



**Czech Property Investments, a.s.**

**Annual**

**Report**

**2012**

**CPI**  
Group

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## KEY FIGURES

CPI Group in numbers – 2012

**2,333,466**

Net rental and service related  
income  
(in thousands of CZK)

**49,191,249**

Investment property (incl.  
investment property under  
development)  
(in thousands of CZK)

**21,020,712**

Equity  
(in thousands of CZK)

**2,750,218**

Operating profit  
(in thousands of CZK)

**311**

Number of CPI Group employees

**64,768,161**

Total assets  
(in thousands of CZK)

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## PERSON RESPONSIBLE FOR THE ANNUAL REPORT 2012

### Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the consolidated Annual Report 2012 provides a true and fair view of the financial situation, business activities, and results of operations of the issuer and its consolidated group for 2012, 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, 30 April 2013

A handwritten signature in blue ink, appearing to read 'Radovan Vitek', written over a light blue circular stamp.

**Radovan Vitek**

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

A handwritten signature in blue ink, appearing to read 'Marek Stublej', written over a light blue circular stamp.

**Marek Stublej**

Vice-chairman of the Board of Directors  
Czech Property Investments, a.s.





KPMG Česká republika Audit, s.r.o.  
Pobřežní 648/1a  
186 00 Praha 8  
Česká republika

Telephone +420 222 123 111  
Fax +420 222 123 100  
Internet www.kpmg.cz

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

### Financial Statements

On the basis of our audit, on 30 April 2013 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 2012, 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 the company 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 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.

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Obchodní rejstřík vedený  
Městským soudem v Praze  
oddíl C, vložka 24185.

IČ 49619187  
DIČ CZ699001996



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 2012, 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 30 April 2013 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 2012 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 the company 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 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 2012, 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 Czech Property Investments, a.s. for the year ended 31 December 2012. 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 2012 contains material factual misstatements.





### Annual report


We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited 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 annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited 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 financial statements.

Prague  
April 30, 2013

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

  
Pavel Kliment  
Partner  
Licence number 2145

## 2012 HIGHLIGHTS

### March 2012

- Opening of CPI Retail Park Beroun. The project includes a hobby market OBI and a retail park with a total leasable area of 2,800 sq. m.
- Issuing of publicly traded bonds by Czech Property Investments, a.s. Czech crown bonds bearing an interest rate of 6M PRIBOR + 6.50% p.a., with maturity date in 2019 were issued in the total nominal value of CZK 2 billion. In addition, Euro bonds with a nominal value of EUR 500 per bond bearing an interest rate of 6M EURIBOR + 6.5 % p.a. were issued in two tranches – EUR 70 million and EUR 15 million.

### April 2012

- Through acquisition of remaining 50% shares in VT Holding, a.s. the CPI Group became a sole owner of retail properties including supermarkets Billa, Penny, hypermarket Interspar and other retail units in Třebíč, Teplice, Litoměřice, Prague, Zlín and in other cities with a total retail space exceeding 43,000 sq. m.
- Grand opening of 4\* Clarion Congress Hotel České Budějovice.

### June 2012

- Acquisition of 100% shares in BAYTON Beta, a.s. which owns rent apartment houses and flats in Prague.

### July 2012

- Start of the construction of a multifunctional project COPA Centrum Národní, a mixed used property for retail, office and residence.
- Acquisition of hotel complex Palais Maeterlinck in French resort Nice, further changed to residential development project.

### October 2012

- Acquisition of 9 supermarkets (Billa and Penny Markets).
- Issuing of Czech crowns project bonds by CPI Alfa, a.s. with a total nominal value of CZK 279 million, bearing a fixed interest of 5.5% p.a., that are due in 2017.

### November 2012

- 4\* Clarion Congress Hotel České Budějovice and 4\* Clarion Congress Hotel Ústí nad Labem won 1<sup>st</sup> and 2<sup>nd</sup> place in the competition Best of Realty, category Hospitality.
- Opening of CPI Retail Park Trutnov. The project includes a hypermarket Tesco, a hobby market OBI and a retail park with a total leasable area of 22,000 sq. m.
- Subscription of shares and increase in capital by CZK 2,212 million (in nominal value of CZK 1,759 million plus share premium of CZK 453 million).

### December 2012

- Acquisition of 100% shares in T.Land, a.s. which owns 7 logistic halls and 2 supermarkets (Billa).

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## A CUT ABOVE CPI GROUP

Czech Property Investments, a.s. group (hereinafter also referred to as “the CPI Group” or “the Group”) is a leading Czech real estate group engaged in investment, development and property management on the Czech and Slovak markets. It has been operating on the real estate market since the end of 1990s. The parent company of the Group is Czech Property Investments, a.s. (hereinafter also referred to as “the parent company CPI”, “CPI” or “the Company”).

The CPI Group develops its activities mainly in the Czech Republic and Slovakia across all real estate segments. The CPI Group owns and manages over 500,000 sq. m of retail space, 200,000 sq. m of existing office space, 14 hotels with over 7,800 beds and approximately 160,000 sq. m of space intended for light industry and storage. With over 12,700 apartments, it is the second largest provider of rental housing in the Czech Republic.

In recent years, the CPI Group has successfully established itself among the leading investors and developers in the domestic real estate market, and in the last year it has also spread outside of the country within 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 the Group strong financial base.

The goal of the CPI Group is to develop the potential of its real estate 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 the CPI Group

Czech Property Investments, a.s., the parent company of the Group, was established at the end of 1991 and since that time coherently developed its activities on the Czech and Slovak markets in almost all real estate sectors.

### 1998 – 2002

The beginning of business activities in the real estate market started in the late 1990s when the CPI Group began to focus on management of movable and immovable property. They later moved on to development activities. The Group invested in the purchase of real estate and repairs, as well as reconstruction of buildings for commercial use. Their main activities in this time period were directed primarily – besides the capital of Prague - in Western and Northern Bohemia. The CPI Group’s portfolio expanded also with rental residential houses in Ustí nad Labem, Brno and Prague, and in the retail business with hypermarkets in Cheb, Nymburk and Vyškov, the long-term tenant of which is AHOLD Czech Republic a.s.

### 2003 – 2007

The early years gave way to a period of great expansion, mainly in the asset value of the Group. This was also reflected in their internal structure and diversification of activities. Property management and rentals maintained the dominant position and acquisition activities significantly showed in the value of assets. Particularly, the segment of hotel accommodation, rental housing and retail in Prague, regions and in Slovakia grew stronger. In addition, the amount of land intended for construction of mainly residential projects was also extended.

During this period, the CPI Group also significantly expanded in development. It launched and successfully completed several projects in Prague, which it then sold to end customers. About 900 apartments, originally for rent in Prague-Letňany, were also successfully sold. The position of a major developer on the Prague market

was also enhanced by the construction of the Fénix Shopping Gallery and the Clarion Congress Hotel in Vysočany, which was completed in the spring of 2008.

#### **2008 – 2009**

Despite a significant suspension of activities on the property market caused by the global financial and subsequently economic crisis, the Company managed to complete and successfully sell or open several projects in the field of housing and hotel accommodation. The only project initiated in this period was a multipurpose complex in Ústí nad Labem called the CPI City Centre, containing offices, business units and a four-star hotel.

With regard to the global aspects affecting the financing of projects during this period, the CPI Group mainly focused on the consolidation of assets and capital and prepared the ground for future investments. The Company took the opportunity to acquire several business shares and initiated changes in the shareholder structure which subsequently led to its simplification.

#### **2010**

2010 represents an important milestone in the Company's history. During the year, its significantly invested primarily in existing properties and also developed activities in other sectors of the real estate industry. Acquisitions affected nearly all segments: the CPI Group significantly expanded its stock of rental housing, expanded in retail, increased the number of office spaces and grew stronger in the hotel industry. At the end of the year, an important change was made in the shareholder structure which narrowed it down to a sole owner of the entire CPI Group.

#### **2011 - 2012**

In 2011, the CPI Group fully continued in its acquisition and development activities of the previous year and clearly exceeded them in terms of volume. Thanks to its acquisitions and development, the CPI Group created a diversified portfolio in 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 at this time.

A change was also made in the Board of Directors of the Company as Radovan Vitek, currently the sole shareholder of the CPI Group, became the Chairman of the Board.

In 2012 the Group realised its first public emissions of corporate and project bonds which was met with extreme success and opened the door to another source of the Group's financing the activities.



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## MESSAGE FROM THE CEO

Dear shareholder, Dear investors, Dear business partners,

Allow me, once again, to greet you and present to you this report on the development of the CPI Group's business in the past year. As in previous years in this part of the annual report, I can proudly describe the year 2012 as one of the other important year of the CPI Group's existence.

In comparison to 2011, we have not been seen and have not been too much active on real estate investor markets. But we did not fully leave this market. Based on our long-term strategy, the CPI Group acquired some properties not only in the Czech Republic but also in abroad. One of the specific transaction was the acquisition of 9 supermarkets in the Czech Republic. These properties are leased to retail chains Penny Market and Billa on the basis of long-term lease agreements. The purchase price was refinanced by issuing the Czech crowns project bonds. This acquisition became a flag ship showing another way of financing the real estate portfolio. Going back to the acquisition activity, we can see the full impact of 2011 acquisitions in reported results for 2012. Compared to 2011, rental revenues increased by more than a half (52.7%) to a total of CZK 2.9 billion. This fully resulted from the acquisitions of previous years, new development projects with 100% occupancy, rental of commercial space and the increase in revenues from residential portfolio due to the deregulation of rent. Increased acquisitions and new projects in recent years also resulted in other economic success – increase in total assets value which rises from CZK 57.2 billion in 2011 to CZK 64.7 billion in 2012. Positive growth shows also the financial indicators such as EBIT of CZK 3.1 billion (an increase by 33% compared to 2011), as well as profit, which rose by 26% to CZK 1.4 billion. Equity, which reached nearly CZK 16 billion in 2011, increased to CZK 21 billion at the end of 2012.

As I have already mentioned a few sentences above, bonds financing became a very important part of our capital structure in 2012. On one hand, we fully repaid the "old" bonds CPI VAR/12 and on the other hand we issued new bonds in several emissions. The total value of all subscribed bonds was CZK 17 billion at 31 December 2012. However, our activity in this field did not stop with the end of 2012. In March 2013, the parent company CPI issued another bonds in the total value of CZK 1.5 billion. Moreover, the prospectus and the issuing terms for other emission by the subsidiary company CPI BYTY, a.s. are being now approved by Czech National Bank. Approval is expected early in May 2013. The proceeds from the bonds will be primarily used to refinance currently existing bank loans of this subsidiary. In addition to the bonds, bank financing of the real estate portfolio is also very important and common part of investor's financial structure. In 2012, we successfully prolonged and refinanced some bank loan agreements. The relation between a cash generating property and its financing is therefore distinctly seen. What is important for such functional relation that will have impact on reported profit? From my point of view, this relation leans on our 3 core pillars – investment oriented acquisition & development, professional asset management and efficient property & facility management.

In respect of the development in 2012, we finished Retail Park Beroun and Retail Park Trutnov with total leasable area of 25 thousand sq. m. We also opened 4\* Clarion Hotel České Budějovice after its reconstruction and this project as well the 4\* Clarion congress Hotel Ústí nad Labem won 1st and 2nd place in the competition Best of Realty, category Hospitality. The multifunctional project CPI City Center Olomouc has been under construction during the year 2012 and will complement the same concept as CPI City Center Ústí nad Labem in May 2013. After few years of "light and usual" development, we started a construction of another significant project QUADRIO, formerly COPA Centrum Národní. We became the sole owner and investor of this project at the beginning of 2013.

And what are the achievements of our asset management? As I mentioned earlier, the sales growth in 2012 resulted not only from real estate acquisitions and construction of long-term income bearing projects, but also from prolongation of contracts with major retail and office tenants. Traditionally, the strongest commercial rental income generating segment is the retail portfolio, which grew last year due to the acquisition of supermarkets and two newly built retail parks, which claimed 100% occupancy at the time of their opening. The total area of retail leased premises reach 500,000 sq. m. Similar to the retail warehouse portfolio, the shopping centres also brought positive results in 2012 due to increased occupancy and rental revenues and prolongation of the number of lease contracts. The total occupancy of retail properties reached an excellent 97%.

Also our property and facility management confirmed being an integral part of our business. The property management includes daily communications with our tenants and services providers, rent and services charges invoicing and cash collection management. The facility management provides technical maintenance of our properties. As we are aware of good relationships with our tenants, we implemented a new CRM system in 2012 which covers all property and facility management activities. We will concentrate on a further development of this system in 2013 also to support our internal reporting system.

The other departments of the CPI Group also took part in these activities by establishing the solid base for the above mentioned core business processes that have to rely on in-time and quality provided internal services.

We are also aware of our social responsibility or economic impacts of our activities and diversified portfolio. One of the largest and important part of our investment is represented by rental housing. The impact of the rent deregulation and the economic recession was the reason why we have decided to improve our consulting and assistance services of the subsidiary CPI BYTY, a.s. Moreover, our concept of CPI City Center projects in regional cities can have in a particular sense positive economic impact. New-built mixed used properties are able to provide background for companies doing the business there, to create new job opportunities and to improve the quality of local life.

How we are looking at the future? The CPI Group sees new investment opportunities abroad, especially in Central Europe, where the real estate market has stagnated and the number of real estate players are looking for a strong partner. We currently see this form of expansion as the most appropriate strategy. On the field of the domestic market, we will be focusing on our own portfolio and ensuring a stable environment for the operation and functioning of the entire Group. Our current goals include the successful completion of development projects in Prague and in the regions, rebranding a network of twenty-two retail parks and their further expansion and prolongation of lease agreements. I would also like to mention our long-term plans which include mainly extension of selected regional shopping centres, where demand from businesses exceeds the supply of available space for rent and several smaller residential projects, mainly in Prague.

Overcome ourselves is not the main goal of our activities, however, the return on investment and trust of our shareholder is, and will continue to be, the driving force of our business.

Prague, 30 April 2013



**Zdeněk Havelka**  
Chief Executive Officer

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## PARENT COMPANY CPI

Czech Property Investments, a.s., 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. It carries out its activities in accordance with Czech law, under the Act No. 513/1991 Coll., Commercial Code, as amended.

According to the Article 4 of the Articles of Incorporation of CPI valid as of 31 December 2012, the subject of business is:

- 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.

CPI 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:

Czech Property Investments, a.s.  
Václavské náměstí 1601/47  
110 00 Prague 1  
Tel: +420 281 082 110  
Fax: +420 281 082 150  
E-mail: [cpi@cpi.cz](mailto:cpi@cpi.cz)  
[www.cpi.cz](http://www.cpi.cz)

Since 1 January 2005, CPI 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 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 2012. CPI is not dependent upon other entities within the CPI Group.

Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %	Companies controlled by Czech Property Investments, a.s. – Czech Republic	Ownership interest %
4B Investments, a.s.	100.00	Hraničář, a.s.	100.00
Balvinder, a.s.	100.00	IGY2 CB, a.s.	100.00
Baudry Beta, a.s.	100.00	Kerina, a.s.	100.00
Baudry, a.s.	100.00	Lockhart, a.s.	100.00
BAYTON Beta, a.s.	100.00	Malerba, a.s.	100.00
BAYTON Gama, a.s.	86.50	MAPON, a.s.	100.00
Beroun Property Alfa, a.s.	100.00	Marissa Delta, a.s.	100.00
Beroun Property Development, a.s.	100.00	Marissa East, a.s.	100.00
Betonstav spol. s r.o.	100.00	Marissa Epsilon, a.s.	100.00
BPT Development, a.s.	100.00	Marissa Gama, a.s.	100.00
Brandýs Logistic, a.s.	100.00	Marissa Ióta, a.s.	100.00
BRILLIANT VARIETY s.r.o.	100.00	Marissa Kappa, a.s.	100.00
Březiněves, a.s.	100.00	Marissa Lambda, a.s.	100.00
Camuzzi, a.s.	100.00	Marissa North, a.s.	100.00
Carpenter Invest, a.s.	100.00	Marissa Omega, a.s.	100.00
CB Property Development, a.s.	100.00	Marissa Omikrón, a.s.	100.00
Conradian, a.s.	100.00	Marissa Sigma, a.s.	100.00
COPA Centrum Národní, s.r.o.	50.00	Marissa South, a.s.	100.00
CPI - Bor, a.s.	100.00	Marissa Tau, a.s.	100.00
CPI - Facility, a.s.	100.00	Marissa Théta, a.s.	100.00
CPI - Krásné Březno, a.s.	99.96	Marissa West, a.s.	100.00
CPI - Land Development, a.s.	100.00	Marissa Yellow, a.s.	100.00
CPI - Orlová, a.s.	100.00	Marissa Ypsilon, a.s.	100.00
CPI - Real Estate, a.s.	100.00	Marissa, a.s.	100.00
CPI - Štupartská, a.s.	100.00	MB Property Development, a.s.	100.00
CPI - Zbraslav, a.s.	100.00	Modřanská Property, a.s.	100.00
CPI Alfa, a.s.	100.00	MUXUM, a.s.	100.00
CPI Beta, a.s.	100.00	Nymburk Property Development, a.s.	100.00
CPI BYTY, a.s.	100.00	OC Nová Zdobůř, a.s.	100.00
CPI City Center ÚL, a.s.	100.00	Olomouc City Center, a.s.	100.00
CPI Delta, a.s.	100.00	Olomouc Office, a.s.	100.00
CPI East, s.r.o.	100.00	Prague Property Development, s.r.o.	100.00
CPI Heli, s.r.o.	100.00	Příbor Property Development, s.r.o.	100.00
CPI Hotels Properties, a.s.	100.00	Příkopy Property Development, a.s.	100.00
CPI Jihlava Shopping, a.s.	100.00	RK Building, s.r.o.	100.00
CPI Management, s.r.o.	100.00	Strakonice Property Development, a.s.	100.00
CPI Park Mlýnec, a.s.	100.00	Svitavy Property Alfa, a.s.	100.00
CPI Park Žďárek, a.s.	99.96	Svitavy Property Development, a.s.	100.00
CPI Property, s.r.o.	100.00	T.Land, a.s.	100.00
CPI Reality, a.s.	100.00	Telč Property Development, a.s.	100.00
CPI Retails ONE, a.s.	100.00	Trutnov Property Development, a.s.	100.00
CPI Retails TWO, a.s.	100.00	Třinec Property Development, a.s.	100.00
CPI Services, a.s.	100.00	Týniště Property Development, s.r.o.	100.00
CPI Shopping MB, a.s.	100.00	U Svatého Michala, a.s.	100.00
CPI Shopping Teplice, a.s.	100.00	Vigano, a.s.	100.00
CPI West, s.r.o.	100.00	VM Property Development, a.s.	100.00
Český Těšín Property Development, a.s.	100.00	VT Alfa, a.s.	100.00
Družstvo Land	99.96	VT Holding, a.s.	100.00
EDELWEISS Development s.r.o.	100.00	Vyškov Property Development, a.s.	100.00
Farhan, a.s.	100.00	Žďár Property Development, a.s.	100.00
FL Property Development, a.s.	100.00	Ždírec Property Development, a.s.	100.00
Horova Immo s.r.o.	100.00		



Companies controlled by Czech Property Investments, a.s. – Slovakia	Ownership interest %	Companies controlled by Czech Property Investments, a.s. – Slovakia	Ownership interest %
CPI Facility Slovakia, a.s.	100.00	Michalovce Property Development, a.s.	100.00
CPI Retails FIVE, a.s.	100.00	NERONTA, a.s.	100.00
CPI Retails FOUR, a.s.	100.00	Považská Bystrica Property Development, a.s.	100.00
CPI Retails THREE, a.s.	100.00	Prievidza Property Development, a.s.	100.00
Čadca Property Development, s.r.o.	100.00	Ružomberok Property Development, a.s.	100.00
ELAMOR, a.s.	100.00	Trebišov Property Development, s.r.o.	100.00
Komárno Property Development, a.s.	100.00	Zvolen Property Development, a.s.	100.00
Liptovský Mikuláš Property Development, a.s.	100.00		

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

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

Companies controlled by Czech Property Investments, a.s. – France	Ownership interest %
CPI FRANCE	100.00

Companies controlled by Czech Property Investments, a.s. – Cyprus	Ownership interest %
SHEMAR INVESTMENTS LIMITED	100.00

No public bid for the takeover of CPI shares was made in 2012. CPI did not make any public bids for takeover of shares of other companies and its business was not interrupted. CPI was not involved in any judicial, administrative or arbitration proceedings which could have had a significant impact on its financial situation. CPI is not a party to any contracts that will take effect, be changed or terminated in the event of a change in the control of the Company due to a takeover bid.

The Company did not enter into any contracts with members of the Board of Directors or employees, based on which it would be bound to provide consideration in the event of the termination of their office or employment in connection to a takeover bid.

CPI 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.

## CORPORATE GOVERNANCE

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

### Principles

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interest and serves as an important tool to build corporate culture. The CPI Group is dedicated in acting in the best interest of its stakeholders. The CPI Group is committed to continually and progressively implement industry best practice with respect to corporate governance and has been adjusting and improving its internal practices in order to meet evolving standards.

### General Meeting of CPI

In accordance with the Articles of Incorporation, 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 the 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:

- decision to change the Articles of Incorporation, unless the change is caused by an increase in the share capital by the Board of Directors or unless it is a change made on the basis of other legal matters;
- decision to increase the share capital or to authorize the Board of Directors in this matter in accordance with Article 41 of the Articles of Incorporation of CPI, or on the possibility of offsetting a monetary receivable owed to CPI against a receivable arising from emission rate repayment;
- decision to increase the share capital and to issue bonds in accordance with § 160 of the Act No. 513/1991 Coll., as amended (hereinafter referred to as the “Commercial Code”);
- election and removal of members of the Board of Directors;
- election and removal of members of the Supervisory Board with the exception of members of the Supervisory Board elected and removed by employees;
- approval of the ordinary and extraordinary financial statements and consolidated financial statements and also interim financial statements in cases specified by law, deciding on the profit distribution or loss settlement or the determination of profit sharing;
- decision on the remuneration awarded to the members of the Board of Directors and the Supervisory Board;
- decision to quote participating securities of the Company in accordance with a special law and to cancel their exclusion from trading in the official market;
- decision to dissolve the Company through insolvency, appointment and removal of a liquidator, including the determination of his/her remuneration, approval of the proposed distribution of the liquidation balance;
- decision on a merger, transfer of assets to a single shareholder or a division, or a change in the legal form;
- approval of contracts listed in § 67a of the Commercial Code or suspension of the business;
- approval of actions undertaken on behalf of the Company before its formation under § 64 of the Commercial Code;

- approval of the control agreement and the contract on profit transfer and a silent partnership agreement and their changes;
- decisions on other issues which the Commercial Code or the Article of Incorporation include in the powers of the General Meeting.

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 § 186 (1) of the Commercial Code by the majority of present shareholders, unless the law or the Articles of Incorporation of CPI require another majority. In matters according to § 186 (2) of the Commercial Code, the law requires a two-third majority of present shareholders. In matters according to § 186 (3) of the Commercial Code, 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 § 186 (4) of the Commercial Code. The consent of all shareholders, whose shares are supposed to be reverse split, is required according to § 186 (5) of the Commercial Code 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 Incorporation.

## 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.

### Members of the Supervisory Board of CPI as of 31 December 2012:

**Radan Kamenický**, member of the Supervisory Board since 28 December 2005.

**Pavel Semrád**, member of the Supervisory Board since 12 February 2010.

**Vladimír Šup**, member of the Supervisory Board since 12 February 2010.

Mr. Radan Kamenický is employed as a project manager within the CPI Group and is responsible above all for the management of retail development projects. Mr. Pavel Semrád holds the position of Director of asset management of the CPI Group. The work address of these 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 Incorporation 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 Incorporation to the General Meeting;
- to submit the ordinary, extraordinary, consolidated and interim 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 § 210 of the Commercial Code.

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 Incorporation of CPI.

