

# Consolidated Annual Report 2016

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VIG FUND, a.s. (formerly: VIG FUND uzavřený  
investiční fond, a.s.)

**VIG  FUND**

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## 2. Basic Company Information

**Company:** VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)

**Company address:** Templová 747/5, Staré Město, 110 00 Praha 1

**Legal form:** joint-stock company

**Identification no.:** 24220809

**Date of balance:** 31<sup>st</sup> December 2016

**Accounting period:** 1<sup>st</sup> January 2016 – 31<sup>st</sup> December 2016

VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.) was founded by registration in the Commercial Register of the Municipal Court in Prague, Section B, File no. 17896 on 1<sup>st</sup> March 2012 (hereinafter referred to as “VIG FUND” or the “Company”).

Until 31<sup>st</sup> December 2016 the Company was a fund of qualified investors pursuant to the Act No 240/2013 Coll., on Investment Companies and Investment Funds („Act“). Upon the Company’s request the Company was deregistered of the list of funds kept by CNB with effective date 01.01.2017. As a consequence the Company’s name was changed from VIG FUND uzavřený investiční fond, a.s. to VIG Fund, a.s..

VIG FUND is a joint-stock company, managed by VIG Asset Management, a.s. (formerly: VIG Asset Management investiční společnost, a.s.), ID no. 24838233, with registered office at Templová 747/5, Staré Město, 110 00 Praha 1, registered in the Commercial Register of the Municipal Court in Prague, Section B, File no. 17131 (hereinafter referred to as “VIG AM” or “Investment Company”).

The consolidated Annual Report includes the following companies, which are fully consolidated: SK BM s.r.o., Bratislava, EUROPEUM BUSINESS CENTER, s.r.o., Bratislava and HUN BM Kft., Budapest (all together hereinafter referred to as the “Group”), for details see the Section b) below.

### **a) Members of the board of directors, supervisory board and auditor of the Company**

#### ***Board of Directors***

**VIG Asset Management, a.s.** - sole Member of the Board of Directors

Templová 747/5, Staré Město, 110 00 Prague 1,

Company ID no.: 248 38 233

Function established on: 16<sup>th</sup> July 2014

***represented by:***

**Dipl. Ing. Caroline Mocker, MSc. MRICS**

**Chairperson of the Board of Directors of VIG AM**

Function established on: 27<sup>th</sup> April 2011

- Graduate of the Vienna University of Technology (Architecture)

- Postgraduate studies at the Vienna University of Technology (Real Estate Management and Pricing)
- Member of Royal Institution of Chartered Surveyors

**Experience:**

- since 04/2011 International real estate expert (Vienna Insurance Group AG)
- 12/2010 - 03/2011 Project management "Smashing Suns" Franchise GmbH
- 07/2009 - 11/2010 Project manager of group investments (Bank Austria Real Invest GmbH)
- 01/2008 - 06/2009 Investment manager for Real Invest Austria (RIA) and Real Invest Europe (RIE)
- 01/2007 - 12/2007 Head of the Portfolio Management Department (Bundesimmobiliengesellschaft mbH)
- 11/2005 - 12/2006 Portfolio manager (Bundesimmobiliengesellschaft mbH)
- 02/1998 - 10/2005 Technical employee and work on free-lance basis

**Ing. Luděk Marek****Member of the Board of Directors of VIG AM**

Function established on: 11<sup>st</sup> October 2011

- Graduate of the University of Economics in Prague, Faculty of Economics, Finances

**Experience:**

- since 2002 Head of the Treasury Division (Kooperativa pojišťovna, a.s., Vienna Insurance Group)
- 1993 – 2001 Head of the Portfolio and Liquidity Management Department (Kooperativa pojišťovna, a.s., Vienna Insurance Group)
- 1991 – 1993 Trade certificate for the area of business consulting
- 1987 – 1991 Česká státní pojišťovna – Economy Department
- 1985 – 1987 Československá obchodní banka

**Ing. Mag. Christoph Roiser** (until 28.04.2016)**Member of the Board of Directors of VIG AM**

Function established on: 11<sup>st</sup> October 2011

- Graduate of the Vienna University of Economics and Business (Business Economics, Production and IT Management)
- Study abroad at the University of Illinois at Urbana-Champaign, USA (Production)
- Study abroad at the Jiangxi University of Finance and Economics, China (International Management and Accounting)

**Experience:**

- since 2008 Deputy manager of the Real Estate Department, (WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group)
- 2005-2008 Business manager (general manager) of the "Electronic Assembly" operational unit for Central and Eastern Europe (Siemens AG Austria, Automation & Drives)
- 2002-2004 Senior Controller of Sales (Siemens AG Germany, Logistics & Assembly)

- 1999-2002 Project manager  
(Siemens AG Austria, Siemens Dematic)

### **MMag. Dr. Wolfgang M. Hajek**

#### **Member of the Board of Directors of VIG AM**

Function established on: 29.04.2016

- Graduate of Doctoral Studies at Juridicum Wien
- Graduate of Business and Management as well as Law at Karl Franzens Universität Graz
- MBA Graduate at Maastricht School of Management, the Netherlands

#### ***Experience:***

- Since 2016 Member of Board of VIG AM
- 2012 - 2016 VIG AM, Strategic Portfolio Management and Strategic Decision Implementation Officer
- Since 2011 Deputy Head of Affiliated Companies Department
- 2007-2011 Volksbanken Group
- 2007 Austrian Financial Market Authority

### ***Supervisory Board***

#### **Dr. Martin Simhandl**

#### **Chairperson of the Supervisory Board**

Function established on: 1<sup>st</sup> March 2012

- Graduate of the University of Vienna (Law)

#### ***Experience:***

- since 11/2004 Member of the Board of Directors  
Vienna Insurance Group AG Wiener Versicherung Gruppe
- 1994 - 2004 Management of subsidiaries  
(Head of Subsidiary Management since 1998)
- 1985 – 1993 Legal department (proxy holder since 1991)
- 1985 Start in Vienna Insurance Group

#### **Mag. Roland Gröll**

#### **Member of the Supervisory Board**

Function established on: 1<sup>st</sup> March 2012

- Graduate of the Vienna University of Economics and Business

#### ***Experience:***

- Since 01/2016 Member of the Board of Directors  
Vienna Insurance Group AG Wiener Versicherung Gruppe
- 01/2014 – 12/2015 Head of the Financial and Accounting Department  
Vienna Insurance Group AG Wiener Versicherung Gruppe
- 01/2010 – 12/2013 Member of the Board of Directors  
Donau Versicherung AG Vienna Insurance Group
- 10/2008 - 12/2013 Deputy of the Board of Directors  
Vienna Insurance Group AG Wiener Versicherung Gruppe
- 02/2008-2010 Member of the Extended Board of Directors

- since 03/2008 Vienna Insurance Group Wiener Städtische Versicherung AG  
Head of the Financial and Accounting Department
- since 06/2003 Proxy holder, WIENER STÄDTISCHE Versicherung AG  
Vienna Insurance Group
- 05/2003-02/2008 Deputy manager of the Financial and Accounting Department
- 01/2001 Proxy holder
- 02/1994 Start in WIENER STÄDTISCHE Versicherung AG  
Vienna Insurance Group, Financial and Accounting Department

**Gary Wheatley Mazzotti****Member of the Supervisory Board**

Function established on: 17<sup>th</sup> April 2012

- Graduate of the University of Reading (Economics)
- ACA chartered accountant

***Experience:***

- Since 4/2014 Member of the Board of Directors  
Kooperativa pojišťovna, a.s., Vienna Insurance Group
- Since 3/2012 Senior Executive  
Vienna Insurance Group AG Wiener Versicherung Gruppe
- 10/2010-01/2012 Senior Investment Director, PPF, a.s.
- 09/2008-10/2010 Chief Financial Officer Private Equity Division, PPF, a.s.
- 09/2007-09/2008 Chief Executive Officer, ENERGY 21, a.s.
- 01/2006-08/2007 Chief Operating Officer, AAA Auto, a.s.
- 09/2001-12/2005 Chief Financial Officer, AAA Auto, a.s.
- 04/1994-08/2001 Finance Director,  
Sound and Media Group (Part of Virgin Group)
- 03/1991-04/1994 Group Operational Review Manager, Atlantic Computers PLC
- 09/1988-03/1991 Financial Controller, Greyhound Leasing

***Auditor***

The Financial statements of the Company have been audited by KPMG Česká republika Audit, s.r.o. (registration no. 71).

**b) Persons in which the Company had a qualified holding**

The Company has qualified interest in:

- **SK BM s.r.o.:** The Company holds 100 % of the shares of SK BM s.r.o., with its registered office at Štefanovičova 4, 816 23 Bratislava, ID no.: 46423427, registered in the Commercial Register at the Municipal Court Bratislava, File no. 77149/B. SK BM is a real estate company according to VIG FUND's statute and complies with the investment orientation of the fund according to its statute;

**Managing Director:**

Dipl. Ing. Caroline Mocker, MSc. MRICS

Ing. Mag. Christoph Roiser (until 09.06.2016)

MMag. Dr. Wolfgang M. Hajek (from 10.06.2016)



- **HUN BM Kft:** The Company holds 100 % of the shares of HUN BM Korlátolt Felelősségű Társaság with its registered office at Baross utca 1, 1082 Budapest, Trade Register No: Cg.01-09-972521. HUN BM is a real estate company according to VIG FUND's statute and complies with the investment orientation of the fund according to its statute;

Managing Director:

Dipl. Ing. Caroline Mocker, MSc. MRICS  
 Ing. Mag. Christoph Roiser (until 19.07.2016)  
 MMag. Dr. Wolfgang M. Hajek (from 20.07.2016)

- **EUROPEUM Business Center s.r.o.:** with its registered office at Suché Mýto, 811 03 Bratislava, ID no.: 36770876, registered in the Commercial Register at the Municipal Court Bratislava, File no. 45714/B. EUROPEUM Business Center s.r.o. is a real estate company according to VIG FUND's statute and complies with the investment orientation of the fund according to its statute;

Managing Director:

Dipl. Ing. Caroline Mocker, MSc. MRICS  
 MMag. Dr. Wolfgang M. Hajek

**c) Persons who had a qualified holding in the Company**

VIG-CZ Real Estate GmbH, Vienna (71.57 %) and Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague (16.70 %) had a qualified holding in the Company.

**d) Persons who were interconnected with the Company in personnel terms**

The representatives of the sole Member of the Board of Directors and Members of the Supervisory Board of the Company had inter alia the following relevant mandates in the reported period:

**Dipl. Ing. Caroline Mocker, MSc. MRICS**

EUROPEUM Business Center s.r.o.	Managing Director
HUN BM Kft.	Managing Director
SK BM s.r.o.	Managing Director
VLTAVA majetkovosprávní a podílová spol. s r.o.	Managing Director
VIG Asset Management, a.s.	Chairperson of Board of Directors
VIG AM Services GmbH	Managing Director

**Ing. Mag. Christoph Roiser** (until 28.04.2016)

Anděl Investment Praha s.r.o.	Managing Director
HUN BM Kft.	Managing Director
SK BM s.r.o.	Managing Director
VIG Asset Management, a.s.	Member of Board of Directors
VIG AM Services GmbH	Managing Director

**MMag. Dr. Wolfgang M. Hajek** (from 29.04.2016)

EUROPEUM Business Center s.r.o.	Managing Director
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HUN BM Kft.	Managing Director
SK BM s.r.o.	Managing Director
VIG FUND Revoluční, s.r.o.	Managing Director
VIG Asset Management, a.s.	Member of Board of Directors
VIG AM Services GmbH	Managing Director

**Ing. Luděk Marek**

VIG Asset Management, a.s.	Member of Board of Directors
VIG FUND Revoluční s.r.o.	Managing Director
VIG ND, a.s.	Member of Board of Directors

**Dr. Martin Simhandl**

InterRisk Lebensversicherungs-AG Vienna Insurance Group	Chairperson of the Supervisory Board
InterRisk Versicherungs-AG Vienna Insurance Group	Chairperson of the Supervisory Board
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	Member of the Board of Directors
VIG Asset Management, a.s.	Chairperson of the Supervisory Board

**Mag. Roland Gröll**

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	Member of the Board of Directors
VIG Asset Management, a.s.	Member of the Supervisory Board
Wiener Osiguranje Vienna Insurance Group d.d., Zagreb	Member of the Supervisory Board

**Mr. Gary Wheatley Mazzotti**

Anděl Investment Praha s.r.o.	Managing Director
Česká podnikatelská pojišťovna, a.s.	Member of Board of Directors
Kooperativa pojišťovna, a.s. Vienna Insurance Group	Member of Board of Directors
VIG Asset Management, a.s.	Member of the Supervisory Board
VIG ND, a.s.	Member of the Supervisory Board
VIG RE zajišťovna, a.s.	Member of the Supervisory Board

**e) Persons who acted in concert with the Company**

In 2016, the Company did not act in concert with any person, who is not listed in paragraph a) to c).

**f) Name of the Company and its identification pursuant to the International Securities Identification Numbering (ISIN) system or another Securities Identification Numbering (SIN) system**

Name of the Company until 31.12.2016: VIG FUND uzavřený investiční fond, a.s.

Name of the Company from 01.01.2017: VIG FUND, a.s.

Neither ISIN nor SIN was assigned to VIG FUND.

**g) Changes to the facts registered in the Commercial Register**

In the reported period, the records in the Commercial Register were changed in the following way:

In 2016 the Company increased its registered capital, the capital increase was entered on 8<sup>th</sup> July 2016. The Company's share capital had been increased solely by monetary investments by CZK 308,800, i.e. by issuing 1,544 pcs of new unquoted ordinary shares issued in the name and in documentary form, each in the nominal value of CZK 200.

On 31<sup>st</sup> December 2016 with effective date 1<sup>st</sup> January 2016, as a consequence of the merger with VIG FUND Revoluční s.r.o., the capital of the VIG FUND Revoluční s.r.o. was transferred to VIG FUND as a succession company.

Mr. Christoph Roiser was deleted from the Commercial Register on 19.08.2016 as member of the board of VIG AM being the Board of Directors of the Company.

Mr. Wolfgang Hajek was placed on register on 19.08.2016 as member of the board of VIG AM being the Board of Directors of the Company.

**h) Facts with a significant impact on the performance of activities by the Company**

In 2016, the Company performed the following two acquisitions:

- On 21<sup>st</sup> June 2016 the Company acquired 100 % of EUROPEUM Business Center s.r.o. with its registered office at Suché Mýto, 811 03 Bratislava, Slovakia, ID no.: 36770876, registered in the Commercial Register at the Municipal Court Bratislava, File no. 45714/B
- on 15<sup>th</sup> July 2016 the Company acquired 100% of VIG Fund Revoluční s.r.o. (former: MARKLAND Revoluční, s.r.o.) with its registered office at 110 00 Praha 1, Revoluční 1/665, ID 27147274, registered in the Commercial Register of the Municipal Court in Prague, Section C, File no. 99860.

In the reporting period the Company performed a merger with VIG Fund Revoluční s.r.o., all assets and liabilities of VIG Fund Revoluční s.r.o. were transferred to VIG FUND, as a succession company.

**3. Particulars of the Annual Report according to Section 291 of Act no. 240/2013 Coll.****a) Investment Company**

VIG FUND was managed by VIG AM. VIG AM was granted the license to operate as an investment company by the Czech National Bank on 21<sup>st</sup> October 2011. In 2016, VIG AM managed the properties of the Company from the position of the sole member of the Board of Directors of the Company. The performance of the office of the sole member of the Board of Directors is governed by Act no. 240/2013 Coll. and by the Contract on performance of office executed on 17<sup>th</sup> July 2014.

VIG AM gave back its licence as an investment company to the Czech National Bank (ČNB) with effective date 28.02.2017. The Contract on performance of office, signed between the Company and VIG AM will be adjusted accordingly. VIG AM will continue to manage VIG Fund's assets.

