

# ANNUAL REPORT

## Czech Property Investments, a.s.

as at 31 December 2014

## KEY FIGURES

PERFORMANCE		31-Dec-14	31-Dec-13	Change in %
Gross rental income	MCZK	4,406	3,428	29%
Occupancy*	%	88.7	87.2	--
Gross return	%	6.1	5.9	--
Net rental income	MCZK	4,039	2,923	38%
Result from operating activities	MCZK	3,789	2,737	38%
EBITDA	MCZK	3,817	3,431	11%
Profit before tax	MCZK	2,078	2,278	-9%
Net interest expense	MCZK	1,682	1,112	51%
Net profit for the period	MCZK	1,653	2,009	- 18%

\* excluding Hotels

ASSETS		31-Dec-14	31-Dec-13	Change in %
Total assets	MCZK	90,463	85,607	6%
Property Portfolio	MCZK	75,989	73,112	4%
Gross lettable area *	sqm	2,058,000	2,005,000	3%
Total number of properties**	No	278	263	6%
Total number of residential units	No	12,536	12,602	-1%
Total number of hotel beds	No	8,129	8,129	0%
EPRA NAV	MCZK	40,276	32,101	26%

\* excluding Hotels

\*\* excluding Residential properties

FINANCING STRUCTURE		31-Dec-14	31-Dec-13	Change in %
Total equity	MCZK	32,490	25,752	26%
Equity ratio	%	36%	30%	--
Net debt	MCZK	45,803	47,726	-4%
Loan to value ratio	%	60%	65%	--

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

### **Non-consolidated Financial Statements**

On the basis of our audit, on 29 April 2015 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Czech Property Investments, a.s., which comprise the statement of financial position as of 31 December 2014, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about Czech Property Investments, a.s. is set out in Note 1 to these financial statements.

### *Statutory Body's Responsibility for the Financial Statements*

The statutory body of Czech Property Investments, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Czech Property Investments, a.s. as of 31 December 2014, 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.”

#### **Consolidated Financial Statements**

On the basis of our audit, on 29 April 2015 we issued an auditor’s report on the Company’s consolidated statutory financial statements, which are included in this annual report, and our report was as follows:

“We have audited the accompanying consolidated financial statements of Czech Property Investments, a.s., which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about Czech Property Investments, a.s. is set out in Note 1 to these consolidated financial statements.

#### *Statutory Body's Responsibility for the Consolidated Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Czech Property Investments, a.s. as of 31 December 2014, 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.”

### **Report on Relations between related parties**

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of the Czech Property Investments, a.s. for the year ended 31 December 2014 prepared in accordance with the applicable provisions of Act No. 90/2012 Coll., on Companies and Cooperatives. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of Czech Property Investments, a.s. for the year ended 31 December 2014 contains material factual misstatements.


## Consolidated Annual Report


We have audited the consistency of the consolidated annual report with the audited non-consolidated and consolidated financial statements. This consolidated annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the consolidated annual report with the audited non-consolidated and consolidated financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the consolidated annual report describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the audited consolidated financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the consolidated annual report is, in all material respects, consistent with the audited non-consolidated and consolidated financial statements.

Prague  
29 April 2015

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

  
Pavel Kliment  
Partner  
Registration number 2145

## 2014 HIGHLIGHTS

### **Czech Property Investments, a.s. became a part of CPI PROPERTY GROUP**

In June 2014, Radovan Víték, real estate investor and sole shareholder of Czech Property Investments, a.s., contributed Czech Property Investments, a.s. to CPI PROPERTY GROUP (at that time ORCO Germany S.A.). The Combination of CPI PROPERTY GROUP with Czech Property Investments, a.s. created a new major real estate listed player in Central Europe with an EPRA NAV of CZK 53.8 billion and a total balance sheet of CZK 117 billion. The enlarged group presents a well-balanced and diversified portfolio, which includes a wide range of properties located in Germany, Czech Republic, Slovakia, Hungary, Poland and Romania.

### **Major acquisitions**

In 2014 Czech Property Investments, a.s. group invested CZK 1,792 million in acquiring new property portfolio, CZK 1,450 million were financed by financial debts. The major acquisitions were as follows:

- Acquisition of 100% shares in Arena Corner Ingatlanfejlesztő Kft., a Hungarian company that owns 29,600 sqm of prime office premises in Budapest.
- Acquisition of 100% share in Endurance Asset S.a r.l. with its four, fully owned subsidiaries. This acquisition includes Poštová Office Center – office building in downtown of Bratislava, Slovakia.
- Acquisition of 100% shares in Kouge s.r.o. (further renamed to CPI Retail Portfolio VIII s.r.o.) that owns 4 supermarkets with a total lettable area about 5,300 sqm in the north of the Czech Republic.
- Acquisition of 100% shares in Clitos, a.s. (further renamed to Čáslav Investments, a.s.), which owns 8,000 sqm of land designated for retail development located in Čáslav, 30 kilometers from Prague.

### **Portfolio news**

On 31 October 2014 the Group opened its prime commercial property in the Czech Republic – QUADRIO. This unique mixed-use complex is located in the historical centre of Prague, directly above the metro station and offers 16,400 sqm of modern A-class office space; 8,500 sqm of retail premises; 13 exclusive apartments and an underground car parking for 250 cars. Total capital investment amounts to CZK 3,188 million. Retail premises have been opened to the public upon the grand opening and are almost fully leased. Office tenants will start moving into the premises during the first half of 2015. Out of 13 apartments, only one is remaining for sale at the date of this report. Thanks to its excellent location and its technical quality and efficiency, as well as to its panoramic views and own parking space, QUADRIO has no competition in central Prague. This project fits perfectly into the Group's portfolio and was awarded by several prestigious prizes, including the Developer of the year in the Czech Republic.

Vodafone renewed and expanded a lease in Arena Corner, Budapest Hungary, having leased in total 13,800 sqm in June 2014. This was the largest office lease transaction in Budapest in 2014.

Allianz located its regional headquarters to the multifunctional property CPI City Center in Ústí nad Labem in April 2014.

### **New Bonds issue**

In April 2014 CPI Retail Portfolio I issued Czech crowns project bonds in total nominal value of CZK 1,125 million. The bonds mature in April 2019 and bear fixed interest of 5% per annum.

### **Change in Management**

As a result of the combination of Czech Property Investments, a.s. and CPI PROPERTY GROUP in June 2014 there has been changes in management team of CPI Group. For further detail refer to page 56 (chapter Management of CPI Group).

## MESSAGE FROM THE BOARD OF DIRECTORS

Dear business partners, colleagues and shareholders,

The success of CPI in previous years has motivated us very strongly towards further growth, which has continued through 2014. Our real estate group is getting bigger and stronger, creating a sophisticated diversification of our assets and greater value for shareholders. The year 2014 was one full of great milestones for our company and we have been able to complete many positive changes and acquisitions. In June 2014, our previous sole shareholder, Radovan Vitek, contributed Czech Property Investments to the GSG GROUP and this combined entity, renamed CPI PROPERTY GROUP, became the 3rd largest listed real estate company in the CEE region and Western Europe.

I am very pleased to say 2014 was an exceptional year, when we recorded very good financial results. Given the numbers, the value of assets managed by the CPI Group increased by more than 5% and amounts to 90,463 million Czech crowns today. Net profit amounted to CZK 1,653 million. Within the consolidated aggregate of the CPI Group, sales increased significantly from the last year, and rose to 4,406 million Czech crowns. Key factors in making profits were the favourable development of the market, an increase in efficiency of the whole group financing, and the overall success of our business. In the spring of 2014, in cooperation with ČSOB, we successfully released the CPI Retail Portfolio project bond issue, valued at 1,125 million CZK. We continually consider a wide range of financial instruments to finance our further expansion.

The first half of 2014 was marked by structural changes. As a key milestone, we managed to complete the process of merging the original Czech CPI Group with the German GSG Group. This represents a great opportunity for expansion on the European real estate market. The combined group has a Luxembourg parent company listed on the Stock Exchange in Frankfurt am Main. Our active strategy as a long-term investor was evident on all fronts: rental of premises, construction and particularly acquisitions, which territorially expanded our assets particularly in the CEE region, though it should be mentioned that the Czech Republic still represents a domestic market for us.

CPI was successful in asset management, where we managed to acquire a number of new tenants and to renew several key contracts. I would like to mention the renegotiation of Česká pojišťovna (a member of the Generali Group) leases for 32,000 sq.m. across the Czech Republic, which was the largest tenancy transaction on the domestic market. Among new tenants in the Czech Republic are companies such as DHL Express in Olomouc and Allianz in Ústí nad Labem. Another big success was the extension of the contract with Vodafone in Arena Corner, Budapest. Maximising occupancy in our buildings is a key driver. Our occupancy levels continue to be high across all our sectors and regions, the current average rate being close to 90%.

Our activities are partly targeted on our own development. In the autumn of 2014, our flagship project, the Quadrio multifunctional complex in Prague city centre, combining the offer of prime offices, luxury apartments and a shopping gallery, was completed and opened to the public. Another completed project was the reconstruction of our four-star Clarion Grandhotel Zlatý Lev, Liberec, where the clients can enjoy a higher level of quality services and new larger and more modern conference facilities. Under development was the Meteor Centre Office Park in Prague, containing A-class offices, several retail spaces and flats for rent. The ZIBA Glass Experience Museum Prague, a unique entertainment project, is being developed in the historical building of the former Živnobanka in Na Příkopě Street. Among foreign projects, before completion there was the Palais Maeterlinck residential complex for luxury housing on a cliff in the seaside resort of Nice. We have a further appetite to look at new developments in areas such as Prague, Hradec Králové and České Budějovice.

Our strategy for the future is to continue growing and providing the best service in rental and property management. The priority of expansion is still investments in commercial real estate, especially offices and retail, but also in housing, hotel accommodation and logistics centres. In addition to our traditional regions, we are looking at acquisitions and high-end projects in France, Italy and Switzerland. Of course, we will continue to look after the relationships with our tenants, clients and business partners, and create greater value for shareholders.

In Prague, on 29 April 2015



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

## A CUT ABOVE CPI GROUP

Czech Property Investments, a.s. with its subsidiaries (hereinafter also referred to as “the Group” or “CPI Group”) is a real estate group concentrating on long-term investments and the lease of real estate, mainly in the Central and Eastern European region. It has been operating on the real estate market since the end of 1990s.

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

The Group owns and manages 453,000 sqm of office space; 633,000 sqm of retail space; 17 hotels with over 8,129 beds, 211,000 sqm of space intended for light industry and storage and with over 12,536 apartments, it is the second largest provider of rental housing in the Czech Republic.

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

### History of CPI Group

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

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

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

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

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

## Parent Company

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

The Company with its registered office at Prague 1, Václavské náměstí 1601/47, 110 00, IČ (Company Identification Number) 427 16 161, was established on 17 December 1991 for an indefinite period of time.

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

Contact Information:

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

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

## CPI GROUP STRUCTURE

The following companies, in which CPI directly or indirectly has a controlling or significant influence, are part of the CPI consolidation unit as of 31 December 2014. CPI is not dependent upon other entities within CPI Group.

Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %
ABLON s.r.o.	100.00%
Airport City s.r.o.	100.00%
Arkáda Prostějov, s.r.o.	100.00%
Balvinder, a.s.	100.00%
Baudry Alfa, a.s.	100.00%
Baudry Beta, a.s.	100.00%
Baudry, a.s.	100.00%
BAYTON Alfa, a.s.	100.00%
BAYTON Delta, a.s.	100.00%
BAYTON Gama, a.s.	86.54%
Beroun Property Alfa, a.s.	100.00%
Beroun Property Development, a.s.	100.00%
Best Properties South, a.s.	100.00%
BPT Development, a.s.	100.00%
Brandýs Logistic, a.s.	100.00%
Březiněves, a.s.	100.00%
Camuzzi, a.s.	100.00%
Carpenter Invest, a.s.	100.00%
CB Property Development, a.s.	100.00%
CD Property s.r.o.	100.00%
Conradian, a.s.	100.00%
CPI - Bor, a.s.	100.00%
CPI - Facility, a.s.	100.00%
CPI - Krásné Březno, a.s.	99.96%
CPI - Land Development, a.s.	100.00%
CPI - Orlová, a.s.	100.00%
CPI - Real Estate, a.s.	100.00%
CPI - Štupartská, a.s.	100.00%
CPI - Zbraslav, a.s.	100.00%
CPI Alfa, a.s.	100.00%
CPI Beta, a.s.	100.00%
CPI BYTY, a.s.	100.00%
CPI City Center ÚL, a.s.	100.00%
CPI Delta, a.s.	100.00%
CPI East, s.r.o.	100.00%
CPI Epsilon, a.s.	100.00%
CPI Flats, a.s.	100.00%
CPI Group, a.s.	100.00%
CPI Heli, s.r.o.	100.00%
CPI Hotels Properties, a.s.	100.00%
CPI Jihlava Shopping, a.s.	100.00%
CPI Lambda, a.s.	100.00%
CPI Management, s.r.o.	100.00%
CPI Meteor Centre, s.r.o.	100.00%
CPI Národní, s.r.o.	100.00%
CPI North, s.r.o.	100.00%
CPI Palmovka Office, s.r.o.	100.00%
CPI Park Mlýnec, a.s.	100.00%
CPI Park Žďárek, a.s.	99.96%
CPI Property, s.r.o.	100.00%
CPI Reality, a.s.	100.00%
CPI Retail MB s.r.o.	100.00%
CPI Retail Portfolio I, a.s.	100.00%
CPI Retail Portfolio II, a.s.	100.00%
CPI Retail Portfolio III, s.r.o.	100.00%
CPI Retail Portfolio IV, s.r.o.	100.00%
CPI Retail Portfolio V, s.r.o.	100.00%
CPI Retail Portfolio VI, s.r.o.	100.00%

Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %
CPI Retail Portfolio VII, s.r.o.	100.00%
CPI Retail Portfolio VIII s.r.o.	100.00%
CPI Retails ONE, a.s.	100.00%
CPI Retails TWO, a.s.	100.00%
CPI Services, a.s.	100.00%
CPI Shopping MB, a.s.	100.00%
CPI Shopping Teplice, a.s.	100.00%
CPI South, s.r.o.	100.00%
CPI West, s.r.o.	100.00%
CURITIBA a.s.	100.00%
Čáslav Investments, a.s.	100.00%
Český Těšín Property Development, a.s.	100.00%
Družstvo Land	99.96%
EMH North, s.r.o.	100.00%
EMH South, s.r.o.	100.00%
EMH West, s.r.o.	100.00%
Farhan, a.s.	100.00%
FL Property Development, a.s.	100.00%
HD Investment s.r.o.	100.00%
Hraničář, a.s.	100.00%
IGY2 CB, a.s.	100.00%
Jeseník Investments, a.s.	100.00%
Kerina, a.s.	100.00%
LD Praha, a.s.	100.00%
Lockhart, a.s.	100.00%
Malerba, a.s.	100.00%
Marissa Delta, a.s.	100.00%
Marissa East, a.s.	100.00%
Marissa Epsilon, a.s.	100.00%
Marissa Gama, a.s.	100.00%
Marissa Iota, a.s.	100.00%
Marissa Kappa, a.s.	100.00%
Marissa Lambda, a.s.	100.00%
Marissa North, a.s.	100.00%
Marissa Omega, a.s.	100.00%
Marissa Omikrón, a.s.	100.00%
Marissa Sigma, a.s.	100.00%
Marissa South, a.s.	100.00%
Marissa Tau, a.s.	100.00%
Marissa Théta, a.s.	100.00%
Marissa West, a.s.	100.00%
Marissa Yellow, a.s.	100.00%
Marissa Ypsilon, a.s.	100.00%
Marissa, a.s.	100.00%
MB Property Development, a.s.	100.00%
Modřanská Property, a.s.	100.00%
MUXUM, a.s.	100.00%
Nymburk Property Development, a.s.	100.00%
OC Nová Zdobov, a.s.	100.00%
OC Spektrum, s.r.o.	100.00%
Olomouc City Center, a.s.	100.00%
Olomouc Office, a.s.	100.00%
Pelhřimov Property Development, a.s.	100.00%
Platněšská 10 s.r.o.	100.00%
Prague Property Development, s.r.o.	100.00%

Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %
Příbor Property Development, s.r.o.	100.00%
Příkopy Property Development, a.s.	100.00%
Quadrio Residence, s.r.o.	100.00%
Statenice Property Development, a.s.	100.00%
Strakonice Property Development, a.s.	100.00%
Svitavy Property Alfa, a.s.	100.00%
Svitavy Property Development, a.s.	100.00%
Telč Property Development, a.s.	100.00%
Trutnov Property Development, a.s.	100.00%

Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %
Třinec Investments, s.r.o.	100.00%
Třinec Property Development, a.s.	100.00%
Týniště Property Development, s.r.o.	100.00%
U Svatého Michala, a.s.	100.00%
VERETIX, a.s.	100.00%
Vigano, a.s.	100.00%
VM Property Development, a.s.	100.00%
Vyškov Property Development, a.s.	100.00%
Žďár Property Development, a.s.	100.00%
Ždírec Property Development, a.s.	100.00%

Companies controlled by Czech Property Investments, a.s. – Slovakia	Ownership interest %
CPI Facility Slovakia, a.s.	100.00%
CPI Retails FIVE, a.s.	100.00%
CPI Retails FOUR, a. s.	100.00%
CPI Retails THREE, a.s.	100.00%
Čadca Property Development, s.r.o.	100.00%
ELAMOR, a.s.	100.00%
Komárno Property Development, a.s.	100.00%
Liptovský Mikuláš Property Development, a.s.	100.00%

Michalovce Property Development, a.s.	100.00%
Companies controlled by Czech Property Investments, a.s. – Slovakia	Ownership interest %
NERONTA, a. s.	100.00%
Office Center Poštová, s.r.o.	100.00%
Považská Bystrica Property Development, a.s.	100.00%
Prievidza Property Development, a.s.	100.00%
Ružomberok Property Development, a.s.	100.00%
Trebišov Property Development, s. r. o.	100.00%
Zvolen Property Development, a.s.	100.00%

Companies controlled by Czech Property Investments, a.s. – Hungary	Ownership interest %
ACGATE Kft.	100.00%
Airport City Kft.	100.00%
Arena Corner Ingatlanfejlesztő Kft.	100.00%
B.C.P. Kft.	100.00%
Bright Site Kft.	100.00%
Century City Kft.	100.00%
CPI Hungary Kft.	100.00%
Duna Office Center Kft.	100.00%
First Chance Kft.	100.00%
First Site Kft.	100.00%
GLOBAL CENTER Kft.	100.00%
GLOBAL DEVELOPMENT Kft.	100.00%
GLOBAL ESTATES Kft.	100.00%

Companies controlled by Czech Property Investments, a.s. – Hungary	Ownership interest %
Global Immo Kft.	100.00%
GLOBAL INVESTMENT Kft.	100.00%
GLOBAL MANAGEMENT Kft.	100.00%
GLOBAL PROPERTIES Kft.	100.00%
HUNGATE 2013 Kft. (1)	100.00%
ICL 1 Budapest Kft.	100.00%
Insite Kft.	100.00%
Leriegos Kft.	100.00%
New Field Kft.	100.00%
New Sites Kft.	100.00%
STRIPMALL Management Kft.	100.00%
Szolgáltatóház Kft.	100.00%
Hotel Rosslyn Kft.	100.00%
SCTO, Kft.	100.00%
ZPS, Kft.	100.00%

Companies controlled by Czech Property Investments, a.s. – Romania	Ownership interest %
ABLON Bucharest Real Estates Development S.R.L.	100.00%
DH Est-Europe Real Estate SRL	100.00%
ES Bucharest Development S.R.L.	100.00%
ES Bucharest Properties S.R.L.	100.00%

Companies controlled by Czech Property Investments, a.s. – Romania	Ownership interest %
ES Hospitality S.R.L.	100.00%
LN Est-Europe Development SRL	100.00%
MH Bucharest Properties S.R.L.	88.00%
RSL Est-Europe Properties SRL	100.00%
RSL Real Estate Development S.R.L.	100.00%

Companies controlled by Czech Property Investments, a.s. – Cyprus	Ownership interest %
ALAMONDO LIMITED	100.00%
Avacero Ltd.	100.00%
AVIDANO LIMITED	100.00%
BREGOVA LIMITED	100.00%
Codiazella Ltd	100.00%
CPI CYPRUS LIMITED	100.00%
DERISA LIMITED	100.00%

Companies controlled by Czech Property Investments, a.s. – Cyprus	Ownership interest %
DORESTO LIMITED	100.00%
GOMENDO LIMITED	100.00%
GORANDA LIMITED	100.00%
ISTAFIA LIMITED	100.00%
JONVERO LIMITED	100.00%
LERIEGOS LIMITED	100.00%
MESARGOSA LIMITED	100.00%
OSMANIA LIMITED	100.00%
PRINGIPO LIMITED	100.00%

SASHKA LIMITED	100.00%
SHAHEDA LIMITED	100.00%
TUNELIA LIMITED	100.00%

Volanti Ltd.	100.00%
ZLATICO LIMITED	100.00%

Companies controlled by Czech Property Investments, a.s. – Poland	Ownership interest %
ABLON sp. z o.o.	100.00%
CPI Poland Sp. Z o.o.	100.00%
GADWALL, Sp. z o.o.	100.00%

Companies controlled by Czech Property Investments, a.s. – Poland	Ownership interest %
GARET Investment Sp. z o.o.	100.00%
Prosta 69 Sp. Z o.o. (3)	100.00%
SPH Properties Sp. z o.o. (2)	100.00%

Companies controlled by Czech Property Investments, a.s. – Netherland	Ownership interest %
CPI Finance Netherlands B.V.	100.00%

Companies controlled by Czech Property Investments, a.s. – France	Ownership interest %
CPI France, a SASU	100.00%
CPI IMMO, S.a.r.l	100.00%

Companies controlled by Czech Property Investments, a.s. – British Virgin Island	Ownership interest %
CPI FINANCE (BVI) LIMITED	100.00%

Companies controlled by Czech Property Investments, a.s. – Guernsey	Ownership interest %
CPI Management International Limited	100.00%

Companies controlled by Czech Property Investments, a.s. – Ireland	Ownership interest %
CPI Finance Ireland Limited	100.00%

Companies controlled by Czech Property Investments, a.s. – Luxembourg	Ownership interest %
ENDURANCE ASSET, S.á r.l	100.00%
Polma 1 S.á r.l	100.00%

- (1) Budaörs Business Park Kft. has merged with HUNGATE 2013 Kft. (the „successor company“) with the effective date of 3 November 2014. All assets and liabilities of Budaörs Business Park Kft. passed to the successor company.
- (2) ORCO APARTMENTS, Sp. z o.o. has merged with SPH Properties Sp. z o.o. (the successor company“) with the effective date of 30 September 2014. All assets and liabilities of ORCO APARTMENTS, Sp. z o.o. passed to the successor company.
- (3) WARSAW WEST GATE, SP. Z o.o. has merged with WWG2013 Sp. z o.o. (the“successor company“) with the effective date of 30 September 2014. All assets and liabilities of WARSAW WEST GATE, SP. Z o.o. passed to the successor company. After the merger the successor company changed its name to Prosta 69 Sp. Z o.o.

## REPORT ON OPERATIONS

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

#### Czech Republic

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

The gross domestic product adjusted for price, seasonal, and calendar effects increased in 2014 by 2.0% year-on-year. The economy of the Czech Republic benefited from increasing of both foreign and domestic demand as well as from a very low comparison base, Q1 2013 was indeed the weakest for the last four years in terms of economic performance. The final consumption expenditure increased in total by 1.7%, year-on-year. The total gross capital formation increased by 3.7%, year-on-year. Increased investments were directed to transport equipment, machinery equipment, and buildings and structures except for dwellings. Quarter-on-quarter, the fixed capital formation increased by 1.2%.

The consumer price level in December 2014 was 0.5%. This development came particularly from prices in 'food and non-alcoholic beverages' and from slowed increase in transport services, recreation and culture. The increase in the average consumer price index over the twelve months to December 2014 compared to the average consumer price index over the previous twelve months, stood at 0.4% in December 2014.

The general unemployment rate according to the International Labour organization (ILO) definition in the age group 15-64 years attained 5.9% in December 2014 and decreased by 0.9 p.p. year-on-year. The number of unemployed persons reached 306.8 thousand decreasing by 45.8 thousand persons, year-on-year.

#### Hungary

In 2014, on the back of increasing performance of agriculture, manufacturing and construction, the seasonally adjusted year-on-year quarterly GDP growth was above 3% during the first three quarters of the year, which means that the country's economy expanded at its fastest pace in the last 8 years. Although the official statistics are not published yet, based on the latest forecast, a 3.2% annual growth is predicted for 2014. The rebounding economy is also having a positive impact on the labour market: Hungary's unemployment rate between October and December was 7.1%, which is a substantial improvement compared to the corresponding period of last year.

#### Slovakia

Slovakia's economic performance in 2014 was more balanced when compared to previous years, as domestic demand rose at a significant pace. This led to significant economic improvement with estimated GDP growth at 2.4%. Stronger economic growth was however slowed down by limitations of the automotive industry and by EU sanctions levied on Russia. Retail sales, new car registrations and consumer sentiment initiated an upward trend for private consumption, which is boosted by lower unemployment levels, growth in nominal wages by 5% and inflation close to 0%. Slovakia is forecasted to outperform the EU with 2.7% GDP growth in 2015 and 3.4% in 2016. The unemployment rate in December 2014 was 12.6%.

#### Poland

The Polish economy remains resilient despite recent tensions between Russian and Ukraine as well as deflation which is still on the rise. GDP growth in 2014 was 3.3% year-on-year. Moreover, 2015 paints a positive picture for the Polish economy which will be driven by strong domestic demand and industrial production. The unemployment rate in 2014 was in a downward trend, reaching 11.5% in December 2014 and was lowest since 2011. The retail sales in Poland were 2.7% higher in 2014 than in 2013. Spending power in the Warsaw agglomeration is 10,339 EUR per capita per annum, which stands 68% higher than the national average.

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

### Czech Republic

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

#### Retail Market

Over the course of 2014, approximately 99,000 sqm of shopping centres and retail parks was opened. This represents approximately 49% decrease to 2013 supply. In 2014, the largest portion of retail space was delivered to Ústecký region (41%), Prague (23%) and Moravia-Silesia region (15%). As of Q4, there was approximately 73,000 sqm of retail space under construction, predominantly in shopping centres and factory outlets. Out of this number, approximately 46,800 sqm is scheduled for opening throughout 2015. The highest shopping centre density of almost 1,500 sqm per 1,000 inhabitants is currently in Liberec, followed by Teplice. The Czech Republic remains an active market with the majority of the retail demand concentrated on Prague. Rents on the prime high streets of Prague remained stable at around EUR 180 /sqm /month. Prime shopping center rents in Prague for a unit of 100 sqm remained at a level of EUR 100 /sqm /month.

#### Prague office market

Almost 149,000 sqm of office space was completed throughout 2014 which represents the strongest annual supply since 2009 and approximately 90% increase in comparison to last year's volume. Currently about 213,000 sqm is under construction. Out of this number, approximately 181,500 sqm is scheduled for completion during 2015. The cumulative gross take-up for 2014 reached 332,820 sqm which represents a 12% year-on-year increase and it is the highest ever take-up in the history of Prague's modern office market. In 2014, the share of renegotiations remained significantly below the level from 2013, reaching 39.5%. Overall net take-up in 2014 reached 201,294 sqm which is the fourth highest result since 2005. The vacancy rate has significantly increased to 15.26%, mainly due to speculative supply. A vacancy rate increase is expected to continue in H1 2015 with possible stabilization starting during H2 2015. The prime office rent remained stable at EUR 18.50-19.50 /sqm /month in city centre.

#### Residential Market

In Q4 2014 Real estate price index announced by Hypoteční banka (HB INDEX) confirmed a slight increase in prices of residential real estate which already started at the beginning of 2014. The prices of family houses increased in 2014 by 0.4 p.p. and reached HB INDEX 105.8. That is the highest level since the beginning of 2010. The land prices increased by 1.0 p.p., followed by an increase in flats by 1.2 p.p. The average market price of land and the flats reached HB INDEX 119.4 and 97.4, retrospectively in Q4 2014.

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

In December 2014, the interest rates of mortgage loans under the aggregate index of Fincentrum (Hypindex) fell again to record 2.37%.

### **Hotel Market**

The number of overnight stays in collective accommodation establishments in Q3 2014 amounted to 15.8 million, i.e. by 0.8% less than in the same period of the previous year. The number of nights spent by domestic visitors decreased by 2.8%, but the number of foreigners increased by 1.7%. Overall, by 2.0% more guests arrived during the Q3 2014, of which the number of foreign guests increased by 4.2% and the number of domestic guests remained unchanged. While in Q3 2013 the average length of stay was 4.0 days, this year it is only 3.9 days. The largest group of foreign guests was traditionally from Germany, followed by Russia and United States of America. 5 out of 14 regions of the Czech Republic showed an increase in the number of guests (the largest increase was in South Moravian Region, Karlovy Vary and Prague).

### **Industrial Market**

The total modern A-class industrial stock in the Czech Republic was 4.9 million sqm at the end of Q4 2014. For the entire year, 2014 new supply amounted to a post crisis record level of 356,000 sqm. This reflects a 31% increase on 2013 levels and is 37% above the 5-year average. For full year 2014, gross take-up amounted to 1,295,800 sqm, a new record in the history of the Czech market. It beat last year's record by 11%. Net take-up reached 827,500 sqm and surpassed last year's results by more than 34%. The vacancy rate in the Czech Republic rose by 26 bps year-on-year and reached a level of 8.2%. Prime headline rents in Prague remained stable at EUR 3.80-4.25 /sqm /month. Prime rents in the Brno region are also stable at EUR 3.90-4.25 /sqm /month.

## **Hungary**

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

### **Budapest office market**

Almost 18,800 sqm were delivered to the office market over Q4 2014. The total office stock stands at 3.24 million sqm as at end of 2014. The annual gross take-up totalled 465,600 sqm, which is an all-time high in the history of the Budapest office market and 17% stronger than in 2013. The volume of net take-up reached 251,605 sqm, which is the highest volume since 2009. In total, almost 700 transactions were signed in 2014, with an average deal size of 664 sqm. The vacancy rate declined by a massive 220 bps year-on-year, dropping to 16.2%. The improvement was due to a combination of factors: a strong annual net absorption of nearly 125,000 sqm and the limited volume of completions. Prime rent stands at EUR 20 /sqm /month. This level is only achievable in a few, selected prime properties in the Central Business District for the best office units within the building. Average asking rents did not change significantly on the previous quarter; they remained in the range of EUR 11-14 /sqm /month for A class offices with generous incentive packages.

### **Budapest retail market**

The total shopping center stock of Budapest remained unchanged as no new completions were delivered in 2014 and stands at 771,500 sqm in 25 assets. Shopping centre density amounts to 443 sqm per 1,000 inhabitants. Following the drag of retail sales growth between July and September, growth regained momentum in Q4 peaking at 5.6%. For the whole year, a 5.2% growth was recorded and a similar strong growth at around 5% is forecasted for the year 2015. Typical shopping centre rents range between EUR 20 and 65 /sqm /month in Budapest while downtown high street rents at Váci utca are around EUR 80 to 100 /sqm /month and EUR 40 to 80 /sqm /month on Andrásy Avenue.

### **Budapest industrial market**

At the end of 2014, the modern industrial stock in Budapest was expanded by 7,500 sqm after delivered a new built-to-suit warehouse. Therefore, the size of the industrial stock increased to 1.85 million sqm. Over 2014, the completion volume totalled only 18,600 sqm. The annual gross take-up reached a record high with 386,625 sqm, out of which net take-up comprised 221,775 sqm. The later volume represents a more than 36% growth on 2013 and the highest annual net take-up in the history of the Budapest industrial market. In 2014, 104 leases were signed in total with an average deal size of 3,720 sqm. In 2014, the vacancy rate finally started to decline and managed to improve steadily over the year. By Q4 2014, it reached 15.7%, reflecting a robust 555 bps decline year-on-year. The rapidly improving market environment is expected to affect rental terms and conditions. The effective rents will eventually start rising in modern logistics parks. On the other hand, the positive environment will not relate to secondary warehouses.

### **Budapest hotel market**

Budapest remains the most popular city of the country and has attracted 45% of the total visitors in 2013. Since a sharp tourism fall in 2009, substantial growth has been recorded in the capital. The number of tourist arrivals has been gradually growing and the city has registered a year on year increase of 5.9% in 2013. Similar trend is observed with overnight stays, which reached 7.3 million the same year. The international demand is extremely dominant, with around 90% of foreigner staying at hotels versus 10% of Hungarians. According to STR global, the overall performance of hotels in Budapest shows a positive trend when comparing 2013 and 2012. The market has been continuously improving with growth in RevPar in both 2011 (+9.22%) and 2012 (+8.59%). Further improvement is observed in 2013 with a RevPar year on year increase of 3.9% through growth in ADR (+0.5%) and mainly occupancy (+3.5%).

## **Slovakia**

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

### **Retail Market**

The retail market in Slovakia is currently extremely saturated and thus has very low potential for further development. 2014 showcased a higher volume of new retail supply in comparison to 2013 and the retail stock in Slovakia comprises of approximately 1.54 million sqm, with shopping centres accounting for 77.91% and retail parks for 17.45%. The retail stock density in Bratislava is 1,300 sqm per 1,000 inhabitants. Prime high street rents in Bratislava are at a level of EUR 20 and 45 /sqm /month. Prime shopping centre rents in Bratislava range between EUR 50 and 85 /sqm /month. The consumer spending growth is forecast to average 2.6% in 2015 and no large-scale retail developments are predicted in the near future in Bratislava.

### **Industry and Logistic Market**

A total A class industrial stock in Slovakia equalled almost 1.3 million sqm at the end of 2014. The annual supply reached almost 80,000 sqm in 2014. Overall take-up in 2014 totalled 333,000 sqm, which marks a 40% increase compared to 2013. Almost 60% of the space delivered in 2014 was pre-leased and 80% of the space currently under construction (34,000 sqm) is already secured by a tenant. The vacancy rate as of Q4 2014 stands at 7.7%. Prime headline rents in the Greater Bratislava area are at EUR 3.80-4.80 /sqm /month and in Eastern Slovakia, prime headline rents are at EUR 3.60-3.90 /sqm /month. Continued strong competition is expected in 2015 as far as new and existing tenants are concerned, mainly in the Bratislava region. The main factors will remain to be headline rents, rent free periods and a focus on the reduction of service charges.

## **Poland**

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

### **Warsaw office market**

Total modern office stock in Warsaw reached almost 4.4 million sqm at the end of 2014, a growth of 277,000 sqm on the 2013 level. A number of new office deliveries with low occupancy ratio rescheduled for the beginning of 2015. Construction activity in Warsaw remains substantial with 760,000 sqm under active construction (including 56,000 sqm under refurbishment) of which 19% is secured with pre-lets. The expected delivery for 2015 is approx. 320,000 sqm. The total gross take-up reached approx. 612,000 sqm in 2014, only 21,000 sqm below the record-breaking volume in 2013. The public sector had a 13% share in the total take-up volume in 2014, becoming one of the key demand drivers. The vacancy rate in Warsaw decreased slightly to 13.3% over Q4 2014, however the ongoing upwards trend is expected in 2015. Prime headline rents currently range between EUR 22-24 /sqm /month in central locations.

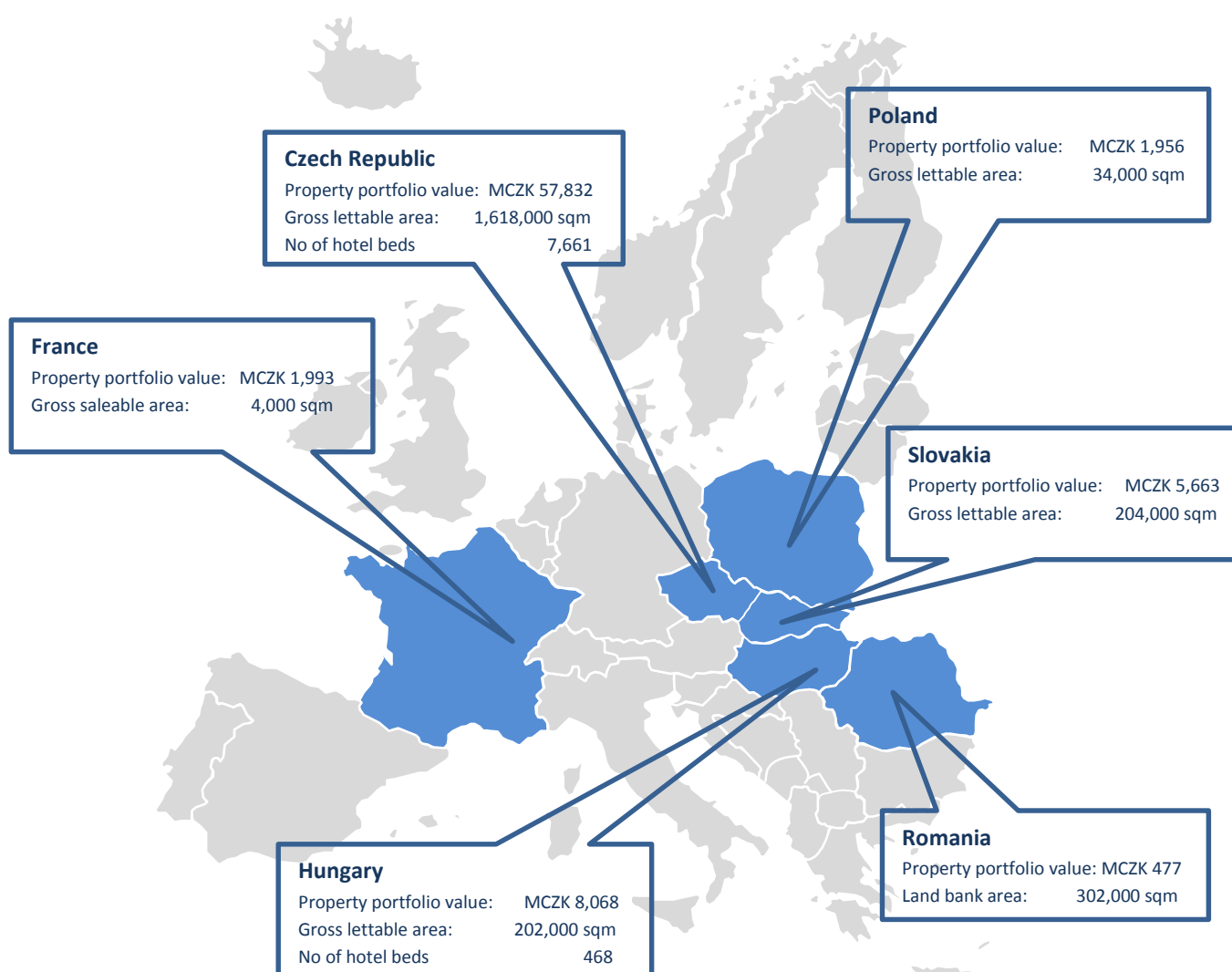
### **Retail Market in Poland**

The total supply of modern retail stock in Poland reached 12.7 million sqm as at end of 2014. New supply in 2014 exceeded 466,000 sqm of GLA and was delivered in 28 new projects and 8 extensions of existing schemes. Although shopping centres are still dominating retail format of newly delivered schemes, retail parks are gaining on importance. Over 24% of new supply was delivered as retail parks. Cities below 100,000 inhabitants have the highest share in new supply, which amounted to 45% of the total. Between January and November 2014, the retail sales in constant prices amounted to 4.2% year-on-year. Prime shopping centre rents peaked at EUR 90-100 /sqm /month for top retail assets in Warsaw and oscillate between EUR 43-55 /sqm /month in other major agglomerations.

## PROPERTY PORTFOLIO REPORT

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

Total number of properties increased significantly in the last few years. This was mainly due to acquisitions of new portfolio in the Czech Republic as well as in the other European countries. A portfolio of the Hungarian real estate investor Ablon and Endurance fund's retail portfolio became a part of the Group's portfolio in 2013. The significant enlargement due to these acquisition has enabled the Group to experience a quick and relatively safe expansion into new European markets in Poland, Hungary and Romania.



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

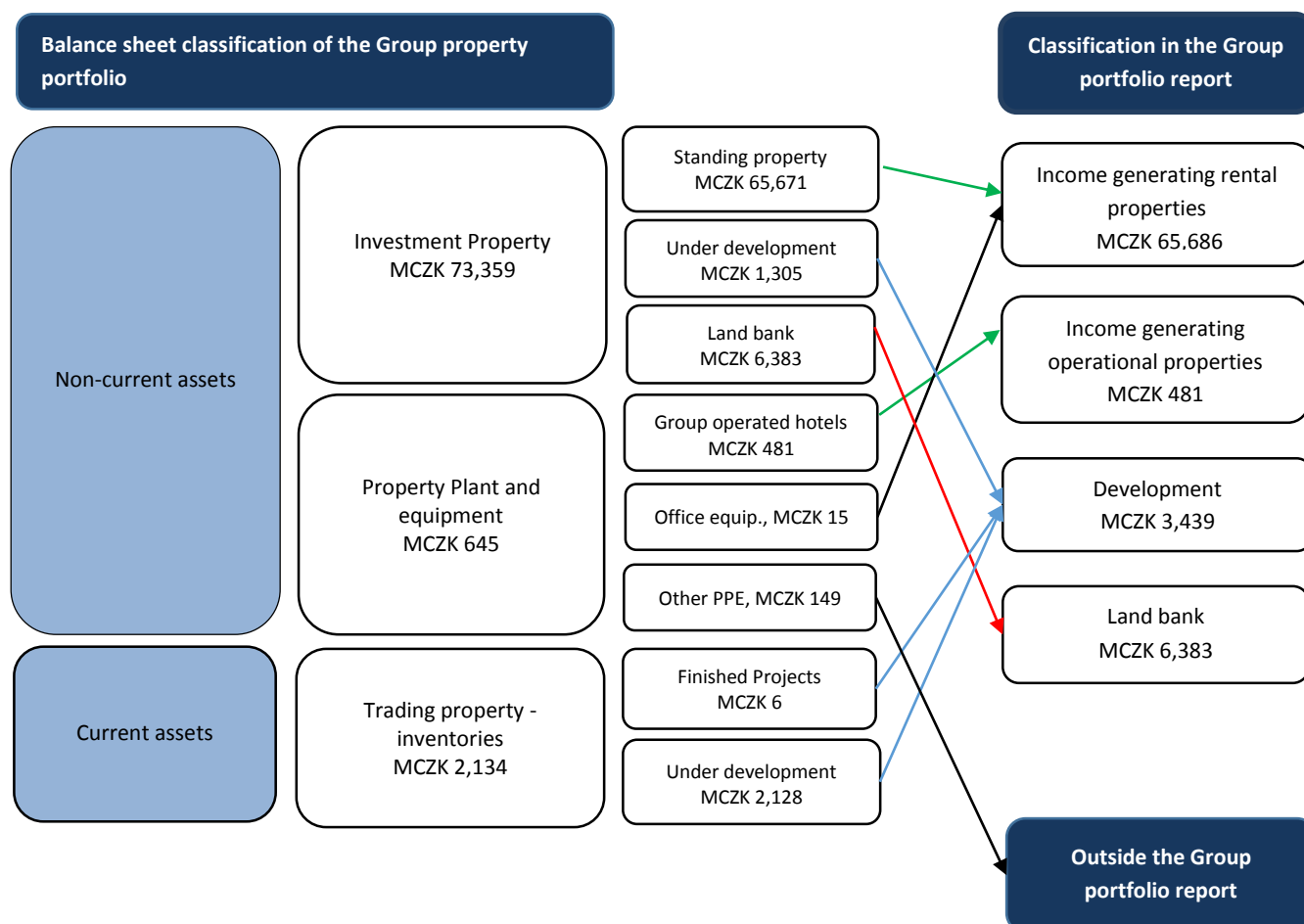
- Investment property
- Property, plant and equipment
- Trading property - inventories

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

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

The property portfolio report covers all properties held by the Group, independent of the balance sheet classification. These properties are reported as income generating properties (generating rental income or income from operations), development projects (investment property projects under development and inventories) or land bank.

The following chart reconciles the property assets of the Group as reported on the balance sheet as at 31 Dec 2014 with the presentation in our portfolio report:

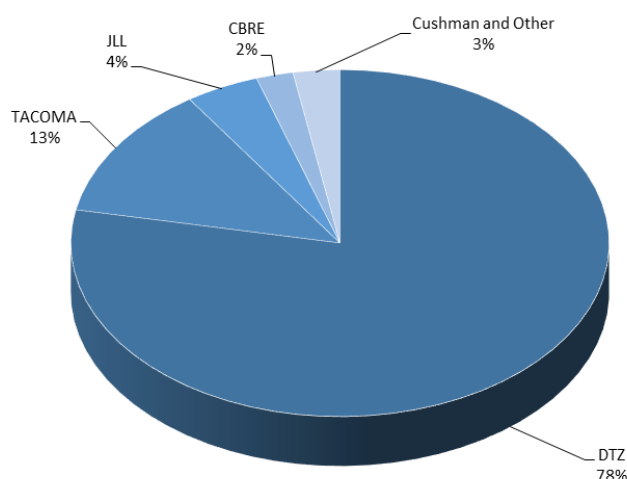


The financial statements of the Group as of 31 December 2014 were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the Investment properties owned by the Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

The property portfolio valuation as at 31 December 2014 is based on reports issued by:

- DTZ Czech Republic, a.s. (further “DTZ”). DTZ is a global leader in property services. The organization has more than 28,000 employees, operating in more than 260 offices in 52 countries and offers a complete range of tailored services on any scale, across multiple service lines and geographies. In the Czech Republic provides occupiers and investors on a local, regional and international scale with industry leading, end to end property solutions. DTZ in the Czech Republic has over 80 employees operating across 2 offices;
- RSM TACOMA a.s. (further “TACOMA”). TACOMA is part of the seventh largest network of professional firms RSM International. RSM International operates in 112 countries, has over nearly 730 offices and 37,000 professionals. TACOMA provides clients with services in the field of mergers & acquisitions, valuations, tax, trustee services, accounting and payroll;
- Jones Lang LaSalle (further “JLL”). JLL is a financial and professional services firm specializing in real estate services and investment management. JLL has more than 40,000 people in 1,000 locations in 70 countries and serve the local, regional and global real estate needs of their clients;
- Cushman & Wakefield (further “C&W”). C&W is a one of the leading commercial real estate services company, providing a full range of services to real estate occupiers, developers and investors on a local and international basis. C&W has about 250 offices in 60 countries, employing more than 16,000 professionals;
- CBRE GmbH (further “CBRE”). CBRE is the leading, full-service real estate services company. CBRE has more than 44,000 people in 349 locations in 42 countries and serve the local, regional and global real estate needs of their clients;
- other valuers.

Chart 1: Portfolio by valuator



The following table shows the amount of the Group's property portfolio as of 31 December 2014:

PROPERTY PORTFOLIO 2014	N° of properties *	No of residential units	No of hotel beds	Income generating MCZK	Development MCZK	Land Bank MCZK	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czech Republic	240	12,533	7,661	51,780	1,543	4,510	57,832	76%	25,510
Slovakia	18	--	--	5,663	--	--	5,663	7%	2,752
Hungary	16	--	468	6,752	--	1,315	8,068	10%	4,699
Poland	3	--	--	1,875	--	81	1,956	3%	1,151
Romania	--	--	--	--	--	477	477	1%	--
France	1	3	--	97	1,896	--	1,993	3%	1,019
<b>THE GROUP</b>	<b>278</b>	<b>12,536</b>	<b>8,129</b>	<b>66,167</b>	<b>3,439</b>	<b>6,383</b>	<b>75,989</b>	<b>100%</b>	<b>35,131</b>

\*excluding Residential unit

PROPERTY PORTFOLIO 2013	N° of properties *	No of residential units	No of hotel beds	Income generating MCZK	Development MCZK	Land Bank MCZK	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czech Republic	233	12,602	7,661	46,984	2,589	5,772	55,345	76%	25,292
Slovakia	17	--	--	5,385	--	--	5,385	7%	2,842
Hungary	15	--	468	6,094	--	1,353	7,447	10%	3,996
Poland	3	--	--	1,907	--	104	2,011	3%	1,228
Romania	--	--	--	--	--	547	547	1%	--
France	1	--	--	--	2,377	--	2,377	3%	1,599
<b>THE GROUP</b>	<b>269</b>	<b>12,602</b>	<b>8,129</b>	<b>60,370</b>	<b>4,966</b>	<b>7,776</b>	<b>73,112</b>	<b>100%</b>	<b>34,957</b>

\*excluding Residential units

The Group property value total CZK 75,989 million as of 31 Dec 2014 (31 Dec 2013: CZK 73,112 million). As showed in the chart below, 87% of the Group property portfolio value is made of income generating assets of which CZK 65,686 million (99%) are income generating rental properties and CZK 481 million (1%) are income generating operational properties. The majority of the income generating assets is located in the Czech Republic with 78% of the total value, followed by Hungary with 10% and Slovakia with 9%.

Chart 2: Property portfolio value 2010 - 2014

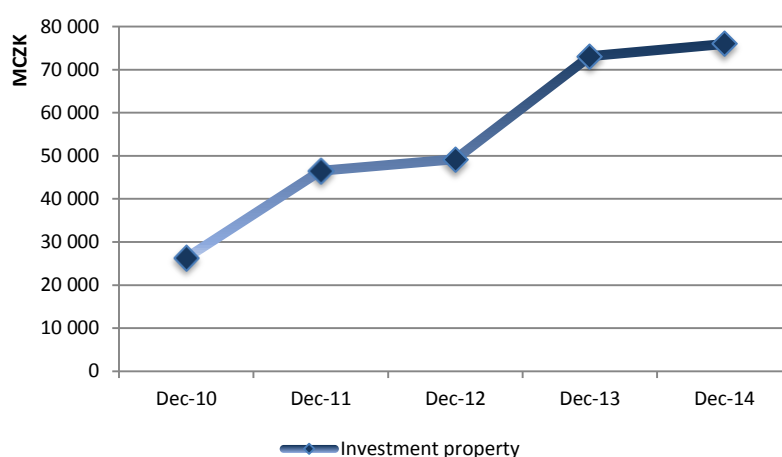


Chart 3: Property portfolio

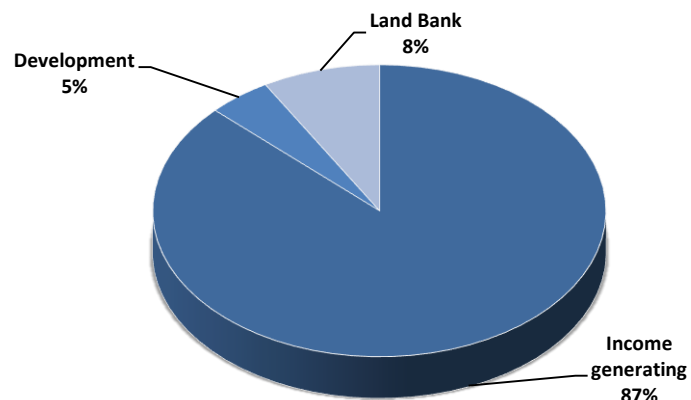
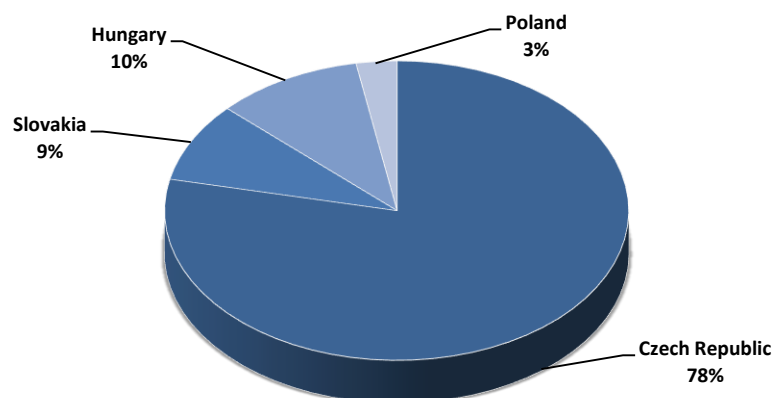


Chart 4: Income generating by country



Total increase of CZK 2,877 million in the portfolio value in 2014 was mainly attributable to the following:

- investment in the construction of multifunctional complex QUADRIO of CZK 965.5 million;
- new office premises acquired in Hungary in total value of CZK 1,382 million;

## INCOME GENERATING

### Income generating rental properties

INCOME GENERATING RENTAL PROPERTIES 2014	N° of properties **	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy * %	Rental income 2014 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Retail	189	24,729	38%	633	94.3%	1,812	252	5.0	12,504
Office	43	23,237	35%	453	83.5%	1,386	334	3.5	13,035
Industry and Logistics	16	3,826	6%	211	94.4%	308	129	2.8	1,842
Hotels	16	6,210	9%	161	100.0%	384	221	13.0	2,325
Residential	--	7,684	12%	761	82.5%	498	53	--	3,117
<b>THE GROUP</b>	<b>264</b>	<b>65,686</b>	<b>100%</b>	<b>2,219</b>	<b>88.7%</b>	<b>4,388</b>	<b>198</b>	<b>4.9</b>	<b>32,823</b>

\*the Group occupancy rate do not include Hotels

\*\*excluding residential properties

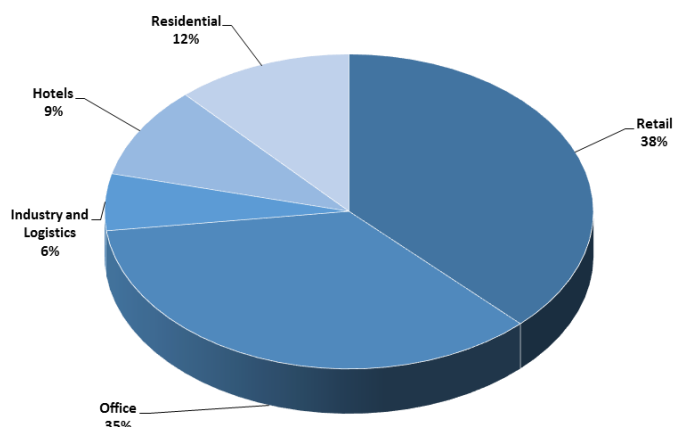
INCOME GENERATING RENTAL PROPERTIES 2013	N° of properties **	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy * %	Rental income 2013 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Retail	183	22,427	38%	611	90.4%	1,510	231	7.3	12,137
Office	41	19,801	33%	407	83.9%	943	261	4.1	12,045
Industry and Logistics	16	3,772	6%	212	92.5%	278	127	3.9	1,909
Hotels	16	6,123	10%	129	100.0%	207	214	1.5	1,929
Residential	--	7,716	13%	772	81.8%	484	47	--	3,001
<b>THE GROUP</b>	<b>256</b>	<b>59,839</b>	<b>100%</b>	<b>2,131</b>	<b>87.2%</b>	<b>3,422</b>	<b>176</b>	<b>5.7</b>	<b>31,021</b>

\*the Group occupancy rate do not include Hotels

\*\*excluding residential properties

Income generating rental portfolio of CZK 65,686 million represents the major part of the Group's property portfolio. The Group is renting out a great variety of assets but is primarily focusing on office and retail. These two together represent 73% of the portfolio value and provide about 1,086,000 sqm of lettable area.

Chart 5: Income generating rental by type of segment



## Income generating operational properties

Income generating operational properties currently include segment hospitality and represents hotel operated by the Group under the brand of Courtyard by Marriott. Hotel is located in Budapest, Hungary.

Income generating operational properties 2014	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenues 2014 MCZK	Net hotel income 2014 MCZK	Average occupancy %	Average daily rate EUR	Outstanding financing MCZK
Hospitality – Hungary	1	481	100%	468	121	21	71.8%	1,450	489
THE GROUP	1	481	100%	468	121	21	71.8%	1,450	489


Income generating operational properties 2013	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenue 2013 MCZK	Net hotel income 2013 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Hospitality - Hungary	1	532	100%	468	54	17	66.3%	1,450	460
THE GROUP	1	532	100%	468	54	17	66.3%	1,450	460

Picture 1: Best Properties South, Galerie Fénix, Prague



## RETAIL

Key Figures – December 2014

<b>94.3</b>	<b>%</b>	<b>189</b>	
Occupancy		Number of properties	
<b>1,812 million</b>	<b>CZK</b>	<b>24,729 million</b>	<b>CZK</b>
Rental income 2014		Property value	
<b>633,000</b>	<b>sqm</b>	<b>7.3</b>	<b>%</b>
Gross lettable area		Gross return*	

\*Gross return is based on the annualized 12-months 2014 income

Retail historically represents a very stable category of income generating assets which is flexible to adapt to market conditions and economic changes without substantial losses. The Group concentrates on mid-sized shopping areas as retail parks and supermarkets with long-term contracts generating long-lasting rental income and experiencing relatively high occupancy rate. The Group currently owns and manages retail space in the Czech Republic, Slovakia, Hungary and Poland.

RETAIL 2014	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2014 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	168	20,154	81%	504	94.2%	1,441	252	4.9	9,829
Slovakia	16	3,095	13%	82	99.9%	253	258	6.9	1,560
Hungary	4	954	4%	39	83.3%	72	184	1.9	765
Poland	1	526	2%	8	96.4%	46	439	2.5	350
<b>THE GROUP</b>	<b>189</b>	<b>24,729</b>	<b>100%</b>	<b>633</b>	<b>94.3%</b>	<b>1,812</b>	<b>252</b>	<b>5.0</b>	<b>12,504</b>

RETAIL 2013	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2013 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	162	17,742	79%	482	89.8%	1,233	228	6.7	9,246
Slovakia	16	3,084	14%	82	99.9%	235	241	11.5	1,646
Hungary	4	1,066	5%	39	75.8%	34	179	2.4	887
Poland	1	535	2%	8	100.0%	8	442	2.3	358
<b>THE GROUP</b>	<b>183</b>	<b>22,427</b>	<b>100%</b>	<b>611</b>	<b>90.4%</b>	<b>1,510</b>	<b>231</b>	<b>7.3</b>	<b>12,137</b>

Retail portfolio provides about 633 thousand sqm of lettable area which can be further divided as follows:

- Retail warehouse which comprise supermarkets, hypermarkets, hobby markets and retail parks of about 390 thousand sqm of lettable area;
- Shopping centres and galleries of about 162 thousand sqm of lettable area;
- So-called special properties (separate units and establishments, usually B class) which provide about 81 thousand sqm of lettable area.

QUADRIO, the unique mixed-use complex, welcomed its first visitors on 31 October 2014. QUADRIO located at a prestigious address with excellent public transport and walking distance, enriched the Prague city centre with a shopping gallery with 66 shops on four floors and provide in total of 8,500 sqm of retail premises which were almost fully leased upon the grand opening. Among major tenants belong Billa, Kogo, and well-known brands such as Sephora, Dermacol, Euronics, Neoluxor, dm drogerie, Kara, Promod, Calzedonia, Sparkys and HM Studio.

In November 2014 the Group opened its 25th retail park within its Czech portfolio. CPI Retail Park Čáslav is located about 90 kilometres east from Prague and offers 2,600 sqm of lettable area, which was fully occupied upon the grand opening.


City Park Jihlava has signed new lease contracts with Cropp Town, Euronics and T-mobile and extended ones with existing tenants such as Comptessa, Nanu Nana and RWE. OLYMPIA Mladá Boleslav opened a new children's corner called „Lod'ka Ola“ in May 2014. Olympia has also signed new lease contract with Česká spořitelna, which has opened a new branch office in November 2014.

The Group acquired 3 new Penny Markets and new Billa with total rentable space of 5,338 sqm. In total, the Group is operated 25 Penny Markets and 16 Billa.

Existing lease contracts were renewed at almost all shopping centres owned by the Group which resulted to increase in average segment occupancy to 94.3% (2013: 90.4%).

## OFFICE

Key Figures – December 2014

<b>83.5</b> %	<b>43</b> 
Occupancy	Number of properties
<b>1,386 million</b> CZK	<b>23,237 million</b> CZK
Rental income 2014	Property value
<b>453,000</b> sq. m.	<b>6.9</b> %
Gross lettable area	Gross return*

\* Gross return is based on the annualized 12-months 2014 income

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

OFFICE 2014	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2014 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	32	16,778	72%	287	89.9%	952	330	5.9	9,057
Slovakia	1	241	1%	4	61.3%	3	321	1.1	96
Hungary	8	4,869	21%	136	71.4%	325	318	3.2	3,082
Poland	2	1,349	6%	26	80.0%	106	458	2.9	800
<b>THE GROUP</b>	<b>43</b>	<b>23,237</b>	<b>100%</b>	<b>453</b>	<b>83.5%</b>	<b>1,386</b>	<b>334</b>	<b>3.5</b>	<b>13,035</b>

OFFICE 2013	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2013 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	32	14,484	73%	273	91.9%	798	228	4.6	9,003
Hungary	7	3,945	20%	108	65.0%	126	313	2.8	2,173
Poland	2	1,372	7%	26	78.4%	19	483	2.5	869
<b>THE GROUP</b>	<b>41</b>	<b>19,801</b>	<b>100%</b>	<b>407</b>	<b>83.9%</b>	<b>943</b>	<b>261</b>	<b>4.1</b>	<b>12,045</b>

In the first half of 2014, the Group acquired administrative building Arena Corner in Budapest, an A class building complex providing 29,000 sqm of office and minor retail spaces on 8th floors in 3 office towers with direct connections to each other. The complex is situated in the sport and business hub of the city and is well connected to public transportation.

In June 2014, the Group successfully signed the lease contract with Vodafone Hungary for 13,800 sqm. Vodafone extended its current lease of 8,200 sqm and, in addition to this, leased another 5,600 sqm. As a result of this transaction Arena Corners is now 95% let, leaving only about 1,500 sqm of retail units vacant on the ground floor areas.

Picture 2: CPI Národní, Quadrio, Prague



In October 2014 the Group finished development of its prime commercial property in the Czech Republic – QUADRIO. This unique mixed-use complex is located in the historical centre of Prague, directly above the metro station and offers 16,400 sqm of modern A-class office space. Office premises are currently undergoing the interior modifications according to the requirements of future tenants and the office tenants will start moving into the premises in the coming months. The first lease agreement was signed with the Hungarian gas and oil group MOL. In general, tenants will receive especially high comfort, modern design and above-standard quality of services accompanied with an attractive location of the building. In addition, the roof of the top eighth floor carries a spacious terrace with a fantastic view of all of Prague. The tenants will appreciate not only remarkable efficiency of the offices and the high technical standard of the building, but also low operating costs. The compound consists of six buildings, which, viewed from above, form the shape of a four leaf clover. A unique ground plan with an above-standard proportion of glass facade allows maximum efficiency of the working space without so-called dead and unused spots and together with the latest technologies enables premises to be designed both as separated offices and open space. It also have a major influence on the operating costs of the building. QUADRIO succeeded in many competitions: Awards for the best office project and environmentally friendly building took home from the CIJ Awards, as well as the prestigious prize Developer of the Year 2014. QUADRIO succeeded in the competition Best of Realty in the category of best offices.


In October 2014 the Group acquired Office Center Poštová, s.r.o. (“OCP”), which owns 3,800 sqm of office premises in a refurbished building located in the prime downtown area of Bratislava, Slovakia. The acquisition follows the completion of insolvency restructuring procedure of OCP. As part of its restructuring, OCP obtained a favourable bank financing of CZK 96 million.