### Members of the Board of Directors of CPI as of 31 December 2012:

**Radovan Víték**, Chairman of the Board of Directors since 30 November 2011.

**Marek Stubleý**, Vice Chairman of the Board of Directors since 30 November 2011.

**Marie Vítková**, member of the Board of Directors since 30 November 2011.



## Management of CPI Group

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



Members of the CPI Group top management who are persons with executive powers:

### **Zdeněk Havelka**

Chief Executive Officer

Mr Havelka graduated from the Faculty of Agriculture, University of South Bohemia in České Budějovice. He has worked in the CPI Group since 2002 as an individual accountant and subsequently as the Chief Financial Officer. In 2005, he was appointed as the Chief Executive Officer. The direct subordinates of the Chief Executive Officer are: Director of Internal Audit, Directors of Development, Asset Management, Acquisitions, Property Management and Chief Operating Officer.

### **Robert Schejbal**

Director of Internal Audit

Mr Schejbal graduated with a degree in Automated Management Technology at the Technical University in Ostrava. As the head auditor, he managed IT audit departments in Union banka, Eurotel and Komerční banka for more than eleven years. He gained national and international experience primarily in management of development and IT architecture and in audit in the banking sector. In the CPI Group, he has been in charge of IT projects and internal audit of the Group including internal processes since September 2011.

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### **Martin Němeček**

Director of Acquisitions

Mr Němeček graduated from the Faculty of Law, Charles University in Prague and the University of Economics in Prague. He has worked in the CPI Group since June 2011 and he is in charge of the Group's real estate acquisitions. At the same time, he manages the department of external financing and the legal department, which provides support to the acquisition team, and to the department of development and asset management.

### **Igor Klajmon**

Director of Development

Mr Klajmon graduated from the Technical University in Brno, he studied at the Mackenzie University in Sao Paulo (Brazil) and the London Business School (UK). He has many years of experience from his involvement in extensive commercial and residential projects in Central Europe, Great Britain and Brazil for companies such as Avestus Real Estate or Bovis Lend Lease. He has worked for the CPI Group since February 2012.

### **Pavel Semrád**

Director of Asset Management

Mr Semrád graduated from the Faculty of Finance and Accounting, University of Economics in Prague. From 2002, he worked in the Group as a project manager; in 2005 he was appointed as the Director of Development and subsequently also Property Management. Currently, he leads a team of asset managers and letting managers responsible for letting and administration of commercial property.

### **Martin Stibor**

Director of Property Management

Mr Stibor graduated from the Technical University in Brno. Before joining the CPI Group, he worked for ten years as a member of top management of EMCM, s.r.o. In the CPI Group, he has been in charge of the technical, administrative and operating management of all real estate in the Group's portfolio since 2010.

### **Jiří Dederá**

Chief Operating Officer

Mr Dederá graduated from the Technical University in Brno, Faculty of Civil Engineering. He worked e.g. in advisory companies Deloitte and PricewaterhouseCoopers in the Czech Republic and USA. In the CPI Group, he has been in charge of managing the CPI Group's supporting departments, particularly the financial, HR, IT, PR & Marketing and divisional management departments since August 2011.

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 the CPI Group. The General Meeting of CPI decides on the remuneration of members of the Supervisory Board and the Board of Directors according to § 187 (1g) of the Act No. 513/1991 Coll., Commercial Code, as amended. The Board of Directors decides on the salary of the Chief Executive Officer as a member of the CPI Group's Management. The Chief Executive Officer decides on the salaries of other members of Management.

Body	Salaries in 2012 (TCZK)	
	CPI	Other companies of the CPI Group
Board of Directors	0	2,279
Supervisory Board	0	5,164
Management	0	32,803

Members of the Supervisory Board, members of the Board of Directors and members of Management of the CPI Group did not have any other monetary or non-monetary income in 2012 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 the 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 2012 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 the 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 the CPI Group are not subject of any conflicts of interest.

## Internal Control System and Risk Report

The internal accounting guidelines of the 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 the 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 the 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 the CPI Group.

The internal control system of the 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 twice a year (an interim review and an audit for the current reporting period). Results of external audits are presented to the Board of Directors and the Supervisory Board of the CPI Group, which charges the Management of the CPI Group with drawing conclusions and taking follow-up steps.

As of 31 December 2012, the 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. The 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 the 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.

The 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 the CPI Group due to unexpected changes in the underlying market parameters, such as exchange rates or interest rates.

#### **Currency risk**

The 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 2012, the CPI group was exposed to the following risks arising from its business activities:

### **The risk of competition**

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



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

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

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

The 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 the CPI Group on rental properties**

Due to the fact that the 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 the CPI Group. If there was a substantial loss of tenants, this fact could adversely affect the economic and financial situation of the CPI 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 the 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**

The 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 CPI Group. A significant part of the CPI 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. 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 the CPI Group on the degree of indebtedness of its target tenant groups**

To a certain extent, the 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 CPI 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 area may lead to a significant reduction in interest in rental housing. The increased preference to own rather than rent an 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 Company, the CPI Group 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**

The CPI Group has entered into property insurance of its major assets. However, the CPI 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 the 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 in respect to the development project might have an impact on the future ability of the CPI Group to sale or rent finished real estate.

## **Corporate Governance Code**

CPI and the CPI Group have not adopted any binding code of corporate governance. CPI complies with all provisions of the Commercial Code 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 the CPI Group regularly report on all significant matters affecting their business.

The reason, why the 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.

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Neither CPI, nor other companies within the 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 the 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.

## ECONOMIC DEVELOPMENT IN THE MAIN COUNTRIES OF CPI GROUP OPERATIONS

### Czech Republic

The following macroeconomics data and description were published by the Czech Statistical Office in March 2013 (unless otherwise stated).

Indicator	Period	Forecast 2012	Forecast 2013*
GDP (Gross domestic product)	2012	-1.1%	0.1%
CPI (Consumer price index)	2012	3.3%	2.1%
ILO Unemployment rate	4Q 2012	7.2%	7.3%

\* Source: Ministry of Finance of the Czech Republic

In the Q4 2012 the gross domestic product adjusted for price, seasonal, and calendar effects decreased by 1.7%, year-on-year, and by 0.2%, quarter-on-quarter, according to the preliminary estimate. In the total for 2012, the GDP was by 1.1% lower than in 2011; the y-o-y decrease was gradually deepening during the year. The y-o-y and q-o-q development was negatively influenced, the same as during the entire year, by construction, which pays for low investment activity of the business enterprise as well as the general government sector. Moreover, the decrease in the Q4 was significantly contributed to also by manufacturing and within that it was especially manufacture of transport equipment. Worse results than in the Q4 2011 were recorded also by agriculture and business services. On the contrary, a positive influence on the GDP development came from the increase in the excise tax on tobacco products as a result of stocking up related to the increase of the tax rate in 2013.

Inflation rate, i.e. the increase in the average consumer price index in the twelve months to December 2012 compared with the average CPI in the previous twelve months, stood at 3.3% in December, which is by 1.4 percentage points more than in 2011, which is the highest value for the last four years.

Consumer prices in December increased by 0.1% compared with November. This development came primarily from a price rise in 'food and non-alcoholic beverages'. The year-on-year rise in consumer prices decelerated to 2.4% in December (2.7% in November).

The general unemployment rate according to the ILO (International Labour Organization) definition (in the age group 15-64 years) attained 7.2% in Q4 2012, which was by 0.7 p.p. higher than a year ago.

The different survey methodology led to a discrepancy between the general unemployment rate (ILO) and the registered unemployment rate by the Ministry of Labour and Social Affairs of the Czech Republic (MLSA CR). The development trend was similar in both the rates. The registered unemployment rate by the MLSA CR reached 8.7% in Q4 2012; that was by 0.6 percentage point higher than a year ago.

In December, sales in retail trade including the automotive segment after seasonal adjustment increased by 1.3% at constant prices, month-on-month. For the entire year 2012, sales in retail trade including the automotive segment decreased at constant prices by 1.1%, y-o-y. Most of the measured assortment types of stores contributed to the drop, the most it was retail sale of other household equipment in specialised stores (drop by 7.5%) and food in non-specialised stores (drop by 2.7%). Sale of food in specialised stores also decreased (-10.7%). Sales were growing only in retail sale via mail order houses or via Internet (+6.9%) and sale of clothing and footwear in specialised stores (+6.6%).

## Slovakia

The following macroeconomics data and description were published by the Statistical Office of the Slovak Republic in April 2013 (unless otherwise stated).

In the 4Q, similarly to the previous quarters, the economic growth was affected exclusively by the growth of the foreign demand. Export of goods and services increased by 7.1 %, year-on-year, which constituted by 2.9 p.p. more than the increase in imports of goods and services. Domestic demand deepened its year-on-year decline by 1.1 p.p. to 1.9% as a result of reducing almost in all of its expenditure components. Production of gross capital recorded the deepest a year-on-year decline by 5.8% and production of gross fixed capital decreased by 5%. Final consumption of households was also lower by 1.2% and final consumption of public administration by 0.3%. Final consumption of non-profit associations for households remained at the last year's level.

In December 2012 compared with November 2012 consumer prices decreased by 0.1% in total. Prices decreased in the divisions: transport by 0.8%, alcoholic beverages and tobacco by 0.2%, clothing and footwear by 0.1%. Prices for housing, water, electricity, gas and other fuels, hotels, cafés and restaurants increased equally by 0.1%. Prices remained at the level of November 2012 in the divisions: food and non-alcoholic beverages; furnishings, household equipment and routine household maintenance; health; postal and telecommunication services; recreation and culture; education; miscellaneous goods and services.

According to the Labour Force Sample Survey, unemployment increased by 3.1%, year-on-year, in the 4Q. Compared with previous two quarters, its growth moderated. The unemployment rate increased by 0.4 p.p. to 14.4%, year-on-year.

## THE PROPERTY MARKETS IN THE REGIONS OF CPI GROUP OPERATIONS

### Czech Republic

#### Retail Market in the Czech Republic

The following data and description for retail market in the Czech Republic are based on a report published by DTZ, a UGL company (unless otherwise stated).

Total modern shopping centre space in the Czech Republic exceeded 3 million sq. m. New supply in Q4 reached 64,350 sq. m, significantly more than in the last two quarters. Major new completions included OC Krkonošská (22,000 sq. m) completed by CPI Group. Total annual supply in 2012 reached 141,000 sq. m. This is 2.5 times more than in 2011, but still 38% below the 10-year annual average.

Czech retail market is dominated by mid-sized traditional shopping centres accounting for ca. 69% of stock by type in sq. m, followed by retail parks (26% of stock by type in sq. m).

There are still new retailers entering the Czech market – Butlers home accessories, the UK sports retailer SportsDirect, a new chain of wine stores WinePoint, Rogz pet centre, Bobbi Brown cosmetics, ComicsPoint, MojeKredenc deli store, etc.

Prime high street rents in Prague on Na Příkopě remain stable at around EUR 170 per sq. m per month. Prime shopping centre rents in Prague for a unit of 50-100 sq. m range between EUR 70 and 80 per sq. m per month (depending on the particular centre, type of the tenant, size and location of the unit within the centre). In retail parks prime space for units of around 1,000 sq. m range between EUR 12-15 per sq. m per month in Prague and EUR 6.5-12 per sq. m in the regions.

## Office Market in the Czech Republic

According to the report published by Cushman & Wakefield LLP, office investment declined slightly over the 4Q 2012, with just under EUR 100 million transacted falling short of the higher figures witnessed earlier in the year. Nevertheless, Q4's solid figure helped 2012's total office to surpass that of 2011, indicating a steady appetite for Czech office assets. Healthy activity levels helped to keep yields stable across Prague and Brno.

The following data and description for Prague's office market are based on a report published by DTZ, a UGL company. Total office stock in Prague reached almost 2.9 million sq. m in Q4 2012, made up of 70% A class and 30% B class properties. New supply reached 18,400 sq. m in Q4 2012, total annual supply reached 98,100 sq. m, 2% less than the previous year. Annual net take-up amounted to 148,800 sq. m, 30% less than in 2011. The vacancy rate for Prague's office market increased slightly in Q4 2012 to 12% from 11.8% in Q3. Prime headline rents in the city centre remained stable during Q4 2012 at EUR 20-21 per sq. m per month. Rents remained at EUR 15-17.50 in the inner city and at EUR 13-14.50 in the outer city.

## Hospitality Market in the Czech Republic

The Czech hotel market shows a slight increase, which is mainly in the capital city and in selected regions. According to the Czech Statistical Office, 7 million foreign visitors came to the country in 2012, which is a 6.8% increase compared to the previous year. The number of overnight stays increased by 5.8%. Most foreign tourists came to Prague and amounted to almost 5.4 million. Domestic guests in accommodation establishments came out to about 4.7% (nearly 6.5 million) and spent about 1.1% more nights. Domestic guests, however, clearly preferred other regions than Prague. Most guests were accommodated in lower hotel categories and four-star hotels.

Traditionally, the largest group of visitors to the Czech Republic are Germans, followed by Russians and Slovaks. The largest recorded annual increase is from Russian guests, which represents 25% increase compared to 2011. In 2012, a slight increase in traffic was seen in the regions. The largest increase was seen in the total number of overnight stays in the South Bohemian Region (+9.1%).

Year 2012 has shown that the average length of longer term overnight stays has shortened. Domestic and foreign guests generally spent an average of 2.9 nights in collective accommodation establishments.

## Residential Market in the Czech Republic

The residential market in the Czech Republic was influenced by the following events in the past years. The EU accession of most countries in the region in 2004/2007 caused confidence in both domestic and foreign demand, and determined banks' lending attitudes – leading to the housing boom. As early as May 2007, the subprime crisis had its first impact on the CEE markets – outflow of foreign investment capital. Starting in October 2008, the credit crunch started to affect the region – drawback of domestic demand. Finally, limited recovery of residential sector started after September 2010.

The rental housing segment was also influenced by state rent regulation that was partially released by the adoption of Act No. 107/2006 Coll. on unilateral apartment rent increases. State authorities accepted requirements of property owners and established rules and rates, which had gradually increased a regulated rent in period of four years. The process of deregulation finally ended on 31 December 2011 in all cities and municipalities with the exception of cities with over 100,000 inhabitants and Central Bohemian region, where the regulation ended on 31 December 2012. Thereafter rent for all apartments should be determined solely based on market conditions.

On the basis of HB Index, the average market price of flats decreased slightly by 1.3 percentage points during the 4th quarter of 2012. The INDEX HB for flats reached value of 93.6 as of 31 December 2012. The Index HB is regularly presented by Hypoteční banka, a. s. and is based on realistic estimates of market prices of real estates. The 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. The year 2012 was



a year of very stable property prices and historically low interest rates. In December 2012, the average interest rate was 3.17%, which is the lowest level since the creation of the mortgage market in the Czech Republic in 1995.

### **Industry and Logistic Market in the Czech Republic**

The following data and description for industrial market in the Czech Republic are based on a report published by DTZ, a UGL company (unless otherwise stated).

Total stock of modern developer-led logistics and industrial space exceeded 4.1 million sq. m in Q4 2012. New supply reached 40,300 sq. m, annual new supply totalled 212,600 sq. m, 12% less than in 2011. Annual net take-up reached to 582,700 sq. m, 25% more than in 2011. The vacancy rate decreased in Q4 2012 to 6.9% from 7.9% recorded in Q3 2012. Prime headline rents for modern logistics space have remained flat at EUR 3.6-4.3 per sq. m per month.

## **Slovakia**

The following data and description for markets in Slovakia are based on a report published by Colliers Slovakia (unless otherwise stated).

### **Retail Market in Slovakia**

During 2012, there were several new retail projects opened across Slovakia, offering an additional 20,000 sq. m in Banská Bystrica and Zvolen. An additional 55,000 sq. m was added to the Bratislava market. Cautiousness dominated market behaviour in 2012, as retailers continued to reconsider the number of retail units in their ranks which the market can sustain.

There is approximately 1.2 million sq. m of shopping centre space in Slovakia, out of which 43% is located within the Bratislava market. Retail supply in Bratislava reached 525,000 sq. m at the end of 2012. Nearly 55,000 sq. m of new retail space was delivered to the Bratislava market last year. A limited number of new shopping centres came to regional cities in 2012.

Retail tenants continue to consolidate their business by decreasing the number of unprofitable retail units in less attractive locations whilst focussing on successful projects with high foot fall in prime locations.

Throughout the year, rental rates in attractive shopping centres and high street locations have remained stable, however rents in less attractive centres decreased slightly. Average high street rents in Bratislava stand at EUR 35 per sq. m per month and average rents in shopping centres account for EUR 32 per sq. m per month.

### **Industry and Logistic Market in Slovakia**

The total supply of industrial space in Slovakia amounted to 1.186 million sq. m at the end of 2012. Approximately 134,000 sq. m was delivered to the market, more than 90% of which was located in the Bratislava Region. This represented almost 90,000 sq. m more of new industrial supply in the country in comparison to 2011. There is currently 16,500 sq. m under construction with completion planned for 2013.

Total gross take-up in 2012 reached 225,200 sq. m, which was almost 9% more compared to the previous year. Despite this, the vacancy rate in Slovakia rose gradually over the year from 3.9% at the beginning of 2012 to 8.5% at the end of 2012, due to the delivery of new developments in the market.


Headline rents for logistics premises range from EUR 3.6 per sq. m per month to EUR 4.5 per sq. m per month. Headline rents for office space in industrial halls range from EUR 8.0 per sq. m per month to EUR 8.5 per sq. m per month.

## OUR PORTFOLIO

The CPI Group is a real estate group concentrating on purchasing, construction, management and lease of commercial real estate mainly in the Czech Republic and Slovakia. It focuses on these activities in five main sectors: retail, offices, hotels, residential and logistics. A separate reporting area is formed by so-called multipurpose properties that combine multiple functions, and a land bank. The various focus of properties and their number increased significantly in the last three years, mainly due to acquisitions. The ratio of individual segments represented in the Group's portfolio changed markedly compared to previous years.

### CPI RETAIL ASSETS

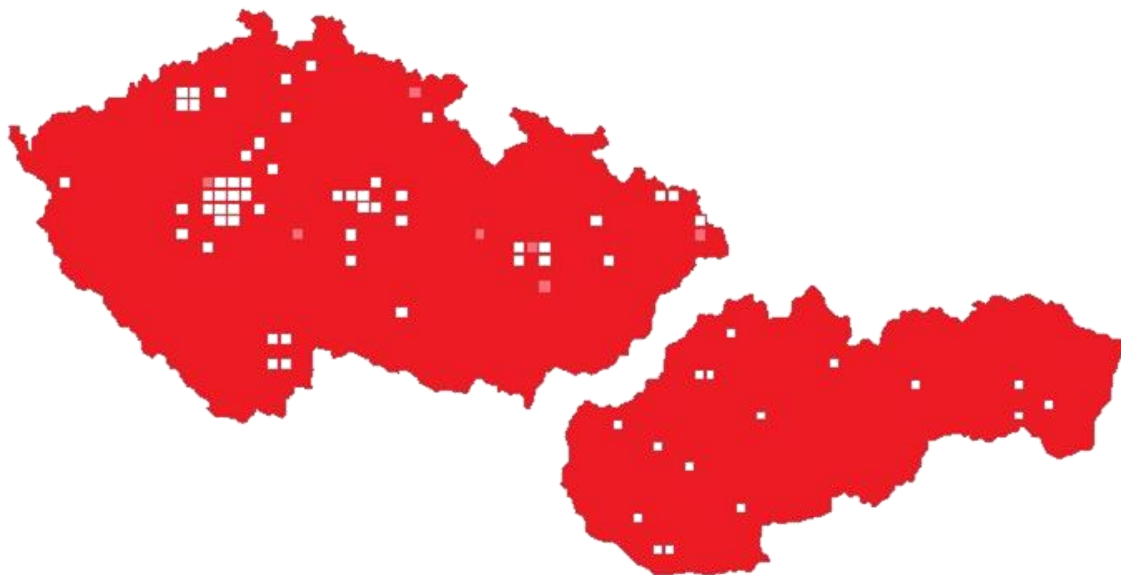
Key Figures – 2012

<b>96.71</b> %	<b>175</b> 
occupancy	number of properties
<b>1,217 million</b> CZK	<b>17,153 million</b> CZK
annual rental income	investment property
<b>499 thousand</b> sqm	<b>7.25</b> %
rentable space	gross return

In the portfolio of the CPI Group, retail historically represents a very stable segment which is flexible enough to adapt to market conditions and economic changes without substantial losses. The CPI Group concentrates on mid-sized shopping areas as retail parks and supermarkets with long-term contracts which generate permanent income and opportunities for future development of the area. Retail properties of the CPI Group are characterised by great diversity, both in the physical form as well as in their geographical distribution over the Czech and Slovak Republics. The Group is dedicated to carrying out its own construction as well as acquisitions and further development of existing area. Cooperation with tenants while planning expansion is also crucial. The Group currently owns and manages about 500,000 sq. m of retail space in the Czech Republic and Slovakia and conditionally maintains high occupancy (97% in 2012). For internal asset management, the portfolio is further divided into following subcategories:

- Separate business units (usually part of office and multipurpose complexes);
- Retail warehouse (supermarkets, hypermarkets, hobby markets and retail parks);
- Shopping centres and galleries;
- So-called special properties (separate units and establishments, usually B class).

## CURRENT RETAIL PORTFOLIO



A large share in the 2012 expansion of the real estate portfolio may be credited to new real estates in retail, acquired as well as constructed.

The acquisitions include properties of nine supermarkets located in nine towns and cities across the Czech Republic: Dobříš, Holešov, Holice, Jablonec nad Nisou, Liberec, Říčany, Semily, Tanvald, and Turnov. The total leasable area of these properties reached 10 900 sq. m. . The portfolio was refinanced by the first project bond emission in the Czech Republic. These bonds were issued in the last quarter of 2012 and the emission of CZK 279 million was extremely successful and sold out in a few hours.

New development is represented by **retail parks in Beroun and Trutnov**, from which the largest is situated in the Trutnov commercial zone and covers 22,000 sq. m. Other spaces of 1,100 sq. m are currently in completion in Olomouc in the CPI City Centre multifunctional project (to be completed in May 2013). The largest current retail project is the **QUADRIO multifunctional business complex** which is located in the city centre of Prague and includes a four floor shopping mall, Grade A office space, a residential house with luxury flats and a green plaza. The shopping centre will have a total area of 8,500 sq. m and consists of two underground and two overground floors. The gallery already claimed 70% occupancy at the beginning of 2013. Current tenants include brands such as Promod, Calzedonia, Neoluxor Bookstore, Tchibo, CCC shoes, Sephora Perfume and Cosmetic Store, Tescoma, Sparky's Toy Store, Le Chocolat, Thomas Cook Travel Agency, DM Drugstore, Nanu Nana Accessories, iStyle, Sony Center, and more. Part of the shopping halls will be in the underground 2 floor of the complex leading to and from the busy Narodni trida line B underground station and shopping halls located on the 3rd floor will be connected to Tesco's MY Department Store. Completion is scheduled for autumn 2014.



QUADRIO business complex (COPA Centrum Národní, s.r.o.)

Rent revenues are growing. New assets, as well as renegotiated contracts, also contributed to the increase of revenues in 2012, when the rental income increased from CZK 769 million in 2011 to CZK 1.2 billion in 2012.

Positive results were primarily due to asset management, both in the category of shopping centres, as well as retail warehouse and special assets. The focus was primarily on three basic tasks; the extension of existing contracts of major tenants or the lease of vacant space, adjustment of the tenant mix for current trends and local demand, and the management of the centre itself.

Contracts were extended at the Olympia Teplice Shopping Centre with key tenants such as ASKO, C&A, Deichmann, New Yorker, Blazek and others. Moreover, the tenant mix was improved with the acquisition of new brands such as the Eiffel Optic, Planeo Electro, Time Out, Hannah, Tally Weijl and more.

Olympia City Mladá Boleslav is a very successful centre. Year 2012 was characterized primarily by the fit outs and modernization of existing retail units, attracting new tenants and improving the tenant mix, such as the shops Manufaktura, Blaha Bakery and Confectionery or Orion.

IGY Centre České Budějovice is the same as Olympia Mladá Boleslav due to demand outstripping available space. It has mainly had a long-term focus on the tenant mix. New brands in the centre include Dráčik, Pet Shop, Nanu Nana, Fotolab, Apple Store, Firo Tour, and others. The Centre has managed to increase its annual turnover compared to 2011.