#### b) Development of the Assets

Date	Assets of the Group
31.12.2014	TEUR 292,807
31.12.2015	TEUR 260,564
31.12.2016	TEUR 312,243

#### c) Equity capital of the Group and the equity capital falling upon one share

Date	Equity capital of the Group	Equity capital per share
31.12.2014	TEUR 129,753	EUR 7,576
31.12.2015	TEUR 131,775	EUR 7,694
31.12.2016	TEUR 148,770	EUR 7,968

No shares were repurchased by the Company and all shares were paid.

The Company paid dividends in the total amount of TEUR 3,014 in 2016. The dividend payment per 1 share amounted to EUR 176.

The profit per one share for the period 01.01.2016 – 31.12.2016 amounts to EUR 372.

#### d) Liabilities of the Group

The liabilities of the Group as of 31st December 2016 amounted to TEUR 163,473.

#### e) Changes in the Statute of the Company

In 2016 no changes were made in the Statute of the Company.

#### f) Remuneration of the employees and the management of VIG AM

Remuneration	
Number of managers	3
Number of other employees	5
Fixed component of the remuneration	EUR 172,744
Variable component of the remuneration	EUR 50,519

#### g) Measures preventing the conflict of interest

In connection with the provision of Act No. 240/2013 Coll., Commission delegated regulation (EU) No 231/2013 of 19<sup>th</sup> December 2012 and Decree No. 244/2013 Coll., providing for more detailed regulations applicable to act in investment companies and investment funds, the Investment Company defined in its internal rules (see also Article 5. g) of this Annual Report) following to prevent the conflict of interest:

- the processes relating to closing deals by persons having special relationships to the Investment Company,

- the processes leading to identification of conflicts of interest, preventing any prospective conflicts of interests, limiting possibilities that a conflict of interests occurs and managing conflicts of interest,
- the rules of the exercise of voting rights.

#### **h) The period for which the Company was set up**

The Company was set up for an indefinite period.

### **4. Particulars of the Annual Report according to Annex no. 2 to Decree No. 244/2013 Coll.**

#### **a) Portfolio manager, external manager**

The management of assets is carried out by representatives of VIG AM. Identification data and description of experience of representatives of VIG AM are stated in part 2 of this annual report.

#### **b) Depository of the Company**

In the reported period, Česká spořitelna, a.s., with registered office at 140 00 Praha 4, Olbrachtova 1929/62, ID no. 45244782, registered in the Commercial Register of the Municipal Court in Prague, Section B, File no. 1171, was the only depository of the Company. In the reported period, the Company paid the amount of TEUR 44 to its depository.

#### **c) The person who ensures the safekeeping or some other custody of the assets of the Company**

In 2016, Česká spořitelna, a.s. ensured safekeeping or other custody of the assets of the Company.

#### **d) Persons authorized to provide the Company with investment services**

The Company did not trade in securities in the reported period; therefore no broker or investment firm performed activities of an investment firm for the Company.

#### **e) Identification of the assets**

As of 31<sup>st</sup> December 2016, the Company's assets consisted of:

Name of Assets	Acquisition value	Fair value
Investment Properties	TEUR 312,445	TEUR 290,570
Shares in Subsidiaries	TEUR 0	TEUR 0
Loans to group entities	TEUR 0	TEUR 0
Trade and tax receivables	TEUR 1,053	TEUR 1,053

Cash and cash equivalents	TEUR 17,966	TEUR 17,966
Accrued assets	TEUR 1,422	TEUR 1,422
Other assets	TEUR 0	TEUR 0

**f) The development of the value of a share of the Company (as defined in annex no. 2 to Decree No. 244/2013 Coll.)**

The value of a share of the Company increased from EUR 7,694 (as at 31<sup>st</sup> December 2015) to EUR 7,968 (as at 31<sup>st</sup> December 2016).

The value of the shares does not copy any index or other indicator.

## **5. Particulars of the Annual Report according to Section 118/4 of the Act on Capital Market - no. 256/2004 Coll.**

**a) Internal control system**

The internal control system is generally a part of the usual, daily activity and helps to achieve the Company's strategic and business objectives and reduces the risks to which the Company is exposed, notably the operational risk. The internal control system is an integral part of the Company's management.

The levels of the internal control system are composed of:

- control carried out by each personnel during the work performance,
- control carried out by the Board of Directors and managing personnel during both the discharge of their managing functions and the performance of their work,
- activities by compliance,
- activities by internal audit.

The internal control system also includes activities by the Supervisory Board carried out in accordance with the law, the Articles of Association and Supervisory Board resolutions.

The internal control system includes the consistent monitoring of the changing environment, including the evaluation of related risks, and the subsequent adaptation of organizational structures, capacities, equipment, procedures and activities.

The internal control system includes regular reconciliation and physical control; the physical control is mainly concerned with limiting access to the tangible property, investment instruments and other financial assets and with regular asset inventory checks.

The control activities consist of the supervision of compliance with:

- universally binding legislation,
- binding measures of supervisory bodies, their methodical materials, instructions and opinions,
- internal regulations, limits,
- process of giving approval and authorization for transactions above the stipulated limits,
- economical and effective performance of activities and transactions, verifying transaction details,
- verifying outputs of systems and risk management methods in use,
- ethical standards, standards and habits generally recognized in the financial market,
- contractual relationships,
- economical and efficient performance of activities.

## **b) Statutory and Supervisory body of the Company**

### **Board of Directors**

The Company's Board of Directors has one Member. Member of the Board of Directors is elected and removed by the Supervisory Board. A member of the Board of directors may only be a person within the meaning of Section 9 (1) of Act no. 240/2013 Coll.

Members of the Board of Directors can be elected repeatedly. The term of office of Members of the Board of Directors is five years.

The Board of Directors is the governing body of the Company. The Board of Directors decides on all matters of the Company which are not reserved for the competence of the General Meeting or the Supervisory Board under universally binding regulations or Articles of Association of the Company.

### **Supervisory board**

The Supervisory Board has three Members. Members of the Supervisory Board are elected and removed by the General Meeting. The Supervisory Board elects and removes the Chairperson and Vice-Chairperson of the Supervisory Board from among its Members. A person may be elected a Member of the Supervisory Board repeatedly. The term of office of Supervisory Board Members is five years. The office of a Supervisory Board Member also expires by election of a new Supervisory Board Member.

The Supervisory Board is the Company's supervisory body.

The Supervisory Board takes decisions at its meetings. The Supervisory Board takes decisions by absolute majority all Members' votes, with each Member always having one vote. The Supervisory Board is able to adopt decisions if at least half of its Members, including the Chairperson, or, if absent, the Vice-Chairperson, are present at its meeting. In case of a deadlock, the Chairperson, or, if absent, the Vice-Chairperson, shall have the decisive vote.

The Supervisory Board may adopt decisions even outside its meetings, by vote in writing or, where appropriate, by fax, e-mail, etc.



**c) The rights and obligations related to the shares of the Company**

The registered capital of the Company is divided into 18.671 (eighteen thousand six hundred and seventy one) ordinary registered shares issued as share certificates, with the nominal value of CZK 200 (in words: two hundred Czech crowns) per share. Each share entitles its holder to one vote in voting at the General Meeting. The same rights and obligations are associated with all the Company's shares. These rights and obligations are set out in the relevant provisions of the Company's Articles of Associations and Act No 90/2012 Coll., on companies and cooperatives (hereinafter referred to as the "Corporations Act").

**d) Competence of the General meeting**

The General Meeting is the Company's supreme body. The General Meeting consists of all shareholders present. Shareholders may be present and vote at the General Meeting with the use of technical means. Decisions may be made per rollam.

The General Meeting shall have a quorum if shareholders who hold shares with the total nominal value or number equaling 60 % (sixty percent) of the registered capital of the Company are present or participate in the General Meeting by technical means.

The sole competence of the General Meeting includes:

- a. decisions on assumption of effect of acts on behalf of the Company prior to its incorporation;
- b. decisions to change the Articles of Association unless the change is due to an increase in registered capital which was delegated, by a General Meeting resolution, to the Company's Board of Directors or unless the change is due to other legal circumstances; the right of the asset manager to change the Articles of Association under Section 277 (2) of the Investment Companies and Investment Funds Act, pertaining to the governing body, is not affected;
- c. decisions on an increase or decrease of the registered capital, on authorization of the Board of Directors to adopt decision(s) on an increase of the registered capital and on any set-off of a pecuniary receivable due from the Company against a receivable for paying up the issue price;
- d. decisions on the possibility to acquire or, to accept as collateral, treasury shares or shares of a controlled person;
- e. appointment and removal of a liquidator of the Company;
- f. election and removal of Members of the Supervisory Board;
- g. laying down the policies for the activities of the Board of Directors and the Supervisory Board, and approving the instructions binding on the Board of Directors and on the Supervisory Board;
- h. approving the regular or extraordinary financial statements and the consolidated financial statements and, where required by law, also the interim financial statements; decisions to distribute profit or to settle loss (in compliance with Article 28 of the Articles



of Association), and the determination of royalties and due dates, as well as the place of dividend and royalty payments;

- i. remuneration decisions in respect of Members of the Supervisory Board;
- j. discussing the report on the Company's business activities and on the balance of its assets;
- k. discussing the proposals and measures put forward by the Board of Directors under Article 18 (4) of the Articles of Association;
- l. approval of the report of the Supervisory Board on the review of the annual financial statements and the profit distribution proposal as well as other outcomes of supervision activities of the Supervisory Board that the Supervisory Board presents (Section 449 (1) of the Corporations Act);
- m. decision to wind up the Company with liquidation, and approval of the proposal to distribute the proceeds of the liquidation;
- n. decisions on a merger or demerger or, where appropriate, a decision to change the Company's legal form;
- o. discussion of the final report on the progress of liquidation;
- p. approving the agreement on the performance of an office of a Member of the Supervisory Board under Section 59 (2) of the Corporations Act;
- q. decisions to preclude or restrict the preferential right to subscribe new shares under Section 488 of the Corporations Act;
- r. suspension of performance of the office of a member of a body or issue of a prohibition of execution of a contract in case of conflict of interest (Sections 54 - 58 of the Corporations Act);
- s. granting authorization to the Board of Directors to determine the issue price of the shares issued in relation to registered capital increase;
- t. appointing the auditor of the Company;
- u. decisions on other matters of the Company which the Corporations Act, the Investment Companies and Investment Funds Act or other legal regulations or the Articles of Association include in the competence of the General Meeting.

#### Decision making

The General Meeting takes decisions by a simple majority of votes of the shareholders present, unless the law stipulates other majority or the Articles of Association stipulate a higher number of votes to pass a resolution.

**e) Monetary or non-monetary benefits and principles of the remuneration of the members of Board of Directors and members of the Supervisory Board of the Company**

**Remuneration for the members of the Board of Directors**

The remuneration according to the agreement on the performance of office consists of a fixed and a variable component and a success fee.

The variable component is derived from the average value of the Company's assets.

The success fee is paid in case the Cash to Equity of the Company exceeds defined threshold.

The fee covers the total remuneration of VIG AM for its activities and responsibilities as an investment company for VIG FUND.

Fee	TEUR 625
Non-monetary remuneration	none

**Remuneration of Supervisory Board members**

The Supervisory Board members do not receive any monetary or natural income from the Company for the performance as Supervisory Board members.

Members of the Supervisory Board:

- Dr. Martin Simhandl
- Mag. Roland Gröll
- Gary Wheatly Mazzotti

**f) Shares and options owned by the members of the Supervisory Board or members of the Board of Directors**

Neither member of the Supervisory Board nor a member of the Board of Directors of the Company or closely related individuals own stock or similar securities representing a share in the Company, nor hold any options or similar investment instruments related to the stock or similar security representing a share in the Company, nor be the contracting parties of such contracts or have such contracts concluded in their favor.

**g) Code of Corporate Governance of the Company**

Corporate governance is assured by VIG AM. VIG AM complies with all applicable legal regulations. Additionally a system of internal rules has been implemented by VIG AM, with the aim to assure good corporate governance of the Company. The board of directors, the Supervisory Board and the employees are fully committed to the system of internal rules. Internal rules are available at the Company's headquarter.

#### **h) Remuneration charged by the auditors**

During 2016 the Company's auditors charged a remuneration of EUR 28,000.

#### **i) Figures and information about the financial position, business activities and financial results**

Information about the financial position, business activities and financial results are stated in part 13 of this annual report.

### **6. Information on facts that occurred after the date of balance sheet and are significant for fulfilling the purpose of the Annual Report**

With effective date 01.01.2017 the Company became a standard business corporation pursuant to the Act No. 90/2012 Coll. on business corporations, upon the Company's request VIG Fund was deleted of the list of Investment funds kept by Czech National Bank with the before mentioned date and as a consequence the name of the Company was changed to VIG FUND, a.s.

The Company's bonds were delisted upon the Company's request from the Prague stock exchange with effective date 28.02.2017.

### **7. Report of the Board of Directors on Business Activities and Status of Properties**

In 2016, the Company significantly increased its investment volume and further diversified its real estate portfolio. It successfully performed the following two acquisitions:

- On 21<sup>st</sup> June 2016 the Company acquired 100% of the shares of Europeum Business Center s.r.o, Bratislava and
- on 15<sup>th</sup> July 2016 the Company acquired 100% of the shares VIG Fund Revoluční s.r.o, (formerly: MARKLAND Revoluční s.r.o.) with registred office at Revoluční, Prague 1.

In order to finance its acquisitions the Company increased its registered capital, which was registered in July 2016 and took out a long term loan.

The Company performed the intended merger with the Company VIG Fund Revoluční s.r.o with effective date 31<sup>st</sup> December 2016. As a consequence of this merger, the Company's indirect investment in the property Revoluční changed into a direct real estate investment.

In 2016 the Company decided to become a standard business corporation and with effective date 1<sup>st</sup> January 2017 VIG Fund was deleted of the list of Investment funds kept by Czech National Bank.

Upon the Company's request VIG Fund's bonds were delisted from the Prague Stock Exchange with effect 28 February 2017.

The economic activities of the Company ended with a profit of TEUR 6,953 for the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2016.

### The portfolio of VIG FUND

<i>Property</i>	<i>Location</i>
BBC - C	Prague
Havlíčkova Plaza	Prague
Burzovní Palác	Prague
Revoluční	Prague
Jasna	Warsaw
Libra	Warsaw
Europeum	Bratislava
Retail Portfolio	Czech Republic
Retail Portfolio	Slovakia
Retail Portfolio	Hungary

### Status of Properties

#### Assets

In balance sheet as of 31<sup>st</sup> December 2016, the Company reported assets amounting to TEUR 312,243 (out of which TEUR 290,570 represent investment properties and shares).

#### Liabilities

Total liabilities of the Company amounted to TEUR 163,473.

#### Registered share capital

The Company's registered share capital amounts to TCZK 3,734.2.

The management of the Company is not aware of any other facts that would significantly affect the financial situation of the Company as of the date of generating the annual report for 2016. The management is furthermore not aware of any substantial lawsuits (active or passive) that could affect the financial situation of the Company for 2016.

## 8. Expected Company development in 2017

The Company will continue its growth strategy by acquiring additional real estate investments in Central and Eastern Europe and on managing the already acquired properties.

## 9. Other information

### Activities in the area of research and development

The Company is currently not active in the area of research and development.

### Activities in the area of environmental protection and labor-law relations

With respect to environmental protection and labor-law relations, the Company adheres to the corresponding legally binding regulations.

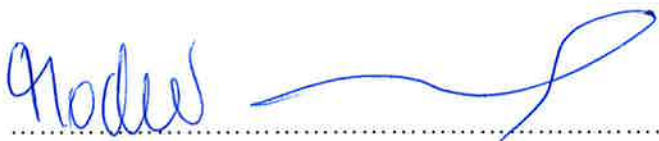
### Organizational units abroad

The Company has no organizational unit abroad but holds two properties in Poland directly.