In addition to extension of the portfolio, the Group has entered new leases with the tenants and extended a number of current rental contracts in the Czech Republic and Poland. Among new tenants belong companies such as DHL Express and GMC Software Technology in Olomouc, Moravia IT in Brno, UJV Řež and Synlab in Prague and Allianz which relocated its regional headquarters to the administrative complex CPI City Center in Ústí nad Labem in April 2014. A re-negotiation of 32,000 sqm rented to Česká pojišťovna (member of Generali Group) across the Czech Republic was the largest tenancy transaction in the local market.

These transactions have positive impact on the occupancy in Hungary and Poland out of which Hungarian portfolio occupancy shows the remarkable increase from 65% to 71.4%. Reflecting a slight decrease in occupancy in Czech Republic, the average occupancy of office portfolio decreased from 83.9% to 83.5%.

## RESIDENTIAL

Key Figures – December 2014

<b>82.5</b>	<b>%</b>	<b>12,536</b>	
Occupancy		Number of residential units	
<b>498 million</b>	<b>CZK</b>	<b>7,684 million</b>	<b>CZK</b>
Rental income 2014		Property value	
<b>761,000</b>	<b>sqm</b>	<b>6.5</b>	<b>%</b>
Gross lettable area		Gross return*	

\* Gross return is based on the annualized 12-months 2014 income

Residential properties have been at the forefront of the Group's interest for many years. The Group is an important player in the Czech Republic residential housing market holding the position of the second largest provider of the rental housing. The existing housing stock of the Group includes 12,536 rental flats in 15 cities of the Czech Republic concentrated mainly in the North Moravia, North Bohemia and Middle Bohemia regions. Rental housing portfolio is managed under the brand CPI BYTY, a.s.

RESIDENTIAL 2014	N° of residential units	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2014 MCZK	Rent per sqm CZK	Churn rate %	Outstanding financing MCZK
Czech Republic - Prague	569	1,243	16%	34	96.8%	60	146	10.4%	3,020
Czech Republic - other	11,964	6,344	83%	727	81.8%	437	66	11.9%	
France	3	97	1%	0.17	100.0%	1	678	0.0%	98
<b>THE GROUP</b>	<b>12,536</b>	<b>7,684</b>	<b>100%</b>	<b>761</b>	<b>82.5%</b>	<b>498</b>	<b>53</b>	<b>11.9%</b>	<b>3,118</b>

RESIDENTIAL 2013	N° of residential units	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2013 MCZK	Rent per sqm CZK	Churn rate %	Outstanding financing MCZK
Czech Republic - Prague	636	1,446	19%	43	97.2%	69	125	12.40%	3,001
Czech Republic - other	11,966	6,270	81%	729	81.0%	415	54	13.52%	
<b>THE GROUP</b>	<b>12,602</b>	<b>7,716</b>	<b>100%</b>	<b>772</b>	<b>81.8%</b>	<b>484</b>	<b>47</b>	<b>13.5%</b>	<b>3,001</b>

In the second half of 2014 three residential apartments in the total value of CZK 97 million located in Cannes, France were acquired. Apartments are financed by long term loan of CZK 98 million.

As for the prior years, the Group is implementing a long term and thorough refurbishment plan of the portfolio. Total annual expenditures of CZK 212 million were spent on reconstruction of roofs and sewers connections and reconstruction of flats that are intended for new lease and on regular maintenance.

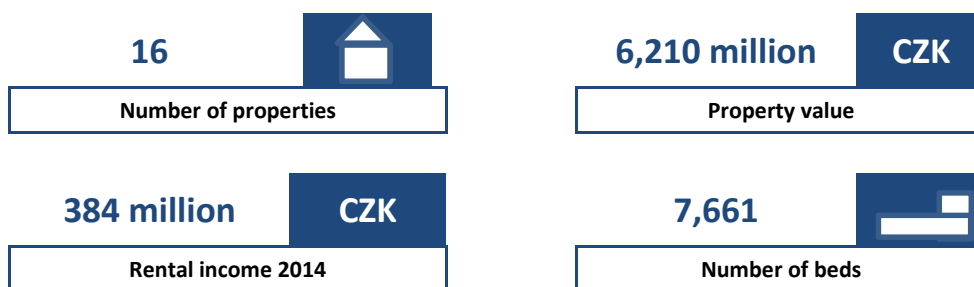
In addition to ongoing refurbishment plan, the Group continues to create Client's centres in each location, which provides rent-related advisory services to the tenants. The personal approach through the Client's centres and continuous refurbishment of the apartments contribute positively to the long-term and stable relationship with the tenants and form the basis for a firm rental income.

Picture 3: CPI Byty



## HOTELS

Key Figures – December 2014



The Group is one of the largest Czech owner and developer of hotels. The hotels' network currently include 16 hotels in Prague and regional cities of the Czech Republic. The set of activities in this segment includes reconstruction of original buildings and construction of entirely new hotels of various standards.

The diverse portfolio includes lodging houses for long-term accommodation and hotels in the two to five stars category. The flagship of the Group is a network of four-stars Clarion hotels aimed at the corporate and congress clientele.

HOTELS 2014	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Number of beds	Rental income 2014 MCZK	Rent per sqm CZK	Outstanding financing MCZK
Czech Republic	16	6,210	100%	161	7,661	384	221	2,325
THE GROUP	16	6,210	100%	161	7,661	384	221	2,325

HOTELS 2013	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Number of beds	Rental income 2013 MCZK	Rent per sqm CZK	Outstanding financing MCZK
Czech Republic	16	6,123	100%	161	7,661	207	214	1,929
THE GROUP	16	6,123	100%	161	7,661	207	214	1,929


The existing and newly opened hotels show that the Group cutting-edge facilities, in conjunction with an experienced and quality operator, are easily able to compete in this segment inside and also outside Prague. Building the Clarion brand and reconstruction of regional hotels into modern multipurpose hotels has resulted into positive feedback from hotels' visitors and has increased the hotels occupancy. In December 2014, the Group completed renovation of Clarion hotel in Northern Bohemia which offers an extended modern restaurant and large congress facility.

Picture 4: Muxum, a.s., Budha Bar, Prague



## INDUSTRY AND LOGISTICS

Key Figures – December 2014

<b>94.4</b>	<b>%</b>	<b>16</b>	
Occupancy		Number of properties	
<b>308 million</b>	<b>CZK</b>	<b>3, 826 million</b>	<b>CZK</b>
Rental income 2014		Property value	
<b>211,000</b>	<b>sqm</b>	<b>8.0</b>	<b>%</b>
Gross lettable area		Gross return	

Logistics is the most recent class of assets in which the Group started to invest and will continue to expand. The Group currently owns about 211,000 sqm of rental space and manages 16 objects used for light industrial production, including the Autologistics Park Lozorno in Slovakia, the Continental Logistics Park in the Czech Republic, as well as the Airport City Logistics Park in Hungary.

INDUSTRY AND LOGISTICS 2014	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2014 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	12	1,051	27%	65	88.9%	89	128	3.7	541
Slovakia	1	2,327	61%	119	98.0%	176	127	2.7	1,095
Hungary	3	448	12%	27	92.1%	43	142	3.2	206
<b>THE GROUP</b>	<b>16</b>	<b>3,826</b>	<b>100%</b>	<b>211</b>	<b>94.4%</b>	<b>308</b>	<b>129</b>	<b>2.8</b>	<b>1,842</b>

INDUSTRY AND LOGISTICS 2013	N° of properties	Carrying value MCZK	Carrying value %	Gross lettable area thds. sqm	Occupancy %	Rental income 2013 MCZK	Rent per sqm CZK	WAULT	Outstanding financing MCZK
Czech Republic	12	987	26%	65	89.3%	89	125	4.7	554
Slovakia	1	2,302	61%	119	93.7%	170	126	3.5	1,197
Hungary	3	483	13%	27	95.3%	19	139	3.5	158
<b>THE GROUP</b>	<b>16</b>	<b>3,772</b>	<b>100%</b>	<b>211</b>	<b>92.5%</b>	<b>278</b>	<b>127</b>	<b>3.9</b>	<b>1,909</b>

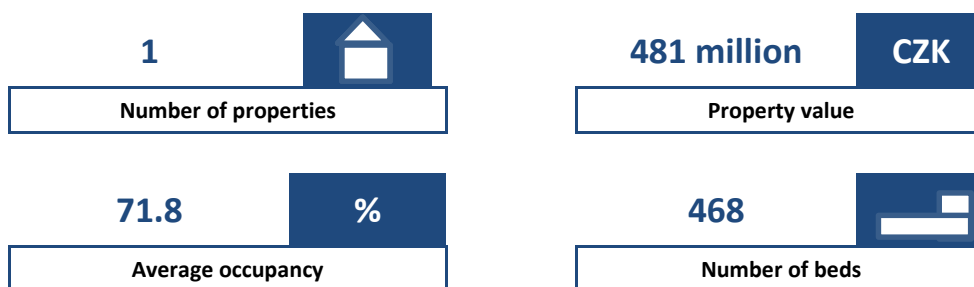
The Group succeeded to extend the lease contracts with UPS and Panalina in the Airport City Logistics Park and with Inteva Production in the Autologistics Park Lozorno. The segment keeps relatively high occupancy at 94.4% which is higher than the 92.5% achieved in December 2013.

Picture 5: Brandýs Logistic, a.s., Brandýs nad Labem



## HOSPITALITY

Key Figures – December 2014



The Courtyard by Marriott Budapest City Center hotel, acquired in June 2013 has become a new addition to the portfolio. It is the only hotel that is currently directly owned and operated by the Group. It is located at the heart of Budapest, only a few minutes away from the Rudas Thermal Bath, Buda Castle and Erzsébet Bridge. The hotel which is among the newest hospitality offerings of the Hungarian capital, having opened in 2010, has 235 bedrooms and is a part of the Europeum Shopping Centre.

Hospitality 2014	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenue 2014 MCZK	Net hotel income 2014 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Hungary	1	481	100%	468	121	21	71.8%	1,450	489
THE GROUP	1	481	100%	468	121	21	71.8%	1,450	489

Hospitality 2013	N° of properties	Carrying value MCZK	Carrying value %	Number of beds	Hotel revenue 2013 MCZK	Net hotel income 2013 MCZK	Average occupancy %	Average daily rate CZK	Outstanding financing MCZK
Hungary	1	532	100%	468	54	17	66.3%	1,450	460
THE GROUP	1	532	100%	468	54	17	66.3%	1,450	460

The hotel generated revenue of CZK 121 million and net hotel income of CZK 21 million in 2014. Average occupancy rose from 66.3% in 2013 to 71.8% in 2014.

Picture 6: Duna Office Center Kft., Courtyard Marriott, Budapest



## DEVELOPMENT

Key Figures – December 2014

<b>38,000</b>	<b>sqm</b>	<b>1,305 million</b>	<b>CZK</b>
Potential gross leasable area		Development for rental	
<b>9,000</b>	<b>sqm</b>	<b>2,134 million</b>	<b>CZK</b>
Potential gross saleable area		Development for sale	

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

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

DEVELOPMENT 2014	N° of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MCZK	Development for sale MCZK	Development for rental %	Development for sale %	Remaining development costs MCZK
Czech Republic	12	38	5	1,305	238	100%	11%	656
France	1	--	4	--	1,896	--	89%	38
<b>THE GROUP</b>	<b>13</b>	<b>38</b>	<b>9</b>	<b>1,305</b>	<b>2,134</b>	<b>100%</b>	<b>100%</b>	<b>694</b>

DEVELOPMENT financing 2014	Bank loans MCZK	Other external financing MCZK	Internal financing MCZK	Total MCZK
Czech Republic	690	--	440	1,130
France	922	--	1,074	1,996
<b>CPI GROUP</b>	<b>1,612</b>	<b>--</b>	<b>1,514</b>	<b>3,126</b>

DEVELOPMENT 2013	N° of properties	Potential GLA thds. sqm	Potential GSA thds. sqm	Development for rental MCZK	Development for sale MCZK	Development for rental %	Development for sale %	Remaining development costs MCZK
Czech Republic	11	114	77	2,349	240	100%	9%	2,105
France	1	--	6	--	2,377	--	91%	465
<b>THE GROUP</b>	<b>12</b>	<b>114</b>	<b>83</b>	<b>2,349</b>	<b>2,617</b>	<b>100%</b>	<b>100%</b>	<b>2,570</b>

DEVELOPMENT financing 2013	Bank loans MCZK	Other external financing MCZK	Internal financing MCZK	Total MCZK
Czech Republic	400	22	1,522	1,944
France	1,598	--	1,312	2,910
<b>THE GROUP</b>	<b>1,998</b>	<b>22</b>	<b>2,834</b>	<b>4,854</b>

Development projects are financed by external financing of CZK 1,612 million as well as by internal financing of CZK 1,514 million.

The biggest focus is on the completion of current development projects which mainly include reconstruction of the residential complex Palais Maeterlinck in France and reconstruction of unique historical building in Prague.

QUADRIO multifunctional business complex, located in the centre of Prague, represented the largest development project of the Group. The outstanding development of CZK 150 million represents the residential units which are intended for sale to outside clients. The apartments ranging from small up to large and luxurious and selling prices range from 100 to 150 thousand CZK per sqm. Considering the pre-sale agreements at the end of December 2014, there is only 1 apartment available for sale.

Picture 7: CPI France, Palais Maeterlinck, France



Palais Maeterlinck represents the first foreign development project of the Group. This former home of Belgian poet Maurice Maeterlinck is located on the Cote d'Azur which is one of the most popular locations on the French Riviera. The total area comprised about 6,000 sqm of residential area and 3 hectares of land. Reconstruction enabled the creation of luxurious apartments, which are intended for sale. The project was substantially finished in 2014 and four apartments were sold to the clients before the year end. Outstanding apartments which are subject to the interior customisation to each client's specifications should be finished by spring 2015.

In 2013, the Group started a unique development project for the future use of historically valuable building in the centre of Prague (Živnobanka). Once refurbished, the building will be opened to the public and will offer to Prague several exhibition spaces for a total area of 3,500 sqm that will be one of the largest exhibition dedicated to glass and utility design. The concept will also include a café and a restaurant, thematic programs for families, and also boutiques, showrooms and offices. The public areas will be complemented by retail spaces with glass, light and design and a wide variety of events and educational programs. Development finalization is planned at the end of 2016.

The development project Meteor Centre Office Park – building C, located in Prague, will offer above 5,000 sqm of office and commercial space and an enjoyable terrace. The Meteor project is of great interest, mainly due to its excellent location, excellent technical quality and modern design. Completion is scheduled in spring 2015.

## LAND BANK

Key Figures – December 2014

<b>17,931,000</b>	<b>sqm</b>	<b>6,383 million</b>	<b>CZK</b>
Total area		Property value	

The Group has a rather extensive portfolio of land plots throughout the Czech Republic, Hungary, Poland and Romania. Plots are often in attractive locations, either separate or adjacent to existing commercial buildings or in the city centre, and their value continues to increase with the growth of surrounding infrastructure.

LAND BANK 2014	Total area thds. sqm	Area with zoning thds. sqm	Area without zoning thds. sqm	Carrying value MCZK	Carrying value %	Outstanding financing MCZK
Czech Republic	17,418	1,113	16,305	4,510	71%	49
Hungary	186	186	--	1,316	21%	157
Poland	25	--	25	81	1%	--
Romania	302	268	34	477	7%	--
<b>THE GROUP</b>	<b>17,931</b>	<b>1,567</b>	<b>16,364</b>	<b>6,383</b>	<b>100%</b>	<b>206</b>

Portfolio mainly include plots in Ústí nad Labem and Plzeň region, which are very often adjacent to the emerging highway and smaller land plots, which are distributed all over the Czech Republic. Recently acquired land bank portfolio include plots intended for future residence, office and industrial projects in Hungary, Poland, Czech Republic and Romania. Out of the total plots area, approximately 9% are with zoning.

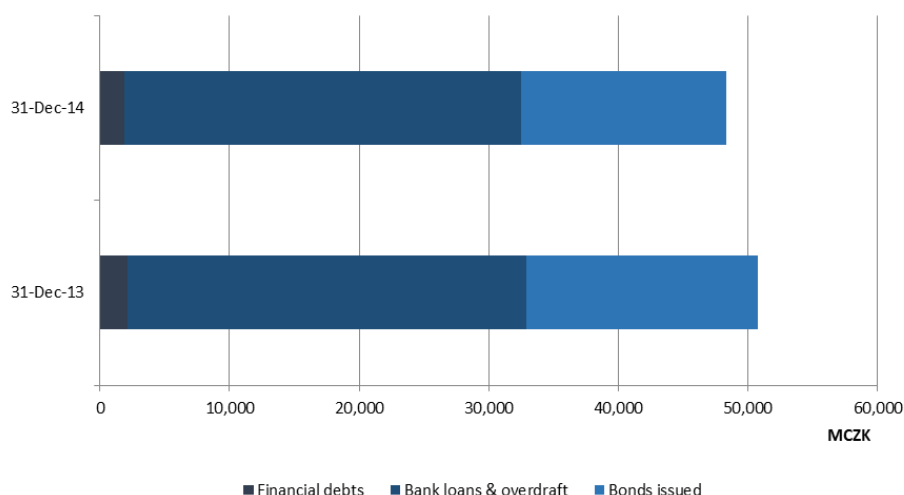
Picture 8: CPI Park Žďárek (visualization)



## FINANCING

The external financing total CZK 48,354 million as of 31 December 2014 (31 Dec 2013: CZK 50,732 million) and costs of financing total CZK 2,256 million (2013: CZK 1,922 million). The structure of external financing remained on the same level compared to 31 December 2013 and bank loans and bonds represented 96% of the Group's external financing (31 Dec 2013: 96%).

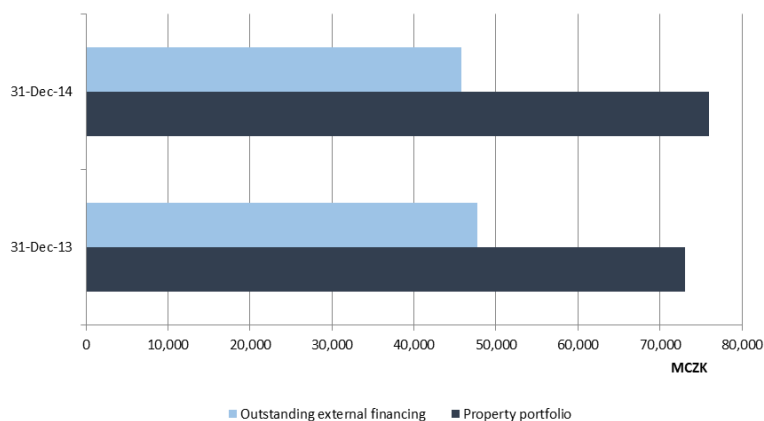
Chart 6: Structure of external financing



The Group continues to focus on establishing the most effective structure of sources of external financing alongside successful management of the property portfolio. The share of net debt on property value decreased from 65.3% to 60.3% as showed in the table and graph below:

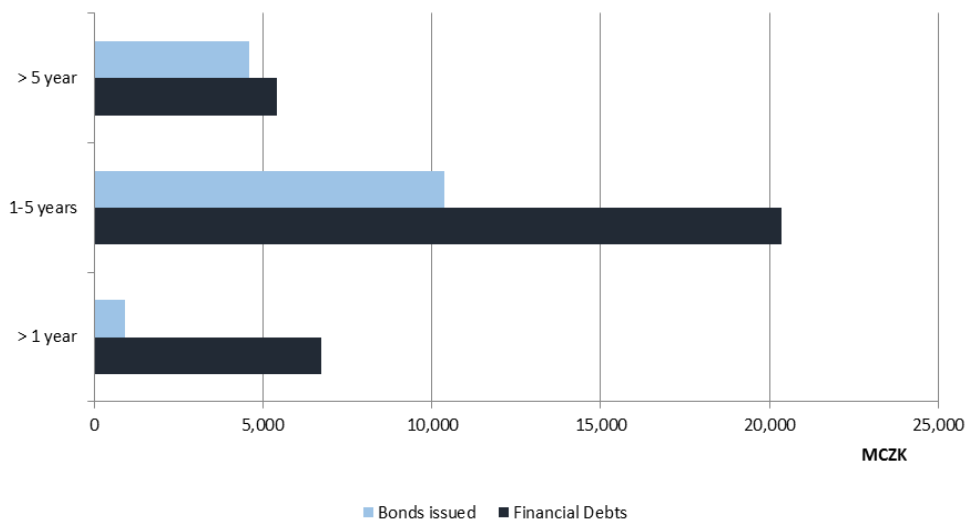
MCZK	31-Dec-14	31-Dec-13
Financial debts (non-current)	25,743	27,799
Financial debts (current)	6,738	4,691
Bonds issued (non-current)	14,963	17,253
Bonds issued (current)	910	579
Bank overdraft	--	410
Cash and cash equivalents	-2,551	-3,006
<b>Net debt</b>	<b>45,803</b>	<b>47,726</b>
<b>Property Portfolio</b>	<b>75,989</b>	<b>73,112</b>
<b>Loan to value ratio in %</b>	<b>60.3%</b>	<b>65.3%</b>

Chart 7: Group portfolio and external financing 2013 - 2014



The maturity profile of the Group's financing, including accrued interest as at 31 December 2014 is showed in the chart below:

Chart 8: Maturity profile of external financing

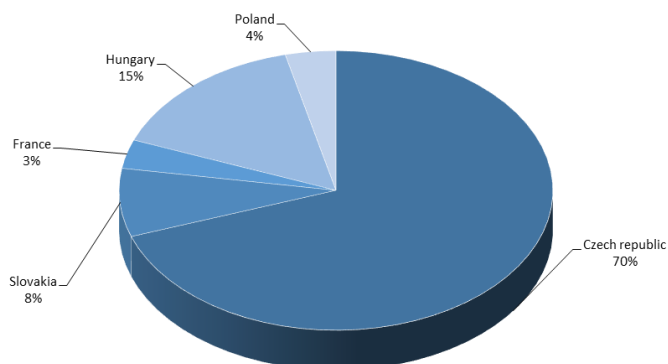


79% of the outstanding balance of external financing is due within 5 years. This is substantially driven by the maturity of bank loans and overdrafts of which 83% is payable within 5 years. On the other hand 29% of the bonds outstanding balance will mature after 5 years.

## Bank loans

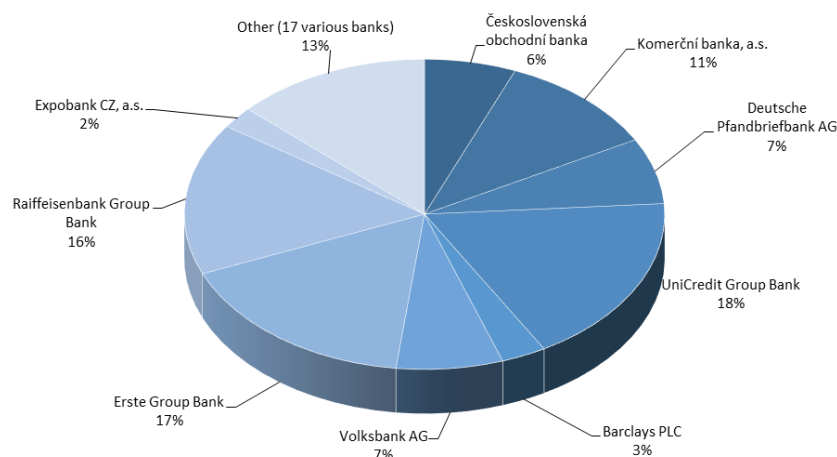
Significant part of the interest-bearing liabilities represents bank loans. Bank loans balance, including bank overdrafts reached CZK 30,568 million as at 31 December 2014, which represents slight decrease by CZK 200 million compared to 31 December 2013. A ratio of loans drawn in Czech crowns against loans drawn in Euro has not changed and is 38:62 as at 31 December 2014 (31 Dec 2013: 38:62).

Chart 9: Bank loans by location



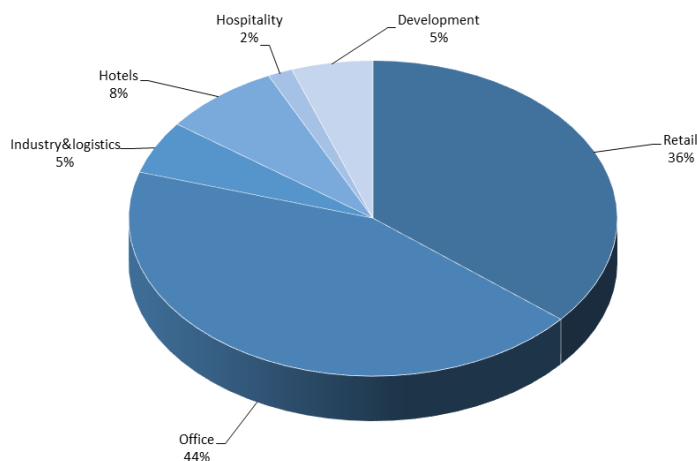
The Group benefits from long-term business relationships with a number of banks in the Czech Republic, Hungary, Slovakia and other countries. With this diversification, the Group is not dependent on the actions of individual lenders and has access to a wide variety of financing sources. About 82% of outstanding bank loan balance is drawn from 7 financing bank groups; in total the Group draws 128 bank loan facilities from 26 banks.

Chart 10: Bank loans by banks



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

Chart 11: Bank loans by segments



Interest rate fluctuation might have a significant impact on the profit of the Group. The Group has therefore entered into interest rate swap contracts to hedge against an interest rate fluctuation. The fair value of the swap open position is negative of MCZK 391 (2013: MCZK 191), an increase resulted from new interest rate swaps concluded in 2014.

Within the outstanding bank loans balance, 50% bears variable interest, 47% bears variable interest but is hedged by derivatives and 3% bears a fixed interest. Effective costs of financing are 3.40 % (2013: 4.13%).

## Bonds issued

Bonds represent significant additional source of the Group's financing. Bond balance total CZK 15,873 million as at 31 December 2014 (31 Dec 2013: CZK 17,831 million). The decrease is mainly caused by change in ownership structure of the bonds. In 2014, 39% of issued bonds is owned by the Group while in 2013 was the portion 28%.

The Group issued new Czech crowns project bonds in 2014:

- Project bonds in total nominal value of CZK 1,125 million with a maturity in 2019, bearing a fixed interest of 5 % per annum.

- Project bonds in total nominal amount of CZK 500 million with a maturity in May 2019, bearing fixed interest rate of 4.80 % per annum.

Moreover, bonds of CZK 263 million which were owned by the Group at 31 December 2013 were sold to the external holders.

Significant part of the bonds outstanding balance (CZK 9,405 million; 59%) provide unsecured financing mainly at CPI level, while remaining part represents bonds which are secured by mortgage. Unsecured bonds are generally used as source of financing for current and future investment activities. The significant volume of issued bonds (39% of the nominal balance) is owned by other companies within the Group which provide certain level of flexibility of financing the investment activities.

A ratio of bonds issued in Czech crowns against bonds issued in Euro is 74:26 as at 31 December 2014 (31 Dec 2013: 76:24).

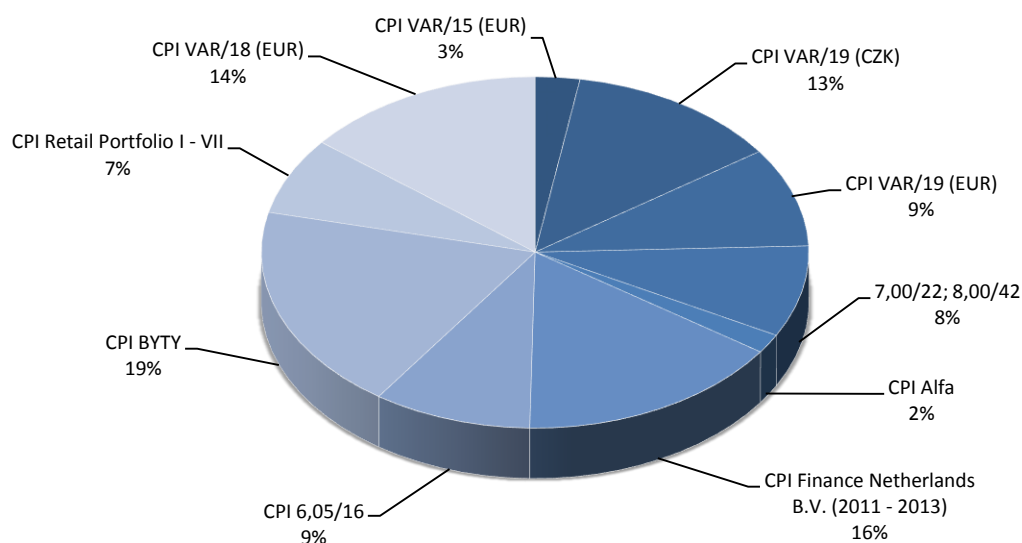
The bonds issued by the Group as at 31 December 2014 are summarized in the table below:

Group company	ISIN	Type	Currency	Nominal issued MCZK	31-December-14		Interest rate	Maturity
					Owned by group	Owned by external		
CPI CPI Finance Netherlands	CZ0003501496	CPI 2021	CZK	2,430	2,430	--	6M PRIBOR + 3,5% p.a.	8.8.2021
		CPI Finance NL - 2011	CZK	5,000	2,520	2,480	5% p.a.	15.12.2021
CPI	CZ0003501835	CPI VAR/15 (EUR)	EUR	416	--	416	6M EURIBOR + 6.5%	23.3.2015
CPI	CZ0003501868	CPI VAR/19 (CZK)	CZK	2,000	--	2,000	6M PRIBOR + 6.5%	29.3.2019
CPI	CZ0003501843	CPI VAR/19 (EUR)	EUR	1,608	161	1,447	6M EURIBOR + 6.5%	23.3.2019
CPI	CZ0003502932	8,00/42	CZK	1,000	--	1,000	8% p.a.	5.12.2042
CPI Alfa	CZ0003502205	CPI Alfa	CZK	279	--	279	5,5% p.a.	26.10.2017
CPI	CZ0003502924	7,00/22	CZK	1,000	902	98	7% p.a.	11.12.2022
CPI	CZ0003502957	7,00/22	CZK	1,000	1,000	--	7% p.a.	13.12.2022
CPI	CZ0003502916	7,00/22	CZK	1,000	1,000	--	7% p.a.	6.12.2022
CPI	CZ0003502940	8,00/42	CZK	1,000	766	234	8% p.a.	17.12.2042
CPI Finance Netherlands		CPI Finance NL (2012)	CZK	1,000	1,000	--	5% p.a.	15.12.2022
CPI	CZ0003510646	CPI 6,05/16	CZK	1,479	--	1,479	6,05%	29.3.2016
CPI BYTY	CZ0003510679	CPI BYTY 2,50/15	CZK	300	--	300	2,5 % p.a.	7.5.2015
CPI BYTY	CZ0003510687	CPI BYTY 3,50/17	CZK	500	--	500	3,5% p.a.	7.5.2017
CPI BYTY	CZ0003510695	CPI BYTY 4,80/19	CZK	900	--	900	4,8 % p.a.	7.5.2019
CPI BYTY	CZ0003511412	CPI BYTY 4,80/19	CZK	500	--	500	4,8 % p.a.	7.5.2019
CPI BYTY	CZ0003510703	CPI BYTY 5,80/21	CZK	800	--	800	5,8 % p.a.	7.5.2021
CPI	CZ0003511024	CPI VAR/18 (EUR)	EUR	2,587	336	2,251	12M EURIBOR + 5,50% p.a.	26.11.2018
CPI Finance Netherlands		CPI Finance NL (2013)	CZK	100	100	--	5% p.a.	15.12.2023
CPI Retail Portfolio		CPI Retail Portfolio I - VII	CZK	1,125	--	1,125	5 % p.a.	25.4.2019
Total balance due to bondholders				26,024	10,215	15,809		
Accrued transaction cost						-167		
Accrued interest						231		
Total balance after transaction cost						15,873		

CPI VAR/15 (EUR), CPI VAR/19 (CZK), CPI VAR/19 (EUR), CPI 6,05/16, CPI Alfa and CPI BYTY were registered for trading on the Prague Stock Exchange.

Except of bonds CPI VAR/19, CPI Alfa, CPI BYTY and CPI Retail Portfolio I which are secured by mortgage, all other bonds provide unsecured financing mainly at the parent company level and are generally used as source of financing for current and future investment activities.

Chart 12: Bonds owed to external



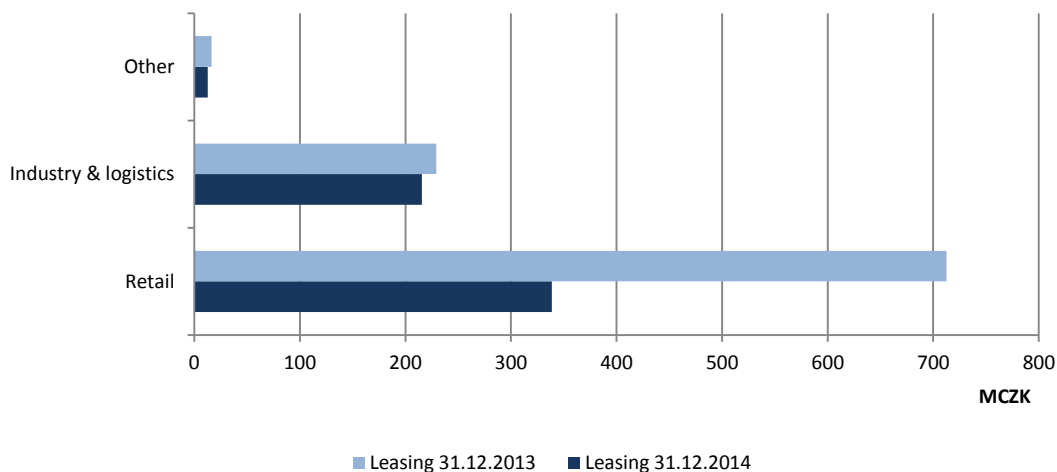
Issued bonds CPI VAR/15 (EUR), CPI VAR/19 (CZK) and CPI VAR/19 (EUR), CPI 6,05/16, CPI VAR/18 are subject to a number of covenants. Covenant ratios were met as at 31 December 2014.

Issued bonds CPI Alfa and CPI BYTY are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

## Finance leases

The Group used finance lease as other option of financing its property portfolio mainly in retail and industry and logistics. Finance lease liability balance total CZK 567 million (31 Dec 2013: CZK 958 million). Decrease in balance by 41% primarily reflects acquisition of leasing company (lessor) in 2014.

Chart 13: Finance lease liabilities



## RESULTS AND NET ASSETS

### PROFIT OR LOSS STATEMENT

Reported profit or loss statement in million CZK for the year 2014 is as follows:

PROFIT OR LOSS STATEMENT	2014	2013
Gross rental revenue	4,406	3,428
Service revenue	135	111
Net service charge income	56	47
Property operating expenses	(559)	(663)
<b>Net rental income</b>	<b>4,038</b>	<b>2,923</b>
Development sales	1,102	49
Cost of goods sold	(1,029)	(44)
Development operating expenses	(25)	--
<b>Net development income</b>	<b>48</b>	<b>5</b>
Hotel revenue	121	54
Cost of goods sold	--	--
Hotel operating expenses	(101)	(37)
<b>Net hotel income</b>	<b>20</b>	<b>17</b>
Total revenues	5,820	3,689
Total direct business operating expenses	(1,714)	(744)
<b>Net business income</b>	<b>4,106</b>	<b>2,945</b>
Net valuation gain or loss on investment property	422	100
Net gain or loss on the disposal of investment property	(47)	(51)
Net gain or loss on disposal of subsidiaries and investees	98	--
Amortization, depreciation and impairments	(119)	(42)
Other operating income	76	237
Administrative expenses	(649)	(391)
Other operating expenses	(98)	(61)
<b>Operating result</b>	<b>3,789</b>	<b>2,737</b>
Interest income	505	708
Interest expense	(2,187)	(1,820)
Other net financial result	(29)	653
<b>Net finance costs</b>	<b>(1,711)</b>	<b>(459)</b>
<b>Profit before income tax</b>	<b>2,078</b>	<b>2,278</b>
Income tax expense	(425)	(269)
<b>Net profit from continuing operations</b>	<b>1,653</b>	<b>2,009</b>

#### Net rental and service related income

Significant increase in rental revenue is generally attributable to Group's expansion in 2013 and mainly reflects the effect of the acquisition of ABLON Group and ENDURANCE in 2013. The 2014 rental revenue includes full 12 months of ABLON Group revenues (acquired in second half of 2013) and 12 months of ENDURANCE companies (acquired in September 2013), leading to net effect of CZK 582.5 million increase in rental revenue in 2014.

The increase in revenue in 2014 also reflects acquisitions of Arena Corner Ingatlanfejlesztő Kft. with contribution of CZK 60 million (from May 2014 to December 2014).

Decrease of property operating expenses of CZK 559 million is attributable to year-on-year decline in repairs and maintenance costs of CZK 118 million related mainly to residential portfolio.

Chart 14: Gross rental income

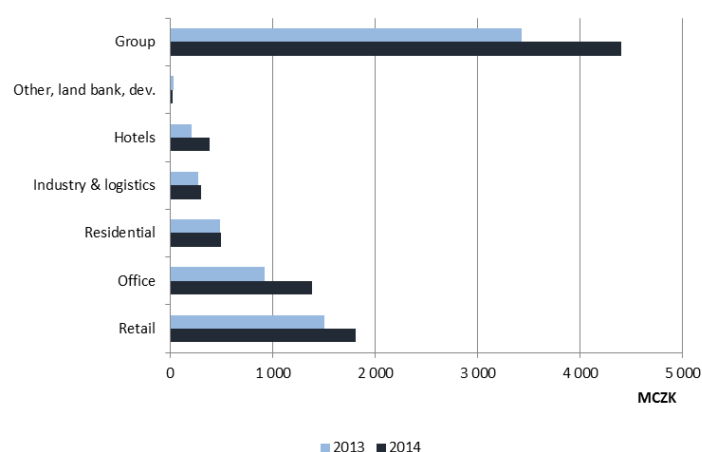
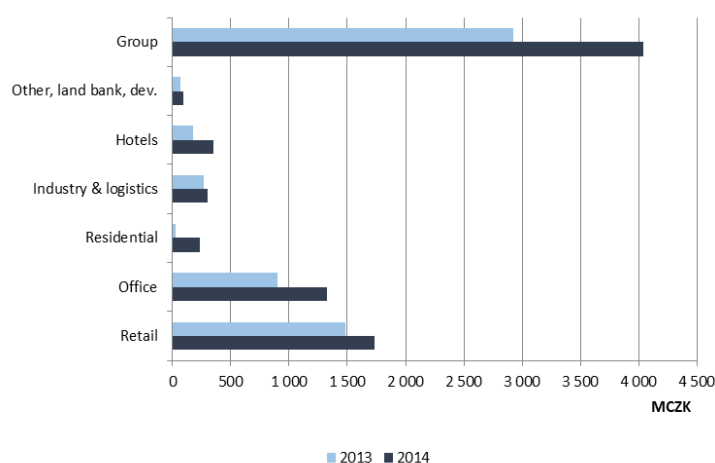


Chart 15: Net rental and service related income



### Net development income

Net development income resulted from sale of residential apartments mainly in France (sales proceeds of CZK 958 million and a profit of CZK 63 million).

### Net business income

The net business income strongly improved from CZK 2,945 million to CZK 4,106 million which corresponds with the improved result from rental activities.

### Net valuation gain on investment property

Net valuation gain of CZK 422 million resulted from revaluation of the property portfolio. Significant valuation gain was realized on Czech office and retail portfolio in total of CZK 1,445 million which was mostly influenced by finished development of multifunctional complex Quadrio (CZK 1,428 million). On the other hand, significant valuation losses were realized on Land bank, Office and Retail portfolio in Hungary (total loss of CZK 856.1 million), Romania (total loss of CZK 76.4 million), Slovakia (total loss of CZK 48.8 million) and Poland (total loss of CZK 48.4 million).

### **Amortization, depreciation and impairments**

Amortization, depreciation and impairments in 2014 represent depreciation of CZK 57 million and impairments of CZK 62 million. Impairments include mainly impairment of goodwill (CZK 39 million) and impairment of trade receivables (CZK 18 million).

### **Administrative expenses**

Administrative expenses increased by 40% to CZK 649 million in 2014 (2013: CZK 391 million). The increase in administrative expenses corresponds mainly to the integration of the Ablon activities in Hungary and ongoing expanding of the Group. Increase in personnel expenses as number of employees increased from 464 to 692. Significant increase was marked in audit and tax services and fees paid to property valuers as a result of increased portfolio and ongoing changes in the Group.

### **Net finance income / costs**

Total net finance result dropped in 2014 from net loss of CZK 459 million in 2013 to net loss of CZK 1,711 million in 2014. An increase in interest expenses of CZK 367 million reflecting mainly additional costs of financing in respect of the Group's property portfolio extension was further followed by a decrease in interest income of CZK 203 million, reflecting repayment of provided loans in 2013.

The other net financial results also significantly decreased to a loss of CZK 29 million in 2014 compared to profit of CZK 653 million in 2013.

In 2014 the Group recognized change in the fair value of derivative instruments which essentially arise from the revaluation of interest rate swaps (not used for hedging) recognized at fair value (loss of CZK 67 million). Other net financial income in 2013 represents net income from purchase of receivables resulting from purchase of receivables at discount and subsequent receipt of the cash settlement. These transactions were carried out by the Group in connection with the acquisition of ABLON Group and ENDURANCE companies respectively. In respect of ABLON Group acquisition, the Group purchased bank loans in nominal value app. CZK 803 million (app. EUR 31.1 million) from bank that provided the loan facilities to ABLON Group and subsequently received the cash settlement from the debtor. The difference between the carrying value of acquired bank loans and received settlement was recognized as other net financial result.

## STATEMENT OF FINANCIAL POSITION

Statement of financial position in million CZK as at 31 December 2014 corresponds to annual consolidated financial statements.

STATEMENT OF FINANCIAL POSITION	31 December 2014	31 December 2013
<b>NON-CURRENT ASSETS</b>		
Intangible assets and goodwill	88	69
Investment property	73,360	69,963
Property, plant and equipment	645	662
Available-for-sale financial assets	50	50
Financial assets at fair value through profit or loss	12	--
Loans provided	615	3,878
Trade and other receivables	6	19
Deferred tax asset	570	67
<b>Total non-current assets</b>	<b>75,346</b>	<b>74,708</b>
<b>CURRENT ASSETS</b>		
Inventories	2,134	2,617
Current income tax receivables	66	23
Trade receivables	951	1,059
Loans provided	7,596	1,548
Cash and cash equivalents	2,551	3,006
Other financial current assets	1,279	1,813
Other non-financial current assets	540	833
<b>Total current assets</b>	<b>15,117</b>	<b>10,899</b>
<b>TOTAL ASSETS</b>	<b>90,463</b>	<b>85,607</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	32,415	25,674
Non controlling interests	75	78
<b>Total equity</b>	<b>32,490</b>	<b>25,752</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	14,963	17,253
Financial debts	25,743	27,799
Derivative instruments	359	156
Deferred tax liabilities	6,554	6,195
Other non-current liabilities	368	366
<b>Total non-current liabilities</b>	<b>47,987</b>	<b>51,769</b>
<b>CURRENT LIABILITIES</b>		
Current bonds	910	579
Financial debts	6,738	5,101
Trade payables	756	868
Advance payments	833	867
Derivative instruments	32	34
Other financial current liabilities	555	562
Other non-financial current liabilities	162	75
<b>Total current liabilities</b>	<b>9,986</b>	<b>8,086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>90,463</b>	<b>85,607</b>

### Total assets and total liabilities

Total assets increased by CZK 4,856 million (5.6%) to CZK 90,463 million as at 31 December 2014. The increase is primarily connected with increase in property portfolio which rose by CZK 2,877 million.

Drop in non-current loans provided by CZK 3,263 million and growth in current loans provided by CZK 6,048 million mainly relate to change in the maturity profile of loans and reflects process of financial assets restructuring performed by the management of the Group in 2014.

Cash and cash equivalent total CZK 2,551 million which is by 15% lower than as at 31 December 2013.

Non-current and current liabilities total CZK 57,973 million as at 31 December 2014 which represents slight decrease by CZK 1,882 million (3%) compared to 31 December 2013 which is mostly attributable to balance of bonds issued.

## Equity (Net assets value)

Net assets value – NAV totals TCZK 32,415 as of 31 December 2014 and compared to 31 December 2013 rose by 26%. Total increase is mainly influenced by additional contributions in other capital funds by CZK 5,116.47 million made by CPI Property Group S.A., the owner of the Company in December 2014.

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

MCZK	31-Dec-14	31-Dec-13
Equity per the financial statements (NAV)	32,415	25,674
Effect of exercise of options, convertibles and other equity interests	--	--
Diluted NAV, after the exercise of options, convertibles and other equity interests	32,415	25,674
Revaluation of trading properties	847	--
Fair value of financial instruments	391	191
Deferred tax	6,623	6,236
Goodwill as a result of deferred tax	--	--
EPRA NAV	40,276	32,101
EPRA NAV per share	5,21	4,15

## INFORMATION ON EQUITY

### Data on shares

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

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

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

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

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

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

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

### Data on share capital

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

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

Shareholder structure of CPI as of 31 December 2014:

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

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

### Change in ownership of Czech Property Investments, a.s.

On 31 May 2014, the CPI PROPERTY GROUP (at that time ORCO Germany S.A.) and Radovan Vitek (sole shareholder of CPI) signed Heads of Terms related to the subscription of 2,466,902,565 new ordinary shares of the CPI PROPERTY GROUP by Radovan Vitek, at the subscription price of EUR 0.47 per share or EUR 1,159 million in aggregate. This transaction was approved by the Board of Directors of CPI PG on 27 May 2014 and was subject to various conditions and regulatory approvals. The new shares were issued under the authorized share capital of the CPI PROPERTY GROUP against the contribution of 100% ordinary shares of CPI in four tranches on 16 June 2014 and 17 June 2014 respectively. As a result of the transaction the CPI PROPERTY GROUP became the sole shareholder of Czech Property Investments, a.s. and the shareholding interest of Radovan Vitek in the CPI PROPERTY GROUP increased to 94.02 %.

## Data on equity

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

CPI equity presented in the individual financial statements total CZK 21,647 million as of 31 December 2014 and comprised: share capital (CZK 6,187 million); share premium (CZK 576 million); revaluation reserve (CZK 1,601 million); other reserves (TCZK 10,416 million); retained earnings (TCZK 2,867 million). Compared to 2013, the equity of CPI increased by CZK 5,221 million.

### CPI Group

Equity as presented in the consolidated financial statements of CPI Group's total CZK 32,490 million as of 31 December 2014 and comprised: share capital of CZK 6,187 million; share premium of CZK 652 million; translation reserve of CZK 297 million; other reserves of CZK 9,807 million; retained earnings of TCZK 15,472 and non-controlling interest of CZK 75 million. Compared to 2013, the equity of CPI Group increased by TCZK 6,738 million.

## OUTLOOK

The real estate market is regaining its confidence and is attractive again for a number of investors. Nevertheless, we should not be overly optimistic, because long-term stability and growth is still to be created. More so than previously, the European market depends on the monetary policy of the European Central Bank and central banks of individual countries. The policy of low interest rates and quantitative easing seems to have had an important impact on the continued reduction of both yields as well as the costs of funds. The Group will closely monitor the data and trends from the market and will take advantage from potential opportunities.

In the coming years, the Group plans to grow further through acquisitions. However, we will be selective in acquiring projects and to look for added value and long-term sustainability as we have a long investment horizon. We will also seek new sources of financing on both the international and domestic capital markets as well as through project bank financing. Within our existing portfolio we see the potential for growth, particularly through the increase in occupancy. Development remains important, although it is not the main area of our business. We will continue to develop commercial properties to hold, where there is no opportunity to acquire a comparable product and utilize our land bank for residential development.

## OTHER

### Corporate Social Responsibility

Philanthropy is an integral part of the corporate culture, and is characterized by CPI Group as a long-term supporter of education, culture, sports, and community life in the form of corporate donations. Using of own capabilities and resources for the benefit of others is one of the main topics of CPI Group's charitable activities. Since its beginning, CPI Group has provided financial and non-financial support to many charities and non-profit organizations throughout the Czech Republic. Its support is directed mainly at the social and health sector focused on child care.

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

CPI Group cooperates with a number of entities whose primary focus is to help sick, handicapped or socially disadvantages children and adults such as e.g. Kapka naděje Foundation Fund, Na Františku Hospital, POD FLAGOM DOBRA Foundation, J&T Foundation and the civic association Veselý vozíček. The Group also supports UNICEF international projects and activities of the SIMP Civic Association, which focused on the integration of mentally disabled and otherwise socially excluded people.

### Commercial Partnership

CPI Group directs its commercial partnerships in particular to promote sports and cultural events on the places of its business being. The Group also supported professional associations and subjects to enhance the business interests. One of the new partnership is the agreement with the Association for Foreign Investment ("AFI") as a non-governmental non-profit organization focused on support for foreign direct investment, development of the Czech business environment, export of investments and investment services, and cooperation between companies and the research sphere. The AFI closely cooperates with the national investment and business development agency CzechInvest, the Ministry of Industry and Trade and various other public and private institutions.

### Research and Development

Considering the core business activities of CPI Group, the Group does not engage in research and development of new products or procedures.

### Environment and Human Resources

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

CPI Group had 692 employees as of 31 December 2014 (2013 – 464 employees). Apartments and non-residential operations in the Czech Republic and Slovakia are managed by employees of CPI - Facility, a.s., CPI Property, s.r.o. and CPI BYTY, a.s. Operations in Hungary, Poland and Romania are managed by employees of CPI Hungary Kft., Szolgáltatóház Kft. and ABLON Bucharest Real Estates Development S.R.L. Marriott Courtyard Hotel operations are managed by employees of Duna Office Center Kft. Other activities of the Group are managed by employees of CPI Services, a.s. Management of each of CPI Group departments as well as strategic management is performed by employees of CPI Management, s.r.o.

The following table provided an overview of structure of employees within CPI Group as of 31 December 2014. The data do not include employees on maternity leave and employees under temporary work contracts.

Company	Number of Employees
Czech Property Investments, a.s.	--
CPI Management, s.r.o.	10
CPI BYTY, a.s.	139
CPI Services, a.s.	200
CPI Property, s.r.o.	42
CPI - Facility, a.s.	118
CPI Facility Slovakia, a.s.	3
CPI Hungary Kft.	36
Szolgáltatóház Kft.	33
Duna Office Center Kft.	46
ABLON Bucharest Real Estates Development S.R.L	3
Other entities	62
<b>Total</b>	<b>692</b>

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

### Branches abroad

CPI Group has no branches abroad.

### Fees Charged by Auditors

In 2014, the following audit fees were charged by auditors (in TCZK, excluding VAT):

Entity	Audit of Financial Statements and Annual Report	Review of Interim Financial Statements	Audit of Extraordinary Financial Statements	Verification of Opening Balance Sheet	Other assurance and advisory
Czech Property Investments, a.s.	1,450	--	--	--	720
Consolidation unit CPI Group	6,787	--	--	--	1,580
<b>Total</b>	<b>8,237</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,300</b>

## CORPORATE GOVERNANCE

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

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

### General Meeting of CPI

In accordance with the Articles of Association, the statutory bodies of Czech Property Investments, a.s. (hereinafter also referred to as “CPI” or “the Company”) are the General Meeting, the Board of Directors and the Supervisory Board while the General Meeting as the supreme body elects and removes members of the Board of Directors and members of the Supervisory Board. The executive body is the management of CPI Group. CPI has not established any other executive or supervisory bodies or committees. In accordance with § 44 (3) of the Act No. 93/2009 Coll., the CPI Supervisory Board performs activities of an audit committee.

The General Meeting is the supreme body of CPI.

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

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

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

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

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

### **Supervisory Board of CPI**

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

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

The Supervisory Board is particularly entitled:

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

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

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

Supervisory Board of CPI as of 31 December 2014:

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

Milan Trněný is employed as a sales director within the CPI Group. As at 31 December 2014 he acts as a member of supervisory board or board of directors of the following entities which are significant from the perspective of the Company:

Member of **the Supervisory board**:

SG - Industry, a.s., BAYTON Gama, a.s., Český Těšín Property Development, a.s., Verneřický Angus a.s., BPT Development, a.s., Nymburk Property Development, a.s., CPI - Facility, a.s., Carpenter Invest, a.s., Zámek Bezdrůžice, a.s. v likvidaci, Rejko, a.s., Brinkley, a.s., Lavagna, a.s., CPI - Real Estate, a.s., Romney, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Rampino, a.s., Wanchai, a.s., Garribba, a.s., CPI - Orlová, a.s., CPI Retails TWO, a.s., Darvall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Mercuda, a.s., Svitavy Property Development, a.s., Telč Property Development, a.s., LD Praha, a.s., Duggetti, a.s., Vigano, a.s., Statenice Property Development, a.s., Garreta, a.s., Wang, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Husson, a.s., Ogwell, a.s., Margulius, a.s., Třinec Property Development, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantara, a.s., Tabcorp, a.s., Barkana, a.s., Brandýs Logistic, a.s., Soprem, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., CPI - Horoměřice, a.s., Sidoti, a.s., Wingera, a.s., Muleti, a.s., Jeseník Property Development, a.s., Scampia, a.s., CPI Reality, a.s., FL Property Development, a.s., IGY2 CB, a.s., Best Properties South, a.s., Vyškov Property Development, a.s., Marissa Sigma, a.s., Marissa West, a.s., Marissa Tau, a.s., Strakonice Property Development, a.s., Leterme, a.s., Příkopy Property Development, a.s., Tolimir, a.s., Pelhřimov Property Development, a.s., Saleya, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., Baudry, a.s., CPI - Štupartská, a.s., Beroun Property Development, a.s., Vila Anička, a.s., Camuzzi, a.s., Malerba, a.s., CPI - Land Development, a.s., Farhan, a.s., Feldman, a.s., CPI - Krásné Březno, a.s., Sexton, a.s., Cobham, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., Kerina, a.s., Gartmore, a.s., CPI Park Žďárek, a.s., CPI - Zbraslav, a.s., Jeseník Investments, a.s., CPI Park Mlýnec, a.s., CPI City Center ÚL, a.s., OC Nová Zdobov, a.s., CPI Alfa, a.s., CPI Beta, a.s., Hrančič, a.s., CPI Services, a.s., CPI Delta, a.s., STRM Property, a.s., CB Property Development, a.s., MB Property Development, a.s., Olomouc City Center, a.s., Rivaroli, a.s., Zacari, a.s., Mondello, a.s., Materiali, a.s., Robberg, a.s., Austenit, a.s., Marissa Yellow, a.s., Marissa Omega, a.s., Marissa Epsilon, a.s., Marissa Ióta, a.s., Marissa Omikrón, a.s., Marissa North, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Marissa South, a.s., Marissa East, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Marissa Delta, a.s., Marissa Lambda, a.s., Modřanská Property, a.s., Svitavy Property Alfa, a.s., Guerrera, a.s., Beroun Property Alfa, a.s., Baudry Beta, a.s., VERETIX a.s., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., Kroměříž Property Development, a.s., Karviná Property Development, a.s., CURITIBA a.s., Děčínská zemědělská a.s., Českolipská zemědělská a.s., PG-Hazlov a.s., Novegro, a.s., Baudry Alfa, a.s., Farma Ploučnice a.s., CPI Epsilon, a.s., Spojené farmy a.s., CPI Hotels Properties, a.s., CPI HOLDING, SE, CPI Flats, a.s., BAYTON Delta, a.s., BAYTON Alfa, a.s., CPI Retail Portfolio I, a.s., CPI Lambda, a.s., GRANDHOTEL ZLATÝ LEV a.s., Czech Property Development, a.s., Vinice Property Development a.s., CPI – Bor, a.s., VM Property Development, a.s., Marissa, a.s., Pastviny a.s., Farmy Frýdlant a.s., ETO, a.s., CPI Retails ONE, a.s., CPI Alfa, a.s.

Member of **the board of directors**:

MULTICREDIT GROUP a.s. "v likvidaci", Turati, a.s. v likvidaci, Březiněves, a.s., Společenství pro dům čp. 1013, ulice Na výši, Praha 5 Košíře, Balvinder, a.s., M.T.J.Consulting, a.s., Vedant, a.s., Družstvo Land, Arodance CZ, s.r.o.

The work address of the members of the Supervisory Board is Prague 1, Václavské náměstí 1601/47, 110 00.

## Board of Directors of CPI

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

The Board of Directors is particularly entitled:

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

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

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

Members of the Board of Directors of CPI as of 31 December 2014:

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

**Kristína Magdolenová**, member of the Board of Directors since 15 February 2014.

As at 31 December 2014 Zdeněk Havelka acts as **a member of the board of directors** of the following entities which are significant from the perspective of the Company:

Baudry, a.s., PV – Cvikov, s.r.o., ZEMSPOL s.r.o., JAGRA spol. s r.o., Český Těšín Property Development, a.s., Verneřický Angus a.s., Agrome s.r.o., CPI Palmovka Office, s.r.o., HD Investments s.r.o., Nymburk Property Development, a.s., BPT Development, a.s., Prague Property Development, s.r.o., MULTICREDIT GROUP a.s. “v likvidaci”, BAYTON Gama, a.s., Třinec Investments, s.r.o., Rolnická Skalná s.r.o., SPO-ZEM Nový Kostel s.r.o., Příbor Property Development, s.r.o., CD Property s.r.o., Zámek Bezdrůžice, a.s. v likvidaci, Rejko, a.s., Best Properties South, a.s., Rampino, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Wanchai, a.s., Garribba, a.s., CPI – Orlová, a.s., Balvinder, a.s., Brinkley, a.s., CPI – Real Estate, a.s., Romney, a.s., Husson, a.s., Ogwell, a.s., Margulius, a.s., Airport City s.r.o., CPI Retail MB s.r.o., CPI Retail Portfolio VI, s.r.o., U svatého Michala, a.s., Telč Property Development, a.s., LD Praha, a.s., Duggetti, a.s., Svitavy Property Development, a.s., FL Property Development, a.s., CPI Reality, a.s., Třinec Property Development, a.s., Tabcorp, a.s., Barkana, a.s., CPI Group, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantala, a.s., Brandýs Logistic, a.s., Soprem, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., CPI Retail Portfolio VII,

s.r.o., Statenice Property Development, a.s., Garreta, a.s., Wang, a.s., CPI Retails TWO, a.s., Darvall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Mercuda, a.s., Muleti, a.s., Jeseník Property Development, a.s., Scampia, a.s., CPI – Horoměřice, a.s., Sidoti, a.s., Wingera, a.s., Vedant, a.s., Turati, a.s. v likvidaci, Carpenter Invest, a.s., Biohovězí s.r.o., CPI Národní, s.r.o., CPI Heli, s.r.o., Strakonice Property Development, a.s., CPI Retail Portfolio IV, s.r.o., Vyškov Property Development, a.s., Biochov s.r.o., Marissa Sigma, a.s., Marissa West, a.s., Marissa Tau, a.s., Ekodružstvo Severozápad, družstvo, CPI – Facility, a.s., RL – Management s.r.o., CPI Park Žďárek, a.s., Gartmore, a.s., CPI – Zbraslav, a.s., Jeseník Investments, a.s., Kerina, a.s., Farhan, a.s., Feldman, a.s., CPI – Krásné Březno, a.s., Sexton, a.s., Cobham, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., CPI Park Mlýnec, a.s., CPI City Center ÚL, a.s., IGY2 CB, a.s., Vigano, a.s., M.T.J. Consulting, a.s., Hraníčář, a.s., CPI Delta, a.s., CPI Alfa, a.s., CPI Beta, a.s., OC Nová Zdaboř a.s., CPI Services, a.s., Pietroni, s.r.o., STRM Property, a.s., CB Property Development, a.s., MB Property Development, a.s., Marissa Yellow, a.s., Marissa Omega, a.s., Marissa Epsilon, a.s., Marissa Ióta, a.s., Marissa Omikrón, a.s., Olomouc City Center, a.s., VERETIX a.s., Austenit, a.s., Marissa Delta, a.s., Marissa Lambda, a.s., Marissa North, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Marissa South, a.s., Marissa East, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Cerrini, s.r.o., Robberg, a.s., CPI Retail Portfolio III, s.r.o., Svitavy Property Development, a.s., Guerrera, a.s., Beroun Property Alfa, a.s., Baudry Beta, a.s., Modřanská Property, a.s., Zelená louka s.r.o., HAINES s.r.o., CPI Meteor Centre, s.r.o., CPI East, s.r.o., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., CPI West, s.r.o., Kroměříž Property Development, a.s., Karviná Property Development, a.s., CURITIBA a.s., Děčínská zemědělská a.s., Českolipská zemědělská a.s., PG-Hazlov a.s., Novegro, a.s., CPI Retail Portfolio VIII s.r.o., Týniště Property Development, s.r.o., CPI Retails ONE, a.s., Arkáda Prostějov, s.r.o., Leterme, a.s., Příkopy Property Development, a.s., Tolimir, a.s., Vila Anička, a.s., Camuzzi, a.s., Malerba, a.s., CPI – Land Development, a.s., Pelhřimov Property Development, a.s., Saleya, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., Baudry, a.s., CPI – Štupartská, a.s., Beroun Property Development, a.s., CPI Management, s.r.o., CPI Property, s.r.o., Farma Ploučnice a.s., CPI South, s.r.o., CPI Epsilon, a.s., CPI Lambda, a.s., Spojené farmy a.s., Czech Property Development, a.s., ABLON s.r.o., GRANDHOTEL ZLATÝ LEV a.s., Vinice Property Development a.s., CPI North, s.r.o., VM Property Development, a.s., MUXUM, a.s., CPI – Bor, a.s., Quadrio Residence, s.r.o., Naturland s.r.o., CPI Hotels Properties, a.s., CPI HOLDING, SE, CPI Flats, a.s., BAYTON Delta, a.s., BAYTON Alfa, a.s., Platnéřská 10 s.r.o., OC Spektrum, s.r.o., CPI Retail Portfolio I, a.s., Farmy Frýdlant a.s., Pastviny a.s., Angusland s.r.o., EMH West, s.r.o., Marissa, a.s., EMH South, s.r.o., EMH North, s.r.o., Biopotraviny s.r.o., Společenství vlastníků pro dům u Stadionu 21, Agro 2014 s.r.o., Společenství vlastníků Purkyňova 2120/5, Praha 1, ETO, a.s., Biopark s.r.o., CPI BYTY, a.s.

And a member of a **Management board**:

ZIBA, o.p.s.

As at 31 December 2014 Kristína Magdolenová acts as a **member of the board of directors** of the following entities which are significant from the perspective of the Company:

Rivaroli, a.s., Zacari, a.s., Mondello, a.s., Materiali, a.s., Lavagna, a.s., CPI BYTY, a.s.

Ownership interest:

Zatepleni.cz s.r.o., ECOFARMA Zdiby s.r.o.

## Management of CPI Group

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

The members of the management as of 31 December 2014 are:



**Martin Němeček**

Chief Executive Officer

Martin Němeček, CEO, was appointed in March 2014. Martin has recently led the integration of CPI and CPI PROPERTY GROUP. Martin has been employed with CPI Group since June 2011, and he is responsible for the real estate acquisitions of the Group. Initially, he headed the legal department and managed the field of external financing. In 2014, he was appointed the CEO. As the CEO, he is still concerned with acquisition matters, legal aid in the real estate area, communication with banks, and he participates in the management of foreign subsidiaries. Mr. Němeček graduated from the Faculty of Law of the Charles University in Prague and from the University of Economics in Prague.



