixed rate	*496*	*-*	*-*	*-*	*496*
Bank loans floating rate	*11,171*	*-*	*-*	*-*	*11,171*
Other borrowings	***1,890***	***-***	***-***	***-***	***1,890***
Current borrowings	**13,835**	**-**	**-**	**-**	**13,835**
Total	**13,835**	**45,483**	**67,522**	**14,484**	**141,324**

(*) Includes financial debts only

The bank loans include EUR 46.7 million for which the financing banks have no recourse on the Group. These loans finance assets with a total secured value of EUR 79.6 million.

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

Currency	31 December 2015	31 December 2014
EUR	110,148	85,607
PLN	4	118
CZK	43,037	55,599
Total	**153,189**	**141,324**

6.14.2 Loans with covenant breaches

❖ In 2015

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

❖ In 2014

As at 31 December 2014, there are no bank loans in breach.

6.15 Derivatives

	31 December 2015	31 December 2014
Interest rate derivatives - current liabilities	(332)	(599)
Net derivatives	(332)	(599)

Derivative instruments are presented within current assets when their fair value is positive, within current or non-current liabilities when their fair value is negative. Changes in the fair value are recognized immediately through profit and loss under other net financial results.

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

As at 31 December 2015, the total bank debt covered by interest rate swaps amounts to EUR 28.9 million (EUR 32.4 million in 2014) or 48 % of total bank debt (42.2 % in 2014).

As at 31 December 2015 the impact of a 100 basis points growth of yield curve would induce the positive change of fair value of derivatives by EUR 0.3 million that would lead to zero value of derivative. The valuation of the derivatives (interest rate swaps) has been provided by the Group's lenders.

6.16 Provisions and other long term liabilities

	Retirement obligations	Other provisions	Other long term liabilities	Total
At 1 January 2014	**10,670**	**11,314**	**1,453**	**23,436**
Changes in the Group	(10,640)	(4,858)	(2)	(15,500)
Variation	(30)	-	(55)	(85)
Allowance	-	3,154	-	3,154
Write-Back	-	(2,085)	-	(2,085)
Transfer	-	(1,582)	(72)	(1,654)
Translation difference	-	(40)	(17)	(57)
At 31 December 2014	**-**	**5,902**	**1,307**	**7,209**
Variation	-	-	(49)	(49)
Allowance	-	713	-	713
Write-Back	-	(3,726)	-	(3,726)
Transfer	-	(778)	(301)	(1,079)
Translation difference	-	29	32	61
At 31 December 2015	**-**	**2,140**	**989**	**3,129**

6.16.1 Other provisions

Stein guarantee

The guarantee issued by the Company in favor of the financing bank in relation to the insolvent Stein project, which was admitted to the Company's safeguard, was repaid in accordance with the decision concerning the early termination of Safeguard plan in the amount of EUR 4.5 million, out of which EUR 1.8 million related to Stein guarantee. Accordingly, the provision of EUR 2.7 million was terminated.

Other provisions

Other provisions also include:

- a provision of EUR 0.8 million related to claims for indemnification and repairs on development projects;
- a provision of EUR 0.9 million in connection to potential penalty in the Czech Republic;
- Other litigation provision of EUR 0.5 million.

6.16.2 Other long term liabilities

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

6.17 Current liabilities

The table below discloses maturity profile of current liabilities.

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

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts and Current bonds	-	6,276	7,559	13,835
Trade payables	1,120	2,785	103	4,008
Advance payments	43	253	1,177	1,474
Derivative instruments	-	-	599	599
Other current financial liabilities	439	3,817	158	4,414
Other current non-financial liabilities	-	-	4,736	4,736
31 December 2014	**1,603**	**13,132**	**14,332**	**29,067**

6.17.1 Other current financial liabilities

	31 December 2015	31 December 2014
Accrued interests	757	1,089
Accrued liabilities	1,549	2,182
Other payables	300	1,143
Total Other current financial liabilities	**2,606**	**4,414**

In 2015, decrease of other payables is mainly due to payment of liabilities under the Safeguard plan (EUR 0.9 million). The main reason of decline accrued liabilities is disposal of Orco Prague (EUR 0.2 million) and lower accrued service charges to tenants in Capellen (EUR 0.2 million).

6.17.2 Other current non-financial liabilities:

	31 December 2015	31 December 2014
Tax liabilities	2,752	2,826
Income tax liabilities	32	211
Social liabilities	4	12
Payroll liabilities	13	162
Provisions for other risks and Other liabilities	208	1,526
Total Other current non-financial liabilities	**3,009**	**4,736**

Provision for Croatian bank guarantee

With the exit of Safeguard plan, the management assessed that the risk ceased to exist and decided to reverse existing provision amounting to EUR 0.9 million.

7 Financial instruments – fair values and risk management

7.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Group's Chief Financial Officer (CFO) and his team. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board of Directors will provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

7.1.1 Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), the Croatian Kuna (HRK), and secondarily, to the US Dollar (USD). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Loans, operating income and (except in the development activities) sales of buildings are mainly denominated in Euro (EUR). The Group does not use foreign currency derivative contracts, as salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are mainly denominated in local currencies. The main circumstance for the Group to put in place currency derivatives is for the financing of a construction contract when the local currency operations do not generate sufficient cash and as a result that construction contract must be financed with another currency.

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

Currency Code	Currency	31 December 2015		31 December 2014	
		Average	Closing	Average	Closing
CZK	Czech Koruna	27.2830	27.0250	27.5330	27.7250
HRK	Croatian Kuna	7.6137	7.6380	7.6344	7.6580
HUF	Hungarian Forint	309.9035	313.1200	308.6646	314.8900
PLN	Polish Zloty	4.1836	4.2615	4.1851	4.2623
USD	US Dollar	1.1095	1.0887	1.3285	1.2141

The following table gives the impact on the total consolidated statement of financial position in absolute terms in EUR million of the variation (increase/decrease) against the Euro and the dollar for each currency in which the Group has a significant exposure.

The Group based the assumption of 5% for both periods, December 2015 and December 2014 respectively.

	At 31 December 2015 Change of 5% against EUR	At 31 December 2014 Change of 5% against EUR
CZK / EUR	2.14	1.65
PLN / EUR	1.54	1.94
HUF / EUR	1.74	4.11
HRK / EUR	3.06	2.40
CZK / USD	(0.14)	(0.51)

Positions in foreign currencies have not changed since December 2014. Bank financing of residential developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments.

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

Other components of equity would increase/decrease by EUR 5.3 million (EUR 4.2 million in 2014) as a result of 5% increase/decrease of market value of equity securities classified as available for sale.

(iii) Cash flow interest rate risk

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

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

As at 31 December 2015, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2015 of EUR 0.7 million. Excluding the effect of derivatives, the increase of interest expenses in 2015 would also amount to EUR 0.7 million.

The table below shows the amount of floating bank loans by type of floating rate and the next re-pricing months as at 31 December 2015:

Type of Index	Type of Index and Margin (in %)	Repricing month	Bank loan
Euribor 03 M	Euribor 03 M and Margin from +2 to +3	March 2016	6,606
	Euribor 03 M and Margin from +3 to +4	March 2016	4,895
Pribor 01 M	Pribor 01 M and Margin from +3 to +4	January 2016	9,958
Pribor 03 M	Pribor 03 M and Margin from +2 to +3	March 2016	33,050
Total			**54,509**

(iv) Other risks

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

7.1.2 Credit risk

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

Analysis by credit quality of financial assets is as follows:

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2015
		Less than 6 months	6 months and 1 year	More than 1 year		
Non-current loans and receivables - Gross value	**403**	**-**	**-**	**-**	**19,701**	**20,104**
Impairments - At opening					(2,741)	(2,741)
Impairment - Scope entry					(9,120)	(9,120)
Impairments – Scope Exit					163	163
Impairments – Allowance					(1,531)	(1,531)
Non-current loans and receivables – Impairment					**(13,231)**	**(13,231)**
Non-current loans and receivables - Net value	**403**	**-**	**-**	**-**	**6,470**	**6,873**
Trade Receivable - Gross value	**1,418**	**1,233**	**702**	**56**	**2,023**	**5,432**
Impairments - At opening					(2,826)	(2,826)
Impairments - Scope Exit					-	-
Impairments – Allowance					(1,180)	(1,180)
Impairments - Write-back					1,724	1,724
Impairments - Write-off					265	265
Impairments - Foreign exchange					(6)	(6)
Trade Receivable - Impairment	**n/a**	**n/a**	**n/a**	**n/a**	**(2,023)**	**(2,023)**
Trade Receivable - Net Value	**1,418**	**1,233**	**702**	**56**	**-**	**3,409**
Other current assets - Gross value	**1,918**	**-**	**-**	**276**	**801**	**2,995**
Impairments - At opening					(710)	(710)
Impairments - Scope Exit					86	86
Impairments – Allowance					(177)	(177)
Other current assets – Impairment					**(801)**	**(801)**
Other current assets - Net Value	**1,918**	**-**	**-**	**276**	**-**	**2,194**
Cash and cash equivalents	**3,264**	**-**	**-**	**-**	**-**	**3,264**

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2014
		Less than 6 months	6 months and 1 year	More than 1 year		
Non-current loans and receivables - Gross value	**4,650**	**-**	**-**	**-**	**2,760**	**7,410**
Impairments - At opening					(45,032)	(45,032)
Disposal					36,909	36,909
Impairments – Scope Exit					6,443	6,443
Impairments – Allowance					(1,061)	(1,061)
Non-current loans and receivables – Impairment	**n/a**	**n/a**	**n/a**	**n/a**	**(2,741)**	**(2,741)**
Non-current loans and receivables - Net value	**4,650**	**-**	**-**	**-**	**18**	**4,669**
Trade Receivable - Gross value	**1,142**	**324**	**632**	**264**	**2,826**	**5,188**
Impairments - At opening					(11,925)	(11,925)
Impairments - Scope Exit					9,722	9,722
Impairments - Scope entry					(148)	(148)
Impairments – Allowance					(8,899)	(8,899)
Impairments - Write-back					4,128	4,128
Impairments - Write-off					4,271	4,271
Impairments - Foreign exchange					25	25
Trade Receivable - Impairment	**n/a**	**n/a**	**n/a**	**n/a**	**(2,826)**	**(2,826)**
Trade Receivable - Net Value	**1,142**	**324**	**632**	**264**	**-**	**2,362**
Other current assets - Gross value	**5,938**	**839**	**2,167**	**258**	**710**	**9,912**
Impairments - At opening					(1,228)	(1,228)
Impairments - Scope Exit					529	529
Impairments – Allowance					(12)	(12)
Impairments - Foreign exchange					1	1
Other current assets – Impairment	**-**	**-**	**-**	**-**	**(710)**	**(710)**
Other current assets - Net Value	**5,938**	**839**	**2,167**	**258**	**-**	**9,202**
Cash and cash equivalents	**7,103**	**-**	**-**	**-**	**-**	**7,103**

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

Available-for-sale financial assets (see note 6.5.1)

One of the major assets held by the Group is the equity share in CPI PG. The credit risk of this investment is limited considering the fact that the Group holds a put option for part of the shares subscribed in 2014, protecting the value of the investment against decrease of share price under certain amount.

Non-current loans and receivables (see note 6.5.2)

Non-current loans and receivables as described in note 6.5.2 includes:

- receivable from the loan granted to the joint venture Uniborc was reclassified from Fully performing to Impaired based on the additional impairment recognised in 2015 (EUR 1.3 million);

- Impairment recognised on the receivable related to Hagibor Office Building deferred consideration (EUR 9.1 million) and reclassified from financial assets available for sale, where reported in 2014.

Other current assets (see note 6.8 and 6.9)

The other currents assets described in notes 6.8 and 6.9 consist of guarantee deposits on trusted accounts with very low or non-existing credit risk, of taxes and social security receivables presenting a credit risk on the respective administrations and of accrued assets mainly related to the service charges presenting the same level of credit risks as the trade receivables described above.

7.1.3 Liquidity risk

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

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

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2015. Information regarding interest rate swaps used by the Group is detailed in the note 6.15.

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

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

At 31 December 2014	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total cash out-flows	Book value
Fixed rate loans and bonds	81	2,759	3,141	100,506	9,452	115,939	71,551
Floating rate loans	70	4,902	8,933	52,871	9,655	76,432	67,811
Other borrowings	-	-	1,890	55	17	1,962	1,962
Interest rate derivatives	-	-	599	-	-	599	599
Liabilities linked to assets held for sale	-	-	237	-	-	237	237
Trade payables	1,120	2,785	103	-	-	4,008	4,008
Other current financial liabilities	439	3,817	158	-	-	4,414	4,414
Total	**1,710**	**14,263**	**15,061**	**153,432**	**19,124**	**203,590**	**150,582**

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

- Fixed rate loans and bonds: The bonds cash-out flows are equal to the mandatory payments as they are defined in the terms of these financial instruments and include the nominal repayment, the semi-annual cash interest payment and the payment of guarantee fee in respect of the Notes. The bank loans not in default or to be restructured include the accrued interest (not accounted for) to the contractual maturity.
- Floating rate loans: The cash-out flows are not impacted by the fees related to the restructuring of the financing which have been capitalized. The loans not in default or to be restructured include the accrued interest (not accounted for) to the contractual maturity.