### Information on lawsuits or arbitrations

The Company was not involved in lawsuits or arbitrations in 2015. The Board of Directors hereby declares that to its knowledge, the consolidated annual report gives a true and fair view of the financial position, business activities and results of the Company and of the consolidated group for the reported period and a true and fair view of the future outlook for the financial situation, business activities and financial results.

17th March 2017

A handwritten signature in blue ink, appearing to read 'Mocler', is written over a horizontal dotted line.

VIG Asset Management, a.s. (Member of the Board of Directors), *represented by Dipl. Ing. Caroline Mocker, MSc. MRICS and Ing. Luděk Marek*

## 10. Report on relationships between related parties

### The controlled company: VIG FUND, a.s.

The Company is part of the Vienna Insurance Group consolidation group with the ultimate parent company being VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, Austria.

### Company purpose

The Company, being a fund of qualified investors, enables other companies within the VIG Group to invest into real estate market in CEE.

### The controlling companies:

Shareholder	Share on registered capital
VIG-CZ Real Estate GmbH, Vienna	71.57 %
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	16.70 %
VIG RE zajišťovna, a.s., Prague	3.11 %
Česká podnikatelská pojišovna, a.s., Vienna Insurance Group, Praha	0.35 %
Pojišťovna České spořitelny, a.s., Vienna Insurance Group, Pardubice	0.75 %
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	0.79 %
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group, Warsaw	0.79 %
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	0.44 %
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	0.72 %
Poišťovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group, Bratislava	0.79 %
Komunálna poisťovňa, a.s. Vienna Insurance Group, Bratislava	1.06 %
KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group, Bratislava	1.59 %

Wiener Osiguranje Vienna Insurance Group d.d., Zagreb	1.33 %
VIG ND, a.s., Prague	0.01 %
<b>Total</b>	<b>100.00 %</b>

### Method and means of controlling

Company is controlled through ownership of shares. VIG AM serves as the sole director of the company.

### Related Parties

A list of the subsidiaries of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe is stated in part 12 of this annual report.

### Real concern

The Company did not conclude any control agreement with Related Parties.

### Contracts and agreements concluded between entities within the Group

The following contracts between the Company and entities within the group were in force in the reported period:

Contract	Contracting party of the Group
Insurance Policy No. 7720716986 and Amendment no. 1 to the Insurance Policy No. 7720716986	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 7720794414 and Amendment no. 1 to the Insurance Policy No. 7720794414	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 7720997921	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 7720826500 and Amendment no. 1 to the Insurance Policy No. 7720826500	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 7720921271	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 7720987010	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 7720980394	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 7720981580	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy No. 080802622	Kooperativa pojišťovna, a.s., Vienna Insurance Group
Insurance Policy Type 9802 No. 31770 (Property against all risks insurance)	Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group



Insurance Policy Type 1301 No. 000051879 (Insurance of Third Party Liability)	Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group
Insurance Policy Type 9802 No. 31769 (Property against all risks insurance)	Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group
Insurance Policy Type 1301 No. 000051880 (Insurance of Third Party Liability)	Compensa Towarzystwo Ubezpieczen S.A. Vienna Insurance Group
Loan Agreement 1	Wiener Städtische Versicherung AG Vienna Insurance Group Donau Versicherung AG Vienna Insurance Group Sparkassen Versicherung AG Vienna Insurance Group
Loan Agreement 2	Wiener Städtische Versicherung AG Vienna Insurance Group Sparkassen Versicherung AG Vienna Insurance Group Donau Versicherung AG Vienna Insurance Group InterRisk Lebensversicherung-AG Vienna Insurance Group InterRisk Versicherung-AG Vienna Insurance Group
Loan Agreement 3	InterRisk Lebensversicherung-AG Vienna Insurance Group
Loan Agreement 4	Wiener Städtische Versicherung AG Vienna Insurance Group Donau Versicherung AG Vienna Insurance Group Sparkassen Versicherung AG Vienna Insurance Group
Loan Agreement 5	Wiener Städtische Versicherung AG Vienna Insurance Group Donau Versicherung AG Vienna Insurance Group Sparkassen Versicherung AG Vienna Insurance Group
Loan Agreement 6	Wiener Städtische Versicherung AG Vienna Insurance Group Sparkassen Versicherung AG Vienna Insurance Group Donau Versicherung AG Vienna Insurance Group Compensa Life Vienna Insurance Group SE Compensa Vienna Insurance Group InterRisk Versicherung-AG Vienna Insurance Group InterRisk Lebensversicherung-AG Vienna Insurance Group Poist'ovňa Slovenskej sporiteľne, a.s. Vienna Insurance Group Komunálna poisťovňa, a.s. Vienna Insurance Group

Contract on performance of office	VIG Asset Management, a.s.
Amendment of the Contract on performance of office	VIG Asset Management, a.s.
Sub-lease contract	VIG Asset Management, a.s.
Service contract	SK BM s.r.o
Guarantee agreement	SK BM s.r.o
Service contract	Europeum Business Center s.r.o.
Service contract	HUN BM Korlátolt Felelősségű Társaság
Guarantee agreement	HUN BM Korlátolt Felelősségű Társaság
Agreement on subscription and purchase of notes	Kooperativa poisťovňa, a.s., Vienna Insurance Group Komunálna poisťovňa, a.s., Vienna Insurance Group Poisťovňa Slovenskej sporiteľne, a.s., Vienna Insurance Group
Agreement on subscription and purchase of notes	Kooperativa poisťovňa, a.s., Vienna Insurance Group Česká podnikatelská poisťovňa, a.s., Vienna Insurance Group Compensa Life Vienna Insurance Group SE InterRisk Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group Poisťovňa Slovenskej sporiteľne, a.s., Vienna Insurance Group Wiener Städtische Versicherung AG Vienna Insurance Group Sparkassen Versicherung AG Vienna Insurance Group DONAU Versicherung AG Vienna Insurance Group
Lease contract and Amendments	KAPITOL poisťovací a finanční poradenství, a.s.
Insurance Policy No. K4-X560.142-1 and Amendment to the Insurance Policy No. K4-X560.142-1	Donau Versicherung AG, Vienna Insurance Group
Insurance Policy No. K4-X581.801-5 and Amendment	Donau Vienna Insurance Group
Insurance Policy No. K4-X581.826-3	Donau Vienna Insurance Group

#### Other proceedings at the instigation or in the interest of Related Parties

The Company executed no other proceedings in the interest of Related Parties and did not receive or realize other provisions in the interest of or based on instructions of Related Parties.

**Transactions with Related Parties**

Transactions with related parties	2016	2015
STATEMENT OF FINANCIAL POSITION		
Accrued assets	35	29
Interest bearing liabilities	52 305	23 693
Bonds and interests	41 770	43 439
Trade payables	16	10
STATEMENT OF COMPREHENSIVE INCOME		
Indirect expenditures	-625	-595
Operating expenses	-1	-10
Interest expenses	-2 817	-3 496
Insurance paid	-103	-71

**Conclusion**

The Company is embedded in the network of Vienna Insurance Group and uses benefits from membership in this international group.

Processing of the Report on relations between Related Parties was ensured by the Board of directors of the Company.

The Board of directors of the Company claims that no damage for the Company was incurred in respect of the contracts listed above, their implementation and relationships with Related Parties.

All agreements with related parties were closed and are performed at arm's length, conditions and all contractual fulfillments, both received and provided, were provided at conditions usual in business relationships.

17th March 2017

VIG Asset Management, a.s. (Member of the Board of Directors), represented by *Dipl. Ing. Caroline Mocker, MSc. MRICS and Ing. Luděk Marek*

## 11. Report of the Supervisory Board

The Supervisory Board has received the annual financial statements for 2016 from the Board of Directors as well as the report on business activities and the status of properties of the Company dating to 31<sup>st</sup> December 2016. The Supervisory Board has carefully read and reviewed these documents. Based on this review, the Supervisory Board has unanimously agreed to approve the annual financial statements prepared by the Board of Directors and the Board of Directors' proposal on the distribution of result of 2016.

Furthermore, the Supervisory Board notes that it was able, both as a whole and individually, through its Chairman and deputies, to supervise the activities of the Company. This was also achieved through regular meetings with representatives of the member of the Board of Directors, which provided sufficient explanation and evidence of the business activities of the Company based on official books and written documents.

In 2016, three Shareholder's Meeting were held, as well as four meetings of the Supervisory Board.

The Supervisory Board hereby informs the Shareholder's Meeting that the Company's annual financial statements for 2016 were audited by KPMG Česká republika Audit, s.r.o. (registration no. 71), an auditing company; that the Supervisory Board obtained, reviewed and discussed the financial statements of the Company, and that said review and its final result did not give rise to any issues. The Supervisory Board hereby declares that it has nothing to append to the auditor's report.

In April 2017

.....  
**Dr. Martin Simhandl**

Chairperson of the Supervisory Board

## 12. Related Parties and equity participation of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Company	Registered Office	participation %
<b>Fully consolidated companies</b>		
"BULSTRAD LIFE VIENNA INSURANCE GROUP" EAD	Bulgaria	100,00
"Baltikums Vienna Insurance Group" AAS	Latvia	100,00
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H.	Austria	100,00
"POLISA-ZYCIE" Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	Poland	99,43
ASIGURAREA ROMANEASCA - ASIROM VIENNA INSURANCE GROUP S.A.	Romania	99,57
ATBIH N.V.	Netherlands	100,00
AXA Nezivotno Osiguranje akcionarsko drustvo za osiguranje Beograd	Serbia	100,00
Alpenländische Heimstätte, gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H.	Austria	94,84
Andel Investment Praha s.r.o.	Czech Republic	100,00
Anif-Residenz GmbH & Co KG	Austria	100,00
Arithmetica Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H.	Austria	100,00
BCR Asigurari de Viata Vienna Insurance Group S.A.	Romania	93,98
BML Versicherungsmakler GmbH	Austria	100,00
BTA Baltic Insurance Company AAS	Latvia	90,00
Blizzard Real Sp. z o.o.	Poland	100,00
Bulgarski Imoti Asistans EOOD	Bulgaria	100,00
Business Insurance Application Consulting GmbH	Austria	100,00
Businesspark Brunn Entwicklungs GmbH	Austria	100,00
Compania de Asigurari "DONARIS VIENNA INSURANCE GROUP" Societate pe Actiuni	Moldova	99,99
CAL ICAL "Globus"	Ukraine	100,00
CAPITOL, akciová spolocnost'	Slovakia	100,00
CENTER Hotelbetriebs GmbH	Austria	80,00
COMPENSA Holding GmbH	Germany	100,00
Central Point Insurance IT-Solutions GmbH	Austria	100,00
Ceská podnikatelská pojist'ovna, a.s., Vienna Insurance Group	Czech Republic	100,00
Compensa Life Vienna Insurance Group SE	Estonia	100,00
Compensa Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna Vienna Insurance Group	Poland	100,00
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	Poland	99,94
Compensa Vienna Insurance Group, uzdaroji akcine draudimo bendrove	Lituania	100,00
DBLV Immobesitz GmbH	Austria	100,00
DBLV Immobesitz GmbH & Co KG	Austria	100,00
DBR-Liegenschaften GmbH & Co KG	Germany	100,00

DBR-Liegenschaften Verwaltungs GmbH	Germany	100,00
DONAU Versicherung AG Vienna Insurance Group	Austria	99,24
DVIB GmbH	Austria	100,00
Deutschmeisterplatz 2 Objektverwaltung GmbH	Austria	100,00
Donau Brokerline Versicherungs-Service GmbH	Austria	100,00
ELVP Beteiligungen GmbH	Austria	100,00
ERSTE Vienna Insurance Group Biztosító Zrt.	Hungary	95,00
Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H.	Austria	99,77
Erste osiguranje Vienna Insurance Group d.d.	Croatia	95,00
Europeum Busniss Center s.r.o.	Slowakia	100,00
Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Austria	55,00
Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Austria	99,92
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H.	Austria	100,00
HUN BM Kft.	Hungary	100,00
IM31 Floridsdorf am Spitz GmbH	Austria	100,00
INSURANCE JOINT-STOCK COMPANY "BULSTRAD VIENNA INSURANCE GROUP"	Bulgaria	99,38
INTERSIG VIENNA INSURANCE GROUP Sh.A.	Albania	89,98
Insurance Company Nova Ins EAD	Bulgaria	100,00
Stock Company for Insurance and Reinsurance MAKEDONIJA Skopje Vienna Insurance Group	Makedonia	94,26
InterRisk Lebensversicherungs-AG Vienna Insurance Group	Germany	100,00
InterRisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Insurance Group	Poland	99,98
InterRisk Versicherungs-AG Vienna Insurance Group	Germany	100,00
Joint Stock Company Insurance Company GPI Holding	Georgia	90,00
Joint Stock Company International Insurance Company IRAO	Georgia	100,00
KOMUNÁLNA poisťovna, a.s. Vienna Insurance Group	Slowakia	100,00
KOOPERATIVA poisťovna, a.s. Vienna Insurance Group	Slowakia	100,00
Kaiserstraße 113 GmbH	Austria	100,00
Kapitol poisť'ovací a finanční poradenství, a.s.	Czech Republic	100,00
Kooperativa, poisť'ovna, a.s. Vienna Insurance Group	Czech Republic	98,39
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H.	Hungary	100,00
LVP Holding GmbH	Austria	100,00
Limited Liability Company "UIG Consulting"	Ukraine	100,00
MAP Bürodienstleistung Gesellschaft m.b.H.	Austria	100,00
MH 54 Immobilienanlage GmbH	Austria	100,00
NEUE HEIMAT Oberösterreich Gemeinnützige Wohnungs- und SiedlungsgesmbH	Austria	99,82
Neuland gemeinnützige Wohnbau-Gesellschaft m.b.H.	Austria	61,00
OMNIASIG VIENNA INSURANCE GROUP S.A.	Romania	99,50
PFG Holding GmbH	Austria	89,23
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG	Austria	92,88
Private Joint-Stock Company "Insurance company" Ukrainian insurance group"	Ukraine	100,00



PRIVATE JOINT-STOCK COMPANY "UKRAINIAN INSURANCE COMPANY "KNAZHA VIENNA INSURANCE GROUP"	Ukraine	99,99
Private Joint-Stock Company "INSURANCE COMPANY "KNAZHA LIFE VIENNA INSURANCE GROUP"	Ukraine	97,80
PROGRESS Beteiligungsges.m.b.H.	Austria	60,00
Palais Hansen Immobilienentwicklung GmbH	Austria	56,55
Passat Real Sp. z o.o.	Poland	100,00
Pension Insurance Company Doverie AD	Bulgaria	92,58
Poist'ovna Slovenskej sporitel'ne, a.s. Vienna Insurance Group	Slovakia	95,00
Pojist'ovna České sporitelny, a.s. Vienna Insurance Group	Czech Republic	95,00
Projektbau GesmbH	Austria	100,00
Projektbau Holding GmbH	Austria	90,00
Rathstraße 8 Liegenschaftsverwertungs GmbH	Austria	100,00
Ray Sigorta Anonim Sirketi	Turkey	94,96
SCHWARZATAL Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH	Austria	100,00
SECURIA majetkovosprávna a podielová s.r.o.	Slovakia	100,00
SIGMA INTERALBANIAN VIENNA INSURANCE GROUP Sh.A.	Albania	89,05
SK BM s.r.o.	Slovakia	100,00
SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft	Austria	54,17
SVZ GmbH	Austria	100,00
SVZI GmbH	Austria	100,00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH	Austria	100,00
Schulring 21 Bürohaus Errichtungs- und Vermietungs GmbH & Co KG	Austria	100,00
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH	Austria	100,00
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH	Austria	66,70
Sparkassen Versicherung AG Vienna Insurance Group	Austria	95,00
T 125 GmbH	Austria	100,00
TBI BULGARIA EAD	Bulgaria	100,00
UNION Vienna Insurance Group Biztosító Zrt.	Hungary	100,00
Untere Donaulände 40 GmbH & Co KG	Austria	100,00
Urbanbau Gemeinnützige Bau-, Wohnungs- und Stadterneuerungsgesellschaft m.b.H.	Austria	51,46
V.I.G. ND, a.s.	Czech Republic	100,00
VIG Properties Bulgaria AD	Bulgaria	99,97
VIG RE zajist'ovna, a.s.	Czech Republic	100,00
VIG REAL ESTATE DOO	Serbia	100,00
VIG Real Estate GmbH	Austria	100,00
VIG Services Ukraine, LLC	Ukraine	100,00
VIG-CZ Real Estate GmbH	Austria	100,00
VLTAVA majetkovosprávní a podílová spol.s.r.o.	Czech Republic	100,00
Vienna Life Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group	Poland	100,00