**Zdeněk Havelka**

Executive Director

Zdeněk Havelka, Executive Director, was appointed in June 2014. He joined the CPI in 2002 as a senior accountant. Later, he was appointed CFO. In 2005, he was appointed CEO in CPI and his direct subordinates were directors of departments of internal audit, development, asset management, acquisitions, property management and operations. He attended the milestones the most important for the growth of CPI that has already expanded beyond the Czech Republic borders. Zdeněk is a graduate of the Faculty of Agriculture, University of South Bohemia in České Budějovice.



**Tomáš Salajka**

Director of Asset Management & Sales and Member of the Board

Tomáš Salajka, Director of Asset Management & Sales, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Tomas was at a position of CEO of Orco Property Group and also was working over the last 10 years for GE Real Estate Germany/CEE where his latest position was the Head of Asset Management & Sales CEE and before that for CSOB in the Restructuring Department. He studied foreign trade at University of Economics in Prague.



**Pavel Semrád**

Director of Asset Management CZ and SK

Pavel Semrád strengthened CPI Group in 2002 as a project manager, in 2005, he was appointed the Director of the Development Department, and subsequently he took up his post as the Property Management Director. Nowadays, he leads a team of asset managers responsible for the communication with tenants and for the management of commercial real estate tenancies. Pavel Semrád graduated from the Faculty of Finance and Accounting, University of Economics in Prague.



**Pavel Měchura**

Chief Financial Officer

Pavel Měchura, CFO, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Pavel was working almost 4 years for CPI, at first as the IFRS specialist, two years later, he became manager of IFRS and analysis. In May 2014 he was appointed CFO and was responsible for the entire real estate accounting groups of CPI. Pavel gained many years of experience at KPMG where he was responsible for leading audit engagements of large companies, mainly from the automotive, real estate and petrochemical industries. Pavel graduated from the Faculty of Economics, Technical University of Liberec.



**Pavel Menšík**

Director of Investments

Pavel Menšík was appointed Director of Investments in March 2014. Pavel has a 10 years' experience within ORCO PROPERTY GROUP where he recently was the Senior Manager in Transactions and Finance, overseeing bank financing and transactions of sales and purchase of assets in real estate business. Between 2004 - 2009, he worked in ORCO as the Head of Group Project Finance, responsible for project finance, asset and share transactions, cash management and treasury. Before that, from 2002 to 2004, he was the Corporate Relationships Manager in ČSOB Bank (KBC Group). Pavel holds master's degree in foreign trade and finance at University of Economics in Prague, and has had a foreign internship experience from that time at First Republic Bank, San Francisco, US.



**Igor Klajmon**

Director of Development

Igor Klajmon, Director of Development, was appointed in June 2014. Before joining CPI PROPERTY GROUP, Igor was working as the Director of Development for CPI. His most significant projects include the QUADRIO, a multifunctional complex in the centre of Prague, and the Palais Maeterlinck, a luxury residential housing project in the French resort of Nice. He has many years of experience in working on large commercial and residential projects in Central Europe, United Kingdom and Brazil. Igor is a graduate of the Technical University in Brno, then he studied at the Mackenzie University in Sao Paulo (Brazil), and at the London Business School (UK).



**Martin Stibor**

Director of Property Management

Martin Stibor, Director of Property Management, was appointed in June 2014. Previously he has been working for the CPI, being responsible for technical, administrative and operating management of all properties of the CPI portfolio. He has gained valuable experience during his mission in the top management at the EMCM. Martin graduated from the Technical University in Brno.



**Štěpán Rázga**

Chief Operations Officer

Štěpán Rázga, Chief Operations Officer, was appointed in June 2014. Before joining the CPI PROPERTY GROUP, Štěpán was working for CPI, at first as the financial analyst, and later he held the position of a divisional manager. In 2013, he was appointed the Chief Operating Officer. In past, he worked as a financial manager, and subsequently in the controlling of the Czech-Slovak investment group. He graduated from the University of Economics in Prague, Faculty of Business Administration.

The work address of the members of the top management of CPI Group is Prague 1, Václavské náměstí 1601/47, 110 00.

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

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

Body	Salaries in 2014 (TCZK)	
	CPI	Other companies of the CPI Group
Board of Directors	--	1,674
Supervisory Board	--	3,881
Management	--	8,713

Members of the Supervisory Board, members of the Board of Directors and members of Management of CPI Group did not have any other monetary or non-monetary income in 2014 besides a salary which they received as employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o., CPI Management, s.r.o. and CPI – Facility, a.s. The salary does not have any variable component.

Members of the Supervisory Board, members of the Board of Directors and members of Management of CPI Group as employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o., CPI Management, s.r.o. and CPI – Facility, a.s. did not receive any additional benefits in 2014 compared to other employees of CPI BYTY, a.s., CPI Services, a.s., CPI Property, s.r.o. and CPI – Facility, a.s.

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

### Statement

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

## Internal Control System and Risk Report

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

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

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

As of 31 December 2014, CPI Group was exposed to the following risks arising from financial assets and financial liabilities:

#### **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. CPI Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### **Liquidity risk**

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

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

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

#### **Market Risk**

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

#### **Currency risk**

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

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate risk relates primarily to long-term debt financing of the Group, for which a floating interest rate is contracted in a substantial extent. Long-term debt financing include bank loans, issued bonds and leasing obligations.

As of 31 December 2014, CPI group was exposed to the following risks arising from its business activities:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Corporate Governance Code**

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

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

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

Neither CPI, nor other companies within CPI Group have established any committees for audit or a separate unit of internal audit. Monitoring of internal processes of individual departments falls fully within the competences and responsibilities of individual members of CPI Group Management who are primarily responsible for the following:

- reliability and sharing information;
- compliance with generally binding legal regulations and internal regulations;
- protection of property and proper use of resources;
- achievement of set objectives.

## PERSON RESPONSIBLE FOR THE ANNUAL REPORT 2014

### Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the consolidated Report 2014 provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for year ended 31 December 2014, and of the outlook for the future development of the financial situation, business activities, and results of operations of the issuer and its consolidated group. No facts have been omitted that could change the meaning of this report.

Prague, 29 April 2015



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



Kristína Magdolenová  
Member of the Board of Directors  
Czech Property Investments, a.s.

## REPORT OF THE BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES FOR THE YEAR 2014

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

processed

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

**the Board of Directors of the company Czech Property Investments, a.s.**  
the registration number: 427 16 161, seated in: Praha 1, Václavské náměstí 1601/47,  
incorporated in the Commercial register kept by the Municipal Court in Prague,  
Section B, File 1115

### **Contents:**

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

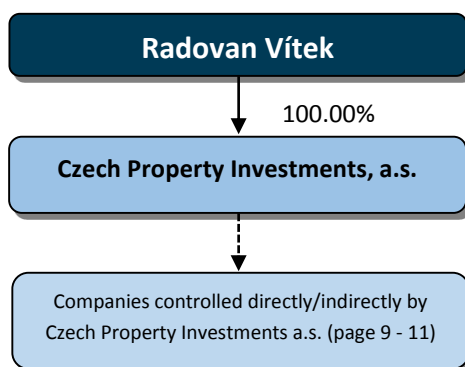
Prague, 31 March 2015

**I.  
Preamble**

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

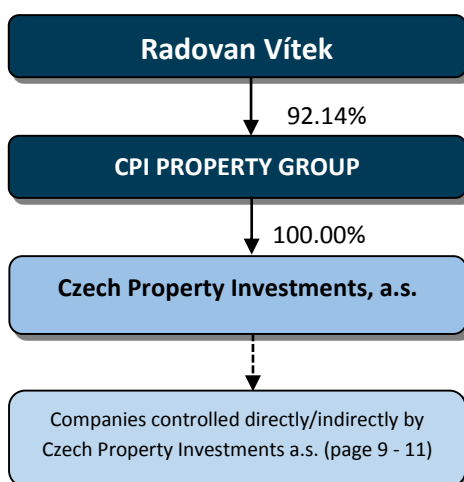
Report is processed for the financial year 2014.

**II.  
Structure of relations between controlling and controlled entities and relations between the major shareholder of the controlling company and controlled entity  
valid from 1 January 2014 till 16 June 2014**



**Structure of relations between controlling and controlled entities and relations between the major shareholder of the controlling company and controlled entity  
for period from 17 June 2014 till 31 December 2014**

In June 2014, Radovan Vitek (sole shareholder of CPI) incorporated the CPI Group into the German GSG Group (former Orco Germany). The entity was renamed from GSG Group to CPI PROPERTY GROUP and has the Luxembourg parent company, whose shares are traded on the Stock Exchange in Frankfurt am Main. CPI PROPERTY GROUP become a sole shareholder of CPI Group.



## Company:

**Corporate name:** Czech Property Investments, a.s.  
**Corporate address:** Praha 1, Václavské náměstí 1601/47, 110 00  
**Registration number:** 427 16 161  
**File number:** B 1115  
**Legal form:** joint-stock company

### The subject of business:

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

### Statutory body - the Board of directors

**Chairman of the Board of directors:** Zdeněk Havelka  
(till 13 November 2014 was Chairman of the Board of Director Radovan Vítek)

**Member of the Board of directors:** Kristína Magdolenová

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

(hereinafter “Company” or “Controlled entity”)

**Manner and means of control:** as at 31 December 2014 the company Czech Property Investments, a.s. is fully controlled by the company CPI PROPERTY GROUP. Parent company is fully controlled by Radovan Vítek.

**Companies controlled by the Company directly or indirectly** – these companies are listed on page 9 – 11.

(hereafter „Other controlled entities“)

## Company controlling the Company

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

### The subject of business:

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

### Statutory body – the Board of directors

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

**Share capital:** 330 376 830,00 EUR

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

## Shareholder in control of the Parent company

As at December 31, 2014, Parent company is indirectly 92.14% owned by Radovan Vítek through its investment vehicles Lavagna, a.s.; Zacari, a.s.; Rivaroli, a.s.; Mondello, a.s.; Materiali, a.s. and Whislow Equities Ltd.

As of 31 December 2014, Radovan Vítek was the controlling person of the Parent company. Radovan Vítek was therefore the Controlling Person of the Company as of 31 December 2014. The Company's Board of Directors, acting with due diligence, is not aware of any other entities controlled by Radovan Vítek, which have transaction with the Company, than those stated in this report.

Companies controlled by Radovan Vítek – Czech Republic	Ownership interest %
Cerrini, s.r.o.	100.00
Materiali, a.s.	100.00
Mondello, a.s.	100.00
Pietroni, s.r.o.	100.00
Rivaroli, a.s.	100.00
Robberg, a.s.	100.00
Vila Šárka, a.s.	100.00
Zacari, a.s.	100.00
ZIBA Art s.r.o.	100.00
ZIBA, o.p.s.	100.00

### III.

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

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

The Parent company purchased bonds issued by the controlled company in an overall amount of EUR 31.8 million (app. CZK 881 million) as at 31 December 2014.

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

- The Loan agreement between the Company (“Provider of the Credit”) and CPI PROPERTY GROUP (“Receiver of Credit”) from 15 August 2014.
- The Loan agreement between the Parent Company (“Provider of the Credit”) and the Company (“Receiver of Credit”) from 1 December 2014.
- Agreement of transfer of the bonds for consideration between CPI PROPERTY GROUP (“Seller”) and the Company (“Purchaser”) concluded on 19 December 2014.
- Agreement on assignment of receivable between CPI PROPERTY GROUP (“Assignor”) and the Company (“Assignee”) concluded on 19 December 2014.
- Agreement on owners contribution to equity from 19 December 2014.
- Agreement on off-setting of mutual receivables and liabilities from between Parent company and the Company concluded on 19 December 2014.

- Agreement on owners contribution to equity from 30 December 2014.

#### **C. Relations with other companies within CPI PROPERTY GROUP**

Gewerbesiedlungs-Gesellschaft GmbH, company controlled by the Parent company, purchased bonds issued by the Company in an overall amount of EUR 4.4 million (app. CZK 122 million) as at 31 December 2014.

#### **D. Other Legal Acts**

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

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

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

The value of transactions between related parties is set out in the notes to the financial statements of Czech Property Investments, a.s. for 2014.

The Board of Directors of the Controlled Entity considers that Czech Property Investments, a.s. benefits mainly from administrative, legal and financial support provided by CPI group. Also the Board of Directors considers that from the point of Czech Property Investments, a.s., there are not any of disadvantages resulting from being a part of CPI group.

#### **F. Loss suffered**

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

### **IV. Conclusion**

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

Prague, 31 March 2015

Zdeněk Havelka

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

Kristína Magdolenová

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

## FINANCIAL STATEMENTS

Consolidated financial statements as at 31 December 2014

Consolidated statement of financial position

Consolidated statement of comprehensive income

Consolidated statement of cash flow

Consolidated statement of changes in equity

Notes to the Consolidated Financial statements

Individual financial statements as at 31 December 2014

Statement of financial position

Statement of comprehensive income

Statement of cash flow

Statement of changes in equity

Notes to the Individual Financial Statements

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# Czech Property Investments, a.s.

## **CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2014	2013
Gross rental revenue	5.1	4,406,309	3,427,645
Service revenue	5.1	134,938	110,986
Net service charge income	5.2	56,319	47,252
Property operating expenses	5.3	(558,924)	(662,532)
<b>Net rental income</b>		<b>4,038,642</b>	<b>2,923,351</b>
Development sales	5.4	1,101,328	49,105
Cost of goods sold	5.4	(1,029,598)	(44,308)
Development operating expenses	5.4	(24,788)	--
<b>Net development income</b>		<b>46,942</b>	<b>4,797</b>
Hotel revenue	5.5	121,378	54,493
Cost of goods sold	5.5	--	--
Hotel operating expenses	5.5	(100,710)	(37,483)
<b>Net hotel income</b>		<b>20,668</b>	<b>17,010</b>
<b>Total revenues</b>		<b>5,820,272</b>	<b>3,689,481</b>
<b>Total direct business operating expenses</b>		<b>(1,714,020)</b>	<b>(744,323)</b>
<b>Net business income</b>		<b>4,106,252</b>	<b>2,945,158</b>
Net valuation gain on investment property	5.6	421,793	99,710
Net loss on the disposal of investment property	5.7	(46,593)	(50,700)
Net gain on disposal of subsidiaries and investees	5.8, 5.9	98,248	--
Amortization, depreciation and impairments	5.10	(119,113)	(41,837)
Other operating income	5.11	75,832	237,491
Administrative expenses	5.12	(649,535)	(391,111)
Other operating expenses	5.13	(97,707)	(61,334)
<b>Operating result</b>		<b>3,789,177</b>	<b>2,737,377</b>
Interest income	5.14	505,528	707,987
Interest expense	5.15	(2,187,206)	(1,820,397)
Other net financial result	5.16	(29,179)	653,144
<b>Net finance costs</b>		<b>(1,710,857)</b>	<b>(459,266)</b>
<b>Profit before income tax</b>		<b>2,078,320</b>	<b>2,278,111</b>
Income tax expense	5.17	(425,305)	(269,179)
<b>Net profit from continuing operations</b>		<b>1,653,015</b>	<b>2,008,932</b>
<b>Items that may or are reclassified subsequently to profit or loss</b>			
Foreign currency translation differences - foreign operations		94,258	199,806
Effective portion of changes in fair value of cash flow hedges		(153,652)	(425,452)
Income tax on other comprehensive expense	5.17	28,261	79,649
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of post employment benefit obligations		--	--
Other comprehensive income for the period, net of tax		(31,133)	(145,997)
<b>Total comprehensive income for the period</b>		<b>1,621,882</b>	<b>1,862,935</b>
<b>Profit attributable to:</b>			
Non controlling interests		(1,367)	(543)
Owners of the Company		1,654,382	2,009,475
<b>Profit for the period</b>		<b>1,653,015</b>	<b>2,008,932</b>
<b>Total comprehensive income attributable to:</b>			
Non controlling interests		(2,388)	(436)
Owners of the Company		1,624,270	1,863,371
<b>Total comprehensive income for the period</b>		<b>1,621,882</b>	<b>1,862,935</b>
<b>Earnings per share</b>	6.12		
Basic earnings in CZK per share		213.92	259.83
Diluted earnings in CZK per share		213.92	259.83

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2014	31 December 2013
<b>NON-CURRENT ASSETS</b>			
Intangible assets and goodwill	6.1	88,294	68,995
Investment property	6.2	73,359,911	69,963,487
Property, plant and equipment	6.3	644,978	661,749
Available-for-sale financial assets	6.4	49,890	49,477
Financial assets at fair value through profit or loss	6.5	12,053	--
Loans provided	6.6	614,896	3,878,270
Trade and other receivables	6.7	5,711	19,495
Deferred tax asset	5.17	570,553	67,400
<b>Total non-current assets</b>		<b>75,346,286</b>	<b>74,708,873</b>
<b>CURRENT ASSETS</b>			
Inventories	6.8	2,134,102	2,616,935
Current income tax receivables		66,083	23,409
Trade receivables	6.7	950,910	1,058,571
Loans provided	6.6	7,595,614	1,547,581
Cash and cash equivalents	6.9	2,550,657	3,005,919
Other financial current assets	6.10	1,279,246	1,812,752
Other non-financial current assets	6.11	539,757	833,365
<b>Total current assets</b>		<b>15,116,369</b>	<b>10,898,532</b>
<b>TOTAL ASSETS</b>		<b>90,462,655</b>	<b>85,607,405</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company	6.12	32,414,874	25,673,873
Non controlling interests		75,552	78,216
<b>Total equity</b>		<b>32,490,426</b>	<b>25,752,089</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	6.13	14,963,255	17,252,523
Financial debts	6.14	25,742,565	27,799,121
Derivative instruments	6.15	359,082	156,263
Deferred tax liabilities	5.17	6,553,996	6,195,255
Other non-current liabilities	6.16	368,029	365,776
<b>Total non-current liabilities</b>		<b>47,986,927</b>	<b>51,768,938</b>
<b>CURRENT LIABILITIES</b>			
Current bonds	6.13	909,768	578,609
Financial debts	6.14	6,737,544	5,100,978
Trade payables	6.17	756,353	868,218
Advance payments	6.18	832,567	867,252
Derivative instruments	6.15	32,171	34,381
Other financial current liabilities	6.19	554,740	561,492
Other non-financial current liabilities	6.20	162,159	75,448
<b>Total current liabilities</b>		<b>9,985,302</b>	<b>8,086,378</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>90,462,655</b>	<b>85,607,405</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2014</b>		<b>6,186,997</b>	<b>652,364</b>	<b>201,660</b>	<b>146,938</b>	<b>(527,484)</b>	<b>5,196,105</b>	<b>13,817,293</b>	<b>25,673,873</b>	<b>78,216</b>	<b>25,752,089</b>
Comprehensive income for the period		--	--	--	--	--	--	1,654,382	1,654,382	(1,367)	1,653,015
<b>Profit for the period</b>		--	--	--	--	--	--	1,654,382	1,654,382	(1,367)	1,653,015
Foreign currency translation differences - foreign operations		--	--	95,279	--	--	--	--	95,279	(1,021)	94,258
Net changes in fair value of cash flow FX hedges		--	--	--	--	(18,075)	--	--	(18,075)	--	(18,075)
Income tax on other comprehensive expense		--	--	--	--	3,437	--	--	3,437	--	3,437
Net changes in fair value of cash flow IRS hedges		--	--	--	--	(135,577)	--	--	(135,577)	--	(135,577)
Income tax on other comprehensive expense		--	--	--	--	24,824	--	--	24,824	--	24,824
<b>Total other comprehensive income / (expense)</b>		--	--	<b>95,279</b>	--	<b>(125,391)</b>	--	--	<b>(30,112)</b>	<b>(1,021)</b>	<b>(31,133)</b>
<b>Total comprehensive income for the period</b>		--	--	<b>95,279</b>	--	<b>(125,391)</b>	--	<b>1,654,382</b>	<b>1,624,270</b>	<b>(2,388)</b>	<b>1,621,882</b>
<b>Contributions by and distributions to owners of the Company</b>											
Owner's contribution	6.12	--	--	--	--	--	5,116,470	--	5,116,470	--	5,116,470
<b>Total contributions by and distributions to owners of the Company</b>		--	--	--	--	--	5,116,470	--	5,116,470	--	5,116,470
<b>Changes in ownership interests in subsidiaries</b>											
Other changes in non-controlling interests		--	--	--	--	--	--	261	261	(276)	(15)
<b>Total changes in ownership interests in subsidiaries</b>		--	--	--	--	--	--	<b>261</b>	<b>261</b>	<b>(276)</b>	<b>(15)</b>
<b>Total transactions with owners of the Company</b>		--	--	--	--	--	5,116,470	261	5,116,731	(276)	5,116,455
<b>Balance at 31 December 2014</b>		<b>6,186,997</b>	<b>652,364</b>	<b>296,939</b>	<b>146,938</b>	<b>(652,875)</b>	<b>10,312,575</b>	<b>15,471,936</b>	<b>32,414,874</b>	<b>75,552</b>	<b>32,490,426</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Note	Share capital	Share premium	Translation reserve	Legal reserve	Hedging reserve	Other capital funds	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2013</b>		<b>6,186,997</b>	<b>652,364</b>	<b>1,961</b>	<b>102,967</b>	<b>(181,681)</b>	<b>2,328,156</b>	<b>11,841,284</b>	<b>20,932,048</b>	<b>88,664</b>	<b>21,020,712</b>
Comprehensive income for the period											
<b>Profit for the period</b>		--	--	--	--	--	--	2,009,475	2,009,475	(543)	2,008,932
Foreign currency translation differences - foreign operations		--	--	199,699	--	--	--	--	199,699	107	199,806
Net changes in fair value of cash flow FX hedges		--	--	--	--	(480,488)	--	--	(480,488)	--	(480,488)
Income tax on other comprehensive expense		--	--	--	--	91,292	--	--	91,292	--	91,292
Net changes in fair value of cash flow IRS hedges		--	--	--	--	55,036	--	--	55,036	--	55,036
Income tax on other comprehensive expense		--	--	--	--	(11,643)	--	--	(11,643)	--	(11,643)
<b>Total other comprehensive income / (expense)</b>		--	--	<b>199,699</b>	--	<b>(345,803)</b>	--	--	<b>(146,104)</b>	<b>107</b>	<b>(145,997)</b>
<b>Total comprehensive income for the period</b>		--	--	<b>199,699</b>	--	<b>(345,803)</b>	--	<b>2,009,475</b>	<b>1,863,371</b>	<b>(436)</b>	<b>1,862,935</b>
<b>Contributions by and distributions to owners of the Company</b>											
Owner's contribution		--	--	--	--	--	2,867,949	--	2,867,949	--	2,867,949
<b>Total contributions by and distributions to owners of the Company</b>		--	--	--	--	--	2,867,949	--	2,867,949	--	2,867,949
<b>Changes in ownership interests in subsidiaries</b>											
Acquisition of subsidiary with non-controlling interests		--	--	--	--	--	--	--	--	(7,435)	(7,435)
Other changes in non-controlling interests		--	--	--	--	--	--	10,505	10,505	(2,577)	7,928
<b>Total changes in ownership interests in subsidiaries</b>		--	--	--	--	--	--	<b>10,505</b>	<b>10,505</b>	<b>(10,012)</b>	<b>493</b>
<b>Total transactions with owners of the Company</b>		--	--	--	--	--	2,867,949	10,505	2,878,454	(10,012)	2,868,442
<b>Other movements</b>											
Transfers to Legal reserve fund		--	--	--	43,971	--	--	(43,971)	--	--	--
<b>Total other movements</b>		--	--	--	43,971	--	--	(43,971)	--	--	--
<b>Balance at 31 December 2013</b>		<b>6,186,997</b>	<b>652,364</b>	<b>201,660</b>	<b>146,938</b>	<b>(527,484)</b>	<b>5,196,105</b>	<b>13,817,293</b>	<b>25,673,873</b>	<b>78,216</b>	<b>25,752,089</b>

## CONSOLIDATED CASH FLOW STATEMENT

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

	Note	31 December 2014	31 December 2013
<b>PROFIT BEFORE INCOME TAX</b>		<b>2,078,320</b>	<b>2,278,111</b>
<i>Adjusted by:</i>			
Net valuation gain on investment property	5.6	(421,793)	(99,710)
Loss on the disposal of investment property	5.7	46,593	50,700
Depreciation / amortisation of tangible and intangible assets	5.10	56,768	40,390
Impairment of assets / Reversal of impairment of assets	5.11	62,345	1,447
Gain on the disposal of property, plant and equipment		(427)	(620)
Gain on the disposal of subsidiaries and investees	5.8, 5.9	(98,248)	--
Net finance costs	5.14, 5.15	1,710,857	459,266
Gain on bargain purchase		--	(150,204)
Exchange rate differences		(606,805)	(893,894)
Other non-cash adjustments	5.11	(23,232)	--
<b>Profit before changes in working capital and provisions</b>		<b>2,804,378</b>	<b>1,685,486</b>
(Increase) / Decrease in inventories		484,871	(688,741)
Decrease in receivables		1,615,516	263,280
Increase / (Decrease) in liabilities		(700,372)	711,206
Changes in provisions		5,759	--
Income tax paid / (received)		(73,833)	91,359
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>4,136,319</b>	<b>2,062,590</b>
Acquisition of subsidiaries, net of cash acquired	3.2	(410,313)	(1,469,498)
Acquisition of non-controlling interest	3.3	(15)	(1,525)
Capital expenditure on own investment property	6.2	(519,245)	(354,522)
Expenditure on investment property under development		(998,883)	(390,273)
Proceeds from sale of investment property	5.7	210,770	180,494
Proceeds from sale of property, plant and equipment		41,237	902
Proceeds from disposals of subsidiaries, net of cash disposed		486,218	--
Proceeds from sale of equity-accounted investees		219,100	--
Acquisition of property, plant and equipment		(92,527)	(14,836)
Acquisition of intangible assets		(28,458)	(12,034)
Acquisition of other investments		(413)	(37,709)
Loans (provided) / repaid	6.6	(3,001,352)	849,038
Interest received		233,210	374,941
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(3,860,671)</b>	<b>(875,022)</b>
Proceeds from bond issued	6.13	2,025,820	6,687,008
Interest paid		(1,695,309)	(1,658,214)
Repayments of borrowings		(1,006,845)	(6,958,107)
Repayments of finance lease liabilities		(59,555)	(54,712)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(735,889)</b>	<b>(1,984,025)</b>
<b>NET DECREASE IN CASH</b>		<b>(460,241)</b>	<b>(796,457)</b>
Cash and cash equivalents at the beginning of the year		3,005,919	3,777,504
Effect of movements in exchange rates on cash held		4,979	24,872
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>2,550,657</b>	<b>3,005,919</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

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

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

The address of its registered office is Václavské náměstí, 1601/47, Praha 1, 110 00.

### Principal activities

Principal activities of the Group are described in Note 4.

### Description of ownership structure

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

CPI PROPERTY GROUP is a Luxembourg based *Société Anonyme*, whose shares registered under ISIN code LU0251710041 are listed on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. Some shares of the Company are not listed yet, but the Company will seek to list them on the regulated market of the Frankfurt Stock Exchange in the General Standard segment as soon as practicable, subject to regulatory deals.

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

### Management

#### Board of Directors

##### Board of Directors as at 31 December 2014

###### *Chairman*

Zdeněk Havelka, since 13 November 2014

###### *Member*

Kristína Magdolenová, since 15 February 2014

##### Board of Directors as at 31 December 2013

###### *Chairman*

Radovan Vítek, since 30 November 2011

###### *Vice-chairman*

Marek Stubley, since 30 November 2011

###### *Member*

Marie Vítková, since 30 November 2011

#### Supervisory Board

##### Supervisory Board as at 31 December 2014

###### *Member*

Milan Trněný, since 5 June 2014

##### Supervisory Board as at 31 December 2013

###### *Members*

Vladimír Sup, since 12 February 2010

Pavel Semrád, since 12 February 2010

Radan Kamenický, since 25 March 2011

### **The management**

The management team of the Company is comprised of the following members: Martin Němeček, CEO; Zdeněk Havelka, Executive Director; Tomáš Salajka, Director of Asset Management & Sales; Pavel Semrád, Deputy Director of Asset Management & Sales; Pavel Měchura, CFO; Pavel Menšík, Director of Investments; Igor Klajmon, Director of Development; Martin Stibor, Head of Property Management; Štěpán Rázga, Chief Operations Officer and Martin Matula, General Counsel.

### **Employees**

The Group has 692 employees as at 31 December 2014 (2013 – 464 employees). The significant employee's growth reflects the Group's expansion and extension of its investment property portfolio.

All of the above included employees were engaged in the core business activities of the Group.

## **2 Basis of preparation and significant accounting policies**

### **2.1 Basic of preparation of consolidated financial statements**

#### **(a) Statement of compliance**

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

The consolidated financial statements were authorized for issue by the Board of Directors on 29 April 2015.

#### **(b) New standards**

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2014 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).

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

- Amendments to IFRS 10, Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities. These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. This amendment has no impact to the Group, since the Group does not qualify as investment entity under IFRS 10.
- IAS 32, Financial Instruments: Presentation – Amendments to IAS 32. These amendments to IAS 32 do not have any impact to the Group, they clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.
- IAS 39, Financial Instruments: Recognition and Measurement – Amendments to IAS 39. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.
- IAS 36, Impairment of Assets – Amendments to IAS 36. The amendment introduced disclosure requirements regarding the recoverable amount of impaired assets in case that amount is based on fair value less costs of disposal. IAS 36 require to disclose the recoverable amounts of assets or cash-generating units, for which an impairment loss has been recognised or reversed during the period in the interim financial statements. These amendments have no impact on the Group.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

The following new standards, new interpretations and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been early adopted by the Group:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. It is very likely to affect the Group's accounting treatment of financial instruments. The Group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption. The Group is assessing the impact of IFRS 15.
- IFRIC 21 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group's financial statements is not material.

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

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

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

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

- investment property is measured at fair values;
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration assumed in a business combinations is measured at fair value.

**(d) Functional and presentation currency**

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

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

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

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

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

- Note 2.2(c) – Classification of investment property
- Note 2.2(e) – Lease classification
- Note 2.2(m) – Commission revenue: determination of whether the Group acts as an agent in the transaction rather than as the principal
- Note 2.2(a) – Contingent consideration

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

- Note 2.3 – Valuation of investment property
- Note 5.17 – Recognition of deferred tax assets - future utilization of carry forward tax losses
- Note 7 – Financial risk management
- Note 2.2(j) - Impairment test – key assumptions underlying recoverable amounts, including the recoverability of development costs

**(f) Changes in classification and presentation**

The Group has amended classification and presentation of certain items in the consolidated financial statements as at 31 December 2014 in order to reflect different operational activities of the Group. To ensure consistency with the classification and presentation selected in the current period, reclassifications were made in the comparative financial statements as at 31 December 2013.

## 2.2 Significant accounting policies

Except for the changes described above in note 2.1 (b) New standards, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

### (a) Basis of consolidation

#### (i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

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

#### (ii) Business combinations involving entities under common control

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

of the acquired entities are added to the same components within Group equity and any gain / loss arising is recognised directly in equity.

(iii) Subsidiaries

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

(iv) Loss of control

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

(v) Equity accounted investees

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

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

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

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

(vi) Transactions eliminated on consolidation

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

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

**(b) Foreign currency**

(i) Functional currencies

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

## Summary of countries and functional currencies:

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

## (ii) Foreign currency transactions

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

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

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

## (iii) Foreign operations

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

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

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

The following exchange rates were used during translations:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 12-month period
31 December 2014	27.725	27.533
31 December 2013	27.425	25.974
31 December 2012	25.140	25.143
1 January 2012	25.800	N/A

Date	Closing exchange rate CZK/PLN	Average exchange rate CZK/PLN for the 12-month period
31 December 2014	6.492	6.582
31 December 2013	6.603	6.189
31 December 2012	6.172	6.010
1 January 2012	5.700	N/A

Date	Closing exchange rate CZK/100 HUF	Average exchange rate CZK/100 HUF for the 12-month period
31 December 2014	8.789	8.921
31 December 2013	9.231	8.749
31 December 2012	8.598	8.697
1 January 2012	8.115	N/A

Date	Closing exchange rate CZK/RON	Average exchange rate CZK/RON for the 12-month period
31 December 2014	6.185	6.197
31 December 2013	6.135	5.878
31 December 2012	5.658	5.641
1 January 2012	5.905	N/A

### (c) Investment property

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

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

An external independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 2014 and 2013 respectively.

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

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

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

#### **(d) Investment property under development**

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

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

#### **(e) Leased assets**

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

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

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

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

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

**(f) Property, plant and equipment****(i) Recognition and measurement**

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

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

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

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

**(ii) Reclassification to investment property**

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

**(iii) Subsequent costs**

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

**(iv) Depreciation**

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

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

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

Assets	2014	2013
Property	30 – 50 years	30 – 50 years
Equipment	5 - 10 years	5 - 10 years
Motor vehicles	5 years	5 years
Fittings	3 - 5 years	3 - 5 years
Computers	3 years	3 years

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

**(g) Intangible assets**

**(i) Goodwill**

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

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

**(ii) Other intangible assets**

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

**(iii) Subsequent expenditure**

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

**(iv) Trademarks**

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

**(v) Amortisation**

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

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

Assets	2014	2013
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

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

**(h) Trading property - inventories**

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

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

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

**(i) Financial instruments**

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

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

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

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

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

**Loans provided**

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

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

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

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

### **Trade and other receivables**

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

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term cash commitments. Bank accounts and call deposits that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

The Company treats cash deposited as a security in accordance with bank loan covenants as cash and cash equivalents for cash flow purposes.

### **Held-to-maturity financial assets**

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(j)).

Held-to-maturity financial assets comprise bonds.

### **Available-for-sale financial assets**

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

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy 2.2(j)), are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

Available-for-sale financial assets comprise equity securities.

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

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

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

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

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

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

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

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

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

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

#### **Transaction costs**

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

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

##### **Ordinary shares**

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

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

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

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

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

#### **Cash flow hedges**

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

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

#### **Other non-trading derivatives**

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

### **(j) Impairment**

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

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

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

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

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

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

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

#### **Available-for-sale financial assets**

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

#### **(ii) Non - financial assets**

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

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

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

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

#### **(k) Provisions**

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

**(l) Guaranties provided**

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

**(m) Revenue**

**(i) Rental revenue**

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

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

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

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

**(iii) Services rendered**

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

**(iv) Commissions**

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

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

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

**(vi) Utilities**

In respect of utilities (energy, water, etc.) consumed by tenants the Company acts as an agent to its tenants. The Company performs payments to utilities providers on behalf of tenants, receives advances paid by tenants and issues final settlements to tenants based on actual utilities consumption. Amounts received from tenants and

paid to utilities providers are recognised as payables and receivables respectively until final settlement and do not gross up revenues and expenses.

(vii) Sale of goods

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

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

**(n) Expenses**

(i) Service costs and property operating expenses

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

(ii) Operating lease payments

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

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

(iii) Finance lease payments

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

**(o) Interest income, Interest expense and Other net financial result**

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

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

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

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

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

#### **(p) Income tax**

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

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

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

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

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

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

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

#### **(q) Earnings per share**

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

**(r) Segment reporting**

An operating segment is a component of the Group:

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

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

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

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

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

**(s) Related parties**

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

A person or a close member of that person's family is related to a reporting entity if that person:

- (I) has control or joint control over the reporting entity;
- (II) has significant influence over the reporting entity; or
- (III) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

## 2.3 Determination of fair value

### Investment property

Investment properties are stated at fair value as at 31 December 2014 based on external valuations performed by professionally qualified valuers. The Group's property portfolio in Czech and Slovak Republic is valued mainly by DTZ Czech Republic, a.s. and RSM TACOMA a.s. Valuations of selected properties in Czech Republic, particularly land (land bank) and hotels, was performed by RSM TACOMA a.s. or other external valuation companies. Property portfolio in Hungary, Poland and Romania is valued by Jones Lang LaSalle International or DTZ Czech Republic, a.s.

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

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

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolio of the size similar to the Group one are very rare. Global volatility of the financial system was reflected also in residential and commercial real estate markets when already low number of transactions in the sector further decreased after 2008. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2013 and 31 December 2014, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

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

#### (i) Residential

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

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

Retail, office, logistics and industry properties have been valued using predominantly income capitalization and discounted cash flow valuation technique. Income capitalization method is based on the capitalization of the net annual income the property generates or is potentially able to generate. On lease expiry future income flows have been capitalized into perpetuity at the estimated rental value, taking into account expiry voids and rent free periods. The net income is the total rental income reduced by the costs the landlord cannot cover from the

tenants. The capitalisation yield (equivalent yield) is determined by the market transactions achieved at the sale of the property or similar properties in the market between the willing buyer and the willing seller in the arm's length transaction. A yield reflects the risks inherent in the net cash flows applicable to the net annual rentals to arrive at the property valuation.

(iii) Land and vacant buildings

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

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

(iv) Hotels

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

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

(v) Investment property under development / developments

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

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

### 3 The Group Structure

#### Control of the Group

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

As at 31 December 2014 the Group is formed by parent company and 220 subsidiaries controlled by the parent company and no associate (at 31 December 2013 - 216 subsidiaries, 1 associate). For list of subsidiaries refer to Appendix I.

#### 3.1 Changes in the Group in 2014

During 2014, the Group has acquired the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
Arena Corner Ingatlanfejlesztő Kft.	acquisition	100,00%	11 April 2014
CPI IMMO, S.à r.l	founded	100,00%	27 March 2014
CPI Poland Sp. Z o.o.	acquisition	100,00%	7 February 2014
CPI Retail MB s.r.o.	acquisition	100,00%	31 March 2014
CPI Retail Portfolio VIII s.r.o. (former Kouge s.r.o.)	acquisition	100,00%	11 April 2014
Čáslav Investments, a.s.	acquisition	100,00%	2 May 2014
ENDURANCE ASSET, S.à r.l	acquisition	100,00%	1 October 2014
Pelhřimov Property Development, a.s. (1)	acquisition	100,00%	2 April 2014
Platněřská 10 s.r.o.	acquisition	100,00%	31 December 2014

- (1) Pelhřimov Property Development was included in Group's consolidated financial statements as at 31 December 2013 due to the assumption of the Group's management, that the Group has full control over the entity as the Board of Directors and Supervisory Board of the above mentioned entity are comprised of members of Group's management. However, the Group acquired legally 100% share in Pelhřimov Property Development, a.s. on 2 April 2014.

The following entities were disposed of in 2014:

Entity	Change	Share in %	Date of disposal
MQM Czech, s.r.o.	disposal	100.00%	30 October 2014
Polygon BC s.r.o.	disposal	100.00%	30 October 2014
K.B.P. BUSINESS PARK sp. Zoo	disposal	50.00%	27 August 2014

### 3.2 Acquisition of subsidiaries in 2014

#### Arena Corner Ingatlanfejlesztő Kft.

On 11 April 2014 the Group acquired 100% share in Arena Corner Ingatlanfejlesztő Kft. The acquisition primarily includes administrative building Arena Corner in Budapest comprised of mainly office spaces on 8 floors in 3 office towers with direct connections to each other, with large efficient spaces ideal for operation of shared service centres.

If the acquisition had occurred on 1 January 2014 with all other variables held constant, the Group gross rental revenue for 2014 would have been CZK 4,427.3 million and net profit from continuing operations would have been CZK 1,637.5 million.

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

	Arena Corner Ingatlanfejlesztő Kft.
Investment property	1,382,193
Loans provided	14,067
<b>Total non-current assets</b>	<b>1,396,260</b>
Current income tax receivables	135
Trade receivables	5,658
Loans provided	68,090
Cash and cash equivalents	87,330
Other non-financial current assets	1,830
<b>Total current assets</b>	<b>163,043</b>
<b>Identifiable acquired assets</b>	<b>1,559,303</b>
Deferred tax liabilities	(128,644)
Other non-current liabilities	(2,560)
<b>Total non-current liabilities</b>	<b>(131,204)</b>
Financial debts	(924,068)
Trade payables	(9,160)
Other non-financial current liabilities	(9,006)
<b>Total current liabilities</b>	<b>(942,234)</b>
<b>Identifiable acquired liabilities</b>	<b>(1,073,438)</b>
<b>Net ident. Assets of subsidiary acquired</b>	<b>485,865</b>
<b>Consideration paid</b>	<b>485,865</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>87,330</b>
<b>Cash outflow/(inflow)</b>	<b>398,535</b>
<b>POST-acquisition profit / (loss)</b>	<b>55,419</b>

## Endurance Asset S.à r.l.

On 1 October 2014, the Group acquired 100% share in Endurance Asset S.a r.l. This company, domiciled in Luxembourg, was acquired with its four, fully owned subsidiaries.

Due to the acquisition, the Group acquired Poštová Office Center, refurbished office building located in the prime downtown area of Bratislava, Slovakia. The acquisition follows the completion of insolvency restructuring procedure of the holding entity of this building. As part of its restructuring, Poštová Office Center obtained a favorable bank financing amounting to CZK 96.3 million.

If the acquisition had occurred on 1 January 2014 with all other variables held constant, the Group gross rental revenue for 2014 would have been CZK 4,414.5 million and net profit from continuing operations would have been CZK 1,475.6 million.

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

	Endurance Asset, S.à r.l.
Investment property	239,381
Deferred tax asset	491,881
<b>Total non-current assets</b>	<b>731,262</b>
Trade receivables	2,450
Cash and cash equivalents	7,991
Other non-financial current assets	2,430
<b>Total current assets</b>	<b>12,871</b>
<b>Identifiable acquired assets</b>	<b>744,133</b>
Financial debts	(331,629)
Other non-current liabilities	(3,282)
<b>Total non-current liabilities</b>	<b>(334,911)</b>
Financial debts	(12,979)
Trade payables	(4,118)
Other non-financial current liabilities	(439)
<b>Total current liabilities</b>	<b>(17,536)</b>
<b>Identifiable acquired liabilities</b>	<b>(352,447)</b>
<b>Net ident. Assets of subsidiary acquired</b>	<b>391,686</b>
Consideration paid	391,686
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
Cash and cash equivalents acquired	7,991
<b>Cash outflow/(inflow)</b>	<b>383,695</b>
<b>POST-acquisition profit / (loss)</b>	<b>(622)</b>

## Other acquisitions in 2014

	CPI Poland Sp. Z o.o.	CPI Retail MB s.r.o.	CPI Retail Portfolio VIII s.r.o.	Čáslav Investments, a.s.	Platněřská 10 s.r.o.
Investment property	--	--	138,836	23,988	7,701
Trade and other receivables	--	331,699	--	--	--
Deferred tax asset	--	245	1,436	--	--
<b>Total non-current assets</b>	--	<b>331,944</b>	<b>140,272</b>	<b>25,940</b>	<b>7,701</b>
Current income tax receivables	--	--	1,203	--	--
Trade receivables	--	--	1,556	--	16
Loans provided	--	--	--	384	--
Cash and cash equivalents	66	74	843	511	--
Other financial current assets	--	24,465	--	--	120
Other non-financial current assets	--	430	108	4,095	55
<b>Total current assets</b>	<b>66</b>	<b>24,969</b>	<b>3,710</b>	<b>4,990</b>	<b>191</b>
<b>Identifiable acquired assets</b>	<b>66</b>	<b>356,913</b>	<b>143,982</b>	<b>30,930</b>	<b>7,892</b>
Financial debts	--	--	(140,438)	(27,925)	(13,005)
Deferred tax liabilities	--	--	--	--	(50)
<b>Total non-current liabilities</b>	--	--	<b>(140,438)</b>	<b>(27,925)</b>	<b>(13,055)</b>
Financial debts	--	--	--	(165)	--
Trade payables	--	--	(194)	--	(2)
Advance payments	--	(10,067)	--	--	(16)
Other financial current liabilities	--	(333,174)	(778)	(677)	--
Other non-financial current liabilities	--	(788)	(546)	--	--
<b>Total current liabilities</b>	--	<b>(344,029)</b>	<b>(1,518)</b>	<b>(842)</b>	<b>(18)</b>
<b>Identifiable acquired liabilities</b>	--	<b>(344,029)</b>	<b>(141,956)</b>	<b>(28,767)</b>	<b>(13,073)</b>
<b>Net ident. Assets of subsidiary acquired</b>	<b>66</b>	<b>12,884</b>	<b>2,026</b>	<b>2,163</b>	<b>(5,181)</b>
<b>Consideration paid</b>	<b>66</b>	<b>31,179</b>	<b>2,026</b>	<b>2,163</b>	<b>15,995</b>
<b>Goodwill / (bargain purchase)</b>	--	<b>18,295</b>	--	--	<b>21,176</b>
Cash and cash equivalents acquired	66	74	843	511	--
Cash outflow/(inflow)	--	<b>31,105</b>	<b>1,183</b>	<b>1,652</b>	<b>15,995</b>
POST-acquisition profit / (loss)	(1,508)	11,032	1,606	(369)	--

The following table summarizes the effect of all acquisitions made by the Group in 2014:

	Arena Corner Ingatlanfejlesztő Kft.	CPI Poland Sp. Z o.o.	CPI Retail MB s.r.o.	CPI Retail Portfolio VIII s.r.o.	Čáslav Investments, a.s.	Endurance Asset, S.à r.l.	Platnéřská 10 s.r.o.	Total
Investment property	1,382,193	--	--	138,836	23,988	239,381	7,701	1,792,099
Loans provided	14,067	--	--	--	1,952	--	--	16,019
Trade and other receivables	--	--	331,699	--	--	--	--	331,699
Deferred tax asset	--	--	245	1,436	--	491,881	--	493,562
<b>Total non-current assets</b>	<b>1,396,260</b>	<b>--</b>	<b>331,944</b>	<b>140,272</b>	<b>25,940</b>	<b>731,262</b>	<b>7,701</b>	<b>2,633,379</b>
Current income tax receivables	135	--	--	1,203	--	--	--	1,338
Trade receivables	5,658	--	--	1,556	--	2,450	16	9,680
Loans provided	68,090	--	--	--	384	--	--	68,474
Cash and cash equivalents	87,330	66	74	843	511	7,991	--	96,815
Other financial current assets	--	--	24,465	--	--	--	120	24,585
Other non-financial current assets	1,830	--	430	108	4,095	2,430	55	8,948
<b>Total current assets</b>	<b>163,043</b>	<b>66</b>	<b>24,969</b>	<b>3,710</b>	<b>4,990</b>	<b>12,871</b>	<b>191</b>	<b>209,840</b>
<b>Identifiable acquired assets</b>	<b>1,559,303</b>	<b>66</b>	<b>356,913</b>	<b>143,982</b>	<b>30,930</b>	<b>744,133</b>	<b>7,892</b>	<b>2,843,219</b>
Financial debts	--	--	--	(140,438)	(27,925)	(331,629)	(13,005)	(512,997)
Deferred tax liabilities	(128,644)	--	--	--	--	--	(50)	(128,694)
Other non-current liabilities	(2,560)	--	--	--	--	(3,282)	--	(5,842)
<b>Total non-current liabilities</b>	<b>(131,204)</b>	<b>--</b>	<b>--</b>	<b>(140,438)</b>	<b>(27,925)</b>	<b>(334,911)</b>	<b>(13,055)</b>	<b>(647,533)</b>
Financial debts	(924,068)	--	--	--	(165)	(12,979)	--	(937,212)
Trade payables	(9,160)	--	--	(194)	--	(4,118)	(2)	(13,474)
Advance payments	--	--	(10,067)	--	--	--	(16)	(10,083)
Other financial current liabilities	--	--	(333,174)	(778)	(677)	--	--	(334,629)
Other non-financial current liabilities	(9,006)	--	(788)	(546)	--	(439)	--	(10,779)
<b>Total current liabilities</b>	<b>(942,234)</b>	<b>--</b>	<b>(344,029)</b>	<b>(1,518)</b>	<b>(842)</b>	<b>(17,536)</b>	<b>(18)</b>	<b>(1,306,177)</b>
<b>Identifiable acquired liabilities</b>	<b>(1,073,438)</b>	<b>--</b>	<b>(344,029)</b>	<b>(141,956)</b>	<b>(28,767)</b>	<b>(352,447)</b>	<b>(13,073)</b>	<b>(1,953,710)</b>
<b>Net ident. Assets of subsidiary acquired</b>	<b>485,865</b>	<b>66</b>	<b>12,884</b>	<b>2,026</b>	<b>2,163</b>	<b>391,686</b>	<b>(5,181)</b>	<b>889,509</b>
<b>Consideration paid</b>	<b>485,865*</b>	<b>66</b>	<b>31,179</b>	<b>2,026</b>	<b>2,163</b>	<b>391,686</b>	<b>15,995</b>	<b>928,980</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>	<b>--</b>	<b>18,295</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>21,176</b>	<b>39,471</b>
<b>Cash and cash equivalents acquired</b>	<b>87,330</b>	<b>66</b>	<b>74</b>	<b>843</b>	<b>511</b>	<b>7,991</b>	<b>--</b>	<b>96,815</b>
<b>Cash outflow/(inflow)</b>	<b>398,535</b>	<b>--</b>	<b>31,105</b>	<b>1,183</b>	<b>1,652</b>	<b>383,695</b>	<b>15,995</b>	<b>832,165</b>
<b>POST-acquisition profit / (loss)</b>	<b>55,419</b>	<b>(1,508)</b>	<b>11,032</b>	<b>1,606</b>	<b>(369)</b>	<b>(622)</b>	<b>--</b>	<b>65,558</b>

\*CZK 421.9 million paid in advance in 2013 (note 6.11)

### **3.3 Acquisition of non-controlling interest in 2014**

#### **BAYTON Gama, a.s.**

In 2014, the Group acquired 0,04 % interest of the voting shares BAYTON Gama, a.s.

A cash consideration of CZK 14 thousand was paid to the non-controlling shareholders. Carrying value of the additional interest acquired was CZK 276 thousand. The difference of CZK 262 thousand between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

### **3.4 Disposal of subsidiaries in 2014**

The Company decided to sell two development projects, since they fall out of its strategy. The Group disposed a brownfield project located at Kolbenova street in Prague 9 (Polygon BC, s.r.o.) of approximately 5.6 hectares, and a land developable for residential project located in Ritka (MQM Czech, s.r.o.), south-west of Prague of approximately 39.5 hectares. The aggregate transaction price of CZK 547 million was paid at the closing.

For the breakdown of assets and liabilities sold refer to note 5.8.

### 3.5 Changes in the Group in 2013

Entity	Change	Share acquired in %	Date of acquisition/foundation
ACGATE Kft.	founded	100,00%	24 October 2013
Arkáda Prostějov, s.r.o.	acquisition	100,00%	30 September 2013
Baudry Alfa, a.s.	founded	100,00%	30 January 2013
Besnet Centrum, a.s.	acquisition	100,00%	30 September 2013
Budaörs Business Park Kft.	acquisition	100,00%	26 November 2013
Codiazella Ltd	founded	100,00%	30 August 2013
CPI BB Centrum, a.s.	acquisition	100,00%	30 September 2013
CPI CYPRUS LIMITED	acquisition	100,00%	1 January 2013
CPI Epsilon, a.s.	founded	100,00%	18 June 2013
CPI FINANCE (BVI) LIMITED	acquisition	100,00%	21 May 2013
CPI Lambda, a.s.	founded	100,00%	18 June 2013
CPI North, s.r.o.	founded	100,00%	21 June 2013
CPI Retails 4B, s.r.o.	acquisition	100,00%	31 October 2013
CPI Retails EIGHT, s.r.o.	acquisition	100,00%	31 October 2013
CPI Retails SEVEN, s.r.o.	acquisition	100,00%	31 October 2013
CPI Retails SIX, s.r.o.	acquisition	100,00%	30 October 2013
CPI South, s.r.o.	founded	100,00%	18 June 2013
CURITIBA, a.s. (1)	acquisition	100,00%	31 December 2013
EMH North, s.r.o.	acquisition	100,00%	16 September 2013
EMH South, s.r.o.	acquisition	100,00%	16 September 2013
EMH West, s.r.o.	acquisition	100,00%	16 September 2013
GADWALL, Sp. z o.o.	acquisition	100,00%	31 October 2013
HUNGATE 2013 Kft.	founded	100,00%	24 October 2013
Liongate, a.s.	acquisition	100,00%	3 September 2013
Luxembourg Plaza, a.s.	acquisition	100,00%	30 September 2013
OC Spektrum, s.r.o.	acquisition	100,00%	30 September 2013
ORCO APARTMENTS, Sp. z o.o.	acquisition	100,00%	31 October 2013
Pelhřimov Property Development, a.s.	control acquisition	0,00%	1 September 2013
Quadrio Residence, s.r.o.	founded	100,00%	9 July 2013
SASHKA LIMITED (2)	acquisition	100,00%	30 June 2013
Statenice Property Development, a.s.	acquisition	100,00%	15 May 2013
Třinec Investments, s.r.o.	acquisition	100,00%	1 January 2013
VERETIX a.s. (3)	acquisition	100,00%	31 December 2013
WARSAW WEST GATE, SP. z o.o.	acquisition	100,00%	31 December 2013
WWG2013 Sp. z o.o.	founded	100,00%	5 November 2013
ZLATICO LIMITED	founded	100,00%	16 January 2013

(1) including subsidiaries BAYTON Alfa, a.s., BAYTON Delta, a.s. and LD Praha, a.s.

(2) including entities CPI Group, a.s., ABLON Group Limited, ABLON Bucharest Real Estates Development S.R.L, ABLON Kft., ABLON s.r.o., ABLON sp. z o.o., Airport City Kft., Airport City s.r.o., ALAMONDO LIMITED, Avacero Ltd., AVIDANO LIMITED, B.C.P. Kft., BREGOVA LIMITED, Bright Site Kft., CD Property s.r.o., Century City Kft., CPI Meteor Centre, s.r.o., CPI Palmovka Office, s.r.o., DERISA LIMITED, DH Est-Europe Real Estate SRL, DORESTO LIMITED, Duna Office Center Kft., ES Bucharest Development S.R.L., ES Bucharest Properties S.R.L., ES Hospitality S.R.L., First Chance Kft., First Site Kft., GARET Investment Sp. z o.o., GLOBAL CENTER Kft., GLOBAL DEVELOPMENT Kft., GLOBAL ESTATES Kft., Global Immo Kft., GLOBAL INVESTMENT Kft., GLOBAL MANAGEMENT Kft., GLOBAL PROPERTIES Kft., GOMENDO LIMITED, GORANDA LIMITED, HD Investment s.r.o., Hotel Rosslyn Kft., ICL 1 Budapest Kft., Insite Kft., ISTAFIA LIMITED, JONVERO LIMITED, K.B.P. BUSINESS PARK sp. z o.o., Leriegos Kft., LERIEGOS LIMITED, LN Est-Europe Development SRL, MESARGOSA LIMITED, MH Bucharest Properties S.R.L, MQM Czech, s.r.o., New Field Kft., New Sites Kft., OSMANIA LIMITED, Polygon BC s.r.o., PRINGIPO LIMITED, RSL Est-Europe Properties SRL, RSL Real Estate Development S.R.L., SHAHEDA LIMITED, STRIPMALL Management Kft., Szolgáltatóház Kft., TUNELIA LIMITED and Volanti Ltd., SPH Properties Sp. z o.o.

(3) including subsidiary Best Properties South, a.s.

## Acquisition of non-controlling interest

### **BAYTON Gama, a.s.**

In 2013, the Group acquired 0,0092 % interest of the voting shares BAYTON Gama, a.s.

A cash consideration of CZK 42 thousand was paid to the non-controlling shareholders. Carrying value of the additional interest acquired was CZK 299 thousand. The difference of CZK 257 thousand between the consideration paid and the carrying value of the interest acquired has been recognized to retained earnings within equity.

### **CPI Park Žďárek, a.s.**

In June 2013, the Group increased its share capital by issuance of new shares in CPI Park Žďárek, a.s. New shares subscribed by 3<sup>rd</sup> party represented 1,513% non-controlling interest. Difference between total purchase price paid by new minority shareholder of CZK 9.45 million and carrying value of interest sold of CZK 8.38 million resulted in positive movement in parent's equity of CZK 1.07 million.

Subsequently in July the Group acquired 1,497% non-controlling share for CZK 0.15 million. The difference between total purchase price paid of CZK 0.15 million and carrying value of interest acquired of CZK 8.29 million resulted in positive movement in parent's equity of CZK 8.14 million.

### **ABLON Group**

Acquisition of non-controlling interest of CZK -7.44 million relates to ABLON Group acquisition in June 2013. In August cash consideration of CZK 1.33 million was paid to the non-controlling shareholders for remaining share of 0,14%. Carrying value of the interest acquired was CZK 2.36 million. The difference of CZK 1.03 million between the consideration paid and the carrying value of the interest acquired has been recognized to retained earnings within equity.

## **4 Segment reporting**

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

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

Due to the change in the ownership structure, by which the Group became a part of the CPI PROPERTY GROUP, the management of the Group decided to modify the structure of reportable operating segments in order to reflect new asset types and the extended geographical structure.