7.2 Capital risk management

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

The following table shows the detailed calculation of the loan to value ratio. Apart from the line “*Revaluation gains / (losses) on projects and properties*”, all the lines correspond to specific items indicated on the face of the consolidated statement of financial position and related notes. The Revaluation gains or losses on projects and properties represent the difference between the book value and the fair value for all the projects and properties that are not classified as investment properties. Also, the fair value of developments may be lower than their book value since the impairment test is performed on the basis of the expected selling price once completed less the remaining development and commercialization costs while the fair value corresponds to the sale price of the development as it is at the date of valuation (see note 2.5.2).

	31 December 2015	31 December 2014
Non-current liabilities		
Financial debts	20,394	65,252
Non-current Bonds	60,714	62,237
Current liabilities		
Financial debts	68,512	13,557
Current Bonds	668	278
Accrued interest	621	915
Liabilities linked to assets held for sale (*)	2,901	237
Current assets		
Cash and cash equivalents	(3,264)	(7,103)
Net debt	**150,546**	**135,373**
Investment property	241,825	249,236
Investments in equity affiliates	35	35
Financial assets at fair value through profit or loss	-	2,627
Financial assets available-for-sale	106,522	86,995
Non-current loans and receivables	6,873	4,669
Inventories	7,774	9,422
Assets held for sale	6,314	1,395
Revaluation gains / (losses) on projects and properties	(21)	697
Fair value of portfolio	**369,322**	**355,076**
Loan to Value	**40.8 %**	**38.1 %**

(*) Liabilities linked to assets held for sale include bank loan (see Note 6.14)

There are no breaches on the bank loans encountered at the end of 2015.

The LTV ratio as at 31 December 2015 increased to 40.8% compared to 38.1% as at 31 December 2014. Total amount of financial liabilities including bonds is EUR 150.3 million as at the end of December 2015 in comparison to EUR 141.3 million at the end of 2014. Fair value of portfolio increased from EUR 355 million to EUR 369.3 million.

7.3 Fair value estimation

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

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is using a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

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

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

7.3.1 Accounting classification and fair values

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

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

(*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is considered as a reasonable approximate of the fair value.
(**) The transfer from Level 1 to Level 3 for financial assets available for sale is explained by the change of determination of the fair value of these quoted financial instruments. The Group applied transaction price based on the observable prices on the market. For the valuation as at 31 December 2015 the Group's share is valued using EPRA NAV per share of CPI Property Group as at 30 September 2015.

31 December 2014	Carrying amount: Financial assets & liabilities measured at fair value	Carrying amount: Financial assets & liabilities not measured at fair value (*)	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3
Financial assets					
Investments in joint ventures	-	35	-	-	35
Equity method investments	***-***	***35***			
Investment in Endurance Fund	2,627	-	-	-	2,627
Financial assets at fair value through profit or loss (**)	***2,627***	***-***			
Radio Free Europe promissory note	2,652	-	-	-	2,652
CPI Property Group shares	84,343	-	84,343	-	-
Financial assets available-for-sale	***86,995***	***-***			
Loan granted to the Uniborc joint venture	-	4,162	-	-	4,162
Other	-	507	-	-	-
Non-current loans and receivables	***-***	***4,669***			
Trade receivables	-	2,362	-	-	-
Other current financial assets	-	6,092	-	-	-
Cash and cash equivalent	-	7,103	-	-	-
Current financial assets	***-***	***15,557***			
Financial liabilities					
New Notes	-	60,229	-	-	60,229
Safeguard Bonds	-	2,008	-	-	2,008
Financial debt (floating rate bank debts)	-	56,640	-	-	56,640
Financial debt (fixed rate bank debts)	-	8,540	-	-	8,540
Financial debt (other borrowings)	-	72	-	-	72
Long term liabilities	-	1,306			1,306
Non-current financial liabilities	***-***	***128,795***			
Safeguard bonds	-	278	-	-	278
Financial debt (floating rate bank debts)	-	11,171	-	-	11,171
Financial debt (fixed rate bank debts)	-	496	-	-	496
Financial debt (other borrowings)	-	1,890	-	-	1,890
Derivative instruments	599	-	-	599	-
Advanced payments	-	1,474	-	-	-
Trade payables	-	4,008	-	-	-
Other current financial liabilities	-	4,414	-	-	-
Current financial liabilities	***599***	***23,731***			

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

8 Contingencies

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

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

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

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

As at the date of the publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability except as disclosed in note 6.16 and 9.

9 Litigations

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

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

10 Capital and other commitments

Capital commitments

The Group has capital commitments of EUR 1.1 million in respect of capital expenditures contracted for at the date of the statement of financial statements (EUR 6.1 million in 2014). There are no other commitments except as disclosed above.

11 Related party transactions

Transactions with key management personnel

a) Remuneration of key management personnel

The members of the Board of Directors of the Company and of the management of the Company are considered the key management personnel of the Group. As of 31 December 2015, the top management consisted of two people.

Total compensation given as short term employee benefits to the members of the Executive Committee for the year 2015 amounted to EUR 0.4 million (EUR 0.8 million for the year 2014).

The Board and Committees attendance compensation for the year 2015 amounts to EUR 63,000 (EUR 72,000 for 2014). 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.

b) Termination and change of control clauses

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

c) Loans and advances to key management personnel

On 16 February 2007, the Company granted a loan of EUR 61,732 to Steven Davis, a former executive of the Company with maturity date on 1 March 2008. In 2009, the loan was fully impaired as a result of a dispute on the termination of the employment contract of Steven Davis. As of the date hereof, this litigation is pending in front of Luxembourg court. Bubny Development sued Mr. Davis for damages in the amount of CZK 30,981,461. This litigation was stayed as at 31 December 2015.

d) Other transactions with key management personnel

To ensure the liquidity for satisfaction of its future liabilities, the Company and Mr. Radovan Vitek entered on into a put option agreement 25 September 2014 concerning the disposal of the shares held by the Company in CPI PG. Pursuant to the terms of the put option agreement the Company has right to request Mr. Vitek, major shareholder of CPI PG, to purchase the CPI PG shares, or their portion, upon a written request of the Company. The put option price payable by Mr. Vitek to the Company is EUR 0.47 per share plus 6% p.a. interest from today until the exercise of the put option. The Company is not limited by the put option agreement to dispose of the CPI PG shares to a third party and/or on a market. The put option agreement is valid for 2 years.

In 2014, the Company transferred 1 share to Jiri Dedera and Tomas Salajka each for free and while they hold the Board function. Further to the resignation of Mr. Salajka on 10 November 2014, 1 share was automatically transferred back to the Company.

Transactions with the Endurance Real Estate Fund

The Group was the sponsor of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund (the “Fund”). This Fund had opted for the form of a “Fonds Commun de Placement”. The Company is the sole shareholder of the management company of the Fund.

During the year 2015, the activities were focused on the finalization of the disposal of the real estate assets remaining in the Residential Sub-fund, which entered into liquidation phase in 2013. Last assets disposal was achieved on 20 October 2015, which represents also the official liquidation date of the Fund.

Orco's remuneration from Residential Sub-fund amounting to EUR 0.5 million during 2015 (EUR 0.7 million in 2014) is linked to:

- the liquidation fee for the Residential Sub-fund;
- the disposal fee calculated as 0.5% of the value of the assets sold.

As at December 31, 2015, as Fund was liquidated, there are no open invoices for unpaid fees owed by Endurance Fund to the management company (nil in 2014).

During the year 2015, Residential Sub-fund distributed a dividend to the Company in the amount of EUR 1.4 million (in 2014 the Company´s income from Residential Sub-fund´s a dividend was EUR 1.6 million).

Transactions with CPI PG group

Management Fees

CPI PG companies, affiliated with Mr. Edward Hughes, have provided property management services and other outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain assets of the Company in the Czech Republic. The value of such services amounted to EUR 1.5 million for whole year 2015.

At the end of 2015, the Group sold the land to CPI PG in the amount of EUR 0.5 million. The land was situated in Březiněves and total area comprised of 10.000 sqm.

In prior year, the Group provided services to hospitality entities of which outstanding amount is EUR 0.9 million as at 31 December 2015. These services related to IT, human resources and restructuring and the corresponding receivable is fully provided for.

Loan by CPI PG

On 17 June 2014 the Company as borrower and CPI PG as lender entered into the credit facility agreement with the following parameters: EUR 3.5 million facility framework, repayment in 3 months and interest of 8% p.a. The parties agreed to extend the maturity until 15 September 2016, the facility limit was extended to EUR 40.0 million, and the interest decreased to 5% p.a. As at 31 December 2015 the outstanding balance amounts to EUR 29.3 million including the accrued interest in the amount of EUR 0.6 million.

New Notes guarantee

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

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

As of December 31, 2015, the total debt of OPG towards CPI PG relating to this guarantee is of EUR 2.2 million (2014: EUR 0.3 million) and corresponding expenses were recognized in 2015 in the amount of EUR 1.9 million (2014: EUR 0.3 million).

Transaction with Suncani Hvar

In order to support Suncani Hvar the Group agreed on 19 December 2014 not to invoice its management fees from the date of initiating of the SHH pre-bankruptcy proceedings. On 22 April 2015 the Group also terminated the management agreement with SHH. The Company voted in favor of the SHH pre-bankruptcy composition agreement, which was approved by the Split Commercial Court in June 2015 and became legally binding on 3 July 2015 upon expiry of the appeal period.

12 List of the consolidated entities

12.1 Orco Property Group consolidated subsidiaries

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

Company	Country	Currency	Activity	% Shareholding 31.12.2015	31.12.2014
Orco Adriatic, d.o.o. (sold)	Croatia	HRK	Hospitality	0.00%	100.00%
Orco Razvoj, d.o.o. (sold)	Croatia	HRK	Development	0.00%	100.00%
Asmihati Holding Limited	Cyprus	EUR	Development	100.00%	100.00%
BIANKO, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	CZK	Renting	100.00%	100.00%
Bubny development, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Byty Podkova, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Darilia a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	CZK	Development	75.00%	75.00%
Development Pražska s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Grunt HZ, s.r.o.	Czech Republic	CZK	Development	100.00%	0.00%
Hagibor Office Building, a.s. (in insolvency)	Czech Republic	CZK	Other	100.00%	100.00%
Industrial Park Stříbro s.r.o.	Czech Republic	CZK	Renting	100.00%	100.00%
IPB Real, s.r.o. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Jihovýchodni Město, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Megaleiar, a.s. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Na Poříčí, a.s.	Czech Republic	CZK	Renting	100.00%	100.00%
Nupaky, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Oak Mill, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
OFFICE CENTER HRADČANSKÁ, a.s.	Czech Republic	CZK	Renting	100.00%	100.00%
Orco Financial Services, s.r.o. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Orco Praga, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Orco Prague, a.s. (sold)	Czech Republic	CZK	Management services	0.00%	100.00%
Rubeška Development, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Seattle, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
STRM Alfa, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
STRM Beta , a.s.	Czech Republic	CZK	Development	100.00%	100.00%
STRM Delta, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
STRM Gama, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
T-O Green Europe, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
TQE Asset, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Zeta Estate a.s	Czech Republic	CZK	Development	100.00%	100.00%
Vinohrady s.a.r.l.	France	EUR	Management services	100.00%	100.00%
Cheadle Management Limited	Guernsey	EUR	Management services	100.00%	0.00%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	EUR	Other	100.00%	100.00%
CWM 35 Kft.	Hungary	HUF	Renting	100.00%	100.00%
Energy Trade Plus Kft (sold)	Hungary	HUF	Renting	0.00%	100.00%
Meder 36 Kft. (sold)	Hungary	HUF	Renting	0.00%	100.00%
ORCO Development Kft.	Hungary	HUF	Renting	100.00%	100.00%
ORCO Hungary Kft. (sold)	Hungary	HUF	Renting	0.00%	100.00%
Orco Vagyonkezelo Kft. (sold)	Hungary	HUF	Management services	0.00%	100.00%
ORR Kft. (sold)	Hungary	HUF	Renting	0.00%	100.00%
Vaci 190 Projekt Kft.	Hungary	HUF	Renting	100.00%	100.00%
Capellen Invest S.A.	Luxembourg	EUR	Renting	100.00%	100.00%
CEREM S.A. (in liquidation)	Luxembourg	EUR	Management services	100.00%	100.00%
Endurance Real Estate Management Company Sàrl	Luxembourg	EUR	Management services	100.00%	100.00%

Company	Country	Currency	Activity	% Shareholding 31.12.2015	31.12.2014
OPG Invest Lux S.A. (in liquidation)	Luxembourg	EUR	Management services	0.00%	100.00%
ORCO Russian Retail S.A. (in liquidation)	Luxembourg	EUR	Renting	0.00%	100.00%
Diana Property SP. z.o.o.	Poland	PLN	Renting	100.00%	100.00%
Orco Enterprise Sp.z o.o.	Poland	PLN	Development	100.00%	100.00%
Orco Logistic Sp.z o.o.	Poland	PLN	Renting	100.00%	100.00%
Orco Poland Sp.z.o.o.	Poland	PLN	Management services	100.00%	100.00%
ORCO Development, s.r.o. (sold)	Slovakia	EUR	Development	0.00%	100.00%
Orco Residence, s.r.o. (sold)	Slovakia	EUR	Development	0.00%	100.00%
ORCO Slovakia, s.r.o. (sold)	Slovakia	EUR	Management services	0.00%	100.00%

12.2 Equity method investments

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

Company	Country	Currency	Activity	% Shareholding 31.12.2015	31.12.2014
SV Fáze II, s.r.o.(sold)	Czech Republic	CZK	Development	0.00%	50.00%
SV Fáze III, s.r.o. (sold)	Czech Republic	CZK	Development	0.00%	50.00%
Brillant 1419. Verwaltungs GmbH	Germany	EUR	Management services	49.00%	49.00%
Kosic Sàrl (sold)	Luxembourg	EUR	Development	0.00%	50.00%

13 Events after balance sheet date

13.1 The Group shares delisted from Euronext Paris

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

The Company shares will continue to be listed on the regulated market of the Luxembourg Stock Exchange under the same ISIN code LU0122624777.