Vienna Life Vienna Insurance Group Biztosító Zártkörűen Működő Részvénytársaság	Hungary	100,00
Vienna-Life Lebensversicherung AG Vienna Insurance Group	Liechtenstein	100,00
WGPV Holding GmbH	Austria	100,00
WIENER RE akcionarsko društvo za reosiguranje, Beograd	Serbia	100,00
WIENER STÄDTISCHE Beteiligungs GmbH	Austria	100,00
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH	Austria	100,00
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Austria	99,90
WIENER VEREIN BESTATTUNGS- UND VERSICHERUNGSSERVICE-GESELLSCHAFT M.B.H.	Austria	100,00
WILA GmbH	Austria	100,00
Joint Stock Insurance Company WINNER-Vienna Insurance Group	Makedonia	100,00
WNH Liegenschaftsbesitz GmbH	Austria	100,00
WOFIN Wohnungsfinanzierungs GmbH	Austria	100,00
WSBV Beteiligungsverwaltung GmbH & Co KG	Austria	100,00
WSV ImmoHolding GmbH	Austria	100,00
WWG Beteiligungen GmbH	Austria	87,07
Wiener Osiguranje Vienna Insurance Group ad	Bosnia and Herzegovina	100,00
WIENER STÄDTISCHE OSIGURANJE akcionarsko društvo za osiguranje, Beograd	Serbia	100,00
Wiener osiguranje Vienna Insurance Group dioničko društvo za osiguranje	Croatia	99,47

Company	Country	participation %
<b>At equity consolidated companies</b>		
AIS Servis, s.r.o.	Czech Republic	100,00
Benefita, a.s.	Czech Republic	100,00
Beteiligungs- und Immobilien GmbH	Austria	25,00
Beteiligungs- und Wohnungsanlagen GmbH	Austria	25,00
CPP Servis, s.r.o.	Czech Republic	100,00
CROWN-WSF spol. s.r.o.	Czech Republic	30,00
ERSTE društvo s ogranicenom odgovornoscu za upravljanje obveznim i dobrovoljnim mirovinskim fondovima	Croatia	25,30
GLOBAL ASSISTANCE, a.s.	Czech Republic	100,00
Gewista-Werbegesellschaft m.b.H.	Austria	33,00
Global Expert, s.r.o.	Czech Republic	100,00
HOTELY SRNI, a.s.	Czech Republic	100,00
KIP, a.s.	Czech Republic	100,00
S - budovy, a.s.	Czech Republic	100,00
S-správa nemovitosti, a.s.	Czech Republic	100,00
SURPMO, a.s.	Czech Republic	100,00
Sanatorium Astoria, a.s.	Czech Republic	100,00
VBV - Betriebliche Altersvorsorge AG	Austria	23,56
Österreichisches Verkehrsbüro Aktiengesellschaft	Austria	36,58

Company	Country	participation %
<b>Non-consolidated companies</b>		
"Assistance Company "Ukrainian Assistance Service" LLC	Ukraine	100,00
"Compensa Services" SIA	Latvia	100,00
"Eisenhof" Gemeinnützige Wohnungsgesellschaft m.b.H.	Austria	20,13
"Medical Clinic "DIYA" LLC	Ukraine	100,00
"Neue Heimat" Stadterneuerungsgesellschaft m.b.H.	Austria	79,51
AQUILA Hausmanagement GmbH	Austria	99,90
AREALIS Liegenschaftsmanagement GmbH	Austria	49,95
AXA Zivotno Osiguranje akcionarsko drustvo za osiguranje Beograd	Serbia	100,00
Amadi GmbH	Germany	100,00
Anif-Residenz GmbH	Austria	99,90
Autosig SRL	Romania	99,50
B&A Insurance Consulting s.r.o.	Czech Republic	49,00
Benefia Ubezpieczenia Spolka z ograniczona odpowiedzialnoscia	Poland	99,94
Brunn N68 Sanierungs GmbH	Austria	49,95
Bulstrad Trudova Meditzina EOOD	Bulgaria	99,38
CAPITOL BROKER DE PENSII PRIVATE S.R.L.	Romania	98,15
CAPITOL INTERMEDIAR DE PRODUSE BANCARE S.R.L.	Romania	98,15
CAPITOL INTERMEDIAR DE PRODUSE DE LEASING S.R.L.	Romania	98,15
CAPITOL Spolka z Ograniczona odpowiedzialnoscia	Poland	99,98
CARPLUS Versicherungsvermittlungsagentur GmbH	Austria	99,90
CCA EDV für Versicherungswirtschaft GmbH	Austria	24,28
Camelot Informatik und Consulting Gesellschaft m.b.H.	Austria	90,18
Ceska Kooperativa London Ltd.	United Kingdom	98,39
Compensa Dystrybucja Spolka z ograniczona odpowiedzialnoscia	Poland	99,99
DIRECT-LINE Direktvertriebs-GmbH	Austria	99,90
DV Asset Management EAD	Bulgaria	100,00
DV CONSULTING EOOD	Bulgaria	100,00
DV Invest EAD	Bulgaria	100,00
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H.	Austria	94,40
EBS Wohnungsgesellschaft mbH Linz	Austria	24,97
EBV-Leasing Gesellschaft m.b.H.	Austria	73,92
EGW Datenverarbeitungs-Gesellschaft m.b.H.	Austria	71,92
EGW Liegenschaftsverwertungs GmbH	Austria	71,92
EGW Wohnbau gemeinnützige Ges.m.b.H.	Austria	71,92
EXPERTA Schadenregulierungs-Gesellschaft mbH	Austria	95,78
Erste Bank und Sparkassen Leasing GmbH	Austria	48,95
Erste Biztositasi Alkusz Kft	Hungary	95,00
European Insurance & Reinsurance Brokers Ltd.	United Kingdom	84,47
Foreign limited liability company "InterInvestUchastie"	Belarus	100,00
Finanzpartner GmbH	Austria	49,95
GELUP GmbH	Austria	33,30
GEO HOSPITALS LLC	Georgia	93,50

GGVier Projekt-GmbH	Austria	54,95
GLOBAL ASSISTANCE SERVICES s.r.o.	Czech Republic	100,00
GLOBAL ASSISTANCE SLOVAKIA s.r.o.	Slowakia	100,00
Glamas Beteiligungsverwaltungs GmbH	Austria	23,31
Glamas Beteiligungsverwaltungs GmbH & Co "Beta" KG	Austria	23,31
Global Services Bulgaria JSC	Bulgaria	99,69
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH	Austria	98,58
Hausservice Objektbewirtschaftungs GmbH	Austria	20,72
Henderson Global Investors Immobilien Austria GmbH	Austria	34,97
IMOVE Immobilienverwertung- und -verwaltungs GmbH	Austria	20,72
Immodat GmbH	Austria	20,72
InterRisk Informatik GmbH	Germany	100,00
Jahorina auto d.o.o.	Bosnia and Herzegovina	100,00
Joint Stock Company "Curatio"	Georgia	90,00
Joint Stock Insurance Company WINNER LIFE - Vienna Insurance Group Skopje	Makedonia	100,00
KUPALA Belarusian-Austrian Closed Joint Stock Insurance Company	Belarus	98,26
KWC Campus Errichtungsgesellschaft m.b.H.	Austria	49,95
LiSciV Muthgasse GmbH & Co KG	Austria	23,31
MC EINS Investment GmbH	Austria	49,95
Money & More Pénzügyi Tanácsadó Zártkörűen Működő Részvénytársaság	Hungary	100,00
Nußdorfer Straße 90-92 Projektentwicklung GmbH & Co KG	Austria	94,93
PFG Liegenschaftsbewirtschaftungs GmbH	Austria	74,45
People's Pharmacy LLC	Georgia	45,00
Privat Joint-Stock Company "OWN SERVICE"	Ukraine	100,00
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H.	Austria	50,44
Renaissance Hotel Realbesitz GmbH	Austria	37,76
Risk Consult Bulgaria EOOD	Bulgaria	50,44
Risk Consult Polska Sp.z.o.o.	Poland	67,78
Risk Expert Risk ve Hasar Danismanlik Hizmetleri Limited Sirketi	Turkey	63,80
Risk Experts s.r.o.	Slowakia	50,44
Risk Logics Risikoberatung GmbH	Austria	50,44
S. C. SOCIETATEA TRAINING IN ASIGURARI S.R.L.	Romania	98,43
S.C. CLUB A.RO S.R.L.	Romania	99,60
S.C. Risk Consult & Engineering Romania S.R.L.	Romania	50,44
S.O.S.- EXPERT d.o.o. za poslovanje nekretninama	Croatia	100,00
SB Liegenschaftsverwertungs GmbH	Austria	40,26
SVZ Immoholding GmbH	Austria	94,93
SVZ Immoholding GmbH & Co KG	Austria	94,93
Senioren Residenzen gemeinnützige Betriebsgesellschaft mbH	Austria	99,90
Sloexperta, s.r.o.	Slowakia	100,00
Soleta Beteiligungsverwaltungs GmbH	Austria	23,31

Sparkassen-Versicherungsservice Gesellschaft m.b.H.	Austria	94,93
Spoldzielnia Usługowa VIG EKSPERT W WARSZAWIE	Poland	99,96
Spoldzielnia Vienna Insurance Group IT Polska	Poland	99,95
TBI Info EOOD	Bulgaria	99,88
TOGETHER Internet Services GmbH	Austria	24,28
UAB "Compensa Life Distribution"	Lithuania	100,00
UAB "Compensa Services"	Lithuania	100,00
UNION-Informatikai Szolgáltató Kft.	Hungary	100,00
Untere Donaulände 40 GmbH	Austria	97,70
VIG AM Services GmbH	Austria	100,00
VIG Asset Management, a.s.	Czech Republic	100,00
VIG Management Service SRL	Romania	98,43
VIG Services Bulgaria EOOD	Bulgaria	99,38
VIG Services Shqiperi Sh.p.K.	Albania	89,36
Versicherungsbüro Dr. Ignaz Fiala Gesellschaft m.b.H.	Austria	33,30
Vienna Insurance Group Polska Spolka z ograniczona odpowiedzialnoscia	Poland	99,99
Vienna International Underwriters GmbH	Austria	100,00
VÖB Direkt Versicherungsagentur GmbH	Austria	49,95
WAG Immobilien Einsiedlergasse GmbH	Austria	24,98
WAG Wohnungsanlagen Gesellschaft m. b.H.	Austria	24,98
WINO GmbH	Austria	99,90
WSBV Beteiligungsverwaltung GmbH	Austria	99,90
WSV Beta Immoholding GmbH	Austria	99,90
WSV Vermögensverwaltung GmbH	Austria	99,90
Wien 3420 Aspern Development AG	Austria	24,44
Wiener Städtische Donau Leasing GmbH	Austria	99,90
Akcionarsko drustvo za zivotno osiguranje Wiener Städtische Podgorica, Vienna Insurance Group	Montenegro	100,00

### 13. Consolidated financial statements for 2016

### 14. Auditor's report



***VIG FUND, a.s. (formerly: VIG FUND  
uzavřený investiční fond, a.s.)***

Consolidated Financial Statements

for the year ended 31st December 2016

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Identification number: 242 20 809

Legal form: joint-stock company

Subject of business: renting of the properties, flats and non residential premises

Date of Consolidated Financial Statements: 31st December 2016

Date of preparation: 17th March 2017

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**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

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**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

**A. CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>As at 31st December</i>			
<i>In thousands of euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>			
<b>Non-current assets</b>		<b>290 570</b>	<b>233 560</b>
Investment properties	1.3	290 570	233 560
<b>Current assets</b>		<b>21 673</b>	<b>27 004</b>
Tax receivables	1.4	224	39
Trade receivables	1.5	829	1 207
Other receivables	1.6	1 232	1 321
Cash and cash equivalents	1.7	17 966	22 857
Accrued assets	1.8	1 422	1 480
Other assets		0	100
<b>Total assets</b>		<b>312 243</b>	<b>260 564</b>

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

<i>As at 31st December</i>			
<i>In thousands of euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Equity</b>			
Share capital	2.1	145	133
Capital reserve	2.2	104 094	91 049
Transaction reserve	2.2	35 465	35 465
Profit / (Loss) of the current period		6 953	2 022
Retained earnings	2.3	2 113	3 106
<b>Total equity</b>		<b>148 770</b>	<b>131 775</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>		<b>154 060</b>	<b>118 123</b>
Loans, non-current part	2.4	83 976	53 800
Bonds issued	2.5	41 957	43 632
Other payables, non-current part	2.6	1 510	533
Deferred tax liabilities	2.10	26 617	20 158
<b>Current liabilities</b>		<b>9 413</b>	<b>10 666</b>
Loans, current part	2.4	4 598	3 653
Trade payables	2.7	1 891	1 686
Provisions	2.8	140	142
Accrued liabilities	2.9	1 031	1 454
Current tax liabilities	2.10	127	2 902
Other payables, current part	2.11	1 626	829
<b>Total liabilities</b>		<b>163 473</b>	<b>128 789</b>
<b>Total equity and liabilities</b>		<b>312 243</b>	<b>260 564</b>

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

**B. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>For the year ended 31st December</i>			
<i>In thousands of euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Rental income	3.1	15 995	26 248
Result from property transaction		0	-9 111
Operating costs charged to tenants	3.1	3 096	2 637
Operating expenses	3.2	-4 511	-3 914
Other operating income	3.3	136	107
<b>Net operating income</b>		<b>14 716</b>	<b>15 967</b>
Indirect expenditures	3.4	-1 081	-897
<b>Earnings before interest, taxes, depreciation, amortization and fair value unrealized gains/(losses)</b>		<b>13 635</b>	<b>15 070</b>
Revaluation of investment property	1.3	-1 207	-8 081
<b>Operating result</b>		<b>12 428</b>	<b>6 989</b>
Interest income	3.5	2	1
Other financing revenues	3.6	4	84
Interest expenses	3.7	-4 246	-4 944
Foreign currency gain/(loss)	3.8	-100	56
Other financing expenses		-5	-5
<b>Financial result</b>		<b>-4 345</b>	<b>-4 808</b>
<b>Net result before taxes</b>		<b>8 083</b>	<b>2 181</b>
Current income tax	3.9	-832	-3 590
Deferred income tax	3.9	-298	3 431
<b>Consolidated profit/(loss) after tax</b>		<b>6 953</b>	<b>2 022</b>