The results of City Park Jihlava confirm their position as the dominant centre in the Vysočina region. Permanent interest and demand are maintained for its rental space. In 2012, the centre reported an increase in occupancy and sales. In 2013, the Group expects the prolongation of a series of leases and also some new things, such as the city's five-year anniversary.


A number of centres have also prepared for the arrival of other tenants, whose stores will be open in 2013. All centres plan to increase occupancy, with some supporting this idea with further expansion. This future plan will primarily be pursued by Olympia Centre Mladá Boleslav and IGY České Budějovice. The Group is preparing a rebranding of the retail park portfolio which will actually include 22 assets.



Olympia Mladá Boleslav (CPI Shopping MB, a.s.)

## CPI OFFICE ASSETS

Key Figures – 2012

85.20 %	23 
occupancy	number of properties
646 million CZK	10,306 million CZK
annual rental income	investment property
196 thousand sqm	6.46 %
rentable space	gross return

Office space forms an important and relatively new part of investment and development activities of the CPI Group. The Group is represented in existing administrative buildings at prestigious addresses as well as with the designing and construction of its own office buildings in Prague and Czech regional cities. Development particularly includes multipurpose complexes with an administrative and business function, a convention centre, a hotel and adequate facilities.

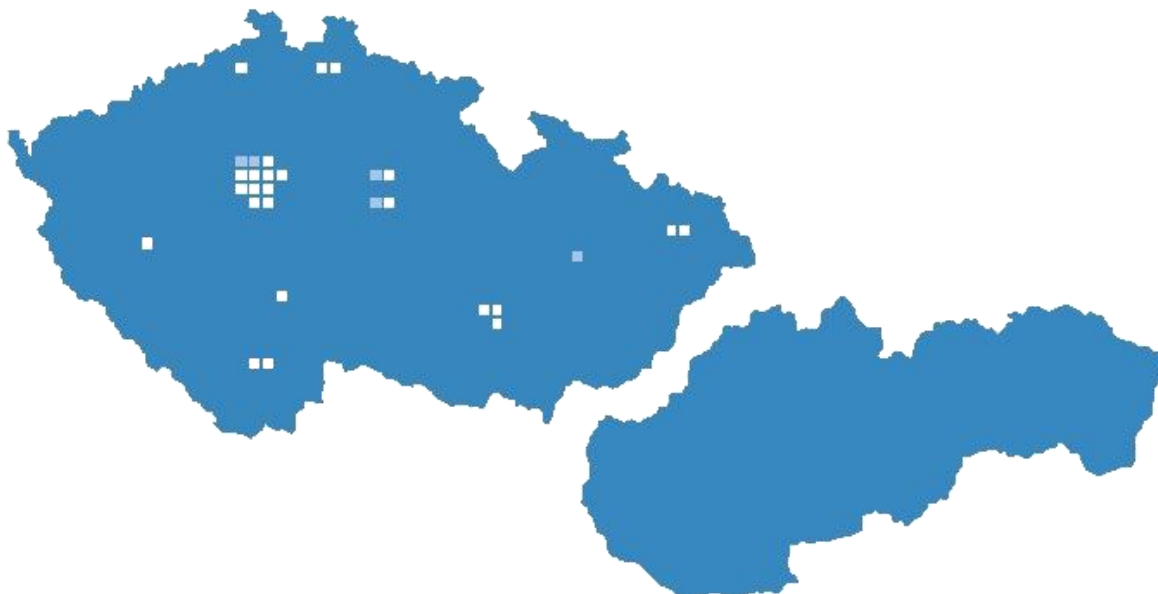
In 2012, CPI Group was active on Prague's office market as well as on regional markets (pursuant to the leasable area), where was successful in areas lease and started cooperation with significant local and international partners.

The second multipurpose project from the **CPI City Centre** brand is now being finished in **Olomouc**. The complex includes an administrative building with retail units, hotel and conventional centre for 1,200 people and is situated in the immediate vicinity of the Regional Authority building and the main railroad station area in the wider city centre. Type A offices have a total rentable area of 6,700 sq. m and can be adjusted to open space or separate offices, depending on tenant requirements. The major tenant is Raiffeisenbank which will occupy around 5,000 sq. m. The project completion is scheduled for April 2013, the hotel and congress spaces for August 2013.

A completely new dimension of a multifunctional project is the **QUADRIO business complex** in the city centre of Prague. Construction started in 2012 and currently represents one of the most important projects of the CPI Group with estimated costs of around CZK 3.3 billion. The project includes Grade A office space, a four floor shopping mall, a residential building with luxury flats and a plaza with greenery, benches, and garden restaurants. It rises up from the historical centre of Prague, right above the vestibule of the Národní třída "B" line underground station.

Exclusive offices with a total area of 16,400 square metres are located on the 3rd to 8th floor and give maximum efficiency to the work area, without wasted and unused space. State-of-the-art technology, along with the shape of the building and the efficiency of its spatial arrangement, significantly reduce the building's operating costs. This may ultimately be savings of up to 10 – 20% and is a reason why the QUADRIO office building aspires to obtain the LEED Silver certification for green operations. Project completion is forecasted for the fall of 2014.

## CURRENT OFFICE PORTFOLIO



CPI Group currently owns about 200,000 sq. m of office space in eleven cities in the Czech Republic. In two years, it plans completion of another 23,000 sq. m of office space in the Czech Republic. Offices have become a very important part of the CPI Group portfolio and a recent expansion from the capital to regional cities showed the potential for other investment activities.



Nestle Office (Modřanská Property, a.s.)

In 2012, the office sector focused primarily on the rental of vacant space for properties both in Prague and the areas surrounding Prague. The remaining free space in the Siemens building in Stodůlky (Prague) is occupied by Cemex, ANF Data and WincorNixdorf. New tenants also received the multifunctional complex CPI City Centre Usti nad Labem (ACS Xerox, Hypotecni Bank, COM Plus) and IGY Centre České Budějovice. IGY Centre has a new major tenant, UniCall, and expects 100 % occupancy in 2013.

Collaboration was extended in the Longin Business Centre with Marriott Hotels and the important tenant McKinsey.

The successful lease of space in the brand new CPI City Centre Olomouc development project before its completion has proven the quality of the project and the interest of businesses in the new modern premises in the region, which is also a great motivation for the coming years.



## CPI HOTEL ASSETS

Key Figures – 2012



Hotels and long-term accommodation form one of the oldest components of the CPI Group property portfolio. The Group is one of the largest Czech owners and developers of hotel and long-term accommodation. The hotel network currently amounts to 14 hotels in Prague and regional cities with a total capacity of 7,800 beds and nearly 7,000 conference seats. 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 star category. The flagship of the Group is a network of four-star Clarion hotels aimed at the corporate and congress clientele.

The existing and newly opened CPI Group hotels show that the Group offers cutting-edge facilities in this segment, and in conjunction with an experienced and quality operator, are easily able to compete within Prague and also outside of the capital.

### CURRENT HOTEL PORTFOLIO



In 2012, the CPI Group concentrated on reconstruction of three important hotels in the portfolio, improving the quality and standard of individual assets, and increasing the value of its assets in the long term.

The goal was to make the overall appearance of the accommodation facilities more modern, implement new technologies that will be reflected in the financial performance of the operations and the quality of provided services that will affect the layout and design of the interior in a whole new way. In many cases, the capacity of

conference facilities is increasing as it represents one of the most important competitive advantages of the future operator.

In February 2011, reconstruction began on the **Gomel Hotel** in České Budějovice, South Bohemia. The intention was to add a new look and higher quality technological equipment to this popular hotel with regional importance and to expand the conference capacity of the hotel thanks to a new layout. The building opened in April 2012 under a new name - **Clarion Congress Hotel České Budějovice**. The hotel offers 205 rooms and suites on seventeen floors. From the top floors, guests can appreciate the panoramic views of the South Bohemian metropolis surroundings. The total conventional capacity of the hotel is 650 seats.

The hotel has been honoured in the construction competition “Stavba roku 2012” by The Association of Building Entrepreneurs of the Czech Republic (ABE). In the prestigious developer competition “Best of Realty 2012”, it has been honoured with 1st prize in the Hotel category. The latest first prize, gained in the local architectural and construction competition PRESTA, was the Clarion Congress Hotel České Budějovice in the category of reconstructed and civil industry constructions.

The dismantling and subsequent reconstruction of the former **Sigma Hotel** in Olomouc near the train station and the Office of the Regional Authority began in September 2011. The CPI Group is implementing another multipurpose project there under the name **CPI City Centre**, the dominant feature of which will be the reconstructed **Clarion Congress Hotel Olomouc**. In addition to the modernisation of the entire hotel, a convention centre for a total of 1,400 people will be added to the facilities. The four-star hotel will be open to the public in the summer of 2013.




Clarion Congress Hotel Olomouc (Olomouc City Center, a.s.)

In 2011, the CPI Group purchased a hotel in Ostrava and decided to carry out a partial reconstruction. The reconstruction of the **Clarion Congress Hotel Ostrava** was carried out on one of the two hotel buildings with a total of 50 rooms, a restaurant and a wellness zone on 850 sq. m. Also in the case of the Clarion Hotel in Ostrava, a conference capacity will be extended to a total of 1,200 persons thanks to a newly built convention centre. Reconstruction started in autumn 2012 and will be completed in May 2013.

## CPI RESIDENTIAL ASSETS

Key Figures – 2012

<b>76.31</b> %	<b>12,713</b> 
occupancy	number of apartments
<b>467 million</b> CZK	<b>7,475 million</b> CZK
annual rental income	investment property
<b>774 thousand</b> sqm	<b>6.17</b> %
rentable space	gross return

Residential properties have been at the forefront of the CPI Group's interest for many years. The Group is an important player particularly in the field of residential housing where it is in the position of the second largest rental provider in the Czech Republic with more than 12,700 apartment units. The CPI Group can also boast about a number of successful development projects. Activities of the Group in this sector include reconstruction of historical buildings and construction of apartment and family houses mainly in Prague and Central Bohemia.

The core activity within the residence segment is rental housing. The existing housing stock of the CPI Group includes 12,713 rental flats in 15 cities of the Czech Republic concentrated mainly in the North Moravia, North Bohemia and Middle Bohemia regions under its subsidiary CPI BYTY, a.s. This company focuses on the operation and management of its rental housing portfolio.

The deregulation of rent for the past two years (2010 – 2012) had a significant impact on CPI BYTY, a.s. portfolios. The first wave of deregulated rents came at the end of 2010. Rent was gradually increased depending on the agreement between the landlord and tenant.

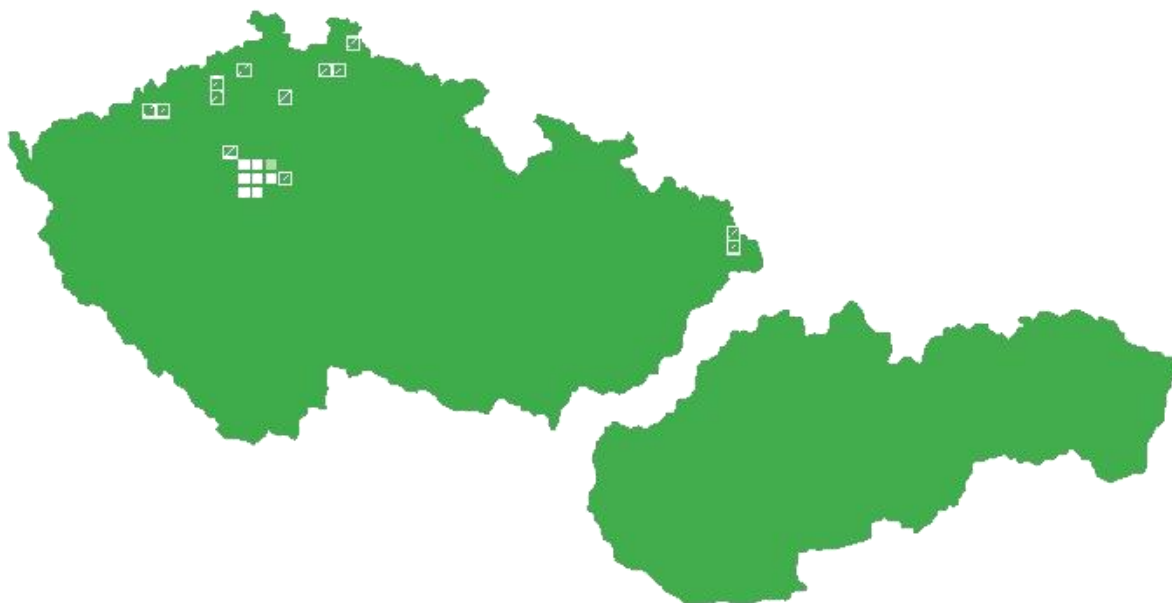


Rental house Litvínov (CPI BYTY, a.s.)

In 2010, CPI BYTY, a.s. embarked on a major revitalisation of its residential housing. This is expected to not only increase the value of the property itself, but also appreciate long-term leasing contracts and permanently increase flat occupancy, which significantly reached 76 % in 2012. It should be mentioned that a part of the unoccupied flats are located in vacant housing units which are experiencing extended periods of time for renovation or flats which are held without any intent to rent (e.g. in Litvínov - Janov). A very important trend is the positive balance in the number of flats rented and returned.

Real estate investments rise uniformly over the long-term and we can see this trend in increasing value of our own portfolios - CZK 6.8 billion in 2010, CZK 6.9 billion in 2011 and CZK 7.4 billion in 2012.

## CURRENT RENTAL HOUSING PORTFOLIO




Funding is not given just to improve the technical condition of the building, but also for the development of services that CPI BYTY provides its tenants.

CPI BYTY has created a network of Client Centres for selected regions that provide comprehensive security, information and technical service for concerned tenants. From 2012 this service is accompanied by Tenant Relations Officers who are involved in social arena consultations and personal assistance mainly to specific groups, such as single mothers, the handicapped or the elderly.

Apart from several new communication instruments, focused on tenants, CPI BYTY created a network of offices for each region named "Flat Rental Centre" which provides a complete agency for offering available flats, their leasing and meetings with interested parties. A massive campaign and a gradual change in the awareness of professionals and the public about rental housing contributed to the positive business numbers and increasing interest in rental flats.

## CPI INDUSTRY AND LOGISTICS ASSETS

Key Figures – 2012

<b>89.82</b> %	<b>13</b> 
occupancy	number of properties
<b>236 million</b> CZK	<b>3,045 million</b> CZK
rental income	investment property
<b>179 thousand</b> sqm	<b>9.37</b> %
rentable space	gross return

Logistics is the youngest sector in the history of the CPI Group. The CPI Group owns more than 170,000 sq. m of spaces used for light industrial production and storage and another 8,000,000 sq. m of land in attractive locations intended for the construction of new complexes.

In 2012, the CPI Group continued in expanding its logistics segment while acquiring seven medium-sized logistics halls in the Middle Bohemia region, close to Prague, particularly in Vestec, and Jažlovice Čestlice. The total leasable area exceeds 11,000 sq. m and includes tenants such as Mapei, Saint-Gobain, ABB or Michael Huber.



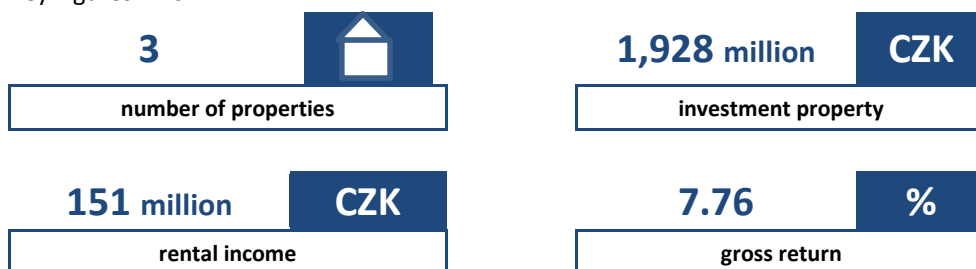
Continental Logistics Park (Brandýs Logistic, a.s.)

### CURRENT LOGISTICS & INDUSTRIAL PORTFOLIO



## CPI MIXTURE ASSETS

Key Figures – 2012



A few years ago, the CPI Group introduced another kind of real estate, which combines multiple functions and profit from the synergistic effects. This includes realisation and technologies, as in a complete package of services offered to tenants or clientele. Under their own brand - CPI City Centre - the Group develops multifunctional complexes in the centre of regional cities including offices, retail units, a congress hotel or residential house. The mixture of functions and synergy among offered services gives them the greatest competitive advantage.



CPI City Centre Ústí nad Labem (Hraničář, a.s.)

In 2011, the CPI Group completed the first of a series of multipurpose complexes such as **CPI City Centre in Ústí nad Labem**. The connection of offices, retail, hotel accommodation and conference facilities with their own parking and supporting service proved to be an attractive package. The weak interest of companies in leasing space during construction changed significantly during the last year. It is the multipurpose, modern environment and technical maturity that attracts local, national and international companies that value top-class spaces. These are usually in the capital city, and also

implemented in a project of regional significance.

The multipurpose project in Ústí nad Labem was followed by the reconstruction of the Sigma Hotel in Olomouc in 2011 which is complemented by the construction of an entirely new administrative set of 6 700 m<sup>2</sup> A-standard modern offices and 680 m<sup>2</sup> of retail areas. In the inner block an extensive congress centre will be established with a maximum capacity of 1 400 persons and flexible conference areas. **CPI City Centre Olomouc** further includes underground parking spaces and outdoor parking. The major tenant is Raiffeisenbank which occupies around 5,000 sq m. The project is expected to be completed in spring/summer 2013.

The **IGY Centre in České Budějovice** can also be presented as a multifunctional asset, as it uses the synergy of its commercial, administrative and relaxation functions. The IGY Centre includes a three-floor shopping mall comprised of 62 retail units, a fitness and wellness centre, and a convention centre with a variable hall with the capacity of up to 450 persons. IGY further includes 8,300 m<sup>2</sup> of office space in three buildings, five-storey above-ground garages with 387 parking spaces and 72 uncovered parking spaces on the roof of the shopping gallery.

Total leasable area of actual mixed places is almost 40,000 sq. m. In two years, the CPI Group will open the first multifunctional project in Prague. In mid-February of 2013, the Group purchased the remaining stake in the COPA Centrum Národní project and renamed it to the **QUADRIO administrative and shopping complex**.



Construction started in July 2012. QUADRIO is situated above the Národní třída “B” line underground station in the historical heart of Prague and includes 16,400 sq. m of office space, 8,500 sq. m of retail, 250 underground parking places and an exclusive residential house with 18 flats and new green square as a part of the complex. The completion of the complex is scheduled for autumn 2014.

The CPI Group sees multipurpose assets as a trend which can be advantageous for both, the investor and the tenants. The strategy is to develop similar projects in the future, develop actual assets or realise new construction on the brownfields or land which has been in the CPI Group portfolio for a longer time.

## CPI LAND BANK

Key Figures – 2012

<b>12.9 million</b>	<b>sqm</b>	<b>3,684 million</b>	<b>CZK</b>
total area		investment property	

In addition to its assets (such as buildings and development projects), the CPI Group has a rather extensive portfolio of land throughout the Czech Republic and Slovakia. The lots are often placed 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. One significant advantage for the Group’s cash-flow is the absence of bank loans on land. The use of loans is only a matter of strategic planning and demands of the Group within the area.

The most important properties in the Group’s portfolio include land in the Ustí nad Labem region which is adjacent to the emerging highway where multi-functional logistics facilities are planned to be built. The Group also counts with the potential of additional land which is adjacent to current commercial projects, such as hypermarkets and retail parks, which are expected to be further developed and complement the existing range of shops.

## CPI DEVELOPMENT

The CPI Group’s view development as a means of increasing the value of land or other assets by new construction, which will remain in the Group's portfolio and will be the subject of future rent.

The biggest attention is now devoted to the completion of current development projects which include mainly multipurpose projects such as the QUADRIO administrative and shopping complex in Prague, the CPI City



Palais Maeterlinck (CPI France)

Centre in Olomouc and the Clarion Congress Hotel in Ostrava. These projects are in detail described under the individual portfolios above.

The first foreign project of the CPI Group represents the resort Palais Maeterlinck on the Cote d'Azur in Nice, France. The Group plans to rebuild the apartment complex to luxury apartments and offer it for sale to individual customers.

Development of all above projects has commenced in 2012 and the latest completion is planned for summer 2014.

## PROPERTY VALUATION

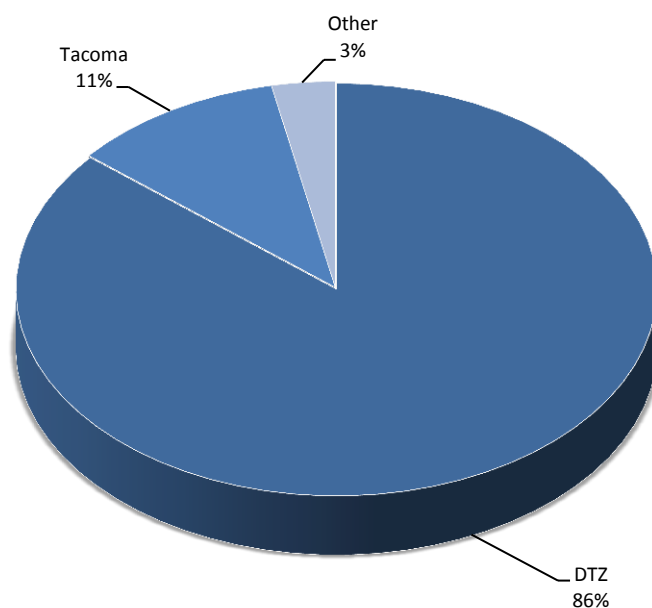
The financial statements of CPI and the CPI Group as of 31 December 2012 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union, which include the application of the fair value method. Since the Investment properties owned by CPI and the CPI Group must be stated at fair value (present value), the regular valuation of these properties by independent experts is recommended.

The property portfolio valuation is based on reports issued by:

- DTZ, a UGL company (further "DTZ"). DTZ and UGL Services are now united under a single global brand - DTZ, a UGL company. DTZ is a global leader in property services. The organization has 27,000 permanent employees and 47,000 co-workers, including contractors, operating in more than 208 offices in 52 countries. 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 sixth largest global network of professional firms RSM International. RSM International operates in 102 countries, has 702 branches and 32,500 professionals. TACOMA provides clients with services in the field of mergers & acquisitions, valuations, tax, trustee services, accounting and payroll;
- other valuers.

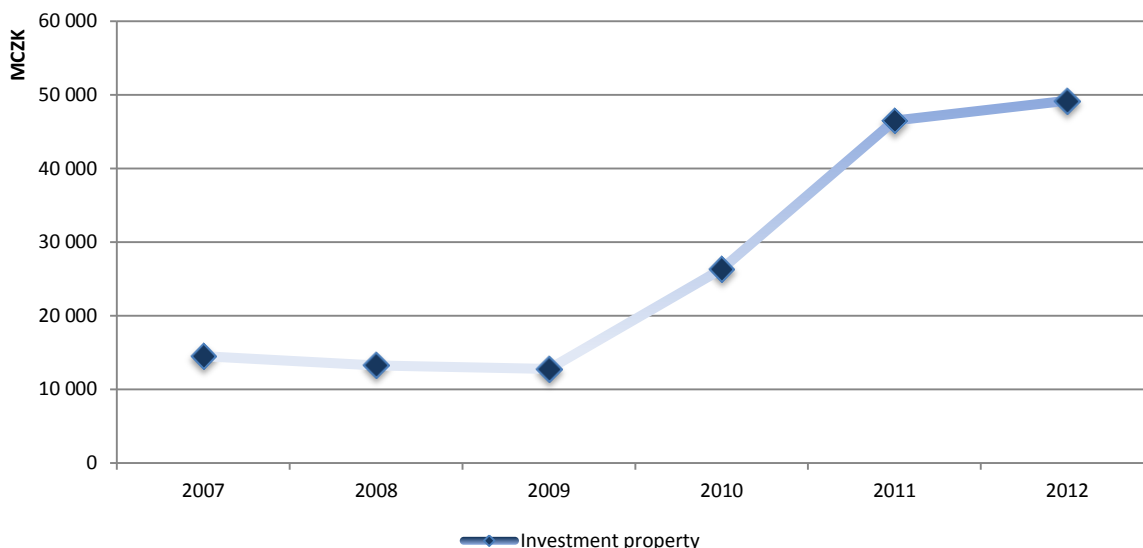
As shown in the graph below, the major part of the property portfolio as of 31 December 2012 was valued by DTZ.