13.2 Disposal of Marki project

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

13.3 Disposal of CWM 35

On 4 March 2016 the Company sold its stake in Hungarian entity CWM 35 Kft. The transaction price is EUR 15 thousand.

Index of the notes to the Consolidated Financial statements

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orco Property Group S.A., which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Orco Property Group S.A. as of 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw attention to the going concern paragraphs included in Note 2.2, to the consolidated financial statements which describes that the Group's current liabilities amounting to EUR 81.9 million exceed the current assets by EUR 65.3 million. This represents a material uncertainty about whether the Group is a going concern.

The Group's ability to face its obligations is dependent on a successful extension of the maturity of the loan provided by CPI PG due on 15 September 2016, a successful disposal of selected assets and a successful disposal of a portion of the shares held in Suncani Hvar or CPI PG as explained in Note 2.2 to the consolidated financial statements. These conditions, together with other matters explained in the going concern paragraphs included in Note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty about the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the going concern basis of preparation being inappropriate.

Report on other legal and regulatory requirements

The consolidated management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, 31 March 2016

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod

SUI.001

ORCO PROPERTY GROUP

SOCIETE ANONYME

SEPARATE FINANCIAL STATEMENTS

WITH THE REPORT OF THE REVISEUR D'ENTREPRISES AGREE

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

40, rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg: B 44.996
Share Capital: EUR 31,450,763

Orco Property Group's Board of Directors has approved the separate financial statements as of and for the year ended December 31, 2015 on March 30, 2016. All the figures in this report are presented in thousands of Euros, except if explicitly stated otherwise.

I. Statement of comprehensive income for the year ended December 31, 2015

	Note	For the year ended December 31 2015	2014 (Restated)
REVENUE		**3,635**	**3,778**
Administrative expenses	17	(4,825)	(4,478)
Net gain on disposal of financial assets	19	1,132	(245,320)
Employee benefits	17	(160)	(11,293)
Amortisation, impairments and provisions	-	(9,983)	248,198
Interest expenses	14	(2,743)	(2,639)
Interest income	10.1	7,704	8,285
Income from participating interests	11	2,855	3,899
Foreign exchange result	18	739	(590)
Net gain/(loss) on financial assets at fair value through profit or loss	9.1, 20	(2,627)	1,556
OPERATING RESULT		**(4,273)**	**1,396**
Interest expenses on bonds	13	(7,369)	(11,336)
Other net financial results	21	10,436	(3,282)
FINANCIAL RESULT		**3,067**	**(14,618)**
NET LOSS BEFORE INCOME TAXES		**(1,206)**	**(13,222)**
Income taxes	22	(3)	(2)
NET LOSS FOR THE YEAR		**(1,209)**	**(13,224)**
Other comprehensive income			
Change in value of available for sale financial assets	9.2	21,496	3,957
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		**20,287**	**(9,267)**
Basic earnings per share	23	0.06	(0.07)
Diluted earnings per share	23	0.06	(0.07)

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

II. Statement of financial position as at December 31, 2015

ASSETS	Note	As at December 31 2015	As at December 31 2014 (Restated)
NON-CURRENT ASSETS			
Intangible assets	5	-	2
Fixtures & fittings	6	260	749
Shares in affiliated undertakings	7	131,615	97,160
Financial assets available for sales	9.2	106,552	78,229
Financial assets at fair value through p&l	9.1	-	2,627
Loans to affilated undertakings & other financial assets	10	67,833	104,875
TOTAL - NON-CURRENT ASSETS		**306,260**	**283,642**
CURRENT ASSETS			
Trade and other receivables	8	4,642	6,597
Cash and cash equivalents (excluding bank overdrafts)	12	430	3,392
TOTAL - CURRENT ASSETS		**5,072**	**9,989**
TOTAL - ASSETS		**311,332**	**293,631**
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Ordinary shares	24	31,451	31,451
Share premium	24	686,364	686,364
Legal reserve		4,107	4,107
Own Equity Instrument		(5)	(5)
Other reserves		444,030	444,030
Retained earnings		(977,517)	(997,804)
TOTAL - EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**188,429**	**168,143**
TOTAL - EQUITY		**188,429**	**168,143**
LIABILITIES			
NON-CURRENT LIABILITIES			
New notes/Bonds	13	60,713	63,066
Loans from affiliated undertakings	14	27,091	49,735
Other Loan	-	22	-
Provisions for other liabilities and charges	16	-	4,625
TOTAL - NON-CURRENT LIABILITIES		**87,826**	**117,427**
CURRENT LIABILITIES			
Trade and other payables	15	33,316	5,576
New notes/Bonds	13	668	278
Accrued interest from affiliated	14	1,093	1,606
Provisions for other liabilities and charges	16	-	601
TOTAL - CURRENT LIABILITIES		**35,077**	**8,061**
TOTAL - LIABILITIES		**122,903**	**125,488**
TOTAL - EQUITY AND LIABILITIES		**311,332**	**293,631**

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

III. Statement of changes in equity for the year ended December 31, 2015

ATTRIBUTABLE TO OWNERS OF THE COMPANY	Note	Share capital	Share premium	Legal reserve	Own equity Instrum.	Other reserves	Retained earnings	Equity
Balance at January 1, 2014		229,015	647,164	4,107	(5)	226,466	(988,538)	118,209
Total comprehensive loss								
Profit/(loss) of the year	-	-	-	-	-	-	(53,502)	(53,502)
Decrease of share capital	-	(217,564)	-	-	-	217,564	-	-
Capital increase	24	20,000	39,200	-	-	-	-	59,200
Balance at January 1, 2015 before restatement		31,451	686,364	4,107	(5)	444,030	(1,042,040)	123,907
Adjustment (see Note 2.3)		-	-	-	-	-	44,236	44,236
Balance at January 1, 2015 after restatement		31,451	686,364	4,107	(5)	444,030	(997,804)	168,143
Total comprehensive profit								
Profit/(loss) of the year	-	-	-	-	-	-	20,287	20,287
Balance at December 31, 2015		31,451	686,364	4,107	(5)	444,030	(977,517)	188,430

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

Definitions

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

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

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

IV. Statement of cash flows for the year ended December 31, 2015

	Notes	Year ended 31 December 2015	2014 (restated)
OPERATING RESULT		**(4,273)**	**1,396**
Net gain/(loss) on financial instruments at fair value	9, 1	(2,627)	(1,556)
Amortization, impairments and provisions	-	9,983	(248,198)
Net result on disposal of assets	19	(1,132)	245,320
Dividend received from affiliated undertakings – non cash	11	(2,855)	(3,898)
Net interest income	7	(4,961)	(5,646)
Adjusted operating profit / (loss)		**(5,865)**	**(12,582)**
Changes in operating assets and liabilities	-	1,507	(38,866)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES		**(4,358)**	**(51,448)**
Acquisition of financial assets	-	(46)	(87,966)
Proceeds from sales on financial assets	-	3,466	121,594
Payment on provisions during the year	-	(4,491)	(14,075)
Dividend received	9.1	1,348	1,585
Loans granted to affiliated undertakings	-	(16,908)	(19,934)
Changes in loans granted to and received from affiliated undertakings / other loans	-	30,448	(1,603)
NET CASH FROM INVESTING ACTIVITIES		**13,817**	**(399)**
Proceeds from issuance of ordinary shares	24	-	59,200
Repayment of Safeguard Liabilities	13.1	(952)	(653)
Bonds / New notes repayment	13.1	(6,602)	(17,667)
Net interest received/(paid)	-	(4,865)	(182)
NET CASH USED IN FINANCING ACTIVITIES		**(12,419)**	**40,698**
NET INCREASE / (DECREASE) IN CASH		**(2,960)**	**(11,150)**
Cash and cash equivalents at beginning of the year	-	3,392	14,542
Exchange differences on cash and cash equivalents	12	(2)	(4)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**430**	**3,392**

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

Notes to the separate financial statements

1 General information

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

The registered office of the Company is 40, Rue de la Vallée, L-2661 Luxembourg.

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

As at 31 December 2015 the Company's shares were listed on the regulated markets of Euronext Paris (until February 17, 2016 – please see note 28), the Warsaw Stock Exchange and of the Luxembourg Stock Exchange (starting October 2, 2015).

The structure of the shareholders as at December 31, 2015 is as follows:

Aspley Ventures Limited (entity associated with Mr. Pavel Spanko)	100 000 000 shares	31.80% voting rights
Fetumar Development Limited (entity associated with Mr. Jan Gerner)	100 000 000 shares	31.80% voting rights
Gamala Limited (entity associated with Mr. Radovan Vitek)	35 177 765 shares	11.19% voting rights
Others	79 329 864 shares	25.21% voting rights
Total	314 507 629 shares	100.00% voting rights

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

Mr. Jiri Dedera

Mr. Edward Hughes

Mr. Pavel Spanko

These separate financial statements have been approved for issue by the Board of Directors on March 30, 2016.

2 Basis of accounting

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The separate financial statements are presented in thousand of Euros and have been prepared under the historical cost convention except some financial assets carried at fair value through profit or loss and available for sale securities.

2.1 Basis of preparation and Going concern

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

2.2 Going concern

In determining the appropriate basis of preparation of the separate financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

The financial performance of the Company is naturally affected by the widely negative macro-economic environment in which the Company has operated over the last 7 years which has generated increased uncertainty about the evolution of the real estate market in Central Europe that damaged the Company's activity. Nevertheless, economies in Central Europe are recently showing signs of stability.

The Company recorded a net profit after tax of EUR 20.3 million for the year ended December 31, 2015 (2014 restated: EUR 9.3 million of net loss after tax). The management of the Company is aware of fact that 2015 accounting profit was primarily influenced by one-off positive impact from the revaluation of CPI PG shares representing the non-cash impact on the financial statements (see note 9.2).

Notwithstanding the facts mentioned above and the negative working capital of EUR 30 million, the Board of Directors is of the view that the Company is going concern based on the following remedies:

- The management of the Company takes necessary steps to extend the maturity of the loan provided by CPI PG of EUR 28.7 million. The maturity of the loan is September 15, 2016.
- The Company considered also cash inflow from sale of selected assets in certain jurisdictions.
- The Company has a stake of 15.76% in Suncani Hvar valued at EUR 8 million as at December 31, 2015 and actively seeks the potential buyer of this stake.
- The Company has a stake of 4.82% in CPI PG with a fair value of EUR 98.5 million as at December 31, 2015. The management considers firstly to sell these shares in a market transaction. Otherwise in a bulk sale through the put option agreement concluded with Mr. Vitek in 2014. The put option agreement with Mr. Vitek concerns a significant portion of the shares in CPI PG (approximately 41 % of total shares held by the Company) whereby the Group is entitled to request Mr. Vitek, major shareholder of CPI PG, to purchase part of these shares for defined price (EUR 31.0 million) to ensure the liquidity for satisfaction of the Company's future liabilities.

Based on these facts, the Board of Directors considers the going concern basis of preparation to be appropriate for these separate financial statements. Accordingly, the separate financial statements as at December 31, 2015 have been prepared on the going concern basis that contemplates the continuity of regular business activities and realization of assets together with the settlement of liabilities in the ordinary course of business.