### **Income generating rental properties**

Within the segment “Income generating rental properties” the Group is considered to have six types of assets as at 31 December 2014, as follows:

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

### **Income generating operational properties**

The segment includes properties which primarily generate income from other than rental activities. As at 31 December 2014 the segment includes the following types of assets:

- Hospitality – operates hotel premises as hotel operator

### **Development**

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

### **Land bank**

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

## 2014

Consolidated profit or loss	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
2014										
Gross rental revenue	1,384,236	1,810,042	497,553	307,280	383,910	4,097	--	16,527	2,664	4,406,309
Service revenue	2,127	4,424	113	33	389	127,792	--	60	--	134,938
Net service charge income	12,650	5,852	(386)	(488)	(1,160)	41,593	--	(2,267)	525	56,319
Property operating expenses	(74,394)	(83,976)	(263,019)	(6,197)	(31,855)	(95,696)	--	(7,251)	3,464	(558,924)
<b>Net rental income</b>	<b>1,324,619</b>	<b>1,736,342</b>	<b>234,261</b>	<b>300,627</b>	<b>351,285</b>	<b>77,786</b>	<b>--</b>	<b>7,069</b>	<b>6,653</b>	<b>4,038,642</b>
Development sales	(33,998)	(19,131)	156,069	--	(13)	--	--	40,253	958,148	1,101,328
Cost of goods sold	--	--	(81,558)	--	--	--	--	(52,905)	(895,135)	(1,029,598)
Development operating expenses	(4,251)	(2,391)	(4,276)	--	--	--	--	(473)	(13,397)	(24,788)
<b>Net development income</b>	<b>(38,249)</b>	<b>(21,522)</b>	<b>70,235</b>	<b>--</b>	<b>(13)</b>	<b>--</b>	<b>--</b>	<b>(13,125)</b>	<b>49,616</b>	<b>46,942</b>
Hotel revenue	--	--	--	--	--	--	121,378	--	--	121,378
Hotel operating expenses	--	--	--	--	--	--	(100,710)	--	--	(100,710)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>20,668</b>	<b>--</b>	<b>--</b>	<b>20,668</b>
Total revenues	1,365,015	1,801,186	653,349	306,825	383,127	173,482	121,378	54,573	961,337	5,820,272
Total direct business operating expenses	(78,645)	(86,367)	(348,853)	(6,197)	(31,855)	(95,696)	(100,710)	(60,629)	(905,068)	(1,714,020)
<b>Net business income</b>	<b>1,286,370</b>	<b>1,714,819</b>	<b>304,496</b>	<b>300,627</b>	<b>351,272</b>	<b>77,786</b>	<b>20,668</b>	<b>(6,056)</b>	<b>56,269</b>	<b>4,106,252</b>
Net valuation gain / (loss) on investment property	(38,829)	736,657	40,663	(7,519)	(75,282)	--	--	(300,921)	67,024	421,793
Net gain / (loss) on the disposal of investment property	(1,642)	(6,473)	(8,391)	130	4	--	--	(30,221)	--	(46,593)
Net gain / (loss) on disposal of and investees	--	(178,732)	--	--	--	(426,056)	--	703,036	--	98,248
Amortization, depreciation and impairments	(732)	(23,395)	(31,365)	2,500	30,323	(97,110)	(27,799)	23,319	5,146	(119,113)
Other operating income	(31,784)	150,193	3,154	540	1,684	(41,986)	--	(6,266)	298	75,832
Administrative expenses	(82,433)	(51,300)	(12,903)	(5,201)	(8,416)	(473,294)	--	(9,679)	(6,310)	(649,535)
Other operating expenses	(21,385)	(20,776)	6,711	(808)	(1,311)	(2,587)	--	(5,157)	(52,393)	(97,707)
<b>Operating Results</b>	<b>1,109,565</b>	<b>2,320,993</b>	<b>302,365</b>	<b>290,268</b>	<b>298,273</b>	<b>(963,247)</b>	<b>(7,131)</b>	<b>368,056</b>	<b>70,035</b>	<b>3,789,177</b>
Interest income	744	30,744	19	206	14,342	459,367	39	47	19	505,528
Interest expense	(285,332)	(413,398)	(158,641)	(89,257)	(91,087)	(1,160,684)	(8,189)	(13,016)	32,399	(2,187,206)
Other net financial result	(190,386)	(69,304)	12,240	3,888	(7,651)	252,750	(18,265)	(12,078)	(373)	(29,179)
<b>Net finance income / (costs)</b>	<b>(474,974)</b>	<b>(451,957)</b>	<b>(146,382)</b>	<b>(85,163)</b>	<b>(84,396)</b>	<b>(448,567)</b>	<b>(26,415)</b>	<b>(25,047)</b>	<b>32,044</b>	<b>(1,710,857)</b>
<b>Profit / (Loss) before income tax</b>	<b>634,591</b>	<b>1,869,037</b>	<b>155,983</b>	<b>205,105</b>	<b>213,877</b>	<b>(1,411,814)</b>	<b>(33,546)</b>	<b>343,009</b>	<b>102,079</b>	<b>2,078,320</b>
Income tax expense	(103,508)	(299,315)	(20,313)	(35,446)	(23,862)	(1,854)	5,847	51,595	1,551	(425,305)
<b>Net profit / (Loss) from continuing operations</b>	<b>531,083</b>	<b>1,569,722</b>	<b>135,670</b>	<b>169,659</b>	<b>190,015</b>	<b>(1,413,668)</b>	<b>(27,699)</b>	<b>394,604</b>	<b>103,630</b>	<b>1,653,015</b>

## 2013

Consolidated profit or loss	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
<b>2013</b>										
Gross rental revenue	924,013	1,509,747	484,358	271,047	206,179	5,191	--	27,035	76	3,427,645
Service revenue	391	770	87	76	152	109,435	--	45	30	110,986
Net service charge income	8,750	22,926	(5,220)	1,182	422	21,960	--	(2,768)	--	47,252
Property operating expenses	(34,051)	(49,468)	(449,662)	(7,171)	(29,015)	(79,217)	--	(13,153)	(796)	(662,532)
<b>Net rental income</b>	<b>899,104</b>	<b>1,483,975</b>	<b>29,563</b>	<b>265,134</b>	<b>177,737</b>	<b>57,369</b>	<b>--</b>	<b>11,159</b>	<b>(690)</b>	<b>2,923,351</b>
Development sales	--	--	48,991	--	--	--	--	114	--	49,105
Cost of goods sold	--	--	(44,205)	--	--	--	--	(103)	--	(44,308)
<b>Net development income</b>	<b>--</b>	<b>--</b>	<b>4,786</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>11</b>	<b>--</b>	<b>4,797</b>
Hotel revenue	--	--	--	--	--	--	54,493	--	--	54,493
Hotel operating expenses	--	--	--	--	--	--	(37,483)	--	--	(37,483)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>17,010</b>	<b>--</b>	<b>--</b>	<b>17,010</b>
Total revenues	933,155	1,533,443	528,216	272,305	206,752	136,586	54,493	24,426	106	3,689,481
Total direct business operating expenses	(34,051)	(49,468)	(493,867)	(7,171)	(29,015)	(79,217)	(37,483)	(13,256)	(796)	(744,323)
<b>Net business income</b>	<b>899,104</b>	<b>1,483,975</b>	<b>34,349</b>	<b>265,134</b>	<b>177,737</b>	<b>57,369</b>	<b>17,010</b>	<b>11,170</b>	<b>(690)</b>	<b>2,945,158</b>
Net valuation gain / (loss) on investment property	(125,333)	272,476	348,441	48,524	(302,196)	--	--	(246,716)	104,514	99,710
Net gain / (loss) on the disposal of investment property	106,443	(1,486)	(53,765)	(181)	(105,632)	2,659	--	1,262	--	(50,700)
Amortization, depreciation and impairments	(3,332)	(19,895)	13,261	(2,178)	(5,069)	41,303	(13,896)	(48,512)	(3,520)	(41,837)
Other operating income	6,940	41,706	(135,563)	1,508	3,442	28,232	--	86,992	204,234	237,491
Administrative expenses	(15,061)	(34,426)	(10,222)	(1,990)	(7,438)	(296,004)	--	(5,421)	(20,549)	(391,111)
Other operating expenses	(6,114)	(6,974)	(15,863)	(30)	(1,417)	(15,624)	--	61	(15,372)	(61,334)
<b>Operating Results</b>	<b>862,649</b>	<b>1,735,376</b>	<b>180,638</b>	<b>310,787</b>	<b>(240,573)</b>	<b>(182,065)</b>	<b>3,114</b>	<b>(201,166)</b>	<b>268,617</b>	<b>2,737,377</b>
Interest income	3,258	(5,637)	20	741	2,129	699,830	99	6,623	924	707,987
Interest expense	(225,435)	(372,848)	(139,554)	(86,134)	(42,281)	(896,084)	(3,456)	(36,201)	(18,403)	(1,820,397)
Other net financial result	32,302	168,479	(8,052)	30,856	86,432	183,980	(1,472)	110,006	50,612	653,144
<b>Net finance income / (costs)</b>	<b>(189,875)</b>	<b>(210,006)</b>	<b>(147,586)</b>	<b>(54,537)</b>	<b>46,280</b>	<b>(12,274)</b>	<b>(4,829)</b>	<b>80,428</b>	<b>33,133</b>	<b>(459,266)</b>
<b>Profit / (Loss) before income tax</b>	<b>672,774</b>	<b>1,525,370</b>	<b>33,052</b>	<b>256,250</b>	<b>(194,293)</b>	<b>(194,339)</b>	<b>(1,715)</b>	<b>(120,738)</b>	<b>301,751</b>	<b>2,278,111</b>
Income tax expense	(23,180)	(232,123)	(14,221)	(16,941)	24,435	(44,271)	(1,025)	18,438	19,709	(269,179)
<b>Net profit / (Loss) from continuing operations</b>	<b>649,594</b>	<b>1,293,247</b>	<b>18,831</b>	<b>239,309</b>	<b>(169,858)</b>	<b>(238,610)</b>	<b>(2,740)</b>	<b>(102,300)</b>	<b>321,460</b>	<b>2,008,932</b>

## 2014

Consolidated statement of financial position	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
31 December 2014	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
<b>Gross assets value</b>	<b>23,261,306</b>	<b>24,744,864</b>	<b>7,684,502</b>	<b>3,826,188</b>	<b>6,218,945</b>	<b>97,674</b>	<b>481,820</b>	<b>6,383,635</b>	<b>3,440,057</b>	<b>76,138,991</b>
Investment Property	23,221,902	24,728,520	7,683,877	3,826,188	6,210,480	--	--	6,383,456	1,305,489	73,359,911
Property, plant and equipment	39,405	16,344	625	--	8,465	97,674	480,756	179	1,530	644,978
Inventories	--	--	--	--	--	--	1,064	--	2,133,038	2,134,102
Other assets non-current	10,083	184,401	--	--	5,632	1,084,066	--	54,215	3,000	1,341,397
Other assets current	418,300	438,774	366,390	35,109	149,480	8,882,747	5,293	41,473	94,045	10,431,610
Cash and cash equivalents	622,001	859,039	136,559	98,060	133,236	206,827	20,112	60,701	414,122	2,550,657
<b>Total Assets</b>	<b>24,311,690</b>	<b>26,227,079</b>	<b>8,187,451</b>	<b>3,959,357</b>	<b>6,507,292</b>	<b>10,271,314</b>	<b>507,225</b>	<b>6,540,024</b>	<b>3,951,224</b>	<b>90,462,655</b>
Other payables non-current	2,075,228	2,422,990	1,173,899	529,163	421,825	41,558	1,378	483,479	131,588	7,281,107
Finance debts non-current	11,108,487	9,357,190	97,209	1,525,249	1,692,908	576,128	392,987	--	992,407	25,742,565
Bonds issued non-current	--	1,387,525	2,651,348	--	--	10,924,382	--	--	--	14,963,255
Other payables current	560,578	470,563	441,755	52,511	161,253	433,960	15,535	92,995	108,839	2,337,990
Finance debts current	1,942,009	1,858,744	2,771	271,231	639,125	1,065,255	96,431	242,082	619,897	6,737,544
Bonds issued current	--	13,168	368,052	--	--	528,548	--	--	--	909,768
<b>Total Liabilities</b>	<b>15,686,302</b>	<b>15,510,181</b>	<b>4,735,034</b>	<b>2,378,154</b>	<b>2,915,111</b>	<b>13,569,831</b>	<b>506,331</b>	<b>818,556</b>	<b>1,852,731</b>	<b>57,972,229</b>

## 2013

Consolidated statement of financial position	Income generating - rental properties						Income generating - operational properties	Land bank	Development	Total consolidated
31 December 2013	Office	Retail	Residential	Industry and Logistics	Hotels	Other	Hospitality			
<b>Gross assets value</b>	<b>19,818,159</b>	<b>22,427,823</b>	<b>7,717,204</b>	<b>3,771,748</b>	<b>6,130,569</b>	<b>93,228</b>	<b>531,822</b>	<b>7,781,007</b>	<b>4,970,611</b>	<b>73,242,171</b>
Investment Property	19,800,645	22,426,939	7,716,242	3,771,748	6,122,929	--	--	7,775,795	2,349,189	69,963,487
Property, plant and equipment	17,513	884	962	--	7,641	93,228	531,822	5,212	4,487	661,749
Inventories	--	--	--	--	--	--	--	--	2,616,935	2,616,935
Other assets non-current	51,165	55,080	--	--	636,361	3,340,616	--	--	416	4,083,637
Other assets current	965,471	353,286	391,163	20,289	249,840	3,196,175	4,671	46,619	48,164	5,275,678
Cash and cash equivalents	727,971	740,247	123,152	137,246	130,661	182,724	12,382	85,327	866,209	3,005,919
<b>Total Assets</b>	<b>21,562,765</b>	<b>23,576,436</b>	<b>8,231,519</b>	<b>3,929,283</b>	<b>7,147,431</b>	<b>6,812,743</b>	<b>548,875</b>	<b>7,912,953</b>	<b>5,885,400</b>	<b>85,607,405</b>
Other payables non-current	1,642,240	2,065,234	1,202,742	511,563	432,360	54,615	6,384	520,002	282,154	6,623,278
Finance debts non-current	11,075,456	9,952,325	450	1,839,881	1,508,577	583,539	457,881	753,045	1,627,981	27,928,636
Bonds issued non-current	--	273,420	2,933,789	--	--	14,045,314	--	--	--	17,252,523
Other payables current	498,572	453,082	456,856	48,867	380,553	295,449	7,496	30,781	235,133	2,500,807
Finance debts current	1,096,786	1,422,278	16,091	236,272	834,687	931,598	1,898	136,632	424,722	4,971,463
Bonds issued current	--	2,856	95,334	--	--	480,419	--	--	--	578,609
<b>Total Liabilities</b>	<b>14,313,054</b>	<b>14,298,696</b>	<b>4,705,262</b>	<b>2,507,083</b>	<b>3,156,177</b>	<b>16,390,934</b>	<b>473,659</b>	<b>1,440,461</b>	<b>2,569,990</b>	<b>59,855,316</b>

## 2014

Consolidated profit or loss 2014	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Total consolidated
Gross rental revenue	3,371,671	428,539	453,438	151,505	--	--	1,156	--	--	--	--	--	4,406,309
Service revenue	132,859	336	298	1,348	--	--	97	--	--	--	--	--	134,938
Net service charge income	44,518	(566)	14,877	(2,785)	--	--	275	--	--	--	--	--	56,319
Property operating expenses	(490,398)	(15,848)	(35,749)	(8,636)	(452)	--	(7,838)	--	--	--	(3)	--	(558,923)
<b>Net rental income</b>	<b>3,058,650</b>	<b>412,461</b>	<b>432,864</b>	<b>141,432</b>	<b>(452)</b>	<b>--</b>	<b>(6,310)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(3)</b>	<b>--</b>	<b>4,038,643</b>
Development sales	143,180	--	--	--	--	--	958,148	--	--	--	--	--	1,101,328
Cost of goods sold	(134,334)	--	(129)	--	--	--	(895,135)	--	--	--	--	--	(1,029,598)
Development operating expenses	(24,788)	--	--	--	--	--	--	--	--	--	--	--	(24,788)
<b>Net development income</b>	<b>(15,942)</b>	<b>--</b>	<b>(129)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>63,013</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>46,942</b>
Hotel revenue	--	--	121,378	--	--	--	--	--	--	--	--	--	121,378
Hotel operating expenses	--	--	(100,710)	--	--	--	--	--	--	--	--	--	(100,710)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>20,668</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>20,668</b>
Total revenues	3,692,228	428,309	589,991	150,068	--	--	959,676	--	--	--	--	--	5,820,272
Total direct business operating expenses	(649,520)	(15,848)	(136,588)	(8,636)	(452)	--	(902,973)	--	--	--	(3)	--	(1,714,019)
<b>Net business income</b>	<b>3,042,708</b>	<b>412,461</b>	<b>453,403</b>	<b>141,432</b>	<b>(452)</b>	<b>--</b>	<b>56,703</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(3)</b>	<b>--</b>	<b>4,106,253</b>
Net valuation gain / (loss) on investment property	1,451,506	(48,778)	(856,064)	(48,431)	(76,440)	--	--	--	--	--	--	--	421,793
Net gain / (loss) on the disposal of investment property	(46,593)	--	--	--	--	--	--	--	--	--	--	--	(46,593)
Net gain / (loss) on disposal of subsidiaries	703,036	--	--	165	--	--	--	--	(604,568)	--	(385)	--	98,248
Amortization, depreciation and impairments	(83,028)	(1,496)	(29,472)	(243)	(69)	--	--	--	(4,805)	--	--	--	(119,113)
Other operating income	65,730	1,324	52,938	3,331	--	--	--	--	(5,452)	--	(42,039)	--	75,832
Administrative expenses	(461,409)	(4,488)	(87,208)	(19,628)	(2,125)	(5,443)	(3,226)	(895)	(3,791)	(209)	(60,912)	(201)	(649,535)
Other operating expenses	(32,396)	(346)	2,992	(10,138)	(159)	--	(44,485)	--	(99)	--	(13,070)	(6)	(97,707)
<b>Operating Results</b>	<b>4,639,554</b>	<b>358,677</b>	<b>(463,411)</b>	<b>66,488</b>	<b>(79,245)</b>	<b>(5,443)</b>	<b>8,992</b>	<b>(895)</b>	<b>(618,715)</b>	<b>(209)</b>	<b>(116,409)</b>	<b>(207)</b>	<b>3,789,178</b>
Interest income	421,380	61	868	--	4	53,549	--	--	29,664	--	2	--	505,528
Interest expense	(1,674,052)	(100,830)	(92,512)	(36,899)	(164)	(345,620)	62,871	--	--	--	--	--	(2,187,206)
Other net financial result	(166,403)	(8,540)	(48,732)	(71,597)	(50)	4,310	(485)	(32)	(260)	261,154	1,355	101	(29,179)
<b>Net finance income / (costs)</b>	<b>(1,419,075)</b>	<b>(109,309)</b>	<b>(140,376)</b>	<b>(108,496)</b>	<b>(210)</b>	<b>(287,761)</b>	<b>62,386</b>	<b>(32)</b>	<b>29,404</b>	<b>261,154</b>	<b>1,357</b>	<b>101</b>	<b>(1,710,857)</b>
<b>Profit / (Loss) before income tax</b>	<b>3,220,479</b>	<b>249,368</b>	<b>(603,787)</b>	<b>(42,008)</b>	<b>(79,455)</b>	<b>(293,204)</b>	<b>71,378</b>	<b>(927)</b>	<b>(589,311)</b>	<b>260,945</b>	<b>(115,052)</b>	<b>(106)</b>	<b>2,078,321</b>
Income tax expense	(483,822)	(33,331)	91,953	(8,499)	--	--	8,394	--	--	--	--	--	(425,305)
<b>Net profit / (Loss) from continuing operations</b>	<b>2,736,657</b>	<b>216,037</b>	<b>(511,834)</b>	<b>(50,507)</b>	<b>(79,455)</b>	<b>(293,204)</b>	<b>79,772</b>	<b>(927)</b>	<b>(589,311)</b>	<b>260,945</b>	<b>(115,052)</b>	<b>(106)</b>	<b>1,653,016</b>

## 2013

Consolidated profit or loss 2013	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Total consolidated
Gross rental revenue	2,814,189	402,647	189,681	21,128	--	--	--	--	--	--	--	3,427,645
Service revenue	107,982	83	--	2,921	--	--	--	--	--	--	--	110,986
Net service charge income	40,645	1,510	6,347	(1,229)	--	--	--	--	--	--	(21)	47,252
Property operating expenses	(611,659)	(19,203)	(30,444)	(404)	(262)	--	(506)	--	--	--	(54)	(662,532)
<b>Net rental income</b>	<b>2,351,157</b>	<b>385,037</b>	<b>165,584</b>	<b>22,416</b>	<b>(262)</b>	<b>--</b>	<b>(506)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(75)</b>	<b>2,923,351</b>
Development sales	48,991	--	114	--	--	--	--	--	--	--	--	49,105
Cost of goods sold	(44,205)	--	(103)	--	--	--	--	--	--	--	--	(44,308)
<b>Net development income</b>	<b>4,786</b>	<b>--</b>	<b>11</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4,797</b>
Hotel revenue	--	--	54,493	--	--	--	--	--	--	--	--	<b>54,493</b>
Hotel operating expenses	--	--	(37,483)	--	--	--	--	--	--	--	--	(37,483)
<b>Net hotel income</b>	<b>--</b>	<b>--</b>	<b>17,010</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>17,010</b>
Total revenues	3,011,807	404,240	250,635	22,820	--	--	--	--	--	--	(21)	3,689,481
Total direct business operating expenses	(655,864)	(19,203)	(68,030)	(404)	(262)	--	(506)	--	--	--	(54)	(744,323)
<b>Net business income</b>	<b>2,355,943</b>	<b>385,037</b>	<b>182,605</b>	<b>22,416</b>	<b>(262)</b>	<b>--</b>	<b>(506)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(75)</b>	<b>2,945,158</b>
Net valuation gain / (loss) on investment property	79,330	21,005	(625)	--	--	--	--	--	--	--	--	99,710
Net gain / (loss) on the disposal of investment property	(50,700)	--	--	--	--	--	--	--	--	--	--	(50,700)
Net gain / (loss) on disposal of subsidiaries	--	--	--	(995)	--	--	--	--	--	995	--	--
Amortization, depreciation and impairments	(17,162)	(9,037)	(15,479)	(121)	(38)	--	--	--	--	--	--	(41,837)
Other operating income	148,450	11,054	7,203	(4)	--	--	--	--	--	--	70,788	237,491
Administrative expenses	(342,365)	(4,478)	(4,457)	(4,351)	(1,339)	(4,597)	(16,202)	(1,515)	(1,622)	(245)	(9,940)	(391,111)
Other operating expenses	(48,427)	(2,035)	3,051	(178)	--	--	(13,516)	--	(91)	--	(138)	(61,334)
<b>Operating Results</b>	<b>2,125,069</b>	<b>401,546</b>	<b>172,298</b>	<b>16,767</b>	<b>(1,639)</b>	<b>(4,597)</b>	<b>(30,224)</b>	<b>(1,515)</b>	<b>(1,713)</b>	<b>750</b>	<b>60,635</b>	<b>2,737,377</b>
Interest income	520,489	1,470	889	6	1	159,819	--	--	13,028	12,274	11	1,274,045
Interest expense	(1,303,083)	(103,232)	(36,998)	(13,570)	--	(354,334)	--	--	(9,180)	--	--	(1,820,397)
Other net financial result	292,537	138,082	36,897	(8,020)	(3,073)	7,877	(1,168)	--	20,986	168,955	71	87,086
<b>Net finance income / (costs)</b>	<b>(490,057)</b>	<b>36,320</b>	<b>788</b>	<b>(21,584)</b>	<b>(3,072)</b>	<b>(186,638)</b>	<b>(1,168)</b>	<b>--</b>	<b>24,834</b>	<b>181,229</b>	<b>82</b>	<b>(459,266)</b>
<b>Profit / (Loss) before income tax</b>	<b>1,635,012</b>	<b>437,866</b>	<b>173,086</b>	<b>(4,817)</b>	<b>(4,711)</b>	<b>(191,235)</b>	<b>(31,392)</b>	<b>(1,515)</b>	<b>23,121</b>	<b>181,979</b>	<b>60,717</b>	<b>2,278,111</b>
Income tax expense	(231,234)	(58,709)	(3,219)	(565)	(1)	8,810	16,053	--	(314)	--	--	(269,179)
<b>Net profit / (Loss) from continuing operations</b>	<b>1,403,778</b>	<b>379,157</b>	<b>169,867</b>	<b>(5,382)</b>	<b>(4,712)</b>	<b>(182,425)</b>	<b>(15,339)</b>	<b>(1,515)</b>	<b>22,807</b>	<b>181,979</b>	<b>60,717</b>	<b>2,008,932</b>

## 2014

Consolidated statement of financial position	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherlands	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Luxembourg	Total consolidated
31 December 2014													
<b>Gross assets value</b>	<b>57,970,970</b>	<b>5,663,540</b>	<b>8,077,599</b>	<b>1,956,326</b>	<b>476,772</b>	--	<b>1,993,471</b>	--	--	--	<b>313</b>	--	76,138,991
Investment Property	57,594,786	5,663,423	7,572,024	1,956,047	476,593	--	97,038	--	--	--	--	--	73,359,911
Property, plant and equipment	144,420	63	500,154	162	179	--	--	--	--	--	--	--	644,978
Inventories	231,764	54	5,421	117	--	--	1,896,433	--	--	--	313	--	2,134,102
Other assets non-current	644,075	6,082	920	--	--	--	--	--	142,390	59,304	--	488,626	1,341,397
Other assets current	9,730,223	82,612	58,326	20,234	898	131,178	86,473	--	260,840	58,755	38	2,033	10,431,610
Cash and cash equivalents	1,673,482	128,111	200,838	162,365	277	402	375,553	534	22	52	8,912	109	2,550,657
<b>Total Assets</b>	<b>70,018,750</b>	<b>5,880,345</b>	<b>8,337,683</b>	<b>2,138,925</b>	<b>477,947</b>	<b>131,580</b>	<b>2,455,497</b>	<b>534</b>	<b>403,252</b>	<b>118,111</b>	<b>9,263</b>	<b>490,768</b>	<b>90,462,655</b>
Other payables non-current	5,617,621	761,533	672,176	145,947	322	--	83,508	--	--	--	--	--	7,281,107
Finance debts non-current	18,648,141	2,594,333	2,714,116	766,887	--	--	1,019,088	--	--	--	--	--	25,742,565
Bonds issued non-current	12,483,255	--	--	--	--	2,480,000	--	--	--	--	--	--	14,963,255
Other payables current	1,953,417	34,667	199,374	48,214	(304)	21,644	75,039	538	1,727	154	984	2,535	2,337,990
Finance debts current	4,119,090	213,012	2,010,388	383,821	10,843	--	390	--	--	--	--	--	6,737,544
Bonds issued current	904,298	--	--	--	--	5,470	--	--	--	--	--	--	909,768
<b>Total Liabilities</b>	<b>43,725,822</b>	<b>3,603,545</b>	<b>5,596,054</b>	<b>1,344,869</b>	<b>10,861</b>	<b>2,507,114</b>	<b>1,178,025</b>	<b>538</b>	<b>1,727</b>	<b>154</b>	<b>984</b>	<b>2,535</b>	<b>57,972,229</b>

## 2013

Consolidated statement of financial position	Czech Republic	Slovak Republic	Hungary	Poland	Romania	Netherland	France	Ireland	Cyprus	British Virgin Islands	Guernsey	Total consolidated
31 December 2013												
Gross assets value	55,450,372	5,385,747	7,574,231	1,907,038	547,362	--	2,377,111	--	--	--	310	73,242,171
Investment Property	55,104,295	5,385,413	7,019,888	1,906,761	547,130	--	--	--	--	--	--	69,963,487
Property, plant and equipment	108,686	281	552,392	158	232	--	--	--	--	--	--	661,749
Inventories	237,391	53	1,951	119	--	--	2,377,111	--	--	--	310	2,616,935
Other assets non-current	2,724,714	--	1,461	46,495	--	968,750	30	--	342,187	--	--	4,083,637
Other assets current	4,296,408	23,804	492,558	170,975	854	87,039	27,793	--	15	176,215	17	5,275,678
Cash and cash equivalents	1,661,829	134,941	125,069	203,388	895	23,491	854,890	649	101	--	666	3,005,919
Total Assets	64,133,323	5,544,492	8,193,319	2,327,896	549,111	1,079,280	3,259,824	649	342,303	176,215	993	85,607,405
Other payables non-current	5,063,303	726,766	637,300	187,383	662	--	101,880	--	--	--	--	6,623,278
Finance debts non-current	18,709,590	2,667,635	3,595,082	950,845	--	276,464	1,598,714	--	805	--	--	27,928,636
Bonds issued non-current	11,853,523	--	--	--	--	5,399,000	--	--	--	--	--	17,252,523
Other payables current	2,086,794	35,748	155,574	22,411	149	24,309	72,676	1,007	3,026	3,824	1,273	2,500,807
Finance debts current	4,176,460	175,930	426,168	276,719	10,562	35,125	--	--	--	--	--	4,971,463
Bonds issued current	217,022	--	--	--	--	361,587	--	--	--	--	--	578,609
Total Liabilities	42,106,692	3,606,079	4,814,124	1,437,358	11,373	6,096,485	1,773,270	1,007	3,831	3,824	1,273	59,855,316

## 5 Consolidated statement of comprehensive income

### 5.1 Gross rental revenues

	2014	2013
Gross rental revenue (1)	4,406,309	3,427,645
Service revenue (2)	134,938	110,986
<b>Total gross rental revenues</b>	<b>4,541,247</b>	<b>3,538,631</b>

- (1) Significant increase in rental revenue is generally attributable to Group's expansion in 2013 and mainly reflects the effect of the acquisition of ABLON Group and ENDURANCE in 2013. The 2014 rental revenue includes full 12 months of ABLON Group revenues (acquired in second half of 2013) and 12 months of ENDURANCE companies (acquired in September 2013), leading to net effect of CZK 582.5 million increase in rental revenue in 2014.

The increase in revenue in 2014 also reflects acquisitions of Arena Corner Ingatlanfejlesztő Kft. with contribution of CZK 60 million (from May 2014 to December 2014).

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

- (2) Increase in service income follows expansion of Group's rental activities. It includes mainly facility management provided to third parties. Another part of the service income represent advisory and accounting services, which relate to services provided to non-consolidated entities. These services derive directly from rental activities performed by the Group so they are disclosed as a part of service income.

### 5.2 Net service charge income

	2014	2013
Service charge income	501,947	350,380
Service charge expenses	(468,151)	(324,864)
<b>Total</b>	<b>33,796</b>	<b>25,516</b>
Revenues from sales of energy	101,613	96,127
Cost of sales - energy	(79,090)	(74,391)
<b>Total</b>	<b>22,523</b>	<b>21,736</b>
<b>Total net service charge income</b>	<b>56,319</b>	<b>47,252</b>

Increase in volume of service charge income and expenses reflects increase in rental activity. The increase was mainly driven by acquisition of ABLON Group as the ABLON's entities are entitled to recharge service expenses with profit margin to tenants. Related profit represents CZK 17.0 million for 12 months of 2014 (6 months of 2013 as former ABLON group was acquired in June 2013 – CZK 7.6 million).

Profit from sale of energies (the Group has license for the purchase and its further distribution) remains stable and also contributed to total positive result from service recharges.

### 5.3 Property operating expenses

	2014	2013
Building maintenance (1)	(263,007)	(380,770)
Utility services	(85,805)	(106,844)
Personnel expenses	(120,547)	(104,141)
Real estate tax	(26,933)	(21,306)
Facility management	(22,528)	(6,027)
Insurance	(14,948)	(12,707)
Letting fee, other fees paid to real estate agents	(14,346)	(7,303)
Other property related expenses	(9,565)	(24,434)
Leases and rents	(1,185)	--
<b>Total net property operating expenses</b>	<b>(558,924)</b>	<b>(662,532)</b>

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

- (1) Decline in building maintenance is primarily caused by significant investment to residential portfolio in prior period.

#### 5.3.1 Utility services

	2014	2013
Energy consumption	(56,278)	(70,039)
Material consumption	(5,758)	(13,418)
Waste management	(5,868)	(8,511)
Security services	(11,883)	(12,395)
Cleaning services	(6,018)	(2,481)
<b>Total utility services</b>	<b>(85,805)</b>	<b>(106,844)</b>

#### 5.3.2 Personnel expenses

	2014	2013
<b>Personnel operating expenses</b>		
Wages and salaries	(88,083)	(76,108)
Social and health security contributions	(28,938)	(24,844)
Other social expenses	(3,526)	(3,189)
<b>Total personnel operating expenses</b>	<b>(120,547)</b>	<b>(104,141)</b>
<b>Personnel administrative expenses</b>		
Wages and salaries	(141,036)	(117,866)
Social and health security contributions	(46,056)	(34,364)
Other social expenses	(3,486)	(2,534)
<b>Total personnel administrative expenses</b>	<b>(190,578)</b>	<b>(154,764)</b>
<b>Personnel expenses - hotel operations</b>		
Wages and salaries	(24,168)	(8,690)
Social and health security contributions	(7,624)	(2,613)
Other social expenses	(2,628)	--
<b>Total personnel expenses - hotel operations</b>	<b>(34,420)</b>	<b>(11,303)</b>
<b>Total personnel expenses</b>	<b>(345,545)</b>	<b>(270,208)</b>

## 5.4 Net development income

	2014	2013
Development sales (1)	1,101,328	49,105
Cost of goods sold (1)	(1,029,598)	(44,308)
Development operating expenses (2)	(24,788)	--
<b>Net development income</b>	<b>46,942</b>	<b>4,797</b>

- (1) The development income represents primarily sale of apartments from the residential portfolio of CPI FRANCE (Palais Maeterlinck project). The proceeds from sales were CZK 958 million with the profit of CZK 63 million in 2014.
- (2) Development operating expenses cover all property operating expenses occurred in connection with development in 2014 (utility services, real estate agents services, maintenance etc.).

## 5.5 Net hotel income

	2014	2013
Hotel revenue	121,378	54,493
Personnel expenses (5.3.2)	(34,420)	(11,303)
Other hotel expenses	(66,290)	(26,180)
<b>Total net hotel income</b>	<b>20,668</b>	<b>17,010</b>

## 5.6 Net valuation gain on investment property

	2014	2013
<b>Valuation gains</b>		
Hotels	9,453	17,264
Industry and logistics	58,224	60,912
Land bank	15,181	4,142
Office	1,228,894	270,129
Residential	40,663	348,441
Retail	1,033,295	437,076
<b>Total valuation gains</b>	<b>2,385,710</b>	<b>1,137,964</b>
<b>Valuation losses</b>		
Hotels	(84,735)	(319,460)
Industry and logistics	(65,743)	(12,388)
Land bank	(316,102)	(250,858)
Office	(1,267,723)	(395,462)
Retail	(296,638)	(164,600)
<b>Total valuation losses</b>	<b>(2,030,941)</b>	<b>(1,142,768)</b>
<b>Net valuation gain / (loss)</b>	<b>354,769</b>	<b>(4,804)</b>
Development – valuation gains	67,068	108,081
Development – valuation loss	(44)	(3,567)
<b>Total valuation gains on investment property under development</b>	<b>67,024</b>	<b>104,514</b>
<b>Net valuation gain on investment property</b>	<b>421,793</b>	<b>99,710</b>

Significant increase in valuation gain on investment property relates primarily to office and retail segment. It is mostly influenced by multifunctional complex QUADRIO which was finished in October 2014. QUADRIO project cover both office and retail segment as it has a shopping gallery and office premises.

Significant valuation losses in Land bank, Office and Retail segments are recognized mainly due to significant valuation losses realized in Hungary (total loss of CZK 856.1 million), Romania (total loss of CZK 76.4 million), Slovakia (total loss of CZK 48.8 million) and Poland (total loss of CZK 48.4 million).

For the assumptions used for the preparation of appraisals by professional valuers refer to note 7.5.3.

## 5.7 Net loss on the disposal of investment property

	2014	2013
Proceeds from disposal of investment property	231,997	189,446
Carrying value of investment property disposed of and related cost	(278,590)	(240,146)
<b>Total loss on the disposal of investment property</b>	<b>(46,593)</b>	<b>(50,700)</b>

Disposals of investment property in 2014 represent primarily sale of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. in total carrying value of CZK 121.6 million and sale of retail units of CPI Reality, a.s. in carrying value of CZK 79 million. Losses in 2014 and 2013 are mainly due to Group's strategy regarding the residential portfolio optimization, above all in Prague – Letňany. Flats with commitment to pay future contribution to Residents Associations were sold in 2014 and 2013. There is no indication that current loss would have adverse impact on fair value of remaining part of entire residential portfolio as these sales related only to specific locations.

Other investment property sales represent sales of land in Velké Mezihoří (VM Property Development, a.s.) in carrying value of CZK 43.2 million.

## 5.8 Net gain or loss on the disposal of subsidiaries in 2014

	MQM Czech, s.r.o.	Polygon BC, s.r.o.	Total
Investment property	97,264	318,613	415,877
Trading property - inventories	71	--	71
Trade and other receivables	5	110	115
Cash and cash equivalents	54	103	157
<b>Identifiable assets</b>	<b>97,394</b>	<b>318,826</b>	<b>416,220</b>
Other non-current liabilities	--	211	211
Deferred tax liability	--	27,882	27,882
<b>Identifiable liabilities</b>	<b>--</b>	<b>28,093</b>	<b>28,093</b>
<b>Net identifiable assets total</b>	<b>97,394</b>	<b>290,733</b>	<b>388,127</b>
Ownership interest sold	100%	100%	--
Net identifiable assets sold	97,394	290,733	388,127
<b>Total carrying value of subsidiaries sold and related cost to sell</b>	<b>97,394</b>	<b>290,733</b>	<b>388,127</b>
Sales price	91,100	455,510	546,610
<b>Net gain / (loss) on the disposal of subsidiary</b>	<b>(6,294)</b>	<b>164,777</b>	<b>158,483</b>

Both subsidiaries were sold in November 2014.

## 5.9 Loss on the disposal of equity-accounted investees in 2014

	K.B.P. BUSINESS PARK Sp. z o.o.
Ownership interest	50%
Net identifiable assets sold (including provided loan)	219,100
<b>Total carrying value of equity-accounted investees and cost to sell</b>	<b>219,100</b>
Sales price	158,865
<b>Loss on the disposal of equity-accounted investees</b>	<b>(60,235)</b>

In connection with acquisition of ABLON Group, the Group acquired 50% share in one associate (K.B.P. BUSINESS PARK Sp. z o.o.). Share in this associate (consolidated by equity method) was fully provided for as the associate's equity is negative and the carrying value of the investment was CZK 0 as at 31 December 2013. The share of K.B.P. BUSINESS PARK sp. Z.o.o (KBP) was sold in August 2014 for CZK 158.9 million. The shareholder loan in KBP in nominal value of CZK 219.1 million was sold together with the investment in the entity.

## 5.10 Amortization, depreciation and impairments

	2014	2013
Depreciation and amortization - rental	(28,969)	(26,494)
Depreciation and amortization – hotel (1)	(27,799)	(13,896)
Impairment of assets (5.10.1)	(62,345)	(1,447)
<b>Total depreciation, amortization and impairment</b>	<b>(119,113)</b>	<b>(41,837)</b>

- (1) Depreciation charge on hotel segment relates solely to Duna Office Center in Hungary acquired in June 2013. Current depreciation charge includes full year depreciation while prior year balance represents 6 months of depreciation charges.

### 5.10.1 Impairment of assets / Reversal of impairment of assets

	2014	2013
Impairment of property, plant and equipment	(1,488)	--
Impairment of goodwill	(39,471)	(14,932)
Impairment of trading property	3,597	(3,689)
Impairment of other receivables	289	2,124
Impairment of trade receivables (6.7)	(18,248)	(6,347)
Impairment of provided loans	(7,024)	21,397
<b>Total impairment of assets / reversal of impairment of assets</b>	<b>(62,345)</b>	<b>(1,447)</b>

## 5.11 Other operating income

	2014	2013
Gain on bargain purchase relating to acquisition of GSG (Note 1)	--	150,204
Income from penalties	17,239	42,245
Income from compensation of rental revenues	11,173	10,356
Income from lands acquired based on court decision (1)	23,232	8,797
Change in provisions	4	--
Insurance claims	5,512	5,917
Other	18,245	19,352
Income from sale of PPE	427	620
<b>Total other operating income</b>	<b>75,832</b>	<b>237,491</b>

- (1) In 2014 the Group won litigation claims regarding ownership of land in the total amount of CZK 23.2 million (2013: CZK 8.8 million).

## 5.12 Administrative expenses

	2014	2013
Personnel expenses (1)	(190,578)	(154,764)
Lease and rental expenses	(45,580)	(50,775)
Audit, tax and advisory services (2) (3)	(198,357)	(48,160)
Legal services	(53,622)	(43,876)
Advertising expenses	(47,470)	(41,432)
Telecommunication, internet and software related expenses	(8,622)	(7,802)
Material consumption	(18,818)	(8,822)
Representation expenses	(23,989)	(17,247)
Repairs and maintenance	(12,511)	(2,492)
Other insurance expenses	(5,603)	(3,542)
Energy consumption	(791)	(671)
Other administrative expenses	(43,594)	(11,528)
<b>Total administrative expenses</b>	<b>(649,535)</b>	<b>(391,111)</b>

The increase in administrative expenses reflects Group's substantial growth affected mainly by acquisitions carried out in the second half of 2013 and in 2014.

- (1) Personnel expenses significantly increased in 2014 accordingly to the increase in number of employees from 464 to 692.
- (2) Increase in Audit, tax and advisory services is in line with ongoing Group's expansion and extended requirements for financial and other advisory services. Audit, tax and advisory expenses also include the cost of services provided by the Group's auditor of CZK 10.5 million (CZK 13.2 million in 2013), of which:
  - Fees related to audit services amount to CZK 8.2 million (CZK 11.1 million in 2013).
  - Fees for other assurance and advisory services provided by the Group's auditor total CZK 2.3 million (CZK 2.1 million in 2013).
- (3) Fees paid to investment property valuers represent CZK 8.1 million in 2014 (CZK 4.9 million in 2013).

## 5.13 Other operating expenses

	2014	2013
Penalties	(7,553)	(10,581)
Tax non-deductible VAT expenses	(12,190)	(16,224)
Taxes and fees	(47,482)	(21,629)
Loss on assignment of receivables	(1,534)	(2,177)
Gifts	(14,745)	(10)
Change in provisions	(6,025)	1,503
Other	(8,179)	(12,216)
<b>Total other operating expenses</b>	<b>(97,707)</b>	<b>(61,334)</b>

## 5.14 Interest income

	2014	2013
Bank interest income	1,371	3,974
Interest income on bonds	8,320	2,394
Interest income on loans and receivables (1)	495,837	701,619
<b>Total finance income</b>	<b>505,528</b>	<b>707,987</b>

- (1) Significant decrease in interest income on loans and receivable reflects mainly repayments of provided loans and finance restructuring process in 2014 (refer to note 6.66.7).

## 5.15 Interest expense

	2014	2013
Interest expense related to bank and non-bank loans (1)	(1,053,469)	(940,714)
Interest expense on bonds issued (2)	(1,110,947)	(813,208)
Interest expense related to finance leases	(15,854)	(44,843)
Interest expense on other non-current liabilities	(6,936)	(21,632)
<b>Total interest expense</b>	<b>(2,187,206)</b>	<b>(1,820,397)</b>

- (1) An increase in interest expense related to bank and non-bank loans reflects mainly additional costs of financing in respect of Group's real estate portfolio expansion.
- (2) Substantial increase in interest on bonds relates mainly to new bonds issued by the Group in 2014 and in second half of 2013 (refer to note 6.13).

## 5.16 Other net financial results

	2014	2013
Change in fair value and realized result on derivative instruments (1)	(66,624)	98,533
Other net financial results (2)	270,021	563,573
Net foreign exchange gain	--	92,178
Net foreign exchange loss	(164,121)	--
Bank charges	(68,455)	(101,140)
<b>Total other net financial results</b>	<b>(29,179)</b>	<b>653,144</b>

- (1) Change in the fair value of derivative instruments essentially arise from the revaluation of interest rate swaps (not used for hedging) recognized at fair value as described in note 6.15.
- (2) Other net financial income in 2013 represents net income from purchase of receivables resulting from purchase of receivables at discount and subsequent receipt of the cash settlement. These transactions were carried out by the Group in connection with the acquisition of ABLON Group and ENDURANCE companies respectively (note 3.5). In respect of ABLON Group acquisition, the Group purchased bank loans in nominal value app. CZK 803 million (app. EUR 31.1 million) from bank that provided the loan facilities to ABLON Group and subsequently received the cash settlement from the debtor. The difference between the carrying value of acquired bank loans and received settlement was recognized as other net financial result.

## 5.17 Income tax expense

### Tax recognized in profit or loss

	2014	2013
<b>Current income tax expense</b>		
Current year	(132,452)	(65,167)
Adjustment for prior years	(5,538)	2,992
<b>Total</b>	<b>(137,990)</b>	<b>(62,175)</b>
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	(294,126)	(202,274)
Changes in income tax rate	9,639	28,932
Recognition (derecognition) of tax losses	(2,828)	(33,662)
<b>Total</b>	<b>(287,315)</b>	<b>(207,004)</b>
<b>Income tax from continuing operations recognised in profit and loss</b>	<b>(425,305)</b>	<b>(269,179)</b>
<b>Total income tax recognised in profit or loss</b>	<b>(425,305)</b>	<b>(269,179)</b>

The Company's effective tax rate in respect of continuing operations for 2014 was 20.5% (11.8% for 2013).

### Reconciliation of effective tax rate

	2014	2013
Profit for the period	1,653,015	2,008,932
Total income tax recognised in profit or loss	(425,305)	(269,179)
<b>Profit excluding income tax</b>	<b>2,078,320</b>	<b>2,278,111</b>
Current income tax rate	19%	19%
Income tax expense using the domestic corporate income tax rate	(394,881)	(432,841)
Effect of tax rates in foreign jurisdictions	(98,516)	736
Changes in income tax rate	4,983	28,932
Non-deductible expense	(84,906)	(49,442)
Tax exempt income	242,092	162,834
Income tax adjustment for prior years	(1,795)	2,992
Effect of foreign exchange rates fluctuation	(8,516)	--
Change in unrecognized deferred tax asset	(63,770)	36,781
Change in the permanent tax differences	(14,920)	(19,149)
Other effects	(5,076)	(22)
<b>Tax expense</b>	<b>(425,305)</b>	<b>(269,179)</b>

The main tax rules imposed on the Group companies are as follows:

#### Luxembourg

The corporate income tax rate of 22.47% includes a 7% employment fund contribution. Additionally, a municipal business tax is levied. The rate for the city of Luxembourg is 6.75%. Tax losses do not expire, so they can be carried forward for undefined time period.

#### Czech Republic

The corporate income tax rate is 19% (2013: 19%). Tax losses can be carried forward for five years. Losses may not be carried forward on a substantial (approximately 25%) change in the ownership of a company unless certain conditions are met.

#### Slovakia

The corporate income tax rate is 22% (2013: 23%).

#### Hungary

Effective from 1 July 2010, the corporate income tax is levied at progressive rates. From 1 January 2011, the annual upper threshold for the 10% rate is HUF 500 million (i.e. only the excess over this threshold is taxed at

19%). Losses can be carried forward indefinitely, but the loss set off in each year is capped at the 50% of the taxable profit.

#### Ireland

The standard rate of corporation tax for trading profits is 12.5% (2013: 12.5%). For profits from “excepted trades”, the corporation tax rate is 25% (2013: 25%). Excepted trades include most dealings in land and certain petroleum activities. Non-trading income and foreign income are also subject to the 25% rate (2013: 25%).

#### Netherlands

The corporate income tax rates are 20% (2013: 20%) on the profits up to EUR 200,000 and 25% (2013: 25%) on the excess. The same rates also apply to capital gains.

#### France

The corporate income tax rate is 33% (2013: 33%).

#### Poland

The corporate income tax rate is 19% (2013: 19%). Tax losses may be carried forward for 5 years, the loss set off in each year is capped at the 50% of the tax loss.

#### Romania

The general corporate income tax rate is 16 % (2013: 16%). Tax losses may be carried forward for 7 years (tax losses incurred before 2009 are to be carried forward for a five year period).

#### Cyprus

Companies, including public corporate bodies, were subject to corporation tax at a rate of 10% until 31 December 2012. From 1 January 2013 the corporation tax rate is 12.5%.

#### Guernsey and British Virgin Islands

The income is not taxed in Guernsey and British Virgin Islands.

## Deferred tax assets and liabilities

### Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Intangible assets and goodwill	6,396	11,270	--	--	6,396	11,270
Investment property	--	--	(6,622,832)	(6,236,605)	(6,622,832)	(6,236,605)
Property, plant and equipment	30,163	--	--	(1,421)	30,163	(1,421)
Inventories	--	--	(83,738)	(105,095)	(83,738)	(105,095)
Trade and other receivables	379	--	--	322	379	322
Financial debts	3,349	109,108	--	--	3,349	109,108
Derivative instruments	94,008	66,538	--	--	94,008	66,538
Provisions	--	--	(10,830)	(24,574)	(10,830)	(24,574)
Other items	6,391	2,439	--	(49,452)	6,391	(47,013)
Tax losses carried-forward	593,271	99,615	--	--	593,271	99,615
<b>Gross deferred tax assets/(liabilities)</b>	<b>733,957</b>	<b>288,970</b>	<b>(6,717,400)</b>	<b>(6,416,825)</b>	<b>(5,983,443)</b>	<b>(6,127,855)</b>
<b>Set-off of tax</b>	<b>(163,404)</b>	<b>(221,570)</b>	<b>163,404</b>	<b>221,570</b>	<b>--</b>	<b>--</b>
<b>Tax assets/(liabilities) held for sale</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>570,553</b>	<b>67,400</b>	<b>(6,553,996)</b>	<b>(6,195,255)</b>	<b>(5,983,443)</b>	<b>(6,127,855)</b>

Deferred tax assets and liabilities are offset to reflect the net deferred tax position of individual taxable entities.

## Unrecognised deferred tax asset

Deferred tax assets were not recognized with respect following items:

	31 December 2014	31 December 2013
Investment property	--	44,498
Trade and other receivables	9,805	12,638
Tax losses carried-forward	192,585	209,024
<b>Unrecognised deferred tax assets</b>	<b>202,390</b>	<b>266,160</b>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Expiration of tax losses depends on jurisdiction of relevant country of which tax losses are derived from.

## Movement in deferred tax balances during the years 2014 and 2013

	Balance at 1 January 2014	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Translation differences	Balance at 31 December 2014
<b>2014</b>						
Intangible assets and goodwill	11,270	(4,874)	--	--	--	6,396
Investment property	(6,236,605)	(212,776)	--	(214,636)	39,603	(6,624,414)
Property, plant and equipment	(1,421)	31,584	--	--	--	30,163
Inventories	(105,095)	21,357	--	--	--	(83,738)
Trade and other receivables	322	(67,614)	--	67,671	--	379
Financial debts	109,108	(105,759)	--	--	--	3,349
Derivative instruments	66,538	--	28,261	--	791	95,590
Provisions	(24,574)	13,744	--	--	--	(10,830)
Other items	(47,013)	55,410	--	(2,006)	--	6,391
Tax losses carried-forward	99,615	(18,387)	--	512,043	--	593,271
<b>Total</b>	<b>(6,127,855)</b>	<b>(287,315)</b>	<b>28,261</b>	<b>363,072</b>	<b>40,394</b>	<b>(5,983,443)</b>

	Balance at 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Translation differences	Balance at 31 December 2013
<b>2013</b>						
Intangible assets and goodwill	--	11,270	--	--	--	11,270
Investment property	(4,692,148)	31,699	(109,106)	(1,467,050)	--	(6,236,605)
Property, plant and equipment	(1,976)	555	--	--	--	(1,421)
Inventories	(110,922)	5,827	--	--	--	(105,095)
Trade and other receivables	55,069	(53,508)	--	(1,239)	--	322
Financial debts	241,507	(135,630)	158	3,073	--	109,108
Derivative instruments	4,350	--	80,280	(18,092)	--	66,538
Provisions	(18,085)	10,255	--	(16,744)	--	(24,574)
Other items	5,175	(44,695)	--	(7,493)	--	(47,013)
Tax losses carried-forward	52,388	(32,777)	8,028	71,976	--	99,615
<b>Total</b>	<b>(4,464,642)</b>	<b>(207,004)</b>	<b>(20,640)</b>	<b>(1,435,569)</b>	<b>--</b>	<b>(6,127,855)</b>

## 6 Consolidated statement of financial position

### 6.1 Intangible assets and goodwill

#### 2014

	Goodwill	Software	Other	Total
<b>Cost</b>				
Balance at 1 January 2014	63,595	38,406	5,074	107,075
Effect of business combinations	39,471	--	--	39,471
Additions	--	16,331	19,342	35,673
Transfer to investment property	--	105	(105)	--
Other disposals	--	(16,710)	--	(16,710)
Balance at 31 December 2014	103,066	38,132	24,311	165,509
<b>Amortization and impairment losses</b>				
Balance at 1 January 2014	14,932	23,146	2	38,080
Amortization for the period (+)	--	9,159	--	9,159
Other disposals	--	(9,534)	39	(9,495)
Goodwill impairment	39,471	--	--	39,471
Balance at 31 December 2014	54,403	22,771	41	77,215
<b>Carrying amounts</b>				
At 31 December 2013	48,663	15,260	5,072	68,995
At 31 December 2014	48,663	15,361	24,270	88,294

#### 2013

	Goodwill	Software	Other	Total
<b>Cost</b>				
Balance at 1 January 2013	--	31,324	122	31,446
Effect of business combinations	63,595	--	--	63,595
Additions	--	7,082	4,952	12,034
Balance at 31 December 2013	63,595	38,406	5,074	107,075
<b>Amortization and impairment losses</b>				
Balance at 1 January 2013	--	13,151	2	13,153
Amortization for the period (+)	--	9,995	--	9,995
Goodwill impairment	14,932	--	--	14,932
Balance at 31 December 2013	14,932	23,146	2	38,080
<b>Carrying amounts</b>				
At 31 December 2012	--	18,173	120	18,293
At 31 December 2013	48,663	15,260	5,072	68,995

### Goodwill

Opening balance of intangible assets and goodwill includes goodwill of CZK 48.7 million recognized by the Group in 2013. The goodwill relates to acquisition of ABLON Group on 30 June 2013. Goodwill is allocated to retail segment. The goodwill that arose on the business combination is attributed to the synergies expected to be derived from the combination. None of the goodwill recognized is expected to be deductible for tax purposes.

### Impairment of goodwill

As at 31 December 2014 there are no indicators of impairment recognized by the Group in connection with the acquisition of ABLON Group. As a result of the acquisition of CPI Retail MB s.r.o. and Platnéřská 10 s.r.o. (note 3.2), the Group recognized goodwill in the total amount of CZK 39.47 million, which was subsequently fully impaired (note 5.10).

## 6.2 Investment property

	Income Generating - Rental properties						Subtotal - rental properties	Land bank	Development	Total
	Office	Retail	Residential	Industry and logistics	Hotels	Other				
<b>Balance at 1 January 2013</b>	9,844,229	18,386,882	7,474,843	3,045,360	3,623,419	695,348	43,070,081	4,601,739	1,519,429	49,191,249
Investments/acquisitions	9,462,441	3,242,101	64,875	451,705	2,183,603	--	15,404,725	2,695,741	824,415	18,924,881
Transfers	225,428	--	--	--	463,001	(695,348)	6,919	618,009	(611,090)	--
Development costs	--	--	--	--	--	--	--	--	511,921	511,921
Additions	31,928	81,926	44,954	3,400	160,412	--	322,620	31,902	--	354,522
Disposals	(1,749)	(9,313)	(220,559)	--	(5,310)	--	(236,931)	(7,147)	--	(244,078)
Valuation gain/(loss)	(125,333)	272,476	348,441	48,524	(302,196)	--	241,912	(246,716)	104,514	99,710
Translation differences	363,701	452,871	3,688	222,758	--	--	1,043,018	82,264	--	1,125,282
<b>Balance at 31 December 2013</b>	19,800,645	22,426,943	7,716,242	3,771,747	6,122,929	--	59,838,506	7,775,792	2,349,189	69,963,487
Investments/acquisitions	1,621,574	138,836	7,701	--	--	--	1,768,111	--	23,988	1,792,099
Transfers	1,684,331	1,382,652	(68,563)	--	--	--	2,998,420	(667,698)	(2,330,722)	--
Development costs	--	--	--	--	--	--	--	--	1,196,010	1,196,010
Additions	117,826	75,921	120,897	26,387	163,368	--	504,399	38,078	--	542,477
Disposals	--	(82,217)	(133,063)	--	(535)	--	(215,815)	(479,063)	--	(694,878)
Valuation gain/(loss)	(38,829)	736,657	40,663	(7,519)	(75,282)	--	655,690	(300,921)	67,024	421,793
Translation differences	36,355	49,727	--	35,573	--	--	121,655	17,268	--	138,923
<b>Balance at 31 December 2014</b>	<b>23,221,902</b>	<b>24,728,519</b>	<b>7,683,877</b>	<b>3,826,188</b>	<b>6,210,480</b>	<b>--</b>	<b>65,670,966</b>	<b>6,383,456</b>	<b>1,305,489</b>	<b>73,359,911</b>

## Investments/acquisitions

### 2014

In 2014, the Group acquired investment property portfolio in total amount of CZK 1,792.1 million (note 3.2). The most significant items of investment property were acquired through following business combinations:

- Acquisition of Arena Corner on 11 April 2014. Its portfolio include administrative building Arena Corner in Budapest comprised of office spaces on 8 floors in 3 office towers with direct connections to each other, with large efficient spaces ideal for operation of shared service centers.
- Poštová Office Center, refurbished office building located in the prime downtown area of Bratislava, Slovakia.

### 2013

In 2013 the Group has acquired investment property in total value of CZK 18,924.88 million. The most significant items of investment property were acquired through following business combinations:

- The Group acquired ABLON Group on 30 June 2013. Its investment property portfolio includes mainly office portfolio (total acquisition value of CZK 4,220.7 million), land bank (CZK 2,469 million) and retail portfolio (CZK 1,009 million). Total leasable area exceeds 180 000 sqm. Acquired investment property includes land bank of app. 1 049 000 sqm as well.
- Acquisition of "ENDURANCE" Group with 9 entities holding a portfolio of six office buildings (app. 100 000 sqm of office premises with occupancy near 80%) in total value of CZK 5,241.8 million and three shopping centres offering more than 37 000 sqm of retail premises in total value of CZK 1,079.5 million (retail asset type).
- Acquisition of VERETIX a.s. including its fully owned subsidiary Best Properties South, a.s. The entity holds multi-purpose complex Galerie Fenix at Vysočany with total leasable area exceeding 14 000 sqm in total value of CZK 995.3 million (retail asset type) and four star hotel (segment hotels) in total value of CZK 1,694.6 million.
- Acquisition of CURITIBA a.s. including its fully owned subsidiaries BAYTON Alfa, a.s., BAYTON Delta, a.s. and LD Praha, a.s. These entities hold hostel located in Praha-Hloubětín offering 1 670 beds and three star spa hotel located in Františkovy Lázně.
- Acquisition of Statenice Property Development, a.s. the acquired entity owns lands in Statenice with total area of app. 207 000 sqm in total value of CZK 226.5 million (land bank segment).
- Acquisition of investment property totalling CZK 824.4 million represents purchase of remaining stake (50%) in CPI Národní, s.r.o.

## Transfers among segments

### 2014

Major investment property project “QUADRIO” (CPI Národní s.r.o.) was completed in the second half of 2014. Consequently the Group reclassified this project from development segment to segment income generating rental properties. Within this segment, two asset types have been recognized – retail and office – in the total value amounting CZK 2,986.7 million.

“Retail Park Čáslav” was transferred from development operating segment to the operating segment income generating rental properties – retail (CZK 81.7 million).

Investment property project “Glass museum” (Příkopy Property Development, a.s.), which was part of land bank operating segment in 2013, was transferred to development segment in 2014, due to the beginning of development work (CZK 918.2 million).

Due to the beginning of construction works on the retail project “Jeseník City Park”, the property was transferred to development operating segment (CZK 20.3 million).

### 2013

In November 2013 the Group has completed new multi-purpose complex Olomouc City Center (including Clarion Congress Hotel Olomouc) and consequently transferred the completed property in total value of CZK 688.4 million from development operating segment to income generating rental properties. Thereof CZK 463 million to hotel asset type and CZK 222.4 million to office asset type.

At the end of 2013 the Group has started construction of new office building in Prague – Karlín (Meteor C). The building will offer 5 560 sqm of office and storage space and 525 sqm of retail space. Its completion is expected in Q1 2015. As a result of this project the Group has transferred land bank of CZK 77.3 million (CPI Meteor Centre, s.r.o.) from land bank to development operating segment.

## Development costs

### 2014

Development costs in 2014 represent mainly costs expensed on multifunctional complex QUADRIO (CPI Národní, s.r.o.) of CZK 965.5 million.

### 2013

Main development costs in 2013 represent costs related to multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s. and Olomouc Office, a.s.) of CZK 224.2 million and multifunctional complex QUADRIO (CPI Národní, s.r.o.) of CZK 284.2 million.

## Additions

### 2014

In 2014 the most significant additions represent purchase of apartments in Cannes (CPI IMMO, S.à r.l.) of CZK 97 million. Furthermore, additions of CZK 78.6 million were recognized in connection with revitalization of Areál Hloubětín hostel (BAYTON Alfa, a.s.) and CZK 57.65 million relates to partial refurbishment of Clarion Grand Hotel Zlatý Lev in Liberec (Conradian, a.s.).

### 2013

The most significant capital expenditures in 2013 represent partial refurbishment of Clarion Congress Hotel (former Hotel Atom) in Ostrava (Kerina, a.s.).

## **Disposals**

### **2014**

Investment property in the amount of CZK 415.9 million was disposed of due to the sale of two subsidiaries in 2014 (note 5.8).

Other disposals represent mainly sale of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. to current tenants (CZK 117.9 million) and sale of investment property from the portfolio of CPI – Reality, a.s. (CZK 81.5 million) (note 5.7).

### **2013**

Disposals in 2013 comprise mainly sales of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. to current tenants in total carrying value of CZK 214.2 million.

## **Valuation gain/loss**

### **2014**

As a result of the valuation performed as at 31 December 2014 (see note 2.3) fair value of the Investment properties increased by CZK 421.8 million. The most significant increases were recorded at QUADRIO (gain of CZK 1,428.4 million) and Obchodní centrum IGY České Budějovice (gain of CZK 287.3 million). The largest decline in the value of portfolio was recognized in Marissa West (loss of CZK 521.6 million).

The downward movement in Land bank portfolio is mainly explained by decrease in value of plots located in Hungary (loss of CZK 119.6 million), Romania (loss of CZK 76.4 million) and Poland (loss of CZK 22.2 million).

## **Translation differences**

Translation differences related to investment property arise primarily in connection with translation of financial information of subsidiaries having other currency than CZK as functional currency to presentation currency of consolidated financial statements (CZK) and as a result of fluctuations in foreign currency exchange rates.

## **Leased investment properties**

Investment properties at an aggregate value of CZK 953.4 million at 31 December 2014 (2013: CZK 1,593 million) are held under long-term operating lease arrangements, which expire at varying dates between 2020 and 2033. Substantial decrease of value reflects acquisition of leasing company (lessor) CPI Retail MB s.r.o. (note 3.2). For liabilities related to leased investment properties refer to note 6.14.

## **Pledged investment properties**

For information related to pledged investment properties refer to note 6.14.

### 6.3 Property, plant and equipment

	Hotel	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>						
<b>Balance at 1 January 2014</b>	<b>566,679</b>	<b>80,583</b>	<b>40,771</b>	<b>52,767</b>	<b>15,516</b>	<b>756,316</b>
Acquisitions through business combinations	--	58	--	--	--	58
Additions	--	18,044	8,094	36,326	30,005	92,469
Disposals out of the Group	--	(46)	--	--	--	(46)
Other disposals	--	--	(5,578)	(50,348)	--	(55,926)
Transfer	(20,961)	20,961	--	--	--	--
Effect of movements in exchange rates	(23,267)	3,206	--	--	--	(20,061)
<b>Balance at 31 December 2014</b>	<b>522,451</b>	<b>122,806</b>	<b>43,287</b>	<b>38,745</b>	<b>45,521</b>	<b>772,810</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2014</b>	<b>13,896</b>	<b>11,893</b>	<b>21,648</b>	<b>47,130</b>	<b>--</b>	<b>94,567</b>
Depreciation for the period	27,799	11,833	7,977	--	--	47,609
Disposals out of the Group	--	(46)	--	--	--	(46)
Other disposals	--	(100)	(2,870)	(12,146)	--	(15,116)
Effect of movements in exchange rates	--	569	249	--	--	818
<b>Balance at 31 December 2014</b>	<b>41,695</b>	<b>24,149</b>	<b>27,004</b>	<b>34,984</b>	<b>--</b>	<b>127,832</b>
<b>Carrying amounts</b>						
<b>At 31 December 2013</b>	<b>552,783</b>	<b>68,690</b>	<b>19,123</b>	<b>5,637</b>	<b>15,516</b>	<b>661,749</b>
<b>At 31 December 2014</b>	<b>480,756</b>	<b>98,657</b>	<b>16,283</b>	<b>3,761</b>	<b>45,521</b>	<b>644,978</b>

	Hotel	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>						
<b>Balance at 1 January 2013</b>	<b>--</b>	<b>79,736</b>	<b>40,633</b>	<b>51,684</b>	<b>9,118</b>	<b>181,171</b>
Acquisitions through business combinations	537,308	--	--	4,156	6,087	547,551
Additions	4,405	2,271	7,754	95	311	14,836
Disposals	--	(1,424)	(7,616)	(3,168)	--	(12,208)
Effect of movements in exchange rates	24,965	--	--	--	--	24,965
<b>Balance at 31 December 2013</b>	<b>566,679</b>	<b>80,583</b>	<b>40,771</b>	<b>52,767</b>	<b>15,516</b>	<b>756,316</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 January 2013</b>	<b>--</b>	<b>6,717</b>	<b>18,635</b>	<b>47,130</b>	<b>--</b>	<b>72,482</b>
Depreciation for the period	13,896	6,809	9,690	--	--	30,395
Disposals	--	(1,600)	(6,677)	--	--	(8,277)
Effect of movements in exchange rates	--	(33)	--	--	--	(33)
<b>Balance at 31 December 2013</b>	<b>13,896</b>	<b>11,893</b>	<b>21,648</b>	<b>47,130</b>	<b>--</b>	<b>94,567</b>
<b>Carrying amounts</b>						
<b>At 31 December 2012</b>	<b>--</b>	<b>73,019</b>	<b>21,998</b>	<b>4,554</b>	<b>9,118</b>	<b>108,689</b>
<b>At 31 December 2013</b>	<b>552,783</b>	<b>68,690</b>	<b>19,123</b>	<b>5,637</b>	<b>15,516</b>	<b>661,749</b>

#### Acquisitions through business combinations

##### 2013

The most important additions in balance of property, plant and equipment were directly attributable to ABLON Group acquisition. The ABLON Group operates the Courtyard by Marriott Budapest City Center Hotel in Budapest. Because of the provisions of IAS 40.12 pertaining to owner-operated hotels, ABLON Group and consequently the Group recognize hotel property operated according to IAS 16 at cost less depreciation. Any increases in the value of other properties are not recognized in the profit in the respective reporting period, but are measured using the cost model according to IAS 16.30.

#### Additions

##### 2014

Additions in other property plant and equipment in the amount of CZK 30 million relate to the purchase of artwork (CPI Národní, s.r.o.).

## Transfers

### 2014

A transfer from hotel section into the owner occupied buildings section in amount of CZK 21 million represent correction of prior period wrong classification of Duna office Center.

The Group did not record in 2014, nor in 2013 any impairment expense related to property, plant and equipment. The carrying amount of the hotels is supported by valuation appraisal prepared by independent valuator as at 31 December 2014. For the key assumptions made in relation of hotel property valuations refer to note 7.5.3. Carrying amount of property, plant and equipment pledged as collateral for liabilities represents CZK 480.8 million (CZK 552.8 million as at 31 December 2013).

### 6.4 Available-for-sale financial assets

	31 December 2014	31 December 2013
Vodovody a kanalizace Přerov, a.s. (share 1,60%) (1)	6,782	6,782
Vodovody a kanalizace Hodonín, a.s. (share 1,99%) (1)	4,614	4,614
COOP Centrum Družstvo*	300	300
STRM Delta a.s. (share 0,07%)	50	50
Ekopark Odolena Voda, s.r.o. (share 10%)	20	20
Moravský Peněžní Ústav - spořitelní družstvo	2	2
<b>Total equity investments</b>	<b>11,768</b>	<b>11,768</b>
Debentures (2)	38,122	37,709
<b>Total available-for-sale financial assets</b>	<b>49,890</b>	<b>49,477</b>

- (1) Equity investments represent investments with the ownership interest not exceeding 10 %. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured, which is why they are measured at cost less accumulated impairment. There is no indication of impairment as at 31 December 2014.
- (2) The Group acquired debentures issued by 3<sup>rd</sup> party in total nominal value of CZK 38.1 million. Debentures are denominated in EUR. The debentures bear interest rate of 10 % p.a. and are due on 10 December 2016. Interest are paid on annual basis. Debentures are not publicly traded and not secured.

### 6.5 Financial assets at fair value through profit or loss

	31 December 2014	31 December 2013
Call option	12,053	--
<b>Total</b>	<b>12,053</b>	<b>--</b>

In connection with disposal of subsidiaries in 2014 (note 5.8), the Group acquired a call option in the amount of CZK 12.1 million. Option is due in November 2017.