Chart 1 Investment Property 2012



The following graph shows development in the value of the investment property of the CPI Group over last 5 years:

Chart 2 Investment property value 2007 - 2012



\* Values above do not include property developed for future sale (primarily residential projects), which are disclosed as Trading Property - Inventory

Investment property value has rocketed since 2010 as a result of new acquisitions the CPI Group has made in the last 3 years.

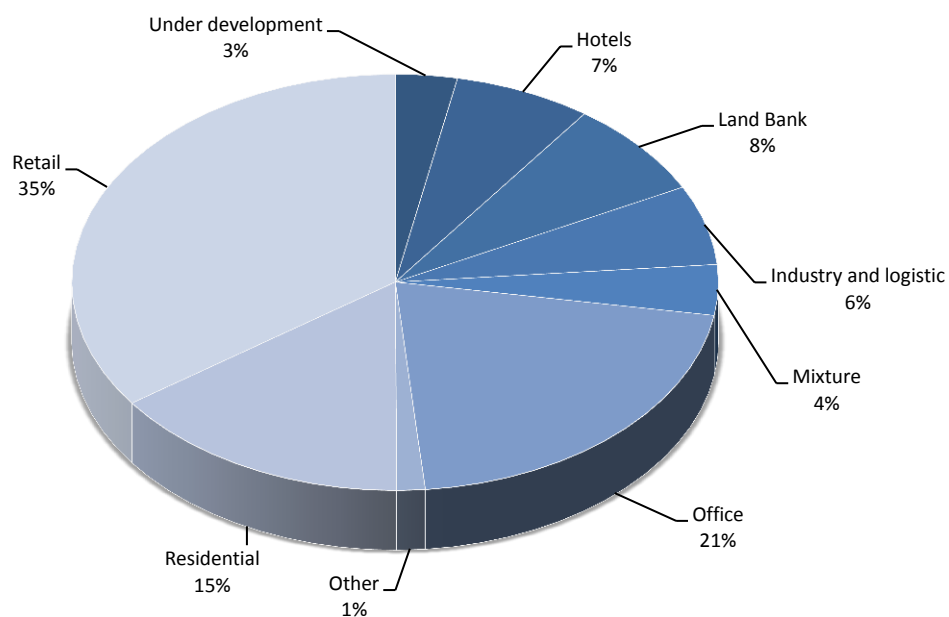
The value of the investment property, including investment property under development total TCZK 49,191,249 as at 31 December 2012. (in 2011: TCZK 46,526,881). The increase in value compared to 2011 was attributable to new development project launched in 2012, new property acquired in logistics, retail and residential segment and finished development project in retail and hotel segments.

Chart 3 Investment property 2011 - 2012



\* Development values above do not include property developed for future sale (primarily residential projects), which are disclosed as Trading Property - Inventory

Chart 4 Investment property 2012



\* Development value above do not include property developed for future sale (primarily residential projects), which are disclosed as Trading Property - Inventory

## EARNINGS AND BALANCE SHEET ANALYSIS

Overview of key indicators (as derived from the consolidated financial statements)

Indicator	Unit	2011	2012	index 2012/2011 %
<b>Operating Revenues</b>	TCZK	1,953,568	2,983,542	152.7
- Revenues from Rental of Properties	TCZK	1,905,904	2,896,215	152.0
<b>EBITDA</b>	TCZK	2,370,292	3,162,570	133.4
<b>EBIT</b>	TCZK	2,359,707	3,147,872	133.4
<b>EBIT Margin</b>	%	120.8	105.5	87.3
<b>Net Profit</b>	TCZK	1,143,275	1,441,666	126.1
<b>EPS - basic</b>	CZK / share	287.5	251.16	87.5
<b>Total Asset</b>	TCZK	57,271,125	64,768,161	113.1
<b>Investment Property (including Investment Property Under Development)</b>	TCZK	46,526,881	49,191,249	105.7
<b>Equity</b>	TCZK	15,998,672	21,020,712	131.4
<b>ROE</b>	%	7.1	6.9	96.1
<b>ROA</b>	%	4.1	4.9	118.0

## Statement of comprehensive income

### Net rental and service related income

Gross rental income rose by 52% from TCZK 1,905,904 to TCZK 2,896,215 in 2012. The growth in rental income was mainly attributable to acquisitions in 2011 to retail and industry & logistics segments. Total impact of these acquisitions to 2012 gross rental income was TCZK 892,896. Impact of 2012 acquisitions to gross rental income totals TCZK 31,740 and falls under retail segment.

Property operating expenses increased by TCZK 137,184 and were therefore by 26% higher than in 2011. The principal costs are repair and maintenance costs of TCZK 443,177, rest represents vacancy costs and operating costs which cannot be charged to the tenants.

Chart 5 Gross rental income 2011 - 2012

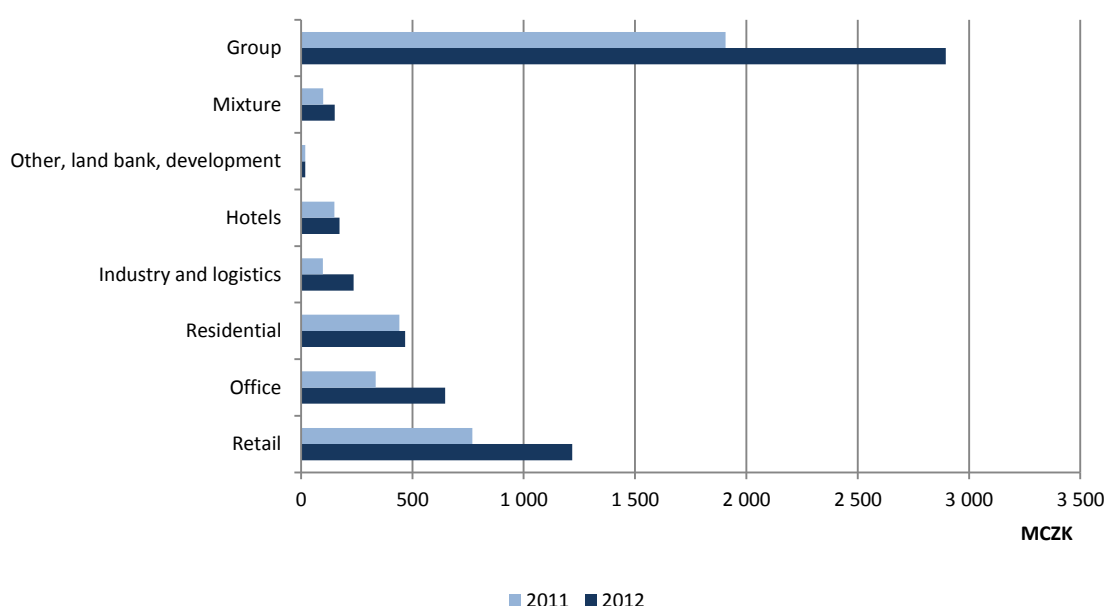
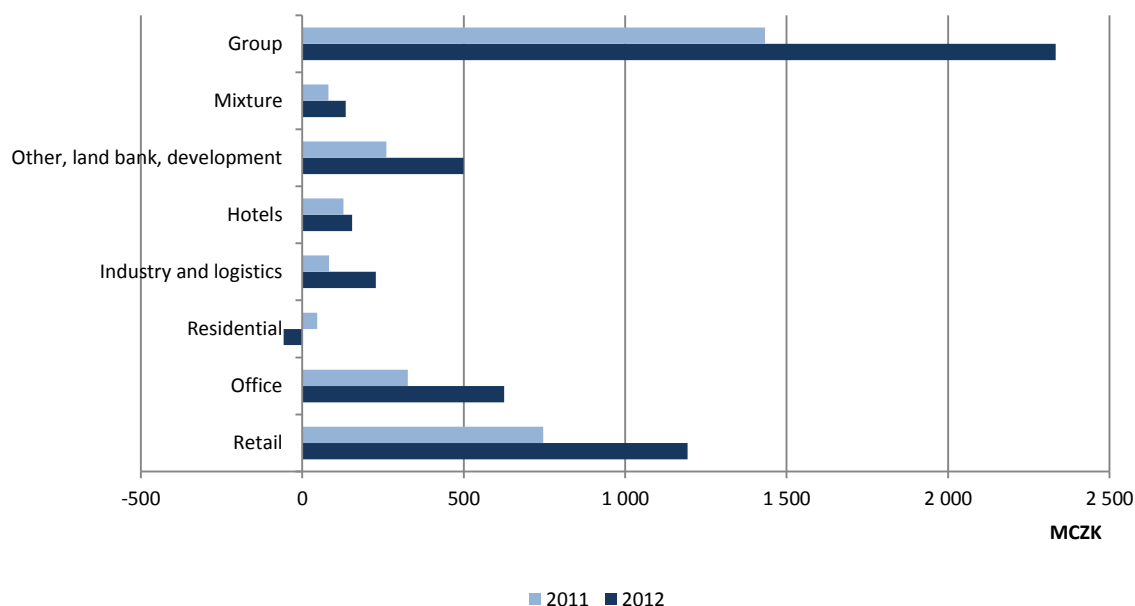


Chart 6 Net rental and service related income 2011 - 2012



Negative net rental and service related income in residential portfolio resulted mainly from expenses for repair and maintenance in CPI BYTY, a.s.

### Valuation gain on investment property

Total impact of revaluation of investment property was positive of TCZK 899,661 (in 2011: TCZK 1,300,821). From a segment perspective, the main revaluation gains arisen from residential, hotel and other segments of TCZK 1,392,757 were offset by main revaluation losses of TCZK 545,105 generated by retail, land bank and mixture segments.

### Administrative expenses

Administrative expenses increased by 11% to TCZK 374,260 in 2012. This substantially resulted from an increase in personnel expenses due to rise in headcount connected with the CPI Group expansion. On the other hand, advisory services connected with expansion in 2011 decreased in 2012.

### Other income and expenses

Other operating income and expenses total to net expense of TCZK 79,793 which is by 41% lower than net expense of TCZK 134,637 in 2011. The main reasons for improvement were the increase in the income related to won litigation and penalty income in total of TCZK 28,247 and the increase in gain on bargain purchase related to 2012 acquisitions of TCZK 57,829.

### Net finance income / costs

The finance income increased by TCZK 529,513 compared to 2011. This increase was almost fully offset with an increase in the finance costs of TCZK 515,515 resulting into net 2012 finance costs of TCZK 780,547. The main reasons for changes are described below:

- as a result of rise of loans provided outside the Group the interest income increased by TCZK 292,833;
- in 2012 the CPI Group acquired receivables for a price that was significantly lower than receivables' nominal value. The gain realised from the collection of these receivables total TCZK 426,200;

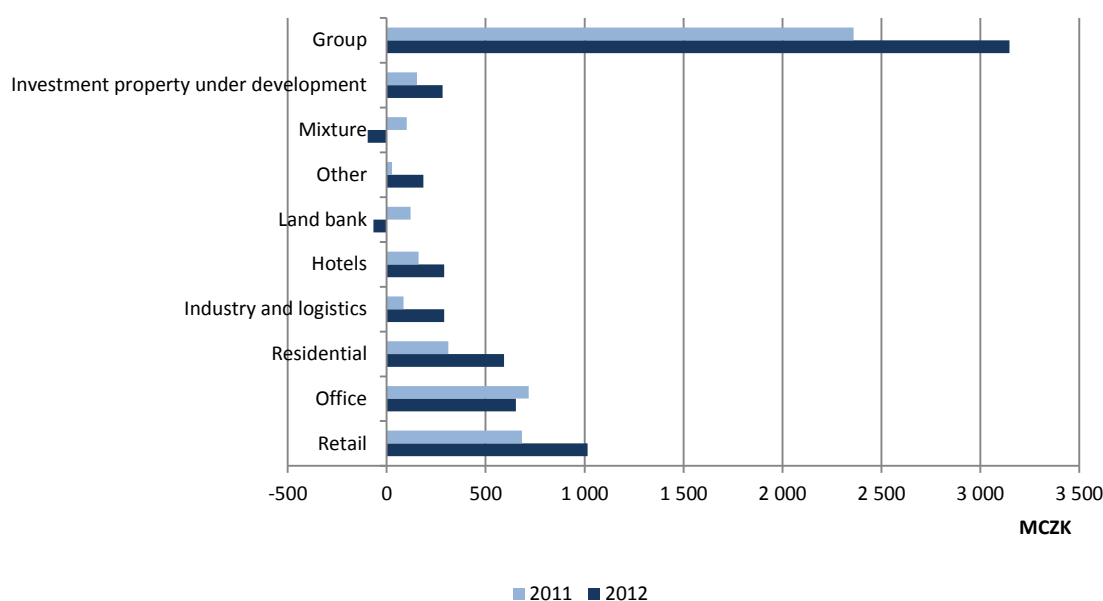


- an increase in the CPI Group's financing connected with 2011 and 2012 acquisition and new development projects launched in 2012 resulted into increase in total interest costs by TCZK 623,428.

### Earnings before interest and tax (EBIT)

EBIT rose by 33% from TCZK 2,359,707 in 2011 to TCZK 3,147,872 in 2012. Key driver having impact on this increase was increase in result from property operations by TCZK 900,687 offset by decrease in valuation gain by TCZK 401,160.

Chart 7 EBIT in 2011 - 2012



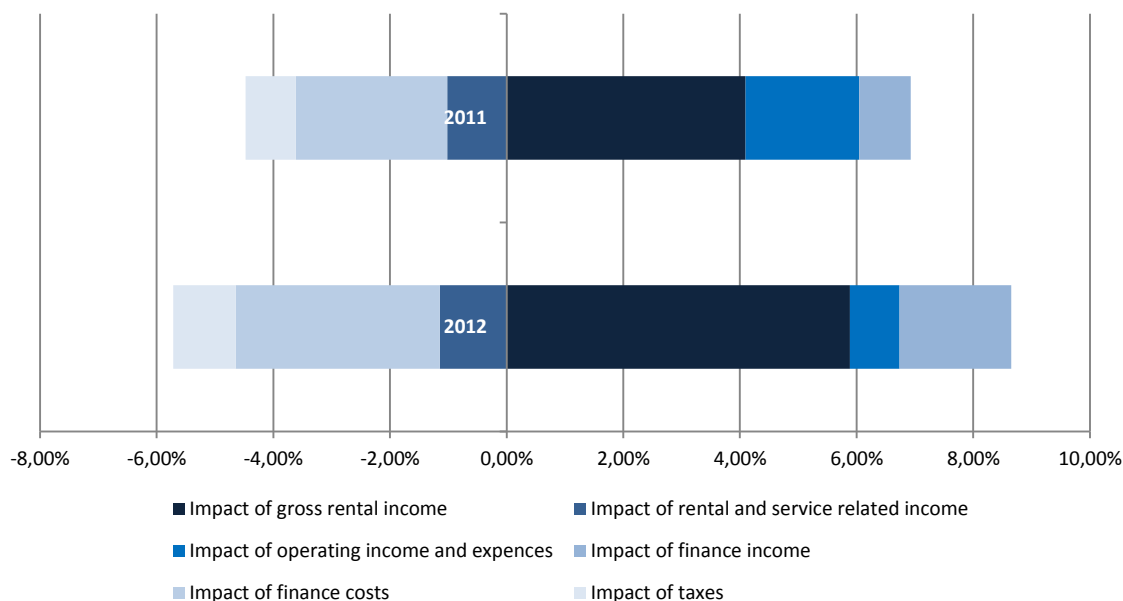
### Taxes

The income before taxes rise to TCZK 1,969,671 in 2012 (in 2011: TCZK 1,543,769). Taxes on income rose as well and include current income tax expense of TCZK 88,973 (in 2011: TCZK 160,875) and deferred tax expense of TCZK 437,337 (in 2011: TCZK 239,685).

## Profit for the period

The 2012 profit for the period increased on year-to-year basis from TCZK 1,143,209 to TCZK 1,443,361 of which TCZK 1,441,666 (in 2011: 1,143,275) represents profit attributable to the owners of the parent company CPI. Ratio of profit for the period to investment property total 2.93% (in 2011: 2.46%) and can be split as shown in the graph below:

Chart 8 Return on Investment property



## Statement of financial position

### Assets

Measured against 31 December 2011 the investment property balance, including property under development, rose by TCZK 2,664,368 to TCZK 49,191,249. The biggest impact has following transactions:

- acquisition of portfolio of 11 supermarkets and other commercial buildings located around the Czech Republic of TCZK 528,280;
- acquisition of logistic parks in Prague and retail parks in South Bohemia of TCZK 432,175;
- acquisition of portfolio of 9 supermarkets located around the Czech Republic of TCZK 369,205;
- increase in fair value of residential portfolio by TCZK 737,166;
- finalization of retail centre in Trutnov with a total increase in fair value of TCZK 383,816;
- development of multi-purpose complex in Olomouc with an increase in fair value of TCZK 300,094.

New project for development of luxury residential apartments in Nice, France of TCZK 1,776,568 substantially raised the balance of trading property - inventories. Project should be finalised in summer 2014 with estimated total construction costs to complete of app. TCZK 670,000.

Loans provided increased by TCZK 4,645,707 to TCZK 6,647,074 as of 31 December 2012. The increase primarily reflects a process of financial assets restructuring performed by the CPI Group in 2012. This process also resulted in a significant drop in trade and other receivables by TCZK 4,166,929.

Cash and cash equivalent total TCZK 3,777,504 which is by 167% higher than as of 31 December 2011.

## Equity (Net assets value)

Net assets value – NAV (total equity including non-controlling interest) totals TCZK 21,020,712 as of 31 December 2012 and compared to 31 December 2011 rose by 31%. Alongside the result for the period and the share increase of TCZK 2,212,000, the change was also driven by cash and in-kind contributions by the CPI Group owner of TCZK 789,938 and TCZK 497,104 respectively.

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

Net Asset Value (TCZK)	31.12.2012
Equity per the financial statements (NAV)	20,932,048
Effect of exercise of options, convertibles and other equity interests	0
<b>Diluted NAV, after the exercise of options, convertibles and other equity interests</b>	<b>20,932,048</b>
Revaluation of investment properties (if IAS 40 cost option is used)	0
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	0
Revaluation of other non-current investments	0
Revaluation of tenant leases held as finance leases	0
Revaluation of trading properties	0
Fair value of financial instruments	333,023
Deferred tax	3,034,865
Goodwill as a result of deferred tax	0
Adjustments to above in respect of joint venture interests	0
<b>EPRA NAV</b>	<b>24,299,936</b>
<b>EPRA NAV per share</b>	<b>3.14</b>

## Liabilities

Interest bearing loans and liabilities and bank overdraft drop by TCZK 2,630,887 compared to prior year. On the other hand, the CPI Group issued new bonds in several emissions and consequently outstanding bonds balance rose by 92% from TCZK 5,045,092 to TCZK 9,706,752 as of 31 December 2012.

Net debt position, including available cash and cash equivalent is as follows:

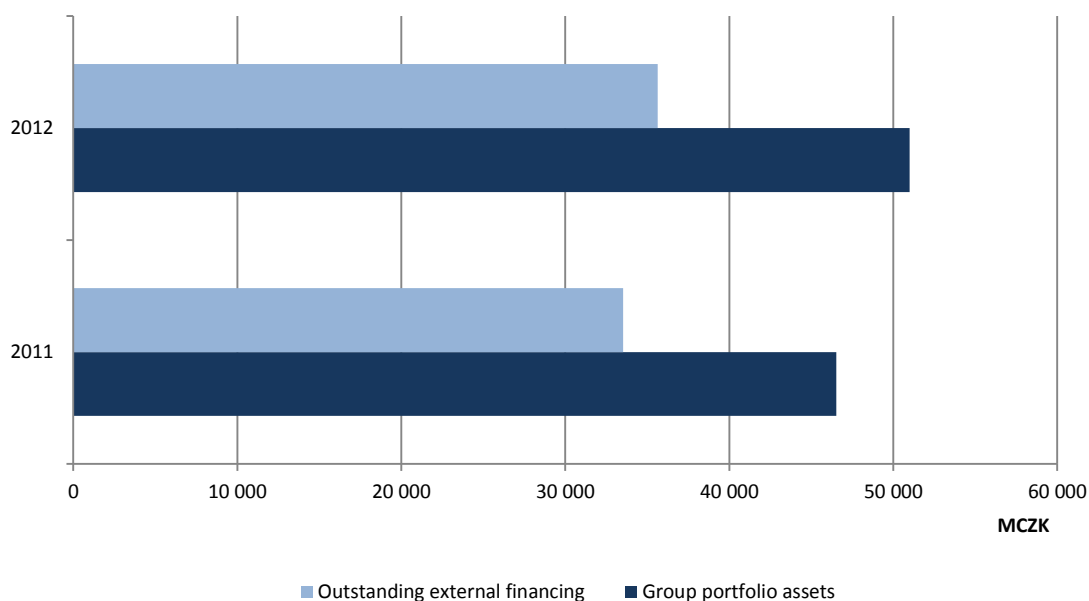
TCZK	2012	2011
Interest-bearing loans and borrowings (non-current)	19,753,369	19,508,049
Interest-bearing loans and borrowings (current)	5,456,067	6,467,494
Bonds issued (non-current)	9,439,705	4,330,000
Bonds issued (current)	267,047	715,092
Bank overdraft	386,790	2,251,570
Cash and cash equivalents	-3,777,504	-1,413,820
<b>Net debt</b>	<b>31,525,474</b>	<b>31,858,385</b>

Trade and other payables, current and deferred tax liabilities remain changed only marginally in 2012.

## FINANCING

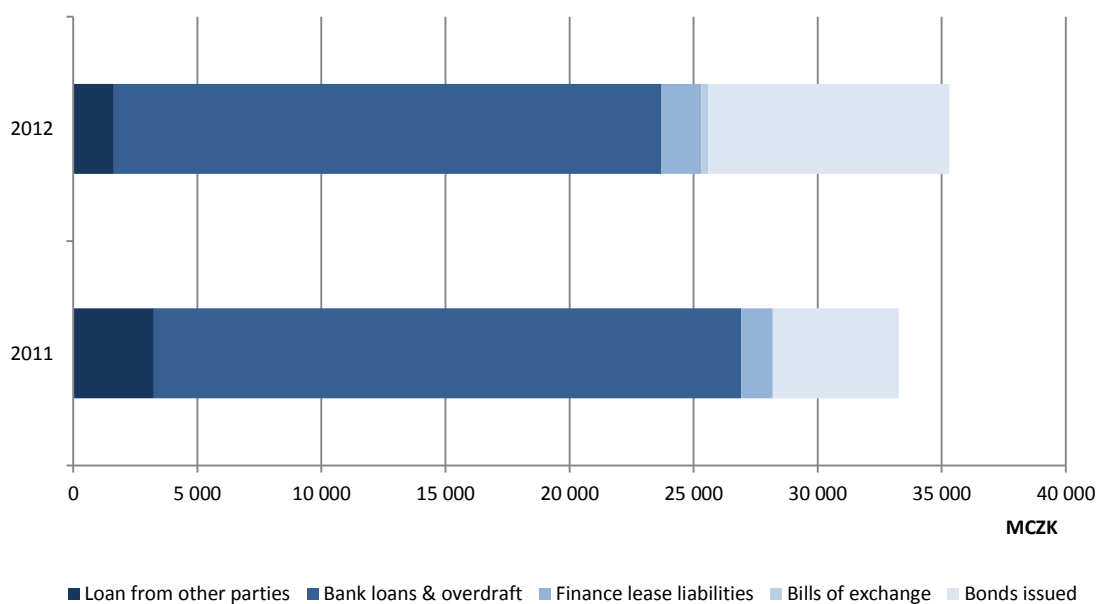
As a real estate group, the CPI Group operates in capital intensive sector that relies to the large extend on the availability of external financing. The CPI Group focuses on establishing the most effective structure of sources of external financing alongside successful management of the real estate portfolio.