2.3 Restatement of previously issued separate financial statements – carrying value of loan provided

Subsequent to the issuance of the Company's audited separate financial statements for the year ended December 31, 2014, and following the approval of such separate financial statements by the board of directors and the general meeting of shareholders, the Company has restated such separate financial statements to adjust the carrying amount of the loan provided to Asmihati Holdings Ltd.

In 2015, the Company discovered that impairment allocated to its subsidiary has been calculated incorrectly. As a consequence, the value of Company's loan against Asmihati Holdings Ltd was understated. The errors have been corrected by restating each of the affected separate financial statement line items for the year ended December 31, 2014. In calculating the value of the Asmihati loan initially reported as at December 31, 2014, the Company recorded an impairment of EUR 44.2 million as at December 31, 2014, resulting in a carrying value of the loan provided to Asmihati Holdings Ltd of nil as at December 31, 2014.

The restatement, which is treated as the correction of an error under IFRS, impacts the statement of financial position, the statement of changes in equity, the income statement, the statement of other comprehensive income and the statement of cash flows for the year ended December 31, 2014.

The restatement impacts only the year ended December 31, 2014. No impact was recorded on the separate financial statements for the year ended December 31 2015.

The effect of this restatement on the Company's previously issued financial statements is as follows:

	As at December 31, 2014 (originally published)	Change	As at December 31, 2014 (Restated)
Statement of financial position			
-ASSETS			
-NON-CURRENT ASSETS			
Loans to affilated undertakings & other financial assets	60,639	44,236	104,875
-EQUITY AND LIABILITIES			
-EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Retained earnings	(1,042,040)	44,236	(997,804)
Statement of comprehensive income			
Amortisation, impairments and provisions	203,962	44,236	248,198

3 Critical accounting estimates and judgements

The preparation of separate financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed below.

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

3.1 Assessment of the going concern (see Note 2.1)

3.2 Impairments on shares in affiliated undertakings and on loans granted to affiliated undertakings

The Company assesses at the end of each reporting period whether there is objective evidence that shares in affiliated undertakings and loans granted to affiliated undertakings have to be impaired.

Such types of assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

The criteria used by the Company to determine that there is objective evidence of an impairment loss is primarily NAV of respective affiliated undertaking. The NAV primarily reflects the fair value of the underlying properties.

Key assumptions and methods used in property valuations at individual subsidiaries' level:

Investment properties are stated at fair value as at December 31, 2015 based on external valuations performed by professionally qualified valuers. The Group's property portfolio is valued mainly by DTZ Czech Republic, a. s. and MAZARS.

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

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

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolio of the size similar to the Group one are very rare. Global volatility of the financial system was reflected also in local residential and commercial real estate markets. Therefore, in arriving at the estimates of market values of investment property as at December 31, 2014 and December 31, 2015, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

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

Retail, Office, Industry and Logistics

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

Land and vacant buildings

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

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

3.3 Income taxes

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

3.4 Estimate of fair value of financial instruments

Investments in CPI PG and Suncani Hvar financial instruments are recorded at fair value.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Company or of the specific entity concerned in the light of existing, available and observable market data.

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

3.5 Fair value of financial assets

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

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date unless the Board of Directors considers that there is no active market for these traded instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company is using a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Company or of the specific entity concerned in the light of existing, available and observable market data.

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

3.5.1 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.

December 31, 2015	Note	Carrying amount			Fair value		
		Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Balance Sheet	Level 1	Level 2	Level 3
Financial assets							
Non-Current assets		**106,552**	**199,708**	**306,260**			
Shares in affiliated undertakings	7	-	131,615	131,615	-	-	131,615
Loans to affiliated undertakings and other financial assets	10	-	67,833	67,833	-	-	67,833
Financial assets available for sale	9.2	106,552	-	106,552	-	-	106,552
Non financial items		-	260	260	-	-	260
Current Assets		**430**	**4,642**	**5,072**			
Trade and other receivables	8	-	4,642	4,642	-	-	4,642
Cash and cash equivalents	12	430	-	430	-	430	-
Total financial assets		**106,982**	**204,350**	**311,332**			
Financial liabilities							
Non current liabilities		-	**87,826**	**87,826**			
New Notes	13	-	60,713	60,713	-	-	60,713
Loans from affiliated undertakings	14	-	27,091	27,091	-	-	27,091
Other Loan	-	-	22	22	-	-	22
Current Liabilities			**35,077**	**35,077**			
Trade and other payables	15	-	33,314	33,314	-	-	33,314
New notes	13	-	668	668	-	-	668
Interest from affiliated	14	-	1,095	1,095	-	-	1,095
Total financial liabilities		-	**122,903**	**122,903**			

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

		Carrying amount			Fair value		
December 31, 2014 (Restated)	Note	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Balance Sheet	Level 1	Level 2	Level 3
Financial assets							
Non-Current assets		**80,854**	**202,787**	**283,642**			
Shares in affiliated undertakings	7	-	97,160	97,160	-	-	97,160
Loans to affiliated undertakings and other financial assets	10	-	104,873	104,873	-	-	104,873
Financial assets at fair value through profil and loss	9.1	2,626	-	2,626	-	-	2,626
Financial assets available for sale	9.2	78,228	-	78,229	78,229	-	-
Non financial items		-	754	754	-	-	-
Current Assets		**3,392**	**6,596**	**9,988**			
Trade and other receivables	8	-	6,596	6,597	-	-	6,597
Cash and cash equivalents	12	3,392	-	3,392	-	3,392	-
Total financial assets		**84,246**	**209,383**	**293,631**			
Financial liabilities							
Non current liabilities		-	**117,427**	**117,427**			
New Notes	13	-	61,058	61,058	-	-	61,058
Safeguard bonds	13	-	2,008	2,008	-	-	2,008
Loans from affiliated undertakings	14	-	49,735	49,735	-	-	49,735
Non Financial items	-	-	4,626	4,626	-	-	4,626
Current Liabilities			**8,061**	**8,061**			
Trade and other payables	15	-	5,576	5,576	-	-	5,576
Interest from affiliated	14	-	1,606	1,606	-	-	1,606
Safeguard bonds		-	278	278	-	-	278
Non Financial Items	-	-	601	601	-	-	601
Total financial liabilities		-	**125,488**	**125,488**			

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

(a) *Fair value of New Notes*

Please refer to note 13.2.

(b) *Provisions and contingencies*

Please refer to notes 16 and 25.

4 Summary of significant accounting policies

4.1 Changes in accounting policies

Except for the changes described above, new standards, the accounting policies set out below have been applied to all periods presented in these separate financial statements.

4.1.1 New and amended standards adopted by the Company in 2015

There has been no new or amended standards that became effective for annual period beginning on January 1, 2015 that have an impact on the Company separate financial statements.

4.1.2 New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016 and have not been early adopted by the Company:

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

  "Materiality in IAS 1" has been amended to clarify that:
    - Immaterial information can detract from useful information.
    - Materiality applies to the whole of the financial statements.
    - Materiality applies to each disclosure requirement in an IFRS.

  "The order of the notes (including the accounting policies)" have been amended, to:
    - Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
    - Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

  These amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016. Early application is permitted. The Company is assessing the impact of IAS 1, however it does not assume the impact to be material.

- IAS 27, 'Consolidated and Separate Financial statements'allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures. This amendment to IAS 27 is effective for annual periods beginning on or after January 1, 2016 and apply retrospectively. Early application is permitted. The Company is assessing possible impact of IAS 27 on its future transactions.

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

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

4.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of the Company. The Board of Directors is the chief operating decision maker of the Company.

The Company derives its revenues mainly from invoicing portfolio management services covering partially its operating expenses. Those services are invoiced to the operations centers located essentially in Czech Republic. All other income relate to dividends and interests as there is no production at the Company level.

4.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the separate financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The separate financial statements are presented in thousands of EUR, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Translation differences on non-monetary assets and liabilities held at fair value through profit or loss are recognized in the statement of comprehensive income as part of the fair value gain or loss.

4.4 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (generally 5 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (not exceeding 3 years).

4.2 Fixtures and fittings

All fixtures and fittings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding 10 years).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the separate statement of comprehensive income.

4.3 Financial assets

4.3.1 Classification

The Company classifies its financial assets in the following categories: shares in affiliated undertakings, financial assets at fair value through profit or loss, financial assets available for sale and loans to affiliated undertakings and other financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Shares in affiliated undertakings

Shares in affiliated undertakings correspond to equity investments in subsidiaries. They are included in non-current assets unless the management intends to dispose of it within of the end of the reporting period.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets which, upon initial recognition, are designated by the Company as at fair value through profit or loss. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months; otherwise, they are classified as non-current.

(ii) Financial assets available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. They are subsequently measured at fair value.

(iii) Loans to affiliated undertakings and other financial assets

Loans to affiliated undertakings and other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

4.3.2 Recognition and measurement

(i) Shares in affiliated undertakings are initially recognised at cost. They are subsequently carried at cost less impairment. Management assesses at each balance sheet date whether there is objective evidence that share in affiliated undertaking is impaired. Impairment testing done by Management is described in note 3.2.

(ii) Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of comprehensive income. They are subsequently carried at fair value. Gains or losses arising from changes in their fair value are presented in the statement of comprehensive income with "Net gain / (loss) on financial assets at fair value through profit or loss".

(iii) Financial assets available for sales are measured at fair value.

(iv) Loans to affiliated undertakings and other financial assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Management assesses at each balance sheet date whether there is objective evidence that loan or other financial asset is impaired. Impairment testing done by Management is described in note 3.2.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

4.4 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of comprehensive income.

4.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

4.6 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options classified in equity are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

The own instruments held by the Company –treasury shares - are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the Shareholders.

4.7 New Notes

New notes are recognized initially at fair value, net of transaction costs incurred. New notes are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

New notes are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

4.8 Compound financial instruments

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

4.9 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

4.10 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future.

4.11 Revenue recognition

The Company derives its revenues mainly from invoicing portfolio management services covering partially its operating expenses. Those services are invoiced to the operations centers which have activities located essentially in Prague. All other income relate to dividends and interests as there is no production at the Company level.

4.12 Administrative expenses

The administrative expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

4.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's shareholders.

4.14 Provisions

A provision is recognized when there is a legal or constructive obligation arising from past events, or in cases of doubt over the existence of an obligation (e.g. a court case), when it is more likely than not that a legal or constructive obligation has arisen from a past event and it is more likely than not that there will be an outflow of benefits and the amount can be estimated reliably. A constructive obligation arises when an entity, by past practice or sufficiently specific communication to affected parties, has created a valid expectation in other parties that it will carry out an action. An event that does not initially give rise to an obligation may give rise to one at a future date due to changes in the law or because an entity's actions create a constructive obligation. If the existence of an obligation depends on the future actions of the entity, then a provision is not recognized until the obligation is unavoidable. The amount recognized for a provision is the best estimate of the expenditure to be incurred. If material, the estimate is discounted at a pre-tax rate that reflects the time value of money and the risks specific to the liability, unless the future cash flow are adjusted for these risks.

Financial guarantee arrangements such as certain letters of credit are in the scope of IAS 39. When a financial guarantee recognized under IAS 39 becomes probable of being exercised, then the provision is measured as the best estimate of the expenditure to be incurred.

Provisions for environmental restoration, site restoration and legal claims are recognized when:

- The Company has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

5 Intangible assets

Intangible assets consist of software. Movements are as follows:

	Gross amount	Amortisation and impairment	Net amount
Balance at January 1, 2014	**675**	**(540)**	**135**
Additions / (Amortisation)	-	(133)	(133)
Disposals	-	-	-
Balance at December 31, 2014	**675**	**(673)**	**2**
Additions / (Amortisation)	-	(2)	(2)
Balance at December 31, 2015	**675**	**(675)**	**-**

6 Fixtures and fittings

Fixtures and fittings consist of transport equipment, furniture, computing equipment and other tangible assets. Movements are as follows:

	Gross amount	Amortisation and impairment	Net amount
Balance at January 1, 2014	**1,572**	**(834)**	**738**
Additions / (Amortisation)	-	(32)	(32)
(Disposals) / Reversal of impairment	-	43	43
Balance at December 31, 2014	**1,572**	**(823)**	**749**
Additions / (Amortisation)	-	(1)	(1)
(Disposals) / Reversal of impairment	(696)	208	(488)
Balance at December 31, 2015	**876**	**(616)**	**260**

7 Shares in affiliated undertakings

Movements are as follows:

	Acquisition cost	Impairment	Net book value
Balance at January 1, 2014	**706,675**	**(505,128)**	**201,547**
Additions / (Impairment)	14,502	141,558	156,060
Reclassification of CPI PG S.A.(see note 9.2)	(158,731)	63,711	(95,020)
(Disposals) / Reversal of impairment	(142,643)	(22,784)	(165,427)
Balance at December 31, 2014	**419,803**	**(322,643)**	**97,160**
Additions / (Impairment)	51,137	98,970	150,107
Reclassification of Suncani Hvar shares(see note 9.2)	(47,938)	47,938	-
(Disposals) / Reversal of impairment	(98,716)	(16,936)	(115,652)
Balance at December 31, 2015	**324,286**	**(192,671)**	**131,615**

Impairment tests on shares in affiliated undertakings are based on the best estimate of the fair value of the special purpose entity (even if some of these SPV hold buildings that are not carried at fair value) and its capacity to repay the loans as described in note 3.2.