## 6.6 Loans provided

### Non-current

	31 December 2014		31 December 2013	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties (1)	323,425	8.00%	3,253,063	11.94%
Loans provided - third parties	296,310	9.44%	625,207	7.63%
<b>Total non-current loans provided</b>	<b>619,735</b>	<b>--</b>	<b>3,878,270</b>	<b>--</b>
Impairment to non-current loans provided to third parties	(4,839)	--	--	--
<b>Total non-current loans provided net of impairment</b>	<b>614,896</b>	<b>--</b>	<b>3,878,270</b>	<b>--</b>

### Current

	31 December 2014		31 December 2013	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided - related parties (1)	7,349,412	6.47%	663,710	3.54%
Loans provided - third parties (1)	269,266	3.09%	782,050	7.41%
Bills of exchange - third parties	42,595	6.00%	165,037	6.00%
<b>Total current loans provided</b>	<b>7,661,273</b>	<b>--</b>	<b>1,610,797</b>	<b>--</b>
Impairment to current loans provided to third parties	(65,659)	--	(63,216)	--
<b>Total current loans provided net of impairment</b>	<b>7,595,614</b>	<b>--</b>	<b>1,547,581</b>	<b>--</b>

- (1) In 2014, the Group has assigned loans provided to third and related parties and other receivables from third and related parties exceeding CZK 7,335.3 million to one related party. This process resulted into new loan due to related party (refer to note 10). Majority shareholder of CPI PG issued full guarantee in respect of the loan and accrued interest as at 31 December 2014. The guarantee is valid till 31 December 2015. New loans bear average interest rate of 6.5 % p.a. equal to the original effective interest rate of assigned loans and other receivables. The loan matures on 31 December 2015.

Balances of non-current loans include loan principal and unpaid interest that are expected to be settled more than 12 months after the reporting period. Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period.

Current loans provided to third parties were impaired to reflect the recoverable amount.

The maturity of non-current loans provided at 31 December 2014 and as at 31 December 2013 was as follows:

#### 2014

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	--	323,425	--	323,425
Loans provided - third parties	49,999	60,266	181,206	291,471
<b>Total the maturity of non-current loans provided</b>	<b>49,999</b>	<b>383,691</b>	<b>181,206</b>	<b>614,896</b>

#### 2013

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	912,893	861,039	1,479,131	3,253,063
Loans provided - third parties	127,583	148,814	348,810	625,207
<b>Total the maturity of non-current loans provided</b>	<b>1,040,476</b>	<b>1,009,853</b>	<b>1,827,941</b>	<b>3,878,270</b>

## 6.7 Trade and other receivables

### Non-current

	31 December 2014	31 December 2013
Advances paid	5,041	15,320
Trade receivables due from third parties	--	3,505
Other receivables due from related parties	670	670
<b>Total non-current trade and other receivables</b>	<b>5,711</b>	<b>19,495</b>

### Current

	31 December 2014	31 December 2013
Trade receivables due from related parties	117,601	32,817
Trade receivables due from third parties (1)	1,141,164	1,357,707
Impairment to trade receivables due from third parties	(307,855)	(331,953)
<b>Total current trade receivables</b>	<b>950,910</b>	<b>1,058,571</b>

- (1) Trade receivables due from third parties in the amount of CZK 843.3 million represent trade receivables due from tenants (in 2013: CZK 1,003.4 million) and receivables from invoicing of utilities of CZK 261.7 million (2013: CZK 311.4 million). Receivables from invoicing of utilities will be settled against Advances received from tenants when final amount of utilities consumption is known and final utilities invoicing is performed. Significant part of impairment to trade receivables due from third parties is created for trade receivables from tenants overdue more than 181 days. Creation of adjustments for receivables is recognized in statement of comprehensive income as impairment loss.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	31 December 2014	31 December 2013
Impairment of trade receivables – creation	(225,264)	(47,317)
Impairment of trade receivables – release	249,362	51,086
Impairment of trade receivables - written off	(42,346)	(10,116)
<b>Total impact to profit/loss</b>	<b>18,248</b>	<b>(6,347)</b>

## 6.8 Inventories

	31 December 2014	31 December 2013
Projects and property for resale	4,294	79,852
Projects under development (1)	2,128,197	2,535,812
Other inventory	1,611	1,271
<b>Total inventories</b>	<b>2,134,102</b>	<b>2,616,935</b>

- (1) Project under development primarily relates to “Palais Maeterlinck project” in total amount of CZK 1,896.4 million, to residential part of project QUADRIO (Quadrio Residence, s.r.o.) in the amount of CZK 150.4 million and to “Jižní stráň project” (Březiněves, a.s.) totalling of CZK 78.6 million. Decrease in projects under development represent mainly apartment sales in respect of “Palais Maeterlinck project”.

The Group finalized “Palais Maeterlinck project” in 2014. In respect of this project, borrowing costs in the amount of CZK 38.2 million were capitalized in 2014 (2013: CZK 32.6 million). For each project under development the Group set up separate entity and as a result the interest expenses in the entity are fully related to the projects development and the capitalization rate amounts to 100 %.

The carrying amount of the “Palais Maeterlinck project” totalling of CZK 1,896.4 million is supported by valuation appraisal prepared by independent valuator as at 31 December 2014. As a result of this appraisal there is no indication of potential write-down as at 31 December 2014.

Carrying amount of inventory pledged as collateral for liabilities represents CZK 1,896.4 million as at 31 December 2014 (2013: CZK 2,377 million).

## 6.9 Cash and cash equivalents

	31 December 2014	31 December 2013
Bank balances	2,517,493	2,983,207
Cash on hand	33,164	22,712
<b>Total cash and cash equivalents</b>	<b>2,550,657</b>	<b>3,005,919</b>

Total restricted cash in bank amounts to CZK 973.8 million in 2014.

## 6.10 Other financial current assets

	31 December 2014	31 December 2013
Interest to debentures issued by third parties	212	209
Receivables due from employees	--	168
Other receivables due from related parties (1)	1,215,619	719,920
Other receivables due from third parties	75,376	709,353
Impairment - other receivables due from other parties	(11,961)	(19,035)
Receivable related to purchase price adjustment	--	402,137
<b>Total other financial current assets</b>	<b>1,279,246</b>	<b>1,812,752</b>

- (1) Other receivable due from related parties in the amount of CZK 1,000 million relates to the contribution made by the owner of the Company (note 6.12).

## 6.11 Other non-financial current assets

	31 December 2014	31 December 2013
Other advances paid to third parties	200,080	157,299
Other tax receivables (excl. CIT and VAT)	6,423	692
Prepaid expenses	333,254	253,522
Advances paid for FI (1)	--	421,852
<b>Total other non-financial current assets</b>	<b>539,757</b>	<b>833,365</b>

- (1) Advance paid for financial investment represented preliminary purchase price paid to third party for the acquisition of Arena Corner as described in 3.2. The transaction was completed in H1 2014.

## 6.12 Equity

### Changes in equity

The consolidated statement of changes in equity is presented on the face of the consolidated financial statements.

### Share capital and share premium

The Company didn't subscribe any new shares in 2014. The subscribed capital of the Company as at 31 December 2014 was TCZK 6,186,997 (as at 31 December 2013 – TCZK 6,186,997), comprising 7,733,746 shares (as at 31 December 2013 – 7,733,746 shares), each with a nominal value of CZK 800 (as at 31 December 2013 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

Shares of the Company are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act. The share owner does not have any exchange or first option right; the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

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

### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations from their functional to the presentation currency.

### Hedging reserve

Group maintains several interest rate swaps for hedging of future interest payments on liabilities. These are swaps where the Group pays a fixed interest rate and receives a floating rate. Refer to note 6.15.

Since January 2011 the Group applies hedge accounting in respect of foreign currency risks and interest rates risk in selected subsidiaries. The hedging reserve includes effective portion of the fair value changes of hedging instruments designated as a cash flow hedge in accordance with accounting policy Financial Instruments, part (iv). Ineffective portion of cash flow hedges represents part of finance costs or income.

### Other capital funds

Increase in other capital funds by CZK 5,116.47 million is attributable to contributions made by CPI Property Group S.A., the owner of the Company. The following table summarizes contributions made during 2014.

Month of contribution	Amount	Type
December 2014	4,116,470	In-kind contribution
December 2014	1,000,000	In-kind contribution
<b>Total contribution</b>	<b>5,116,470</b>	

## Earnings per share

	31 December 2014	31 December 2013
<b>At the beginning of the period</b>	<b>7,733,746</b>	<b>7,733,746</b>
Shares issued	7,733,746	7,733,746
<b>Weighted average movements</b>	<b>--</b>	<b>--</b>
Shares issued	--	--
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>7,733,746</b>	<b>7,733,746</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company</b>	<b>1,654,382</b>	<b>2,009,475</b>
<b>Net (loss)/ profit attributable to the Equity holders of the Company after assumed conversions/exercises</b>	<b>1,654,382</b>	<b>2,009,475</b>
<b>Total Basic earnings in CZK per share</b>	<b>213.92</b>	<b>259.83</b>
o/w discontinued operations	--	--
<b>Diluted earnings in CZK per share</b>	<b>213.92</b>	<b>259.83</b>
o/w discontinued operations	--	--

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

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

## 6.13 Bonds issued

### 6.13.1 Non-current bonds issued

Czech Property Investment, a.s.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/15 (EUR)	--	--	30,000	411,375
Less: transaction costs	--	--	--	(3,911)
<b>CPI VAR/15 (EUR) (1)</b>	<b>--</b>	<b>--</b>	<b>30,000</b>	<b>407,464</b>
Proceeds from issued bonds - CPI VAR/18 (EUR)	100,000	2,587,223	100,000	2,512,853
Less: bonds owned by Group	(12,114)	(335,861)	(10,890)	(298,658)
Less: transaction costs	--	(2,197)	--	(425)
<b>CPI VAR/18 (EUR) (2)</b>	<b>87,886</b>	<b>2,249,165</b>	<b>89,110</b>	<b>2,213,770</b>
Proceeds from issued bonds - CPI VAR/19 (CZK)	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Less: transaction costs	--	(8,556)	--	(39,577)
<b>CPI VAR/19 (CZK) (3)</b>	<b>2,000,000,000</b>	<b>1,991,444</b>	<b>2,000,000,000</b>	<b>1,960,423</b>
Proceeds from issued bonds - CPI VAR/19 (EUR)	116,000	1,608,050	116,000	1,590,650
Less: bonds owned by Group	(11,640)	(161,360)	--	--
Less: transaction costs	--	(27,490)	--	(29,810)
<b>CPI VAR/19 (EUR) (4)</b>	<b>104,360</b>	<b>1,419,201</b>	<b>116,000</b>	<b>1,560,840</b>
Proceeds from issued bonds - CPI 2021	1,215	2,430,000	1,215	2,430,000
Less: bonds owned by Group	(1,215)	(2,430,000)	(1,215)	(2,430,000)
<b>CPI 2021 (5)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI 6,05/16	150,000	1,479,299	150,000	1,463,017
Less: transaction costs	--	(16,720)	--	(17,415)
<b>CPI 6,05/16 (6)</b>	<b>150,000</b>	<b>1,462,579</b>	<b>150,000</b>	<b>1,445,602</b>
Proceeds from issued bonds - CPI 7,00/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(1,000,000,000)	(1,000,000)	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(1,720)	--	(1,840)
<b>CPI 7,00/22 (7)</b>	<b>--</b>	<b>(1,720)</b>	<b>--</b>	<b>(1,840)</b>
Proceeds from issued bonds - CPI 7,00/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(901,680,396)	(901,680)	(962,473,000)	(962,473)
Less: transaction costs	--	(1,722)	--	(1,840)
<b>CPI 7,00/22 (8)</b>	<b>98,319,604</b>	<b>96,598</b>	<b>37,527,000</b>	<b>35,687</b>
Proceeds from issued bonds - CPI 7,00/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(1,000,000,000)	(1,000,000)	(1,000,000,000)	(1,000,000)
Less: transaction costs	--	(1,724)	--	(1,840)
<b>CPI 7,00/22 (9)</b>	<b>--</b>	<b>(1,724)</b>	<b>--</b>	<b>(1,840)</b>
Proceeds from issued bonds - CPI 8,00/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(2,340)	--	(2,460)
<b>CPI 8,00/42 (10)</b>	<b>1,000,000,000</b>	<b>997,660</b>	<b>1,000,000,000</b>	<b>997,540</b>
Proceeds from issued bonds - CPI 8,00/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by Group	(766,477,976)	(766,478)	(968,866,627)	(968,867)
Less: transaction costs	--	(2,342)	--	(2,465)
<b>CPI 8,00/42 (11)</b>	<b>233,522,024</b>	<b>231,180</b>	<b>31,133,373</b>	<b>28,668</b>
<b>Subtotal - bonds issued by Czech Property Investments, a.s.</b>	<b>3,332,183,874</b>	<b>8,444,382</b>	<b>3,069,045,483</b>	<b>8,646,314</b>

CPI Finance Netherlands B.V.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceed from issued bonds - CPI Finance Netherlands B.V. (2011)	500	5,000,000	500	5,000,000
Less: bonds owned by Group	(252)	(2,520,000)	(40)	(400,000)
<b>CPI Finance Netherlands B.V. (2011) (12)</b>	<b>248</b>	<b>2,480,000</b>	<b>460</b>	<b>4,600,000</b>
Proceed from issued bonds - CPI Finance Netherlands B.V. (2012)	100	1,000,000	100	1,000,000
Less: bonds owned by Group	(100)	(1,000,000)	(21)	(210,000)
<b>CPI Finance Netherlands B.V. (2012) (13)</b>	<b>--</b>	<b>--</b>	<b>79</b>	<b>790,000</b>
Proceed from issued bonds - CPI Finance Netherlands B.V. (2013)	100	100,000	100	100,000
Less: bonds owned by Group	(100)	(100,000)	(91)	(91,000)
<b>CPI Finance Netherlands B.V. (2013) (14)</b>	<b>--</b>	<b>--</b>	<b>9</b>	<b>9,000</b>
<b>Subtotal - bonds issued by CPI Finance Netherlands B. V.</b>	<b>248</b>	<b>2,480,000</b>	<b>548</b>	<b>5,399,000</b>

CPI BYTY, a.s.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2,50/15 (CZ0003510679)	--	--	300,000	300,000
Proceeds from issued bonds - CPI BYTY 3,50/17 (CZ0003510687)	500,000	500,000	500,000	500,000
Proceeds from issued bonds - CPI BYTY 4,80/19 (CZ0003510695)	900,000	900,000	900,000	900,000
Proceeds from issued bonds - CPI BYTY 4,80/19 (CZ0003511412)	500,000	500,000	--	--
Proceeds from issued bonds - CPI BYTY 5,80/21 (CZ0003510703)	800,000	800,000	1,300,000	1,300,000
Less: transaction costs	--	(48,652)	--	(66,211)
<b>Subtotal bonds - CPI BYTY, a.s. (15)</b>	<b>2,700,000</b>	<b>2,651,348</b>	<b>3,000,000</b>	<b>2,933,789</b>

CPI Alfa, a.s.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI ALFA	279,000,000	279,000	279,000,000	279,000
Less: transaction costs	--	(4,239)	--	(5,580)
<b>Subtotal bonds - CPI Alfa, a.s. (16)</b>	<b>279,000,000</b>	<b>274,761</b>	<b>279,000,000</b>	<b>273,420</b>

CPI Retail Portfolio	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI Retail Portfolio	112,500	1,125,000	--	--
Less: transaction costs	--	(12,236)	--	--
<b>Subtotal bonds - CPI Retail Portfolio (17)</b>	<b>112,500</b>	<b>1,112,764</b>	<b>--</b>	<b>--</b>

<b>Total non-current bonds</b>	<b>14,963,255</b>	<b>17,252,523</b>
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### 6.13.2 Current bonds issued

Czech Property Investment, a.s.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/15 – EUR	30,000	415,875	--	--
Less: transaction costs	--	(13,203)	--	--
<b>CPI VAR/15 (EUR) (1)</b>	<b>30,000</b>	<b>402,672</b>	<b>--</b>	<b>--</b>

CPI BYTY, a.s.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI BYTY 2,50/15 (CZ0003510679)	300,000	300,000	--	--
Less: transaction costs	--	(23,963)	--	--
<b>CPI BYTY 2,50/15 (15)</b>	<b>300,000</b>	<b>276,037</b>	<b>--</b>	<b>--</b>

Accrued interest on bonds	31 December 2014		31 December 2013	
CPI VAR/15 (EUR)		7,871		8,161
CPI VAR/18 (EUR)		18,381		14,232
CPI VAR/19 (CZK)		36,114		36,928
CPI VAR/19 (EUR)		27,973		30,359
CPI 6,05/16		23,199		23,367
CPI 7,00/22 (ISIN CZ0003502924)		401		139
CPI 8,00/42 (ISIN CZ0003502932)		5,688		5,556
CPI 8,00/42 (ISIN CZ0003502940)		779		90
CPI Finance Netherlands B.V. (2011)		5,470		361,587
CPI BYTY, a.s.		92,015		95,334
CPI Alfa, a.s.		2,856		2,856
CPI Retail Portfolio		10,312		--
<b>Total accrued interest</b>		<b>231,059</b>		<b>578,609</b>

<b>Total current bonds</b>	<b>909,768</b>	<b>578,609</b>
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<b>Total bonds</b>	<b>15,873,023</b>	<b>17,831,132</b>
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**(1) CPI VAR/15 (EUR),** ISIN CZ0003501835

CPI VAR/15 bonds were issued on 23 March 2012. The bonds mature on 23 March 2015. The nominal value of each bond is EUR 500. The Group could issue bonds up to maximum value of EUR 15,000,000.

CPI VAR/15 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/15, ISIN CZ0003501835). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 16 March 2012, reference number 2012/2446/570 that came into force on 19 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

**(2) CPI VAR/18,** ISIN CZ0003511024

CPI VAR/18 bonds were issued on 26 November 2013. The bonds mature on 26 November 2018. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 100,000,000.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/18, ISIN CZ0003511024). Bonds CPI VAR/18 bear the interest rate based on 12M EURIBOR + 5.5% margin. Interests are due annually, on 26 November respectively.

**(3) CPI VAR/19, (CZK),** ISIN CZ0003501868

CPI VAR/19 bonds were issued on 29 March 2012. The bonds mature on 29 March 2019. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 2,000,000.

CPI VAR/19 bonds bear the interest rate based on 6M PRIBOR + 6.5% margin. Interests are due semi-annually, on 29 March and 29 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501868). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 27 March 2012, reference number 2012/2781/570 that came into force on 27 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

**(4) CPI VAR/19, (EUR),** ISIN CZ0003501843

CPI VAR/19 bonds were issued on 23 March 2012. The bonds mature on 23 March 2019. The nominal value of each bond is EUR 500. The Group could issue bonds up to maximum value of EUR 70,000,000.

CPI VAR/19 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501843). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 16 March 2012, reference number 2012/2445/570 that came into force on 19 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

**(5) CPI 2021,** ISIN CZ0003501496

CPI 2021 bonds were issued on 8 February 2007. The bonds mature on 8 August 2021. The nominal value of each bond is TCZK 2,000 and the total nominal value of bonds issued amounts to TCZK 2,430,000. In 2012, the Group bought back the remaining part of the bonds which are thereby held entirely by the Group. The Group could issue bonds up to maximum value of TCZK 2,500,000 (1,250 bonds with nominal value of TCZK 2,000 each).

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 2021, ISIN CZ0003501496). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 17 January 2007, reference number 45/N/175/2006/4 that came into force on 22 January 2007.

Bonds CPI 2021 bear the interest rate based on 6M PRIBOR + 3.5% margin. Interests are due semi-annually, on 8 February and 8 August respectively.

**(6) CPI 6.05/16 (CZK), ISIN CZ0003510646**

CPI 6.05/16 bonds were issued on 29 March 2013. The bonds mature on 29 March 2016. The nominal value of each bond is TCZK 10. The Group could issue bonds up to maximum value of TCZK 1,500,000 with optional issue extension up to TCZK 2,250,000.

CPI 6.05/16 bonds bear the fixed interest rate of 6.05%. Interests are due semi-annually, on 29 March and 29 September respectively.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 6.05/16, ISIN CZ0003510646). The prospectus was approved by the decision of the Czech National Bank on 27 March 2013, reference number 2013/3802/570 that came into force on 27 March 2013.

Bonds were accepted for trading at the Prague Stock Exchange.

**(7) CPI 7.00/22, ISIN CZ0003502916**

CPI 7.00/22 bonds were issued on 6 December 2012. The bonds mature on 6 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 6 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502916).

**(8) CPI 7.00/22, ISIN CZ0003502924**

CPI 7.00/22 bonds were issued on 11 December 2012. The bonds mature on 11 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 11 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502924).

**(9) CPI 7.00/22, ISIN CZ0003502957**

CPI 7.00/22 bonds were issued on 13 December 2012. The bonds mature on 13 December 2022. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 13 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502957).

**(10) CPI 8.00/42, ISIN CZ0003502932**

CPI 8.00/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI 8.00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 5 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 8.00/42, ISIN CZ0003502932).

**(11) CPI 8.00/42, ISIN CZ0003502940**

CPI 8.00/42 bonds were issued on 17 December 2012. The bonds mature on 17 December 2042. The nominal value of each bond is CZK 1. The Group could issue bonds up to maximum value of TCZK 1,000,000.

CPI 8.00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 17 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 8.00/22, ISIN CZ0003502940).

**(12) CPI Finance NL 5% 2011-2021**

On 15 December 2011 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 500 bearer bonds up to maximum value of TCZK 5 000 000 with a nominal value of TCZK 10 000 each. The principal of bearer bonds is due on 15 December 2021. In 2012, the Group issued bonds in total nominal value of TCZK 1,850,000. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

**(13) CPI Finance NL 5% 2012-2022**

On 15 December 2012 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 100 bearer bonds with a nominal value of TCZK 10,000 each. The total nominal value of bonds issued amounts to TCZK 1,000,000. The principal of bearer bonds is due on 15 December 2022. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

**(14) CPI Finance NL 5% 2013-2023**

On 15 December 2013 the Group (through subsidiary CPI Finance Netherlands B.V.) issued 100 bearer bonds with a nominal value of TCZK 1,000 each. The total nominal value of bonds issued amounts to TCZK 100,000. The principal of bearer bonds is due on 15 December 2023. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December.

**(15) CPI BYTY bonds**

The CPI BYTY bond issues were issued as a part of a bond programme, with an overall volume of TCZK 3,800,000. The overall volume of unpaid bonds issued under the bond programme must not at any time exceed TCZK 3,000,000.

The separation into 5 issues enabled investors to choose the duration of their investment, from 2 to maximum 8 years, with fixed coupons ranging from 2.5 to 5.8 %.

CPI BYTY bonds were accepted for trading at Prague Stock Exchange.

The detailed breakdown of individual issues is as follows:

CPI BYTY 2.50/15, ISIN CZ0003510679

CPI BYTY 2.50/15 bonds were issued on 7 May 2013. The bonds mature on 7 May 2015. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 2.50 % per annum. Interests are due annually on 7 May.

CPI BYTY 3.50/17, ISIN CZ0003510687

CPI BYTY 3.50/17 bonds were issued on 7 May 2013. The bonds mature on 7 May 2017. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 3.50 % per annum. Interests are due annually on 7 May.

CPI BYTY 4.80/19, ISIN CZ0003510695

CPI BYTY 4.80/19 bonds were issued on 7 May 2013. The bonds mature on 7 May 2019. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 4.80 % per annum. Interests are due annually on 7 May.

CPI BYTY 5.80/21, ISIN CZ0003510703

CPI BYTY 5.80/21 bonds were issued on 7 May 2013. The bonds mature on 7 May 2021. The nominal value of each bond is TCZK 1. Bonds bear fixed interest rate of 5.80 % per annum. Interests are due annually on 7 May.

CPI BYTY Real Estate 4.80/19, ISIN CZ0003511412

CPI BYTY Real Estate 4.80/19 bonds were issued on 30 April 2014. The bonds mature on 7 May 2019. The nominal value of each bond is TCZK 1 and the total nominal value amounts to TCZK 500,000. Bonds bear fixed interest rate of 4.80 % per annum. Interest are due annually on 7 May.

**(16) CPI Alfa, ISIN CZ0003502205**

On 26 October 2012 the Group (through its subsidiary CPI Alfa, a.s.) issued bonds in total nominal value of TCZK 279 000. Bonds mature on 26 October 2017. The nominal value of each bond is CZK 1.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, ISIN CZ0003502205).

Bonds CPI Alfa bear the fix interest rate 5.5% p.a. Interests are due quarterly, on 26 January, on 26 April, on 26 July and on 26 October respectively.

The prospectus was approved by the decision of the Czech National Bank on 22 October 2012, reference number 2012/10125/570 effective on 22 October 2012. Bonds were accepted for trading at the Prague Stock Exchange.

**(17) CPI Retail Portfolio I 5.00/2019, ISIN CZ0003511164**

CPI Retail Portfolio bonds were issued on 25 April 2014 through the following companies within the Group:

Company
CPI Retail Portfolio I, a.s. (former 4B Investment, a.s.)
CPI Retail Portfolio II, a.s. (former VT Holding, a.s.)
CPI Retail Portfolio III, s.r.o. (former Betonstav spol. s r.o.)
CPI Retail Portfolio IV, s.r.o. (former CPI Retail SIX, s.r.o.)
CPI Retail Portfolio V, s.r.o. (former CPI Retail 4B, s.r.o.)
CPI Retail Portfolio VI, s.r.o. (former CPI Retail EIGHT, s.r.o.)
CPI Retail Portfolio VII, s.r.o. (former CPI Retail SEVEN, s.r.o.)

The nominal value of each bond is CZK 10,000. The total nominal value of bonds issued amounts to TCZK 1,125,000. The bonds mature on 25 April 2019 and bear fixed interest of 5% per annum. Interest are due semi-annually on 25 April and 25 October.

Issuer of the bonds, according to the prospectus, is the Group's company CPI Retail Portfolio I, a.s. The issuer issued above mentioned bonds through other members of emission group (CPI Retail Portfolio II, a.s.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio III, s.r.o.; CPI Retail Portfolio IV, s.r.o.; CPI Retail Portfolio V, s.r.o.; CPI Retail Portfolio VI, s.r.o.; and CPI Retail Portfolio VII, s.r.o.), on the basis of commission contract.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI Retail Portfolio I 5.00/2019).

**Changes in 2014**

In 2014, the Group issued two emissions of new bonds - CPI Retail Portfolio I 5.00/2019 and CPI BYTY Real Estate 4.80/19.

**Covenants**

Issued bonds CPI VAR/15 (EUR), CPI VAR/19 (CZK) and CPI VAR/19 (EUR) are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

Issued bonds CPI 6,05/16 are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

Issued bonds CPI VAR/18 are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

Issued bonds CPI Alfa are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

Issued bonds CPI BYTY are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

## 6.14 Financial debts

	31 December 2014	31 December 2013
Loans from related parties	51,642	13,828
Loans from third parties (1)	85,549	302,058
Bank loans (2)	24,905,430	26,335,191
Finance lease liabilities (3)	527,722	892,772
Bills of exchange	172,222	255,272
<b>Total non-current financial debts</b>	<b>25,742,565</b>	<b>27,799,121</b>

	31 December 2014	31 December 2013
Loans from related parties	63,028	37,282
Loans from third parties (1)	203,290	276,276
Bank loans including overdraft (2)	5,662,773	4,432,798
Finance lease liabilities (3)	39,298	65,502
Bills of exchange	769,155	289,120
<b>Total current financial debts</b>	<b>6,737,544</b>	<b>5,100,978</b>

- (1) The balance of non-current loans from third parties decreased significantly due to the capitalization of a loan due to third party (CZK 369 million) which was transformed into the contribution made by the owner of the Company (note 6.12).
- (2) As a result of covenant breaches on certain bank loans, the Group reclassified CZK 348.7 million from non-current bank loans to current bank loans.  
Bank overdrafts amounted to CZK 0 as at 31 December 2014 (2013: CZK 410.1 million). Overdrafts were drawn for the purpose of operating activities as well as for financing of acquisitions of the Group.
- (3) Decrease in finance lease liabilities primary reflects acquisition of leasing companies in 2014 and 2013 (see note 3.2 & 3.5).

### Bank loans

With respect of bank loans, the Group has pledged the following assets as collateral:

#### Investment property

The Group has pledged investment property with total value of CZK 59,935.9 million at 31 December 2014 (2013: CZK 56,819.7 million).

#### Trade receivables

Total carrying amount of pledged trade receivables represents CZK 569.8 million at 31 December 2014 (2013: CZK 808.5 million).

#### Bank accounts

Total amount of pledged bank accounts represents CZK 629.6 million at 31 December 2014 (2013: CZK 855.7 million).

#### Shares of the subsidiaries

Airport City Ingatlanbefektetési Kft., Arkáda Prostějov, s.r.o., B.C.P. Ingatlanfejlesztő Kft., Balvinder, a.s., Baudry Beta, a.s., BAYTON Alfa, a.s., Best Properties South, a.s., Brandýs Logistic, a.s., Carpenter Invest, a.s., CB Property Development, a.s., Century City Ingatlanbefektetési Kft., Conradian, a.s., CPI - Real Estate, a.s., CPI - Štupartská, a.s., CPI Heli, s.r.o., CPI Jihlava Shopping, a.s., CPI Meteor Centre, s.r.o., CPI Národní, s.r.o., CPI Palmovka Office, s.r.o., CPI Retail MB s.r.o., CPI Retails FIVE, a.s., CPI Retails FOUR, a.s., CPI Retails ONE, a.s., CPI Retails THREE, a.s., CPI Retails TWO, a.s., CPI Shopping MB, a.s., CPI Shopping Teplice, a.s., Český Těšín Property Development, a.s., Duna Office Center Ingatlankezelő Kft., EMH North, s.r.o., EMH South, s.r.o., EMH West, s.r.o., Farhan, a.s., Gadwall, Sp. z o.o., Global Development Ingatlanbefektetési Kft., Global Estates Ingatlanbefektetési Kft., Global Immo Ingatlanbefektetési Kft., Hraničář, a.s., ICL 1 Budapest Ingatlankezelő és Építési Tanácsadó Kft., Kerina, a.s., Komárno Property Development, a.s., LD Praha, a.s., Lipt. Mikuláš Property Development, a.s., Lockhart, a.s.,

Marissa Gama, a.s., Marissa, a.s., Marissa West, a.s., MB Property Development, a.s., Michalovce Property Development, a.s., Modřanská Property, a.s., MUXUM, a.s., NERONTA, a.s., New Sites Ingatlanforgalmazó Kft., Nymburk Property Development, a.s., OC Nová Zdobov a.s., OC Spektrum, s.r.o., Office Center Poštová, s.r.o., Olomouc City Center, a.s., Olomouc Office, a.s., Pelhřimov Property Development, Považská Bystrica Property Development, a.s., Prievidza Property Development, a.s., Prosta 69 Sp. z o.o., Příbor Property Development, s.r.o., Příkopy Property Development, a.s., Ružomberok Property Development, a.s., SPH Properties Sp. z o.o., Stripmall Management Ingatlanbefektetői Kft., Svitavy Property Alfa, a.s., Trutnov Property Development, a.s., Třinec Investments, s.r.o., Třinec Property Development, a.s., Vigano, a.s., Vyškov Property Development, a.s., Zvolen Property Development, a.s., Ždírec Property Development, a.s.

### Covenants

Bank loans are subject to a number of covenants. The Group has two bank loans of CZK 348.7 million with covenant breach and discloses them as current as at 31 December 2014. All covenant ratios related to non-current bank loans were met as at 31 December 2013.

### Maturity analysis - loans from third parties

#### 2014

	< 1 year	1-5 years	>5years	Total
Loans from third parties	203,290	85,549	--	288,839
Bank loans	5,662,773	19,890,961	5,014,469	30,568,203
<b>Total</b>	<b>5,866,063</b>	<b>19,976,510</b>	<b>5,014,469</b>	<b>30,857,042</b>

#### 2013

	< 1 year	1-5 years	>5years	Total
Loans from third parties	276,276	213,248	88,810	578,334
Bank loans	4,432,798	20,684,257	5,650,934	30,767,989
<b>Total</b>	<b>4,709,074</b>	<b>20,897,505</b>	<b>5,739,744</b>	<b>31,346,323</b>

### Finance lease liabilities

Finance lease liabilities relating to investment property as of 31 December are payable as follows:

#### 2014

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	44,820	180,494	449,696	675,010
Interest	(12,280)	(47,855)	(60,624)	(120,759)
<b>Net present value of future minimum lease payments</b>	<b>32,540</b>	<b>132,639</b>	<b>389,072</b>	<b>554,251</b>

#### 2013

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	79,942	317,616	727,912	1,125,470
Interest	(20,923)	(84,420)	(78,175)	(183,518)
<b>Net present value of future minimum lease payments</b>	<b>59,019</b>	<b>233,196</b>	<b>649,737</b>	<b>941,952</b>

Finance lease liabilities relating to property, plant and equipment as of 31 December are payable as follows:

## 2014

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	7,285	6,395	--	13,680
Interest	(527)	(384)	--	(911)
<b>Net present value of future minimum lease payments</b>	<b>6,758</b>	<b>6,011</b>	<b>--</b>	<b>12,769</b>

## 2013

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	7,208	9,112	1,177	17,497
Interest	(725)	(450)	--	(1,175)
<b>Net present value of future minimum lease payments</b>	<b>6,483</b>	<b>8,662</b>	<b>1,177</b>	<b>16,322</b>

## 6.15 Derivative instruments

### Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank loans.

The aggregate fair value of the interest rate swaps open at 31 December 2014 is summarized in the following table:

	31 December 2014	31 December 2013
Interest rate swaps used for hedging	83,580	54,591
Other interest rate swap contracts	275,502	101,672
<b>Total non-current liabilities from derivatives</b>	<b>359,082</b>	<b>156,263</b>

	31 December 2014	31 December 2013
Interest rate swaps used for hedging	--	9,806
Other interest rate swap contracts	32,171	24,575
<b>Total current liabilities from derivatives</b>	<b>32,171</b>	<b>34,381</b>

### a) Interest rate swaps used for hedging

The Group has entered into interest rate swap contracts with notional amounts of CZK 1,997.3 million (2013: CZK 2,001.6 million) whereby it pays a fixed interest rate of 1.85 % - 2.32 % (2013: 1.85 % - 2.32 %) and receives a variable rate based on 3M EURIBOR/3M PRIBOR.

The loans and interest rate swaps have the same critical terms, hedge accounting has been applied and instruments are considered as highly effective.

### b) Other interest rate swap contracts

Contracts with notional amounts of CZK 13,073 million (2013: CZK 8,644.5 million) have fixed interest payments at an average rate of 1.23 % (2013: 1.56 %) and have floating interest receipts at EURIBOR/PRIBOR. The Group does not designate this part of derivatives as hedging instruments under the hedge accounting model and recognizes changes in the fair value of the derivatives in profit or loss.

For analysis of liabilities from derivatives with respect of its maturity refer to note 7.2.

## 6.16 Other non-current liabilities

Non-current trade and other payables	31 December 2014	31 December 2013
Advances received	15,932	16,303
Trade payables due to third parties	4,556	2,755
Tenant deposits (1)	229,718	189,143
Payables from retentions	115,900	156,593
Other payables due to third parties	1,923	982
<b>Total other non-current liabilities</b>	<b>368,029</b>	<b>365,776</b>

- (1) Deposits from tenants represent payables of the Group from received rental related deposits. Its classification corresponds to terms in rental contracts with respect of the termination options of the tenants.

## 6.17 Trade payables

Current trade and other payables	31 December 2014	31 December 2013
Trade payables due to related parties	63,666	15,691
Trade payables due to third parties	692,687	852,527
<b>Total trade payables</b>	<b>756,353</b>	<b>868,218</b>

## 6.18 Advance payments

Advances payments	31 December 2014	31 December 2013
Advances received from related parties	40,220	3,848
Advances received from third parties	476,718	554,968
Tenant deposits (1)	315,629	308,436
<b>Total advance payments</b>	<b>832,567</b>	<b>867,252</b>

- (1) Advances received from tenants in 2014 represented payments received from tenants for utilities that will be settled against trade receivables when final amount of utilities consumption is known and final respective invoicing is performed.

## 6.19 Other financial current liabilities

Other financial current liabilities	31 December 2014	31 December 2013
Deferred income/revenue and accrued liabilities	235,218	197,533
Payables from unpaid capital contributions	182	--
Other payables due to related parties	73,939	4,517
Other payables due to third parties	245,401	359,442
<b>Total other financial current liabilities</b>	<b>554,740</b>	<b>561,492</b>

## 6.20 Other non-financial current liabilities

	31 December 2014	31 December 2013
Current income tax liabilities	62,374	--
Value added tax payables	29,180	28,960
Other tax payables (excl. CIT and VAT)	929	2,117
Payables due to employees, SHI, employees income tax	45,187	25,641
Provisions (6.20.1)	24,489	18,730
<b>Total other non-financial current liabilities</b>	<b>162,159</b>	<b>75,448</b>

**6.20.1 Current provisions**

Provisions	2014	2013
<b>Balance at 1 January</b>	<b>18,730</b>	<b>5,111</b>
Provisions acquired through business combination	--	16,246
Provisions created in the period	10,594	3,541
Provisions used in the period	(4,569)	(464)
Provisions reversed in the period	--	(4,580)
Effect of movements in exchange rates	(266)	(1,124)
<b>Balance at 31 December</b>	<b>24,489</b>	<b>18,730</b>

Analysis of total provisions	31 December 2014	31 December 2013
Non-current provisions	--	--
Current provisions	24,489	18,730
<b>Total</b>	<b>24,489</b>	<b>18,730</b>

**6.21 Operating leases**

	31 December 2014	31 December 2013
Less than one year	5,036,708	3,743,746
Between one and five years	14,333,164	11,202,057
More than five years	10,095,003	9,148,786
<b>Total</b>	<b>29,464,875</b>	<b>24,094,589</b>

The rent contracts in residential portfolio mostly include the cancellation period of three months and the cancelled contracts are replaced by the new ones continuously.

**6.22 Borrowings maturity**

The table below represents the carrying amount of the debts allocated by date of repayment.

Most floating interest debt instruments have a fixing period of maximum 3 months.

The Group's borrowings are denominated in EUR and in CZK.

**In 2014**

At 31 December 2014	Less than one year	1 to 5 years	More than 5 years	Total
<b>Bonds</b>	909,768	10,367,796	4,595,459	<b>15,873,023</b>
<b>Financial debts</b>	6,737,544	20,339,023	5,403,542	<b>32,480,109</b>
<b>Bank loans (incl. overdraft)</b>	5,662,773	19,890,961	5,014,469	<b>30,568,203</b>
Bank loans fixed rate	846,244	94,000	--	<b>940,244</b>
Bank loans floating rate	4,816,529	19,796,961	5,014,469	<b>29,627,959</b>
<b>Loans from related parties</b>	63,028	51,642	--	<b>114,670</b>
<b>Loans from third parties</b>	203,290	85,549	--	<b>288,839</b>
<b>Other borrowings</b>	808,453	310,871	389,073	<b>1,508,397</b>
<b>Total</b>	<b>7,647,312</b>	<b>30,706,819</b>	<b>9,999,001</b>	<b>48,353,132</b>

**In 2013**

At 31 December 2013	Less than one year	1 to 5 years	More than 5 years	Total
<b>Bonds</b>	578,609	5,140,256	12,112,267	<b>17,831,132</b>
<b>Financial debts</b>	5,100,978	21,394,635	6,404,486	<b>32,900,099</b>
<b>Bank loans (incl. overdraft)</b>	4,432,798	20,684,257	5,650,934	<b>30,767,989</b>
Bank loans fixed rate	460,336	1,080,703	143,948	<b>1,684,987</b>
Bank loans floating rate	3,972,462	19,603,554	5,506,986	<b>29,083,002</b>
<b>Loans from related parties</b>	37,282	--	13,828	<b>51,110</b>
<b>Loans from third parties</b>	276,276	213,248	88,810	<b>578,334</b>
<b>Other borrowings</b>	354,622	497,130	650,914	<b>1,502,666</b>
<b>Total</b>	<b>5,679,587</b>	<b>26,534,891</b>	<b>18,516,753</b>	<b>50,731,231</b>

## 7 Financial risk management

Exposure to various risks arises in the normal course of the Group's business. Financial risk comprises:

- credit risk (refer to note 7.1)
- liquidity risk (refer to note 7.2)
- market risk including currency risk, interest rate risk and price risk (refer to note 7.3)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Supervision of the Group's risk is accomplished through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

### 7.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.

Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Group a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Group's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Group's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Group maintains the creditor management database, creates the segmented reports and performs tenant's ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

Customer credit risk is managed reflecting the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The following tables present financial assets as of 31 December 2014 reflecting their classification based on its ageing structure and impairment if applicable:

**Credit risk profile at 31 December 2014:**

	Total neither past due nor impaired	Total past due but impaired	Impaired	Total
Available for sale financial assets	49,890	--	--	49,890
Financial assets at fair value through profit or loss	12,053	--	--	12,053
Loans provided	8,195,848	14,662	70,498	8,210,510
- loans	8,153,253**	14,662	70,498	8,167,915
- bills of exchange	42,595	--	--	42,595
Trade and other receivables*	2,230,586	545,038	319,816	2,775,624
Cash and cash equivalents	2,550,657	--	--	2,550,657
<b>Total</b>	<b>13,039,034</b>	<b>559,700</b>	<b>390,314</b>	<b>13,598,734</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

\*\* Thereof CZK 7,335.35 million is guaranteed by the major shareholder of CPI PG (note 6.6)

**Breakdown of overdue financial assets at 31 December 2014**

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	11	--	--	6,806	7,845	14,662
- loans	11	--	--	6,806	7,845	14,662
- bills of exchange	--	--	--	--	--	--
Trade and other receivables*	175,656	116,448	50,921	103,919	98,094	545,038
<b>Total</b>	<b>175,667</b>	<b>116,448</b>	<b>50,921</b>	<b>110,725</b>	<b>105,939</b>	<b>559,700</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

**Credit risk profile at 31 December 2013:**

	Total neither past due nor impaired	Total past due but impaired	Impaired	Total
Financial assets at fair value through profit or loss	49,477	--	--	49,477
Loans provided	4,965,888	459,963	63,216	5,425,851
- loans	4,965,888	459,963	63,216	5,425,851
Trade and other receivables*	2,737,463	986,511	350,988	3,723,974
Cash and cash equivalents	3,005,919	--	--	3,005,919
<b>Total</b>	<b>10,758,747</b>	<b>1,446,474</b>	<b>414,204</b>	<b>12,205,221</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

**Breakdown of overdue financial assets at 31 December 2013**

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	--	326,595	302	36,766	96,300	459,963
- loans	--	326,595	302	36,766	96,300	459,963
Trade and other receivables*	587,542	144,961	82,777	50,645	120,586	986,511
<b>Total</b>	<b>587,542</b>	<b>471,556</b>	<b>83,079</b>	<b>87,411</b>	<b>216,886</b>	<b>1,446,474</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

**7.2 Liquidity risk**

The main objective of liquidity risk management is to reduce the risk that the Group does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Group's liabilities and diversified portfolio of the Group's funding sources.

The Group manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Group's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Group may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.

The Group monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

### Liquidity risk analysis

The following table summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of Group's liabilities based on contractual maturity and includes non-derivative as well as derivative financial liabilities.

## 2014

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued</b>	<b>15,873,023</b>	<b>591,292</b>	<b>1,035,435</b>	<b>2,313,497</b>	<b>10,840,670</b>	<b>7,226,587</b>	<b>22,007,480</b>
<b>Financial debts</b>	<b>32,480,109</b>	<b>1,751,536</b>	<b>6,025,090</b>	<b>10,906,014</b>	<b>11,902,164</b>	<b>6,461,205</b>	<b>37,046,008</b>
- loans from related parties	114,670	63,346	5,031	11,943	53,902	--	134,222
- loans from third parties	288,839	203,672	6,347	4,568	97,520	--	312,107
- bank loans	30,568,203	1,325,938	5,348,593	10,651,767	11,625,314	5,966,791	34,918,402
- finance lease liabilities	567,020	12,254	42,290	65,514	125,428	494,414	739,901
- bills of exchange	941,377	146,326	622,829	172,222	--	--	941,377
<b>Derivative instruments</b>	<b>391,253</b>	<b>5,570</b>	<b>26,601</b>	<b>108,981</b>	<b>120,780</b>	<b>129,321</b>	<b>391,253</b>
<b>Other non-current liabilities</b>	<b>368,029</b>	<b>--</b>	<b>--</b>	<b>112,484</b>	<b>200,492</b>	<b>55,053</b>	<b>368,029</b>
<b>Other current liabilities*</b>	<b>2,281,330</b>	<b>1,924,254</b>	<b>357,077</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,281,331</b>
<b>Total**</b>	<b>51,393,744</b>	<b>4,272,652</b>	<b>7,444,203</b>	<b>13,440,976</b>	<b>23,064,105</b>	<b>13,872,166</b>	<b>62,094,101</b>

\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\* provisions are not included

## 2013

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued</b>	<b>17,831,132</b>	<b>831,767</b>	<b>759,475</b>	<b>1,698,042</b>	<b>7,009,576</b>	<b>15,344,790</b>	<b>25,643,650</b>
<b>Financial debts</b>	<b>32,900,099</b>	<b>2,196,466</b>	<b>2,598,731</b>	<b>4,606,646</b>	<b>19,426,897</b>	<b>8,247,210</b>	<b>37,075,950</b>
- loans from related parties	51,110	3,542	37,248	1,001	3,004	14,829	59,624
- loans from third parties	578,334	156,083	29,718	94,324	190,457	126,699	597,281
- bank loans	30,767,989	1,901,114	2,310,775	4,194,650	19,044,757	7,285,271	34,736,567
- finance lease liabilities	958,274	18,051	49,546	61,493	188,585	820,411	1,138,086
- bills of exchange	544,392	117,676	171,444	255,178	94	--	544,392
<b>Derivative instruments</b>	<b>190,644</b>	<b>83,824</b>	<b>44,573</b>	<b>29,314</b>	<b>30,167</b>	<b>2,766</b>	<b>190,644</b>
<b>Other non-current liabilities</b>	<b>365,776</b>	<b>--</b>	<b>--</b>	<b>92,896</b>	<b>142,537</b>	<b>130,343</b>	<b>365,776</b>
<b>Other current liabilities*</b>	<b>2,353,680</b>	<b>1,439,122</b>	<b>914,557</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,353,679</b>
<b>Total**</b>	<b>53,641,331</b>	<b>4,551,179</b>	<b>4,317,336</b>	<b>6,426,898</b>	<b>26,609,177</b>	<b>23,725,109</b>	<b>65,629,699</b>

\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\*provisions are not included

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the consolidated statement of financial position as the impact of discounting is not significant.

### 7.3 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Group's income or the value of its holdings of financial instruments or could cause future cash flows related to financial instruments to fluctuate.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Group's market risks mainly arise from open positions in (a) foreign currencies and (b) loans provided and financial debts, to the extent that these are exposed to general and specific market movements.

The Group uses derivative financial instruments in a limited manner in order to reduce its exposure to the market risk.

Market risk exposures are measured using sensitivity analysis.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

#### 7.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the CZK, but also others (see note 2.12(d)).

Functional currency of the most Group companies is the Czech crown and a significant portion of revenues and costs are realised primarily in the Czech crowns.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

#### 2014

	Currency	Carrying amount
Cash and cash equivalents	TEUR	18,251
	TCZK	1,479
	TUSD	19
	THUF	922,881
	TRON	16
Trade and other receivables	TEUR	2,791
	TCZK	4,467
	TPLN	118
	THUF	801,091
Loans provided	TEUR	102,396
Available for sale financial assets	TEUR	1,383
Trade and other payables	TEUR	(3,558)
	TCZK	(752)
	TUSD	(14)
	THUF	(1,634,966)
	TRON	(84)
Financial debts	TEUR	(344,994)
	TCHF	(1,878)
Bonds issued	TEUR	(150,328)
Derivative instruments	TEUR	(2,062)
<b>Net position</b>	<b>TEUR</b>	<b>(376,120)</b>
<b>Net position</b>	<b>TCZK</b>	<b>5,194</b>
<b>Net position</b>	<b>TUSD</b>	<b>5</b>
<b>Net position</b>	<b>TPLN</b>	<b>118</b>
<b>Net position</b>	<b>THUF</b>	<b>89,006</b>
<b>Net position</b>	<b>TRON</b>	<b>(68)</b>
<b>Net position</b>	<b>TCHF</b>	<b>(1,878)</b>

**2013**

	Currency	Carrying amount
Cash and cash equivalents	TEUR	14,974
	TUSD	2
	TGBP	197
	TPLN	1
	THUF	109
Trade and other receivables	TEUR	48,233
Loans provided	TEUR	52,933
Trade and other payables	TEUR	(15,527)
	TUSD	(38)
Financial debts	TEUR	(320,740)
Bonds issued	TEUR	(174,012)
Derivate instruments	TEUR	(1,745)
<b>Net position</b>	<b>TEUR</b>	<b>(395,884)</b>
<b>Net position</b>	<b>TUSD</b>	<b>(36)</b>
<b>Net position</b>	<b>TGBP</b>	<b>197</b>
<b>Net position</b>	<b>TPLN</b>	<b>1</b>
<b>Net position</b>	<b>THUF</b>	<b>109</b>

The Group hedges itself against the risk of changes in the CZK/EUR exchange rate by entering into loans denominated in EUR. The Group defines as the hedged items the future collections from leasing contracts up to the net present value of the loan.

The Group accounted for above transactions as a cash flow hedges with the application of hedge accounting. The hedge accounting is applicable for the whole accounting period ending 31 December 2014. The hedging foreign currency loans are measured at fair value attributable to the foreign currency risk as at the balance sheet date and the effective part of this revaluation (foreign exchange gains and losses) is recognized in the Hedging reserve within the Group's equity.

Future expected collection from leasing contract designated as hedged item	in TEUR
within 1 year	29,964
1-2 years	28,400
2-5 years	71,325
5-10 years	87,492
more than 10 years	95,327
<b>Total</b>	<b>312,508</b>

**Sensitivity analysis – exposure to currency risk**

The following table presents sensitivities of profit or loss to reasonably possible changes in foreign currency rates with all other variables held constant.

A 10% change in the foreign currency rate of CZK against EUR, USD, GBP, PLN or HUF would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

**Foreign currency risk 2014 – sensitivity analysis**

		Original currency	TCZK	CZK depreciated by 10 %	Change	CZK appreciated by 10 %	Change
Cash and cash equivalents	TEUR	18,251	506,021	556,623	50,602	455,419	(50,602)
	TCZK	1,479	1,479	1,479	--	1,479	--
	TUSD	19	434	477	43	391	(43)
	THUF	922,881	81,112	89,223	8,111	73,001	(8,111)
	TRON	16	99	109	10	89	(10)
Trade and other receivables	TEUR	2,791	77,380	85,118	7,738	69,642	(7,738)
	TCZK	4,467	4,467	4,467	--	4,467	--
	TPLN	118	766	843	77	689	(77)
	THUF	801,091	70,408	77,449	7,041	63,367	(7,041)
Loans provided	TEUR	102,396	2,838,941	3,122,835	283,894	2,555,047	(283,894)
Available for sale financial assets	TEUR	1,383	38,344	42,178	3,834	34,510	(3,834)
Trade and other payables	TEUR	(3,558)	(98,643)	(108,507)	(9,864)	(88,779)	9,864
	TCZK	(752)	(752)	(752)	--	(752)	--
	TUSD	(14)	(320)	(352)	(32)	(288)	32
	THUF	(1,634,966)	(143,697)	(158,067)	(14,370)	(129,327)	14,370
	TRON	(84)	(520)	(572)	(52)	(468)	52
Financial debts	TEUR	(344,994)	(9,564,959)	(10,521,455)	(956,496)	(8,608,463)	956,496
	TCHF	(1,878)	(43,303)	(47,633)	(4,330)	(38,973)	4,330
Bonds issued	TEUR	(150,328)	(4,167,844)	(4,584,628)	(416,784)	(3,751,060)	416,784
Derivative instruments	TEUR	(2,062)	(57,169)	(62,886)	(5,717)	(51,452)	5,717
Net exposure to currency risk	TEUR	(376,120)	(10,427,929)	(11,470,722)	(1,042,793)	(9,385,136)	1,042,793
Net exposure to currency risk	TCZK	5,194	5,194	5,194	--	5,194	--
Net exposure to currency risk	TUSD	5	114	125	11	103	(11)
Net exposure to currency risk	TPLN	118	766	843	77	689	(77)
Net exposure to currency risk	THUF	89,006	7,823	8,605	782	7,041	(782)
Net exposure to currency risk	TRON	(68)	(421)	(463)	(42)	(379)	42
Net exposure to currency risk	TCHF	(1,878)	(43,303)	(47,633)	(4,330)	(38,973)	4,330
Impact on profit/loss	TCZK				(341,636)		341,636
Impact on equity	TCZK				(704,659)		704,659

**Foreign currency risk 2013 – sensitivity analysis**

		Original currency	TCZK	CZK depreciated by 10%	Change	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	14,974	410,662	451,728	41,066	369,596	(41,066)
	TUSD	2	40	44	4	36	(4)
	TGBP	197	6,483	7,131	648	5,835	(648)
	TPLN	1	7	8	1	6	(1)
	THUF	109	10	11	1	9	(1)
Trade and other receivables	TEUR	48,233	1,322,790	1,455,069	132,279	1,190,511	(132,279)
Loans provided	TEUR	52,933	1,451,688	1,596,857	145,169	1,306,519	(145,169)
Trade and other payables	TEUR	(15,527)	(425,828)	(468,411)	(42,583)	(383,245)	42,583
	TUSD	(38)	(756)	(832)	(76)	(680)	76
Financial debts	TEUR	(320,740)	(8,796,295)	(9,675,925)	(879,630)	(7,916,666)	879,630
Bonds issued	TEUR	(174,012)	(4,772,279)	(5,249,507)	(477,228)	(4,295,051)	477,228
Derivative instruments	TEUR	(1,745)	(47,857)	(52,643)	(4,786)	(43,071)	4,786
Net exposure to currency risk	TEUR	(395,884)	(10,857,119)	(11,942,832)	(1,085,713)	(9,771,407)	1,085,713
Net exposure to currency risk	TUSD	(36)	(716)	(788)	(72)	(644)	72
Net exposure to currency risk	TGBP	197	6,483	7,131	648	5,835	(648)
Net exposure to currency risk	TPLN	1	7	8	1	6	(1)
Net exposure to currency risk	THUF	109	10	11	1	9	(1)
Impact on profit/loss	TCZK				(396,848)		396,848
Impact on equity	TCZK				(688,285)		688,285

### **7.3.2 Interest rate risk**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under notes 6.5 for financial assets and under notes 6.14 financial liabilities respectively.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

The Group's objective of the interest rate hedge is to fix the variability in the interest outflows attributable to changes in the EURIBOR and PRIBOR rates. Hedge effectiveness is assessed by comparing changes in the fair value of the hedging instrument to changes in the fair value of a hypothetical derivative.

Loans provided by the Group require instalments to be paid by the borrower according to a payment schedule, based on a fixed interest rate. The interest rates charged by the Group are usually based on Group's borrowing interest rates.

As the loans provided are based on fixed rates, and no financial debt is measured at fair value through profit and loss the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. These obligations primarily include bank loans, finance lease liabilities and bonds issued.

Bank loans have flexible interest rates based on EURIBOR or PRIBOR rates for the reference period from 1 to 3 months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedges using derivatives should the exposure to interest risk exceed predefined level so the Group entered into several transactions with the financial institutions to hedge the interest rate risk (refer to note 6.15). Bonds issued comprise both fixed and variable rate instruments.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

**Sensitivity analysis – exposure to interest rate risk for variable rate instruments**

A change of interest rates by 100 basis points at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A 100 basis points change in the interest rate would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

**2014**

	Effective interest rate	Liability with variable interest rate	Interest calculated
<b>Bonds issued</b>	6.59%	6,113,928	402,908
<b>Financial debts</b>			
Loans received & finance lease liabilities	3.39%	30,176,008	1,022,967
<b>Total</b>		<b>36,289,936*</b>	<b>1,425,875</b>

\* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
<b>Bonds issued</b>	7.59%	464,047	(61,139)	5.59%	341,769	61,139
<b>Financial debts</b>						
Loans received & finance lease liabilities	4.39%	1,324,727	(301,760)	2.39%	721,207	301,760
<b>Total</b>		<b>1,788,773</b>	<b>(362,899)</b>		<b>1,062,975</b>	<b>362,899</b>

**2013**

	Effective interest rate	Liability with variable interest rate	Interest calculated
<b>Bonds issued</b>	6.60%	6,216,220	410,345
<b>Financial debts</b>			
Loans received & finance lease liabilities	4.03%	20,323,473	818,743
<b>Total</b>		<b>26,539,693*</b>	<b>1,229,089</b>

\* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
<b>Bonds issued</b>	7.60%	472,508	(62,162)	5.60%	348,183	62,162
<b>Financial debts</b>						
Loans received & finance lease liabilities	5.03%	1,021,978	(203,235)	3.03%	615,509	203,235
<b>Total</b>		<b>1,494,486</b>	<b>(265,397)</b>		<b>963,692</b>	<b>265,397</b>

**Sensitivity analysis – exposure to interest rate risk for fixed rate instruments**

The Group recognized all financial assets and liabilities (except derivatives) at fair value. No fair value adjustments are recorded through the profit or loss.

## Effective interest rate and repricing analysis

In respect of financial debts, the following tables indicate their effective interest rates at the reporting date and the periods in which they re-price.

### 2014

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	5.90%	<b>15,873,023</b>	--	<b>6,152,821</b>	<b>9,720,202</b>
<b>Financial debts</b>		<b>31,538,732</b>	<b>29,791,457</b>	<b>426,733</b>	<b>1,320,542</b>
- loans from related parties (2)	7.77%	114,670	--	--	114,670
- loans from third parties (3)	4.85%	288,839	35,980	--	252,859
- bank loans (4)	3.40%	30,568,203	29,416,812	211,147	940,244
- finance lease liabilities	2.73%	567,020	338,665	215,586	12,769
<b>Total</b>		<b>47,411,755</b>	<b>29,791,457</b>	<b>6,579,554</b>	<b>11,040,744</b>

(1) Including unpaid interest of CZK 231.1 million.

(2) Unpaid interests represent CZK 35.4 million (fixed interest rate).

(3) Including unpaid interest of CZK 41.4 million (fixed interest rate).

(4) Unpaid interest represent CZK 61.5 million.

### 2013

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	5.81%	<b>17,831,132</b>	--	<b>6,232,177</b>	<b>11,598,955</b>
<b>Financial debts</b>		<b>32,355,707</b>	<b>29,695,799</b>	<b>339,782</b>	<b>2,320,126</b>
- loans from related parties	7.24%	51,110	10,562	--	40,548
- loans from third parties (2)	7.24%	578,334	--	--	578,334
- bank loans and overdrafts	4.13%	30,767,989	28,972,560	110,507	1,684,922
- finance lease liabilities	2.78%	958,274	712,677	229,275	16,322
<b>Total</b>		<b>50,186,839</b>	<b>29,695,799</b>	<b>6,571,959</b>	<b>13,919,081</b>

(1) Including unpaid interest of CZK 575.6 million.

(2) Unpaid interests represent CZK 251.2 million (fixed interest rate).

### 7.3.3 Price risk

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rental risk. For sensitivity analysis on changes in assumptions of investment property valuation refer to note 7.5.

## 7.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

CPI Property Group as property investor is mainly influenced by the fact that it leverages its project financing by using bank debts and by bonds issued. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Group's consolidated financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2014.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Debt is defined as all long-term and short-term liabilities. Equity includes all capital and reserves as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2014 and at 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Debt	57,972,229	59,855,316
Equity	32,490,426	25,752,089
<b>Total</b>	<b>178.43%</b>	<b>232.43%</b>

## 7.5 Fair value measurement

### 7.5.1 Fair value of financial instruments

Fair value measurements of financial instruments reported at fair value are classified by level of the following measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is using a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data.

- For the derivatives (interest rate swaps, options and forwards) the valuation is provided by the Group's banks;
- For the available-for-sale financial assets and for the bonds, the fair values as of 31 December 2014 have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair value of financial instruments reflects, inter alia, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the consolidated income statement under the "other net financial results" line.

### Accounting classification and fair values

The following tables show the carrying amounts at fair value of financial assets and liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2014	Carrying amount		Level 1	Fair value Level 2	Level 3
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)			
FINANCIAL ASSETS					
Call option	--	12,053	--	12,053	--
Financial assets at fair value through profit or loss (**)	--	12,053	--	--	--
Long-term Equity investments	--	11,768	--	--	--
Debentures issued by third parties	--	38,122	--	--	41,043
Financial assets available-for-sale	--	49,890	--	--	--
Advances paid	--	5,041	--	--	--
Loans provided	--	614,896	--	--	614,896
Other non-current receivables	--	670	--	--	--
Non-current loans and receivables	--	620,607	--	--	--
Trade receivables	--	950,910	--	--	--
Loans provided	--	7,553,019	--	--	7,553,019
Bills of exchange	--	42,595	--	--	42,483
Other current financial assets	--	1,279,246	--	--	--
Cash and cash equivalent	--	2,550,657	--	--	--
Current financial assets*	--	12,376,427	--	--	--
FINANCIAL LIABILITIES					
Bonds issued	--	14,963,255	10,572,721	--	5,087,473
Financial debt (floating rate bank debts)	--	24,811,430	--	--	24,811,430
Financial debt (fixed rate bank debts)	--	94,000	--	--	99,250
Financial debt (other borrowings)	--	837,135	--	--	833,370
Derivative instruments	359,082	--	--	359,082	--
Non-current financial liabilities	359,082	40,705,820	--	--	--
Bonds issued	--	909,768	715,875	--	--
Financial debt (floating rate bank debts)	--	4,816,529	--	--	4,816,529
Financial debt (fixed rate bank debts)	--	846,244	--	--	855,953
Financial debt (other borrowings)	--	1,074,771	--	--	1,134,071
Derivative instruments	32,171	--	--	32,171	--
Advanced payments	--	832,567	--	--	--
Trade payables	--	756,353	--	--	--
Other financial current liabilities	--	554,740	--	--	--
Current financial liabilities*	32,171	9,790,972	--	--	--

(\*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carry amount is a reasonable approximation of the fair value.

(\*\*) Designated at fair value.

31 December 2013	Carrying amount		Level 1	Fair value	
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)		Level 2	Level 3
FINANCIAL ASSETS					
Long-term Equity investments	--	11,768	--	--	--
Debentures issued by third parties	--	37,709	--	--	41,767
Financial assets available-for-sale	--	49,477			
Advances paid	--	15,320	--	--	--
Loans provided	--	3,878,270	--	--	3,878,270
Other non-current receivables	--	4,175	--	--	
Non-current loans and receivables	--	3,897,765			
Trade and other receivables	--	1,058,571	--	--	--
Loans provided	--	1,382,544	--	--	1,382,544
Bills of exchange		165,037			164,049
Other current financial assets	--	1,812,752	--	--	--
Cash and cash equivalent	--	3,005,919	--	--	--
Current financial assets	--	7,424,823			
FINANCIAL LIABILITIES					
Bonds issued	--	17,252,523	8,581,529	--	8,591,257
Financial debt (floating rate bank debts)	--	25,110,540	--	--	--
Financial debt (fixed rate bank debts)	--	1,224,651	--	--	--
Financial debt (other borrowings)	--	1,463,930	--	--	--
Derivative instruments	156,263	--	--	156,263	--
Non-current financial liabilities	156,263	45,051,644	--	--	--
Bonds issued	--	578,609	--	--	--
Financial debt (floating rate bank debts)	--	3,972,462	--	--	--
Financial debt (fixed rate bank debts)	--	460,336	--	--	--
Financial debt (other borrowings)	--	668,180	--	--	--
Derivative instruments	34,381	--	--	34,381	--
Advanced payments	--	867,252	--	--	--
Trade payables	--	868,218	--	--	--
Other financial current liabilities	--	561,492	--	--	--
Current financial liabilities	34,381	7,976,549	--	--	

(\*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carry amount is a reasonable approximation of the fair value.