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

**C. CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31st December*

<i>In thousands of euro</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		8 083	2 181
Adjustments to reconcile profit before tax to net cash flows:			
Revaluation of investment property	1.3	1 207	8 081
Change in provisions	2.8	-2	3
Interest income	3.5	-2	-1
Interest expense	3.7	4 246	4 944
Result from property transaction		0	9 111
Working capital adjustments			
Decrease/(increase) in trade and other receivables and accruals		562	8 271
(Decrease)/increase in trade, other payables and accruals		659	-995
Income tax paid		-3 445	-1 452
<b>Net cash flow from operating activities</b>		<b>11 308</b>	<b>30 143</b>
<b>Cash flows from investment activities</b>			
Investments in properties and acquisition of businesses, net of cash acquired	1.3	-51 443	-764
Sales of buildings		0	18 472
Interest received		2	1
<b>Net cash from/(used in) investment activities</b>		<b>-51 441</b>	<b>17 709</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		67 500	0
Redemption of borrowings - repayment of bank loan	2.4	-2 491	-2 383
Redemption of borrowings - repayment of other loans from group companies	2.4	-33 888	-28 105
Proceeds from issue of share capital	2.1	13 057	0
Bonds issued/(paid)	2.5	-1 675	-1 517
Dividend paid		-3 015	0
Interest paid		-4 246	-4 944
<b>Net cash from/(used in) financing activities</b>		<b>35 242</b>	<b>-36 949</b>
<b>Net increase in cash and cash equivalents</b>		<b>-4 891</b>	<b>10 903</b>
Cash and cash equivalents at 1st January	1.7	22 857	11 954
<b>Cash and cash equivalents at 31st December</b>		<b>17 966</b>	<b>22 857</b>

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

**D. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

<i>In thousands of euro</i>	Note	Share capital	Capital reserve	Transaction reserve	Profit of the current period	Retained earnings	Total equity
<b>Opening balance as of 1st December 2015</b>		<b>133</b>	<b>91 049</b>	<b>54 686</b>	<b>-19 221</b>	<b>3 106</b>	<b>129 753</b>
Profit after tax		0	0	0	2 022	0	2 022
Transfer of the prior year result		0	0	-19 221	19 221	0	0
<b>Closing balance as of 31st December 2015</b>		<b>133</b>	<b>91 049</b>	<b>35 465</b>	<b>2 022</b>	<b>3 106</b>	<b>131 775</b>
Profit after tax		0	0	0	6 953	0	6 953
Shares issued	2.1	12	13 045	0	0	0	13 057
Dividend distribution		0	0	0	0	-3 015	-3 015
Transfer of the prior year result		0	0	0	-2 022	2 022	0
<b>Closing balance as of 31st January 2016</b>		<b>145</b>	<b>104 094</b>	<b>35 465</b>	<b>6 953</b>	<b>2 113</b>	<b>148 770</b>

## **VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

### **E. GENERAL INFORMATION**

#### **1. INFORMATION CONCERNING THE GROUP**

##### **1.1 Description of the Parent Company**

The Company:	VIG FUND, a.s.
Identification number:	242 20 809
Date of Establishment:	The Company was set up by the Articles of association on 27th November 2011. The Company was registered into the Commercial Register on 1st March 2012.
Registered Office:	Prague 1, Templová 747/5, postcode 110 00
Legal form:	joint-stock company („akciová společnost“)
Subject of business:	renting of the properties, flats and non residential premises
Trade Register File Nr:	Section B, entry 17896 of the Commercial Register kept by the Municipal court in Prague
Country of incorporation:	Czech Republic
Accounting period:	1st January 2016 – 31st December 2016

Until 31st December 2016 the Company was a special fund of qualified investors pursuant to the Act No 240/2013 Coll., on Investment Companies and Investment Funds („Act“). Upon the Company's request the Company was deregistered of the list of funds kept by CNB with effective date 1.1.2017. As a consequence the Company's name was changed from VIG FUND uzavřený investiční fond, a.s. to VIG FUND, a.s.

The Company has been established for an indefinite period of time.

The Company has entrusted the management of its assets to investment company VIG Asset Management, a.s. (formerly: VIG Asset Management investiční společnost, a.s.), ID no. 248 38 233, having its registered office at Prague 1, Templová 747, post code 110 00, registered in the Commercial Register administered by the Municipal court in Prague, section B, insert 17131.

##### **1.2 Establishment of the Parent Company**

The Company has been established on 1st March 2012.

With the decisive day 1st January 2016 the Company (being the acquiring company) merged by law through a merger by acquisition with VIG FUND Revoluční s.r.o. (being the acquired company). The Company has control over VIG FUND Revoluční s.r.o. since 14th July 2016, as at this date the Company took over into its accounting the assets, liabilities and equity of the acquired company in the amount and structure, as arose from the financial statements of the acquired company as of 14th July 2016. The merger was registered as of 31st December 2016.

##### **1.3 Statutory bodies in the course of the accounting period**

The Board of Directors members are:

<b>Name</b>	<b>Function</b>	<b>From (date)</b>	<b>To (date)</b>
VIG Asset Management, a.s.	Board of Directors	16. 7. 2014	31. 12. 2016



**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

The Supervisory Board members are:

Name	Function	From (date)	To (date)
Dr. Martin Simhandl	Chairperson of Supervisory Board	1.3.2012	31.12.2016
Gary Wheatley Mazzotti	Supervisory Board member	17.4.2012	31.12.2016
Mag. Roland Gröll	Supervisory Board member	1.3.2012	31.12.2016

**1.4 Employees**

The Group had no employees in 2016 and 2015. All Group activities are provided by suppliers.

**1.5 Shareholders**

The Company is a part of the VIG consolidation group with ultimate parent company being VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe, Vienna, Austria, the ultimate shareholder.

The shareholders as of 31st December 2016 and 2015 are as follows:

Shareholder	Share on registered capital (in %)	
	2016	2015
VIG-CZ Real Estate GmbH, Vienna	71.57%	72.23%
VIG RE zajišťovna, a.s., Prague	3.11%	3.39%
Kooperativa pojišťovna, a.s., Vienna Insurance Group, Prague	16.70%	17.09%
Česká podnikatelská pojišťovna, a.s., Prague	0.35%	0,00%
Pojišťovna České spořitelny, a.s., Prague	0.75%	0,00%
Interrisk Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Ins. Group, Warsaw	0.79%	0.77%
Compensa Towarzystwo Ubezpieczen Spolka Akcyjna Vienna Ins. Group, Warsaw	0.79%	0.77%
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden	0.44%	0.43%
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden	0.72%	0.69%
Poist'ovna Slovenskej sporitel'ne, a.s. Vienna Insurance Group, Bratislava	0.79%	0.77%
Komunálna poist'ovna, a.s. Vienna Insurance Group, Bratislava	1.06%	1.02%
Kooperativa poist'ovna a.s. Vienna Insurance Group, Bratislava	1.59%	1.54%
Wiener Osiguranje Vienna Insurance Group d.d., Zagreb	1.33%	1.29%
VIG ND, a.s.	0.01%	0.01%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

### 2. ACCOUNTING PRINCIPLES

The consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. This follows §19a sec. 1 of the Accounting Act as stated in the Articles of Association. The consolidated financial statements are presented in thousands of euro (rounded according to the commercial rounding method).

The Company follows the Business Corporations Act as a whole in the process according to Article 777 et seq. 5 of the Act No 90/2012 Coll.

### 3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (all together „the Group“) as at 31 December each year. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The consolidated financial statements of the Group include the following companies which are fully consolidated:

Name of company	Country	Ownership in %		Consolidation	
		2016	2015	2016	2015
HUN BM Kft.	HU	100	100	Yes	Yes
SK BM s.r.o.	SK	100	100	Yes	Yes
Europeum Business Center s.r.o.	SK	100	0	Yes	-

### 4. ACCOUNTING POLICIES

#### Functional and presentation currency

The Company and its subsidiaries determined euro as their functional currency in accordance with IAS 21.

The presentation currency of these Consolidated Financial Statements is euro.

#### Business operations in foreign currency

The Group records foreign currency transactions at the exchange rate at the date of the relevant transaction. Any resulting foreign currency gains or losses are recognised in the consolidated income statement of the relevant business year. Used foreign currencies are CZK, HUF and PLN.

The foreign currency translation of business operations (transactions) was based on the current exchange rates. As of reporting dates the following exchange rates were used:

FX rates EUR	Currency unit	31.12.2016	31.12.2015
HUF	1	309.830	315.98
CZK	1	27.020	27.025
PLN	1	4.410	4.264

#### Investment properties - classification

The "Investment properties" item consists of investment properties and properties under development that are held neither for own use, nor for sale in the ordinary course of business, but to earn rental income and for capital appreciation.

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**Investment properties - valuation**

All investment properties are measured according to the fair value model specified as one of the option under IAS 40. Under this model, the investment properties are measured at fair value at the relevant reporting date. Differences compared with the current book value prior to revaluation (fair value of previous year plus subsequent/additional acquisition) are recognised in the consolidated statement of comprehensive income under "Revaluation of investment property".

**Sensitivity analysis**

The properties owned by Group are valued annually at fair market value by the external appraisers. The values determined by these experts are heavily dependent on the underlying assumptions. A change in the underlying assumptions can therefore lead to fluctuations in the value of a property.

The table below illustrates the sensitivity of the property value to a change in rental income and yield. An increase of rental income by 2.5 % respectively 5 % and unchanged Yield will lead to an increase of the value of the properties by TEUR 5,492 respectively TEUR 11,061. On the other side a decline of rental income would lead to an according reduction in the asset values.

In case of a Yield increase by 0.25 % respectively 0.5 % and leaving the rental income unchanged the values of the properties would decrease by TEUR 11,274 respectively TEUR 21,702. A Yield decrease would result in the opposite effect, namely accordingly higher asset values.

Combination of changes in rental income as well as Yield changes and subsequent fair value of the property are shown in the table below.

		Relative change in rental income				
		-5.00%	-2.50%	0.00%	2.50%	5.00%
Relative Yield changes	-0.50%	303,529	309,654	315,779	321,903	328,058
	-0.25%	291,007	296,827	302,646	308,465	314,315
	0.00%	279,445	284,984	290,570	296,062	301,631
	0.25%	268,735	274,016	279,296	284,577	289,887
	0.50%	258,785	263,827	268,868	273,910	278,981

**Determination of fair value**

Investment property is remeasured at fair value, which is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion. The Group applies valuation method which is based on capitalized income approach and uses current and market rental income and yields obtained by direct or indirect comparison with sales of comparable real estate in the market for the calculation (Level 3 of fair value hierarchy). The valuations are carried out by independent real estate valuation experts in accordance with the standards defined by the Royal Institution of Chartered Surveyors (RICS) unless another method is more appropriate.

**Receivables and other financial assets**

Trade receivables from the provision of services, other receivables and other financial assets are measured initially at fair value, and thereafter at amortised cost, applying the effective interest-rate method with deduction for any reduction for impairments.

**Cash and cash equivalents**

Cash and cash equivalents include cash, as well as bank balances with original maturities of three months or less from the acquisition date. Bank balances with original maturities of more than three months are recognised under the receivables and other assets.

**Finance cost**

Finance costs consist of interest expenses and other costs which occur in connection with the borrowing of funds. Finance cost is recognized using the effective interest method.

**Other financial liabilities**

Other financial liabilities, such as trade payables, are assigned to the category "financial liabilities at amortised cost" (FLAC) and measured upon receipt at fair value, and thereafter at amortised acquisition cost.

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### **Interest bearing liabilities**

All loans and bonds are initially recognized at fair value less directly attributable transaction cost. After initial recognition, loans and bonds are measured at amortized cost using the effective interest method.

### **Derivative financial instruments**

The Group uses derivative financial instruments in order to hedge against risks. In particular, the Group entered into a loan agreement with a variable interest rate having the obligation from this agreement to enter into an interest rate swap with the loan creditor to fix the interest rate. The Group considered the swap as embedded derivative as it constitutes one unit with the underlying financial instrument. Therefore, the Group does not account for the swap separately from the underlying loan agreement.

### **Impairment**

In accordance with IAS 36, the Group performs impairment tests when there are indications that an asset may be impaired. The Group determines the recoverable amount, which is the higher of the fair value less the cost of selling and value in use. If the carrying amount of an asset exceeds the recoverable amount, the difference is recognised as an impairment loss. If there is an indication that the reasons for impairment no longer exist or have decreased, the impairment loss is reversed to the carrying amount of the respective asset.

### **Provisions and contingent liabilities**

Provisions are recognised if the Group has legal or constructive obligations towards a third party due to a past event and the obligation is likely to lead to an outflow of funds. Such provisions are stated at the value which can be determined by the best possible estimate at the time the consolidated financial statements are prepared. Long-term provisions (provisions to be settled in more than one year) are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### **Current taxes**

The income tax expense for the accounting period is calculated from the taxable income using the tax rate enacted and applicable in the Czech Republic, Poland, Hungary and Slovakia. Current income tax assets and liabilities are measured at amounts which are expected to be received from or paid to the respective tax authority.

### **Deferred taxes**

Deferred taxes are recognized on all temporary differences between the tax values of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which it can be utilised.

Deferred tax is measured at the enacted tax rates that are expected to apply to the year when the underlying asset or liability will be settled.

The Hungarian entity (HUN BM Kft.) is subjects to 10% corporate income tax rate, the Slovak entity (SK BM s.r.o.) is subjects to 22% corporate income tax rate in 2016. Both entities recognize deferred tax from all temporary differences between the tax values of assets and liabilities and their carrying amount.

### **Operating lease contracts**

The Group has entered into commercial property leases on its investment property portfolio. The Group determined that it retains all the significant risks and rewards of ownership of these properties. Therefore, the Group accounts for the leases as operating leases.

### **Recognition of revenues**

Rental income is recognised on a straight-line basis over the term of the lease unless a different method is more appropriate to the existing circumstances. Incentives, such as rent-free periods or reduced rents for a certain period are applied for some tenants in accordance with the lease contracts, and recognized on straight line basis.

### **Judgments and estimates**

When preparing the consolidated financial statements, the Group's management uses judgments and estimates. These judgments and estimates affect the recognition and value of assets, liabilities, income, expenses and the information given in the notes.

The judgments and estimates on fair value of investment properties carry a risk that they may lead to a material adjustment in their value. The fair value of investment properties is determined based on appraisals

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prepared by independent property experts. The appraisals are based on discounted cash flow models. The preparation of these appraisals involves the use of assumptions, such as applied yield and expected cash flow from rentals. A change in these assumptions may lead to an increase or decrease in the value of the investment properties.

**Standards and interpretations announced, but not yet adopted by the EU**

The following changes or revisions to standards and interpretations had been announced as of the balance sheet date, but have not yet been adopted by the EU and are therefore not applicable:

<b>Standard/Interpretation [IAS 8.31 (a), 8.31(c)]</b>	<b>Nature of impending change in accounting policy [IAS 8.31 (b)]</b>	<b>Possible impact on financial statements [IAS 8.30 (b); 31 (e)]</b>
<b>IFRS 15 – Revenues from contracts with customers</b>  (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)	Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised: - over time, in a manner that depicts the entity's performance; or - at a point in time, when control of the goods or services is transferred to the customer. IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.	The Group is currently evaluating the impact of application of IFRS 15 on the financial statements.
<b>Amendments to IAS 12 – Recognition of Deferred Tax Assts for Unrealised Losses</b>  (Effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted.)	The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred assets.	The Group expects that the amendments, when initially applied, will not have a material impact on the presentation for the financial statements of the Group because the Group does not have any unrealised losses.