In accordance with article 67 (3) (a) of the law dated December 19, 2002, the Company does not present the capital and reserves and the profit and loss of its affiliated undertakings that are included in the consolidated financial statements of the Company available on the website www.orcogroup.com.

Company	Country	Currency	% Shareholding		Net Book value	
			31.12.2015	31.12.2014	As at 31.12.2015	As at 31.12.2014
Orco Adriatic, d.o.o. (sold)	Croatia	HRK	0.00%	100.00%	-	-
Orco Razvoj, d.o.o. (sold)	Croatia	HRK	0.00%	100.00%	-	-
Asmihati Holding Limited	Cyprus	EUR	100.00%	100.00%	-	-
Famiaco	Cyprus	EUR	100.00%	100.00%	-	-
BIANKO, s.r.o.	Czech Republic	CZK	100.00%	100.00%	13,950.77	13,799.81
Bubenská 1, a.s.	Czech Republic	CZK	100.00%	100.00%	-	-
Bubny development, s.r.o.	Czech Republic	CZK	99.92%	99.92%	33,257.87	44,817.90
Byty Podkova, a.s.	Czech Republic	CZK	100.00%	100.00%	-	-
Darilia a.s.	Czech Republic	CZK	100.00%	100.00%	-	-
Development Doupovská, s.r.o.	Czech Republic	CZK	75.00%	75.00%	748.00	2,025.62
Development Pražska s.r.o.	Czech Republic	CZK	100.00%	100.00%	-	-
Estate Grand, s.r.o.	Czech Republic	CZK	100.00%	100.00%	7.78	7.78
Grunt HZ, s.r.o.	Czech Republic	CZK	100.00%	0.00%	3,996.02	-
Hagibor Office Building, a.s. (in insolvency)	Czech Republic	CZK	100.00%	100.00%	-	-
Industrial Park Stříbro s.r.o.	Czech Republic	CZK	100.00%	100.00%	7.90	7.90
IPB Real, s.r.o. (sold)	Czech Republic	CZK	0.00%	100.00%	-	-
Jihovýchodni Město, a.s.	Czech Republic	CZK	100.00%	100.00%	1,003.80	1,247.53
Megaleiar, a.s. (sold)	Czech Republic	CZK	0.00%	100.00%	-	178.41
Na Poříčí, a.s.	Czech Republic	CZK	100.00%	100.00%	9,017.03	6,805.77
Nupaky, a.s.	Czech Republic	CZK	100.00%	100.00%	3,572.74	3,561.02
Oak Mill, a.s.	Czech Republic	CZK	100.00%	100.00%	1,221.69	1,124.99
OFFICE CENTER HRADČANSKÁ, a.s.	Czech Republic	CZK	100.00%	100.00%	2,519.64	1,730.64
Orco Financial Services, s.r.o. (sold)	Czech Republic	CZK	0.00%	100.00%	-	166.78
Orco Praga, s.r.o.	Czech Republic	CZK	100.00%	100.00%	1,587.73	2,000.88
Orco Prague, a.s. (sold)	Czech Republic	CZK	0.00%	100.00%	-	-
Rubeška Development, s.r.o.	Czech Republic	CZK	100.00%	100.00%	7.96	7.96
Seattle, s.r.o.	Czech Republic	CZK	100.00%	100.00%	-	-
STRM Alfa, a.s.	Czech Republic	CZK	100.00%	100.00%	25,548.61	-
STRM Beta , a.s.	Czech Republic	CZK	100.00%	100.00%	4,804.40	-

STRM Delta, a.s.	Czech Republic	CZK	100.00%	100.00%	6,723.32	-
STRM Gama, a.s.	Czech Republic	CZK	100.00%	100.00%	7,138.18	-
T-O Green Europe, a.s.	Czech Republic	CZK	100.00%	100.00%	21.43	-
TQE Asset, a.s.	Czech Republic	CZK	100.00%	100.00%	7,262.11	1,247.00
Zeta Estate a.s	Czech Republic	CZK	100.00%	100.00%	79.81	79.81
Vinohrady s.a.r.l.	France	EUR	100.00%	100.00%	-	-
Brillant 14,19 Gmbh	Germany	EUR	49.00%	49.00%	-	4.84
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	EUR	100.00%	100.00%	-	-
Brillant 1419. Verwaltungs KG	Germany	EUR	100.00%	100.00%	-	6,111.57
Cheadle Management Limited	Guernsey	EUR	100.00%	0.00%	0.14	-
Ariah Kft.(sold)	Hungary	HUF	0.00%	100.00%	-	-
CMW 35 Kft.	Hungary	HUF	100.00%	100.00%	-	-
Energy Trade Plus Kft (sold)	Hungary	HUF	0.00%	100.00%	-	-
Meder 36 Kft. (sold)	Hungary	HUF	0.00%	100.00%	-	-
ORCO Development Kft.	Hungary	HUF	100.00%	100.00%	-	99.67
ORCO Hungary Kft. (sold)	Hungary	HUF	0.00%	100.00%	-	83.62
Origo Investment Kft	Hungary	HUF	100.00%	100.00%	-	-
Orco Vagyonkezelo Kft. (sold)	Hungary	HUF	0.00%	100.00%	-	-
ORR Kft. (sold)	Hungary	HUF	0.00%	100.00%	-	-
Vaci 190 Projekt Kft.	Hungary	HUF	100.00%	100.00%	107.79	439.35
Capellen Invest S.A.	Luxembourg	EUR	100.00%	100.00%	-	-
CEREM	Luxembourg	EUR	100.00%	100.00%	-	-
Endurance Real Estate Management Company S.A.	Luxembourg	EUR	100.00%	100.00%	-	125.00
Kosic s.à r.l. (sold)	Luxembourg	EUR	0.00%	50.00%	-	-
OPG Invest Lux S.A.(liquidated)	Luxembourg	EUR	0.00%	100.00%	-	5.72
Orco Russian Retail S.A.(liquidated)	Luxembourg	EUR	0.00%	100.00%	-	4,108.71
Uniborc	Luxembourg	EUR	20.00%	20.00%	93.97	47.97
Diana Property, Sp z.o.o.	Poland	PLN	100.00%	100.00%	776.65	776.65
Orco Construction Sp. z.o.o.	Poland	PLN	100.00%	75.00%	-	-
Orco Enterprise Sp. z.o.o.	Poland	PLN	100.00%	100.00%	8,160.64	6,545.80
Orco Logistic Sp. z.o.o.	Poland	PLN	100.00%	100.00%	-	-
Orco Poland Sp. z.o.o.	Poland	PLN	100.00%	100.00%	-	-
Orco Project Sp. z.o.o.	Poland	PLN	100.00%	100.00%	-	-
Orco Bucharest	Romania	ROL	100.00%	100.00%	-	-
Orco Blumentalska a.s.	Slovakia	EUR	100.00%	100.00%	-	-
Orco Development s.r.o.(sold)	Slovakia	EUR	0.00%	100.00%	-	-
Orco Residence s.r.o. (sold)	Slovakia	EUR	0.00%	100.00%	-	1.49
Orco Slovakia s.r.o. (sold)	Slovakia	EUR	0.00%	100.00%	-	-
				TOTAL	**131,615.98**	**97,160.19**

8 Trade and other receivables

As at 31 December	2015	2014
Amounts receivable from Customers	705	186
Amounts receivable from affiliated undertakings	3,717	537
Prepayment and other amounts	195	5,874
Other loan	25	-
TOTAL	**4,642**	**6,597**

In 2015

As at December 31, 2015, the Company holds receivable for a total amount of EUR 4.6 milion which for a major part consist on receivable from its affiliates (EUR 3.7 milion) and a receivables from third parties EUR 0.7 milion.

In 2014

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

9 Non-Current Financial assets

9.1 Financial assets at fair value through profit or loss

During the year 2015, the Company throughout its subsidiaries The Endurance Real Estate Management Company managed to finalize liquidation of The Endurance Real Estate Fund which was approved on October 20, 2015 (Note 28).

The movement in investment in the Endurance Real Estate Fund for Central Europe is detailed as follows):

	Total issued units	Estimated NAV	Units Held	% Held	Acquisition cost	Fair value adjustments	Net book value
Balance at January 1, 2014	**15,543,518,359**	**0.47**	**2,304,331,808**	**14.83%**	**10,933**	**(9,855)**	**1,077**
Increase / Depreciation	-	0.67	-			1,549	1,549
Decrease / Reversal	-	-	-	-	-	-	-
Balance at December 31, 2014	**15,543,518,359**	**1.14**	**2,304,331,808**	**14.83%**	**10,933**	**(8,306)**	**2,627**
Decrease / Reversal		(0.88)				(2,027)	(2,027)
Liquidation of the Fund		(0.26)				10,333	(600)
Balance at December 31, 2015	-	-	-	-	-	-	-

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

9.2 Financial assets available for sale

As of December 31, 2015, The Company has 2 investments held as available for sale securities :

- Investments into CPI PG S.A.:

As a result of loss of control over CPI PG and dilution of the participating interest (events and circumstances leading to loss of control are described in note 19), the shares of CPI PG are classified as financial assets available-for-sale.

In determining the fair value of these quoted financial instruments the Company used transaction price based on the observable prices on the market. For the preparation of the financial information as at December 31, 2015 the method of the fair value determination has been modified.

The primary reason for the change in the valuation technique represents Company´s management assessment of the market that is considered as not active and with low liquidity. This assessment required of different valuation technique such as the use of recent arm´s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

For the valuation as at December 31, 2015 the Company´s share is valued using EPRA NAV per share of CPI PG as at September 30, 2015. The EPRA NAV CPI PG share was 0.619 EUR.

In application of above method, the Company investment into CPI PG is amounting EUR 98.5 million (2014: EUR 78.2 million) as of December 31, 2015. The gain recognized following adjustment to fair value amounting to EUR 13.4 million (2014: EUR 4.0 million).

- Investments into Suncani Hvar:

As at December 31, 2015 the Company holds 15.76% stake in Suncani Hvar. Due to uncertainties regarding the going concern as of December 31, 2014 the Company´s share were recognized at zero value. The progress in pre-bankruptcy reorganization was achieved during the reporting period which mitigated the uncertainty. The Company´s shares on the equity are valued at EUR 8 million as at December 31, 2015. As of December 31, 2015, market value of Suncan Hvar share was 0.74 EUR.

10 Loans to affiliated undertakings and other financial assets

10.1 Loans to affiliates undertakings

	Gross amount	Impairments	Net book value
Balance at January 1, 2014	**253,487**	**(177,027)**	**76,460**
Additions / (Impairments)	81,082	79,578	160,660
(Disposals) / Reversal of impairments	(106,986)	(25,564)	(132,550)
Balance at December 31, 2014 (Restated)	**227,583**	**(123,013)**	**104,570**
Additions / (Impairments)	21,412	43,661	65,073
(Disposals) / Reversal of impairments	(91,468)	(10,646)	(102,114)
Balance at December 31, 2015	**157,527**	**(89,998)**	**67,529**

The Company has a global agreement with all its subsidiaries for loans bearing 6% or 8% interest depending on the country and a maturity of December 31, 2020. Loans can also be repaid on demand from the lender or voluntary prepaid by the borrower.

The impairment policy is detailed in note 3.2. Foreign exchange impacts are detailed in note 18.

In addition, the Company has granted guarantee deposits amounting to EUR 0.3 million (2014: EUR 0.3 million, please see note 10.2).

During the year 2015, the Company has received an interest income from its affiliated amounting to EUR 7.7 million (2014: EUR 8.3 million) with EUR 23 thousand considered as other interest (2014: EUR 18 thousand).

10.2 Loans to affiliates undertakings

Guarantee deposit and similar financial assets amount to EUR 0.3 million (EUR 0.3 million in 2014) of which EUR 71 thousand as deposit for the Company Office and EUR 0.1 million to Ceská Sporitelna Bank for a company project (EUR 0.1 million in 2014).

11 Income from participating interests

During 2015, the Company recognised income from participating interest on affiliated undertakings (dividends) in the amount of EUR 2.8 million (2014: EUR 3.9 million) which is detailed as follows:

	2015	2014
CWM 35 Kft	1,507	-
Endurance Residential Sub Fund	1,348	1,585
EREMC S.A.	-	2,313
	2,855	**3,898**

12 Cash and cash equivalents

As at December 31, 2015, the cash and cash equivalents consist of cash at banks of EUR 0.4 million (EUR 3.4 million in 2014).