Chart 9 Group portfolio and external financing 2011 - 2012



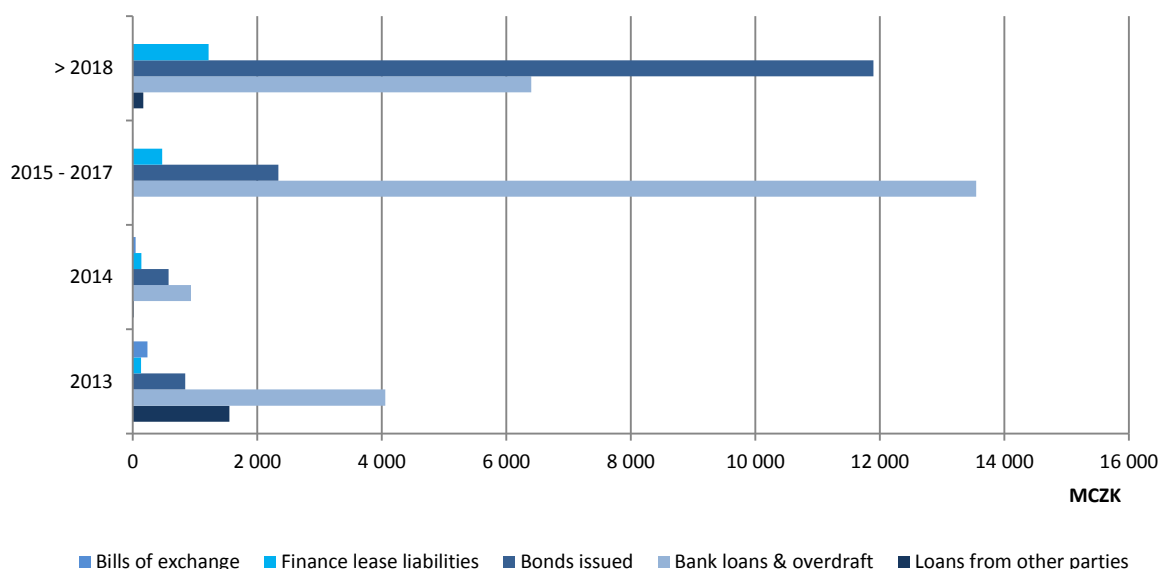
As at 31 December 2012, the external financing total TCZK 35,636,001 (in 2011: TCZK 33,538,232) and financial costs total TCZK 1,618,449 (in 2011: TCZK 1,099,315).

Chart 10 Structure of external financing 2011 - 2012



The maturity profile of the CPI Group's financing based on contractual undiscounted payments (reflecting the earliest settlement of Group's liabilities based on contractual maturity) including accrued interest and related financial derivatives is showed in the graph below:

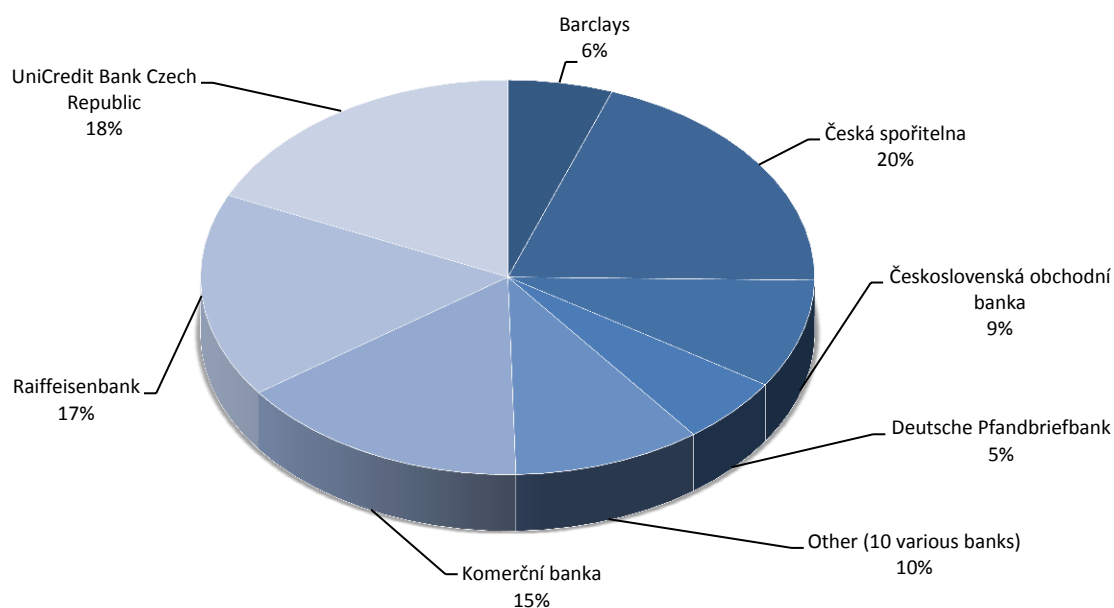
Chart 11 Maturity profile of external financing



## Bank loans

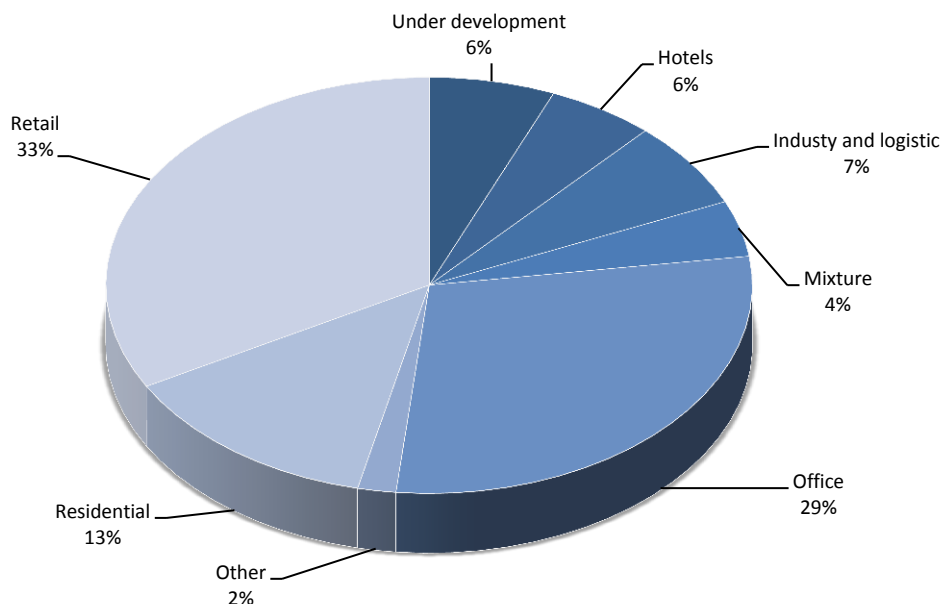
Bank loans balance, including bank overdrafts reached TCZK 22,064,729 as of 31 December 2012 which represents decrease by TCZK 1,599,351 compared to TCZK 23,664,080 in 2011. The CPI Group has business relationships with number of banks, about 69% of outstanding bank loan balance is drawn from 4 banks; in total the Group draws 79 bank loan facilities from 18 banks. Out of outstanding loans balance, 54% of loans is drawn in Czech crowns and 46% in Euro.

Chart 12 Bank loans 2012 by banks



The CPI Group focuses on the secured financing; therefore majority of debts is drawn by the companies within the Group, which held the respective real estate. Unsecured financing is limited to bank overdrafts mainly at the parent company CPI.

**Chart 13 Bank loans 2012 by segments**



Considering the interest from bank loans represents significant expense for the CPI Group, interest rate rises could have serious impact on the profit of the CPI Group. The CPI Group has therefore entered into interest rate swap contracts to hedge against an interest rate fluctuation. Notional amount of derivatives total TCZK 8 781 658 (in 2011: TCZK 8,677,594) and a fixed interest rate varied from 1.36% to 2.3% (in 2011: 2.3% - 3.42%). The fair value of the swap open position is negative of TCZK 333,023 (in 2011: TCZK 266,027) as a result of sharp drop in general interest rate level in recent years.

Within the outstanding bank loans balance, 50% bears variable interest, 46% bears variable interest but is hedged by derivatives and 4% bears fixed interest.

## Bonds issued

The bonds issued by the CPI Group are summarized in the table below.

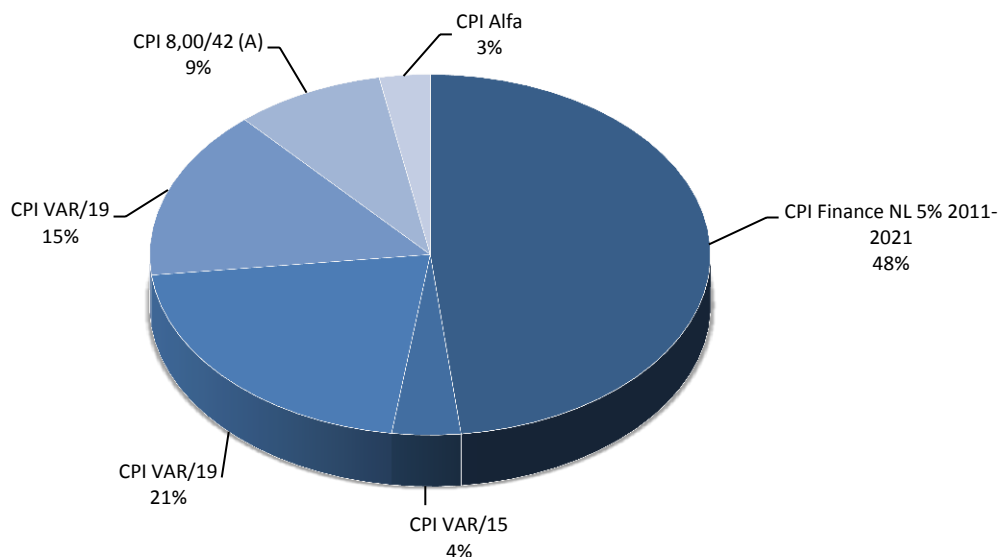
Group company	ISIN	Type	Currency	Nominal issued (TCZK)	Balance as of 31 December 2012		Interest rate	Maturity
					Owned by group	Owned by external		
CPI	CZ0003501496	CPI 2021	CZK	2,430,000	2,430,000	-	6M PRIBOR + 3.5%	8.8.2021
CPI	CZ0003501835	CPI VAR/15	EUR	377,100	-	377,100	6M EURIBOR + 6.5%	23.3.2015
CPI	CZ0003501868	CPI VAR/19	CZK	2,000,000	-	2,000,000	6M PRIBOR + 6.5%	29.3.2019
CPI	CZ0003501843	CPI VAR/19	EUR	1,458,120	-	1,458,120	6M EURIBOR + 6.5%	29.3.2019
CPI	CZ0003502932	CPI 8,00/42 (A)	CZK	1,000,000	180,000	820,000	8% p.a.	5.12.2042
CPI	CZ0003502924	CPI 7,00/22 (A)	CZK	1,000,000	1,000,000	-	7% p.a.	11.12.2022
CPI	CZ0003502957	CPI 7,00/22 (B)	CZK	1,000,000	1,000,000	-	7% p.a.	13.12.2022
CPI	CZ0003502916	CPI 7,00/22 (C)	CZK	1,000,000	1,000,000	-	7% p.a.	6.12.2022
CPI	CZ0003502940	CPI 8,00/42 (B)	CZK	1,000,000	1,000,000	-	8% p.a.	17.12.2042
CPI Alfa	CZ0003502205	CPI Alfa	CZK	279,000	-	279,000	5,5% p.a.	26.10.2017
CPI Finance Netherlands		CPI Finance NL 5% 2011-2021	CZK	5,000,000	400,000	4,600,000	5% p.a.	15.12.2021
CPI Finance Netherlands		CPI Finance NL 5% 2012-2022	CZK	1,000,000	1,000,000	-	5% p.a.	15.12.2022
<b>Total balance due to bondholders</b>				<b>17,544,220</b>	<b>8,010,000</b>	<b>9,534,220</b>		
<b>Accrued transaction cost</b>						- 94,515		
<b>Accrued interest</b>						267,047		
<b>Total balance after transaction cost</b>						<b>9,706,752</b>		

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

Except of bond CPI VAR/19 which is secured by mortgage, all other bonds provide unsecured financing mainly at the parent company CPI level and are generally used as source of financing for current and future investment activities. The significant volume of issued bonds is owned by other companies within the CPI Group which provide the Group with a certain level of flexibility when financing the investment activities.



Chart 14 Bonds owed to external 2012



\* analysis above is based on nominal values of bonds issued

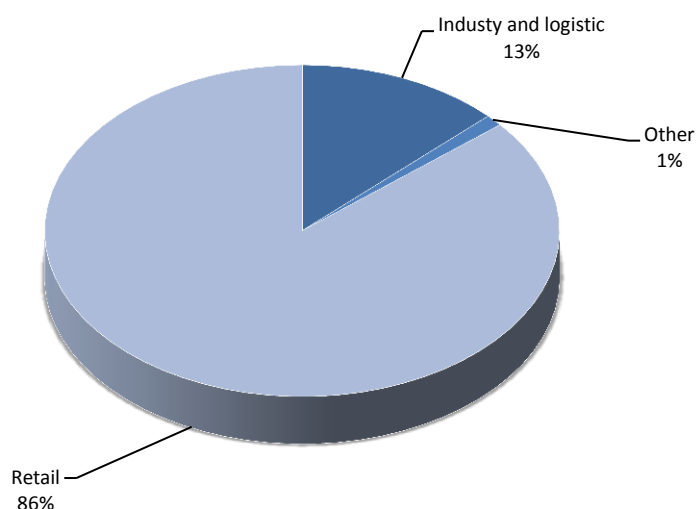
Issued bonds CPI Alfa are subject to a number of covenants. According to bonds prospectus the covenant ratios will be calculated firstly for the year ended 31 December 2013.

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 2012.

## Finance leases and other loans

The CPI Group used finance lease as other option of financing its real estate portfolio mainly in retail segment. Finance lease liability balance total TCZK 1,607,579 (in 2011: TCZK 1,268,207). Financial leasing bears a variable interest in total of TCZK 49,993 (in 2011: TCZK 40,669). Effective costs of financing are 3.73% (in 2011: 3.24%).

Chart 15 Finance leasing liabilities 2012



Loans from other parties total TCZK 1,642,132 as at 31 December 2012 (in 2011: TCZK 3,251,790). Effective costs of financing varied from 7.01% to 7.49% (in 2011: 5.72% – 6.89%).

## INFORMATION ON EQUITY

### Data on shares

Shares of Czech Property Investments, a.s. 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.

2,198,571 pcs of new shares were subscribed on 27 November 2012, which resulted to the increase in share capital by TCZK 1,758,857. The receivable from subscription was set-off with liabilities to the subscriber (related party), who at the same moment transferred these shares to the sole shareholder.

Shareholder structure of CPI as of 31 December 2012:

Shareholder	Share in share capital
JUDr. Radovan Vitek	100.00%
Total	100.00%

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

### Data on equity

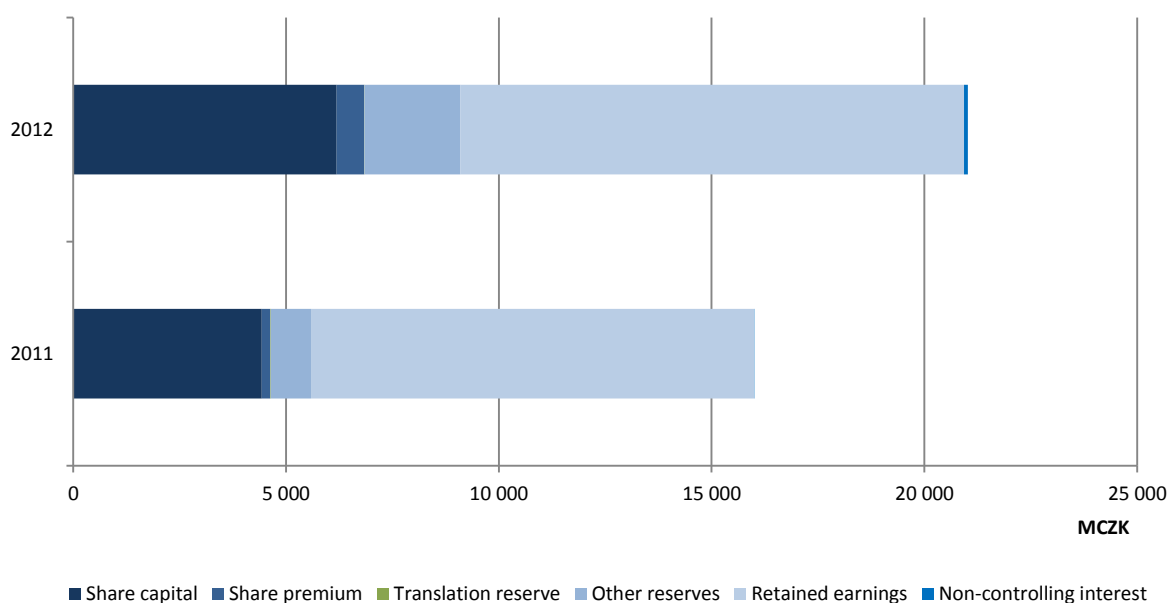
#### CPI

CPI equity presented in the individual financial statements total TCZK 12,837,467 as of 31 December 2012 and comprised: share capital (TCZK 6,186,997), share premium (TCZK 575,942), revaluation reserve (TCZK 869,263), other reserves (TCZK 2,431,368), retained earnings and accumulated loss (TCZK 2,773,897). Compared to 2011, the equity of CPI increased by TCZK 4,948,849.

## The CPI Group

Equity as presented in the consolidated financial statements of the CPI Group's total TCZK 21,020,712 as of 31 December 2012 and comprised: share capital (TCZK 6,186,997), share premium (TCZK 652,364), translation reserve (TCZK 1,961), other reserves (TCZK 2,249,442), retained earnings (TCZK 11,841,284) and non-controlling interest of TCZK 88,664. Compared to 2011, the equity of the CPI Group increased by TCZK 5,022,040.

Chart 16 Structure of the CPI Group equity 2011 - 2012



## OUTLOOK

The real estate market in the Czech Republic shows increased activity in commercial real estate and residential development at the end of 2012 and early in 2013. According to the DTZ, transactions worth 237 million euros were carried out in the first quarter of 2013, i.e. twelve times more than in the same period of the previous year and by 3% less than in the last quarter of 2012.

While analysts are watching the real estate market after giving optimistic forecasts, the CPI Group is monitoring the individual transactions within the overall context of its activities and the European markets. Last year already showed the preference of investing in interesting pile portfolios, corresponding as a whole to the long-term strategy of the CPI Group.

In the area of acquisitions, the Group mainly focuses on new opportunities outside of its current scope of markets. A proven acquisition model which is focused on acquiring of completed and functional projects generating a robust income will continue in the near future. In case of special offers, the Group is prepared to invest.

The biggest attention is currently devoted to the completion of own development projects, which will increase the value of previously acquired land banks or other properties. These projects are subject to future rent under the brand of the CPI Group. Among the currently completed projects, the CPI City Centre Olomouc should be highlighted. This multifunctional project is comprised of office and commercial space in combination with a four-star hotel and convention centre, which demonstrates a growing interest in exclusive offices also within the regions. The largest office space tenant is Raiffeisenbank which moved its original offices and other necessary associated facilities to the CPI City Centre because of the quality and overall offers of the complex. The concept of a multi-purpose complex currently seems to be very popular. This is not only true for the capital city but also in regional cities, thanks to lower operating and personnel costs. It has managed to attract the attention of major international companies looking for quality spaces, such as call centres, back offices for parent companies, etc. This has been proved by the leasing of all office spaces in the IGY Centre České Budějovice or by new leases concluded in the CPI City Centre Ústí nad Labem.

The CPI Group wants to focus on multifunctional complexes in regions and redevelopment of currently available properties, or of lower category hotels, which form an important part of these projects. A potential for this kind of activity is currently seen in Hradec Kralové, for example. The advantage of the synergistic effect arising from the individual functions of the complex has a positive effect on the lessee's overall comfort and its operating costs. Therefore the scope of services that come with multifunctional centres gives them a competitive advantage.



QUADRIO business complex (COPA Centrum Národní, s.r.o.)

In contrast to our regional objectives, project QUADRIO is the largest multifunctional project, being constructed in the centre of Prague, on Národní třída upon underground station. The Group does not exclude any other similarly challenging development projects in the capital city. Particularly attractive are locations in Prague 9, where the CPI Group historically owns a large piece of lands. Thanks to the ownership of these real estates, the Group can build new projects in a location which already has solid infrastructure and services.

Hotels play an important role in the portfolio of the CPI Group, whether as part of a multifunctional project or stand-alone, and are often located in city centers. Building a network of four-star business hotels under the international brand Clarion is a long-term strategy, which is gradually being fulfilled not only in Prague, but especially in regions where a similar quality of service and conference facilities are still inadequate. The Group uses a broad client base through a regionally diverse mix of hotels that offer the same standard and quality in most of the Czech regions. Future expansion beyond the Czech Republic and increasing brands portfolio and types of hotels is being considered. Close cooperation with CPI Hotels, a.s. a leading Czech providers and operators of all existing Group's hotels is carried out and is the key for building and expanding the network.

The residential development represents only projects intended for final sale. The CPI Group wants to focus on exclusive residential projects due to high demand in the market. These smaller scale projects, with quality and price exceeding the standard range, that are offered by other companies, are focused on a specific customer group. Current market data shows that projects with a price of CZK 100,000 per sq. m are highly demanded. Similar projects combined with exceptional locations create ideal conditions for future demand.

One of the CPI Group's residential projects is the ongoing construction of the already mentioned complex QUADRIO, offering exclusive residential units for the sale or lease in the heart of Prague. Similar projects of the Group will be carried out in other locations of the Czech capital city within few years. The Interest of affluent clientele for these types of properties is not declining. It can be assumed that in the case of projects with attractive offers in the center of Prague, combined with quality construction and architectural design, will lead them to become successfully completed projects.

The first foreign residential project of the CPI Group has the same prerequisites to success. In 2012, the Group acquired the closed resort Palais Maeterlinck on the Cote d'Azur in Nice, France. The Group plans to rebuild the hotel complex to luxury apartments and offer it for sale to individual customers. Demand for this kind of exclusive relax living is very high a year before completion.



Palais Maeterlinck (CPI France)

Potential clients are predominantly the wealthiest people within Europe and the rest of the world. Similar exceptional projects in other countries are being considered by the CPI Group, continuous monitoring of the market and suitable locations is currently in progress.

In contrast to luxurious living, the long-term rental housing is traditional part of portfolio owed by the CPI Group since the end of the 1990s. Even though the Group currently has no plans for its expansion, the development potential of this sector is seen as one of the key objectives of the residential segment. The end of regulation and legislative changes allowed the stabilization of the housing portfolio regarding economics and administration. Management of apartments is very difficult in the medium term and requires major financial and human effort to complete the process of winding down after rent deregulation and the implementation of new legislative rules. Along with this plan, the CPI Group will continue to invest funds and focus on three main areas: revitalizing properties and reducing energy consumption or reducing the cost of delivered energy, further development of services for existing tenants and the support of new leases.

Complete rebranding of the network of retail parks in the Czech Republic and Slovakia, which currently amount to 22 properties, represents also time consuming and administrative challenges for the Group. Preparation for this work has already taken more than a year. The gradual rebranding of several retail brands and further expansion of this portfolio represent one of our most important objectives in the retail segment.

Our long-term goal is to maintain existing tenants and extend leases for shopping centres, stores in retail parks and separate units, as well as offices. We will also improve the tenant mix in shopping centres and assure their adaptation to the local demand. With regard to the personnel and professional strength of our team, our letting and property managers will fulfil this task and will continue to work on deepening cooperation with tenants.