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Standard/Interpretation [IAS 8.31 (a), 8.31(c)]	Nature of impending change in accounting policy [IAS 8.31 (b)]	Possible impact on financial statements [IAS 8.30 (b); 31 (e)]
<p><b>IFRS 16 - Leases</b></p> <p>(Effective for annual periods beginning of or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)</p>	<p>IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.</p> <p>Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.</p> <p>The new Standard introduces a number of limited scope exceptions for lessees which include:</p> <ul style="list-style-type: none"> <li>- leases with a lease term of 12 months or less and containing no purchase options, and</li> <li>- leases where the underlying asset has a low value ('small-ticket' leases).</li> </ul> <p>Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance</p>	<p>The Group does not expect that the new Standard, when initially applied, will have material impact on the financial statements because the Group is not part to a contractual arrangement that would be in the scope of IFRS 16.</p>
<p><b>Amendments to IAS 40 Transfers of Investment Property</b></p> <p>(Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively.)</p>	<p>The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.</p>	<p>The Group does not expect that the amendments will have a material impact on the financial statements because the Group use the property neither for own use, nor for sale in the ordinary course of business, but to earn rental income and do not plan to change use of the property.</p>

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Standard/Interpretation [IAS 8.31 (a), 8.31(c)]	Nature of impending change in accounting policy [IAS 8.31 (b)]	Possible impact on financial statements [IAS 8.30 (b); 31 (e)]
<p><b>IFRIC 22 Foreign Currency transactions and Advance Consideration</b></p> <p>(Effective for annual periods beginning on or after 1 January 2018.)</p>	<p>The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the Exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.</p>	<p>The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.</p>
<p><b>IFRS 9 Financial Instruments (2014)</b></p> <p>(Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)</p>	<p>This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. A financial asset is measured at amortized cost if the following two conditions are met:</p> <ul style="list-style-type: none"> <li>• the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,</li> <li>• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li> </ul> <p>In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to</p>	<p>The Group does not expect that standard will have material impact on the financial statements. The classification and measurement of the Group's financial instruments are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial instruments that it holds.</p>



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	<p>profit or loss under any circumstances.</p> <p>For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.</p> <p>The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.</p> <p>IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required. The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items. Extensive additional disclosures regarding an entity's risk management and hedging activities are required.</p>	
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## 5. INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The objective of the Group is to increase the value of the managed assets in the long term by investing in the following assets:

- a. immovable property, including accessories thereof, and in interest in real estate companies that generate regular income, particularly in countries in which VIG Group operates or intends to operate; if VIG Group enters a new market, the Group can also invest in this market.
- b. liquid assets with lower risk, especially deposits on the bank accounts, money market instruments and bonds.

The Group will reinvest income from investments in accordance with investment objectives.

The Company is designed for investors who are experienced in trading of the assets in which the Company predominantly invests. The Company is suitable for investors who are ready to keep an investment in the Company for at least 5 years. Third parties give no guarantees with a view to protect investors.

Until 31st December 2016 the Company was a fund of qualified investors in terms of the classification of collective investment funds according to risk and type of assets in which it predominantly invests, focusing on direct or indirect real estate investments generating regular income and on investments into liquid assets with lower risk. The Company was not a capital guaranteed fund. With effective date 1st January 2017 the Company was deregistered of the list of funds kept by CNB.

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### 6. PRINCIPLES OF VALUATION OF GROUP'S ASSETS

The assets arising from the Group's investment activities are subject to valuation at their fair value. The method of setting the fair value of the Group's assets is laid down according to IFRS 13.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The real estates and participations in real estate companies owned by the Group, are valued in accordance with the Act, on a regular basis, once a year, as of 31st December.

The Group's consolidated financial statements are subject to approval of the General Meeting, in accordance with the Group's Articles of Association. The Group's consolidated financial statements must be audited.

### 7. INFORMATION ON RISKS, RISK PROFILE

#### **Credit risk**

Credit risk is the risk that an issuer or a counterparty fails to keep their obligations resulting in the financial loss of the Group – The credit risk should be primarily based on the failure by entities with payments to the Group to fulfil their obligations.

The Group primarily minimises those risks by screening its counterparties, by setting the limits on the amounts of receivables due from individual counterparties and by appropriate contractual arrangements.

The maximum credit risk represents the amounts reported under financial assets in the statement of financial position.

The following table summarizes the Group's exposure to credit risk:

Credit risk	Trade receivables		Cash and cash equivalents	
	2016	2015	2016	2015
General allowance	0	0	0	0
Specific allowance	96	58	0	0
Past due, not impaired	0	45	0	0
Neither past due, nor impaired	733	1 162	17 966	22 857
<b>Total</b>	<b>829</b>	<b>1 207</b>	<b>17 966</b>	<b>22 857</b>

All companies within the Group carry out detailed analysis of the trade receivables and based on the results of this analysis create a specific loss allowances. Therefore none of the companies recorded any general collective loss allowance.

#### **Liquidity risk**

Liquidity risk is the risk that financial liabilities cannot be settled at the time they are payable. An important aspect in managing of the liquidity risk is to secure necessary cash position to be able to pay the Group's financial liabilities when they are due. The Group manages its liquidity position by monitoring expected and actual cash inflows and outflows on a regular basis. Further the Group maintains cash and liquid deposits to meet the unexpected liabilities.

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The following table shows the contractually agreed repayments of financial liabilities:

Liquidity risk	1 year		1 - 5 years		more than 5 years		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Interest bearing liabilities	4 598	3 653	19 767	15 773	106 166	81 659	130 531	101 085
Trade payables	1 891	1 686	0	0	0	0	1 891	1 686
Other payables	1 626	829	1 510	533	0	0	3 136	1 362
<b>Total</b>	<b>8 115</b>	<b>6 168</b>	<b>21 277</b>	<b>16 306</b>	<b>106 166</b>	<b>81 659</b>	<b>135 558</b>	<b>104 133</b>

**Currency risk**

Currency risk is a subset of market risk, when the value of assets and liabilities is denominated in a foreign currency and may be affected by a change in the exchange rate.

The inflow of rental income, the interest bearing liabilities, as well as other business transactions of the Group, are denominated in euro, which is the Group companies' functional currency. Inflows from service charges are also generated in CZK, PLN or HUF, but the related costs are also denominated in CZK, PLN or HUF, respectively. Therefore, the Group has no significant currency risk exposure.

The following table summarizes the Group's exposure to currency risk:

Currency risk	Assets		Liabilities		Net exposure	
	2016	2015	2016	2015	2016	2015
CZK	4 531	1 797	3 477	4 826	1 054	-3 029
PLN	599	1 073	184	293	415	780
HUF	116	62	33	0	83	62
<b>Total</b>	<b>5 246</b>	<b>2 932</b>	<b>3 694</b>	<b>5 119</b>	<b>1 552</b>	<b>-2 187</b>

**Market risk and property-specific risk**

The value of investment may decrease or increase, with the return on the initially invested amount not guaranteed. Given possible unforeseeable deviations on financial and real estate markets, the Group cannot guarantee achieving the targets set. A previous performance of the Group does not guarantee the same performance in a future period.

Risks associated with the economic development - The Group's investments may be susceptible to economic slowdowns or recessions, which could lead to financial losses and a decrease in revenues, earnings and assets. An economic slowdown or recession, in addition to other economic and non-economic factors such as an excess supply of properties, low inflation etc. could have a negative impact on the values of the Issuer's investments.

Risk of the unstable present value of the securities issued by the Group, due to the asset structure or the method of managing the Group's assets - The volatility of the real estate market and other liquid assets may also lead to the volatility of the value of the Group's shares. Particularly at the beginning of the Group's existence, the individual real estate assets will make up a significant proportion to all of the Group's assets, and thus an unfavourable development of a price of an individual real estate asset may have a significant impact on the development the Group's stock prices.

Market risks, arising from the effect of changes of the overall market developments on the prices and values of the individual types of the Group's assets - The development of exchange rates, interest rates, credit spreads and, where appropriate, other market indicators always has an impact on the value of assets in general. The degree of this influence depends on the exposure of the Group's assets to those risks (such as the payment of rent in euro, a change in the market value of a bond at the time of an interest rate change, etc.).

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Settlement risk – This risk primarily consists of counterparty's failure when a transaction should be settled. These risks are primarily minimised by selecting credible counterparties, by settling investment instrument transactions within reliable settlement systems and, if real estate asset transactions are involved, by using quality legal institutes to govern such transactions.

Risk of insufficient liquidity, based on a certain asset of the Group not being encashed in time at a reasonable price – Given the nature of the real estate market, which may make up a substantial portion of the Group's assets, we need to point out that encashing an immovable property in an effort to obtain the best price requires time. In an extreme scenario, the liquidity risk may lead to a liquidity crisis.

Currency risk, where the value of an investment may be affected by a change in the exchange rate – Currency risk is a subset of market risks, which are described above.

Risk of losing the assets placed into custody - The Group's assets are placed into custody with the Depository, if its nature does not preclude it. Nevertheless the risk of losing those assets may exist, due to insolvency, negligence or wilful act of this party.

Risk associated with the Group's investment specialisation in certain industries, countries or regions, other parts of the market or certain types of assets – The investment specialisation of the Group in the immovable property in countries in which VIG Group operates or intends to operate involves a systematic risk, when the development in this sector influence a significant portion of the Group's portfolio. This systematic risk is addressed by diversification, i.e. the distribution of investments.

Concentration risk - The Group operates exclusively in the real estate business and its economic results are dependent on continued existence of tenants willing and being able to pay the rent for their leases.

A considerable part of the Group's portfolio is of the same usage (retail – single tenant), which leads to a concentration risk. Acquisitions of multi-tenant properties with different usage and disposal of some retail properties resulted in a decline of the concentration risk already in the past and will be further reduced by additional acquisitions, leading to a higher degree of diversification.

Risk of dissolution of the Group for reasons laid down by law – The Group may be dissolved, for example by reasons of a decision on a merger or a division of the Group, equity lower than CZK 50,000,000, liquidation of the Group.

Risks associated with the defects or damage of investment property – Investment property may be affected by defects, for example by hidden defects or defects that occur after a longer period of time. Further, a considerable damage to the real estate caused by natural disasters or other unforeseeable events could occur. This might lead to the necessity of sudden repair works and may, consequently, result in a significant decrease of the real estate market value. This risk may be reduced by (i) hiring good construction supervisors, (ii) contractual liability for defects, (iii) by ensuring that the warranty and post-warranty service is of a good quality and (iv) by proper insurance policy.

Risks associated with the acquisition of foreign immovable property – For foreign immovable property, we need to point out political risks, economic risks or risks of legal instability. These risks may particularly lead to the occurrence of unfavourable conditions in respect of using (selling) the immovable property, for example because of foreign or legal restrictions, economic recession or, in the extreme scenario, nationalisation or expropriation.

Risks associated with a lower degree of inspection by the Depository In accordance with Article 21(4) of the Act, the Investment Group has arranged a lower degree of Depository's inspection in the depository contract for the Group. This risk may particularly lead to deficiencies in the activities the inspection of which by the Depository has been precluded and replaced with inspection by the Investment Group or the Investment Manager.

## F. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 General information on the consolidated financial statements

These consolidated financial statements of VIG FUND, a.s. (together with its subsidiaries hereinafter „the Group“) are the financial statements prepared in accordance with International Financial Reporting standards as adopted by European Union.

The accounting period for 2016 is a twelve month period from 1st January 2016 to 31st December 2016.

All figures are in thousands of euros except when otherwise stated.

### 1.2 Acquisitions in 2016

In 2016 the Group acquired two new investment properties in the form of special purpose vehicles:

- MARKLAND Revoluční s.r.o. (later renamed as VIG FUND Revoluční s.r.o. and subsequently, merged with the Company during 2016 – refer to Note E.1.2) - acquired in the Czech Republic
- Europeum Business Centrum s.r.o. – acquired in Slovakia

The fair value of the identifiable assets and liabilities are as follows:

Fair value recognised on acquisition	
Investment property	53 801
Other assets	363
Cash and cash equivalents	3 144
	<b>57 308</b>
Loans	36 685
Other liabilities	4 336
	<b>41 021</b>
<b>Total identifiable net assets at fair value</b>	<b>16 287</b>
<hr/>	
Total identifiable assets acquired	16 287
Consideration paid	16 287
Goodwill	0
<hr/>	
Consideration paid	16 287
Less: Cash acquired	3 144
Net cash inflow (outflow)	-13 143

The revenue of the acquirees recognised since the acquisition date is 2,372 TEUR. The profit of the acquirees recognised since the acquisition date is 1,321 TEUR.

### 1.3 Investment properties

The investment properties were valued using a discounted cash flow method, specifically in the form of the hard core and top-slice method. The application of the hard core and top-slice method involves the following: Net income generated by the property – up to the market rent (hard core component) – is capitalized at a normal market interest rate as a perpetual yield over the entire term (term of the rental contract plus subsequent rental). The top-slice component (the net income that exceeds the market rent) is then discounted at a risk-adjusted market interest rate.

The expert valuations are carried out once a year by independent, professional experts for the purpose of preparing the annual financial statements as at 31 December. The professional experts are provided with the



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necessary information, such as current rentals, by the Company's asset management. The experts also make estimates, among others, for the occupancy, future rental income, scheduled investments and expected returns.

An increase in the input factors such as rentable space and rental income per square meter would lead to an increase in fair value, while a decrease in these parameters would cause a decrease in fair value. An increase in the input factors such as discount rate and vacancy rate would lead to a reduction in fair value, while a reduction in these factors would result in a higher fair value.

The capitalization rate of the portfolio ranges from 5.30 % to 9.75 %.

Occupancy rate of the total portfolio is approximately 78 %. Total rentable area amounts to approximately 154,500 sqm.

The development of the fair value of investment properties is shown below:

<b>Investment properties</b>	<b>Total</b>
<b>Balance as of 1st January 2015</b>	<b>268 380</b>
New acquisitions of investment properties and other additions	764
Revaluation	-8 081
Carrying amount of sold properties	-27 503
<b>Balance as of 31st December 2015</b>	<b>233 560</b>
New acquisitions of investment properties and other additions	58 217
Revaluation	-1 207
<b>Balance as of 31st December 2016</b>	<b>290 570</b>

The market value of the properties assigned as collateral for external financings totals to TEUR 290,570 as of 31st December 2016 and TEUR 233,560 as of 31st December 2015.

#### **1.4 Tax receivables**

	<b>Tax receivables</b>	
	<b>2016</b>	<b>2015</b>
Income tax	199	26
VAT	8	5
Real estate tax	0	0
Other tax	17	8
<b>Total</b>	<b>224</b>	<b>39</b>

The closing balance of tax receivables represents mainly the income tax from Slovakia in the amount of TEUR 143.

#### **1.5 Trade receivables**

The opening balance represents trade receivables in the gross amount of TEUR 1,156 and advance payments in the amount of TEUR 109, most not due on 31st December 2015. The closing balance represents trade receivables in the gross amount of TEUR 995 and advance payments in the amount of TEUR 219.

An impairment is recognised for receivables that are past due, and all uncollectible receivables had been adjusted accordingly as of the reporting date. Change in the impairment is recognized in the statement of comprehensive income in the line "Operating expenses".

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**Age structure of trade receivables as of 31st December**

Age structure	2016		2015	
	Gross value	Impairment	Gross values	Impairment
before due date	685	0	1 162	0
1 - 30 days	144	0	30	0
31 - 180 days	26	-26	18	-5
181 - 360 days	26	-26	2	0
overdue more than 1 year	333	-333	53	-53
<b>Total</b>	<b>1 214</b>	<b>-385</b>	<b>1 265</b>	<b>-58</b>

**1.6 Other receivables**

Other receivables	2016	2015
Estimated receivable	865	909
Accrued income	366	412
Other receivable	1	0
<b>Total</b>	<b>1 232</b>	<b>1 321</b>

The opening balance as well as the closing balance of accrued income includes accrual for rent linearization.

**1.7 Cash and cash equivalents**

Cash and cash equivalents include the credit bank balances of bank accounts in the amount of TEUR 17,966 as of 31st December 2016 and TEUR 22,857 as of 31st December 2015, respectively. The Group has no cash on hand.