13 Bonds and derivatives

13.1 New Notes / Bonds

As at December 31, 2015, the movements in bonds and are the following:

Non-current new notes / bonds

Balance at December 31, 2013	**65,812**
Interest New Notes payment	(4,503)
Interest on Safeguard bonds	(333)
Repayment on New Notes	(13,156)
Transfer to Short-term ("ST")	(278)
Transfer from Short-term ("ST)	1,245
Interest New Notes	11,003
Loss on restatement of New Notes (Note 21)	3,276
Balance at December 31, 2014	**63,066**
Interest New Notes payment	(4,588)
Interest on Safeguard bonds	231
Repayment on New Notes	(2,225)
Accrued interest-Transfer to Short-term ("ST")	(668)
Interest New Notes	7,136
Safeguard bond settlement	2,136
Repayment of Safeguard bonds	(4,375)
Balance at December 31, 2015	**60,713**

Current new notes / bonds

Balance at December 31, 2013	**1,565**
Repayment interest on Safeguard bonds	(320)
Transfer to Long term ("LT")	(1,245)
Transfer from long term to short term	278
Balance at December 31, 2014	**278**
Repayment interest on Safeguard bonds	(278)
Accrued interest -Transfer from long term to short term	668
Balance at December 31, 2015	**668**

In 2015

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

Settlement per bonds is descibded below:

- Bonds 2010, FR0010249599: repayment in aggregate of EUR 75,727.07;
- Bonds 2011, ISIN CZ0000000195: repayment in aggregate of EUR 2,979,113;

- Bonds 2012, ISIN XS0223586420, repayment in aggregate of EUR 219,015.37;
- Bonds 2013, ISIN FR0010333302; repayment in aggregate of EUR 985,971.41;
- Bonds 2014, ISIN XS0291838992; repayment in aggreagate of EUR 116,106.97.

Following the Safeguard bonds settlement, the Company remaining derivates are New Notes (see Note 13.2).

In 2014

A general meeting of the holders of the New Notes was held on October 9, 2014 in Luxembourg. At the meeting the holders of the notes approved certain amendments to the terms and conditions of the notes which became effective after its acceptance by the Company on November 7, 2014.

The amendments include, inter alia, the decrease of the interest rate applicable to the Notes to 7% per annum, the extension of the maturity to five years, the implementation of the guarantee by CPI PG for 3% p.a. fee, and the change of the law governing the Notes from Luxembourg law to English law. The repayment terms were changed to one–off bullet payment at the maturity date as opposed to the previously applicable amortization payments.

As a result of the amendment, the book value of the notes has been restated at the amendment date which resulted in an accounting loss of EUR 3.3 million.

In August 2014, the Group repaid EUR 0.4 million as part of the cash sweep following the partial disposal of logistic park Stříbro. In addition, on November 14, 2014 the Company proceeded with “Mandatory Prepayment on Zlota Disposal” under the terms and conditions of the notes in the amount of EUR 12.8 million.

The transfer from long term to short term corresponds to the interest related to the Safeguard Bonds to be paid in April 2015 in accordance with the repayment schedule of the Safeguard plan.

13.2 New Notes

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

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

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

14 Loans from affiliated undertakings

Loans from affiliated undertakings are detailed as follows (in KEUR):

Affiliated undertaking	Country	As at December 31, 2015 Loan nominal	Accrued Interest	Total Loan	2015 Interest expenses	As at December 31, 2014 Loan nominal	Accrued Interest	Total Loan	2014 Interest expenses	Original Currency
Brno Centrum, s.r.o.	Czech Republic	-	-	-	-	-	-	-	38	CZK
Bubenská 1, a.s.	Czech Republic	-	-	-	-	-	-	-	144	CZK
CPI PG S.A.(*)	Luxembourg	-	-	-	533	-	-	-	-	EUR
CWM 35 Kft	Hungary	782	1	783	264	18,655	322	18,977	268	EUR
Endurance Real estate Mgt Cpy S.à r.l.	Luxembourg	929	46	975	46	573	154	727	143	EUR
Industrial Park Stribro s.r.o.	Czech Republic	1,811	101	1,912	101	1,428	93	1,521	93	CZK
Oak Mill,a.s.	Czech Republic	1,157	69	1,226	69	1,060	64	1,124	67	CZK
Orco Development s.r.o.	Czech Republic	-	-	-	-	-	-	-	69	CZK
Orco Enterprise Sp z o o	Poland	7,493	-	7,493	557	9,026	4	9,030	525	PLN
Orco Financial Services, s.r.o.	Czech Republic	-	-	-	5	155	7	162	7	CZK
Orco Hungary Kft	Hungary	-	1	1	1	19	3	22	3	EUR
Orco Project, Sp z o o	Poland532	-	-	-	-	4	-	4	-	PLN
Orco Russian Retail S.à r.l.	Luxembourg	-	-	-	296	4,871	290	5,161	290	EUR
Rubeska Development	Czech Republic	380	-	380	-	-	-	-	-	CZK
Seattle, sro	Czech Republic	7	1	8	1	11	1	12	1	CZK
T-O Green Europe, a.s.	Czech Republic	-	-	-	2	57	3	60	3	CZK
TQE Asset a.s.	Czech Republic	5,863	351	6,214	348	5,401	289	5,690	290	CZK
Zeta Estate, a.s.	Czech Republic	8,669	523	9,192	520	8,476	376	8,852	378	CZK
		27,091	1,093	28,184	2,743	49,736	1,606	51,342	2,319	

The Company has global agreement with all its affiliated undertakings for loans bearing 6% or 8% interest depending on the country and a maturity on December 31, 2020. Loans are repayable anytime by the borrower or upon lender request.
Foreign exchange impacts are detailed in note 18.

15 Trade and other payables

As at December 31, 2015	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Trade payables (included interco)	724	1,984	586	**3,294**
Bank overdrafts	-	-	-	**-**
Tax liabilities	-	429	-	**429**
Accrued liabilities	-	267	-	**267**
Debt on realized FX Forward agreement	-	-	-	**-**
Short term borrowing	-	-	29,280	**29,280**
Other current liabilities	-	46	-	**46**
Total	**724**	**2,726**	**29,866**	**33,316**

As at December 31, 2014	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Trade payables (included interco)	2,005	-	-	**2,005**
Tax liabilities	430	-	-	**430**
Accrued liabilities	213	-	-	**213**
Debt on realized FX Forward agreement	-	-	930	**930**
Short term borrowing	-		1,952	**1,952**
Other current liabilities	47	-	-	**46**
Total	**2,695**	**-**	**2,882**	**5,576**

As a result of the loss of control over CPI PG S.A (CPI) the loan granted to OPG S.A. was reclassified to current payables.

16 Provisions for other liabilities and charge

	2015	2014
Stein guarantee	-	2,725
Hvar arbitration (short-term)	-	382
Other (long-term)	-	1,000
Croatian bank guarantee provision	-	900
Other (short-term)	-	219
	-	**5,226**

In 2015

Stein guarantee

The guarantee issued by the Company in favor of the financing bank in relation to the insolvent Stein project, which was admitted to the Company's safeguard, was repaid in accordance with the decision concerning the early termination of Safeguard plan in the amount of EUR 4.5 million. Accordingly, the provision of EUR 2.7 million was terminated.

Provision for Croatian bank guarantee

With the exit of Safeguard Plan, the management assessed that the risk ceased to exist and decided to reverse existing provision amounting to EUR 0.9 million.

In 2014

Stein guarantee

Due to the bankruptcy procedure of the company Orco Blumentalska a. s. in Slovakia (project Stein), this company has been deconsolidated. The guarantee given by the Company to the bank over ten years under the Safeguard plan payment schedule led to the recognition of a provision corresponding to the net present value of the bank loan not covered by the pledge on the building (valued at fair value according to the external valuation report). As of December 2014 the provision amounts to EUR 2.7 million (EUR 1.6 million in 2013). The increase in the provision in 2014 is mainly attributable to a change in the interest rate which is derived from the discount rate on the New Notes.

To estimate the net present value of the Stein provision the effective interest rate on the New Notes of 12.69% plus a margin of 0.08 % equal to Euribor 3M was used (2013: 19.1% plus Euribor 3M of 0.29%).

Provision for Croatian bank guarantee

Due to the modification of management's assumption on the claim related to a bank guarantee granted to a Croatian supplier, the Company has decided to create new provision amounting to EUR 0.9 million.

17 Administrative expenses and employee benefits

	Year ended December 31	
	2015	2014
Salaries	(143)	(308)
Social security	(17)	(24)
Other employee benefits*	-	(10,961)
Total employee benefits	**(160)**	**(11,293)**
Leases and rents	(161)	(172)
Building maintenance and utilities supplies	-	(59)
Communication and IT maintenance	(55)	(120)
Commissions, fees, consultancy, audit	(3,475)	(3,156)
Insurance	(218)	(52)
Travel expenses and representation costs	(420)	(642)
Advertising and marketing	(23)	(62)
Taxes other than income tax	(473)	(215)
Total Administrative expenses	**(4,825)**	**(4,478)**
TOTAL	**(4,985)**	**(15,771)**

As of December 31, 2015, the Company employed 3 persons which can be split into 1 staff member and 2 managers (2014: 4 persons).

In line with its restructuration strategy, the Management of the Company continued during 2015 its process of control and decrease of costs.

(*) Company restructuring:

On March 18, 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Following negotiations and approvals from the Board of Directors, on March 27, 2014 the Group and the former management entered into a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination and the holding of warrants by the former management. This agreement settled all the termination and change of control clauses. Under this settlement agreement, the former executives received EUR 4.5 million in cash. In addition, settlements in kind (non-core assets) were agreed with the former management to transfer Pachtuv Palace hotel in Prague at the net asset value EUR 6.5 million.

18 Foreign exchange result

	Year ended December 31	
	2015	2014
Foreign exchange result on loans with affiliated undertakings (notes 10 and 14)	(1,127)	(515)
Other foreign exchange result	388	(75)
TOTAL	**(739)**	**(590)**

19 Net loss on disposal of financial assets

In 2015

During 2015, the Company continued achieving its restructuration objective by completing important transactions. The main transactions are summarized as follow:

Disposal in Croatia

On July 2015, the Company disposed of its two projects located in Croatia for a total amount of EUR 1.1 million.

On November 30, 2015, the Company sold its stake in five Croatian entities: Orco Adriatic, d.o.o. and Orco Razvoj, d.o.o. - the original owners of projects disposed as described above, and three empty, entities Orco Property, d.o.o., Orco Projekt d.o.o., and Orco Marine, d.o.o.

The total gain supported by the Company on disposal of its stakes is amounting EUR 0.8 million.

In November 2015, the Company sold 180,000 shares of Suncani Hvar d.o.o. After this transaction, the Company decreased its stake in Suncani Hvar to 15.76% (3,062,196 shares). The Company recognized an accounting loss of EUR 1.1 million.

Disposal of share in project Slunecny Vrsek

On November 26, 2015 the Company sold its 50% stake in Kosic S.à r.l., a Luxembourg based holding company which in turn holds 100% of two operational companies seated in the Czech Republic - SV Fáze II, s.r.o. and SV Fáze III, s.r.o. The sale price was amounting to EUR 1.4 million.The total accounting gain generated by the Company is amounting to EUR 0.3 million

Disposal in Hungary

During the year 2015 the Company disposed eight Hungarian entities: Orco Vagyonkezelö Kft., Meder 36 Projekt Kft., Orco Hungary Kft., Energy Trade Plus Kft., OR-retail Kft. Orco Budapest Zrt., Vaci 1 Kft. and Ariah Kft.. Transactions led the Company to recognize an accounting gain of EUR 0.1 million.

Group structure reorganisation

During the reporting period, the management of the Company continued its reorganization by disposing several of its empty entities mainly located in Czech Republic, Slovakia and Luxembourg. The Company recognized an accounting gain of EUR 1.0 million on those transactions.

In 2014

Zlota sale

On August 27, 2014 the Company entered into an agreement concerning a disposal of its stakes in the Zlota 44 project in Warsaw. The transaction with a subsidiary of international consortium of AMSTAR and BBI Development comprised of the disposal of shares that the Company held in the Zlota 44 project entity as well as of the disposal of loan receivables that the Group acquired from Bank Polska Kasa Opieki S.A. The pre-agreed gross transaction price was EUR 63.0 million in cash; partially payable upon completion of transfers and partially deferred upon the realization of certain conditions, notably the outcome of disputes pending at Zlota 44 level with the former general contractor and potential indemnities provided to the buyer in that respect.

On January 7, 2015, the purchase price was finally agreed and decreased by EUR 13.0 million used for the settlement of disputes with Zlota 44 general contractor INSO. The final purchase amounts to EUR 50.0 million. Thus, the net revenue recognised in the separate income statement in respect of proceeds from Zlota disposal is EUR 50.0 million.

The total loss attribute to Zlota sales transaction is amounting EUR 62.1 milion.