### Valuation technique used for measurement of fair value of derivatives

Liabilities from derivative are measured by discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

### 7.5.2 Fair value measurement of investment property

The Group's investment properties were valued at 31 December 2014 in accordance to the Group's accounting policies. The Group utilizes independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes.

The independent valuer provides appraisal of the Group's investment property annually.

At 1 January 2014 the fair value measurement for investment property of EUR 2,551.1 million has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

### 7.5.3 Main observable and unobservable inputs

The table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs for each class of property owned by the Group, used by the valuers as at the end of 31 December 2013 and 31 December 2014 respectively.

31 December 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
Czech Republic - Central Bohemia	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm	1,237 CZK/sqm	1,354 CZK/sqm	(1,311 CZK/sqm)
				Net current income per sqm	1,281 CZK/sqm	1,805 CZK/sqm	(1,613 CZK/sqm)
				Equivalent yield	8.46%	12.00%	(8.80%)
				Vacancy rate	0.00%	4.39%	(1.61%)
Czech Republic - West Bohemia	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm			733 CZK/sqm
				Net current income per sqm			563 CZK/sqm
				Equivalent yield			12.00%
				Vacancy rate			38.20%
Slovakia	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm			1,412 CZK/sqm
				Net current income per sqm			1,481 CZK/sqm
				Equivalent yield			8.25%
				Vacancy rate			2.02%
Hungary	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm	1,593 CZK/sqm	1,598 CZK/sqm	(1,596 CZK/sqm)
				Net current income per sqm	1,485 CZK/sqm	1,525 CZK/sqm	(1,513 CZK/sqm)
				Equivalent yield	8.75%	9.00%	(8.92%)
				Vacancy rate	5.91%	8.54%	(7.75%)
Czech Republic - Prague Center	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	4,427 CZK/sqm	9,809 CZK/sqm	(9,287 CZK/sqm)
				Net current income per sqm	3,994 CZK/sqm	4,685 CZK/sqm	(4,618 CZK/sqm)
				Equivalent yield	5.00%	5.25%	(5.23%)
				Vacancy rate	4.93%	19.18%	(17.80%)
Czech Republic - Prague Other	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,879 CZK/sqm	2,419 CZK/sqm	(1,982 CZK/sqm)
				Net current income per sqm	1,749 CZK/sqm	2,206 CZK/sqm	(1,836 CZK/sqm)
				Equivalent yield	8.78%	9.00%	(8.82%)
				Vacancy rate	17.20%	19.69%	(17.67%)
Czech Republic - Prague Other	Retail	DCF method	Level 3	Estimated rental value per sqm			5,220 CZK/sqm
				Vacancy rate			2.20%
				Exit yield			6.87%
				Discount rate			8.00%
Czech Republic - Other	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,328 CZK/sqm	5,465 CZK/sqm	(1,486 CZK/sqm)
				Net current income per sqm	1,217 CZK/sqm	5,664 CZK/sqm	(3,383 CZK/sqm)

31 December 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
				Equivalent yield	6.77%	-	9.00% (7.63%)
				Vacancy rate	0.00%	-	16.90% (4.06%)
<b>Czech Republic - Other</b>	<b>Retail</b>	DCF method	Level 3	Estimated rental value per sqm			5,084 CZK/sqm
				Vacancy rate			36.89%
				Exit yield			7.96%
				Discount rate			8.93%
<b>Hungary - Budapest Center</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm			7,958 CZK/sqm
				Net current income per sqm			6,793 CZK/sqm
				Equivalent yield			8.50%
				Vacancy rate			7.60%
<b>Hungary - Other</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	1,555 CZK/sqm	-	1,798 CZK/sqm (1,638 CZK/sqm)
				Net current income per sqm	655 CZK/sqm	-	1,160 CZK/sqm (987 CZK/sqm)
				Equivalent yield	9.31%	-	10.63% (9.76%)
				Vacancy rate	0.00%	-	23.91% (18.55%)
<b>Slovakia</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm	2,476 CZK/sqm	-	3,467 CZK/sqm (2,983 CZK/sqm)
				Net current income per sqm	2,434 CZK/sqm	-	3,872 CZK/sqm (3,102 CZK/sqm)
				Equivalent yield	7.50%	-	8.50% (7.93%)
				Vacancy rate	0.00%	-	1.04% (0.12%)
<b>Poland</b>	<b>Retail</b>	Income capitalisation	Level 3	Estimated rental value per sqm			5,497 CZK/sqm
				Net current income per sqm			4,633 CZK/sqm
				Equivalent yield			7.80%
				Vacancy rate			3.58%
<b>Czech Republic - Prague</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm	2,403 CZK/sqm	-	9,809 CZK/sqm (5,008 CZK/sqm)
				Net current income per sqm	1,856 CZK/sqm	-	9,350 CZK/sqm (4,312 CZK/sqm)
				Equivalent yield	5.25%	-	9.27% (6.86%)
				Vacancy rate	0.00%	-	25.00% (10.11%)
<b>Czech Republic - Other</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm			2,842 CZK/sqm
				Net current income per sqm			2,452 CZK/sqm
				Equivalent yield			7.75%
<b>Czech Republic - Other</b>	<b>Office</b>	DCF method	Level 3	Estimated rental value per sqm	2.401 CZK/sqm	-	3.690 CZK/sqm (2.598 CZK/sqm)
				Vacancy rate	39.20%	-	51.22% (49.39%)
				Exit yield	7.50%	-	7.96% (7.89%)
				Discount rate	8.93%	-	9.50% (9.02%)
<b>Poland</b>	<b>Office</b>	Income capitalisation	Level 3	Estimated rental value per sqm			5,687 CZK/sqm

31 December 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average		
				Net current income per sqm	4,646 CZK/sqm		
				Equivalent yield	8.69%		
				Vacancy rate	15.04%		
Hungary	Office	Income capitalisation	Level 3	Estimated rental value per sqm	1,412 CZK/sqm	4,206 CZK/sqm	(3,618 CZK/sqm)
				Net current income per sqm	- 330 CZK/sqm	3,816 CZK/sqm	(2,620 CZK/sqm)
				Equivalent yield	8.00%	- 13.05%	(9.10%)
				Vacancy rate	4.70%	- 100.00%	(21.70%)
Hungary	Office	DCF method	Level 3	Estimated rental value per sqm	3,997 CZK/sqm		
				Net current income per sqm	3,560 CZK/sqm		
				Vacancy rate	23.68%		
				Exit yield	8.00%		
				Discount rate	8.25%		
Slovakia	Office	DCF method	Level 3	Estimated rental value per sqm	4,348 CZK/sqm		
				Net current income per sqm	4,203 CZK/sqm		
				Vacancy rate	38.71%		
				Exit yield	8.80%		
				Discount rate	9.25%		
Czech	Residential	DCF method	Level 3	Estimated rental value per sqm	787 CZK/sqm	1,658 CZK/sqm	(795 CZK/sqm)
				Exit yield	4.75%	- 7.78%	(7.75%)
				Vacancy rate	23.37%	- 25.39%	(25.37%)
				Discount rate	5.75%	- 8.82%	(8.79%)
France	Residential	Sales comparison	Level 3	Price/sqm	569 TCZK/sqm		
Czech Republic - Prague	Hotel	Comparable method	Level 3	Rate per key	1,530 TCZK/key	4,182 TCZK/key	(2,573 TCZK/key)
Czech Republic - Prague	Hostel	Comparable method	Level 3	Rate per key	269 TCZK/key	1,106 TCZK/key	(686 TCZK/key)
Czech Republic - Other	Hotel	Comparable method	Level 3	Rate per key	742 TCZK/key	1,603 TCZK/key	(1,313 TCZK/key)
Czech Republic - Other	Hotel	Income capitalisation	Level 3	Net current income per sqm	6,989 CZK/sqm		
				Estimated rental value per sqm	7,698 CZK/sqm		
				Equivalent yield	7.32%		
Land Bank - Czech Republic - Prague Center	Land bank	Comparable method	Level 3	Sales price per sqm	80,000 CZK/sqm	81,899 CZK/sqm	(80,673 CZK/sqm)
Land Bank - Czech Republic - Prague	Land bank	Comparable method	Level 3	Sales price per sqm	299 CZK/sqm	30,461 CZK/sqm	(8,960 CZK/sqm)
Land Bank - Czech Republic - Other	Land bank	Comparable method	Level 3	Sales price per sqm	100 CZK/sqm	25,880 CZK/sqm	(1,641 CZK/sqm)
Hungary	Land bank	Comparable method	Level 3	Sales price per sqm	1,425 CZK/sqm	232,768 CZK/sqm	(18,895 CZK/sqm)
Land Bank - Romania - Bucharest	Land bank	Comparable method	Level 3	Sales price per sqm	22,731 CZK/sqm		

31 December 2014	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
Romania - Other	Land bank	Comparable method	Level 3	Sales price per sqm	847 CZK/sqm - 4,011 CZK/sqm (2,165 CZK/sqm)
Poland	Land bank	Comparable method	Level 3	Sales price per sqm	4,342 CZK/sqm
Czech Republic - Prague - Project 1	Investment property under development	Income capitalisation	Level 3	Estimated rental value	4,330 CZK/sqm
				Equivalent yield	(6.51%)
Czech Republic - Prague - Project 2	Investment property under development	Income capitalisation	Level 3	Estimated rental value	5,193 CZK/sqm
				Equivalent yield	(6.25%)
Czech Republic - Other - Project 1	Investment property under development	Development Appraisal	Level 3	Gross development value	552 MCZK/sqm
				Residual value	359 MCZK/sqm
Hungary	Hospitality	DCF method	Level 3	Exit yield	(7.50%)
				Discount rate	(9.00%)

31 December 2013	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
Czech Republic - Central Bohemia	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm	1,217 CZK/sqm – 1,354 CZK/sqm (1,300 CZK/sqm)
				Net current income per sqm	1,439 CZK/sqm – 1,762 CZK/sqm (1,635 CZK/sqm)
				Equivalent yield	8.79% - 9.00% (8.92%)
				Vacancy rate	0.00%
Czech Republic - West Bohemia	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm	717 CZK/sqm
				Net current income per sqm	544 CZK/sqm
				Equivalent yield	12.00%
				Vacancy rate	41.20%
Slovakia	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm	1,407 CZK/sqm
				Net current income per sqm	1,497 CZK/sqm
				Equivalent yield	8.25%
				Vacancy rate	6.30%
Hungary	Industry and logistics	Income capitalisation	Level 3	Estimated rental value per sqm	1,623 CZK/sqm – 1,709 CZK/sqm (1,685 CZK/sqm)
				Net current income per sqm	1,425 CZK/sqm – 1,769 CZK/sqm (1,674 CZK/sqm)
				Equivalent yield	8.64%-9.21% (9.05%)
				Vacancy rate	3.00%-8.72% (4.59%)
				Exit yield	9.00%-9.25% (9.18%)
Czech Republic - Prague Center	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	4,426 CZK/sqm
				Net current income per sqm	3,936 CZK/sqm
				Equivalent yield	5.00%
				Vacancy rate	5.00%

31 December 2013	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
Czech Republic - Prague Other	Retail	Income capitalisation	Level 3	Estimated rental value per sqm	1,964 CZK/sqm – 2,978 CZK/sqm (2,487 CZK/sqm)
				Net current income per sqm	1,733 CZK/sqm – 3,131 CZK/sqm (2,442 CZK/sqm)
				Equivalent yield	8.58%-9.00% (8.70%)
				Vacancy rate	0.00%-23.00% (11.00%)
				Estimated rental value per sqm	1,318 CZK/sqm – 5,392 CZK/sqm (2,981 CZK/sqm)
Czech Republic - Other	Retail	Income capitalisation	Level 3	Net current income per sqm	1,129 CZK/sqm – 5,551 CZK/sqm (3,456 CZK/sqm)
				Equivalent yield	3.24% - 9.30% (6.93%)
				Vacancy rate	0.00%-47.00% (5.00%)
				Estimated rental value per sqm	7,582 CZK/sqm
				Net current income per sqm	6,290 CZK/sqm
Hungary - Budapest Center	Retail	DCF method	Level 3	Equivalent yield	8.19%
				Vacancy rate	12.00%
				Discount rate	8.25%
				Estimated rental value per sqm	1,550 CZK/sqm – 1,671 CZK/sqm (1,566 CZK/sqm)
				Net current income per sqm	924 CZK/sqm – 1,126 CZK/sqm (1,017 CZK/sqm)
Hungary - Other	Retail	DCF method	Level 3	Equivalent yield	9.00%-9.70% (9.24%)
				Vacancy rate	0.00%-33.00% (25.00%)
				Discount rate	10.00%
				Estimated rental value per sqm	2,476 CZK/sqm – 3,467 CZK/sqm (2,983 CZK/sqm)
				Net current income per sqm	2,416 CZK/sqm – 3,834 CZK/sqm (3,072 CZK/sqm)
Slovakia	Retail	Income capitalisation	Level 3	Equivalent yield	7.5%-8.5% (7.93%)
				Vacancy rate	0.00%-1.03% (0.12%)
				Estimated rental value per sqm	5,724 CZK/sqm
				Net current income per sqm	5,622 CZK/sqm
				Equivalent yield	8.54%
Poland	Retail	DCF method	Level 3	Vacancy rate	0.00%
				Discount rate	8.75%
				Estimated rental value per sqm	2,994 CZK/sqm – 5,287 CZK/sqm (3,954 CZK/sqm)
				Net current income per sqm	2,674 CZK/sqm – 5,583 CZK/sqm (3,885 CZK/sqm)
				Equivalent yield	3.60%-8.49% (6.87%)
Czech Republic - Prague	Office	Income capitalisation	Level 3	Vacancy rate	0.00%-30.92% (4.00%)
				Estimated rental value per sqm	2,838 CZK/sqm
				Net current income per sqm	1,805 CZK/sqm – 6,209 CZK/sqm (2,695 CZK/sqm)
				Equivalent yield	7.75%
				Vacancy rate	24.27%-61.02% (33.58 %)
Czech Republic - Other	Office	Income capitalisation	Level 3	Estimated rental value per sqm	4,383 CZK/sqm – 6,382 CZK/sqm (5,810 CZK/sqm)
				Net current income per sqm	2,405 CZK/sqm – 5,828 CZK/sqm (4,848 CZK/sqm)
				Equivalent yield	5.13%-8.90% (7.82%)
				Vacancy rate	12.40%-33.44% (18.43%)
				Estimated rental value per sqm	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
Poland	Office	Income capitalisation	Level 3	Estimated rental value per sqm	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Net current income per sqm	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Equivalent yield	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Vacancy rate	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Estimated rental value per sqm	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
Hungary	Office	Income capitalisation	Level 3	Estimated rental value per sqm	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Net current income per sqm	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Equivalent yield	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Vacancy rate	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)
				Estimated rental value per sqm	2,370 CZK/sqm – 4,320 CZK/sqm (3,744 CZK/sqm)

31 December 2013	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
				Net current income per sqm	584 CZK/sqm – 4,065 CZK/sqm (3.043 CZK/sqm)
				Equivalent yield	2.32%-8.84% (5.06%)
				Vacancy rate	12.00%-77.00% (29.10%)
				Estimated rental value per sqm	715 CZK/sqm – 1,320 CZK/sqm (721 CZK/sqm)
Czech	Residential	DCF method	Level 3	Net current income per sqm	551 CZK/sqm – 1,169/sqm (558 CZK/sqm)
				Exit yield	5.00%-6.50% (6.49%)
				Vacancy rate	0.00%-24.19% (24.10%)
				Discount rate	6.00%-7.36% (7.35%)
				Doubtful debtors	1.00%-3.94% (3.92%)
Czech Republic - Prague	Hotels	Market comparable method	Level 3	Rate per key	1,535 TCZK – 3,792 TCZK (2,216 TCZK)
				Net current income per sqm	5,512 CZK/sqm – 30,000 CZK/sqm (20,170 CZK/sqm)
Czech Republic - Prague	Hostel	Market comparable method	Level 3	Rate per key	270 TCZK
				Net current income per sqm	2,240 CZK/sqm
Czech Republic - Other	Hotels	Market comparable method	Level 3	Rate per key	718 TCZK – 1,659 TCZK (1,355 TCZK)
				Net current income per sqm	990 CZK/sqm – 7,085 CZK/sqm (1,351 CZK/sqm)
Land Bank - Czech Republic - Prague Center	Land Bank	Sales comparison	Level 3	Sales price per sqm	85,000 CZK/sqm
Czech Republic – Prague – Project 1	Land Bank	Income capitalisation	Level 3	Estimated rental value per sqm	5,154 CZK/sqm
				Equivalent yield	6.25%
				Vacancy rate	100.00%
Czech Republic – Prague – Project 2	Land Bank	Sales comparison	Level 3	Sales price per sqm	3,275 CZK/sqm
Czech Republic - Other	Land Bank	Sales comparison	Level 3	Sales price per sqm	110 CZK/sqm – 30,000 CZK/sqm (2,888 CZK/sqm)
Hungary	Land Bank	Sales comparison	Level 3	Sales price per sqm	6,593 CZK/sqm – 330,204 CZK/sqm (43,839 CZK/sqm)
Romania - Bucharest	Land Bank	Sales comparison	Level 3	Sales price per sqm	24,826 CZK/sqm
Romania - Other	Land Bank	Sales comparison	Level 3	Sales price per sqm	963 CZK/sqm – 11,905 CZK/sqm (3,377 CZK/sqm)
Poland	Land Bank	Sales comparison	Level 3	Sales price per sqm	4,265 CZK/sqm
Czech Republic - Prague - Project 1	Investment property under development	Development Appraisal/Residual Method	Level 3	Gross development value	4,473 MCZK
				Residual value	1,229 MCZK
Czech Republic - Prague - Project 2	Investment property under development	Development Appraisal/Residual Method	Level 3	Gross development value	319 MCZK
				Residual value	77 MCZK
Czech Republic - Other	Investment property under development	Development Appraisal	Level 3	Gross development value	558 MCZK
				Estimated rental value	43 MCZK

31 December 2013	Asset type	Valuation technique	Fair value hierarchy	Significant unobservable inputs	Weighted average
<b>Hungary</b>	<b>Hospitality</b>	DCF method	Level 3	Capitalization on rate	8.50%
				Discount rate	9.30%

**Discounted cash flow method (DCF) – application guidance provided by IVSC, [www.ivsc.org](http://www.ivsc.org)**

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

**Market comparable method – application guidance provided by IVSC, [www.ivsc.org](http://www.ivsc.org)**

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions.

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied is the price per square metre (sqm).

**Income capitalisation method - application guidance provided by IVSC, [www.ivsc.org](http://www.ivsc.org)**

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The difference between gross and net rental income includes expense categories such as vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. When using the income capitalisation method, the mentioned expenses have to be included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised.

### Sensitivity analysis on changes in assumptions of investment property valuation

The Group has performed a sensitivity analysis on changes in investment property valuation except for development, residential, hotel and land bank segments providing all other variables remain constant. The table below presents the sensitivity of profit or loss before tax as at 31 December 2014 and 31 December 2013 due to changes in assumptions:

#### Change in yield

2014	Current average yield*	Current market value	Increased yield by 25 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 25 bp in yield	6.81%	51,776,609	7.06%	49,587,508	(2,189,101)

\* current average yield was calculated based on adjusted (annualized) rental income to reflect the acquisitions of subsidiaries in 2014.

2013	Current average yield*	Current market value	Increased yield by 25 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 25 bp in yield	7.12%	45,999,332	7.37%	36,676,892	(9,322,440)

\* current average yield was calculated based on adjusted (annualized) rental income to reflect the acquisitions of subsidiaries in 2013.

#### Change in income

2014	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10% from rental activities	Effect of increased income to profit or (loss)
Industry and logistics	307,280	3,826,188	338,007	4,208,807	382,619
Office	1,384,236	23,221,902	1,522,660	25,544,092	2,322,190
Retail	1,810,042	24,728,520	1,991,046	27,201,372	2,472,852
<b>Increase by 10% in income</b>	<b>3,501,558</b>	<b>51,776,609</b>	<b>3,851,713</b>	<b>56,954,270</b>	<b>5,177,661</b>

2013	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10% from rental activities	Effect of increased income to profit or (loss)
Industry and logistics	271,047	3,771,748	298,151	4,148,923	377,175
Office	924,013	19,800,645	1,016,415	21,780,710	1,980,065
Retail	1,509,747	22,426,939	1,660,721	24,669,633	2,242,694
<b>Increase by 10% in income</b>	<b>2,704,806</b>	<b>45,999,332</b>	<b>2,975,287</b>	<b>50,599,266</b>	<b>4,599,933</b>

The tables below presents the sensitivity of profit or loss before tax as at 31 December 2014 and 31 December 2013 due to changes in assumptions used for the valuation of the residential portfolio:

	Current average yield	Current market value	Increased yield by 25 bp	Market value upon increased yield	Effect of increased yield to profit or (loss)
2014	6.52%	7,683,877	6.77%	7,348,901	(334,976)
2013	6.63%	7,716,242	6.88%	7,042,354	(673,888)

	Segment income from rental activities	Current market value	Increased income from rental activities by 10%	Market value upon increased income by 10% from rental activities	Effect of increased income to profit or (loss)
2014	497,553	7,683,877	547,308	8,452,265	768,388
2013	484,358	7,716,242	532,794	8,487,866	771,624

## 8 Contingencies and Litigations

The Group does not have in evidence any contingent liabilities. No legal proceeding is active the result of which would influence consolidated financial statements and the Group is not aware about any potential enter upon the law-suit.

## 9 Capital and other commitments

### Capital commitments

The Group has capital commitments of CZK 138.5 million in respect of capital expenditures contracted for at the date of the statement of financial statements (CZK 979.2 million in 2013). There are no other commitments except as disclosed above.

## 10 Related party transactions

The Group has a related party relationship with its members of Board of Directors (current and former) and executive management (key management personnel), shareholder and companies in which these parties held controlling or significant influence or are joint ventures.

### Key management personnel and members of Board of Directors

The remuneration of key management personnel and members of Board of Directors are summarized in following table.

	2014	2013
Remuneration paid to key management personnel and members of Board of Directors	10,387	17,929
<b>Total remuneration</b>	<b>10,387</b>	<b>17,929</b>

Breakdown of balances and transactions between key management personnel and members of Board of Directors and the Group is as follows:

Balances at	31 December 2014	31 December 2013
Loans provided	4,655	6,178
Trade receivables	46	8,922
Other receivables	143	450,644
Loans received	--	22,125
Trade payables	--	10
Other payables	--	4,469
Advances received	13,760	3,848
<b>Transaction</b>		
Interest income and other revenues	312	63

Other related parties		
Entities over which the sole shareholder has control		
Balances at	31 December 2014	31 December 2013
Trade receivables	61	105
Loans provided	--	22,518
Loans received	52,445	15,129
Interest expense	21,433	598
Sale of services	--	96

<b>Other related parties</b>		
<b>Entities over which the sole shareholder has significant influence</b>		
<b>Balance at</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Trade receivables	6,199	18,709
Other receivables	--	266,132
Loans provided	--	12,910
Trade payables	334	12,116
Advances received	81	--
Service charge income	2,377	294
Rental Income	1,422	1,110
Interest income	--	6,646
Other finance cost	2,271	--
Advisory and accounting services	3,872	--
Audit, tax and advisory services	1,850	--
Other finance income	--	337
Accounting and other service (based on mandate contracts)	--	55
Letting fee	--	159
Other administrative expense	84	--
Service charge expense	454	37
<b>Close family members/entities controlled by close family members</b>		
<b>Balance at</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Trade receivables	14	5,081
Other receivables	--	3,144
Loans provided	7,335,346	3,875,167
Trade payables	--	3,565
Other payables	60,001	48
Loans received	31,185	13,856
Interest income	330,749	315,256
Operating revenues	--	16,041
Interest expense	771	1,793
Fees and commissions expense	--	3,565
<b>Entities controlled by members of Board of Directors</b>		
<b>Balance at</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Trade receivables	111,781	--
Advances received	26,379	--
Trade payables	63,559	--
Loans received	6,652	--
Tenant deposits	300	--
<b>CPI PROPERTY GROUP*</b>		
<b>Balance at</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Loans provided	159,159	--
Loans received	58	--
Other receivables	1,215,476	--
Bonds issued	1,003,666	--
Interest income	1,664	--
<b>Transactions</b>		
Interest expense	58	--
Interest expense on bonds issued	31,730	--
<b>Major shareholder of CPI PG**</b>		
<b>Balance at</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Loans provided	173,677	--
Loans received	24,330	--
Trade payables	10	--
Other payables	13,938	--
<b>Transaction</b>		
Interest income and other revenues	7,742	--

\* Transactions with CPI PG are disclosed only for the period from 17 June 2014 till 31 December 2014 and the balances represent amounts as at 31 December 2014. Until 17 June 2014, CPI PG was not a related party of the Group.

\*\* Transactions and balances with the major shareholder of CPI PG in 2013 are disclosed above, as balances and transactions between key management personnel and members of Board of Directors and the Group, since the major shareholder of CPI PG was a chairman of the Board of Directors of the Group as at 31 December 2013.

## **Main selected transactions with other related parties**

### **Transactions with ORCO PROPERTY GROUP (“OPG”)**

CPI Property, s.r.o. has provided property management services to certain assets of OPG in the Czech Republic. The value of such services amounted to CZK 3.7 million for 2014 (CZK 1.4 million for 2013).

From 1 July 2014, the Group began providing outsourcing services in the field of general administration, tax, accounting, reporting, human resources and IT to certain assets of OPG in the Czech Republic. The value of such services amounted to CZK 8.6 million in 2014.

### **Transactions with Scampia, a.s.**

In June 2014, the Group had performed financial assets restructuring and consolidation of a number of receivables of related parties. Such receivables of the third parties were assigned to Scampia, a.s., an entity closely associated with Mr. Vítek, in order to simplify related parties transaction structure. Following this operation, the aggregate amount of loans provided by the Group to Scampia, a.s. amounts to CZK 7,335.4 million as at 31 December 2014 and bear average interest rate of 6.5 % p.a. (note 6.6).

### **Transactions with Materiali, a.s.**

In June 2014, Materiali, a.s., an entity closely associated with Mr. Vítek, provided interest bearing loan to the Group. As at 31 December 2014 the nominal value of the loan amounts to CZK 31 million and accrued interest represents CZK 21.4 million. The loan, denominated in EUR, bears interest rate of 8.1 % p.a. and is due on 30 June 2017.

## 11 Events after the reporting period

### 11.1 Newly founded subsidiaries

#### CPI Finance Ireland II Ltd

On 22 January 2015, the Group founded new company CPI Finance Ireland II Ltd, domiciled in Ireland. Share capital of the company amounts to EUR 1. On 2 March 2015, the Company sold CPI Finance Ireland II Ltd to CPI PG.

#### CPI Finance Netherlands II, B. V.

On 14 January 2015, the Group founded new company CPI Finance Netherlands II, B. V., domiciled in Netherlands. Share capital of the company amounts to EUR 1. On 9 March 2015, the Company sold CPI Finance Netherlands II, B. V. to CPI PG.

#### CPI Finance Slovakia, a.s.

On 4 March 2015, the Company founded new company CPI Finance Slovakia, a.s., domiciled in Slovak Republic.

### 11.2 Change of the company name of subsidiaries

The following entities changed their company name before the publication of these financial statements:

Former name of subsidiary	New name of subsidiary
B.C.P. Kft.	BC 30 Property Kft.
Century City Kft.	Buy-Way Dunakeszi Kft.
HUNGATE 2013 Kft.	Budaörs Office Park Kft.
Duna Office Center Kft.	Europeum Kft.
First Chance Kft.	R40 Real Estate Kft.
GLOBAL CENTER Kft.	Hightech Park Kft.
GLOBAL DEVELOPMENT Kft.	BC 91 Real Estate Kft.
GLOBAL ESTATES Kft.	M3 BC Kft.
Global Immo Kft.	GATEWAY Office Park Kft.
GLOBAL MANAGEMENT Kft.	New Age Kft.
GLOBAL PROPERTIES Kft.	Fogarasi 3 BC Kft.
ICL 1 Budapest Kft.	BC 99 Office Park Kft.
New Sites Kft.	Airport City Phase B Kft.
STRIPMALL Management Kft.	Buy-Way Soroksár Kft.
SPH Properties Sp. z o.o.	Central Tower 81 Sp. z o.o.

Prague, 29 April 2015



**Zdeněk Havelka**

Chairman of the Board of Directors



**Kristína Magdolenová**

Member of the Board of Directors

## APPENDIX I – LIST OF GROUP ENTITIES

### Subsidiaries fully consolidated

Company	Country	31 December 2014	31 December 2013
ABLON Bucharest Real Estates Development S.R.L	Romania	100.00%	100.00%
ABLON s.r.o.	Czech Republic	100.00%	100.00%
ABLON sp. z o.o.	Poland	100.00%	100.00%
ACGATE Kft.	Hungary	100.00%	100.00%
Airport City Kft.	Hungary	100.00%	100.00%
Airport City s.r.o.	Czech Republic	100.00%	100.00%
ALAMONDO LIMITED	Cyprus	100.00%	100.00%
Arena Corner Ingatlanfejlesztő Kft.	Hungary	100.00%	100.00%
Arkáda Prostějov, s.r.o.	Czech Republic	100.00%	100.00%
Avacero Ltd.	Cyprus	100.00%	100.00%
AVIDANO LIMITED	Cyprus	100.00%	100.00%
B.C.P. Kft.	Hungary	100.00%	100.00%
Balvinder, a.s.	Czech Republic	100.00%	100.00%
Baudry Alfa, a.s.	Czech Republic	100.00%	100.00%
Baudry Beta, a.s.	Czech Republic	100.00%	100.00%
Baudry, a.s.	Czech Republic	100.00%	100.00%
BAYTON Alfa, a.s.	Czech Republic	100.00%	100.00%
BAYTON Delta, a.s.	Czech Republic	100.00%	100.00%
BAYTON Gama, a.s.	Czech Republic	86.54%	86.50%
Beroun Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Beroun Property Development, a.s.	Czech Republic	100.00%	100.00%
Best Properties South, a.s.	Czech Republic	100.00%	100.00%
BPT Development, a.s.	Czech Republic	100.00%	100.00%
Brandýs Logistic, a.s.	Czech Republic	100.00%	100.00%
BREGOVA LIMITED	Cyprus	100.00%	100.00%
Bright Site Kft.	Hungary	100.00%	100.00%
Březiněves, a.s.	Czech Republic	100.00%	100.00%
Budaörs Business Park Kft. (1)	Hungary	--	100.00%
Camuzzi, a.s.	Czech Republic	100.00%	100.00%
Carpenter Invest, a.s.	Czech Republic	100.00%	100.00%
CB Property Development, a.s.	Czech Republic	100.00%	100.00%
CD Property s.r.o.	Czech Republic	100.00%	100.00%
Century City Kft.	Hungary	100.00%	100.00%
Codiazella Ltd	Cyprus	100.00%	100.00%
Conradian, a.s.	Czech Republic	100.00%	100.00%
CPI - Bor, a.s.	Czech Republic	100.00%	100.00%
CPI - Facility, a.s.	Czech Republic	100.00%	100.00%
CPI - Krásné Březno, a.s.	Czech Republic	99.96%	99.96%
CPI - Land Development, a.s.	Czech Republic	100.00%	100.00%
CPI - Orlová, a.s.	Czech Republic	100.00%	100.00%
CPI - Real Estate, a.s.	Czech Republic	100.00%	100.00%
CPI - Štupartská, a.s.	Czech Republic	100.00%	100.00%
CPI - Zbraslav, a.s.	Czech Republic	100.00%	100.00%
CPI Alfa, a.s.	Czech Republic	100.00%	100.00%
CPI Beta, a.s.	Czech Republic	100.00%	100.00%
CPI BYTY, a.s.	Czech Republic	100.00%	100.00%
CPI City Center ÚL, a.s.	Czech Republic	100.00%	100.00%
CPI CYPRUS LIMITED	Cyprus	100.00%	100.00%
CPI Delta, a.s.	Czech Republic	100.00%	100.00%
CPI East,s.r.o.	Czech Republic	100.00%	100.00%
CPI Epsilon, a.s.	Czech Republic	100.00%	100.00%
CPI Facility Slovakia, a.s.	Slovak Republic	100.00%	100.00%
CPI FINANCE (BVI) LIMITED	British Virgin Islands	100.00%	100.00%

Company	Country	31 December 2014	31 December 2013
CPI Finance Ireland Limited	Ireland	100.00%	100.00%
CPI Finance Netherlands B.V.	Netherland	100.00%	100.00%
CPI Flats, a.s.	Czech Republic	100.00%	100.00%
CPI France, a SASU	France	100.00%	100.00%
CPI Group, a.s.	Czech Republic	100.00%	100.00%
CPI Heli, s.r.o.	Czech Republic	100.00%	100.00%
CPI Hotels Properties, a.s.	Czech Republic	100.00%	100.00%
CPI Hungary Kft.	Hungary	100.00%	100.00%
CPI IMMO, S.a.r.l	France	100.00%	--
CPI Jihlava Shopping, a.s.	Czech Republic	100.00%	100.00%
CPI Lambda, a.s.	Czech Republic	100.00%	100.00%
CPI Management International Limited	Guernsey	100.00%	100.00%
CPI Management, s.r.o.	Czech Republic	100.00%	100.00%
CPI Meteor Centre, s.r.o.	Czech Republic	100.00%	100.00%
CPI Národní, s.r.o.	Czech Republic	100.00%	100.00%
CPI North, s.r.o.	Czech Republic	100.00%	100.00%
CPI Palmovka Office, s.r.o.	Czech Republic	100.00%	100.00%
CPI Park Mlýnec, a.s.	Czech Republic	100.00%	100.00%
CPI Park Žďárek, a.s.	Czech Republic	99.96%	99.96%
CPI Poland Sp. Z o.o.	Poland	100.00%	--
CPI Property, s.r.o.	Czech Republic	100.00%	100.00%
CPI Reality, a.s.	Czech Republic	100.00%	100.00%
CPI Retail MB s.r.o.	Czech Republic	100.00%	--
CPI Retail Portfolio I, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio II, a.s.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio III, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio IV, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio V, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VI, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VII, s.r.o.	Czech Republic	100.00%	100.00%
CPI Retail Portfolio VIII s.r.o.	Czech Republic	100.00%	--
CPI Retails FIVE, a.s.	Slovak Republic	100.00%	100.00%
CPI Retails FOUR, a. s.	Slovak Republic	100.00%	100.00%
CPI Retails ONE, a.s.	Czech Republic	100.00%	100.00%
CPI Retails THREE, a.s.	Slovak Republic	100.00%	100.00%
CPI Retails TWO, a.s.	Czech Republic	100.00%	100.00%
CPI Services, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping MB, a.s.	Czech Republic	100.00%	100.00%
CPI Shopping Teplice, a.s.	Czech Republic	100.00%	100.00%
CPI South, s.r.o.	Czech Republic	100.00%	100.00%
CPI West, s.r.o.	Czech Republic	100.00%	100.00%
CURITIBA a.s.	Czech Republic	100.00%	100.00%
Čadca Property Development, s.r.o.	Slovak Republic	100.00%	100.00%
Čáslav Investments, a.s.	Czech Republic	100.00%	--
Český Těšín Property Development, a.s.	Czech Republic	100.00%	100.00%
DERISA LIMITED	Cyprus	100.00%	100.00%
DH Est-Europe Real Estate SRL	Romania	100.00%	100.00%
DORESTO LIMITED	Cyprus	100.00%	100.00%
Družstvo Land	Czech Republic	99.96%	99.96%
Duna Office Center Kft.	Hungary	100.00%	100.00%
ELAMOR, a.s.	Slovak Republic	100.00%	100.00%
EMH North, s.r.o.	Czech Republic	100.00%	100.00%
EMH South, s.r.o.	Czech Republic	100.00%	100.00%
EMH West, s.r.o.	Czech Republic	100.00%	100.00%
ENDURANCE ASSET, S.á r.l	Luxembourg	100.00%	--
ES Bucharest Development S.R.L.	Romania	100.00%	100.00%
ES Bucharest Properties S.R.L.	Romania	100.00%	100.00%

Company	Country	31 December 2014	31 December 2013
ES Hospitality S.R.L.	Romania	100.00%	100.00%
Farhan, a.s.	Czech Republic	100.00%	100.00%
First Chance Kft.	Hungary	100.00%	100.00%
First Site Kft.	Hungary	100.00%	100.00%
FL Property Development, a.s.	Czech Republic	100.00%	100.00%
GADWALL, Sp. z o.o.	Poland	100.00%	100.00%
GARET Investment Sp. z o.o.	Poland	100.00%	100.00%
GLOBAL CENTER Kft.	Hungary	100.00%	100.00%
GLOBAL DEVELOPMENT Kft.	Hungary	100.00%	100.00%
GLOBAL ESTATES Kft.	Hungary	100.00%	100.00%
Global Immo Kft.	Hungary	100.00%	100.00%
GLOBAL INVESTMENT Kft.	Hungary	100.00%	100.00%
GLOBAL MANAGEMENT Kft.	Hungary	100.00%	100.00%
GLOBAL PROPERTIES Kft.	Hungary	100.00%	100.00%
GOMENDO LIMITED	Cyprus	100.00%	100.00%
GORANDA LIMITED	Cyprus	100.00%	100.00%
HD Investment s.r.o.	Czech Republic	100.00%	100.00%
Hotel Rosslyn Kft.	Hungary	100.00%	100.00%
Hraničář, a.s.	Czech Republic	100.00%	100.00%
HUNGATE 2013 Kft. (1)	Hungary	100.00%	100.00%
ICL 1 Budapest Kft.	Hungary	100.00%	100.00%
IGY2 CB, a.s.	Czech Republic	100.00%	100.00%
Insite Kft.	Hungary	100.00%	100.00%
ISTAFIA LIMITED	Cyprus	100.00%	100.00%
Jeseník Investments, a.s.	Czech Republic	100.00%	100.00%
JONVERO LIMITED	Cyprus	100.00%	100.00%
K.B.P. BUSINESS PARK sp. Zoo	Poland	--	50.00%
Kerina, a.s.	Czech Republic	100.00%	100.00%
Komárno Property Development, a.s.	Slovak Republic	100.00%	100.00%
LD Praha, a.s.	Czech Republic	100.00%	100.00%
Lerigos Kft.	Hungary	100.00%	100.00%
LERIEGOS LIMITED	Cyprus	100.00%	100.00%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100.00%	100.00%
LN Est-Europe Development SRL	Romania	100.00%	100.00%
Lockhart, a.s.	Czech Republic	100.00%	100.00%
Malerba, a.s.	Czech Republic	100.00%	100.00%
Marissa Delta, a.s.	Czech Republic	100.00%	100.00%
Marissa East, a.s.	Czech Republic	100.00%	100.00%
Marissa Epsilon, a.s.	Czech Republic	100.00%	100.00%
Marissa Gama, a.s.	Czech Republic	100.00%	100.00%
Marissa Ióta, a.s.	Czech Republic	100.00%	100.00%
Marissa Kappa, a.s.	Czech Republic	100.00%	100.00%
Marissa Lambda, a.s.	Czech Republic	100.00%	100.00%
Marissa North, a.s.	Czech Republic	100.00%	100.00%
Marissa Omega, a.s.	Czech Republic	100.00%	100.00%
Marissa Omikrón, a.s.	Czech Republic	100.00%	100.00%
Marissa Sigma, a.s.	Czech Republic	100.00%	100.00%
Marissa South, a.s.	Czech Republic	100.00%	100.00%
Marissa Tau, a.s.	Czech Republic	100.00%	100.00%
Marissa Théta, a.s.	Czech Republic	100.00%	100.00%
Marissa West, a.s.	Czech Republic	100.00%	100.00%
Marissa Yellow, a.s.	Czech Republic	100.00%	100.00%
Marissa Ypsilon, a.s.	Czech Republic	100.00%	100.00%
Marissa, a.s.	Czech Republic	100.00%	100.00%
MB Property Development, a.s.	Czech Republic	100.00%	100.00%
MESARGOSA LIMITED	Cyprus	100.00%	100.00%
MH Bucharest Properties S.R.L.	Romania	88.00%	87.88%

Company	Country	31 December 2014	31 December 2013
Michalovce Property Development, a.s.	Slovak Republic	100.00%	100.00%
Modřanská Property, a.s.	Czech Republic	100.00%	100.00%
MQM Czech, s.r.o.	Czech Republic	--	100.00%
MUXUM, a.s.	Czech Republic	100.00%	100.00%
NERONTA, a. s.	Slovak Republic	100.00%	100.00%
New Field Kft.	Hungary	100.00%	100.00%
New Sites Kft.	Hungary	100.00%	100.00%
Nymburk Property Development, a.s.	Czech Republic	100.00%	100.00%
OC Nová Zdáboř a.s.	Czech Republic	100.00%	100.00%
OC Spektrum, s.r.o.	Czech Republic	100.00%	100.00%
Office Center Poštová, s.r.o.	Slovak Republic	100.00%	--
Olomouc City Center, a.s.	Czech Republic	100.00%	100.00%
Olomouc Office, a.s.	Czech Republic	100.00%	100.00%
ORCO APARTMENTS, Sp. z o.o. (2)	Poland	--	100.00%
OSMANIA LIMITED	Cyprus	100.00%	100.00%
Pelhřimov Property Development, a.s.	Czech Republic	100.00%	--
Platněřská 10 s.r.o.	Czech Republic	100.00%	--
Polma 1 S.á r.l	Luxembourg	100.00%	--
Polygon BC s.r.o.	Czech Republic	--	100.00%
Považská Bystrica Property Development, a.s.	Slovak Republic	100.00%	100.00%
Prague Property Development, s.r.o.	Czech Republic	100.00%	100.00%
Prievidza Property Development, a.s.	Slovak Republic	100.00%	100.00%
PRINGIPO LIMITED	Cyprus	100.00%	100.00%
Prosta 69 Sp. Z o.o. (3)	Poland	100.00%	--
Příbor Property Development, s.r.o.	Czech Republic	100.00%	100.00%
Příkopy Property Development, a.s.	Czech Republic	100.00%	100.00%
Quadrio Residence, s.r.o.	Czech Republic	100.00%	100.00%
RSL Est-Europe Properties SRL	Romania	100.00%	100.00%
RSL Real Estate Development S.R.L.	Romania	100.00%	100.00%
Ružomberok Property Development, a.s.	Slovak Republic	100.00%	100.00%
SASHKA LIMITED	Cyprus	100.00%	100.00%
SCTO, Kft.	Hungary	100.00%	--
SHAHEDA LIMITED	Cyprus	100.00%	100.00%
SPH Properties Sp. z o.o. (2)	Poland	100.00%	100.00%
Statenice Property Development, a.s.	Czech Republic	100.00%	100.00%
Strakonice Property Development, a.s.	Czech Republic	100.00%	100.00%
STRIPMALL Management Kft.	Hungary	100.00%	100.00%
Svitavy Property Alfa, a.s.	Czech Republic	100.00%	100.00%
Svitavy Property Development, a.s.	Czech Republic	100.00%	100.00%
Szolgáltatóház Kft.	Hungary	100.00%	100.00%
Telč Property Development, a.s.	Czech Republic	100.00%	100.00%
Trebišov Property Development, s. r. o.	Slovak Republic	100.00%	100.00%
Trutnov Property Development, a.s.	Czech Republic	100.00%	100.00%
Třinec Investments, s.r.o.	Czech Republic	100.00%	100.00%
Třinec Property Development, a.s.	Czech Republic	100.00%	100.00%
TUNELIA LIMITED	Cyprus	100.00%	100.00%
Týniště Property Development, s.r.o.	Czech Republic	100.00%	100.00%
U Svatého Michala, a.s.	Czech Republic	100.00%	100.00%
VERETIX, a.s.	Czech Republic	100.00%	100.00%
Vígano, a.s.	Czech Republic	100.00%	100.00%
VM Property Development, a.s.	Czech Republic	100.00%	100.00%
Volanti Ltd.	Cyprus	100.00%	100.00%
Vyškov Property Development, a.s.	Czech Republic	100.00%	100.00%
WARSAW WEST GATE, SP. z o.o. (3)	Poland	--	100.00%
WWG2013 Sp. Z o.o. (3)	Poland	--	100.00%
ZLATICO LIMITED	Cyprus	100.00%	100.00%
ZPS Kft.	Hungary	100.00%	--

Company	Country	31 December 2014	31 December 2013
Zvolen Property Development, a.s.	Slovak Republic	100.00%	100.00%
Žďár Property Development, a.s.	Czech Republic	100.00%	100.00%
Ždírec Property Development, a.s.	Czech Republic	100.00%	100.00%

- (1) Budaörs Business Park Kft. has merged with HUNGATE 2013 Kft. (the „successor company“) with the effective date of 3 November 2014. All assets and liabilities of Budaörs Business Park Kft. passed to the successor company.
- (2) ORCO APARTMENTS, Sp. z o.o. has merged with SPH Properties Sp. z o.o. (the successor company“) with the effective date of 30 September 2014. All assets and liabilities of ORCO APARTMENTS, Sp. z o.o. passed to the successor company.
- (3) WARSAW WEST GATE, SP. Z o.o. has merged with WWG2013 Sp. z o.o. (the“successor company“) with the effective date of 30 September 2014. All assets and liabilities of WARSAW WEST GATE, SP. Z o.o. passed to the successor company. After the merger the successor company changed its name to Prosta 69 Sp. Z o.o.

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# Czech Property Investments, a.s.

## **FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

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

## STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2014	2013
Gross rental revenue	4.1	14,676	13,497
Service revenue	4.1	11,573	3,794
Property operating expenses	4.2	(764)	(144)
<b>Net rental income</b>		<b>25,485</b>	<b>17,147</b>
Total revenues		26,249	17,291
Total direct business operating expenses		(764)	(144)
<b>Net business income</b>		<b>25,485</b>	<b>17,147</b>
Net gain on the disposal of investment property	4.3	--	2,663
Net gain on disposal of subsidiaries and investees	4.4	178,732	--
Amortization, depreciation and impairments	4.5	(498,568)	(225,150)
Other operating income	4.6	113	11,901
Administrative expenses	4.7	(24,940)	(24,546)
Other operating expenses	4.8	(2,167)	(14,247)
<b>Operating result</b>		<b>(321,345)</b>	<b>(232,232)</b>
Interest income	4.9	1,290,036	1,472,660
Interest expense	4.10	(1,760,261)	(1,462,462)
Other net financial result	4.11	449,867	581,112
<b>Net finance income / (costs)</b>		<b>(20,358)</b>	<b>591,310</b>
<b>Profit / (Loss) before income tax</b>		<b>(341,703)</b>	<b>359,078</b>
Income tax expense / (income)	4.12	86,477	(10,327)
<b>Net profit / (Loss) from continuing operations</b>		<b>(255,226)</b>	<b>348,751</b>
Other comprehensive income for the period, net of tax		--	--
<b>Total comprehensive income for the period</b>		<b>(225,226)</b>	<b>348,751</b>
<b>Profit / (loss) attributable to:</b>			
Non controlling interests		--	--
Owners of the Company		(225,226)	348,751
<b>Profit / (loss) for the period</b>		<b>(225,226)</b>	<b>348,751</b>
<b>Total comprehensive income attributable to:</b>			
Non controlling interests		--	--
Owners of the Company		(225,226)	348,751
<b>Total comprehensive income for the period</b>		<b>(225,226)</b>	<b>348,751</b>
<b>Earnings per share</b>	5.11		
Basic earnings in CZK per share		(33.00)	45.09
Diluted earnings in CZK per share		(33.00)	45.09

## STATEMENT OF FINANCIAL POSITION

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

	Note	31 December 2014	31 December 2013
<b>NON-CURRENT ASSETS</b>			
Investment in subsidiaries and jointly controlled entities	3.1	16,225,156	16,269,945
Intangible assets and goodwill	5.1	362	7,771
Investment property	5.2	--	--
Property, plant and equipment	5.3	2,218	3,023
Available-for-sale financial assets	5.4	3,165,888	49,475
Financial assets at fair value through profit or loss	5.5	12,053	--
Loans provided	5.6	8,021,455	11,301,832
Trade and other receivables	5.7	6,180	6,142
<b>Total non-current assets</b>		<b>27,433,312</b>	<b>27,638,188</b>
<b>CURRENT ASSETS</b>			
Current income tax receivables		1,537	5,438
Trade receivables	5.7	120,407	115,728
Loans provided	5.6	13,917,678	8,201,232
Cash and cash equivalents	5.8	142,569	118,090
Other financial current assets	5.9	5,177,943	5,601,245
Other non-financial current assets	5.10	18,232	10,512
<b>Total current assets</b>		<b>19,378,366</b>	<b>14,052,245</b>
<b>TOTAL ASSETS</b>		<b>46,811,678</b>	<b>41,690,433</b>
<b>EQUITY</b>			
Equity attributable to owners of the Company	5.11	21,647,133	16,426,447
Non controlling interests		--	--
<b>Total equity</b>		<b>21,647,133</b>	<b>16,426,447</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds issued	5.12	12,875,835	13,221,654
Financial debts	5.13	8,679,562	9,455,781
Deferred tax liabilities	4.12	95,315	99,667
<b>Total non-current liabilities</b>		<b>21,650,712</b>	<b>22,777,102</b>
<b>CURRENT LIABILITIES</b>			
Current bonds	5.12	651,717	245,966
Financial debts	5.13	1,685,552	1,474,744
Trade payables	5.14	12,871	27,753
Advance payments	5.15	110,045	110,045
Other financial current liabilities	5.16	1,053,648	627,315
Other non-financial current liabilities	5.17	--	1,061
<b>Total current liabilities</b>		<b>3,513,833</b>	<b>2,486,884</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>46,811,678</b>	<b>41,690,433</b>

## STATEMENT OF CHANGES IN EQUITY

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

	Note	Share capital	Share premium	Legal reserve	Merger reserve	Revaluation reserve	Other reserves	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2014</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>1,241,543</b>	<b>5,310,658</b>	<b>3,122,648</b>	<b>16,426,447</b>	<b>--</b>	<b>16,426,447</b>
Comprehensive income for the period		--	--	--	--	--	--	(255,226)	(255,226)	--	(255,226)
<i>Loss for the period</i>		--	--	--	--	--	--	(255,226)	(255,226)	--	(255,226)
<i>Total other comprehensive income</i>		--	--	--	--	--	--	--	--	--	--
<b>Total comprehensive income for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(255,226)</b>	<b>(255,226)</b>	<b>--</b>	<b>(255,226)</b>
<i>Contributions by and distributions to owners of the Company</i>											
Owner's contribution	5.11	--	--	--	--	--	5,116,470	--	5,116,470	--	5,116,470
<b>Total contributions by and distributions to owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5,116,470</b>	<b>--</b>	<b>5,116,470</b>	<b>--</b>	<b>5,116,470</b>
<i>Changes in ownership interests in subsidiaries</i>		--	--	--	--	--	--	--	--	--	--
<b>Total transactions with owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5,116,470</b>	<b>--</b>	<b>5,116,470</b>	<b>--</b>	<b>5,116,470</b>
<b>Other movements</b>											
Effect resulting from non-interest loans provided from subsidiaries	5.11	--	--	--	--	359,442	--	--	359,442	--	359,442
<b>Total other movements</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>359,442</b>	<b>--</b>	<b>--</b>	<b>359,442</b>	<b>--</b>	<b>359,442</b>
<b>Balance at 31 December 2014</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>1,600,985</b>	<b>10,427,128</b>	<b>2,867,422</b>	<b>21,647,133</b>	<b>--</b>	<b>21,647,133</b>

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

	Note	Share capital	Share premium	Legal reserve	Merger reserve	Revaluation reserve	Other reserves	Retained earnings	Total attributable to owners of the Company	Non-controlling interests	Total equity
<b>Balance at 1 January 2013</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>869,263</b>	<b>2,442,709</b>	<b>2,773,897</b>	<b>12,837,467</b>	<b>--</b>	<b>12,837,467</b>
Comprehensive income for the period		--	--	--	--	--	--	348,751	348,751	--	348,751
<b>Profit for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>348,751</b>	<b>348,751</b>	<b>--</b>	<b>348,751</b>
<b>Total other comprehensive income</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total comprehensive income for the period</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>348,751</b>	<b>348,751</b>	<b>--</b>	<b>348,751</b>
<b>Contributions by and distributions to owners of the Company</b>											
Owner's contribution		--	--	--	--	--	2,867,949	--	2,867,949	--	2,867,949
<b>Total contributions by and distributions to owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,867,949</b>	<b>--</b>	<b>2,867,949</b>	<b>--</b>	<b>2,867,949</b>
<b>Total changes in ownership interests in subsidiaries</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total transactions with owners of the Company</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,867,949</b>	<b>--</b>	<b>2,867,949</b>	<b>--</b>	<b>2,867,949</b>
<b>Other movements</b>											
Effect resulting from non-interest loans provided from subsidiaries		--	--	--	--	372,280	--	--	--	--	--
<b>Total other movements</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>372,280</b>	<b>--</b>	<b>--</b>	<b>372,280</b>	<b>--</b>	<b>372,280</b>
<b>Balance at 31 December 2013</b>		<b>6,186,997</b>	<b>575,942</b>	<b>30,810</b>	<b>(42,151)</b>	<b>1,241,543</b>	<b>5,310,658</b>	<b>3,122,648</b>	<b>16,426,447</b>	<b>--</b>	<b>16,426,447</b>

## CASH FLOW STATEMENT

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

	Note	31 December 2014	31 December 2013
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>(341,703)</b>	<b>359,078</b>
<i>Adjusted by:</i>			
Loss on the disposal of investment property	4.3	--	(2,663)
Depreciation / amortisation of tangible and intangible assets	4.5	1,039	3,336
Impairment of assets	4.5	497,529	221,814
Gain on the disposal of investments in subsidiaries	4.4	(178,732)	--
Net finance (income) / costs	4.9, 4.10	20,358	(591,310)
Exchange rate differences		55,628	(289,798)
<b>Profit before changes in working capital and provisions</b>		<b>54,119</b>	<b>(299,543)</b>
Increase in inventories		--	(1)
(Increase) / Decrease in receivables		2,062,075	(546,353)
Increase in liabilities		387,645	561,333
Changes in provisions		--	4
Income tax paid / (received)		88,214	(2,096)
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>2,592,053</b>	<b>(286,656)</b>
Acquisition of investment in subsidiaries		(617,526)	(1,185,029)
Disposal of investment in subsidiaries		231,124	--
Proceeds from sale of property, plant and equipment		--	9,233
Proceeds from disposals of subsidiaries, net of cash disposed		178,732	--
Acquisition of property, plant and equipment		--	(55)
Acquisition of intangible assets		7,176	(2,301)
Acquisition of available-for-sale financial assets		--	(37,709)
Loans provided	5.6	(2,642,154)	(3,476,010)
Dividends received		457,673	553,266
Interest received		1,410,704	590,081
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(974,271)</b>	<b>(3,548,524)</b>
Proceeds from bond issued	5.12	--	3,758,030
Interest paid		(1,574,316)	(892,312)
Repayments of borrowings		(19,798)	(590,471)
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>(1,594,114)</b>	<b>2,275,247</b>
<b>NET INCREASE / (DECREASE) IN CASH</b>		<b>23,668</b>	<b>(1,559,933)</b>
Cash and cash equivalents at the beginning of the year		118,090	1,678,023
Effect of movements is exchange rates on cash held		811	--
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>142,569</b>	<b>118,090</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Czech Property Investments, a.s. (hereinafter also the „Company“) is a joint-stock company incorporated under the laws of the Czech Republic.

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

The address of its registered office is Václavské náměstí, 1601/47, Praha 1, 110 00.

### Principal activities

The Company, through its subsidiaries and joint ventures, rents and manages its investment property portfolio composed of office buildings, retail parks, logistics parks, hotels and residential premises as well as develops real estate projects.

### Description of ownership structure

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

CPI PROPERTY GROUP is a Luxembourg based *Société Anonyme*, whose shares registered under ISIN code LU0251710041 are listed on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. Some shares of the parent company are not listed yet, but the parent company will seek to list them on the regulated market of the Frankfurt Stock Exchange in the General Standard segment as soon as practicable, subject to regulatory dealys.

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

### Management

#### Board of Directors

##### Board of Directors as at 31 December 2014

###### *Chairman*

Zdeněk Havelka, since 13 November 2014

###### *Member*

Kristína Magdolenová, since 15 February 2014

##### Board of Directors as at 31 December 2013

###### *Chairman*

Radovan Vítek, since 30 November 2011

###### *Vice-chairman*

Marek Stubleý, since 30 November 2011

###### *Member*

Marie Vítková, since 30 November 2011

#### Supervisory Board

##### Supervisory Board as at 31 December 2014

###### *Member*

Milan Trněný, since 5 June 2014

##### Supervisory Board as at 31 December 2013

###### *Members*

Vladimír Sup, since 12 February 2010

Pavel Semrád, since 12 February 2010

Radan Kamenický, since 25 March 2011

### **The management**

The management team of the Company is comprised of the following members: Martin Němeček, CEO; Zdeněk Havelka, Executive Director; Tomáš Salajka, Director of Asset Management & Sales; Pavel Semrád, Deputy Director of Asset Management & Sales; Pavel Měchura, CFO; Pavel Menšík, Director of Investments; Igor Klajmon, Director of Development; Martin Stibor, Head of Property Management; Štěpán Rázga, Chief Operations Officer and Martin Matula, General Counsel.

### **Employees**

The Company does not employ any employees at 31 December 2014 (at 31 December 2013 – 0 employees).

## **2 Basis of preparation and significant accounting policies**

### **2.1 Basic of preparation of financial statements**

#### **(a) Statement of compliance**

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

The financial statements were authorized for issue by the Board of Directors on 29 April 2015.

#### **(b) New standards**

For the preparation of these financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2014 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Company).

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

- Amendments to IFRS 10, Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities. These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. This amendment has no impact to the Company, since the Company does not qualify as investment entity under IFRS 10.
- IAS 32, Financial Instruments: Presentation – Amendments to IAS 32. These amendments to IAS 32 do not have any impact to the Company, they clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.
- IAS 39, Financial Instruments: Recognition and Measurement – Amendments to IAS 39. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company as the Company has not novated its derivatives during the current or prior periods.
- IAS 36, Impairment of Assets – Amendments to IAS 36. The amendment introduced disclosure requirements regarding the recoverable amount of impaired assets in case that amount is based on fair value less costs of disposal. IAS 36 require to disclose the recoverable amounts of assets or cash-generating units, for which an impairment loss has been recognised or reversed during the period in the interim financial statements. These amendments have no impact on the Company.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

The following new standards, new interpretations and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been early adopted by the Company:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. It is very likely to affect the Company's accounting treatment of financial instruments. The Company is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to EU adoption. The Company is assessing the impact of IFRS 15.
- IFRIC 21 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Company is not currently subject to significant levies so the impact on the Company's financial statements is not material.

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

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

**(c) Basis of measurement**

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

- investment property is measured at fair values;
- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration assumed in a business combinations is measured at fair value.

**(d) Functional and presentation currency**

These financial statements are presented in Czech Crowns, which is the Company's functional currency. All financial information presented in Czech Crowns (CZK) has been rounded to the nearest thousand (TCZK), except when otherwise indicated.

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

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

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

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

- Note 2.2(d) – Lease classification
- Note 8 – Contingent consideration

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

- Note 5.6 and 5.11 – Amortisation of interest free loan
- Note 3.1 and 4.5 – Valuation of investment in subsidiaries

**(f) Changes in classification and presentation**

The Company has amended classification and presentation of certain items in the financial statements as at 31 December 2014 in order to reflect different operational activities of the Company. To ensure consistency with the classification and presentation selected in the current period, reclassifications were made in the comparative financial statements as at 31 December 2013.

## **2.2 Significant accounting policies**

Except for the changes described above in note 2.1 (b) New standards, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### **(a) Foreign currency**

#### **(i) Foreign currency transactions**

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

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

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

### **(b) Investments in subsidiaries, jointly controlled entities and associates**

Subsidiaries are those entities in which the Company has control over the financial and operating policies. Control is presumed to exist when the Company more than 50 percent of the voting power of another entity.

Jointly controlled entities are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

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

Investments in subsidiaries, jointly controlled entities and associates are carried at costs, less any impairment losses as described in accounting policy 2.2(i).

### **(c) Investment property**

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

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

An external independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property at the year end of 2014 and 2013 respectively.

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

**(d) Leased assets**

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

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

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

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

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

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

**(i) Recognition and measurement**

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

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

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

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

**(ii) Reclassification to investment property**

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

**(iii) Subsequent costs**

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

**(iv) Depreciation**

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

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

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

Assets	2014	2013
Property	30 – 50 years	30 – 50 years
Equipment	5 - 10 years	5 - 10 years
Motor vehicles	5 years	5 years
Fittings	3 - 5 years	3 - 5 years
Computers	3 years	3 years

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

**(f) Intangible assets****(i) Recognition and measurement**

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

**(ii) Subsequent expenditure**

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

**(iii) Amortisation**

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

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

Assets	2014	2013
Software	3-8 years	3-8 years
Other intangible assets	3-5 years	3-5 years

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

**(g) Trading property - inventories**

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

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

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

**(h) Financial instruments****(i) Non-derivative financial assets**

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

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

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

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

**Loans provided**

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition,

provided loans are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(i)).

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

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

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

#### **Trade and other receivables**

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

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term cash commitments. Bank accounts and call deposits that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

The Company treats cash deposited as a security in accordance with bank loan covenants as cash and cash equivalents for cash flow purposes.

#### **Held-to-maturity financial assets**

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 2.2(i)).

Held-to-maturity financial assets comprise bonds.

#### **Available-for-sale financial assets**

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

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy 2.2(i)), are recognised in other comprehensive income and presented in fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

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

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

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

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

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

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

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

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

**Transaction costs**

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

(iii) Share capital

**Ordinary shares**

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

## **(i) Impairment**

### **(i) Non - financial assets and investments in subsidiaries, jointly controlled entities and associates**

The carrying amounts of the Company's investments in subsidiaries, jointly controlled entities and associates and non-financial assets, other than investment property (see accounting policy 2.2.(c), and deferred tax assets (see accounting policy 2.2(o)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

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

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

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

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

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

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

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

#### **Available-for-sale financial assets**

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

#### **(j) Provisions**

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

#### **(k) Guaranties provided**

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

#### **(l) Revenue**

##### **(i) Rental revenue**

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

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

##### **(ii) Service charges and expenses recoverable from tenants**

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

(iii) Services rendered

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

(iv) Sale of investments in subsidiaries, jointly controlled entities and associates, investment property and trading property

Revenue from the sale of investments in subsidiaries, jointly controlled entities and associates, investment property and trading property is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be measured reliably.

**(m) Expenses**

(i) Service costs and property operating expenses

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

(ii) Operating lease payments

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

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

(iii) Finance lease payments

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

**(n) Interest income, Interest expense and Other net financial result**

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

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

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

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

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

#### **(o) Income tax**

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

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

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

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

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

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

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

#### **(p) Earnings per share**

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

#### **(q) Segment reporting**

An operating segment is a component of the Company:

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

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

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

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

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

The Company determinates its operations to the one segment – Investment Management. In respect of geographical segments, 100% (2013 - 100 %) of revenues are realized in the Czech Republic.

All non-financial assets are located in the Czech Republic.

#### **(r) Related parties**

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

A person or a close member of that person's family is related to a reporting entity if that person:

- (I) has control or joint control over the reporting entity;
- (II) has significant influence over the reporting entity; or
- (III) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

### 3 Investment in subsidiaries and jointly controlled entities

As at 31 December 2014 the Company undertakes control in 94 subsidiaries (at 31 December 2013 - 91 subsidiaries), further referred to as the “CPI Group” or “Group”.