**1.8 Accrued assets**

Accrued assets	2016	2015
Pre-paid expenses	1 422	1 480
Estimated receivable	0	0
Accrued income	0	0
<b>Total</b>	<b>1 422</b>	<b>1 480</b>

The Group records the pre-paid expenses which are mainly represented by accrued expenses for easement for using surrounding land for parking.

**2.1 Share capital**

Type of shares	Number as of		Nominal value	Unpaid
	2016	2015		
registered	18 671 pcs.	17 127 pcs.	200 CZK	0 CZK



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As of 31st December 2016 the share capital of the Company as recorded in the Commercial Register totalled TCZK 3,734 and consisted of 18,671 shares with a nominal value of CZK 200 per share. All shares are fully paid in and authorised.

In June 2016 the share capital was increased. 1,544 new shares with a nominal value of CZK 200 were issued. The issue rate consists of two amounts – CZK 200 per share which increased the share capital to the amount of TCZK 3,734 (i.e. TEUR 145) and TEUR 8 per share which constituted share premium amounting to TEUR 13,045 (shown under capital reserve).

All shares are voting shares.

**2.2 Other reserves**

Other reserves	2016	2015	Distribution possibility
Capital reserve	104 094	91 049	Yes
Transaction reserve	35 465	35 465	Yes
<b>Total</b>	<b>139 559</b>	<b>126 514</b>	

**2.3 Retained earnings**

The balance of the retained earnings amounting to TEUR 2,113 (TEUR 3,106 in 2015) includes also the profit after tax of the previous year.

**2.4 Interest bearing liabilities - loans**

The structure of the interest bearing liabilities is as follows:

Loans	2016			2015		
	Principal amount	Accrued Interest	Total	Principal amount	Accrued Interest	Total
Bank loans	36 269	0	<b>36 269</b>	33 760	0	<b>33 760</b>
Other loans	52 305	0	<b>52 305</b>	23 693	0	<b>23 693</b>
<b>Total</b>	<b>88 574</b>	<b>0</b>	<b>88 574</b>	<b>57 453</b>	<b>0</b>	<b>57 453</b>
thereof: short-term	4 598	0	<b>4 598</b>	3 653	0	<b>3 653</b>
thereof: long-term	83 976	0	<b>83 976</b>	53 800	0	<b>53 800</b>

As of 31st December 2016 the terms of interest-bearing liabilities are as follows:

Loan	Signed on	Principal amount	Already repaid of principal	Due date	Interest rate
Investment Loan 1	29.11.2011	48 081	27 773	31.12.2026	4.05%
Investment Loan 2	12.12.2012	18 000	2 618	31.12.2024	3.95%
Investment Loan 3	19.12.2013	9 000	931	31.12.2025	3.95%
Investment Loan 4	29.11.2011	12 526	4 175	31.12.2026	4.05%
Investment Loan 5	29.11.2011	4 394	2 704	31.12.2026	4.05%
Investment Loan 6	7.10.2016	24 000	162	30.6.2026	2.30%
Investment Loan 7	16.8.2016	11 000	64	30.6.2026	2.30%

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The agreed interest rate for all Investment Loans is fixed except for the part of a bank creditor with whom a variable interest rate was agreed on. For this purpose an interest rate swap was entered into to fix the variable interest rate. The interest is calculated quarterly on the basis of actual/360 method. The principal amount repayments are to be made quarterly started on 31st December 2012 (Loan 1, 4, 5), on 30th June 2013 (Loan 2), on 30th June 2014 (Loan 3) and on 31st December 2016 (Loan 6).

During 2015, Investment Loan 1 was partially repaid with the repayment amounting to TEUR 17,233 and Loan 5 with the repayment amounting to TEUR 1,487.

As security for the loans the Group provides the following collaterals:

- Mortgage on the land or the land and building
- Pledge of receivables (from rental agreements, insurance contracts etc.)
- Pledge of bank accounts (accounts for rental payments)

The following table summarizes the carrying amounts of assets pledged as collateral for loans and bonds:

Assets pledged as collateral	2016	2015
Investment properties	290 570	233 560
Trade receivables from rental incomes	314	1 067
Cash and cash equivalents	11 991	22 857

**2.5 Interest bearing liabilities - bonds**

On 26th November 2014 the Company issued two bonds in the nominal amount of TEUR 32,000 and TEUR 13,000. The bonds bear interest at a fixed rate. Interest on bonds shall be payable semi-annually on 26th May and 26th November of each year. Part of the nominal value is redeemed semi-annually at the same date as interest. Unless redeemed early or repurchased by the issuer, the bonds shall be fully repaid on 26th November 2034. Until 28th February 2017 the bonds are registered for trading on the Regulated Market of the Prague Stock Exchange.

The bonds are bearer securities in book-entry form with the nominal amount of TEUR 100 each.

The Company's obligations under the bonds are secured by a first-ranking mortgage over the real estate Jasna and Libra in Poland and Burzovní Palác in the Czech Republic.

Bonds issued	ISIN	Nominal value	Maturity	Issue price	Number of notes	Coupon
Bond Prague	CZ0003704298	13 000	26. 11. 2034	100.8 %	130	3.95 % p.a.
Bond Warsaw	CZ0003704280	32 000	26. 11. 2034	101.1 %	320	4.05 % p.a.

The carrying amount of bonds amounts to TEUR 41,957. This value includes the accrued interests of TEUR 159. The effective interest rates do not differ significantly from the coupon rates.

Bonds issued	2016	2015
Nominal value of bonds	41 810	43 480
Interests on bonds	159	165
Agio	-12	-13
<b>Total</b>	<b>41 957</b>	<b>43 632</b>

Financial assets pledged as collateral	2016	2015
Investment properties	95 400	96 000

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**2.6 Other payables, non-current part**

The other payables, non-current part includes long-term security deposits of the tenants amounting to TEUR 1 510 and TEUR 533 for 2016 and 2015, respectively.

**2.7 Trade payables**

The position is made up of the unpaid invoices for provision of services and advance payments for services from tenants. The detailed information is shown in the following tables:

Trade payables	2016	2015
Accounts payable	781	526
Advanced payments	1 110	1 160
<b>Total</b>	<b>1 891</b>	<b>1 686</b>

**Age structure of accounts payable as of 31st December**

Age structure	2016			2015		
	Accounts payable - inland	Accounts payable - foreign	Advanced payments	Accounts payable - inland	Accounts payable - foreign	Advanced payments
before due date	622	32	1 110	482	11	1 160
< 30 days	15	72	0	19	3	0
<60 days	0	0	0	0	2	0
<90 days	0	7	0	2	0	0
<120 days	0	0	0	4	3	0
overdue more than 120 days	33	0	0	0	0	0
<b>Total</b>	<b>670</b>	<b>111</b>	<b>1 110</b>	<b>507</b>	<b>19</b>	<b>1 160</b>

**2.8 Provisions**

Provisions	Other provisions	Total
	<b>2015</b>	<b>142</b>
Use	0	0
Release	0	0
Creation	0	0
Effect of FX variance	-2	-2
	<b>2016</b>	<b>140</b>
thereof: short-term	140	140
thereof: long-term	0	0

Other provisions mainly relate to the planned donation of the part of investment property in the BB C Building C, s.r.o. to the city of Prague, specifically sewerage and water series.

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**2.9 Accrued liabilities**

Accrued liabilities	2016	2015
Accrued revenues	1 031	1 454
Estimated payables	0	0
<b>Total</b>	<b>1 031</b>	<b>1 454</b>

The accrued revenues represent rent and service charges revenue invoiced in advance amounting to TEUR 1,031 and TEUR 1,454 in 2016 and in 2015, respectively.

**2.10 Tax liabilities current and deferred**

The tax liabilities consist of the liabilities for value added tax, corporate income tax and deferred tax.

Tax payables	2016	2015
Value added tax	116	417
Income tax on ordinary activities - due	11	2 485
Deferred tax	26 617	20 158
<b>Total</b>	<b>26 744</b>	<b>23 060</b>

Deferred tax liabilities	2016	2015
Deferred tax liabilities	26 617	20 158
Deferred tax assets	0	0
<b>Total</b>	<b>26 617</b>	<b>20 158</b>

**2.11 Other payables, current part**

Other payables, current part	2016	2015
Estimated payables	1 185	795
Other payables	441	34
<b>Total</b>	<b>1 626</b>	<b>829</b>

Estimated payables mainly represent estimates for service charges, media and repairs in the amount of TEUR 773.

Estimated payables	2016	2015
Legal consulting	7	115
Other consultancy	18	143
Accounting	21	28
Tax advisory	15	21
Regular services (management fee, depositary fee, etc.)	147	23
Audit	20	20
Service charges, media, repairs	773	425
Interests from loans	159	13
Other services	13	7
Reduced VAT deduction	12	0
<b>Total</b>	<b>1 185</b>	<b>795</b>

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**2.12 Financial instruments**

The values of financial assets and liabilities are as follows:

Financial instruments	2016		2015	
	carrying amount	fair value	carrying amount	fair value
<b>Financial assets:</b>				
Trade receivables	829	829	1 207	1 207
Other receivables	1 232	1 232	1 321	1 321
Cash and cash equivalents	17 966	17 966	22 857	22 857
<b>Total</b>	<b>20 027</b>	<b>20 027</b>	<b>25 385</b>	<b>25 385</b>

Financial instruments	2016		2015	
	carrying amount	fair value	carrying amount	fair value
<b>Financial liabilities:</b>				
Loans, non-current part	83 976	85 868	53 800	55 864
Loans, current part	4 598	4 598	3 653	3 653
Bonds issued	41 957	43 891	43 632	44 937
Trade payables	1 891	1 891	1 686	1 686
Other payables, non-current part	1 510	1 510	533	533
Other payables, current part	1 626	1 626	829	829
<b>Total</b>	<b>135 558</b>	<b>139 384</b>	<b>104 133</b>	<b>107 502</b>

Tax, trade and other receivables are generally considered to be current or are carried net of any necessary valuation adjustments and, for this reason, fair value reflects the carrying amount. The same applies to cash and cash equivalents.

The fair value of the loans and bonds was determined based on discounted cash flow calculation. The calculation is based on other observable inputs such as applied interest rates (Level 2 of fair value hierarchy).

Interest, trade and other payables are considered to be current and the carrying amount reflects the fair value.

**3.1 Rental income and operating costs**

The Group generates rental income and income from operating costs charged to tenants in connection with investment property:

Revenue	2016	2015
Rental income	15 995	26 248
Operating costs charged to tenants	3 096	2 637
<b>Total</b>	<b>19 091</b>	<b>28 885</b>

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The Group has entered into operating lease agreements with business tenants on its investment property. The lease agreements are denominated in euros and linked to the inflation rate. Future minimum rental income under operating leases as of 31st December is as follows:

Future minimum rental income	2016	2015
not later than one year	12 372	13 261
between 1 and 5 years	30 536	32 180
more than 5 years	29 231	43 031

The Group has no contingent rents.

### 3.2 Operating expenses

Operating expenses represent direct operating expenses arising from the investment property and are mainly recharged to tenants.

Operating expenses	2016	2015
Energy consumption	1 365	1 310
Repairments	662	391
Brokerage fee	16	63
Facility management	50	94
Property and asset management	379	293
Security	394	308
Insurance	122	73
Easement	213	213
Real estate tax	315	285
Legal and other consultancy	162	276
Valuation adjustment of receivable	228	4
Other service charges	175	44
Other	430	560
<b>Total</b>	<b>4 511</b>	<b>3 914</b>

### 3.3 Other operating income

The Group generates other revenues in the amount of TEUR 136 and TEUR 107 in 2016 and 2015, respectively.

### 3.4 Indirect expenditures

Indirect expenditures	2016	2015
Management fee	625	593
Custodian fee	44	44
Audit and legal fees	141	55
Administration fees	221	185
Other services	50	20
<b>Total</b>	<b>1 081</b>	<b>897</b>

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Management fees are represented by the management fee of VIG Asset Management, a.s. in the amount of TEUR 625 and TEUR 593 in 2016 and 2015, respectively.

Custodian fees consist of the depositary fee of the depositary bank in accordance with the depositary contract in the amount of TEUR 44 both in 2016 and 2015.

**3.5 Interest income**

Interest income represents the credit interest from current bank account in the amount of TEUR 2 and TEUR 1 in 2016 and 2015, respectively.

**3.6 Other financing revenues**

The balance of other financing revenues amount to TEUR 4 and TEUR 84 in 2016 and 2015, respectively.

**3.7 Interest expenses**

Interest expenses amount to 4,246 TEUR and TEUR 4,944 in 2016 and 2015, respectively. Thereof TEUR 2,817 relates to interest to related parties in 2016 and TEUR 3,496 in 2015.

For further information see also 2.4 and 2.5 Interest bearing liabilities.

**3.8 Foreign currency gain/loss**

Foreign currency gain/loss amounts to TEUR -100 and TEUR 56 in 2016 and 2015, respectively.

**3.9 Taxes**

The following table shows details on income tax costs:

Other costs - Corporate income tax	2016	2015
Income tax on ordinary activities - due	832	3 590
Income tax on ordinary activities - deferred	298	-3 431
<b>Total</b>	<b>1 130</b>	<b>159</b>

The following table shows details on movement in deferred tax balances:

Movement in deferred tax balances	Net balance at 1 January	Effect of acquisition	Recognised in profit or loss	Net balance at 31 December
2016				
Investment properties	-20 026	-6 161	-336	-26 523
Other	-132	0	38	-94
Net tax assets (liabilities)	-20 158	-6 161	-298	-26 617
2015				
Investment properties	-23 943	0	3 917	-20 026
Other	354	0	-486	-132
Net tax assets (liabilities)	-23 589	0	3 431	-20 158



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The following table explains the relationship between accounting profit and tax expense:

	2016	2015
Net result before tax	8 083	2 181
Corporate income tax rate	19%	19%
Expected tax	1 536	414
Tax reconciliation:		
Adjustment to tax base	-348	-242
Non-deductible expenses	69	45
Non-taxable income/ Amounts deducted from tax	-92	-17
Recognition of tax losses	22	-11
Income tax paid in foreign jurisdiction	73	76
Other changes	-31	25
Influence of foreign tax rates	48	-131
Influence of previous years	169	0
<b>Income tax without influence of tax rate changes</b>	<b>1 446</b>	<b>159</b>
<b>Effective tax rate in %, current</b>	<b>18%</b>	<b>7%</b>
Tax rate changes	-316	0
<b>Income tax total</b>	<b>1 130</b>	<b>159</b>

Effective tax rate in 2015 was influenced by the sale of properties, which lead to a low effective tax rate.

### **3.10 Operating segments**

Operating segments reflect the Group's management structure and the way financial information is regularly reviewed by the Group's chief operating decision maker.

The Group has a single group of related services being the rental of investment properties exclusively. Segment information is provided on the basis of geographic areas, being the basis on which the Group manages its interests. Revenue is attributed to a country or region based on the location of the Group company reporting the revenue.