The economic situation in Europe will depend on the state of the Eurozone and general global trends. New markets are attractive for manufacturers of consumer products, and real estate investments are tied to the location of the property. The CPI Group expects the market will remain stagnant, what in the case of rental properties, is more likely to move companies to higher quality offices. It is also expected that new retail brands will expand into the regions. Logistics is currently also a stable sector for the Group, which may expand in the future based on an interest from companies. However, further expansion of the CPI Group will primarily depend on the economic condition of European countries, financial institutions and companies. Our priority remains focused on the maintaining of the property portfolio diversification into the different segments, as well as their geographical diversification, and ensuring internal stability of the Group through strong financial base. These factors have previously been shown to have counterbalancing effects in the event of market fluctuations.

## OTHER

### Social Responsibility

The CPI Group is aware that sustainable development is not only a question of its own business activities but also a question of support in the areas in which its activities and objectives intersect with the needs of others. The CPI Group is confident that its activities also bring success and prosperity to the environment in which it operates. It supports the development of cities and towns, whether through revitalisation of urban areas, improvement of infrastructure and services, or through increasing the number of jobs generated by newly built or further developed projects. Restoration of older buildings and improvement of facilities for existing businesses facilitate the duration of stay of the businesses - employers, their possible expansion in the area. They support interest of new firms from home and abroad, which bring not only their know-how but also more job opportunities for different groups of residents in Czech cities. Together with representatives of cities and city districts, the CPI Group is working to enhance security and crime prevention in selected areas.

Thanks to the diversity of its activities, the CPI Group meets the needs of many socially disadvantaged, disabled and sick persons. Using its own abilities and resources for the benefit of others are some of the main topics of the CPI Group charitable activities. The Group has provided financial and non-financial assistance to many non-profit entities throughout the Czech Republic for many years. It mainly directs its support to the social and health areas which are focused on child care.

The CPI Group shows its support for the non-profit sector on two levels. The first level is direct financial assistance to specific entities such as hospitals, specialised health facilities and social institutions, or civic associations and foundations. It finances the purchase of specialised equipment, treatment or operation at such facilities.

The second level is non-financial support within a broad portfolio of properties and activities carried out by the CPI Group. It is often assistance in the form of technical support for various presentation and specialized events, free provision of space for work or promotion of activities of non-profit organizations or marketing support for their efforts and activities.

The CPI Group cooperates with a number of entities, the primary focus of which is for assistance to the sick, the handicapped or the socially disadvantaged children and adults. It includes such organisations as the Foundation Fund Kapka Naděje, Hospital Na Františku or the Civic Association Veselý vozíček and others.

The consulting and assistance activities of the subsidiary CPI BYTY, a.s. have proven to be very important as they focus mainly on seniors and handicapped people living in rented apartments, who find it hard to deal with the impact of rent deregulation and the economic recession. Through specialized employees, it provides information, advice and if necessary, physical assistance to tenants when dealing with the authorities in the matters of state social aid. If tenants have financial difficulties, it gives advice on the budgeting of household expenditures.

### Research and Development

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



## Environment and Human Resources

The activities of the CPI Group do not endanger the environment. As part of HR management, the 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).

The CPI Group had 311 employees as of 31 December 2012. Apartments and non-residential operations are managed by employees of CPI - Facility, a.s., CPI Property, s.r.o. and CPI BYTY, a.s. Other activities are managed by employees of CPI Services, a.s. Management of each of the 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 the CPI Group as of 31 December 2012. The data do not include employees on maternity leave and employees under temporary work contracts.

Company	Number of Employees
Czech Property Investments, a.s.	0
CPI Management, s.r.o.	7
CPI BYTY, a.s.	92
CPI Services, a.s.	111
CPI Property, s.r.o.	23
CPI - Facility, a.s.	78
<b>Total</b>	<b>311</b>

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

## Branches abroad

The CPI Group has no branches abroad.

## Fees Charged by Auditors

In 2012, 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	Verification of Existence of Liability	Consulting
Czech Property Investments, a.s.	1,596	3,356	0	0	50	1,404
Consolidation unit CPI Group	4,788	0	720	292	0	283
<b>Total</b>	<b>6,384</b>	<b>3,356</b>	<b>720</b>	<b>292</b>	<b>50</b>	<b>1,687</b>

Prague, 30 April 2013



**Radovan Vitek**

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



**Marek Stublej**

Vice-chairman of the Board of Directors  
Czech Property Investments, a.s.

## REPORT OF THE BOARD OF DIRECTORS ON RELATIONS BETWEEN RELATED PARTIES FOR THE YEAR 2012

Report on Relations between Mr. Radovan Vítek and Czech Property Investments, a.s. and between Czech Property Investments, a.s. and other entities controlled by Mr. Radovan Vítek for the fiscal period from 1 January 2012 to 31 December 2012.

In accordance with §66a (9) of the Act No. 513/1991 Coll., Commercial Code, as amended, a report on relationships between Mr. Radovan Vítek, Brno, Minská 41, 616 00 (hereinafter also referred to as "the Controlling Person") and Czech Property Investments, a.s., Company Identification Number 42716161, with its registered office at Prague 1, Václavské náměstí 1601/47, Postal Code 110 00 (hereinafter also referred to as "the Controlled Entity") and between the Controlled Entity and other entities controlled by Mr. Radovan Vítek was processed for the fiscal period from 1 January 2012 to 31 December 2012 (hereinafter referred to as the „Fiscal Period“).

As of 31 December 2012, Mr. Radovan Vítek was the sole shareholder of the Controlled Entity. Mr. Radovan Vítek was therefore the Controlling Person of the Controlled Entity as of 31 December 2012. The Controlled Entity's Board of Directors, acting with due diligence, is not aware of any other entities controlled by Mr. Radovan Vítek than those stated in this report.

Companies controlled by Radovan Vítek – Czech Republic	Ownership interest %
Cerrini, s.r.o.	100.00
Materali, a.s.	100.00
Mondello, a.s.	100.00
Papetti, s.r.o.	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
CPI Group, a.s.	100.00

### Concluded Contracts

In the Fiscal period, the following contracts were entered into between the Controlled Entity and the Controlling Person and between the Controlled Entity and entities controlled by the Controlling Person:

Contracting party	Contract
Robberg, a.s.	Loan agreement
Radovan Vítek	Amendment to a loan agreement

### Other Legal Acts

In the Fiscal Period, no other legal acts were executed between the Controlled Entity and the Controlling Person and between the Controlled Entity and entities controlled by the Controlling Person.

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### **Other measures, their advantages and disadvantages, supplies provided, considerations received, and loss suffered**

During the Fiscal Period, no measures were adopted or implemented in the interest or at the instigation of the Controlling Person or entities controlled by the Controlling Person.

During the Fiscal Period, no supplies were provided and no considerations were received in the interest or at the instigation of the Controlling Person or entities controlled by the Controlling Person.

The value of transactions between related parties is set out in the notes to the financial statements of the Controlled Entity for 2012.

The Board of Directors of the Controlled Entity confirms that the Controlled Entity suffered no 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 measures, and supplies provided or considerations received.

Prague, 31 March 2013

A handwritten signature in blue ink, appearing to read 'Radovan Vitek', written in a cursive style.

**Radovan Vitek**

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

A handwritten signature in blue ink, appearing to read 'Marek Stublej', written in a cursive style.

**Marek Stublej**

Vice-chairman of the Board of Directors  
Czech Property Investments, a.s.

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## FINANCIAL STATEMENTS

### **Consolidated financial statements as at 31 December 2012**

- 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 2012**

- 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 2012**



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2012	31 December 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	6.1	47 671 820	44 620 805
Investment property under development	6.2	1 519 429	1 906 076
Property, plant and equipment	6.3	108 689	66 082
Intangible assets and goodwill	6.4	18 293	9 835
Other investments	6.5	11 768	11 766
Loans provided	6.6	5 505 199	748 325
Trade and other receivables	6.8	629 398	621 377
Deferred tax asset	5.12	358 489	304 087
<b>Total non-current assets</b>		<b>55 823 085</b>	<b>48 288 353</b>
<b>Current assets</b>			
Trading property - inventories	6.7	1 806 028	6 637
Current income tax assets	5.12	85 346	--
Trade and other receivables	6.8	2 134 323	6 309 273
Loans provided	6.6	1 141 875	1 253 042
Cash and cash equivalents	6.9	3 777 504	1 413 820
<b>Total current assets</b>		<b>8 945 076</b>	<b>8 982 772</b>
<b>TOTAL ASSETS</b>		<b>64 768 161</b>	<b>57 271 125</b>
<b>Equity</b>			
Share capital		6 186 997	4 428 140
Share premium		652 364	199 222
Translation reserve		1 961	14 036
Other reserves		2 249 442	948 902
Retained earnings		11 841 284	10 407 939
<b>Total equity attributable to owners of the Company</b>	6.10	<b>20 932 048</b>	<b>15 998 239</b>
Non-controlling interest	6.10	88 664	433
<b>Total equity</b>		<b>21 020 712</b>	<b>15 998 672</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2012	31 December 2011
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	6.11	19 753 369	19 508 049
Bonds issued	6.12	9 439 705	4 330 000
Liabilities from derivatives	6.13	284 441	212 052
Trade and other payables	6.15	1 239 529	1 107 278
Deferred tax liabilities	5.12	4 823 131	4 253 898
<b>Total non-current liabilities</b>		<b>35 540 175</b>	<b>29 411 277</b>
<b>Current liabilities</b>			
Bank overdraft	6.14	386 790	2 251 570
Interest-bearing loans and borrowings	6.11	5 456 067	6 467 494
Bonds issued	6.12	267 047	715 092
Liabilities from derivatives	6.13	48 582	53 975
Current income tax liabilities	5.12	--	109 195
Trade and other payables	6.15	2 043 677	2 221 414
Provisions	6.16	5 111	42 436
<b>Total current liabilities</b>		<b>8 207 274</b>	<b>11 861 176</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>64 768 161</b>	<b>57 271 125</b>

Notes to consolidated financial statements on pages 10 to 107 are integral part of these financial statements.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended	
		31 December 2012	31 December 2011
Gross rental revenue	5.1	2 896 215	1 905 904
Service revenue	5.1	87 327	47 664
Net service charge income	5.2	12 632	4 735
Property operating expenses	5.3	-662 708	-525 524
<b>Net rental and service related income</b>		<b>2 333 466</b>	<b>1 432 779</b>
Net valuation gain on investment property	5.4	899 661	1 300 821
Gain/ (Loss) on the disposal of investment property	5.5	-28 824	8 309
Gain on the disposal of trading property	5.6	2	66 766
Gain/ (Loss) on the disposal of plant and equipment		-34	94
Administrative expenses	5.7	-374 260	-335 818
Other income	5.8	179 061	23 192
Other expenses	5.9	-258 854	-157 829
<b>Results from operating activities</b>		<b>2 750 218</b>	<b>2 338 314</b>
Finance income	5.10	942 428	412 915
Finance costs	5.11	-1 722 975	-1 207 460
<b>Net finance costs</b>		<b>-780 547</b>	<b>-794 545</b>
<b>Profit before income tax</b>		<b>1 969 671</b>	<b>1 543 769</b>
Income tax expense	5.12	-526 310	-400 560
<b>Profit from continuing operations</b>		<b>1 443 361</b>	<b>1 143 209</b>
<b>Profit for the period</b>		<b>1 443 361</b>	<b>1 143 209</b>
<b>Other comprehensive expense</b>			
Foreign currency translation differences - foreign operations	6.10	-12 075	13 816
Effective portion of changes in fair value of cash flow hedges	6.10	839	-230 689
Income tax on other comprehensive expense	6.10	4 338	43 831
<b>Other comprehensive expense for the period, net of tax</b>		<b>-6 898</b>	<b>-173 042</b>
<b>Total comprehensive income for the period</b>		<b>1 436 463</b>	<b>970 167</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	For the year ended		
	Note	31 December 2012	31 December 2011
Profit attributable to:			
Owners of the Company		1 441 666	1 143 275
Non-controlling interest		1 695	-66
Profit for the period		1 443 361	1 143 209
Total comprehensive income attributable to:			
Owners of the Company		1 434 768	970 233
Non-controlling interest		1 695	-66
Total comprehensive income for the period		1 436 463	970 167
Earnings per share	6.10		
Basic earnings per share (CZK)		251,16	287,50
Diluted earnings per share (CZK)		251,16	287,50

Notes to consolidated financial statements on pages 10 to 107 are integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended	
		31 December 2012	31 December 2011
<b>Operating activities:</b>			
<b>Profit before income tax</b>		<b>1 969 671</b>	<b>1 543 769</b>
<i>Adjusted by:</i>			
Net valuation gain on investment property	5.4	-899 661	-1 300 821
(Gain) / Loss on the disposal of investment property	5.5	28 824	-8 309
Depreciation / amortisation of tangible assets	6.3 & 6.4	14 698	10 585
Impairment of assets	5.9	182 193	52 400
(Gain) / Loss on the disposal of property, plant and equipment		34	-94
Net finance costs	5.10 & 5.11	780 547	768 104
Goodwill write-off/ (gain on bargain purchase)	3.4	-58 159	49 649
Exchange rate differences		72 774	-259 893
Other non-cash adjustments		--	-9 970
<b>Profit before changes in working capital and provisions</b>		<b>2 090 921</b>	<b>845 420</b>
Changes in trade and other receivables		-1 017 885	-1 087 671
Changes in trading property - inventories		-4 030	26 437
Changes in trade and other payables		2 867 952	237 880
Changes in provisions		-37 743	20 332
Income tax paid		-292 531	-142 029
<b>Net cash flows from operating activities:</b>		<b>3 606 684</b>	<b>-99 631</b>
<b>Investing activities:</b>			
Acquisition of subsidiaries, net of cash acquired	3.4	-741 299	-4 468 763
Acquisition of joint-ventures, net of cash acquired	3.5	--	-197 282
Cash acquired as a result of change in consolidation method		--	3 178
Acquisition of non-controlling interest	3.4	86 536	-300
Acquisition of investment property	6.1	-1 110 568	-881 527
Capital expenditure on investment property	6.1	-269 010	-264 200
Expenditure on investment property under development	6.2	-978 559	-373 745
Acquisition of property, plant and equipment	6.3	-61 337	-43 635
Acquisition of intangible assets	6.4	-13 014	-1 912
Acquisition of other investments	6.5	-2	-20
Proceeds from sale on investment property	5.5	275 214	141 654
Proceeds from sale of property, plant and equipment		2 017	3 918
Proceeds from other investments	6.6	--	303 066
Other loans (provided) / repaid		-34 632	449 256
Interest received		420 521	367 627
Dividends received		--	48
<b>Net cash flows from investing activities</b>		<b>-2 424 133</b>	<b>-4 962 637</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	For the year ended	
		31 December 2012	31 December 2011
<b>Financing activities:</b>			
Proceeds from bonds issued	6.12	5 006 489	3 750 000
Other capital contributions	6.10	789 938	1 000 000
Drawings / (repayments) of loans and borrowings		-3 053 324	1 164 002
Drawings / (repayments) of finance lease liabilities		65 029	66 758
Interest paid		-1 626 998	-774 690
<b>Net cash flows from financing activities</b>		<b>1 181 134</b>	<b>5 206 070</b>
<b>Net increase in cash and cash equivalents</b>		<b>2 363 684</b>	<b>143 802</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>6.9</b>	<b>1 413 820</b>	<b>1 270 018</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6.9</b>	<b>3 777 504</b>	<b>1 413 820</b>

Notes to consolidated financial statements on pages 10 to 107 are integral part of these financial statements.

CPI Group

Consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
Balance at 1 January 2012	4 428 140	199 222	14 036	94 646	-186 858	1 041 114	10 407 939	15 998 239	433	15 998 672
<b>Comprehensive income for the period</b>										
<i>Profit for the period</i>	--	--	--	--	--	--	1 441 666	1 441 666	1 695	1 443 361
Foreign currency translation differences - foreign operations	--	--	-12 075	--	--	--	--	-12 075	--	-12 075
Effective portion of changes in fair value of cash flow hedges,	--	--	--	--	839	--	--	839	--	839
Income tax on other comprehensive expense	--	--	--	--	4 338	--	--	4 338	--	4 338
<b>Total other comprehensive income / (expense)</b>	--	--	-12 075	--	5 177	--	--	- 6 898	--	- 6 898
<b>Total comprehensive income for the period</b>	--	--	-12 075	--	5 177	--	1 441 666	1 434 768	1 695	1 436 463
<b>Transactions with owners of the Company, recognised directly in equity</b>										
<i>Contributions by and distributions to owners of the Company</i>										
Issue of ordinary shares	1 758 857	453 142	--	--	--	--	--	2 211 999	--	2 211 999
Owner's contribution	--	--	--	--	--	1 287 042	--	1 287 042	--	1 287 042
<b>Total contributions by and distributions to owners of the Company</b>	<b>1 758 857</b>	<b>453 142</b>	--	--	--	<b>1 287 042</b>	--	<b>3 499 041</b>	--	<b>3 499 041</b>
<i>Changes in ownership interests in subsidiaries</i>										
Acquisition of subsidiary with non-controlling interests	--	--	--	--	--	--	--	--	86 536	86 536
<b>Total changes in ownership interests in subsidiaries</b>	--	--	--	--	--	--	--	--	86 536	86 536
<b>Total transactions with owners of the Company</b>	<b>1 758 857</b>	<b>453 142</b>	--	--	--	<b>1 287 042</b>	--	<b>3 499 041</b>	<b>86 536</b>	<b>3 585 577</b>
<b>Other movements</b>										
Transfers to Legal reserve fund	--	--	--	8 321	--	--	- 8321	--	--	--
<b>Total other movements</b>	--	--	--	<b>8 321</b>	--	--	<b>-8 321</b>	--	--	--
<b>Balance at 31 December 2012</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>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	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 2011</b>	<b>3 093 498</b>	<b>76 422</b>	<b>220</b>	<b>89 103</b>	<b>--</b>	<b>41 114</b>	<b>9 269 065</b>	<b>12 569 422</b>	<b>31 941</b>	<b>12 601 363</b>
<b><u>Comprehensive income for the period</u></b>										
<b><i>Profit for the period</i></b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1 143 275</b>	<b>1 143 275</b>	<b>-66</b>	<b>1 143 209</b>
Foreign currency translation differences - foreign operations	--	--	13 816	--	--	--	--	13 816	--	13 816
Effective portion of changes in fair value of cash flow hedges,	--	--	--	--	-230 689	--	--	-230 689	--	-230 689
Income tax on other comprehensive expense	--	--	--	--	43 831	--	--	43 831	--	43 831
<b>Total other comprehensive income / (expense)</b>	<b>--</b>	<b>--</b>	<b>13 816</b>	<b>--</b>	<b>-186 858</b>	<b>--</b>	<b>--</b>	<b>-173 042</b>	<b>--</b>	<b>-173 042</b>
<b>Total comprehensive income for the period</b>	<b>--</b>	<b>--</b>	<b>13 816</b>	<b>--</b>	<b>-186 858</b>	<b>--</b>	<b>1 143 275</b>	<b>970 233</b>	<b>-66</b>	<b>970 167</b>
<b><u>Transactions with owners of the Company, recognised directly in equity</u></b>										
<b><i>Contributions by and distributions to owners of the Company</i></b>										
Issue of ordinary shares	1 334 642	122 800	--	--	--	--	--	1 457 442	--	1 457 442
Owner's contribution	--	--	--	--	--	1 000 000	--	1 000 000	--	1 000 000
<b>Total contributions by and distributions to owners of the Company</b>	<b>1 334 642</b>	<b>122 800</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1 000 000</b>	<b>--</b>	<b>2 457 442</b>	<b>--</b>	<b>2 457 442</b>
<b><i>Changes in ownership interests in subsidiaries</i></b>										
Acquisition / disposal of non-controlling interests without a change in control	--	--	--	--	--	-	1 142	1 142	-31 442	-30 300
<b>Total changes in ownership interests in subsidiaries</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-</b>	<b>1 142</b>	<b>1 142</b>	<b>-31 442</b>	<b>-30 300</b>
<b>Total transactions with owners of the Company</b>	<b>1 334 642</b>	<b>122 800</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1 000 000</b>	<b>1 142</b>	<b>2 458 584</b>	<b>-31 442</b>	<b>2 427 142</b>
<b><u>Other movements</u></b>										
Transfers to Legal reserve fund	--	--	--	5 543	--	--	-5 543	--	--	--
<b>Total other movements</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5 543</b>	<b>--</b>	<b>--</b>	<b>-5 543</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Balance at 31 December 2011</b>	<b>4 428 140</b>	<b>199 222</b>	<b>14 036</b>	<b>94 646</b>	<b>-186 858</b>	<b>1 041 114</b>	<b>10 407 939</b>	<b>15 998 239</b>	<b>433</b>	<b>15 998 672</b>

Notes to consolidated financial statements on pages 10 to 107 are integral part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

Czech Property Investments, a.s. („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.

The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the “Group” or individually as “Group entities”) and the Group’s interest in associates and jointly controlled entities.

### Principal activities

Principal activities of the Group are described in Note 4.1.

### Description of ownership structure

The sole shareholder of the Company is Mr. Radovan Vítek, Minská 41, Brno, 616 00.

### Management

as at 31 December 2012

#### *Board of Directors*

Chairman

Radovan Vítek, since 30 November 2011

Vice-chairman

Marek Stubleý, since 30 November 2011

Member

Marie Vítková, since 30 November 2011

#### *Supervisory Board*

Members

Vladimír Sup, since 12 February 2010

Pavel Semrád, since 12 February 2010

Radan Kamenický, since 28 December 2005



**as at 31 December 2011**

*Board of Directors*

*Supervisory Board*

Chairman

Radovan Vítek, since 30 November 2011

Vice-chairman

Marek Stubleý, since 30 November 2011

Member

Marie Vítková, since 30 November 2011

Members

Vladimír Sup, since 12 February 2010

Pavel Semrád, since 12 February 2010

Radan Kamenický, since 28 December 2005

**Employees**

The Group employed 311 employees at 31 December 2012 (at 31 December 2011 – 239 employees).

The significant growth is directly attributable to the Group's expansion and extension of its investment property portfolio in years 2010 - 2012.

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 Basis 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 30 April 2013.

#### (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 2012 (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).

- **IAS 12 Income Taxes – Recovery of Underlying Assets**

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendment becomes effective for annual periods beginning on or after 1 January 2012, but does not have any effect in the Group's performance or in its disclosures as the tax rate for these assets does not differ if they are recovered by sale or use.

- **IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements**

The amendment requires additional disclosures about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship between those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The Group did not have any assets with these characteristics, so there has not been any effect in the presentation of its consolidated financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 13 *Fair Value Measurements* which becomes mandatory for the Group's 2013 consolidated financial statements respectively and could change the classification and measurement of financial assets.

- **IFRS 13 Fair Value Measurement**

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs.

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

**(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:

- investment property and investment property under development are 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 arising from 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 has been rounded to the nearest thousand (TCZK), except when otherwise indicated.

**(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 9 – 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 and investment property under development
- Note 5.12 – Utilisation of tax losses
- Note 7 – Financial risk management

## 2.2 Significant accounting policies

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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 recorded at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

#### (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

Subsidiaries are entities controlled by the Group. 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) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not 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.

Investments in associates 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 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) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The Group recognized its interest in jointly controlled entities using proportionate consolidation. The consolidated statement of financial position includes the assets that the Group controls jointly and the liabilities that it incurs in the course of pursuing the joint operation. The consolidated statement of comprehensive income includes the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vii) 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
Netherlands	CZK
Ireland	CZK
Cyprus	CZK

### (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 exchange rates approximating the foreign exchange rates at the dates of the transactions.

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 2012	25.140	25.143
31 December 2011	25.800	24.586
1 January 2011	25.060	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 company, 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 2012 and 2011 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).

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.

**(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, 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	2012	2011
Property	30 – 50 years	30 – 50 years
Equipment	10 years	10 years
Motor vehicles	5 years	5 years
Fittings	5 years	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) 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	2012	2011
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, provided loans, 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.

### **Provided loans**

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). Loan receivables with a short duration (1 year) are not discounted.