#### 3.1 Investment in subsidiaries and jointly controlled entities at 31 December 2014

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
Balvinder, a.s.	100.00%	72,000	(6,093)	65,907	65,907
Baudry, a.s.	100.00%	34,794	(780)	34,014	34,014
BAYTON Gama, a.s.	86.54%	542,524	--	542,524	691,634
Beroun Property Alfa, a.s.	100.00%	2,000	(101)	1,899	1,899
Beroun Property Development, a.s.	100.00%	53,000	--	53,000	93,081
BPT Development, a.s.	100.00%	2,230	(2,230)	--	(15,527)
Brandýs Logistic, a.s.	100.00%	52,000	--	52,000	248,655
Březiněves, a.s.	100.00%	110,427	(85,838)	24,589	24,589
Camuzzi, a.s.	100.00%	42,000	--	42,000	142,560
Carpenter Invest, a.s.	100.00%	113,558	(19,564)	93,994	93,994
Conradian, a.s.	100.00%	175,000	(159,858)	15,142	15,142
CPI - Bor, a.s.	100.00%	182,649	--	182,649	200,079
CPI - Facility, a.s.	100.00%	2,000	(2,000)	--	(22,672)
CPI - Land Development, a.s.	100.00%	1,500,000	(127,078)	1,372,922	1,372,922
CPI - Orlová, a.s.	100.00%	30,000	(14,402)	15,598	15,598
CPI - Real Estate, a.s.	100.00%	59,266	--	59,266	574,989
CPI - Štupartská, a.s.	100.00%	101,000	(75,138)	25,862	25,862
CPI - Zbraslav, a.s.	100.00%	71,904	--	71,904	127,212
CPI Alfa, a.s.	100.00%	27,000	--	27,000	47,794
CPI Beta, a.s.	100.00%	2,000	--	2,000	3,991
CPI BYTY, a.s.	100.00%	184,767	--	184,767	3,410,609
CPI City Center ÚL, a.s.	100.00%	95,414	--	95,414	102,962
CPI CYPRUS LIMITED	100.00%	1,848	(425)	1,423	1,423
CPI Delta, a.s.	100.00%	93,000	--	93,000	124,003
CPI East, s.r.o.	100.00%	200	(160)	40	40
CPI Epsilon, a.s.	100.00%	17,000	(1,736)	15,264	15,264
CPI Facility Slovakia, a.s.	100.00%	609	--	609	4,837
CPI Finance Ireland Limited	100.00%	9,001,500	(7,191)	8,994,309	8,994,309
CPI Finance Netherlands B.V.	100.00%	48,428	--	48,428	856,934
CPI Flats, a.s. (BAYTON Beta, a.s.)	100.00%	87,460	--	87,460	119,225
CPI Heli, s.r.o.	100.00%	14,200	(6,810)	7,390	7,390
CPI Hotels Properties, a.s.	100.00%	150,000	--	150,000	467,354
CPI Lambda, a.s.	100.00%	2,000	(14)	1,986	1,986
CPI Management, s.r.o.	100.00%	200	(200)	--	(247)
CPI North, s.r.o.	100.00%	200	(66)	134	134
CPI Park Mlýnec, a.s.	100.00%	189,900	(72,342)	117,558	117,558
CPI Poland Sp. Z o.o.	100.00%	66	(66)	--	(1,455)
CPI Property, s.r.o.	100.00%	200	--	200	4,959
CPI Reality, a.s.	100.00%	(20,508)	--	(20,508)	866,425
CPI Retails FIVE, a.s.	100.00%	827	--	827	40,273
CPI Retails FOUR, a.s.	100.00%	1,600	--	1,600	30,520
CPI Retails ONE, a.s.	100.00%	49,000	(2,499)	46,501	46,501
CPI Retails THREE, a.s.	100.00%	695	(208)	487	487
CPI Retails TWO, a.s.	100.00%	43,000	--	43,000	67,416
CPI Services, a.s.	100.00%	2,000	(2,000)	--	(3,494)
CPI South, s.r.o.	100.00%	51,291	(3,136)	48,155	48,155
CPI West, s.r.o.	100.00%	200	--	200	2,647
CURITIBA a.s.	100.00%	85,000	--	85,000	105,306
Čáslav Investments, a.s.	100.00%	2,163	(374)	1,789	1,789
Družstvo Land	99.96%	934,026	--	934,026	1,177,956
ELAMOR, a.s.	100.00%	672	(200)	472	472
EMH North, s.r.o.	100.00%	150,216	(85,627)	64,589	64,589
EMH South, s.r.o.	100.00%	26,216	(23,247)	2,969	2,969
EMH West, s.r.o.	100.00%	160,216	--	160,216	180,153
ENDURANCE ASSET, S.á r.l	100.00%	391,686	(98,177)	293,509	293,509
FL Property Development, a.s.	100.00%	12,000	--	12,000	17,048
GOMENDO LIMITED	100.00%	--	--	--	(580)
IGY2 CB, a.s.	100.00%	35,000	(16,849)	18,151	18,151
Jeseník Investments, a.s. (Liongate, a.s.)	100.00%	4,500	(2,369)	2,131	2,131
Kerina, a.s.	100.00%	162,000	(123,202)	38,798	38,798
Malerba, a.s.	100.00%	100,000	--	100,000	1,958,125
Marissa Lambda, a.s.	100.00%	2,091	--	2,091	2,121
Marissa North, a.s.	100.00%	2,091	--	2,091	2,121

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
Marissa Omega, a.s.	100.00%	2,091	--	2,091	2,121
Marissa Omikrón, a.s.	100.00%	2,091	--	2,091	2,121
Marissa Sigma, a.s.	100.00%	2,091	--	2,091	2,121
Marissa South, a.s.	100.00%	2,091	--	2,091	2,121
Marissa Tau, a.s.	100.00%	2,091	--	2,091	2,121
Marissa Théta, a.s.	100.00%	2,092	--	2,092	2,122
Marissa Yellow, a.s.	100.00%	2,089	--	2,089	2,120
Marissa Ypsilon, a.s.	100.00%	2,091	--	2,091	2,121
Marissa, a.s.	100.00%	339,660	--	339,660	340,062
MUXUM, a.s.	100.00%	258,326	(26,379)	231,947	231,947
Olomouc City Center, a.s.	100.00%	190,655	(114,759)	75,896	75,899
Olomouc Office, a.s.	100.00%	12,000	--	12,000	81,412
Pelhřimov Property Development, a.s.	100.00%	10,500	--	10,500	12,400
Prague Property Development, s.r.o.	100.00%	38,771	--	38,771	96,055
Příbor Property Development, s. r.o.	100.00%	11,690	--	11,690	13,602
Příkopy Property Development, a.s.	100.00%	225,000	(153,646)	71,354	71,354
Statenice Property Development, a.s.	100.00%	232,115	--	232,115	238,091
Strakonice Property Development, a.s.	100.00%	12,000	(6,822)	5,178	5,178
Svitavy Property Alfa, a.s.	100.00%	19,000	(19,000)	--	15,728
Svitavy Property Development, a.s.	100.00%	102,000	(73,256)	28,744	28,744
Telč Property Development, a.s.	100.00%	8,000	(4,838)	3,162	3,162
Třinec Investments, s.r.o.	100.00%	6,700	--	6,700	21,384
Týniště Property Development, s.r.o.	100.00%	200	(200)	--	(298)
U svatého Michala, a.s.	100.00%	123,000	(44,286)	78,714	78,714
VERETIX a.s.	100.00%	692,600	--	692,600	1,806,419
Vigano, a.s.	100.00%	352,000	(306,745)	45,255	45,255
VM Property Development, a.s.	100.00%	2,000	(2,000)	--	(5,288)
Vyškov Property Development, a.s.	100.00%	2,000	--	2,000	45,807
ZLATICO LIMITED	100.00%	26	(26)	--	(570)
Žďár Property Development, a.s.	100.00%	8,500	(8,203)	297	297
Žďírec Property Development, a.s.	100.00%	3,500	--	3,500	7,717
<b>Total</b>		<b>17,925,296</b>	<b>(1,700,140)</b>	<b>16,225,156</b>	<b>--</b>

## 3.2 Changes in investment in subsidiaries in 2014

### a) Acquisition of investment in subsidiaries and stakes in jointly controlled entities

During 2014, the Company has acquired the following entities:

Entity	Change	Share in %	Date of acquisition
CPI Poland Sp. Z o.o.	acquisiton	100.00%	7 February 2014
Čáslav Investments, a.s.	acquisiton	100.00%	2 May 2014
ENDURANCE ASSET, S.á r.l (1)	acquisiton	100.00%	1 October 2014
GOMENDO LIMITED	acquisiton	100.00%	10 June 2014
Pelhřimov Property Development, a.s.	acquisiton	100.00%	2 April 2014

- (1) On 1 October, the Company acquired 100 % share in Endurance Asset S.à r.l. This company, domiciled in Luxembourg, was acquired with its four, fully owned subsidiaries. Due to the acquisition, the Company acquired Poštová Office Center, refurbished office building located in the prime downtown area of Bratislava, Slovakia. The acquisition follows the completion of insolvency restructuring procedure of the holding entity of this building. As part of its restructuring, Poštová Office Center obtained a favorable bank financing amounting to CZK 96.3 million.

### b) Disposal of investment in subsidiaries and stakes in jointly controlled entities

The following entities were disposed of in 2014:

Entity	Change	Share in %	Date of disposal
CPI Retail Portfolio II, a.s. (1)	disposal	100.00%	10 March 2014
Trutnov Property Development, a.s. (1)	disposal	100.00%	10 March 2014

- (1) Both subsidiaries were purchased by Malerba, a.s., a subsidiary owned by the Company.

### c) Mergers of subsidiaries in 2014

- (1) Budaörs Business Park Kft. has merged with HUNGATE 2013 Kft. (the „successor company“) with the effective date of 3 November 2014. All assets and liabilities of Budaörs Business Park Kft. passed to the successor company.

- (2) Besnet Centrum, a.s. has merged with EMH South, s.r.o. (the “successor company”) with the effective date of 1 October 2013. All assets and liabilities of Besnet Centrum, a.s. passed to the successor company. The transaction was legally completed on 10 March 2014 when the merger was recorded in the commercial register.
- (3) CPI BB Centrum, a.s. has merged with EMH West, s.r.o. (the “successor company”) with the effective date of 1 October 2013. All assets and liabilities of CPI BB Centrum, a.s. passed to the successor company. The transaction was legally completed on 30 January 2014 when the merger was recorded in the commercial register.
- (4) Luxembourg Plaza, a.s. has merged with EMH North, s.r.o. (the “successor company”) with the effective date of 1 October 2013. All assets and liabilities of Luxembourg Plaza, a.s. passed to the successor company. The transaction was legally completed on 14 February 2014 when the merger was recorded in the commercial register.
- (5) ORCO APARTMENTS, Sp. z o.o. has merged with SPH Properties Sp. z o.o. (the successor company”) with the effective date of 30 September 2014. All assets and liabilities of ORCO APARTMENTS, Sp. z o.o. passed to the successor company.
- (6) WARSAW WEST GATE, SP. Z o.o. has merged with WWG2013 Sp. z o.o. (the “successor company”) with the effective date of 30 September 2014. All assets and liabilities of WARSAW WEST GATE, SP. Z o.o. passed to the successor company. After the merger the successor company changed its name to Prosta 69 Sp. Z o.o.

#### d) Acquisition of non-controlling interest in 2014

##### BAYTON Gama, a.s.

In 2014, the Company acquired 0,04 % interest of the voting shares BAYTON Gama, a.s.

A cash consideration of CZK 14 thousand was paid to the non-controlling shareholders. Carrying value of the additional interest acquired was CZK 276 thousand. The difference of CZK 262 thousand between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

### 3.3 Investments in subsidiaries and jointly controlled entities at 31 December 2013

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
Balvinder, a.s.	100.00%	72,000	(9,409)	62,591	62,591
Baudry, a.s.	100.00%	34,794	(541)	34,253	34,253
BAYTON Beta, a.s.	100.00%	87,460	--	87,460	102,297
BAYTON Gama, a.s.	86.50%	542,524	--	542,524	673,080
Beroun Property Alfa, a.s.	100.00%	2,000	(82)	1,918	1,918
Beroun Property Development, a.s.	100.00%	37,000	--	37,000	86,230
BPT Development, a.s.	100.00%	2,230	(2,230)	--	(11,007)
Brandýs Logistic, a.s.	100.00%	52,000	--	52,000	169,279
Březiněves, a.s.	100.00%	2,427	(2,427)	--	(29,998)
Camuzzi, a.s.	100.00%	42,000	--	42,000	168,040
Carpenter Invest, a.s.	100.00%	113,558	(22,894)	90,664	90,664
Conradian, a.s.	100.00%	175,000	(157,585)	17,415	17,415
CPI - Bor, a.s.	100.00%	182,649	(3,408)	179,241	179,241
CPI - Facility, a.s.	100.00%	2,000	(2,000)	--	(24,568)
CPI - Land Development, a.s.	100.00%	1,500,000	(120,759)	1,379,241	1,379,241
CPI - Orlová, a.s.	100.00%	30,000	(10,364)	19,636	19,636
CPI - Real Estate, a.s.	100.00%	59,266	--	59,266	557,500
CPI - Štupartská, a.s.	100.00%	101,000	(82,087)	18,913	18,913
CPI - Zbraslav, a.s.	100.00%	71,904	--	71,904	123,262
CPI Alfa, a.s.	100.00%	27,000	--	27,000	40,566
CPI Beta, a.s.	100.00%	2,000	--	2,000	4,066
CPI BYTY, a.s.	100.00%	184,767	--	184,767	3,336,093
CPI City Center ÚL, a.s.	100.00%	25,414	--	25,414	32,306
CPI CYPRUS LIMITED	100.00%	1,848	(131)	1,717	1,717
CPI Delta, a.s.	100.00%	89,000	--	89,000	104,723
CPI East, s.r.o.	100.00%	200	(110)	90	90
CPI Epsilon, a.s.	100.00%	2,000	(19)	1,981	1,981

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
CPI Facility Slovakia, a.s.	100.00%	609	--	609	2,804
CPI Finance Ireland Limited	100.00%	9,001,500	(6,264)	8,995,236	8,995,236
CPI Finance Netherlands B.V.	100.00%	48,428	--	48,428	788,702
CPI Heli, s.r.o.	100.00%	200	(200)	--	(6,741)
CPI Hotels Properties, a.s.	100.00%	150,000	--	150,000	472,191
CPI Lambda, a.s.	100.00%	2,000	(18)	1,982	1,982
CPI Management, s.r.o.	100.00%	200	--	200	2,007
CPI North, s.r.o.	100.00%	200	(21)	179	179
CPI Park Mlýnec, a.s.	100.00%	139,900	(74,180)	65,720	65,720
CPI Property, s.r.o.	100.00%	200	--	200	1,843
CPI Reality, a.s.	100.00%	662,881	--	662,881	1,544,282
CPI Retails FIVE, a.s.	100.00%	827	--	827	32,561
CPI Retails FOUR, a.s.	100.00%	1,600	--	1,600	39,836
CPI Retails ONE, a.s.	100.00%	49,000	(16,223)	32,777	32,777
CPI Retails THREE, a.s.	100.00%	695	(695)	--	(5,574)
CPI Retails TWO, a.s.	100.00%	43,000	--	43,000	52,930
CPI Services, a.s.	100.00%	2,000	(2,000)	--	(10,960)
CPI South, s.r.o.	100.00%	51,291	(234)	51,057	51,057
CPI West, s.r.o.	100.00%	200	--	200	2,769
CURITIBA, a.s.	100.00%	85,000	--	85,000	107,555
Družstvo Land	99.96%	934,026	--	934,026	1,178,422
ELAMOR, a.s.	100.00%	672	(139)	533	533
EMH North, s.r.o.	100.00%	216	(216)	--	(40,079)
EMH South, s.r.o.	100.00%	216	(216)	--	(1,241)
EMH West, s.r.o.	100.00%	216	(216)	--	(2,067)
FL Property Development, a.s.	100.00%	12,000	--	12,000	17,146
IGY2 CB, a.s.	100.00%	35,000	(6,074)	28,926	28,958
Kerina, a.s.	100.00%	87,000	(87,000)	--	(36,837)
Liongate, a.s.	100.00%	4,500	(2,272)	2,228	2,228
Malerba, a.s.	100.00%	100,000	--	100,000	1,828,186
Marissa, a.s.	100.00%	339,660	--	339,660	341,295
Marissa Lambda, a.s.	100.00%	2,091	(5)	2,086	2,086
Marissa North, a.s.	100.00%	2,091	(5)	2,086	2,086
Marissa Omega, a.s.	100.00%	2,091	(5)	2,086	2,086
Marissa Omikrón, a.s.	100.00%	2,091	(5)	2,086	2,086
Marissa Sigma, a.s.	100.00%	2,091	(5)	2,086	2,086
Marissa South, a.s.	100.00%	2,091	(5)	2,086	2,086
Marissa Tau, a.s.	100.00%	2,091	(5)	2,086	2,086
Marissa Théta, a.s.	100.00%	2,092	(5)	2,087	2,087
Marissa Yellow, a.s.	100.00%	2,089	(4)	2,085	2,085
Marissa Ypsilon, a.s.	100.00%	2,091	(5)	2,086	2,086
MUXUM, a.s.	100.00%	258,326	(54,605)	203,721	203,721
Olomouc City Center, a.s.	99.91%	140,655	(85,936)	54,719	54,719
Olomouc Office, a.s.	100.00%	2,000	--	2,000	59,988
Prague Property Development, s.r.o.	100.00%	38,771	--	38,771	94,757
Příbor Property Development, s.r.o.	100.00%	2,690	--	2,690	12,210
Příkopy Property Development, a.s.	100.00%	225,000	(103,023)	121,977	121,977
Strakonice Property Development, a.s.	100.00%	6,000	(6,000)	--	(1,773)
Svitavy Property Alfa, a.s.	100.00%	2,000	--	2,000	10,347
Svitavy Property Development, a.s.	100.00%	102,000	(67,063)	34,937	34,937
Statenice Property Development, a.s.	100.00%	232,115	(1,576)	230,539	230,539
Telč Property Development, a.s.	100.00%	8,000	(3,271)	4,729	4,729
Trutnov Property Development, a.s.	100.00%	82,000	--	82,000	137,637
Třinec Investment, s.r.o.	100.00%	200	--	200	1,278
Týniště Property Development, s.r.o.	100.00%	200	(200)	--	(304)
U svatého Michala, a.s.	100.00%	111,000	(28,936)	82,064	82,064
VERETIX, a.s.	100.00%	594,600	--	594,600	1,723,840
Vigano, a.s.	100.00%	352,000	(299,829)	52,171	52,171
VM Property Development, a.s.	100.00%	2,000	--	2,000	21,150
VT Holding, a.s.	100.00%	149,124	--	149,124	278,275
Vyškov Property Development, a.s.	100.00%	2,000	--	2,000	65,523
ZLATICO LIMITED	100.00%	26	(26)	--	(7,351)
Žďár Property Development, a.s.	100.00%	8,500	(8,421)	79	79
Ždírec Property Development, a.s.	100.00%	3,500	--	3,500	7,305
<b>Total</b>	<b>--</b>	<b>17,538,894</b>	<b>(1,268,949)</b>	<b>16,269,945</b>	<b>--</b>

### 3.4 Changes in investment in subsidiaries in 2013

#### a) Acquisition of investment in subsidiaries and stakes and jointly controlled entities

During 2013, the Company has acquired or founded the following entities:

Entity	Change	Share in %	Date of acquisition/foundation
CPI CYPRUS LIMITED	acquisition	100.00%	1 January 2013
CPI Epsilon, a.s.	founded	100.00%	18 June 2013
CPI Lambda, a.s.	founded	100.00%	18 June 2013
CPI North, s.r.o.	founded	100.00%	21 June 2013
CPI South, s.r.o.	founded	100.00%	18 June 2013
CURITIBA, a.s. (1)	acquisition	100.00%	31 December 2013
EMH North, s.r.o.	acquisition	100.00%	16 September 2013
EMH South, s.r.o.	acquisition	100.00%	16 September 2013
EMH West, s.r.o.	acquisition	100.00%	16 September 2013
Liongate, a.s.	acquisition	100.00%	3 September 2013
Marissa Lambda, a.s.	acquisition	100.00%	25 November 2013
Marissa North, a.s.	acquisition	100.00%	25 November 2013
Marissa Omega, a.s.	acquisition	100.00%	25 November 2013
Marissa Omikrón, a.s.	acquisition	100.00%	25 November 2013
Marissa Sigma, a.s.	acquisition	100.00%	25 November 2013
Marissa South, a.s.	acquisition	100.00%	25 November 2013
Marissa Tau, a.s.	acquisition	100.00%	25 November 2013
Marissa Théta, a.s.	acquisition	100.00%	25 November 2013
Marissa Yellow, a.s.	acquisition	100.00%	25 November 2013
Marissa Ypsilon, a.s.	acquisition	100.00%	25 November 2013
Statenice Property Development, a.s.	acquisition	100.00%	31 March 2013
Třinec Investments, s.r.o.	acquisition	100.00%	31 January 2013
VERETIX a.s. (3)	acquisition	100.00%	31 December 2013
ZLATICO LIMITED	acquisition	100.00%	17 January 2013

(1) including subsidiaries BAYTON Alfa, a.s., BAYTON Delta, a.s. and LD Praha, a.s.

(2) including subsidiary Best Properties South, a.s.

#### b) Disposal of investments in subsidiaries and jointly controlled entities in 2013

No entities were disposed in 2013.

#### c) Merger of subsidiaries in 2013

- (1) BRILLIANT VARIETY s.r.o. has merged with Brandýs Logistic, a.s. (the “successor company”) with the effective date of 1 January 2013. All assets and liabilities of BRILLIANT VARIETY s.r.o. passed to the successor company. The transaction was legally completed on 28 August 2013 when the merger was recorded in the commercial register.
- (2) T. LAND, a.s. and EDELWEISS Development s.r.o. have merged with CPI Delta, a.s. (the “successor company”) with the effective date of 1 April 2013. All assets and liabilities of T. LAND, a.s. and EDELWEISS Development s.r.o. passed to the successor company. The transaction was legally completed on 12 November 2013 when the merger was recorded in the commercial register.
- (3) VT Alfa, a.s. and Horova Immo s.r.o. have merged with VT Holding, a.s. (the “successor company”) with the effective date of 1 July 2012. All assets and liabilities of VT Alfa, a.s. and Horova Immo s.r.o. passed to the successor company. The transaction was legally completed on 20 February 2013 when the merger was recorded in the commercial register.
- (4) MAPON, a.s. has merged with Trutnov Property Development, a.s. (the “successor company”) with the effective date of 1 January 2013. All assets and liabilities of MAPON, a.s. passed to the successor company. The transaction was legally completed on 28 August 2013 when the merger was recorded in the commercial register.

- (5) RK Building s.r.o. has merged with Camuzzi, a.s. (the “successor company”) with the effective date of 1 January 2013. All assets and liabilities of RK Building s.r.o. passed to the successor company. The transaction was legally completed on 29 August 2013 when the merger was recorded in the commercial register.
- (6) SHEMAR INVESTMENTS LIMITED has merged with Balvinder, a.s. (the “successor company”) with the effective date of 1 January 2012. All assets and liabilities of SHEMAR INVESTMENTS LIMITED passed to the successor company. The transaction was legally completed on 1 February 2013 when the merger was recorded in the commercial register.

**d) Acquisition of non-controlling interest**

**BAYTON Gama, a.s.**

In 2013, the Company acquired 0,0092 % interest of the voting shares BAYTON Gama, a.s.

A cash consideration of CZK 42 thousand was paid to the non-controlling shareholders. Carrying value of the additional interest acquired was CZK 299 thousand. The difference of CZK 257 thousand between the consideration paid and the carrying value of the interest acquired has been recognized to retained earnings within equity.

## 4 Statement of comprehensive income

### 4.1 Gross rental revenues

	2014	2013
Gross rental revenue (1)	14,676	13,497
Service revenue	11,573	3,794
<b>Total gross rental revenues</b>	<b>26,249</b>	<b>17,291</b>

- (1) Rental income relates mainly to sub-lease of office spaces in building situated on Václavské náměstí 47. Sub-lease services are provided both to service companies within the CPI Group in the amount of CZK 13 million (CZK 11 million in 2013) and in the amount of CZK 1.7 million to third parties (CZK 2.1 million in 2013).

### 4.2 Property operating expenses

	2014	2013
Building maintenance	(77)	(18)
Utility services	(19)	(22)
Real estate tax	--	(28)
Insurance	(665)	(71)
Other property related expenses	(3)	(5)
<b>Total net property operating expenses</b>	<b>(764)</b>	<b>(144)</b>

### 4.3 Net gain or loss on the disposal of investment property

	2014	2013
Proceeds from disposal of investment property	--	9,233
Carrying value of investment property disposed of and related cost	--	(6,570)
<b>Total loss on the disposal of investment property</b>	<b>--</b>	<b>(2,663)</b>

During 2013, the Company sold its investment property as described in note 5.2.

### 4.4 Net gain on the disposal of subsidiaries in 2014

	2014	2013
Proceeds from disposal of subsidiary	579,340	--
Carrying value of equity-accounted investees and cost to sell	(400,608)	--
<b>Total gain on the disposal of investment property</b>	<b>178,732</b>	<b>--</b>

As described in note 3.2, in 2014 the Company sold investments in two of its subsidiaries to another subsidiary (Malerba, a.s.) and through the sale, profit in the amount of CZK 178.7 million was realized.

### 4.5 Amortization, depreciation and impairments

	2014	2013
Depreciation and amortization	(1,039)	(3,336)
Total impairment of assets (4.5.1)	(497,529)	(221,814)
<b>Total depreciation, amortization and impairments</b>	<b>(498,568)</b>	<b>(225,150)</b>

#### 4.5.1 Impairment of assets

	2014	2013
Impairment of financial investment (2)	(431,191)	(219,641)
Impairment of other receivables	292	(327)
Impairment of trade receivables	(971)	(1,846)
Trade receivables written off	--	--
<b>Impairment of trade receivables total (1)</b>	<b>(971)</b>	<b>(1,846)</b>
Impairment of provided loans	(65,659)	--
Loans provided - written off	--	--
<b>Impairment of provided loans total (1)</b>	<b>(65,659)</b>	<b>--</b>
<b>Total</b>	<b>(497,529)</b>	<b>(221,814)</b>

- (1) Impairment losses on trade receivables and loans provided include bad debt provisions charged to profit or loss and loss/gain related to receivables and loans provided written off/recovered. For further information related to monitoring of credit risk exposures, refer to note 6.1 Credit risk.
- (2) The Company recognized impairment loss on financial investments of CZK 431.2 million in 2014. The main negative impacts represents impairment loss of CZK 98.2 million (Endurance Asset S.à r.l), CZK 85.4 million (EMH North, s.r.o.), CZK 83.4 (Březiněves, a.s.) and CZK 50.6 million (Příkopy Property Development, a.s.).
- In 2013, the Company recognized impairment loss on financial investments of CZK 219.6 million. The main negative impacts represents impairment loss of CZK 49.9 million (Kerina, a.s.), CZK 37 million (Olomouc City Center, a.s.) and CZK 28.9 million (U Svatého Michala, a.s.).
- The impairment losses were recognised based on comparison of carrying value of an investment with its estimated fair value. The estimated fair value was calculated based on estimated net assets of individual subsidiaries using the estimated fair values of respective properties.

#### Key assumptions and methods used in property valuations at individual subsidiaries' level:

The subsidiaries' property portfolio in Czech and Slovak Republic is valued mainly by DTZ Czech Republic, a.s. and RSM TACOMA a.s. Valuations of selected properties in Czech Republic, particularly land (land bank) and hotels, was performed by RSM TACOMA a.s. or other external valuation companies. Property portfolio in Hungary, Poland and Romania is valued by Jones Lang LaSalle International or DTZ Czech Republic, a.s.

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

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

Given the fact the real estate market in Central Eastern Europe is considered small and transactions with real estate portfolio of the size similar to the Company one are very rare. Global volatility of the financial system was reflected also in residential and commercial real estate markets when already low number of transactions in the sector further decreased after 2008. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2013 and 31 December 2014, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgements of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

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

(i) Residential

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

(ii) Retail, Office, Industry and Logistics

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

(iii) Land and vacant buildings

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

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

(iv) Hotels

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

(v) Investment property under development / developments

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

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

#### 4.6 Other operating income

	2014	2013
Income from penalties (1)	--	11,555
Change in provisions	4	--
Insurance claims	64	--
Gifts	--	300
Other	45	46
<b>Total other operating income</b>	<b>113</b>	<b>11,901</b>

- (1) In 2013, income from penalties resulted from delayed repayment of loan provided to third party of CZK 11.5 million.

#### 4.7 Administrative expenses

	2014	2013
Service provided based on mandate contracts	(654)	(600)
Lease and rental expenses	(21,940)	(20,685)
Audit, tax and advisory	(1,327)	(1,031)
Legal services	(209)	(456)
Telecommunication, internet and software related expenses	(159)	(157)
Material consumption	(107)	(29)
Representation expenses	(4)	--
Other insurance expenses	(41)	--
Other administrative expenses	(499)	(1,588)
<b>Total administrative expenses</b>	<b>(24,940)</b>	<b>(24,546)</b>

#### 4.8 Other operating expenses

	2014	2013
Penalties	(1,576)	(2,706)
Tax non-deductible VAT expenses	(573)	(3,098)
Taxes and fees	(18)	(8)
Loss on assignment of receivables	--	(2,108)
Gifts	--	(6,323)
Change in provisions	--	(4)
<b>Total other operating expenses</b>	<b>(2,167)</b>	<b>(14,247)</b>

#### 4.9 Interest income

	2014	2013
Bank interest income	3	8
Interest income on bonds (1)	13,015	2,482
Interest income on loans and receivables (1)	1,052,532	1,470,170
Interest income on other non-current receivables (3)	224,486	--
<b>Total interest income</b>	<b>1,290,036</b>	<b>1,472,660</b>

- (1) Interest income on bonds increased due to the fact, that the company purchased bonds issued by entity under direct or indirect control in December 2014 and also because the interest income on bonds in 2013 represents interest income for 6 months period only (bonds issued by third party were purchased in June 2013). Interest income on bonds relates to both bonds issued by third party (CZK 8.3 million) and to bonds issued by entity under direct or indirect control (CZK 4.7 million). For further details about purchased bonds refer to note 5.4.

- (2) Significant decrease in interest income on loans and receivable reflects mainly repayments of provided loans and finance restructuring process in 2014 (refer to note 5.6).
- (3) Interest income on other non-current receivables in 2014 relates to a new loan due to related party, which resulted from the process of assignment of loans and other receivables to a single related party (note 5.6).

#### 4.10 Interest expense

	2014	2013
Interest expense related to bank and non-bank loans	(705,946)	(686,525)
Interest expense on bonds issued (1)	(1,054,315)	(756,538)
Interest expense on other non-current liabilities	--	(19,399)
<b>Total interest expense</b>	<b>(1,760,261)</b>	<b>(1,462,462)</b>

- (1) Substantial increase in interest on bonds relates mainly to bonds issued by the Company in November 2013 and in March 2013 (refer to note 5.12), representing full year interest expense in 2014.

#### 4.11 Other net financial results

	2014	2013
Dividends received (1)	457,649	553,218
Other net financial results	24	48
Net foreign exchange gain	12,751	69,959
Bank charges	(20,557)	(42,113)
<b>Total other net financial results</b>	<b>449,867</b>	<b>581,112</b>

- (1) In 2014 the Company received dividends from CPI Finance Netherlands B.V. in the amount of CZK 310 million, from CPI Reality, a.s. in the amount of CZK 112.7 million and from CPI – Real Estate, a.s. in the amount of CZK 35 million. Balance in 2013 relates to dividends received from CPI BYTY, a.s. in the amount of CZK 140 million, from CPI Finance Netherlands B.V. in the amount of CZK 126.3 million, from CPI – Real Estate, a.s. in the amount of CZK 242 million and from CPI Reality, a.s. in the amount of CZK 45 million.

## 4.12 Income tax expense / (income)

### Tax recognized in profit or loss

	2014	2013
<b>Current income tax expense</b>		
Current year	(793)	(1,654)
Adjustment for prior years	(1,395)	408
<b>Total</b>	<b>(2,188)</b>	<b>(1,246)</b>
<b>Deferred income tax expense / (income)</b>		
Origination and reversal of temporary differences	88,665	(9,081)
<b>Total</b>	<b>88,665</b>	<b>(9,081)</b>
<b>Income tax from continuing operations recognised in profit and loss</b>	<b>86,477</b>	<b>(10,327)</b>
<b>Total income tax recognised in profit or loss</b>	<b>86,477</b>	<b>(10,327)</b>

The Company's effective tax rate in respect of continuing operations for 2014 was 25.3% (28.8% for 2013).

### Reconciliation of effective tax rate

	2014	2013
Profit / (loss) for the period	(255,226)	348,751
Total income tax recognised in profit or loss	86,477	(10,327)
<b>Profit / (loss) excluding income tax</b>	<b>(341,703)</b>	<b>359,078</b>
Current income tax rate	19%	19%
Income tax expense using the domestic corporate income tax rate	64,924	(68,225)
Non-deductible expense	(98,406)	(55,253)
Tax exempt income (1)	121,354	112,743
Income tax adjustment for prior years	(1,395)	408
<b>Tax income / (expense)</b>	<b>86,477</b>	<b>(10,327)</b>

(1) Tax exempt income relates to dividends received.

### Deferred tax assets and liabilities

#### Recognized deferred tax assets and liabilities

	Assets		Liabilities		Net	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Investment property	--	--	(50)	(943)	(50)	(943)
Property, plant and equipment	291	244	--	--	291	244
Loans provided	32,995	42,306	--	--	32,995	42,306
Financial debts (1)	--	--	(128,551)	(141,274)	(128,551)	(141,274)
<b>Gross deferred tax assets/(liabilities)</b>	<b>33,286</b>	<b>42,550</b>	<b>(128,601)</b>	<b>(142,217)</b>	<b>(95,315)</b>	<b>(99,667)</b>
Set-off of tax	--	--	--	--	--	--
<b>Net deferred tax assets/(liabilities)</b>	<b>33,286</b>	<b>42,550</b>	<b>(128,601)</b>	<b>(142,217)</b>	<b>(95,315)</b>	<b>(99,667)</b>

- (1) Deferred tax liability from financial debts in the amount of CZK 39.1 million (CZK 50.7 million in 2013) reflects temporary difference between carrying and tax values of bonds issued as certain amount of bonds was sale below the nominal value.

## Unrecognised deferred tax asset

	31 December 2014	31 December 2013
Trade and other receivables	4,775	4,745
<b>Unrecognised deferred tax assets</b>	<b>4,775</b>	<b>4,745</b>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from. The tax losses will expire in 2017.

## Movement in deferred tax balances during the years 2014 and 2013

2014	Balance at 1 January 2014	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2014
Intangible assets and goodwill	(943)	893	--	(50)
Property, plant and equipment	244	47	--	291
Loans provided	42,306	(9,311)	--	32,995
Financial debts	(141,274)	97,036	(84,313)	(128,551)
<b>Total</b>	<b>(99,667)</b>	<b>88,665</b>	<b>(84,313)</b>	<b>(95,315)</b>

2013	Balance at 1 January 2013	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2013
Intangible assets and goodwill	--	(943)	--	(943)
Investment property	(7,571)	7,571	--	--
Property, plant and equipment	207	37	--	244
Loans provided	84,541	(42,235)	--	42,306
Financial debts	(80,438)	26,489	(87,325)	(141,274)
<b>Total</b>	<b>(3,261)</b>	<b>(9,081)</b>	<b>(87,325)</b>	<b>(99,667)</b>

## 5 Statement of financial position

### 5.1 Intangible assets and goodwill

#### 2014

	Software	Other	Total
<b>Cost</b>			
Balance at 1 January 2014	19,499	122	19,621
Other disposals	(16,710)	--	(16,710)
Balance at 31 December 2014	2,789	122	2,911
<b>Amortization and impairment losses</b>			
Balance at 1 January 2014	11,848	2	11,850
Amortization for the period (+)	233	--	233
Other disposals	(9,534)	--	(9,534)
Balance at 31 December 2014	2,547	2	2,549
<b>Carrying amounts</b>			
At 31 December 2013	7,651	120	7,771
At 31 December 2014	242	120	362

#### 2013

	Software	Other	Total
<b>Cost</b>			
Balance at 1 January 2013	17,199	122	17,321
Additions	2,300	--	2,300
Balance at 31 December 2013	19,499	122	19,621
<b>Amortization and impairment losses</b>			
Balance at 1 January 2013	9,723	2	9,725
Amortization for the period (+)	2,125	--	2,125
Balance at 31 December 2013	11,848	2	11,850
<b>Carrying amounts</b>			
At 31 December 2012	7,476	120	7,596
At 31 December 2013	7,651	120	7,771

### 5.2 Investment property

	Land bank	Total
Balance at 1 January 2013	63,420	63,420
Transfers (1)	(56,850)	(56,850)
Disposals (2)	(6,570)	(6,570)
Balance at 31 December 2013	--	--
Balance at 31 December 2014	--	--

(1) In 2013, the Company contributed its land portfolio, comprising of land situated in Prague – Vysočany, Černošice and Bratronice, to its newly-acquired subsidiary CPI South, a.s. (note 3.4). Fair value of contributed investment property in the amount of CZK 56.9 million was determined by independent valuers.

(2) In 2013, the Company sold investment property, represented by land portfolio in Prague – Vysočany, to its newly-acquired subsidiary Best Properties South, a.s. (note 3.4). Sold investment property was valued at 31 December 2013 by independent professionally qualified valuers, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. Fair value of sold investment property was determined to be CZK 6.6 million.

### 5.3 Property, plant and equipment

	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>					
Balance at 1 January 2014	9,240	914	24,984	126	35,264
Balance at 31 December 2014	9,240	914	24,984	126	35,264
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 January 2014	6,343	914	24,984	--	32,241
Depreciation for the period	806	--	--	--	806
Other disposals	(1)	--	--	--	(1)
Balance at 31 December 2014	7,148	914	24,984	--	33,046
<b>Carrying amounts</b>					
At 31 December 2013	2,897	--	--	126	3,023
At 31 December 2014	2,092	--	--	126	2,218

	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>					
Balance at 1 January 2013	10,559	914	25,014	71	36,558
Additions	--	--	--	55	55
Disposals	(1,319)	--	(30)	--	(1,349)
Balance at 31 December 2013	9,240	914	24,984	126	35,264
<b>Accumulated depreciation and impairment losses</b>					
Balance at 1 January 2013	6,451	914	24,984	--	32,349
Depreciation for the period	1,211	--	--	--	1,211
Disposals	(1,319)	--	--	--	(1,319)
Balance at 31 December 2013	6,343	914	24,984	--	32,241
<b>Carrying amounts</b>					
At 31 December 2012	4,108	--	30	71	4,209
At 31 December 2013	2,897	--	--	126	3,023

There are no pledged property, plant and equipment in 2014 and 2013.

### 5.4 Available-for-sale financial assets

	31 December 2014	31 December 2013
Vodovody a kanalizace Přerov, a.s. (share 1.60%)	6,782	6,782
Vodovody a kanalizace Hodonín, a.s. (share 1.99%)	4,614	4,614
COOP Centrum Družstvo	300	300
STRM Delta a.s. (share 0.07%)	50	50
Ekopark Odolena Voda, s.r.o. (share 10%)	20	20
<b>Total equity investments (1)</b>	<b>11,766</b>	<b>11,766</b>
Debentures issued by entity under direct control (2)	3,116,000	--
Debentures issued by third party (3)	38,122	37,709
<b>Total available-for-sale financial assets</b>	<b>3,165,888</b>	<b>49,475</b>

- Equity investments represent investments with the ownership interest not exceeding 10 %. These investments do not have a quoted market price in an active market and their fair values cannot be reliably measured, which is why they are measured at cost less accumulated impairment. There is no indication of impairment as at 31 December 2014.
- In December 2014, the Company purchased bonds issued by its subsidiary in total amount of CZK 3,116 million. The Company purchased bonds from the following emissions:
  - CPI Finance NL 5% 2011-2021:** On 15 December 2011, CPI Finance Netherlands B.V. issued 500 bearer bonds up to maximum value of TCZK 5 000 000 with a nominal value of TCZK 10 000 each. The principal of bearer bonds is due on 15 December 2021. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December. The Company purchased 231 pcs of these bonds in the total nominal value of CZK 2,310 million.

- **CPI Finance NL 5% 2012-2022:** On 15 December 2012 CPI Finance Netherlands B.V. issued 100 bearer bonds with a nominal value of TCZK 10,000 each. The total nominal value of bonds issued amounts to TCZK 1,000,000. The principal of bearer bonds is due on 15 December 2022. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December. The Company purchased 79 pcs of these bonds in the total nominal value of CZK 790 million.
  - **CPI Finance NL 5% 2013-2023:** On 15 December 2013 CPI Finance Netherlands B.V. issued 100 bearer bonds with a nominal value of TCZK 1,000 each. The total nominal value of bonds issued amounts to TCZK 100,000. The principal of bearer bonds is due on 15 December 2023. Bonds bear fixed interest of 5% per annum. Interests are due annually, on 15 December. The Company purchased 16 pcs of these bonds in the total nominal value of CZK 16 million.
- (3) The Company acquired debentures issued by 3<sup>rd</sup> party in total nominal value of CZK 38.1 million. Debentures are denominated in EUR. The debentures bear interest rate of 10 % p.a. and are due on 10 December 2016. Interest are paid on annual basis. Debentures are not publicly traded and not secured.

## 5.5 Financial assets at fair value through profit or loss

	31 December 2014	31 December 2013
Call option	12,053	--
<b>Total</b>	<b>12,053</b>	<b>--</b>

In 2014, the Company acquired a call option in the amount of CZK 12.1 million. Option is due in November 2017.

## 5.6 Loans provided

### Non-current

	31 December 2014		31 December 2013	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided to entities under direct or indirect control	7,779,333	6.78%	9,398,102	5.45%
Loans provided - related parties (1)	157,491	4.00%	1,770,104	11.95%
Loans provided - third parties	84,631	5.02%	133,626	6.26%
<b>Total non-current loans provided</b>	<b>8,021,455</b>	<b>--</b>	<b>11,301,832</b>	<b>--</b>
Impairment to non-current loans provided to third parties	--	--	--	--
<b>Total non-current loans provided net of impairment</b>	<b>8,021,455</b>		<b>11,301,832</b>	

### Current

	31 December 2014		31 December 2013	
	Balance	Average interest rate	Balance	Average interest rate
Loans provided to entities under direct or indirect control	6,840,355	5.52%	7,138,014	6.83%
Loans provided - related parties (1)	7,018,571	6.20%	199,841	12.00%
Loans provided - third parties (1)	81,816	2.02%	698,340	8.04%
Bills of exchange - third parties	42,595	6.00%	165,037	6.00%
<b>Total current loans provided</b>	<b>13,983,337</b>	<b>--</b>	<b>8,201,232</b>	<b>--</b>
Impairment to current loans provided to third parties	(65,659)	--	--	--
<b>Total current loans provided net of impairment</b>	<b>13,917,678</b>		<b>8,201,232</b>	

- (1) In 2014, the Company has assigned loans provided to third and related parties and other receivables from third and related parties exceeding CZK 7,016.9 million to one related party. This process resulted into new loans due to related party (refer to note 7). Majority shareholder of CPI PG issued full guarantee in respect of the loans and accrued interest as at 31 December 2014. The guarantee is valid till 31 December 2015. New loans bear average interest rate of 6.2 % p.a. equal to the original effective interest rate of assigned loans and other receivables. The loans mature on 31 December 2015.

Balances of non-current loans include loan principal and unpaid interest that are expected to be settled more than 12 months after the reporting period. Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period.

Current loans provided to third parties were impaired to reflect the recoverable amount.

The Company provides 54 non-current loans to entities under direct or indirect control (2013 – 66) with interest rates between 3% and 10 % p.a. (2013 – between 2 % and 10 % p.a.) and 19 current loans to entities under direct or indirect control (2013 – 16) with interest rates between 2.1 % and 9 % p.a. (2013 – interest rates between 3 % and 9 % p.a.).

The Company provides one non-current loan to related party with interest rate 4 % p.a. and 1 current loan to related party with interest rate 6,47 % p.a.

The Company provides 10 non-current loans to third parties (2013 – 17) with interest rates between 5 % and 8 % p.a. (2013 – between 5 % and 12 % p.a.) and 21 current loans to third parties (2013 – 11) with interest rate between 1.83 % and 11 % p.a. (2013 – between 3 % and 10 % p.a.).

The maturity of non-current loans provided at 31 December 2014 and as at 31 December 2013 was as follows:

## 2014

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	789,827	5,433,360	1,556,146	7,779,333
Loans provided to other related parties	--	157,491	--	157,491
Loans provided - third parties	49,998	963	33,670	84,631
<b>Total the maturity of non-current loans provided</b>	<b>839,825</b>	<b>5,591,814</b>	<b>1,589,816</b>	<b>8,021,455</b>

## 2013

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	2,382,749	3,028,937	3,986,416	9,398,102
Loans provided to other related parties	909,065	861,039	--	1,770,104
Loans provided - third parties	9,182	124,444	--	133,626
<b>Total the maturity of non-current loans provided</b>	<b>3,300,996</b>	<b>4,014,420</b>	<b>3,986,416</b>	<b>11,301,832</b>

## 5.7 Trade and other receivables

### Non-current

	31 December 2014	31 December 2013
Advances paid	3,507	3,469
Advances paid for financial investments	2,654	2,654
Other receivables due from third parties	19	19
<b>Total non-current trade and other receivables</b>	<b>6,180</b>	<b>6,142</b>

### Current

	31 December 2014	31 December 2013
Trade receivables due from entities under direct or indirect control	115,105	106,211
Trade receivables due from related parties	4,040	--
Trade receivables due from third parties	20,540	27,886
Impairment to trade receivables due from third parties	(19,278)	(18,369)
<b>Total current trade and other receivables</b>	<b>120,407</b>	<b>115,728</b>

## 5.8 Cash and cash equivalents

	31 December 2014	31 December 2013
Bank balances	123,150	108,824
Cash on hand	19,419	9,266
<b>Total cash and cash equivalents</b>	<b>142,569</b>	<b>118,090</b>

Total restricted cash in bank amounts to CZK 1.4 million in 2014.

## 5.9 Other financial current assets

	31 December 2014	31 December 2013
Interest to debentures issued by entity under direct control (1)	636,130	--
Interest to debentures issued by third parties	212	209
Receivables due from employees	2	19
Other receivables due from entities under direct or indirect control (2)	3,294,628	4,269,247
Other receivables due from related parties (3)	1,215,619	716,198
Other receivables due from third parties (4)	37,208	621,720
Impairment - other receivables due from other parties	(5,856)	(6,148)
<b>Total other financial current assets</b>	<b>5,177,943</b>	<b>5,601,245</b>

- (1) Interest to debentures issued by entity under direct control relate to debentures issued by CPI Finance Netherlands B.V. purchased by the Company in 2014 (note 5.4).
- (2) Other receivables due from entities under direct or indirect control comprised mainly receivables acquired through assignment from entities under direct or indirect control (CZK 2,583.7 million) and receivable from the sale of subsidiaries in the amount of CZK 414 million (notes 3.2 and 4.4).  
In 2013, other receivables due from entities under direct or indirect control comprised mainly receivables from sale of shares of the Company's subsidiaries to entities under direct or indirect control (CZK 376 million) and receivables acquired through assignment from entities under direct or indirect control (CZK 3,835.8 million).
- (3) Other receivables due from related parties in the amount of CZK 1,000 million relates to the contribution made by the owner of the Company (note 5.11)
- (4) Other receivables due from third parties in 2014 and 2013 comprised mainly receivable from Best Properties South, a.s. sold to third party. This receivable was partially settled both in 2013 (as at 31 December 2013 the outstanding amount was CZK 524 million) and in 2014. As at 2014, the outstanding amount of the loan amounts to CZK 31.7 million. The loan is unsecured and management reviews ongoingly its value by monitoring the financial performance and estimated fair value of underlying properties.

## 5.10 Other non-financial current assets

	31 December 2014	31 December 2013
Other advances paid to third parties	58	30
Value added tax receivables	146	--
Other tax receivables (excl. CIT and VAT)	1	--
Prepaid expenses	18,027	10,482
<b>Total other non-financial current assets</b>	<b>18,232</b>	<b>10,512</b>

## 5.11 Equity

### Changes in equity

The statement of changes in equity is presented on the face of the financial statements.

### Share capital and share premium

pcs	Ordinary shares	
	2014	2013
Issued at 1 January	7,733,746	7,733,746
New shares issued and paid in the year	--	--
<b>Issued at 31 December</b>	<b>7,733,746</b>	<b>7,733,746</b>

The Company didn't subscribe any new shares in 2014. The subscribed capital of the Company as at 31 December 2014 was TCZK 6 186 997 (as at 31 December 2013 – TCZK 6 186 997), comprising 7 733 746 shares (as at 31 December 2013 – 7 733 746 shares), each with a nominal value of CZK 800 (as at 31 December 2013 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

Shares of the Company are transferable without any restrictions. Changes in the owner of the paper shares are made by their handover and endorsement in accordance with the Securities Act. The share owner does not have any exchange or first option right; the shares do not have limited voting rights or any other special rights. During the shareholder voting at the General Meeting, each share represents one vote.

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

### Other capital funds

Increase in other capital funds by CZK 5,116.47 million is attributable to contributions made by CPI Property Group S.A., the owner of the Company. The following table summarizes contributions made during 2014.

Month of contribution	Amount	Type
December 2014	4,116,470	In-kind contribution
December 2014	1,000,000	In-kind contribution
<b>Total contribution</b>	<b>5,116,470</b>	

### Other changes in equity

Interest-free and low-interest loans provided and drawn

In 2011 the Company recognised loan provided by subsidiary CPI Finance Netherland B.V. with 0% nominal interest rate at its amortized costs. The amortized costs were calculated using 8% effective interest rate p.a. and the difference in the amount of CZK 575.2 million between nominal value of the loan and its amortized cost was credited against equity of the Company. The Company also recognised related deferred tax liability in the amount of CZK 109.3 million as direct debit to the equity as at 31 December 2011. The loan was planned for repayment by 31 December 2012.

In 2012 the Company drew four new tranches of the loan in total nominal value of CZK 3,152.7 million with planned repayment by 31 December 2013. As at the inception dates, the Company recognized the loan tranches in fair values based on predicted discounted cash flows using 8% effective interest rate p.a. Consequently, the difference between the nominal value of the new loan tranches and their fair value at the inception of CZK 339.6 million decreased by related deferred tax liability of CZK -64.5 million were recognized in equity. Based on change in estimated repayments (extension of planned repayment to 31 December 2013) for loan tranche drawn in 2011, the difference between carrying value of the loan and its present value (calculated based on the change in estimated repayments using the original effective interest rate) in the total amount of CZK 158.3 million decreased by related deferred tax liability of CZK -30.1 million was credited to equity of the Company.

In 2013 the Company drew seven new tranches of the loan in total nominal value of CZK 3,179.9 million with planned repayment by 31 December 2014. As at the inception dates, the Company recognized the loan tranches in fair values

based on predicted discounted cash flows using 8% effective interest rate p.a. Consequently, the difference between the nominal value of the new loan tranches and their fair value at the inception of CZK 315.7 decreased by related deferred tax liability of CZK -59.9 million were recognized in equity. Based on change in estimated repayments (extension of planned repayment to 31 December 2014) for loan tranches drawn in 2012, the difference between carrying value of the loan and its present value (calculated based on the change in estimated repayments using the original effective interest rate) in the total amount of CZK 143.9 million decreased by related deferred tax liability of CZK -27.4 million was credited to equity of the Company. All tranches from 2011 were fully repaid in 2013.

In 2014 the Company drew eight new tranches of the loan in total nominal value of CZK 1,837.3 million with planned repayment by 31 December 2015. As at the inception dates, the Company recognized the loan tranches in fair values based on predicted discounted cash flows using 8% effective interest rate p.a. Consequently, the difference between the nominal value of the new loan tranches and their fair value at the inception of CZK 161.4 decreased by related deferred tax liability of CZK -30.7 million were recognized in equity. Based on change in estimated repayments (extension of planned repayment to 31 December 2015) for loan tranches drawn in 2012, the difference between carrying value of the loan and its present value (calculated based on the change in estimated repayments using the original effective interest rate) in the total amount of CZK 282.3 million decreased by related deferred tax liability of CZK -53.6 million was credited to equity of the Company.

### Earnings per share

	31 December 2014	31 December 2013
<b>At the beginning of the period</b>	7,733,746	7,733,746
Shares issued	7,733,746	7,733,746
<b>Weighted average movements</b>	--	--
Shares issued	--	--
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	7,733,746	7,733,746
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	7,733,746	7,733,746
<b>Net (loss)/ profit attributable to the Equity holders of the Company</b>	(255,226)	348,751
<b>Net (loss)/ profit attributable to the Equity holders of the Company after assumed conversions/exercises</b>	(255,226)	348,751
<b>Total Basic earnings in CZK per share</b>	(33.00)	45.09
o/w discontinued operations	--	--
<b>Diluted earnings in CZK per share</b>	(33.00)	45.09
o/w discontinued operations	--	--

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

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

## 5.12 Bonds issued

### 5.12.1 Non-current bonds issued

Czech Property Investment, a.s.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/15 (EUR)	--	--	30,000	411,375
Less: bonds owned by the Company	--	--	--	--
Less: transaction costs	--	--	--	(3,911)
<b>CPI VAR/15 (EUR) (1)</b>	<b>--</b>	<b>--</b>	<b>30,000</b>	<b>407,464</b>
Proceeds from issued bonds - CPI VAR/18 (EUR)	100,000	2,587,223	100,000	2,512,853
Less: bonds owned by the Company	(10,890)	(301,925)	(10,890)	(298,658)
Less: transaction costs	--	(2,198)	--	(425)
<b>CPI VAR/18 (EUR) (2)</b>	<b>89,110</b>	<b>2,283,100</b>	<b>89,110</b>	<b>2,213,770</b>
Proceeds from issued bonds - CPI VAR/19 (CZK)	2,000,000,000	2,000,000	2,000,000,000	2,000,000
Less: transaction costs	--	(8,556)	--	(39,577)
<b>CPI VAR/19 (CZK) (3)</b>	<b>2,000,000,000</b>	<b>1,991,444</b>	<b>2,000,000,000</b>	<b>1,960,423</b>
Proceeds from issued bonds - CPI VAR/19 (EUR)	116,000	1,608,050	116,000	1,590,650
Less: transaction costs	--	(27,490)	--	(29,810)
<b>CPI VAR/19 (EUR) (4)</b>	<b>116,000</b>	<b>1,580,560</b>	<b>116,000</b>	<b>1,560,840</b>
Proceeds from issued bonds - CPI 2021	1,215	2,430,000	1,215	2,430,000
Less: bonds owned by the Company	(931)	(1,862,000)	(893)	(1,786,000)
<b>CPI 2021 (5)</b>	<b>284</b>	<b>568,000</b>	<b>322</b>	<b>644,000</b>
Proceeds from issued bonds - CPI 6,05/16	150,000	1,479,299	150,000	1,463,017
Less: transaction costs	--	(16,720)	--	(17,415)
<b>CPI 6,05/16 (6)</b>	<b>150,000</b>	<b>1,462,579</b>	<b>150,000</b>	<b>1,445,602</b>
Proceeds from issued bonds - CPI 7,00/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	--	--	--	--
Less: transaction costs	--	(1,720)	--	(1,840)
<b>CPI 7,00/22 (7)</b>	<b>1,000,000,000</b>	<b>998,280</b>	<b>1,000,000,000</b>	<b>998,160</b>
Proceeds from issued bonds - CPI 7,00/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	--	--	--	--
Less: transaction costs	--	(1,722)	--	(1,840)
<b>CPI 7,00/22 (8)</b>	<b>1,000,000,000</b>	<b>998,278</b>	<b>1,000,000,000</b>	<b>998,160</b>
Proceeds from issued bonds - CPI 7,00/22	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(1,724)	--	(1,840)
<b>CPI 7,00/22 (9)</b>	<b>1,000,000,000</b>	<b>998,276</b>	<b>1,000,000,000</b>	<b>998,160</b>
Proceeds from issued bonds - CPI 8,00/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: transaction costs	--	(2,340)	--	(2,460)
<b>CPI 8,00/42 (10)</b>	<b>1,000,000,000</b>	<b>997,660</b>	<b>1,000,000,000</b>	<b>997,540</b>
Proceeds from issued bonds - CPI 8,00/42	1,000,000,000	1,000,000	1,000,000,000	1,000,000
Less: bonds owned by the Company	--	--	--	--
Less: transaction costs	--	(2,342)	--	(2,465)
<b>CPI 8,00/42 (11)</b>	<b>1,000,000,000</b>	<b>997,658</b>	<b>1,000,000,000</b>	<b>997,535</b>
<b>Total non-current bonds</b>		<b>12,875,835</b>		<b>13,221,654</b>

### 5.12.2 Current bonds issued

Czech Property Investment, a.s.	31 December 2014		31 December 2013	
	No. of bonds issued	Value	No. of bonds issued	Value
Proceeds from issued bonds - CPI VAR/15 – EUR	30,000	415,875	--	--
Less: bonds owned by the Company	--	--	--	--
Less: transaction costs	--	(13,203)	--	--
<b>CPI VAR/15 (EUR) (1)</b>	<b>30,000</b>	<b>402,672</b>	<b>--</b>	<b>--</b>

Accrued interest on bonds	31 December 2014	31 December 2013
CPI VAR/15 (EUR)	7,871	8,161
CPI VAR/18 (EUR)	18,174	14,232
CPI VAR/19 (CZK)	36,114	36,928
CPI VAR/19 (EUR)	30,659	30,359
CPI 2021	112,917	112,807
CPI 6,05/16	23,198	23,367
CPI 7,00/22 (ISIN CZ0003502916)	4,667	4,667
CPI 7,00/22 (ISIN CZ0003502924)	3,694	3,694
CPI 7,00/22 (ISIN CZ0003502957)	3,306	3,306
CPI 8,00/42 (ISIN CZ0003502932)	5,556	5,556
CPI 8,00/42 (ISIN CZ0003502940)	2,889	2,889
<b>Total accrued interest</b>	<b>249,045</b>	<b>245,966</b>

<b>Total current bonds</b>	<b>651,717</b>	<b>245,966</b>
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<b>Total bonds</b>	<b>13,527,552</b>	<b>13,467,620</b>
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**1) CPI VAR/15 (EUR), ISIN CZ0003501835**

CPI VAR/15 bonds were issued on 23 March 2012. The bonds mature on 23 March 2015. The nominal value of each bond is EUR 500. The Company could issue bonds up to maximum value of EUR 15,000,000.

CPI VAR/15 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/15, ISIN CZ0003501835). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 16 March 2012, reference number 2012/2446/570 that came into force on 19 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

**2) CPI VAR/18, ISIN CZ0003511024**

CPI VAR/18 bonds were issued on 26 November 2013. The bonds mature on 26 November 2018. The nominal value of each bond is EUR 1,000 and the total nominal value of bonds issued amounts to EUR 100,000,000.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/18, ISIN CZ0003511024). Bonds CPI VAR/18 bear the interest rate based on 12M EURIBOR + 5.5% margin. Interests are due annually, on 26 November respectively.

**3) CPI VAR/19 (CZK), ISIN CZ0003501868**

CPI VAR/19 bonds were issued on 29 March 2012. The bonds mature on 29 March 2019. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 2,000,000.

CPI VAR/19 bonds bear the interest rate based on 6M PRIBOR + 6.5% margin. Interests are due semi-annually, on 29 March and 29 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501868). The prospectus and the issuing terms were approved by the decision of the Czech National Bank on 27 March 2012, reference number 2012/2781/570 that came into force on 27 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

**4) CPI VAR/19 (EUR), ISIN CZ0003501843**

CPI VAR/19 bonds were issued on 23 March 2012. The bonds mature on 23 March 2019. The nominal value of each bond is EUR 500. The Company could issue bonds up to maximum value of EUR 70,000,000.

CPI VAR/19 bonds bear the interest rate based on 6M EURIBOR + 6.5% margin. Interests are due semi-annually, on 23 March and 23 September respectively. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI VAR/19, ISIN CZ0003501843). The prospectus and the issuing terms were

approved by the decision of the Czech National Bank on 16 March 2012, reference number 2012/2445/570 that came into force on 19 March 2012.

Bonds were accepted for trading at the Prague Stock Exchange.

**5) CPI 2021, ISIN CZ0003501496**

CPI 2021 bonds were issued on 8 February 2007. The bonds mature on 8 August 2021. The nominal value of each bond is TCZK 2,000 and the total nominal value of bonds issued amounts to TCZK 2,430,000. In 2012, the Company bought back the remaining part of the bonds which are thereby held entirely by the Company. The Company could issue bonds up to maximum value of TCZK 2,500,000 (1,250 bonds with nominal value of TCZK 2,000 each).

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 2021, ISIN CZ0003501496). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 17 January 2007, reference number 45/N/175/2006/4 that came into force on 22 January 2007.

Bonds CPI 2021 bear the interest rate based on 6M PRIBOR + 3.5% margin. Interests are due semi-annually, on 8 February and 8 August respectively.

**6) CPI 6.05/16 (CZK), ISIN CZ0003510646**

CPI 6.05/16 bonds were issued on 29 March 2013. The bonds mature on 29 March 2016. The nominal value of each bond is TCZK 10. The Company could issue bonds up to maximum value of TCZK 1,500,000 with optional issue extension up to TCZK 2,250,000.

CPI 6.05/16 bonds bear the fixed interest rate of 6.05%. Interests are due semi-annually, on 29 March and 29 September respectively.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 6.05/16, ISIN CZ0003510646). The prospectus was approved by the decision of the Czech National Bank on 27 March 2013, reference number 2013/3802/570 that came into force on 27 March 2013.

Bonds were accepted for trading at the Prague Stock Exchange.

**7) CPI 7.00/22, ISIN CZ0003502916**

CPI 7.00/22 bonds were issued on 6 December 2012. The bonds mature on 6 December 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 6 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502916).

**8) CPI 7.00/22, ISIN CZ0003502924**

CPI 7.00/22 bonds were issued on 11 December 2012. The bonds mature on 11 December 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 11 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502924).

**9) CPI 7.00/22, ISIN CZ0003502957**

CPI 7.00/22 bonds were issued on 13 December 2012. The bonds mature on 13 December 2022. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI 7.00/22 bonds bear fixed interest of 7% per annum. Interests are due annually on 13 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 7.00/22, ISIN CZ0003502957).

**10) CPI 8.00/42, ISIN CZ0003502932**

CPI 8.00/42 bonds were issued on 5 December 2012. The bonds mature on 5 December 2042. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI 8.00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 5 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 8.00/42, ISIN CZ0003502932).

**11) CPI 8.00/42, ISIN CZ0003502940**

CPI 8.00/42 bonds were issued on 17 December 2012. The bonds mature on 17 December 2042. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 1,000,000.

CPI 8.00/42 bonds bear fixed interest of 8% per annum. Interests are due annually on 17 December. Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI 8.00/22, ISIN CZ0003502940).

**Covenants**

Issued bonds CPI VAR/15 (EUR), CPI VAR/19 (CZK) and CPI VAR/19 (EUR) are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

Issued bonds CPI 6,05/16 are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

Issued bonds CPI VAR/18 are subject to a number of covenants. All covenant ratios were met as at 31 December 2014.