The tables below present segment information on the revised basis, with prior years amended to conform to the current year presentation.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>As at 31st December</i>	<b>2016</b>						
<i>In thousands of euro</i>	<b>CZ</b>	<b>PL</b>	<b>HUN</b>	<b>SK</b>	<b>Total segments</b>	<b>Consolidation</b>	<b>Total</b>
<b>Assets</b>							
<b>Non-current assets</b>	<b>206 714</b>	<b>63 480</b>	<b>5 160</b>	<b>46 730</b>	<b>322 084</b>	<b>-31 514</b>	<b>290 570</b>
Investment properties	175 200	63 480	5 160	46 730	290 570	0	290 570
Investment - Shares	31 514	0	0	0	31 514	-31 514	0
<b>Current assets</b>	<b>16 115</b>	<b>1 834</b>	<b>840</b>	<b>2 884</b>	<b>21 673</b>	<b>0</b>	<b>21 673</b>
Tax receivables	0	0	79	145	224	0	224
Trade receivables	510	312	0	7	829	0	829
Other receivables	1 201	0	0	31	1 232	0	1 232
Cash and cash equivalents	13 060	1 495	761	2 650	17 966	0	17 966
Accrued assets	1 344	27	0	51	1 422	0	1 422
Other assets	0	0	0	0	0	0	0
<b>Total assets</b>	<b>222 829</b>	<b>65 314</b>	<b>6 000</b>	<b>49 614</b>	<b>343 757</b>	<b>-31 514</b>	<b>312 243</b>

<i>As at 31st December</i>	<b>2016</b>						
<i>In thousands of euro</i>	<b>CZ</b>	<b>PL</b>	<b>HUN</b>	<b>SK</b>	<b>Total segments</b>	<b>Consolidation</b>	<b>Total</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>	<b>96 144</b>	<b>30 496</b>	<b>1 879</b>	<b>25 541</b>	<b>154 060</b>	<b>0</b>	<b>154 060</b>
Loans, non-current part	64 264	0	1 521	18 191	83 976	0	83 976
Bonds issued	12 100	29 857	0	0	41 957	0	41 957
Other payables, non-current part	1 039	24	0	447	1 510	0	1 510
Deferred tax liabilities	18 741	615	358	6 903	26 617	0	26 617
<b>Current liabilities</b>	<b>7 106</b>	<b>795</b>	<b>192</b>	<b>1 321</b>	<b>9 413</b>	<b>0</b>	<b>9 413</b>
Trade payables	1 656	37	3	195	1 891	0	1 891
Provisions	135	0	0	5	140	0	140
Accrued liabilities	867	159	5	0	1 031	0	1 031
Loans, current part	3 333	0	169	1 096	4 598	0	4 598
Current tax liabilities	59	45	15	8	127	0	127
Other payables, current part	1 056	554	0	17	1 626	0	1 626
<b>Total liabilities</b>	<b>103 250</b>	<b>31 291</b>	<b>2 071</b>	<b>26 862</b>	<b>163 473</b>	<b>0</b>	<b>163 473</b>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – COMPARATIVE INFORMATION**

<i>As at 31st December</i>	<b>2015</b>						
<i>In thousands of euro</i>	<b>CZ</b>	<b>PL</b>	<b>HUN</b>	<b>SK</b>	<b>Total segments</b>	<b>Consolidation</b>	<b>Total</b>
<b>Assets</b>							
<b>Non-current assets</b>	<b>161 652</b>	<b>64 562</b>	<b>5 160</b>	<b>23 910</b>	<b>255 284</b>	<b>-21 724</b>	<b>233 560</b>
Investment properties	139 928	64 562	5 160	23 910	233 560	0	233 560
Investment - Shares	21 724	0	0	0	21 724	-21 724	0
<b>Current assets</b>	<b>16 681</b>	<b>8 468</b>	<b>1 212</b>	<b>649</b>	<b>27 010</b>	<b>-6</b>	<b>27 004</b>
Tax receivables	0	0	39	0	39	0	39
Trade receivables	989	218	0	0	1 207	0	1 207
Other receivables	1 390	-69	0	0	1 321	0	1 321
Cash and cash equivalents	12 739	8 296	1 173	649	22 857	0	22 857
Accrued assets	1 463	23	0	0	1 486	-6	1 480
Other assets	100	0	0	0	100	0	100
<b>Total assets</b>	<b>178 333</b>	<b>73 030</b>	<b>6 372</b>	<b>24 559</b>	<b>282 294</b>	<b>-21 730</b>	<b>260 564</b>

<i>As at 31st December</i>	<b>2015</b>						
<i>In thousands of euro</i>	<b>CZ</b>	<b>PL</b>	<b>HUN</b>	<b>SK</b>	<b>Total segments</b>	<b>Consolidation</b>	<b>Total</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>	<b>71 834</b>	<b>31 767</b>	<b>2 085</b>	<b>12 437</b>	<b>118 123</b>	<b>0</b>	<b>118 123</b>
Loans, non-current part	43 759	0	1 690	8 351	53 800	0	53 800
Bonds issued	12 548	31 084	0	0	43 632	0	43 632
Other payables, non-current part	466	67	0	0	533	0	533
Deferred tax liabilities	15 061	616	395	4 086	20 158	0	20 158
<b>Current liabilities</b>	<b>9 056</b>	<b>345</b>	<b>178</b>	<b>1 093</b>	<b>10 672</b>	<b>-6</b>	<b>10 666</b>
Loans, current part	2 649	0	169	835	3 653	0	3 653
Trade payables	1 675	11	0	0	1 686	0	1 686
Provisions	135	0	0	12	147	-5	142
Accrued liabilities	1 285	161	9	0	1 455	-1	1 454
Current tax liabilities	2 601	55	0	245	2 901	0	2 901
Other payables, current part	711	118	0	0	829	0	829
<b>Total liabilities</b>	<b>80 890</b>	<b>32 112</b>	<b>2 263</b>	<b>13 530</b>	<b>128 795</b>	<b>-6</b>	<b>128 789</b>

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the year ended  
31st December**2016**

<i>In thousands of euro</i>	<b>CZ</b>	<b>PL</b>	<b>HUN</b>	<b>SK</b>	<b>Total segments</b>	<b>Consolidation</b>	<b>Total</b>
Rental income	9 033	4 617	0	2 345	15 995	0	15 995
Operating costs charged to tenants	1 727	1 029	0	340	3 096	0	3 096
Operating expenses	-2 524	-1 325	-70	592	4 511	0	-4 511
Other operating income	84	114	0	0	198	-62	136
<b>Net operating income</b>	<b>8 320</b>	<b>4 435</b>	<b>-70</b>	<b>2 093</b>	<b>14 778</b>	<b>-62</b>	<b>14 716</b>
Indirect expenditures	-823	-165	-32	-123	-1 143	62	-1 081
<b>Earnings before interest, taxes, depreciation, amortization and fair value unrealized gains/losses</b>	<b>7 497</b>	<b>4 270</b>	<b>-102</b>	<b>1 970</b>	<b>13 635</b>	<b>0</b>	<b>13 635</b>
Revaluation of investment property	-869	-1 088	-20	770	-1 207	0	-1 207
<b>Operating result</b>	<b>6 628</b>	<b>3 182</b>	<b>-122</b>	<b>2 740</b>	<b>12 428</b>	<b>0</b>	<b>12 428</b>
Interest income	2	0	0	0	2	0	2
Dividend income	143	0	0	-143	0	0	0
Other finance revenues	74	4	0	2	80	-76	4
Interest expenses	-2 447	-1 234	-74	-491	-4 246	0	-4 246
Foreign currency gain/loss	-49	-51	0	0	-100	0	-100
Other finance expenses	-4	0	-20	-57	-81	76	-5
<b>Financial result</b>	<b>-2 281</b>	<b>-1 281</b>	<b>-94</b>	<b>-689</b>	<b>-4 345</b>	<b>0</b>	<b>-4 345</b>
<b>Net result before taxes</b>	<b>4 347</b>	<b>1 901</b>	<b>-216</b>	<b>2 051</b>	<b>8 083</b>	<b>0</b>	<b>8 083</b>
Current income tax	-326	-313	-1	-193	-833	0	-833
Deferred income tax	-405	1	37	70	-297	0	-297
<b>Profit (loss) after tax</b>	<b>3 616</b>	<b>1 589</b>	<b>-180</b>	<b>1 928</b>	<b>6 953</b>	<b>0</b>	<b>6 953</b>

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

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Consolidated Financial Statements for the year ended 31st December 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – COMPARATIVE INFORMATION

For the year ended  
31st December

2015

<i>In thousands of euro</i>	CZ	PL	HUN	SK	Total segments	Consolidation	Total
Rental income	15 518	4 679	2 999	3 052	26 248	0	26 248
Result from property transaction	-9 111	0	0	0	-9 111	0	-9 111
Operating costs charged to tenants	1 472	1 099	0	66	2 637	0	2 637
Operating expenses	-2 446	-1 325	-62	-81	-3 914	0	-3 914
Other operating income	111	28	15	0	154	-47	107
<b>Net operating income</b>	<b>5 544</b>	<b>4 481</b>	<b>2 952</b>	<b>3 037</b>	<b>16 014</b>	<b>-47</b>	<b>15 967</b>
Indirect expenditures	-693	-177	-20	-54	-944	47	-897
<b>Earnings before interest, taxes, depreciation, amortization and fair value unrealized gains/losses</b>	<b>4 851</b>	<b>4 304</b>	<b>2 932</b>	<b>2 983</b>	<b>15 070</b>	<b>0</b>	<b>15 070</b>
Revaluation of investment property	-5 115	94	-900	-2 160	-8 081	0	-8 081
<b>Operating result</b>	<b>-264</b>	<b>4 398</b>	<b>2 032</b>	<b>823</b>	<b>6 989</b>		<b>6 989</b>
Interest income	0	0	0	1	1	0	1
Dividend income	1 470	0	0	-1 470	0	0	0
Other finance revenues	156	4	0	0	160	-76	84
Interest expenses	-3 114	-1 294	-137	-399	-4 944	0	-4 944
Foreign currency gain/loss	-67	128	-4	0	56	0	56
Other finance expenses	-4	0	-20	-57	-81	76	-5
<b>Financial result</b>	<b>-1 559</b>	<b>-1 162</b>	<b>-161</b>	<b>-1 926</b>	<b>-4 808</b>	<b>0</b>	<b>-4 808</b>
<b>Net result before taxes</b>	<b>-1 823</b>	<b>3 235</b>	<b>1 871</b>	<b>-1 102</b>	<b>2 181</b>	<b>0</b>	<b>2 181</b>
Current income tax	-2 430	-304	-392	-464	-3 590	0	-3 590
Deferred income tax	3 217	-244	85	373	3 431	0	3 431
<b>Profit (loss) after tax</b>	<b>-1 036</b>	<b>2 687</b>	<b>1 564</b>	<b>-1 193</b>	<b>2 022</b>	<b>0</b>	<b>2 022</b>

**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

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Consolidated Financial Statements for the year ended 31st December 2016

**3.11 Related party information**

Transactions with related parties are carried out at arm's length. The Parent Company is defined in part E 1.5 Shareholders.

Transactions with the related parties	2016	2015
<b>STATEMENT OF FINANCIAL POSITION</b>		
Accrued assets	35	29
Interest bearing liabilities	52 305	23 693
Bonds and interests	41 770	43 439
Trade payables	16	10
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Indirect expenditures	-625	-595
Operating expenses	-1	-10
Interest expenses	-2 817	-3 496
Insurance paid	-103	-71

**G. INFORMATION ON THE DISTRIBUTION OF PROFIT**

If the Company shows a profit for an accounting period, the profit may not be necessarily distributed; it may be used for reinvestments with a view to increase the Company's assets, as part of the Company's financial management.

The General Meeting of the Company may, pursuant to the Commercial Code, decide to distribute profit (dividend) among shareholders. The dividend is determined as the ratio of the nominal value of shareholder's shares to the nominal value of all of the Company's shareholders' shares as at the date of the dividend payment determined to that end by the Company's General Meeting. The Company may not make advance payments in respect of profit sharing.

The determining date for claiming the dividend is a date determined by the Fund's General Meeting. That day may not precede the date of holding the General Meeting which decided to pay dividends, and may not fall beyond the day when the dividend is due.

Dividend is due within six months of the date when the General Meeting resolution to distribute profit is adopted; however, the dividend paid out by money transfer to shareholder's account is not due sooner than one month after the shareholder provide the Company with the bank account number to which the dividend should be remitted.

Dividend is paid out via bank transfer to a shareholder's account.

The limitation period applicable to the right for dividends payment which has been decided by the Company's General Meeting is four years after the elapse of the due date.

If the Company shows a loss for an accounting period, the General Meeting may decide, while approving the consolidated financial statements for the accounting period in which the loss occurred, to settle the loss from the Company's resources.



**VIG FUND, a.s. (formerly: VIG FUND uzavřený investiční fond, a.s.)**

Templová 747/5, Prague 1, 110 00

Consolidated Financial Statements for the year ended 31st December 2016

**H. DATA ON SECURITIES ISSUED BY THE COMPANY**

The Company issues ordinary shares which are not quoted, registered in the European official market, or accepted for trading in a market which is not a regulated market pursuant to the Act on Capital Market Business.

The Company's shares are registered shares. Shares may be transferred only subject to the conditions stipulated by the applicable legal regulations, the Articles of Association and by the Statute.

The Company's shares are securities in certificated form.

The nominal value of one share is CZK 200 (in words: two hundred Czech crowns). The nominal value of all shares issued by the Company is the same.

The Company's shares may not be publicly offered or promoted.

The Company issued bonds which are registered for trading on the Regulated Market of the Prague Stock Exchange. Upon the Company's request the Company's bonds were delisted from the Prague Stock Exchange with effective date 28th February 2017.

**I. SUBSEQUENT EVENTS**

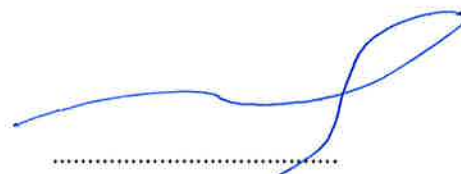
Upon the Company's request the Company was deregistered of the list of funds kept by CNB with effective date 1.1.2017 and as a consequence the Company's name was changed from VIG FUND uzavřený investiční fond, a.s. to VIG FUND, a.s. Also upon the Company's request the Company's bonds were delisted from the Prague Stock Exchange with effective date 28th February 2017.

No other significant events that could have a significant impact on the financial position of the Group incurred between the financial statement date and the date of financial statements approval.

17th March 2017



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VIG Asset Management, a.s. (Member of the Board of Directors), represented by DI Caroline Mocker and Ing. Luděk Marek







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

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This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

**Independent Auditor's Report to the Shareholders of VIG  
FUND, a.s. (formerly VIG FUND uzavřený investiční fond,  
a.s.)**

***Opinion***

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

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

***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Key Audit Matters**

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

#### *Investment property*

Refer to the Note 3 (Accounting policies) and F.1.3 (Investment property).

<b>Key audit matter</b>	<b>How the key audit matter was addressed</b>
<p><b>As at 31 December 2016, the Company held investment property amounting to CZK 290 570 thousand, which is 93% of total assets.</b></p> <p><b>The investment property includes:</b></p> <ul style="list-style-type: none"><li>• <b>administrative buildings in Prague, Warsaw and Bratislava and</b></li><li>• <b>retail spaces in the Czech Republic, Hungary and Slovakia,</b></li></ul> <p><b>which the Company owns and rents out to its lessees.</b></p> <p><b>The investment property is recognised at fair value, which is determined based on an expert valuation based on the income valuation method performed by an independent external appraiser qualified in the area of real estate.</b></p> <p><b>Fair value depends on several assumptions and estimates, e.g. estimated future rents (i.e. estimated rental value (ERV)), yield rate, etc.</b></p>	<p>In this area, our audit procedures included in particular:</p> <p>With management and independent appraiser, we discussed and challenged their statements, assumptions and estimates regarding the fair value determination of the investment property.</p> <p>We evaluated the independence, competence and ability of the external appraiser who determined the fair value of the investment property.</p> <p>Our internal specialist in the area of investment property valuation evaluated the valuation methodology and the main assumption and estimates used and compared them against market standards.</p> <p>Additionally, on a sample, we reconciled selected data used in the valuation reports with data retrieved from the concluded rent contracts.</p>

### **Other Information**

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

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our



knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

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

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

#### ***Responsibilities of the Statutory Body for the Consolidated Financial Statements***

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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



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

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Vladimír Dvořáček is the statutory auditor responsible for the audit of the consolidated financial statements of VIG FUND, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague  
17 March 2017



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



Vladimír Dvořáček  
Partner  
Registration number 2332