Disposal of Company interest in Hospitality Porfolio to joint partner CPI

As of December 31, 2013, the Company has had a 44% direct and indirect effective interest in the joint venture Hospitality Invest S.á r.l., created by Endurance Hospitality Assets S.à r.l., a Group subsidiary and a joint partner AIG.

The stake of AIG of 50 % was transferred to CPI PG in April 2014, subject to an approval by the Company. Following the disposal of the share by the joint partner and in line with its new strategy, the Company has sold its interest in the joint venture to CPI PG in December 2014 through transfer of its ownership in Endurance Hospitality Assets S.à r.l. and Endurance Hospitality Finance, S.à r.l., entities holding 50 % share in Hospitality Invest S.á r.l. The transaction price was EUR 13.3 million.

The total loss supported by the Company on disposal of Hospitality portfolio is amounting EUR 74.1 milion.

Dunaj transaction

Hlubočky (Czech Republic) and Dunaj (Slovakia) projects, classified as held for sale in 2013, were sold in June 2014 as part of a portfolio debt restructuring transaction with Crédit Agricole Corporate and Investment Bank, which concerned three assets that used to be cross collateralized: two in the Czech Republic (Bubenska, Hlubočky) and one in Slovakia (Dunaj department stores). As a result of this transaction, the Group transferred the ownership of Hlubočky and Dunaj, together with related debt to a fully owned subsidiary of Crédit Agricole CIB. In return, the Group retained the ownership of Bubenska 1 with leverage decreased to EUR 9.0 million with extended debt maturity to June 2017.

The Company supported a loss amounting EUR 20.7 million on this sales.

Pachtuv Palance transaction

The Company reached an agreement with former management regarding compensation for their dismissal from the managerial functions.

The Company recognized a loss of EUR 10.0 milion on this transaction.

Disposal of Suncani Hvar shares

On June 11, 2014, the Company entered into a transaction concerning partial disposal of its stake held in Suncani Hvar d.d. (SHH). OPG disposed of 2,080,000 shares corresponding to 24.94 % of the voting rights. After the disposal, the Company holds 2,636,734 SHH shares equal to 31.61 % of the voting rights. Together with the shares, the Company transferred to the buyer shareholder receivables from SHH. The shares and receivables were sold at an aggregate purchase price of EUR 2.1 million.

The loss on the Suncani Hvar shares disposal amounts EUR 42.4 million.

Disposal of CPI PG shares

On March 3, 2014, CPI PG resolved to raise EUR 36.0 million in a reserved capital increase in favor of Stationway Properties Limited (“Stationway”), an entity affiliated with Mr. Jean-François Ott. Stationway subscribed 76,600,000 new shares which were issued on March 5, 2014. The total number of shares comprising the share capital of CPI PG as well as the number of voting rights was 421,256,445 shares as of March 5, 2014. This capital increase results from the November 29, 2013 decision of the CPI PG’s Board of Directors to raise up to EUR 100 million pursuant to the authorization granted by shareholders during the extraordinary meeting of April 26, 2012.

As a result of the capital increase by Stationway without participation of OPG, the Group’s shareholding interest was diluted to 47.85 % represented by 201,571,194 shares and the equity attributable to the owners of the Company decreased by EUR 10.3 milion. Consequently, the amount of non-controlling interests increased by EUR 46.3 million.

As a consequence of the dilution of participation and the removal of the Group’s representatives from the management of CPI PG, the Company lost control over CPI PG and its subsidiaries. As at the date of loss of control, assets, liabilities and non-controlling interest attributable to the CPI PG were derecognized from the consolidated statement of financial position and the remaining shares were recognized at their fair value in the category financial asset available-for-sale. The fair value of the retained interest was determined based on the market price at closing as at the date of losing control (EUR 0.53 per share) multiplied by the total number of CPI PG shares held by OPG. In the opinion of the Company management, the market price represents the best indicator of the fair value. The deconsolidation and recognition of financial assets available for sale measured at fair value, as described above, resulted in a loss of EUR 34.8 million recorded in 2014 income statement.

In order to meet the liquidity requirements, in particular to finance the acquisition of PEKAO receivable related to Zlota project, the Company entered on April 28, 2014 into an agreement to dispose of 108,395,743 shares it held in CPI PG for a total purchase price of EUR 55.0 million. The completion of the disposal of the shares was subject to certain conditions, including the approval of the Paris Commercial Court. The court approved the disposal of the shares on June 2, 2014. Following this disposal the shareholding of the Group in CPI PG decreased from 201,571,194 shares to 93,175,451 shares equal to 20.53% of the voting rights at the time of disposal.

The disposal of the CPI PG shares under distressed conditions but at market price gave rise to an accounting loss of EUR 35.7 million.

20 Net gain / loss on financial assets at fair value through profit or loss

	Year ended December 31	
	2015	2014
Change in fair value of financial assets	(2,627)	1,556
Gain (loss) on financial assets at fair value through profit or loss	**(2,627)**	**1,556**

In 2015

Following the liquidation of Endurance Real Estate Fund, the Company released its investment (see Note 9.1)

In 2014

The change in fair value recorded in 2014 is based on adjustment to net asset value provided by Fund Manager: EUR 1.14 (2013: EUR 1.1 recognized with a discount of 57.5%) (see Note 9.1).

21 Other Net financial results

	Year ended December 31	
	2015	2014
Other net finance charges/(income)	10,436	(3,282)
Gain (loss) on other financial results	**10,436**	**(3,282)**

In 2015

Other net finance results is mainly related to:

- Safeguard plan termination: the Company accounted extraordinary adjustment on actuarial values of its debts under Safeguard plan (Safeguard bonds and Stein provision (see Notes 13 and 16)) to cope with agreed amounts by Paris Commercial Court. The Company recognized additional adjustments amounting EUR 4.0 million.
- Bank loan repayment by CWM 35 Kft., Hungarian subsidiary of the Company: In 2013, the Company entered into agreement with Bank of its hungarian subsidiary and acquiered at discounted value its Bank loan.On December 2015, following an offset agreement, CWM 35 Kft. had fully repaid its initial bank loan to the Company, leading to recognize a gain of EUR 14 milion.

In 2014

Other Net finance results consist mainly of the loss on New Notes amendment of EUR 3.3 million (see Note 13.1).

22 Income taxes

The Company is tax resident and subject to local regulation in Luxembourg.

Since the fiscal year 2006 and in accordance with the Tax Pooling agreed by Luxembourg Tax Authorities on January 4, 2007, the Company is fiscally consolidated with some of its Luxembourgish subsidiaries held at 100%.

As at December 31, 2015, Orco Property Company S.A. as a consolidated fiscal entity in Luxembourg included the companies listed below:

- Orco Property Company S.A. (Fiscal number: 1993 2209 554);
- Central Europe Real Estate Management S.A. ("CEREM") (Fiscal number: 2004 2212 645) (in Liquidation since December 2009);

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

As at December 31, 2015, the Company has not recognized any deferred tax assets in one of its taxable entities.

The tax rate applicable to the Company is 29.22%, both in 2015 and 2014.

The income tax calculation of the Company is detailed below:

	2015	2014
Profit / (loss) for the period	(1,209)	(13,224)
Total income tax recognised in profit or loss	3	2
Profit / (loss) excluding income tax	**(1,206)**	**(13,222)**
Current income tax rate	29,22%	29,22%
Income tax expense using the domestic corporate income tax rate	(382)	(3,863)
Tax exempt income (1)	2,855	3,898
Change in unrecognized deferred tax asset from tax losses c/f	(2,470)	(37)
Tax income / (expense)	**(3)**	**(2)**

(1) Tax exempt income relates to dividends received

The income tax recognized in the income statement amounts to EUR 3,210 and correspond to minimul amount of Corporate Income Tax. Despite the taxable profit, the Company is not subjected to any taxation due to its tax losses accumulated from the past.

Tax losses carried forward

The Company does not recognise deferred tax asset as there is low probability that taxable profit will be generated against which the tax losses could be utilised in the future accounting periods when the tax losses expire.

As of December 31, 2015, the Company has tax losses carried forward for an unlimited period of time amounting to EUR 488 million (2014: EUR 667.7 million).

23 Earnings per share

	December 31, 2015	December 31, 2014
At the beginning of the period	**314,508**	**114,508**
Shares issued	**314,508**	114,508
Treasury shares	-	-
Weighted average movements	-	**27,945**
Issue of new shares	-	27,945
Treasury shares	-	-
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**314,508**	**142,453**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**314,508**	**142,453**
Net profit/(loss) attributable to owners of the Company (in KEUR) (restated)	**20,287**	**(9,267)**
Net profit /(loss) attributable to owners of the Company after assumed conversions / exercises (in KEUR) (restated)	**20,287**	**(9,267)**
Basic earnings in EUR per share	0.06	(0,07)
Diluted earnings in EUR per share	0.06	(0,07)

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

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

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

24 Equity

Share capital

	Number of shares	Share Capital	Share premium
At January 1, 2014	**114,508**	**229,015**	**647,164**
Reduction of accounting par value of shares - April 8, 2014	-	(114,507)	-
Reduction of accounting par value of shares – May 28, 2014	-	(103,057)	-
Capital increase of November 10, 2014	200,000	20,000	39,200
At December 31, 2014	**314,508**	**31,451**	**686,364**
At December 31, 2015	**314,508**	**31,451**	**686,364**

All the shares of the Company have an accounting par value of EUR 0.10 per share with no nominal value and are fully paid. Each share is entitled to a prorate portion of the profits and corporate capital of the Company, as well as to a voting right and representation at the time of General Meeting, all in accordance with statutory and legal provisions.

Authorized capital not issued

The Company's Extraordinary General Meeting of May 28, 2014 resolved to approve the decrease of the corporate capital of the Company from its present amount of EUR 114,507,629 to EUR 11,450,762.90 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1 to EUR 0.10 per share. As such, the corporate capital of the Company amounted to EUR 11,450,762.90 as of May 28, 2014.

The Extraordinary General Meeting of May 28, 2014 also approved resolutions to modify, renew and replace the existing authorized share capital and to set it to an amount of twenty million euro (EUR 20,000,000.00) for a period of five (5) years from May 28, 2014, which would authorize the issuance of up to two hundred million (200,000,000) new ordinary shares in addition to the 114,507,629 shares currently outstanding.

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

The Board of Directors was authorized, during a period of five (5) years from the date of the general meeting of shareholders held on May 28, 2014, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized capital. The Board of Directors was authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

On November 10, 2014 the Board of Directors of the Company resolved to implement a reserved capital increase and raise EUR 59.2 million pursuant to the authorization granted to it by its shareholders during the Extraordinary General Meeting of May 28, 2014.On November 10, 2014 the Company issued 200 million new ordinary shares having a par value of EUR 0.10 each, at a subscription price of EUR 0.296 per new share, for a global cash contribution of EUR 59.2 million, which were subscribed as follows: (i) 100,000,000 new shares were subscribed for a total subscription price of EUR 29,600,000 by ASPLEY VENTURES LIMITED, British Virgin Islands, an entity closely associated with Mr. Pavel Spanko, and (ii) 100,000,000 new shares were subscribed for a total subscription price of EUR 29,600,000 by FETUMAR DEVELOPMENT LIMITED, Cyprus, an entity closely associated with Mr. Jan Gerner.

The corporate share capital of the Company has been increased from EUR 11,450,762.90 represented by 114,507,629 shares to EUR 31,450,762.90 represented by 314,507,629 shares. The total number of shares comprising the share capital of the Company as well as the total number of voting rights attached thereto is 314,507,629 as of November 10, 2014.

Accordingly, following the capital increase of November 10, 2014, the Company has no authorized capital in addition to the issued capital as of the date of this report.

No movement has occured during 2015.

Securities giving access to equity (warrants)

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

"2012 Warrants" issued under the ISIN code LU0234878881 with the following major terms: number of outstanding 2012 Warrants: 21,161; exercise ratio: one warrant gives the right to subscribe to 1.03 share; exercise period: December 31, 2019; exercise price: EUR 7.21; listing: Euronext Paris.

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

Under the Securities Note and Summary dated March 22, 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated March 22, 2007) could result in a liability for the Company due to "Change of Control Compensation Amount" of up to EUR 23,685,923.25. According to the Securities Note and Summary each 2014 Warrant would need to be repurchased by the Company at a price of EUR 8.25/ 2014 Warrant in the event of a Change of Control. This price per 2014 Warrant decreases as time goes by. Change of Control is defined as "the acquisition or control of more than 50 per cent of the voting rights of that entity or (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that entity, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise [.]" The Change of Control Compensation Amount with respect to 2014 Warrants has been admitted in the Company's Safeguard plan in the amount of EUR 707,826.24. The Company holds 1,327,560 2014 Warrants.

Dividends per share

The Board of Directors has decided not to propose any dividend payment at the Annual General Meeting of Orco Property Company S.A. for years 2015 and 2014.