**5.13 Financial debts**

	31 December 2014	31 December 2013
Loans drawn from entities under direct or indirect control	8,167,452	9,197,528
Loans from related parties	51,642	--
Loans from third parties	--	3,075
Bank loans (1)	288,340	--
Bills of exchange (2)	172,128	255,178
<b>Total non-current financial debts</b>	<b>8,679,562</b>	<b>9,455,781</b>

	31 December 2014	31 December 2013
Loans drawn from entities under direct or indirect control	635,130	586,313
Loans from related parties	32,079	15,127
Loans from third parties	160,468	174,090
Bank loans including overdraft (1)	88,720	410,094
Bills of exchange (2)	769,155	289,120
<b>Total current financial debts</b>	<b>1,685,552</b>	<b>1,474,744</b>

- (1) Bank overdrafts amounted to CZK 0 as at 31 December 2014 (2013: CZK 410.1 million). Overdrafts were drawn for the purpose of operating activities as well as for financing of acquisitions of the Company. In 2014, the Company drawn new bank loan with overall amount CZK 443.6 million which matures in March 2019.
- (2) During 2014, the Company issued new bills of exchange with interest rates between 6.0% - 7.5% p.a. Major part of the bills of exchange is due in 2015.

**Maturity analysis of loans****2014**

	< 1 year	1-5 years	>5years	Total
Loans from entities under direct or indirect control	635,130	898,147	7,269,305	8,802,582
Loans from to other related parties	32,079	51,642	--	83,721
Loans from third parties	160,468	--	--	160,468
<b>Total</b>	<b>827,677</b>	<b>949,789</b>	<b>7,269,305</b>	<b>9,046,771</b>

**2013**

	< 1 year	1-5 years	>5years	Total
Loans from entities under direct or indirect control	586,313	921,606	8,275,922	9,783,841
Loans from to other related parties	15,127	--	--	15,127
Loans from third parties	174,090	2,900	175	177,165
<b>Total</b>	<b>775,530</b>	<b>924,506</b>	<b>8,276,097</b>	<b>9,976,133</b>

**5.14 Trade payables**

Current trade and other payables	31 December 2014	31 December 2013
Trade payables due to entities under direct or indirect control	791	764
Trade payables due to related parties	16	--
Trade payables due to third parties	12,064	26,989
<b>Total trade payables</b>	<b>12,871</b>	<b>27,753</b>

**5.15 Advance payments**

Advances payments	31 December 2014	31 December 2013
Advances received from third parties (1)	110,045	110,045
<b>Total advance payments</b>	<b>110,045</b>	<b>110,045</b>

- (1) Balance of advances received from third parties both in 2014 and 2013 includes advance received from third party of TCZK 101 737 related to specific project to be carried out in 2015.

**5.16 Other financial current liabilities**

Other financial current liabilities	31 December 2014	31 December 2013
Deferred income/revenue and accrued liabilities	8,753	3,382
Payables from unpaid capital contributions (1)	409,956	47,097
Other payables due to related parties	60,001	48
Other payables due to third parties	574,938	576,788
<b>Total other financial current liabilities</b>	<b>1,053,648</b>	<b>627,315</b>

- (1) Payables from unpaid capital contributions increased mainly due to capital contributions of CZK 310 million into equity of two subsidiaries made by the Company on 31 December 2014.

**5.17 Other non-financial current liabilities**

	31 December 2014	31 December 2013
Value added tax payables	--	1,055
Other tax payables (excl. CIT and VAT)	--	2
Provisions	--	4
<b>Total other non-financial current liabilities</b>	<b>--</b>	<b>1,061</b>

## 6 Financial risk management

Exposure to various risks arises in the normal course of the Company's business. Financial risk comprises:

- credit risk (refer to note 6.1)
- liquidity risk (refer to note 6.2)
- market risk including currency risk, interest rate risk and price risk (refer to note 6.3)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Supervision of the Company's risk is accomplished through discussions held by executive management in appropriate frameworks together with reporting and discussions with the Board of Directors.

### 6.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk mainly from its rental activities (primarily for trade receivables) and from its financing activities, including provided loans, purchased bonds, deposits with banks and financial institutions and other financial instruments.

Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Company a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Company's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Company's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Company maintains the creditor management database, creates the segmented reports and performs tenant's ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

Customer credit risk is managed reflecting the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The following tables present financial assets as of 31 December 2014 reflecting their classification based on its ageing structure and impairment if applicable:

**Credit risk profile at 31 December 2014:**

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Available for sale financial assets	3,165,888	--	--	3,165,888
Financial assets at fair value through profit or loss	12,053	--	--	12,053
Loans provided	21,929,104	10,029	65,659	21,939,133
- loans	21,886,509**	10,029	65,659	21,896,538
- bills of exchange	42,595	--	--	42,595
Trade and other receivables*	5,224,060	98,490	25,134	5,322,550
Cash and cash equivalents	142,569	--	--	142,569
<b>Total*</b>	<b>30,473,674</b>	<b>108,519</b>	<b>90,793</b>	<b>30,582,192</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

\*\* Thereof CZK 7,335.35 million is guaranteed by the major shareholder of CPI PG (note 5.6)

**Breakdown of overdue financial assets which are not impaired at 31 December 2014**

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	--	--	--	2,462	7,567	10,029
- loans	--	--	--	2,462	7,567	10,029
- bills of exchange	--	--	--	--	--	--
Trade and other receivables*	--	88	263	533	97,606	98,490
<b>Total</b>	<b>--</b>	<b>88</b>	<b>263</b>	<b>2,995</b>	<b>105,173</b>	<b>108,519</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

**Credit risk profile at 31 December 2013:**

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Financial assets at fair value through profit or loss	49,475	--	--	49,475
Loans provided	19,160,815	342,249	--	19,503,064
- loans	19,160,815	342,249	--	19,503,064
- bills of exchange	--	--	--	--
Trade and other receivables*	2,142,626	3,590,792	24,517	5,733,418
Cash and cash equivalents	118,090	--	--	118,090
<b>Total</b>	<b>21,471,006</b>	<b>3,933,041</b>	<b>24,517</b>	<b>25,404,047</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

**Breakdown of overdue financial assets which are not impaired at 31 December 2013**

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Loans provided	--	326,593	302	8,339	7,015	342,249
- loans	--	326,593	302	8,339	7,015	342,249
- bills of exchange	--	--	--	--	--	--
Trade and other receivables*	4,557	748	2,990,054	13,726	581,707	3,590,792
<b>Total</b>	<b>4,557</b>	<b>327,341</b>	<b>2,990,356</b>	<b>22,065</b>	<b>588,722</b>	<b>3,933,041</b>

\* Trade and other receivables include trade receivables, other financial and other non-financial current assets

**6.2 Liquidity risk**

The main objective of liquidity risk management is to reduce the risk that the Company does not have the resources available to meet its financial obligations, working capital and committed capital expenditure requirements.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Concentration of risk is limited thanks to diversified maturity of the Company's liabilities and diversified portfolio of the Company's funding sources.

The Company manages liquidity risk by constantly monitoring forecast and actual cash flow, financing its investment property portfolio by long-term financing, and refinancing where appropriate, and to use the rent income to settle the short-term liabilities.

The Company's liquidity position is monitored on a weekly basis by division managers and is reviewed quarterly by the Board of Directors. A summary table with maturity of liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

The Company may also be exposed to contingent liquidity risk under its term loan facilities, where term loan facilities include covenants which if breached give the lender the right to call in the loan, thereby accelerating a cash flow which otherwise was scheduled for the loan maturity.

The Company monitors adherence to loan covenants on a regular basis, and the treasury department sets targets based on the ability to withstand adverse market movements and remain within loan covenant limits.

### Liquidity risk analysis

The following table summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of Company's liabilities based on contractual maturity and includes non-derivative as well as derivative financial liabilities.

## 2014

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued</b>	13,527,552	705,549	551,123	2,124,430	7,307,526	9,448,152	20,136,780
<b>Financial debts</b>	10,365,114	688,230	1,654,186	1,191,364	2,386,611	7,815,737	13,736,129
- loans drawn from entities under direct or indirect control	8,802,582	306,875	912,610	900,838	2,124,914	7,815,737	12,060,973
- loans from related parties	83,721	31,539	4,539	11,310	52,295	--	99,684
- loans from third parties	160,468	162,730	--	--	--	--	162,730
- bank loans	377,060	24,233	72,337	95,000	209,402	--	400,972
- bills of exchange	941,283	162,852	664,701	184,216	--	--	1,011,769
<b>Other current liabilities*</b>	1,152,075	1,151,764	311	--	--	--	1,152,075
<b>Total**</b>	<b>25,044,741</b>	<b>2,545,543</b>	<b>2,205,620</b>	<b>3,315,794</b>	<b>9,694,137</b>	<b>17,263,889</b>	<b>35,024,983</b>

\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\*provisions are not included

## 2013

	Carrying value	< 3 month	3-12 months	1-2 years	2 - 5 years	> 5 year	Total
<b>Bonds issued</b>	13,467,620	469,765	671,398	1,281,558	5,917,668	13,965,256	22,305,646
<b>Financial debts</b>	10,930,525	859,315	660,657	986,142	307,063	9,979,293	12,792,470
- loans drawn from entities under direct or indirect control	9,783,841	148,024	444,073	713,608	306,043	9,979,108	11,590,856
- loans from related parties	177,165	173,230	8,184	2,045	1,020	185	184,664
- loans from third parties	15,127	2,454	13,445	--	--	--	15,899
- bank loans	410,094	410,094	--	--	--	--	410,094
- bills of exchange	544,298	125,513	194,955	270,489	--	--	590,957
<b>Other current liabilities*</b>	766,170	766,170	--	--	--	--	766,170
<b>Total</b>	<b>25,164,315</b>	<b>2,095,250</b>	<b>1,332,055</b>	<b>2,267,700</b>	<b>6,224,731</b>	<b>23,944,549</b>	<b>35,864,286</b>

\*other current liabilities include current trade payables, advance payments, other financial current liabilities, other non-financial current liabilities and current income tax liabilities

\*\*provisions are not included

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position as the impact of discounting is not significant.

### 6.3 Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices will affect the Company's income or the value of its holdings of financial instruments or could cause future cash flows related to financial instruments to fluctuate.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company's market risks mainly arise from open positions in (a) foreign currencies and (b) loans provided and financial debts, to the extent that these are exposed to general and specific market movements.

The Company uses derivative financial instruments in a limited manner in order to reduce its exposure to the market risk.

Market risk exposures are measured using sensitivity analysis.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice this is unlikely to occur, and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

#### 6.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk mainly on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

#### 2014

	Currency	Carrying amount
Cash and cash equivalents	TEUR	2,815
	TUSD	2
Trade and other receivables	TEUR	57,159
	TPLN	118
Loans provided	TEUR	203,474
Available for sale financial assets	TEUR	12,273
Trade and other payables	TEUR	(7,346)
	TGBP	(176)
Financial debts	TEUR	(45,361)
Bonds issued	TEUR	(175,060)
Derivative instruments	TEUR	435
<b>Net position</b>	<b>TEUR</b>	<b>48,389</b>
<b>Net position</b>	<b>TUSD</b>	<b>2</b>
<b>Net position</b>	<b>TGBP</b>	<b>(176)</b>
<b>Net position</b>	<b>TPLN</b>	<b>118</b>

**2013**

	Currency	Carrying amount
Cash and cash equivalents	TEUR	2,686
	TUSD	2
Trade and other receivables	TEUR	45,471
Loans provided	TEUR	32,927
Available for sale financial assets	TEUR	(173,996)
Trade and other payables	TEUR	(12,786)
Financial debts	TEUR	(14,953)
<b>Net position</b>	<b>TEUR</b>	<b>(120,651)</b>
<b>Net position</b>	<b>TUSD</b>	<b>2</b>

**Sensitivity analysis – exposure to currency risk**

The following table presents sensitivities of profit or loss to reasonably possible changes in foreign currency rates with all other variables held constant.

A 10% change in the foreign currency rate of CZK against EUR, USD, GBP or PLN would have the below effect to profit/(loss) or equity of the Company providing all other variables remaining constant:

**Foreign currency risk 2014 – sensitivity analysis**

	Original currency	TCZK	CZK depreciated by 10%	Change	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	2,815	78,046	85,851	7,805	70,241
	TUSD	2	46	51	5	41
Trade and other receivables	TEUR	57,159	1,584,733	1,743,206	158,473	1,426,260
	TPLN	118	766	843	77	689
Loans provided	TEUR	203,474	5,641,317	6,205,449	564,132	5,077,185
Available for sale financial assets	TEUR	12,273	340,269	374,296	34,027	306,242
Trade and other payables	TEUR	(7,346)	(203,668)	(224,035)	(20,367)	(183,301)
	TGBP	(176)	(6,264)	(6,890)	(626)	(5,638)
Financial debts	TEUR	(45,361)	(1,257,634)	(1,383,397)	(125,763)	(1,131,871)
Bonds issued	TEUR	(175,060)	(4,853,539)	(5,338,893)	(485,354)	(4,368,185)
Derivative instruments	TEUR	435	12,060	13,266	1,206	10,854
<b>Net exposure to currency risk</b>	<b>TEUR</b>	<b>48,389</b>	<b>1,341,584</b>	<b>1,475,742</b>	<b>134,158</b>	<b>1,207,426</b>
<b>Net exposure to currency risk</b>	<b>TUSD</b>	<b>2</b>	<b>46</b>	<b>51</b>	<b>5</b>	<b>41</b>
<b>Net exposure to currency risk</b>	<b>TGBP</b>	<b>(176)</b>	<b>(6,264)</b>	<b>(6,890)</b>	<b>(626)</b>	<b>(5,638)</b>
<b>Net exposure to currency risk</b>	<b>TPLN</b>	<b>118</b>	<b>766</b>	<b>843</b>	<b>77</b>	<b>689</b>
<b>Impact on profit/loss</b>	<b>TCZK</b>				<b>133,614</b>	<b>(133,614)</b>

**Foreign currency risk 2013 – sensitivity analysis**

	Original currency	TCZK	CZK depreciated by 10%	Change	CZK appreciated by 10%	Change
Cash and cash equivalents	TEUR	2,686	73,664	81,030	7,366	66,297
	TUSD	2	40	44	4	36
Trade and other receivables	TEUR	45,471	1,247,042	1,371,746	124,704	1,122,338
Loans provided	TEUR	32,927	903,023	993,325	90,302	812,721
Trade and other payables	TEUR	(12,786)	(350,656)	(385,722)	(35,066)	(315,590)
Financial debts	TEUR	(14,953)	(410,086)	(451,095)	(41,009)	(369,077)
Other Investments (bonds)	TEUR	(173,996)	(4,771,840)	(5,249,024)	(477,184)	(4,294,656)
<b>Net exposure to currency risk</b>	<b>TEUR</b>	<b>(120,651)</b>	<b>(3,308,854)</b>	<b>(3,639,739)</b>	<b>(330,885)</b>	<b>(2,977,968)</b>
<b>Net exposure to currency risk</b>	<b>TUSD</b>	<b>2</b>	<b>40</b>	<b>44</b>	<b>4</b>	<b>36</b>
<b>Impact on profit/loss</b>	<b>TCZK</b>				<b>(330,881)</b>	<b>330,881</b>

### 6.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments are described under notes 5.6 for financial assets and under notes 5.12 and 5.13 for financial liabilities respectively. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is monitored by the Company's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Company's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

Loans provided by the Company require instalments to be paid by the borrower according to a payment schedule, based on a fixed interest rate. The interest rates charged by the Company are usually based on Company's borrowing interest rates.

As the loans provided are based on fixed rates, and no interest-bearing financial instrument is measured at fair value through profit and loss the Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. These obligations primarily include bonds issued.

Trade receivables and payables (other than tenant deposits) are interest-free and have settlement dates within one year.

#### Sensitivity analysis – exposure to interest rate risk for variable rate instruments

A change of interest rates by 100 basis points at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

A 100 basis points change in the interest rate would have the below effect to profit/(loss) or equity of the Company providing all other variables remaining constant:

#### 2014

	Effective interest rate	Liability with variable interest rate	Interest calculated
Bonds issued	6.37%	6,877,223	438,414
<b>Total</b>		<b>6,877,223*</b>	<b>438,414</b>

\* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
Bonds issued	7.37%	507,186	(68,772)	5.37%	369,641	68,772
<b>Total</b>		<b>507,186</b>	<b>(68,772)</b>		<b>369,641</b>	<b>68,772</b>

#### 2013

	Effective interest rate	Liability with variable interest rate	Interest calculated
Bonds issued	6.37%	6,877,223	438,079
<b>Total</b>		<b>6,877,223</b>	<b>438,079</b>

\* The amount of liability with variable interest does not include accrued interests and it is not adjusted for transaction costs in respect of bonds issued.

	Increase of 100 bp in interest rate	Interest calculated	Profit (loss) effect	Decrease of 100 bp in interest rate	Interest calculated	Profit (loss) effect
<b>Bonds issued</b>	7.37%	505,287	(68,602)	5.37%	368,083	68,602
<b>Total</b>		<b>505,287</b>	<b>(68,602)</b>		<b>368,083</b>	<b>68,602</b>

### Sensitivity analysis – exposure to interest rate risk for fixed rate instruments

The Company recognized all financial assets and liabilities at fair value. No fair value adjustments are recorded through the profit or loss.

### Effective interest rate and repricing analysis

In respect of financial debts, the following tables indicate their effective interest rates at the reporting date and the periods in which they re-price.

## 2014

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	6.72%	<b>13,527,552</b>	--	<b>7,031,511</b>	<b>6,496,041</b>
<b>Financial debts</b>		<b>9,423,831</b>	--	<b>377,060</b>	<b>9,046,771</b>
- loans drawn from entities under direct or indirect control	6.73%	8,802,582	--	--	8,802,582
- loans from related parties	6.55%	83,721	--	--	83,721
- loans from third parties	5.64%	160,468	--	--	160,468
- bank loans	2.18%	377,060	--	377,060	--
<b>Total</b>		<b>22,951,383</b>	--	<b>7,408,571</b>	<b>15,542,812</b>

(1) Including unpaid interest of CZK 249.1 million

## 2013

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
<b>Bonds issued (1)</b>	6.72%	<b>13,467,620</b>	--	<b>6,988,984</b>	<b>6,478,636</b>
<b>Financial debts</b>		<b>10,386,221</b>	--	--	<b>10,386,221</b>
- loans drawn from entities under direct or indirect control	6.86%	9,783,841	--	--	9,783,841
- loans from related parties	6.00%	15,127	--	--	15,127
- loans from third parties	5.70%	177,165	--	--	177,165
- bank loans and overdrafts	7.00%	410,094	--	--	410,094
<b>Total</b>		<b>23,853,847</b>	--	<b>6,988,984</b>	<b>16,864,83</b>

(1) Including unpaid interest of CZK 246 million.

## 6.4 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Company as property investor is mainly influenced by the fact that it leverages its project financing by using bank debts. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Company's financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2014.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Debt is defined as all long-term and short-term liabilities. Equity includes all capital and reserves as shown in the statement of financial position.

The gearing ratios at 31 December 2014 and at 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Debt	25,164,545	25,263,986
Equity	21,647,133	16,426,447
<b>Total</b>	<b>116%</b>	<b>154%</b>

## 6.5 Fair value measurement

### 6.5.1 Fair value of financial instruments

Fair value measurements of financial instruments reported at fair value are classified by level of the following measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company is using a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Company or of the specific entity concerned in the light of existing, available and observable market data.

- For the available-for-sale financial assets and for the bonds, the fair values as of 31 December 2014 have been determined in accordance with generally accepted pricing models based on the discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair value of financial instruments reflects, inter alia, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the statement of comprehensive income under the "other net financial results" line.

### Accounting classification and fair values

The following tables show the carrying amounts at fair value of financial assets and liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2014	Carrying amount		Level 1	Fair value	
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)		Level 2	Level 3
FINANCIAL ASSETS					
Call option		12,053	--	12,053	--
Financial assets at fair value through profit or loss (**)	--	12,053	--	--	--
Long-term Equity investments	--	11,766	--	--	--
Debentures	--	3,154,122	--	--	3,157,043
Financial assets available-for-sale	--	3,165,888	--	--	--
Advances paid	--	3,507	--	--	--
Loans provided	--	8,021,455	--	--	8,021,455
Other non-current receivables	--	2,673	--	--	--
Non-current loans and receivables	--	8,027,635	--	--	--
Trade and other receivables	--	120,407	--	--	--
Derivative instruments	--	--	--	--	--
Loans provided	--	13,875,083	--	--	13,875,083
Bills of exchange	--	42,595	--	--	42,595
Other current financial assets	--	5,177,943	--	--	--
Cash and cash equivalent	--	142,569	--	--	--
Current financial assets	--	19,358,597	--	--	--
FINANCIAL LIABILITIES					
Bonds	--	12,875,835	7,801,737	--	6,053,944
Financial debt (floating rate bank debts)	--	--	--	--	--
Financial debt (fixed rate bank debts)	--	288,340	--	--	--
Financial debt (other borrowings)	--	8,391,222	--	--	--
Derivative instruments	--	--	--	--	--
Non-current financial liabilities	--	21,555,397	--	--	--
Bonds	--	651,717	415,875	--	--
Financial debt (floating rate bank debts)	--	--	--	--	--
Financial debt (fixed rate bank debts)	--	88,720	--	--	--
Financial debt (other borrowings)	--	1,596,832	--	--	--
Derivative instruments	--	--	--	--	--
Advanced payments	--	110,045	--	--	--
Trade payables	--	12,871	--	--	--
Other financial current liabilities	--	1,053,648	--	--	--
Current financial liabilities	--	3,513,833	--	--	--

(\*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carry amount is a reasonable approximation of the fair value.

(\*\*) Designated at fair value.

31 December 2013	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Level 1	Level 2	Level 3
<b>FINANCIAL ASSETS</b>					
Call option	--	--	--	--	--
<b>Financial assets at fair value through profit or loss (**)</b>	--	--	--	--	--
Long-term Equity investments	--	11,766	--	--	--
Debentures issued by third parties	--	37,709	--	--	41,767
<b>Financial assets available-for-sale</b>	--	49,475	--	--	--
Advances paid	--	3,469	--	--	--
Loans provided	--	11,301,832	--	--	11,301,832
Bills of exchange	--	--	--	--	--
Other non-current receivables	--	2,673	--	--	--
<b>Non-current loans and receivables</b>	--	11,307,974	--	--	--
Trade and other receivables	--	115,728	--	--	--
Derivative instruments	--	--	--	--	--
Loans provided	--	8,036,195	--	--	8,036,195
Bills of exchange	--	165,037	--	--	165,037
Other current financial assets	--	5,601,245	--	--	--
Cash and cash equivalent	--	118,090	--	--	--
<b>Current financial assets</b>	--	14,036,295	--	--	--
<b>FINANCIAL LIABILITIES</b>					
Bonds	--	13,221,654	8,169,080	--	5,954,371
Financial debt (floating rate bank debts)	--	--	--	--	--
Financial debt (fixed rate bank debts)	--	--	--	--	--
Financial debt (other borrowings)	--	9,455,781	--	--	--
Derivative instruments	--	--	--	--	--
<b>Non-current financial liabilities</b>	--	22,677,435	--	--	--
Bonds	--	245,966	--	--	--
Financial debt (floating rate bank debts)	--	--	--	--	--
Financial debt (fixed rate bank debts)	--	410,094	--	--	--
Financial debt (other borrowings)	--	1,064,650	--	--	--
Derivative instruments	--	--	--	--	--
Advanced payments	--	110,045	--	--	--
Trade payables	--	27,753	--	--	--
Other financial current liabilities	--	627,315	--	--	--
<b>Current financial liabilities</b>	--	2,485,823	--	--	--

(\*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carry amount is a reasonable approximation of the fair value.

## 7 Related party transactions

The Company has a related party relationship with its members of Board of Directors (current and former) and executive management (key management personnel), shareholders and companies in which these parties held controlling or significant influence or are joint ventures.

The key management personnel and members of Board of Directors did not obtain any remuneration from the Company in 2014 (2013 - TCZK 0).

Breakdown of balances between the Company and related parties is as follows:

### Available-for-sale financial assets as at 31 December

	2014	2013
CPI Finance Netherlands B.V.	3,116,000	--
<b>Total available-for-sale financial assets</b>	<b>3,116,000</b>	<b>--</b>

### Trade receivables as at 31 December – current

	2014	2013
Arena Corner Ingatlanfejlesztő Kft.	330	--
Balvinder, a.s.	--	11
Best Properties South, a.s.	10,392	10,409
Carpenter Invest, a.s.	--	11
CB Property Development, a.s.	1,008	1,026
Century City Kft.	100	--
CPI - Facility, a.s.	20,614	20,862
CPI - Real Estate, a.s.	--	13
CPI City Center ÚL, a.s.	3,619	3,623
CPI CYPRUS LIMITED	165	--
CPI Hotels Properties, a.s.	--	1,216
CPI Jihlava Shopping, a.s.	1,673	1,690
CPI Management, s.r.o.	712	726
CPI Retail Portfolio I, a.s.	1,674	1,687
CPI Reality, a.s.	--	38
CPI Retails FIVE, a.s.	2,011	5,242
CPI Retails FOUR, a.s.	--	1,414
CPI Retails ONE, a.s.	6,818	6,831
CPI Retails THREE, a.s.	--	2,980
CPI Retails TWO, a.s.	--	13
CPI Services, a.s.	19,096	14,347
HUNGATE 2013 Kft.	117	--
Komárno Property Development, a.s.	3,734	3,751
Lipt. Mikuláš Property Development, a.s.	3,406	3,430
Marissa Gama, a.s.	--	15
Marissa West, a.s.	2,295	813
Michalovce Property Development, a.s.	3,224	3,239
MUXUM, a.s.	2,580	2,593
NERONTA, a.s.	4,160	4,155
Nymburk Property Development, a.s.	3	169
Považská Bystrica Property Development, a.s.	4,299	4,318
Prievidza Property Development, a.s.	3,396	3,418
Ružomberok Property Development	2,478	2,498
Třinec Property Development, a.s.	--	157
CPI Retail Portfolio II, a.s.	--	13
Zvolen Property Development, a.s.	3,635	3,654
Others	13,566	1,849
<b>Total trade receivables due from entities under direct or indirect control</b>	<b>115,105</b>	<b>106,211</b>
STRM Group	111	--
CPI Hotels, a.s.	3,929	--
<b>Trade receivables due from other related parties</b>	<b>4,040</b>	<b>--</b>

## Other receivables as at 31 December – current

	2014	2013
CPI Finance Netherlands B.V.	636,130	--
<b>Total interest from debentures</b>	<b>636,130</b>	<b>--</b>
Baudry, a.s.	--	376,000
Best Properties South, a.s.	45,063	45,063
CPI Finance Nederland	--	850,000
CPI Lambda, a.s.	2,583,665	2,985,803
CPI - Real Estate, a.s.	35,000	--
CPI Reality, a.s.	199,950	--
CPI Services, a.s.	8,685	--
Malerba, a.s.	414,101	4,245
MUXUM, a.s.	6,917	6,917
Others	1,247	1,219
<b>Total other receivables due from entities under direct or indirect control</b>	<b>3,294,628</b>	<b>4,269,247</b>
Radovan Vitek (major shareholder of CPI PG)	--	450,010
CPI Property Group S.A.	1,000,000	--
Others	215,619	266,188
<b>Total other receivables due from other related parties</b>	<b>1,215,619</b>	<b>716,198</b>

## Loans provided 2014

	< 1 year	2-5 years	> 5 years	Total
ACGATE Kft.	26,071	--	490,733	516,804
Balvinder, a.s.	10	--	--	10
Baudry, a.s.	637	519,392	--	520,029
BAYTON Delta, a.s.	4	--	--	4
Best Properties South, a.s.	52,757	--	--	52,757
BPT Development, a.s.	2,663	21,309	--	23,972
Brandýs Logistic, a.s.	629	--	--	629
Březiněves, a.s.	91,703	30,862	--	122,565
Camuzzi, a.s.	4,388	13,407	--	17,795
Carpenter Invest, a.s.	20,766	--	--	20,766
CB Property Development, a.s.	56,261	147,506	--	203,767
CPI - Facility, a.s.	--	19,135	--	19,135
CPI - Krásné Březno, a.s.	40	--	--	40
CPI - Land Development, a.s.	1,176	--	--	1,176
CPI - Orlová, a.s.	467,661	--	--	467,661
CPI - Štupartská, a.s.	5,958	--	--	5,958
CPI Alfa, a.s.	3,045	55,000	--	58,045
CPI Beta, a.s.	--	--	55,000	55,000
CPI BYTY, a.s.	36,303	226,361	--	262,664
CPI City Center ÚL, a.s.	1,408	80,868	--	82,276
CPI CYPRUS LIMITED	--	1,395	--	1,395
CPI Delta, a.s.	2,857	50,845	--	53,702
CPI Epsilon, a.s.	2,779	34,569	--	37,348
CPI FINANCE (BVI) LIMITED	--	17,895	--	17,895
CPI Finance Netherlands B.V.	371,412	--	--	371,412
CPI France, a SASU	1,075,267	--	--	1,075,267
CPI Group, a.s.	--	760,988	--	760,988
CPI Heli, s.r.o.	957	30,354	--	31,311
CPI Jihlava Shopping, a.s.	172	--	--	172
CPI Park Mlýnec, a.s.	379,720	--	--	379,720
CPI Park Žďárek, a.s.	3,714	--	--	3,714
CPI Retail Portfolio I, a.s.	355	--	--	355
CPI Retail Portfolio II, a.s.	7,260	--	--	7,260
CPI Retail Portfolio III, s.r.o.	736	--	--	736
CPI Retails FIVE, a.s.	23,736	89,209	--	112,945
CPI Retails FOUR, a. s.	27,009	107,712	--	134,721
CPI Retails THREE, a.s.	23,894	105,632	--	129,526
CPI Retails TWO, a.s.	13,714	71,186	--	84,900
CPI Services, a.s.	87,413	--	--	87,413
CPI Shopping MB, a.s.	45,255	285,608	--	330,863
CPI Shopping Teplice, a.s.	56,362	306,296	--	362,658
CPI West, s.r.o.	52	--	--	52
CURITIBA a.s.	128,196	3,690	--	131,886

	< 1 year	2-5 years	> 5 years	Total
Čadca Property Development, s.r.o.	7,106	32,462	--	39,568
ELAMOR, a.s.	27	222	--	249
ENDURANCE ASSET, S.a r.l.	4,049	75,492	115,928	195,469
Farhan, a.s.	43,542	480,659	--	524,201
FL Property Development, a.s.	627,649	--	--	627,649
GADWALL, Sp. z o.o.	9,969	--	208,941	218,910
Hraničář, a.s.	55,828	--	--	55,828
Komárno Property Development, a.s.	9,825	14,843	--	24,668
Liptovský Mikuláš Property Development, a.s.	9,506	44,203	--	53,709
Lockhart, a.s.	14,701	--	--	14,701
Malerba, a.s.	--	269,104	--	269,104
Marissa, a.s.	131	663,071	--	663,202
MB Property Development, a.s.	1,514	--	--	1,514
Michalovce Property Development, a.s.	10,466	45,927	--	56,393
Modřanská Property, a.s.	41,054	192,935	--	233,989
NERONTA, a. s.	150,508	635,324	--	785,832
Olomouc City Center, a.s.	156	--	--	156
Pelhřimov Property Development, a.s.	14,352	--	--	14,352
Považská Bystrica Property Development, a.s.	8,141	10,116	--	18,257
Prievidza Property Development, a.s.	6,976	3,427	--	10,403
Prosta 69 Sp. Z o.o.	13,109	--	146,285	159,394
Příkopy Property Development, a.s.	16,265	8,679	--	24,944
Quadrio Residence, s.r.o.	53	--	2,366	2,419
Ružomberok Property Development, a.s.	8,088	10,989	--	19,077
SPH Properties Sp. z o.o.	21,722	--	461,401	483,123
Strakonice Property Development, a.s.	464,197	--	--	464,197
Svitavy Property Alfa, a.s.	12,920	115,044	--	127,964
Svitavy Property Development, a.s.	441,640	--	--	441,640
Telč Property Development, a.s.	361,159	--	--	361,159
Trebišov Property Development, s. r. o.	11,329	55,743	--	67,072
Trutnov Property Development, a.s.	16,202	91,864	--	108,066
Třinec Property Development, a.s.	11,993	41,040	--	53,033
Týniště Property Development, s.r.o.	642,999	--	--	642,999
VERETIX a.s.	54,674	424,615	--	479,289
VM Property Development, a.s.	286,898	--	--	286,898
VOLANTI LIMITED	27,427	82,308	--	109,735
Zvolen Property Development, a.s.	8,926	11,046	--	19,972
Žďár Property Development, a.s.	398,049	--	--	398,049
Ždírec Property Development, a.s.	1,795	10,347	--	12,142
Vyškov Property Development, a.s.	3,070	--	--	3,070
<b>Total loans provided to entities under direct or indirect control</b>	<b>6,840,355</b>	<b>6,223,187</b>	<b>1,556,146</b>	<b>14,619,688</b>
Scampia a.s.*	7,016,903	--	--	7,016,903
CPI Property Group S.A.	1,668	157,491	--	159,159
<b>Total loans provided to other related parties</b>	<b>7,018,571</b>	<b>157,491</b>	<b>--</b>	<b>7,176,062</b>

\* In June 2014, the Company had performed financial assets restructuring and consolidation of a number of receivables of related parties. Such receivables of the third parties were assigned to Scampia, a.s., an entity closely associated with Mr. Vitek, in order to simplify related parties transaction structure. Following this operation, the aggregate amount of loans provided by the Company to Scampia, a.s. amounts to CZK 7,016.9 million as at 31 December 2014 and bear average interest rate of 6.2 % p.a. (note 5.6).

## Loans provided 2013

	< 1 year	2-5 years	> 5 years	Total
ACGATE Kft.	2,051	--	421,852	423,903
Balvinder, a.s.	118	18,747	--	18,865
Baudry Beta, a.s.	7,742	--	--	7,742
Baudry, a.s.	421	108,425	--	108,846
Best Properties South, a.s.	52,757	--	--	52,757
BPT Development, a.s.	1,877	14,329	--	16,206
Brandýs Logistic, a.s.	629	--	--	629
Březiněves, a.s.	86,370	143,861	--	230,231
Camuzzi, a.s.	3,714	--	13,127	16,841
Carpenter Invest, a.s.	38,782	--	88,395	127,177
CB Property Development, a.s.	43,270	177,506	--	220,776
Conradian, a.s.	3,897	22,542	55,546	81,985
CPI - Bor, a.s.	72	--	--	72

	< 1 year	2-5 years	> 5 years	Total
CPI - Facility, a.s.	--	17,319	--	17,319
CPI - Krásné Březno, a.s.	40	--	--	40
CPI - Land Development, a.s.	1,163	--	--	1,163
CPI - Orlová, a.s.	458,147	--	--	458,147
CPI - Real Estate, a.s.	4,225	52,844	--	57,069
CPI - Štupartská, a.s.	5,953	--	--	5,953
CPI Alfa, a.s.	1,733	67,800	--	69,533
CPI BYTY, a.s.	13,573	--	145,311	158,884
CPI City Center ÚL, a.s.	1,403	146,746	--	148,149
CPI Delta, a.s.	48,655	--	--	48,655
CPI Epsilon, a.s.	--	36	--	36
CPI France, a SASU	1,311,903	--	--	1,311,903
CPI Group, a.s.	28,389	732,599	--	760,988
CPI Heli, s.r.o.	920	37,076	--	37,996
CPI Hotels Properties, a.s.	1,048	16,023	--	17,071
CPI Jihlava Shopping, a.s.	172	--	--	172
CPI Park Mlýnec, a.s.	379,631	--	--	379,631
CPI Park Žďárek, a.s.	3,711	--	--	3,711
CPI Retail Portfolio I, a.s.	355	--	--	355
CPI Retail Portfolio III, s.r.o.	736	--	--	736
CPI Retails FIVE, a.s.	14,532	--	88,244	102,776
CPI Retails FOUR, a.s.	17,471	--	112,476	129,947
CPI Retails THREE, a.s.	14,630	--	104,489	119,119
CPI Retails TWO, a.s.	15,843	--	71,186	87,029
CPI Services, a.s.	96,332	--	--	96,332
CPI Shopping MB, a.s.	28,074	285,608	--	313,682
CPI Shopping Teplice, a.s.	32,598	336,296	--	368,894
CPI West, s.r.o.	257	1,536	--	1,793
CURITIBA a.s.	385,172	418,221	--	803,393
Čadca Property Development, s.r.o.	4,076	--	33,757	37,833
ELAMOR, a.s.	16	219	--	235
Farhan, a.s.	54,219	511,119	--	565,338
FL Property Development, a.s.	627,413	--	--	627,413
GADWALL, Sp. z o.o.	1,026	75,585	122,655	199,266
Hraničář, a.s.	82,398	--	241,735	324,133
Kerina, a.s.	1,441	35,119	--	36,560
Komárno Property Development, a.s.	5,854	--	45,765	51,619
LD Praha, a.s.	--	--	--	--
Liptovský Mikuláš Property Development, a.s.	5,385	--	45,507	50,892
Lockhart, a.s.	14,542	--	--	14,542
Malerba, a.s.	12,753	216,553	--	229,306
Marissa, a.s.	120	587,857	--	587,977
MB Property Development, a.s.	--	--	--	--
Michalovce Property Development, a.s.	6,198	--	47,267	53,465
Modřanská Property, a.s.	22,401	187,627	--	210,028
NERONTA, a.s.	92,392	--	655,458	747,850
Olomouc City Center, a.s.	156	--	--	156
ORCO APARTMENTS, Sp. z o.o.	938	--	112,222	113,160
Pelhřimov Property Development, a.s.	27,322	--	--	27,322
Považská Bystrica Property Development, a.s.	4,672	--	38,272	42,944
Prievidza Property Development, a.s.	4,083	--	32,607	36,690
Příbor Property Development, s.r.o.	1,141	--	6,039	7,180
Příkopy Property Development, a.s.	25,242	--	--	25,242
Ružomberok Property Development, a.s.	4,587	--	37,455	42,042
SPH Properties Sp. z o.o.	3,008	--	359,202	362,210
Statenice Property Development, a.s.	200	7,599	--	7,799
Strakonice Property Development, a.s.	560,589	--	--	560,589
Svitavy Property Alfa, a.s.	18,434	132,039	--	150,473
Svitavy Property Development, a.s.	441,550	--	--	441,550
Telč Property Development, a.s.	361,014	--	--	361,014
Trebišov Property Development, s.r.o.	6,130	--	58,842	64,972
Trutnov Property Development, a.s.	6,987	--	117,035	124,022
Třinec Property Development, a.s.	7,725	--	47,184	54,909
Týniště Property Development, s.r.o.	642,334	--	--	642,334
U Svatého Michala, a.s.	4,937	--	--	4,937
VERETIX a.s.	2,067	--	572,376	574,443

	< 1 year	2-5 years	> 5 years	Total
Vigano, a.s.	44,057	198,890	--	242,947
VM Property Development, a.s.	300,893	--	--	300,893
VT Holding, a.s.	7,260	--	--	7,260
Vyškov Property Development, a.s.	4,902	--	--	4,902
WWG2013 Sp. z o.o.	1,298	--	259,635	260,933
Zvolen Property Development, a.s.	5,215	--	42,429	47,644
Žďár Property Development, a.s.	601,082	--	--	601,082
Ždírec Property Development, a.s.	905	--	10,348	11,253
Volanti Ltd.	10,687	861,565	--	872,252
<b>Total loans provided to entities under direct or indirect control</b>	<b>7,138,014</b>	<b>5,411,686</b>	<b>3,986,416</b>	<b>16,536,116</b>
Milada Malá	199,524	1,757,511	--	1,957,035
STRM Group	317	12,593	--	12,910
<b>Total loans provided to other related parties</b>	<b>199,841</b>	<b>1,770,104</b>	<b>--</b>	<b>1,969,945</b>

### Current payables related to assignment of receivables as at 31 December

	2014	2013
Baudry, a.s.	1,973	--
CPI - Bor, a.s.	4,336	--
CPI - Land Development, a.s.	8,351	--
CPI - Štupartská, a.s.	3,212	--
CPI BYTY, a.s.	99,268	101,607
CPI City Center ÚL, a.s.	707	--
CPI Group, a.s.	2,290	--
CPI Hotels Properties, a.s.	8,807	--
CPI Management, s.r.o.	11,349	--
CPI Park Mlýnec, a.s.	1,927	--
CPI Park Žďárek, a.s.	1,767	--
CPI Reality, a.s.	167,678	244,515
CPI Retail Portfolio I, a.s.	2,000	--
CPI Services, a.s.	11,412	15,856
Čáslav Investments, a.s.	2,364	--
Český Těšín Property Development, a.s.	7,666	7,666
Hraničář, a.s.	11,948	--
Jeseník Investments, a.s.	1,013	--
Družstvo Land	17,626	15,827
Komárno Property Development, a.s.	4,562	4,520
Liptovský Mikuláš Property Development, a.s.	1,476	1,469
Michalovce Property Development, a.s.	47,922	47,410
MUXUM, a.s.	7,709	--
Nymburk Property Development, a.s.	444	444
Pelhřimov Property Development, a.s.	1,044	--
Považská Bystrica Property Development, a.s.	47,019	46,516
Prague Property Development, s.r.o.	11,186	11,186
Prievidza Property Development, a.s.	7,384	7,306
Příkopy Property Development, a.s.	5,300	--
Ružomberok Property Development, a.s.	1,992	1,982
U Svatého Michala, a.s.	8,586	--
Zvolen Property Development, a.s.	2,292	2,281
Others	2,063	1,683
<b>Total</b>	<b>514,673</b>	<b>510,268</b>

### Payables from unpaid contribution as at 31 December

	2014	2013
U svatého Michala, a.s.	--	47,000
Other	--	97
<b>Total payables from unpaid contribution</b>	<b>--</b>	<b>47,097</b>

## Liabilities related to bonds issued as at 31 December

	2014	2013
BAYTON Gama, a.s.	568,000	568,000
CPI - Orlová, a.s.	68,867	68,867
CPI BYTY, a.s.	195,295	--
CPI Park Mlýnec, a.s.	375,000	375,000
CPI Reality, a.s.	--	76,000
FL Property Development, a.s.	625,000	625,000
Strakonice Property Development, a.s.	461,680	522,473
Svitavy Property Development, a.s.	440,000	440,000
Telč Property Development, a.s.	360,000	360,000
Týniště Property Development, s.r.o.	640,000	640,000
VM Property Development, a.s.	300,000	300,000
Žďár Property Development, a.s.	397,611	600,000
<b>Total liabilities from bonds issued</b>	<b>4,431,453</b>	<b>4,575,340</b>
CPI BYTY, a.s.	7,894	4,704
BAYTON Gama, a.s.	103,427	86,923
CPI - Real Estate, a.s.	4,786	4,786
CPI Park Mlýnec, a.s.	2,916	1,750
CPI Reality, a.s.	--	16,392
FL Property Development, a.s.	1,750	2,917
Strakonice Property Development, a.s.	1,706	1,930
Svitavy Property Development, a.s.	1,626	1,626
Telč Property Development, a.s.	1,190	1,190
Týniště Property Development, s.r.o.	2,116	2,116
VM Property Development, a.s.	867	867
Žďár Property Development, a.s.	1,149	1,733
Others	198	200
<b>Total accrued interest</b>	<b>129,625</b>	<b>127,134</b>
<b>Total liabilities related to bonds</b>	<b>4,561,078</b>	<b>4,702,474</b>
CPI Property Group S.A.	875,987	--
Gewerbesiedlungs-Gesellschaft GmbH	121,851	--
<b>Total liabilities from bonds issued from other related parties</b>	<b>997,838</b>	<b>--</b>
CPI Property Group S.A.	4,959	--
Gewerbesiedlungs-Gesellschaft GmbH	691	--
<b>Total accrued interest from other related parties</b>	<b>5,650</b>	<b>--</b>
<b>Total liabilities related to bonds from other related parties</b>	<b>1,003,488</b>	<b>--</b>

## Other payables to other related parties as at 31 December

	2014	2013
Scampia a.s.	60,001	--
<b>Total</b>	<b>60,001</b>	<b>--</b>

## Loans drawn from entities under direct or indirect control/other related parties

## 2014

	< 1 year	2-5 years	> 5 years	Total
Arena Corner Ingatlanfejlesztő Kft.	2,408	--	65,436	67,844
Balvinder, a.s.	1,636	29,502	--	31,138
Baudry Alfa, a.s.	28	1,800	--	1,828
BAYTON Alfa, a.s.	148	--	--	148
BAYTON Gama, a.s.	1,214	19,564	--	20,778
Beroun Property Alfa, a.s.	88	1,805	--	1,893
Brandýs Logistic, a.s.	2,219	11,105	--	13,324
Carpenter Invest, a.s.	1,581	23,387	--	24,968
CB Property Development, a.s.	410	1,943	--	2,353
Conradian, a.s.	3,649	19,676	--	23,325
CPI - Bor, a.s.	31,963	13,668	--	45,631
CPI - Land Development, a.s.	2,948	37,504	--	40,452
CPI - Orlová, a.s.	13,888	--	--	13,888
CPI - Zbraslav, a.s.	7,017	44,226	--	51,243
CPI Beta, a.s.	261	1,900	--	2,161

	< 1 year	2-5 years	> 5 years	Total
CPI Delta, a.s.	261	1,900	--	2,161
CPI Epsilon, a.s.	87	1,980	--	2,067
CPI Finance Netherlands B.V.	423,412	--	7,203,869	7,627,281
CPI Flats, a.s.	1,961	35,824	--	37,785
CPI Hotels Properties, a.s.	8,228	78,391	--	86,619
CPI Jihlava Shopping, a.s.	10,376	--	--	10,376
CPI Lambda, a.s.	81	1,350	--	1,431
CPI Management, s.r.o.	3,790	21,745	--	25,535
CPI North, s.r.o.	7	130	--	137
CPI Park Mlýnec, a.s.	675	6,135	--	6,810
CPI Park Žďárek, a.s.	575	6,093	--	6,668
CPI Reality, a.s.	9,190	530	--	9,720
CPI Retail MB s.r.o.	11	19,849	--	19,860
CPI Retail Portfolio II, a.s.	934	20,600	--	21,534
CPI Retail Portfolio IV, s.r.o.	40	5,000	--	5,040
CPI Retail Portfolio VI, s.r.o.	36	4,400	--	4,436
CPI South, s.r.o.	5	35	--	40
Hraničář, a.s.	9,273	47,739	--	57,012
Kerina, a.s.	362	--	--	362
Marissa Lambda, a.s.	108	2,034	--	2,142
Marissa North, a.s.	108	2,034	--	2,142
Marissa Omega, a.s.	108	2,034	--	2,142
Marissa Omikrón, a.s.	108	2,034	--	2,142
Marissa Sigma, a.s.	108	2,021	--	2,129
Marissa South, a.s.	107	2,035	--	2,142
Marissa Tau, a.s.	107	2,015	--	2,122
Marissa Théta, a.s.	107	2,020	--	2,127
Marissa West, a.s.	64,390	--	--	64,390
Marissa Yellow, a.s.	107	2,035	--	2,142
Marissa Ypsilon, a.s.	107	2,035	--	2,142
MUXUM, a.s.	8,280	77,717	--	85,997
Nymburk Property Development, a.s.	2,800	22,358	--	25,158
Prague Property Development, s.r.o.	6,209	78,320	--	84,529
Příkopy Property Development, a.s.	5,520	79,708	--	85,228
SPH Properties Sp. z o.o.	--	79,132	--	79,132
Svitavy Property Alfa, a.s.	2,027	10,498	--	12,525
Vigano, a.s.	2,854	26,880	--	29,734
ZLATICO LIMITED	24	45,456	--	45,480
Vyškov Property Development, a.s.	3,189	--	--	3,189
<b>Total loans from entities under direct or indirect control</b>	<b>635,130</b>	<b>898,147</b>	<b>7,269,305</b>	<b>8,802,582</b>
Scampia a.s.	10,555	20,629	--	31,184
Others	21,524	31,013	--	52,537
<b>Total loans from other related parties</b>	<b>32,079</b>	<b>51,642</b>	<b>--</b>	<b>83,721</b>

## 2013

	< 1 year	2-5 years	> 5 years	Total
Balvinder, a.s.	663	22,152	--	22,815
BAYTON Beta, a.s.	912	33,924	--	34,836
BAYTON Gama, a.s.	614	19,384	--	19,998
Beroun Property Alfa, a.s.	51	1,875	--	1,926
Brandýs Logistic, a.s.	1,656	11,105	--	12,761
Carpenter Invest, a.s.	1,003	14,237	--	15,240
CB Property Development, a.s.	312	1,943	--	2,255
Conradian, a.s.	2,755	--	23,576	26,331
CPI - Bor, a.s.	30,020	13,668	--	43,688
CPI - Land Development, a.s.	1,036	37,098	--	38,134
CPI - Orlová, a.s.	13,888	--	--	13,888
CPI - Zbraslav, a.s.	5,653	--	40,726	46,379
CPI Beta, a.s.	165	1,900	--	2,065
CPI Delta, a.s.	165	1,900	--	2,065
CPI Epsilon, a.s.	27	--	2,000	2,027
CPI Finance Netherlands B.V.	372,158	--	8,004,837	8,376,995
CPI Hotels Properties, a.s.	4,208	--	77,543	81,751
CPI Jihlava Shopping, a.s.	10,348	--	--	10,348

	< 1 year	2-5 years	> 5 years	Total
CPI Lambda, a.s.	27	--	1,965	1,992
CPI Management, s.r.o.	1,200	58,700	--	59,900
CPI Národní, s.r.o.	3,639	52,147	--	55,786
CPI North, s.r.o.	3	--	185	188
CPI Park Mlýnec, a.s.	237	6,069	--	6,306
CPI Park Žďárek, a.s.	202	6,027	--	6,229
CPI Reality, a.s.	47,200	180,104	--	227,304
CPI South, a.s.	3	--	185	188
Hraničář, a.s.	6,067	47,404	--	53,471
Kerina, a.s.	363	--	--	363
Komárno Property Development, a.s.	1,168	23,241	--	24,409
Marissa Lambda, a.s.	14	2,065	--	2,079
Marissa North, a.s.	14	2,065	--	2,079
Marissa Omega, a.s.	14	2,065	--	2,079
Marissa Omikrón, a.s.	14	2,065	--	2,079
Marissa Sigma, a.s.	14	2,061	--	2,075
Marissa South, a.s.	14	2,065	--	2,079
Marissa Tau, a.s.	14	2,065	--	2,079
Marissa Théta, a.s.	14	2,095	--	2,109
Marissa West, a.s.	39,873	--	--	39,873
Marissa Yellow, a.s.	14	2,065	--	2,079
Marissa Ypsilon, a.s.	14	2,065	--	2,079
MUXUM, a.s.	4,293	--	76,876	81,169
NERONTA, a.s.	1,131	23,825	--	24,956
Nymburk Property Development, a.s.	780	--	20,964	21,744
ORCO APARTMENTS, Sp. z o.o.	524	74,675	--	75,199
Považská Bystrica Property Development, a.s.	1,197	23,825	--	25,022
Prague Property Development, s.r.o.	4,540	77,952	--	82,492
Prievidza Property Development, a.s.	1,168	23,241	--	24,409
Příkopy Property Development, a.s.	2,201	78,845	--	81,046
Quadrio Residence, s.r.o.	3	--	185	188
Rosendale Management Ltd	18,704	--	--	18,704
Ružomberok Property Development, a.s.	1,168	23,241	--	24,409
Svitavy Property Alfa, a.s.	1,912	18,624	--	20,536
Vigano, a.s.	1,082	--	26,880	27,962
VT Holding, a.s.	661	--	--	661
Zvolen Property Development, a.s.	1,197	23,825	--	25,022
<b>Total loans from entities under direct or indirect control</b>	<b>586,313</b>	<b>921,606</b>	<b>8,275,922</b>	<b>9,783,841</b>
Others	15,127	--	--	15,127
<b>Total loans from other related parties</b>	<b>15,127</b>	<b>--</b>	<b>--</b>	<b>15,127</b>

## Sales

	2014	2013
CPI BYTY, a.s.	5	5
CPI Management, s.r.o.	902	858
CPI Services, a.s.	12,121	10,184
<b>Total revenues related entities under direct or indirect control</b>	<b>13,028</b>	<b>11,047</b>
<b>Total sales</b>	<b>13,028</b>	<b>11,047</b>

## Advisory and accounting services

	2014	2013
CPI Retail Portfolio I, a.s.	1,436	--
CPI Retail Portfolio II, a.s.	2,411	--
CPI Retail Portfolio III, s.r.o.	2,398	--
CPI Retail Portfolio IV, s.r.o.	2,219	--
CPI Retail Portfolio V, s.r.o.	1,163	--
CPI Retail Portfolio VI, s.r.o.	521	--
CPI Retail Portfolio VII, s.r.o.	1,424	--
<b>Total income from advisory and accounting services</b>	<b>11,572</b>	<b>--</b>

## Interest income

	2014	2013
Balvinder, a.s.	1,274	696
Baudry, a.s.	1,183	6,751
Březiněves, a.s.	5,332	7,510
Camuzzi, a.s.	674	656
Carpenter Invest, a.s.	4,911	5,673
CB Property Development, a.s.	15,191	15,298
Conradian, a.s.	3,653	3,897
CPI - Land Development, a.s.	--	740
CPI - Orlová, a.s.	23,156	35,206
CPI - Real Estate, a.s.	5,936	6,257
CPI - Štupartská, a.s.	--	207
CPI Alfa, a.s.	6,357	6,874
CPI BYTY, a.s.	6,631	13,573
CPI City Center ÚL, a.s.	4,061	4,502
CPI Delta, a.s.	2,857	--
CPI Epsilon, a.s.	2,779	--
CPI Finance Netherlands B.V.	2,375	--
CPI France, a SASU	38,203	34,622
CPI Hotels Properties, a.s.	844	5,041
CPI Park Mlýnec, a.s.	26,336	26,241
CPI Park Žďárek, a.s.	--	175
CPI Retails FIVE, a.s.	9,045	8,473
CPI Retails FOUR, a.s.	11,037	10,800
CPI Retails THREE, a.s.	9,103	8,529
CPI Retails TWO, a.s.	6,857	10,307
CPI Shopping MB, a.s.	24,614	22,404
CPI Shopping Teplice, a.s.	28,876	26,220
CURITIBA a.s.	16,255	--
Družstvo Land	--	322
Farhan, a.s.	41,423	41,423
FL Property Development, a.s.	43,896	43,507
Hraničář, a.s.	15,670	18,659
Kerina, a.s.	1,139	1,426
Komárno Property Development, a.s.	3,908	4,187
LD Praha, a.s.	1,096	--
Liptovský Mikuláš Property Development, a.s.	4,062	3,791
Malerba, a.s.	1,797	13,060
Marissa, a.s.	34,362	211,372
MB Property Development, a.s.	1,514	--
Michalovce Property Development, a.s.	4,200	4,150
Modřanská Property, a.s.	18,653	10,948
NERONTA, a.s.	57,106	54,017
Nymburk Property Development, a.s.	--	2,430
Pelhřimov Property Development, a.s.	1,833	--
Považská Bystrica Property Development, a.s.	3,967	3,632
Prievidza Property Development, a.s.	2,849	3,199
Příkopy Property Development, a.s.	440	2,048
Ružomberok Property Development, a.s.	3,451	3,582
Strakonice Property Development, a.s.	34,047	38,785
Svitavy Property Alfa, a.s.	9,915	11,436
Svitavy Property Development, a.s.	30,890	30,659
Telč Property Development, a.s.	25,255	25,160
Trutnov Property Development, a.s.	9,215	4,917
Třinec Property Development, a.s.	4,183	5,086
Týniště Property Development, s.r.o.	44,960	44,624
VERETIX a.s.	52,607	--
Vigano, a.s.	9,132	11,416
VOLANTI LIMITED	16,485	--
CPI Retail Portfolio II, a.s.	--	1,565
Zvolen Property Development, a.s.	3,654	4,027
Žďár Property Development, a.s.	44,131	55,425
ACGATE Kft.	23,832	--
GADWALL, Sp. z o.o.	14,231	--

	2014	2013
Prosta 69 Sp. Z o.o.	12,182	--
Others	67,019	42,743
<b>Total interest income related to entities under direct or indirect control</b>	<b>900,644</b>	<b>958,248</b>
Milada Malá	--	303,208
Radovan Vitek (major shareholder of CPI PG)	--	26
STRM Group	--	6,646
Scampia a.s.	330,749	--
<b>Total interest income related to other related parties</b>	<b>330,749</b>	<b>309,880</b>
<b>Total interest income</b>	<b>1,231,393</b>	<b>1,268,128</b>

## Purchases

	2014	2013
CPI - Facility, a.s.	54	--
CPI Management, s.r.o.	600	612
<b>Total purchases</b>	<b>654</b>	<b>612</b>

## Interest expense

	2014	2013
Arena Corner Ingatlanfejlesztő Kft.	2,394	--
CPI Reality, a.s.	8,553	6,632
CPI Finance Netherland B.V.	567,626	558,043
Hraničář, a.s.	3,174	1,580
CPI - Zbraslav, a.s.	1,364	1,180
CPI Jihlava Shopping, a.s.	--	2,396
Marissa West, a.s.	4,517	3,359
MUXUM, a.s.	3,912	3,200
Prague Property Development, s.r.o.	1,670	1,663
Vigano, a.s.	1,771	1,082
BAYTON Gama, a.s.	600	590
CPI Hotels Properties, a.s.	3,973	3,165
CPI Park Mlýnec, a.s.	435	237
Others	47,058	22,444
<b>Total interest expense related to entities under direct or indirect control</b>	<b>644,653</b>	<b>605,571</b>
Others	22,204	1,846
<b>Total interest income related to other related parties</b>	<b>22,204</b>	<b>1,846</b>
<b>Total interest expense</b>	<b>666,857</b>	<b>607,417</b>

## 8 Contingencies, guarantees provided

### 8.1 Contingent liabilities

The Company provides following guarantees to its subsidiaries at 31 December 2014:

Subsidiary	Guarantee	Carrying amount of related liability at 31 December 2014 in TCZK	at 31 December 2013 in TCZK
Arkáda Prostějov, s.r.o.	Sponsorial agreement	150,589	--
Balvinder, a.s.	Blank bill	163,715	169,441
Baudry Beta, a.s.	Guarantee statement	369,158	308,212
BAYTON Alfa, a.s.	Sponsorial agreement	162,764	187,018
Beroun Property Development, a.s.	Blank bill	253,023	266,263
Best Properties South, a. s.	Blank bill	1,358,330	1,262,723
Březiněves, a.s.	Guarantee statement	49,365	--
Carpenter Invest, a.s.	Guarantee statement	98,115	103,155
CB Property Development, a.s.	Guarantee statement	716,072	754,188
Conradian, a.s.	Blank bill	111,823	114,909
CPI - Real Estate, a.s.	Assumption for receivables	112,500	133,928
CPI - Štupartská, a.s.	Assumption for receivables; blank bill	96,000	98,000
CPI Alfa, a.s.	Guarantee statement; blank bill	279,000	279,000
EMH West, s.r.o.	Blank bill	1,271,164	1,311,491
CPI BYTY, a.s.	Blank bill	3,000,000	3,000,000
CPI Delta, a.s.	Blank bill	235,082	90,163
CPI Jihlava Shopping, a.s.	Guarantee statement	1,294,973	1,345,739
CPI Národní, s.r.o.	Guarantee statement	1,203,087	399,557
CPI Retail MB s.r.o.	Guarantee statement	315,219	--
CPI Retail Portfolio I, a.s.	Guarantee statement	--	114,108
CPI Retail Portfolio III, s.r.o	Guarantee statement; blank bill	--	236,548
CPI Retails FOUR, a.s.	Guarantee statement, blank bill	281,505	295,789
CPI Retails ONE, a.s.	Guarantee statement	207,860	222,235
CPI Retails THREE, a.s.	Guarantee statement	184,505	194,816
CPI Retails TWO, a.s.	Guarantee statement	171,432	182,291
EMH South, s.r.o.	Guarantee statement; blank bill	262,999	271,343
Hraničář, a.s.	Blank bill	188,784	206,736
Komárno Property Development, a.s.	Guarantee statement	76,993	82,047
LD Praha, a.s.	Sponsorial agreement	16,646	19,617
Lipt. Mikuláš Property Development, a.s.	Guarantee statement	81,942	87,321
Lockhart, a.s.	Guarantee statement; blank bill	441,219	463,392
EMH North, s.r.o.	Guarantee statement; blank bill	1,044,262	1,077,329
Marissa Gama, a.s.	Guarantee statement	1,126,419	1,222,032
MB Property Development, a.s.	Guarantee statement	54,092	--
Michalovce Property Development, a.s.	Guarantee statement	68,365	72,853
MUXUM, a.s.	Blank bill, guarantee statement	133,232	154,715
NERONTA, a.s.	Guarantee statement	1,095,416	1,196,631
Nymburk Property Development, a.s.	Guarantee statement	266,054	283,518
OC Nová Zdobůř a. s.	Guarantee statement	327,539	291,480
Olomouc City Center, a.s.	Guarantee statement	97,960	187,927
Olomouc Office, a.s.	Guarantee statement	156,730	--
Pelhřimov Property Development, a.s.	Blank bill, guarantee statement	55,989	57,500
Považská Bystrica Property Development, a.s.	Guarantee statement	92,110	98,156
Prievidza Property Development, a.s.	Guarantee statement	78,110	83,238
Příkopy Property Development, a.s.	Guarantee statement	609,950	603,350
Ružomberok Property Development, a.s.	Guarantee statement	79,934	85,181
Svitavy Property Alfa, a.s.	Guarantee statement	163,210	176,143
Trebišov Property Development, s.r.o.	Guarantee statement	136,415	167,073
Trutnov Property Development, a.s.	Blank bill	429,960	453,905
Třinec Investments, s.r.o.	Guarantee statement	74,450	78,600
Třinec Property Development, a.s.	Guarantee statement	275,331	293,405
U svatého Michala, a.s.	Blank bill	--	100,000
Vigano, a.s.	Blank bill	293,919	308,991
VT Holding, a.s.	Guarantee statement	--	309,744
Zvolen Property Development, a.s.	Guarantee statement	75,481	80,437
Ždírec Property Development, a.s.	Guarantee statement	13,692	14,675

## 9 Events after the reporting period

### 9.1 Newly founded subsidiaries

#### **CPI Finance Ireland II Ltd**

On 22 January 2015, the Company founded new company CPI Finance Ireland II Ltd, domiciled in Ireland. Share capital of the company amounts to EUR 1. On 2 March 2015, the Company sold CPI Finance Ireland II Ltd to CPI PG.

#### **CPI Finance Netherlands II, B. V.**

On 14 January 2015, the Company founded new company CPI Finance Netherlands II, B. V. Ltd, domiciled in Netherlands. Share capital of the company amounts to EUR 1. On 9 March 2015, the Company sold CPI Finance Netherlands II, B. V. to CPI PG.

#### **CPI Finance Slovakia, a.s.**

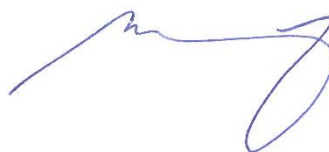
On 4 March 2015, the Company founded new company CPI Finance Slovakia, a.s., domiciled in Slovak Republic.

Prague, 29 April 2015



**Zdeněk Havelka**

Chairman of the Board of Directors



**Kristína Magdolenová**

Member of the Board of Directors