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

### **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(j)).

### **Cash and cash equivalents**

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

The Company treats cash deposited as a security in accordance with the bank loan covenants as cash and cash equivalents for the 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 expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability.

#### Interest-bearing loans, borrowings and bonds issued and bank overdraft

Interest-bearing loans, borrowings and bonds are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the interest-bearing loans, borrowings and bonds are measured at amortised cost using the effective interest method.

The Group is utilizing commonly 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 they arise.

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. Transaction costs are recognized in profit or loss on an accrual basis using the effective interest method.

#### Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest method.

#### (iii) Share capital and share premium

##### 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 risk exposure.

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

Changes in the fair value of derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. 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 held for trading and 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

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. However, 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. Goodwill is 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. 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 out 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 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, i.e. 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.

**(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) Finance income and finance costs**

Finance income comprises interest income on funds invested (bank interest, interest on provided loans, interest on bonds purchased), 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.

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.

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

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.

Foreign currency gains and losses 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.

#### **(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 values

Investment properties and Investment properties under development are stated at fair value as at 31 December 2012 based entirely on external valuations performed by professionally qualified valuers. Generally the Group's property portfolio is valued by DTZ Czech Republic, a.s. Valuations of selected properties, particularly land (land bank), was performed by RSA TACOMA, a.s. or other external valuation companies.

The results of independent valuations were further analysed 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 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.

Czech and Slovak real estate market 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 2011 and 31 December 2012, 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.

### Investment property

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

#### (i) Residential

Residential properties have been valued 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.

The valuer applied an exit yield of 8.00% (5% - Prague) and a discount rate of 9.00% (5,25% - Prague) due to the location, quality of the buildings, covenant strength and current vacancy levels.

(ii) Retail, Office, Logistics and industry

Retail, office, logistics and industry properties have been valued using Investment method of valuation. This 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.

**The main assumptions:**

2012	Industry and logistics	Office	Mixture	Retail
Estimated rental value per sqm (CZK) per year *	1 213	3 811	3 650	3 002
Equivalent yield	8,5%-12%	6,5%-11%	8,8%-9,3%	5%-10%
Equivalent yield (weighted average)	8,91%	7,18%	7,30%	7,65%

2011	Industry and logistics	Office	Mixture	Retail
Estimated rental value per sqm (CZK) per year*	1 205	3 747	3 347	2 974
Equivalent yield	8,5%-12%	6,75%-11%	8,8%-9,3%	5%-9%
Equivalent yield (weighted average)	8,87%	7,18%	7,76%	6,52%

\*based on the selected properties

(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) Hotel

Hotel properties have been valued using the direct comparison method of valuation and the price per bedroom was calculated and compared. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison.

Hotels in the downtown of Prague are valued using the price of MCZK 4 – 10 per bedroom, outside of Prague's downtown and in other regions of the Czech Republic the calculated price per bedroom is MCZK 1 – 2.

The fair value of Palais Maeterlinck property as of the day of its transfer from Investment Property to Trading Property – Inventory was prepared based on internal feasibility study. This study considered results of prior appraisal prepared by external valuator appointed by the financing bank and updated the expected fair value

based on communication and ongoing discussion with local based real estate agents. The assumptions used in updating the fair value were as follows: Expected average price of EUR 23,000 per sqm; total budgeted costs of EUR 89 million; development margin of 15%.

### 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, mixture (selected properties) 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 2012 and 31 December 2011 due to changes in assumptions:

#### Change in yield

2012	Current average yield	Current market value	Increased yield	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 100 bp in yield	6,92%	33 054 622	7,92%	28 865 568	-4 189 054

2011	Current average yield	Current market value	Increased yield	Market value upon increased yield	Effect of increased yield to profit or (loss)
Increase of 100 bp in yield	7,32%	31 933 939	8,32%	28 095 877	-3 838 062

#### Change in income

2012	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)
Hotels	172 106	3 384 439	189 317	3 722 883	338 444
Industry and logistics	235 772	3 065 140	259 349	3 371 654	306 514
Office	646 493	9 387 722	711 142	10 326 494	938 772
Other	14 012	63 498	15 413	69 848	6 350
Retail	1 217 770	17 153 823	1 339 547	18 869 205	1 715 382
Increase by 10% in income	2 286 153	33 054 622	2 514 768	36 360 084	3 305 462

#### 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 Group entities

#### Control of the Group

The Group's ultimate parent company is Czech Property Investments, a.s. which is controlled by the sole shareholder Mr. Radovan Vitek.

#### 3.1 Subsidiaries and joint-ventures

As at 31 December 2012 the Group is formed by parent company, 124 subsidiaries controlled by the parent company and 1 jointly controlled entity (2011 – 130 subsidiaries, 5 jointly controlled entities).

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2012	31 December 2011
4B Investments, a.s.	Czech Republic	100,00%	--
4B Property, s.r.o. (1)	Czech Republic	--	50,00%
A/L SK Office 2 s.r.o. (2)	Slovak Republic	--	100,00%
Auto - priemyselný park, s.r.o. (2)	Slovak Republic	--	100,00%
Balvinder, a.s.	Czech Republic	100,00%	100,00%
Baudry Beta, a.s.	Czech Republic	100,00%	100,00%
Baudry, a.s.	Czech Republic	100,00%	100,00%
Baumarkt České Budějovice s.r.o. (3)	Czech Republic	--	100,00%
BAYTON Beta, a.s.	Czech Republic	100,00%	--
BAYTON Gama, a.s.	Czech Republic	86,50%	--
Beroun Property Alfa, a.s.	Czech Republic	100,00%	100,00%
Beroun Property Development, a.s.	Czech Republic	100,00%	100,00%
Betonstav spol. s r.o.	Czech Republic	100,00%	100,00%
BPT Development, a.s.	Czech Republic	100,00%	100,00%
Brandýs Logistic, a.s. (Komura, a.s.)	Czech Republic	100,00%	100,00%
BRILLIANT VARIETY s.r.o.	Czech Republic	100,00%	100,00%
Březiněves, a.s.	Czech Republic	100,00%	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%
Conradian, a.s.	Czech Republic	100,00%	100,00%
COPA Centrum Národní, s.r.o.	Czech Republic	50,00%	50,00%
CPI - Bor, a.s.	Czech Republic	100,00%	100,00%
CPI - City Park Jihlava, a.s. (4)	Czech Republic	--	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 Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2012	31 December 2011
CPI Alfa, a.s.	Czech Republic	100,00%	--
CPI Beta, a.s.	Czech Republic	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 Delta, a.s.	Czech Republic	100,00%	--
CPI East s.r.o.	Czech Republic	100,00%	--
CPI Facility Slovakia, a.s.	Slovak Republic	100,00%	100,00%
CPI Finance Ireland	Ireland	100,00%	100,00%
CPI Finance Netherlands	Netherlands	100,00%	100,00%
CPI Finance, a.s. (5)	Czech Republic	--	100,00%
CPI France, a SASU	France	100,00%	--
CPI Heli, s.r.o.	Czech Republic	100,00%	--
CPI Hotels Properties, a.s.	Czech Republic	100,00%	100,00%
CPI Jihlava Shopping, a.s. (Marissa Ksí, a.s.)	Czech Republic	100,00%	100,00%
CPI Management, 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 Property, s.r.o.	Czech Republic	100,00%	100,00%
CPI Reality, a.s.	Czech Republic	100,00%	100,00%
CPI Retails FIVE, a.s. (Trenčín Property Development, a.s.)	Slovak Republic	100,00%	100,00%
CPI Retails FOUR, a.s. (BAYTON SR, a.s.)	Slovak Republic	100,00%	100,00%
CPI Retails ONE, a.s.	Czech Republic	100,00%	100,00%
CPI Retails THREE, a.s. (ABIGAIL, 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. (Marissa Beta, a.s.)	Czech Republic	100,00%	100,00%
CPI Shopping Teplice, a.s. (Marissa Alfa, a.s.)	Czech Republic	100,00%	100,00%
CPI West, s.r.o.	Czech Republic	100,00%	--
Čadca Property Development, s.r.o.	Slovak Republic	100,00%	100,00%
Český Těšín Property Development, a.s.	Czech Republic	100,00%	100,00%
DOREK Vysoké Mýto, a.s. (6)	Czech Republic	--	100,00%
Družstvo Land	Czech Republic	99,96%	99,96%
Dunajská Streda Investments, s.r.o. (7)	Slovak Republic	--	100,00%
EDELWEISS Development s.r.o.	Czech Republic	100,00%	--
ELAMOR, a.s.	Slovak Republic	100,00%	100,00%
Farhan, a.s.	Czech Republic	100,00%	100,00%
FL Property Development, a.s.	Czech Republic	100,00%	100,00%
HERTONE, a.s. (2)	Slovak Republic	--	100,00%
Horova Immo s.r.o.	Czech Republic	100,00%	50,00%
Hraničář, a.s.	Czech Republic	100,00%	100,00%
Chrudim Investments, a.s. (8)	Czech Republic	--	100,00%
IGY2 CB, a.s.	Czech Republic	100,00%	100,00%



# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2012	31 December 2011
Kerina, a.s.	Czech Republic	100,00%	100,00%
Komárno Investments, s.r.o. (9)	Slovak Republic	--	100,00%
Komárno Property Development, a.s.	Slovak Republic	100,00%	100,00%
Liptovský Mikuláš Property Development, a.s.	Slovak Republic	100,00%	100,00%
Lockhart, a.s.	Czech Republic	100,00%	100,00%
LUDLOW a.s. (10)	Czech Republic	--	100,00%
Malerba, a.s.	Czech Republic	100,00%	100,00%
MAPON, 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%
Mělník Investments, s.r.o. (11)	Czech Republic	--	100,00%
Michalovce Property Development, a.s.	Slovak Republic	100,00%	100,00%
Modřanská Property, a.s.	Czech Republic	100,00%	100,00%
MUXUM, a.s.	Czech Republic	100,00%	100,00%
Náchod Investments, s.r.o. (8)	Czech Republic	--	100,00%
NERONTA, a.s.	Slovak Republic	100,00%	100,00%
Nymburk Property Development, a.s.	Czech Republic	100,00%	100,00%
OC Nová Zdaboř a.s.	Czech Republic	100,00%	100,00%
Office Star Four, spol. s r.o. (12)	Czech Republic	--	100,00%
Office Star Fourteen, spol. s r.o. (13)	Czech Republic	--	100,00%
Office Star One, spol. s r.o. (12)	Czech Republic	--	100,00%
Office Star Seven, spol. s r.o. (12)	Czech Republic	--	100,00%
Office Star Ten, spol. s r.o. (12)	Czech Republic	--	100,00%
Office Star Thirteen, spol. s r.o. (12)	Czech Republic	--	100,00%
Office Star Three, spol. s r.o. (12)	Czech Republic	--	100,00%

# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

Name (former name)	Country of incorporation	Ownership interest as at	
		31 December 2012	31 December 2011
Olomouc City Center, a.s.	Czech Republic	100,00%	100,00%
Olomouc Office, a.s.	Czech Republic	100,00%	--
OLYMPIA Mladá Boleslav s.r.o. (14)	Czech Republic	--	100,00%
OLYMPIA Teplice s.r.o. (15)	Czech Republic	--	100,00%
Pardubice Investments, s.r.o. (11)	Czech Republic	--	100,00%
Považská Bystrica Investments, s.r.o. (16)	Slovak 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%
Příbor Property Development, s.r.o. (AB BHV spol. s.r.o.)	Czech Republic	100,00%	100,00%
Příkopy Property Development, a.s. (Bageleot, a.s.)	Czech Republic	100,00%	100,00%
RK Building s.r.o.	Czech Republic	100,00%	100,00%
Ružomberok Property Development, a.s.	Slovak Republic	100,00%	100,00%
Řepy Investments, s.r.o. (11)	Czech Republic	--	100,00%
SHEMAR INVESTMENTS LIMITED	Cyprus	100,00%	100,00%
Strakonice Property Development, a.s.	Czech Republic	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%
T.Land a.s.	Czech Republic	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%
TRIFIT Vysoké Mýto s.r.o. (6)	Czech Republic	--	100,00%
Trutnov Property Development, a.s.	Czech Republic	100,00%	100,00%
Třinec Property Development, a.s.	Czech Republic	100,00%	100,00%
Týniště Property Development, s.r.o.	Czech Republic	100,00%	--
U svatého Michala, a.s.	Czech Republic	100,00%	100,00%
Vigano, a.s.	Czech Republic	100,00%	100,00%
VM Property Development, a.s.	Czech Republic	100,00%	100,00%
VT Alfa, a.s.	Czech Republic	100,00%	50,00%
VT Holding, a.s.	Czech Republic	100,00%	50,00%
Vyškov Property Development, a.s.	Czech Republic	100,00%	100,00%
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) 4B Property, s.r.o. has merged with 4B Investments, a.s. (the “successor company”) with the effective date of 31 December 2012. All assets and liabilities of 4B Property, s.r.o. passed to the successor company. The transaction was legally completed on 31 December 2012 when the merger was recorded in the commercial register.

(2) A/L SK Office 2 s.r.o., Auto - priemyselný park, s.r.o. and HERTONE, a.s. have merged with NERONTA, a.s. (the “successor company”) with the effective date of 3 August 2012. All assets and liabilities of A/L SK Office 2 s.r.o., Auto - priemyselný park, s.r.o. and HERTONE, a.s. passed to the successor company. The transaction was legally completed on 1 May 2012 when the merger was recorded in the commercial register.

- (3) Baumarkt České Budějovice s.r.o. has merged with Baudry Beta, a.s. (the “successor company”) with the effective date of 1 October 2011. All assets and liabilities of Baumarkt České Budějovice s.r.o. passed to the successor company. The transaction was legally completed on 1 October 2012 when the merger was recorded in the commercial register.
- (4) CPI - City Park Jihlava, a.s. has merged with Marissa Kší, a.s. (the “successor company”) with the effective date of 1 January 2012. All assets and liabilities of CPI - City Park Jihlava, a.s. passed to the successor company. The transaction was legally completed on 30 September 2012 when the merger was recorded in the commercial register. Simultaneously Marissa Kší, a.s. was renamed to CPI Jihlava Shopping, a.s. on 7 November 2012.
- (5) CPI Finance, a.s. has merged with Czech Property Investments, a.s. (the “successor company”) with the effective date of 1 January 2012. All assets and liabilities of CPI Finance, a.s. passed to the successor company. The transaction was legally completed on 30 November 2012 when the merger was recorded in the commercial register.
- (6) DOREK Vysoké Mýto, a.s. and TRIFIT Vysoké Mýto s.r.o. have merged Svitavy Property Alfa, a.s. (the “successor company”) with the effective date of 4 November 2011. All assets and liabilities of DOREK Vysoké Mýto, a.s. and TRIFIT Vysoké Mýto s.r.o. passed to the successor company. The transaction was legally completed on 7 November 2012 when the merger was recorded in the commercial register.
- (7) Dunajská Streda Investments, s.r.o. has merged with Trenčín Property Development, a.s. (the “successor company”) with the effective date of 1 July 2012. All assets and liabilities of Dunajská Streda Investments, s.r.o. passed to the successor company. The transaction was legally completed on 1 May 2012 when the merger was recorded in the commercial register. Simultaneously Trenčín Property Development, a.s. was renamed to CPI Retails FIVE, a.s. on 1 May 2012.
- (8) Chrudim Investments, a.s. and Náchod Investments, s.r.o. have merged with CPI Retails TWO, a.s. (the “successor company”) with the effective date of 1 July 2012. All assets and liabilities of Chrudim Investments, a.s. and Náchod Investments, s.r.o. passed to the successor company. The transaction was legally completed on 9 May 2012 when the merger was recorded in the commercial register.
- (9) Komárno Investments, s.r.o. has merged with BAYTON SR, a.s. (the “successor company”) with the effective date of 1 July 2012. All assets and liabilities of Komárno Investments, s.r.o. passed to the successor company. The transaction was legally completed on 1 May 2012 when the merger was recorded in the commercial register. Simultaneously BAYTON SR, a.s. was renamed to CPI Retails FOUR, a.s. on 1 May 2012.
- (10) LUDLOW a.s. has merged with IGY2 CB, a.s. (the “successor company”) with the effective date of 31 December 2012. All assets and liabilities of LUDLOW a.s. passed to the successor company. The transaction was legally completed on 31 December 2012 when the merger was recorded in the commercial register.
- (11) Mělník Investments, s.r.o., Pardubice Investments, s.r.o. and Řepý Investments, s.r.o. have merged with CPI Retails ONE, a.s. (the “successor company”) with the effective date of 1 July 2012. All assets and liabilities of Mělník Investments, s.r.o., Pardubice Investments, s.r.o. and Řepý Investments, s.r.o. passed to the successor company. The transaction was legally completed on 30 March 2012 when the merger was recorded in the commercial register.
- (12) Office Star One, spol. s r.o., Office Star Three, spol. s r.o., Office Star Four, spol. s r.o., Office Star Seven, spol. s r.o., Office Star Ten, spol. s r.o. and Office Star Thirteen, spol. s r.o., has merged with Marissa West, a.s. (the “successor company”) with the effective date of 31 December 2012. All assets and liabilities of Office Star One, spol. s r.o., Office Star Three, spol. s r.o., Office Star Four, spol. s r.o., Office Star Seven, spol. s r.o., Office Star Ten, spol. s r.o. and Office Star Thirteen, spol. s r.o. passed to the successor company. The transaction was legally completed on 31 December 2012 when the merger was recorded in the commercial register.
- (13) Office Star Fourteen, spol. s r.o. has merged with Marissa Gama, a.s. (the “successor company”) with the effective date of 1 October 2011. All assets and liabilities of Office Star Fourteen, spol. s r.o. passed to the successor company. The transaction was legally completed on 9 July 2012 when the merger was recorded in the commercial register.
- (14) OLYMPIA Mladá Boleslav s.r.o. has merged with Marissa Beta, a.s. (the “successor company”) with the effective date of 1 August 2012. All assets and liabilities of OLYMPIA Mladá Boleslav s.r.o. passed to the successor company. The transaction was legally completed on 12 March 2012 when the merger was recorded in the commercial register. Marissa Beta, a.s. was renamed to CPI Shopping MB, a.s. on 12 December 2012.

(15) OLYMPIA Teplice s.r.o. has merged with Marissa Alfa, a.s. (the “successor company”) with the effective date of 1 August 2012. All assets and liabilities of OLYMPIA Teplice s.r.o. passed to the successor company. The transaction was legally completed on 12 March 2012 when the merger was recorded in the commercial register. Marissa Alfa, a.s. was renamed to CPI Shopping Teplice, a.s. on 13 December 2012.

(16) Považská Bystrica Investments, s.r.o. has merged with ABIGAIL, a.s. (the “successor company”) with the effective date of 1 July 2012. All assets and liabilities of Považská Bystrica Investments, s.r.o. passed to the successor company. The transaction was legally completed on 1 April 2012 when the merger was recorded in the commercial register. Simultaneously ABIGAIL, a.s. was renamed to CPI Retails THREE, a.s. on 1 April 2012.

### 3.2 Changes in the Group

During 2012, the Group has acquired/founded the following entities. No entities were disposed of in 2012.

Entity	Change	Share in %	Date of
4B Investments, a.s.	founded	100,00%	6 June 2012
BAYTON Beta, a.s.	acquisition	100,00%	28 June 2012
BAYTON Gama, a.s.	acquisition	86,50%	28 June 2012
CPI Alfa, a.s.	founded	100,00%	21 March 2012
CPI Beta, a.s.	founded	100,00%	21 March 2012
CPI Delta, a.s.	founded	100,00%	21 March 2012
CPI East s.r.o.	founded	100,00%	12 March 2012
CPI France, a SASU	founded	100,00%	30 May 2012
CPI Heli, s.r.o.	founded	100,00%	27 March 2012
CPI West, s.r.o.	founded	100,00%	14 March 2012
Olomouc Office, a.s.	acquisition	100,00%	5 December 2012
T.Land a.s. (1)	acquisition	100,00%	11 December 2012
Týniště Property Development, s.r.o.	founded	100,00%	8 August 2012
VT Holding, a.s. (2)	acquisition	50,00%	29 March 2012

(1) including subsidiary EDELWEISS Development s.r.o.

(2) including subsidiaries 4B Property, s.r.o., Horova Immo s.r.o. and VT Alfa, a.s.

### 3.3 Share in joint ventures

The Group has 50% share in COPA Centrum Národní, s.r.o. as at 31 December 2012. As at 31 December 2011 the Group had 50% share in COPA Centrum Národní, s.r.o. and 50% share in VT Holding, a.s. including its subsidiaries 4B Property, s.r.o., Horova Immo s.r.o. and VT Alfa, a.s.

In 2012 the Group acquired remaining 50% stake in VT Holding, a.s. (refer to note 3.4).

The following amounts are included in the Group’s consolidated financial statements as a result of the proportionate consolidation of above stated joint ventures.

	2012	2011
Non-current assets	810 251	1 083 295
Current assets	8 663	56 622
Non-current liabilities	-445 607	-763 606
Current liabilities	-223 053	-319 875
Income	34 015	32 634
Valuation gain	158 484	17 613
Expenses	-56 113	-86 257
Other comprehensive income	--	--

In 2013 the Group acquired remaining 50% stake in COPA Centrum Národní, s.r.o. (refer to note 11 Subsequent events).

### 3.4 Acquisitions of subsidiaries and stakes in jointly controlled entities in 2012

#### VT Holding group

On 29 March 2012, the Group acquired remaining 50% stake in VT Holding, a.s., including 100% share in its subsidiaries 4B Property, s.r.o., Horova Immo s.r.o. and VT Alfa, a.s. As a result of the acquisition the Group has increased its ownership interest to 100%.

This acquisition includes 10 supermarkets and other commercial buildings in Czech Republic with total retail space exceeding 43 000 sqm. The facilities are mainly leased to retail chains Billa, Penny Market and Interspar. The fair value of the identifiable assets and liabilities at the date of acquisition was as follows:

	VT Holding, a.s. (subgroup) 100%
Investment property	1 056 560
Loans provided	19 992
Trade and other receivables	33 766
Cash and cash equivalents	16 966
<b>Identifiable acquired assets</b>	<b>1 127 284</b>
Non-current interest-bearing loans and borrowings	-911 220
Deferred tax liability	-86 006
Current income tax liabilities	-1730
Trade and other payables	-27 396
Provisions	-340
<b>Identifiable acquired liabilities</b>	<b>-1 026 692</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>100 592</b>
<b>Consideration paid</b>	<b>4 124</b>
<b>Consideration other - Fair value of net identifiable assets and liabilities disposed as a part of step acquisition</b>	<b>50 296</b>
<b>Gain / (loss) on disposal - step acquisition</b>	<b>--</b>
<b>Goodwill / (bargain purchase)</b>	<b>-46 172</b>
<b>Cash and cash equivalents acquired</b>	<b>16 966</b>
<b>Cash outflow</b>	<b>-4 359</b>
<b>POST-acquisition profit/ (loss)</b>	<b>-7 440</b>

#### BAYTON Beta, a.s.

On 28 June 2012, the Group acquired 100% of the shares in BAYTON Beta, a.s. The acquired entity owns and rents apartment houses and separate flats in Vysočany, Řepy and Libeň.

If the acquisition had taken place at the beginning of the year, Group's rental revenue would have been 2 542 higher and the profit before tax from continuing operations for the Group would have been by TCZK 1 045 higher.

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

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

	BAYTON Beta, a.s.
Investment property	77 676
Trade and other receivables	30 661
Cash and cash equivalents	6 055
<b>Identifiable acquired assets</b>	<b>114 392</b>
Deferred tax liability	-14 695
Current income tax liabilities	-3 653
Trade and other payables	-8 336
Provisions	-248
<b>Identifiable acquired liabilities</b>	<b>-26 932</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>87 460</b>
<b>Consideration paid</b>	<b>87 460</b>
<b>Goodwill / (bargain purchase gain)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>6 055</b>
<b>Cash outflow</b>	<b>81 405</b>
<b>POST-acquisition profit/ (loss)</b>	<b>1 028</b>

### BAYTON Gama, a.s.

On 28 June 2012, the Group acquired 86,5% of the shares in BAYTON Gama, a.s. The entity mainly owns bonds issued by the Group.