25 Contingencies

Litigations

On December 28, 2012, the Group filed a request for arbitration against the State Property Management Agency of the Republic of Croatia, also known as AUDIO, which is the legal successor to the Croatian Privatization Fund. Orco's preliminary claims for damages exceed EUR 32 million. The claims relate to underlying title disputes to properties on the island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d. In 2013 AUDIO has transformed into the Croatian Centre for Restructuring and Sales (CERP) and the State Property Management Administration (DUUDI). On December 19, 2014 the Company and the Republic of Croatia announced the signing of a memorandum of understanding concerning their stakes in Suncani Hvar d.d. The memorandum dealt with, inter alia, a mutual settlement of the ICC International Court of Arbitration proceedings between the Company and the Republic of Croatia. Following a joint request, the arbitration proceedings were stopped by a consent award issued by the ICC International Court of Arbitration.

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

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

Guarantees given

The Company has given guarantee in the ordinary course of business to its affiliated undertakings to cover bank loans financing their real estate assets and general contractor construction contracts.

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

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

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

Uncalled guarantees required by banks

As of December 31, 2015, there are no uncalled guarantees.

26 Financial risk management

26.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company financial performance. The Company uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Company's Chief Financial Officer (CFO) and his team. The Company's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board of Directors will provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

26.2 Market risk

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

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

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

The Company uses derivative financial instruments in a limited manner in order to reduce its exposure to the market risk.

26.2.1 Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), and the Croatian Kuna (HRK). Foreign exchange risk, as defined by IAS 21, arises mainly from recognized monetary assets and liabilities.

Loans and operating income are mainly denominated in EUR. The Company does not use foreign currency derivatives contracts with non related parties.

The exchange rates to EUR used to establish these separate financial statements are as follows:

Currency Code	Currency	31 December 2015		31 December 2014	
		Average	Closing	Average	Closing
CZK	Czech Koruna	27.2830	27.0250	27.5330	27.7250
HRK	Croatian Kuna	7.6137	7.6380	7.6344	7.6580
HUF	Hungarian Forint	309.9035	313.1200	308.6646	314.8900
PLN	Polish Zloty	4.1836	4.2615	4.1851	4.2623
USD	US Dollar	1.1095	1.0887	1.3285	1.2141

26.2.2 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk mainly from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.

Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Cash transactions are limited to high credit-quality financial institutions. The Company is working with various banking partners in order to limit the amount of credit exposure to any financial institution. Credit risk is managed by Company management.

Maximum exposure to credit risk is described in tables below:

At December 31, 2015	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Loans to affiliated undertakings and other financial assets gross	67,833	-	-	-	89,997	157,830
Impairments at December 31, 2014	-	-	-	-	(114,726)	(114,726)
Impairments – allowance	-	-	-	-	27,729	24,729
Total loans to affiliated undertakings and other financial assets	**67,833**	**-**	**-**	**-**	**-**	**67,833**
Trade and other receivables gross	4,642	-	-	-	3,335	7,977
Impairments at December 31, 2014	-	-	-	-	(1,203)	(1,203)
Impairments – write-off	-	-	-	-	(2,132)	(2,132)
Total trade and other receivables	**4,642**	**-**	**-**	**-**	**-**	**4,642**
Current financial assets gross	-	-	-	-	-	-
Impairments at December 31, 2014	-	-	-	-	-	-
Impairments - allowance	-	-	-	-	-	-
Total current financial assets	**-**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents gross	0.5	-	-	-	-	0.5
Impairments at December 31, 2014	-	-	-	-	-	-
Total cash and cash equivalents	**0.5**	**-**	**-**	**-**	**-**	**0.5**

At December 31, 2014	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Loans to affiliated undertakings and other financial assets gross	104,875				114,726	219,601
Impairments at December 31, 2014					(177,027)	(177,027)
Impairments – allowance					114,549	114,549
Total loans to affiliate undertakings and other financial assets	**104,875**	**-**	**-**	**-**	**-**	**104,875**
Trade and other receivables gross	6,597	-	-	-	1,203	7,800
Impairments at December 31, 2013					(37,003)	(37,003)
Impairments – write-off					35,800	35,800
Total trade and other receivables	**6,597**	**-**	**-**	**-**	**-**	**6,597**
Current financial assets gross	-	-	-	-	-	-
Impairments at December 31, 2013					(2,748)	(2,748)
Impairments – allowance					2,748	2,748
Total current financial assets	**-**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents gross	3,392	-	-	-	-	3,392
Impairments at December 31, 2013					-	
Total cash and cash equivalents	**3,392**	**-**	**-**	**-**	**-**	**3,392**

26.2.3 Liquidity risk

The main objective of liquidity risk management is to reduce the risk that the Company does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Company's liabilities and diversified portfolio of the Company's funding sources.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the inherent nature of its assets, the Company is subject to a liquidity risk (see note 2.2 on going concern).

The liquidity risk is the risk that the Company might encounter difficulties raising liquid funds to meet commitments as they fall due. The management monitors the liquidity risk on the basis of expected cash flows.

26.2.4 Cash flow interest rate risk

The Company's income cash in flows are substantially independent of changes in market interest rates. All loans granted to affiliate undertakings are granted with fixed interest rate. Contracts include the possibility to capitalize the accrued interests and loan repayment is only requested once the affiliated undertaking sells its own investments. Their capacity to pay capitalized interests above the initial principal relies on the fair value of the real estate assets they are invested in. Nevertheless, the unpaid interests are capitalized every year on January 1 by the Company and its affiliated undertakings.

Loans from affiliated undertakings are granted on the basis of the same fixed interest rate. Interests on New Notes are also fixed.

26.3 Capital rist management

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

27 Related party transactions

Transactions with key management personnel

(a) Remuneration of key management personnel

The members of the Board of Directors and the management of the Company are considered the key personnel of the Group. As of December 31, 2015, the top management was made up of two people.

Total compensation given as short term employee benefits to the members of the Executive Committee for the year 2015 amounted to EUR 0.4 million (EUR 11 million for the year 2014 due to old management benefits).

The Board and Committees attendance compensation for the year 2015 amounts to EUR 63 thousand (EUR 72 thousand for 2014). 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 thousand 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 thousand per calendar month to independent, non-executive Directors of the Company.

During its meeting held on February 3, 2014, the Board of Directors agreed to terminate the Board and Committees attendance compensation as set before, affective January 1, 2014. The previous compensation scheme was as follows: (i) each Board and Committee member for all physical attendance received EUR 4 thousand per meeting, (ii) president presiding an ordinary and extraordinary general meeting of shareholders received EUR 9 thousand per meeting.

(b) Termination and change of control clauses

On March 18, 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Following negotiations and approvals from the Board of Directors, on March 27, 2014 the Group and the former management entered into a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination and the holding of warrants by the former management. This agreement is settling all the termination and change of control clauses listed below.

As at December 31, 2014, there are no termination indemnity payments to the members of the Company's management in excess of the compensation payable in the event of termination of their contracts as required by the labour code.

An additional indemnity to some members of the management and executive Board members agreed in their respective contracts amounts to EUR 2.7 million (EUR 3.3 million as of December 31, 2012) and is payable in the event of termination of their contracts.

(c) Other transactions with key management personnel

To ensure the liquidity for satisfaction of its future liabilities, the Company and Mr. Radovan Vitek entered on September 25, 2014 into a put option agreement concerning the disposal of the shares held by the Company in CPI PG. Pursuant to the terms of the put option agreement the Company has right to request Mr. Vitek, major shareholder of CPI PG, to purchase the CPI PG shares, or their portion, upon a written request of the Company. The put option price payable by Mr. Vitek to the Company is EUR 0.47 per share plus 6% p.a. interest from today until the exercise of the put option. The Company is not limited by the put option agreement to dispose of the CPI PG shares to a third party and/or on a market. The put option agreement is valid for 2 years.

In 2014, the Company transferred 1 share to Jiri Dedera and Tomas Salajka each for free and until they hold the Board function.

Transactions with the Endurance Real Estate Fund

The Company, through its subsidiaries the Endurance Real Estate Management Company finalized the liquidation of the Endurance Real Estate Fund as of October 20, 2015 (The Fund fall into liquidation 2013). During this period, the management of the Company acted as to dispose all remaining assets and finalize liquidation of compartment Residential Sub-Fund (the Company had an ownership interest of 14.8 % into the Fund).

Orco's remuneration from Residential Sub-Fund amounting to EUR 0.4 million in 2015 (EUR 0.5 million in 2014) is linked to:

- the liquidation fee for the Residential Sub-fund;
- the disposal fee calculated on the value of the assets sold by the fund (0.5% in the Residential Sub-fund).

As at December 31, 2015, as Fund was liquidated, there are no open invoices for unpaid fees owed by Endurance Fund to the management company (EUR 0.1 million as at December 31, 2014).

During the year 2014, Residential Sub-fund distributed a dividend of EUR 0.5850 per unit, representing an income of EUR 1.5 million for the Company (EUR 1.5 milion in 2014).

Transactions with affiliated undertakings

Financial transactions

The Company has global loan agreement with maturity date December 31, 2020 and bearing 6% interest with most of its affiliated undertakings).These loans are all fully detailed (principal amount, accrued interest, impairments, interest rate, interest expenses or income, original currency and maturity) in notes related to loans to affiliated undertakings and to loans from affiliated undertakings (see note 10 & 14).

Operational revenues

Services fees invoiced by the Company are amounting EUR 3.6 million (2014: EUR 3.8 million). The significant portion of the fees is relating to Consultancy services provided to its subsidiaries

The Company has also signed sub-leasing agreements with all the companies which have their registered address at the Company address (including all subsidiaries).

Transactions with CPI PG SA

Loan by CPI PG

As of June 17, 2014, both entities agreed to enter into short term Credit facility agreement bearing 8% of interest and maximum of lend amount cannot exceed EUR 3.5 million .On August 27, 2014 the lender and the borrower entered into the amendment 1 to the agreement by which the final repayment day was prolonged until December 31, 2014 and the commitment was increased up to the amount of EUR 6.0 million.On September 29, 2014, amendment 2 is extending payment day to December 31, 2015.On September 29,2014, both parties agreed for an increase of commitment up to EUR 10 milion in a 3rd amendment .This commitment was increased up to EUR 30.0 million on August 17,2015 on amendment 4.On December 15,2015, both parties entered into amendment 5 extending drawdowns until March 31,2016 and then management of the Company signed an 6th amendment moving forward repayment date to September 15, 2016.

As of December 31, 2015, the total debt of OPG towards CPI is amounting EUR 29.3 million (2014: EUR 1.9 million) and have beared EUR 0.6 million of interest expenses (2014: EUR 86 thousand).

Notes guarantee

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

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

As of December 31, 2015, the total debt of OPG towards CPI PG relating to this guarantee is amounting EUR 2.2 million (2014: EUR 0.3 million). Interest expense recognized over 2015 is amounting to EUR 1.9 million (2014: EUR 0.3 million).

Executive Management Consultation services

On January 1, 2015 the Company and CPI PG entered into service agreement pursuant to which CPI PG will provide executive level consultation and stratetegic management direction to the local management teams.

28 Events after balance sheet date

- The Company shares delisted from Euronext Paris

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

The shares will continue to be listed on the regulated market of the Luxembourg Stock Exchange under the same ISIN code LU0122624777.

- Disposal of Marki project in Poland

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

- Disposal of CWM 35

On March 4, 2016 the Company sold its stake in Hungarian entity CWM 35 Kft. The transaction price is EUR 15 thousand.

Index of the notes to the separate financial statements

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To the Shareholders of
Orco Property Group S.A.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the financial statements

We have audited the accompanying separate financial statements of Orco Property Group S.A., which comprise the statement of financial position as at December 31, 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Orco Property Group S.A. as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matters

Without qualifying our opinion, we draw attention to the going concern paragraphs included in Note 2.2 to the separate financial statements which describes that the Company's current liabilities amounting to EUR 35 million exceed the current assets by EUR 30 million. This represents a material uncertainty about whether the Company is a going concern.

The Company's ability to face its obligations is dependent on a successful extension of the maturity of the loan provided by CPI PG due on 15 September 2016, a successful disposal of selected assets and a successful disposal of a portion of the shares held in Suncani Hvar or CPI PG as explained in Note 2.2 to the separate financial statements. These conditions, together with other matters explained in the going concern paragraphs included in Note 2.2 to the separate financial statements, indicate the existence of a material uncertainty about the Company's ability to continue as a going concern. The separate financial statements do not include any adjustments that might result from the going concern basis of preparation being inappropriate.

Furthermore, without qualifying our opinion, we draw attention to the facts described in Note 2.3 explaining that the comparative period of the accompanying separate financial statements has been restated to adjust the understatement of the Loans to affiliated undertakings and other financial assets as at December 31, 2014 by EUR44 million and the understatement of equity by the same amount. In our opinion, such adjustments are appropriate and have been properly recorded.

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the separate financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, March 31, 2016

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alison Macleod