The Group elected to measure the non-controlling interest in the acquired entity at the proportionate share of its interest in the acquired identifiable net assets. At the date of acquisition the non-controlling interest represents TCZK 86 536.

The fair value of the identifiable assets and liabilities attributable to 86,5% Group's share at the date of acquisition was as follows:

	BAYTON Gama, a.s.
Bonds	546 818
Trade and other receivables	16 816
Cash and cash equivalents	1
<b>Identifiable acquired assets</b>	<b>563 635</b>
Deferred tax liability	-3 545
Current income tax liabilities	-4 630
Trade and other payables	-991
<b>Identifiable acquired liabilities</b>	<b>-9 166</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>554 469</b>
<b>Consideration paid</b>	<b>542 482</b>
<b>Goodwill / (bargain purchase)</b>	<b>-11 987</b>
<b>Cash and cash equivalents acquired</b>	<b>1</b>
<b>Cash outflow</b>	<b>542 481</b>
<b>POST-acquisition profit/ (loss)</b>	<b>12 604</b>

### T.Land, a.s.

On 11 December 2012, the Group acquired 100% of the shares in T.Land, a.s., including 100% share in its subsidiary EDELWEISS Development s.r.o.

The acquisition relates to seven logistics halls near Prague (Vestec, Čestlice and Jažlovice) with combined leasable area of 11 000 sqm and two supermarkets located in Tábor and České Budějovice leased to Billa chain. All properties are fully rented to tenants.

If the acquisition had taken place at the beginning of the year, rental income would have been 41 516 higher and the profit before tax from continuing operations for the Group would have been by TCZK 4 311 higher.

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

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

	<b>T.Land, a.s. (subgroup)</b>
Investment property	432 175
Trading property - inventories	121
Current income tax receivables	259
Trade and other receivables	3 228
Cash and cash equivalents	5 639
<b>Identifiable acquired assets</b>	<b>441 422</b>
Non-current interest-bearing loans and borrowings	-261 511
Deferred tax liability	-20 592
Overdrafts	-9 709
Current interest bearing loans and borrowings	-12 832
Current income tax liabilities	-112
Trade and other payables	-11 253
<b>Identifiable acquired liabilities</b>	<b>-316 009</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>125 413</b>
<b>Consideration paid</b>	<b>125 413</b>
<b>Goodwill / (bargain purchase gain)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>5 639</b>
<b>Cash outflow</b>	<b>119 774</b>
<b>POST-acquisition profit/ (loss)</b>	<b>--</b>

### Olomouc Office, a.s.

On 5 December 2012, the Group acquired 100% of the shares in Olomouc Office, a.s. Acquisition of the entity is connected with development of multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.) performed by the Group.

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

	<b>Olomouc Office, a.s.</b>
Investment property	3 102
Loans provided	2 055
Deferred tax assets	3
Trade and other receivables	581
Cash and cash equivalents	2
<b>Identifiable acquired assets</b>	<b>5 743</b>
Current income tax liabilities	-16
Trade and other payables	-3 727
<b>Identifiable acquired liabilities</b>	<b>-3 743</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>2 000</b>
<b>Consideration paid</b>	<b>2 000</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>2</b>
<b>Cash outflow</b>	<b>1 998</b>
<b>POST-acquisition profit/ (loss)</b>	<b>--</b>

## Business combinations in 2012 per segments

All business combinations in 2012 were realised in Czech Republic.

The following table summarizes total assets and liabilities acquired with respect of Group's acquisitions in 2012 per business segments.

	Residential	Other	Development	Logistics	Retail	Total
Investment property	77 676	--	3 102	351 924	608 531	1 041 233
Bonds	--	546 818	--	--	--	546 818
Loans provided	--	--	2 055	--	9 996	12 051
Trading property - inventories	--	--	--	121	--	121
Deferred tax assets	--	--	3	--	--	3
Current income tax receivables	--	--	--	259	--	259
Trade and other receivables	30 661	16 816	581	2 270	17 841	68 169
Cash and cash equivalents	6 055	1	2	4 606	9 516	20 180
<b>Identifiable acquired assets</b>	<b>114 392</b>	<b>563 635</b>	<b>5 743</b>	<b>359 180</b>	<b>645 884</b>	<b>1 688 834</b>
Non-current interest-bearing loans and	--	--	--	-199 399	-517 722	-717 121
Deferred tax liability	-14 695	-3 545	--	-20 592	-43 003	-81 835
Overdrafts	--	--	--	-9 709	--	-9 709
Current interest bearing loans and	--	--	--	-11 986	-846	-12 832
Current income tax liabilities	-3 653	-4 630	-16	--	-977	-9 276
Trade and other payables	-8 336	-991	-3 727	-9 428	-15 523	-38 005
Provisions	-248	--	--	--	-170	-418
<b>Identifiable acquired liabilities</b>	<b>-26 932</b>	<b>-9 166</b>	<b>-3 743</b>	<b>-251 114</b>	<b>-578 241</b>	<b>-869 196</b>
<b>Net ident. assets of subsidiary</b>	<b>87 460</b>	<b>554 469</b>	<b>2 000</b>	<b>108 066</b>	<b>67 643</b>	<b>819 638</b>
<b>Consideration paid</b>	<b>87 460</b>	<b>542 482</b>	<b>2 000</b>	<b>85 413</b>	<b>44 124</b>	<b>761 479</b>
<b>Goodwill / (bargain purchase gain)</b>	<b>--</b>	<b>-11 987</b>	<b>--</b>	<b>-22 653</b>	<b>-23 519</b>	<b>-58 159</b>
<b>Cash and cash equivalents acquired</b>	<b>6 055</b>	<b>1</b>	<b>2</b>	<b>4 606</b>	<b>9 516</b>	<b>20 180</b>
<b>Cash outflow</b>	<b>81 405</b>	<b>542 481</b>	<b>1 998</b>	<b>80 807</b>	<b>34 608</b>	<b>741 299</b>
<b>POST-acquisition profit/ (loss)</b>	<b>1 028</b>	<b>12 604</b>	<b>--</b>	<b>--</b>	<b>-3 720</b>	<b>9 912</b>

Gain on bargain purchase of TCZK 58 159 is recognized within other income (note 5.8).

For the payables from acquisitions refer to note 6.15.



### 3.5 Acquisitions of subsidiaries, joint ventures and non-controlling interest in 2011

During 2011, the Group has acquired the following entities. No entities were disposed in 2011.

Entity	Acquired share	Date of acquisition
AB BHV spol. s.r.o.	100,00%	13 January 2011
Auto - priemyselný park, s.r.o. Lozorno (1)	100,00%	3 August 2011
Bageleot, a.s.	100,00%	15 July 2011
Baudry, a.s.	100,00%	8 March 2011
BAYTON SR, a.s.	100,00%	1 February 2011
Březiněves, a.s.	0,55%	1 March 2011
Camuzzi, a.s. (2)	100,00%	8 March 2011
COPA Centrum Národní, s.r.o.	50,00%	29 July 2011
CPI - Bor, a.s.	20,00%	4 January 2011
CPI - City Park Jihlava, a.s.	100,00%	9 December 2011
CPI Finance Ireland	100,00%	31 March 2011
CPI Finance Netherlands	100,00%	12 April 2011
CPI Retails ONE, a.s.	100,00%	1 February 2011
CPI Retails TWO, a.s.	100,00%	1 February 2011
DOREK Vysoké Mýto, a.s.	100,00%	3 November 2011
Dunajská Streda Investments, s.r.o.	100,00%	12 April 2011
ELAMOR, a.s.	100,00%	7 April 2011
HERTONE, a.s.	100,00%	7 April 2011
Horova Immo s.r.o.	50,00%	24 August 2011
Chrudim Investments, a.s.	100,00%	12 April 2011
Kerina, a.s.	100,00%	1 February 2011
Komárno Investments, s.r.o.	100,00%	12 April 2011
Komura, a.s. (3)	100,00%	1 June 2011
LUDLOW a.s.	100,00%	24 August 2011
MAPON, a.s.	100,00%	3 August 2011
Marissa, a.s.	100,00%	8 March 2011
Mělník Investments, s.r.o.	100,00%	12 April 2011
Náchod Investments, s.r.o.	100,00%	12 April 2011
NERONTA, a.s.	100,00%	7 April 2011
Office Star Four, spol. s r.o.	100,00%	1 October 2011
Office Star Fourteen, spol. s r.o.	100,00%	1 October 2011
Office Star One, spol. s r.o.	100,00%	1 October 2011
Office Star Seven, spol. s r.o.	100,00%	1 October 2011
Office Star Ten, spol. s r.o.	100,00%	1 October 2011
Office Star Thirteen, spol. s r.o.	100,00%	1 October 2011
Office Star Three, spol. s r.o.	100,00%	1 October 2011
OLYMPIA Mladá Boleslav s.r.o.	100,00%	28 July 2011
OLYMPIA Teplice s.r.o.	100,00%	28 July 2011
Pardubice Investments, s.r.o.	100,00%	12 April 2011
Považská Bystrica Investments, s.r.o.	100,00%	12 April 2011
Řepy Investments, s.r.o.	100,00%	12 April 2011
Telč Property Development, a.s.	100,00%	31 March 2011
TRIFIT Vysoké Mýto s.r.o.	100,00%	3 November 2011
Trutnov Property Development, a.s.	100,00%	4 April 2011
Žďár Property Development, a.s.	100,00%	8 March 2011
Ždírec Property Development, a.s.	100,00%	2 May 2011

1) including subsidiary A/L SK Office 2 s.r.o.

2) including subsidiary RK Building s.r.o.

3) including subsidiary BRILLIANT VARIETY s.r.o.

## a) Acquisition of subsidiaries and joint ventures

### Olympia Retail Parks

On 28 July 2011, the Group acquired OLYMPIA Teplice s.r.o. (shopping centre Olympia Teplice) and OLYMPIA Mladá Boleslav s.r.o. (shopping centre Olympia Mladá Boleslav) from CA Immo and Union Investment Real Estate. The facility in Mladá Boleslav offers app. 22 000 sqm retail space, the one in Teplice over 32 000 sqm. Both shopping centres are fully rented out to tenants.

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

	OLYMPIA Teplice s.r.o.	OLYMPIA Mladá Boleslav
Investment property	1 501 362	1 211 491
Intangible assets	--	215
Trade and other receivables	8 665	7 540
Cash and cash equivalents	40 965	35 833
<b>Identifiable acquired assets</b>	<b>1 550 992</b>	<b>1 255 079</b>
Non-current interest-bearing loans and borrowings	-554 420	-362 640
Other non-current liabilities	-11 781	-357
Deferred tax liability	-202 856	-163 766
Current income tax liabilities	-1 966	-463
Trade and other payables	-19 622	-23 185
<b>Identifiable acquired liabilities</b>	<b>-790 645</b>	<b>-550 411</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>760 347</b>	<b>704 668</b>
<b>Consideration paid</b>	<b>760 347</b>	<b>704 668</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>40 965</b>	<b>35 833</b>
<b>Cash outflow</b>	<b>719 382</b>	<b>668 835</b>
<b>Post-acquisition profit/ (loss)</b>	<b>26 220</b>	<b>7 169</b>

### City Park Jihlava

On 9 December 2011 the Group has completed acquisition of CPI - City Park Jihlava, a.s. (formerly CEI Building, a.s.) holding the regional shopping centre with app. 25 000 sqm of retail space.

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

	City Park Jihlava, a.s.
Investment property	2 442 087
Trade and other receivables	45 840
Cash and cash equivalents	144 657
<b>Identifiable acquired assets</b>	<b>2 632 584</b>
Non-current interest-bearing loans and borrowings	-1 259 654
Other non-current liabilities	-23 260
Deferred tax liability	-232 726
Current interest bearing loans and borrowings	-32 724
Trade and other payables	-125 061
<b>Identifiable acquired liabilities</b>	<b>-1 673 425</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>959 159</b>
<b>Consideration paid</b>	<b>959 159</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>144 657</b>
<b>Cash outflow</b>	<b>814 502</b>
<b>Post-acquisition profit/ (loss)</b>	<b>5 030</b>

The sale and purchase agreement includes also contingent consideration subject to certain indicators of business performance are met. The additional cash payments due to the seller could amount to TCZK 5 973 maximum.

### Auto - priemyselný park, s.r.o. Lozorno

On 3 August 2011, the Group acquired the entity Auto - priemyselný park, s.r.o. Lozorno including its subsidiary A/L SK Office 2 s.r.o. This acquisition relates to Lozorno industrial zone near Bratislava. The Lozorno zone is one of the largest automotive parks in Central Europe, with five industrial halls and combined leasable area of 118 000 sqm.

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

	Auto - priemyselný park, s.r.o.
Investment property	2 038 817
Loans provided	412 110
Trade and other receivables	27 361
Cash and cash equivalents	52 479
<b>Identifiable acquired assets</b>	<b>2 530 767</b>
Non-current interest-bearing loans and borrowings	-357 184
Other non-current liabilities	-7 531
Deferred tax liability	-314 785
Current interest bearing loans and borrowings	-976 133
Trade and other payables	-36 435
<b>Identifiable acquired liabilities</b>	<b>-1 692 068</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>838 699</b>
<b>Consideration paid</b>	<b>838 699</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>52 479</b>
<b>Cash outflow</b>	<b>786 220</b>
<b>Post-acquisition profit/ (loss)</b>	<b>16 721</b>

### COPA Centrum Národní, s.r.o

On 29 July 2011, the Group has acquired 50% stake in COPA Centrum Národní, s.r.o., a 28,000 sqm office and retail scheme in the centre of Prague. The seller, Pawlowski AG holds the other 50% ownership interest. The acquired entity is operated as jointly controlled entity.

The fair value of the identifiable assets and liabilities attributable to 50% Group's share at the date of acquisition was as follows:

	COPA Centrum Národní, s.r.o.
Investment property under development	543 314
Property, plant and equipment	5 556
Trade and other receivables	1 342
Cash and cash equivalents	3
<b>Identifiable acquired assets</b>	<b>550 215</b>
Non-current interest-bearing loans and borrowings	-194 259
Other non-current liabilities	-216
Deferred tax liability	-27 944
Current interest bearing loans and borrowings	-199 817
Trade and other payables	-54 524
Provisions	-885
<b>Identifiable acquired liabilities</b>	<b>-477 645</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>72 570</b>
<b>Consideration paid</b>	<b>72 570</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>3</b>
<b>Cash outflow</b>	<b>72 567</b>
<b>Post-acquisition profit/ (loss)</b>	<b>-58 702</b>

### KOMURA, a.s.

On 1 June the Group acquired 100% share in KOMURA, a.s. including its subsidiary Brilliant Variety, s.r.o. This acquisition relates to industrial park in Brandys nad Labem.

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

	KOMURA, a.s.
Investment property	392 757
Loans provided	13 373
Trade and other receivables	4 802
Cash and cash equivalents	33 303
<b>Identifiable acquired assets</b>	<b>444 235</b>
Non-current interest-bearing loans and borrowings	-437 566
Deferred tax liability	-1 351
Current interest bearing loans and borrowings	-166
Trade and other payables	-3 152
<b>Identifiable acquired liabilities</b>	<b>-442 235</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>2 000</b>
<b>Consideration paid</b>	<b>2 000</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>33 303</b>
<b>Cash inflow</b>	<b>31 303</b>
<b>Post-acquisition profit/ (loss)</b>	<b>30 804</b>

### Horova Immo s.r.o.

On 24 August 2011, the Group's joint venture VT Holding a.s. acquired 100% stake in entity Horova Immo s.r.o.

The fair value of the identifiable assets and liabilities attributable to 50% Group's share at the date of acquisition was as follows:

	Horova Immo s.r.o.
Investment property	327 209
Current income tax receivables	1 775
Trade and other receivables	908
Cash and cash equivalents	2 007
<b>Identifiable acquired assets</b>	<b>331 899</b>
Non-current interest-bearing loans and borrowings	-167 621
Other non-current liabilities	-185
Deferred tax liability	-21 935
Current interest bearing loans and borrowings	-12 843
Trade and other payables	-2 593
<b>Identifiable acquired liabilities</b>	<b>-205 177</b>
<b>Net ident. assets of subsidiary acquired</b>	<b>126 722</b>
<b>Consideration paid</b>	<b>126 722</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>
<b>Cash and cash equivalents acquired</b>	<b>2 007</b>
<b>Cash outflow</b>	<b>124 715</b>
<b>Post-acquisition profit/ (loss)</b>	<b>8 494</b>

**„REAL4YOU“ group**

On 12 April 2011 the Group has finalised the purchase of 14 retail properties in the Czech Republic and Slovakia from Austrian developer group Real4You Immobilien. The facilities include a chain of Penny Market stores and FamilyCentres retail parks with a combined area of around 50,000 sqm. The acquisition also included FamilyCentre Senica in Slovakia, acquired at the planning stage.

The sale and purchase agreement includes also contingent consideration subject to certain indicators of business performance are met. The additional cash payments due to the seller could amount to TCZK 1 739 maximum.

Based on internal analysis performed the Group expects no additional cash payments to be paid.

# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

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

	Czech Republic					Slovak Republic			
	Pardubice Investments, s.r.o.	Mělník Investments, s.r.o.	Řepý Investments, s.r.o.	Chrudim Investments, a.s.	Náchod Investments, s.r.o.	Dunajská Streda Investments, s.r.o.	Komárno Investments, s.r.o.	Považská Bystrica Investments, s.r.o.	Total
Investment property	31 809	86 906	243 235	144 984	142 299	311 217	414 153	190 748	1 565 351
Loans provided	7 092	30 226	68 346	7 316	--	2 830	--	--	115 810
Trade and other receivables	109	831	1 294	823	1 430	2 665	2 297	2 770	12 219
Cash and cash equivalents	56	444	1 065	3 236	277	357	946	2 243	8 624
<b>Identifiable acquired assets</b>	<b>39 066</b>	<b>118 407</b>	<b>313 940</b>	<b>156 359</b>	<b>144 006</b>	<b>317 069</b>	<b>417 396</b>	<b>195 761</b>	<b>1 702 004</b>
Non-current interest-bearing loans and borrowings	-16 326	-87 831	-178 390	-120 861	-105 464	-243 670	-373 515	-113 034	-1 239 091
Other non-current liabilities	-53	-185	-351	-811	-641	-5 161	-1 498	-1 141	-9 841
Deferred tax liability	-4 202	-4 291	-24 463	-4 810	-4 717	-11 638	-6 654	-11 329	-72 104
Current interest bearing loans and borrowings	--	--	--	--	--	-14 715	-13 992	-35 205	-63 912
Current income tax liabilities	--	--	--	--	-980	--	--	--	-980
Trade and other payables	-352	-1 461	-2 686	-3 838	-1 905	-5 857	-5 392	-4 191	-25 682
<b>Identifiable acquired liabilities</b>	<b>-20 933</b>	<b>-93 768</b>	<b>-205 890</b>	<b>-130 320</b>	<b>-113 707</b>	<b>-281 041</b>	<b>-401 051</b>	<b>-164 900</b>	<b>-1 411 610</b>
<b>Net ident.assets of subsidiary acquired</b>	<b>18 133</b>	<b>24 639</b>	<b>108 050</b>	<b>26 039</b>	<b>30 299</b>	<b>36 028</b>	<b>16 345</b>	<b>30 861</b>	<b>290 394</b>
<b>Consideration paid</b>	<b>18 133</b>	<b>24 639</b>	<b>108 050</b>	<b>26 039</b>	<b>30 299</b>	<b>36 028</b>	<b>16 345</b>	<b>30 861</b>	<b>290 394</b>
Goodwill / (bargain purchase)	--	--	--	--	--	--	--	--	--
Cash and cash equivalents acquired	56	444	1 065	3 236	277	357	946	2 243	8 624
Cash outflow	18 077	24 195	106 985	22 803	30 022	35 671	15 399	28 618	281 770
<b>Post-acquisition profit/ (loss)</b>	<b>-1 001</b>	<b>-3 431</b>	<b>-5 002</b>	<b>-6 394</b>	<b>-4 100</b>	<b>3 838</b>	<b>-6 450</b>	<b>-7 097</b>	<b>-29 637</b>

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

### “Office Stars” group

On 1 October 2011, the Group acquired 100% of the shares of 7 entities from PPF Group. These entities hold a portfolio of 19 office buildings in Czech Republic. In total, the assets comprise 122,000 m2 of fully let office premises.

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

	Office Star One, spol. s r.o.	Office Star Three, spol. s r.o.	Office Star Four, spol. s r.o.	Office Stars Seven, spol. s r.o.	Office Star Ten, spol. s r.o.	Office Star Thirteen, spol. s r.o.	Office Star Fourteen, spol. s r.o.	Total
Investment property	991 078	1 078 522	852 174	832 701	31 560	383 399	1 476 462	5 645 896
Property, plant and equipment	--	--	800	--	--	12	--	812
Trade and other receivables	26 332	17 798	11 098	14 665	1 152	70	667	71 782
Cash and cash equivalents	20 455	34 614	31 242	26 845	1 448	10 154	4 258	129 016
<b>Identifiable acquired assets</b>	<b>1 037 865</b>	<b>1 130 934</b>	<b>895 314</b>	<b>874 211</b>	<b>34 160</b>	<b>393 635</b>	<b>1 481 387</b>	<b>5 847 506</b>
Non-current interest-bearing loans and borrowings	-484 278	-753 749	-727 461	-460 917	-20 630	-264 198	-1 247 034	-3 958 267
Deferred tax liability	-81 668	-12 451	-8 277	-67 332	-3 231	-20 658	-5 254	-198 871
Current interest bearing loans and borrowings	-26 856	-38 427	-31 297	-21 787	--	-11 968	-18 768	-149 103
Current income tax liabilities	-1 716	-5 189	-2 252	-1 503	--	-1 198	--	-11 858
Trade and other payables	-68 590	-72 599	-23 641	-17 715	-1 699	-213	-11 643	-196 100
<b>Identifiable acquired liabilities</b>	<b>-663 108</b>	<b>-882 415</b>	<b>-792 928</b>	<b>-569 254</b>	<b>-25 560</b>	<b>-298 235</b>	<b>-1 282 699</b>	<b>-4 514 199</b>
<b>Net ident.assets of subsidiary acquired</b>	<b>374 757</b>	<b>248 519</b>	<b>102 386</b>	<b>304 957</b>	<b>8 600</b>	<b>95 400</b>	<b>198 688</b>	<b>1 333 307</b>
<b>Consideration paid</b>	<b>374 757</b>	<b>248 519</b>	<b>102 386</b>	<b>304 957</b>	<b>8 600</b>	<b>95 400</b>	<b>198 688</b>	<b>1 333 307</b>
<b>Goodwill / (bargain purchase gain)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
Cash and cash equivalents acquired	20 455	34 614	31 242	26 845	1 448	10 154	4 258	129 016
<b>Cash outflow</b>	<b>354 302</b>	<b>213 905</b>	<b>71 144</b>	<b>278 112</b>	<b>7 152</b>	<b>85 246</b>	<b>194 430</b>	<b>1 204 291</b>
<b>Post-acquisition profit/ (loss)</b>	<b>7 753</b>	<b>17 013</b>	<b>101 743</b>	<b>6 995</b>	<b>732</b>	<b>2 441</b>	<b>254 508</b>	<b>391 185</b>

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

### Other acquisitions

As part of the acquisitions, the Group has additionally acquired following entities in 2011.

The fair values of the identifiable assets and liabilities at the date of acquisitions were as follows:

	AB BHV, spol. s.r.o.	Bageleot, a.s.	Baudry, a.s.	BAYTON SR, a.s.	Camuzzi, a.s. incl. sub RK Building s.r.o.	CPI Finance Ireland Limited	CPI Finance Netherlands B.V. **	CPI Retails ONE, a.s.	CPI Retails TWO, a.s.	DOREK Vysoké Mýto, a.s.	ELAMOR, a.s.	HERTONE, a.s.
Investment property	37 975	--	--	--	55 151	--	--	--	--	143 084	--	--
Loans provided	--	1 980	1 980	--	1 985	--	--	1 980	1 980	--	--	--
Current income tax receivables	1	--	--	--	--	--	--	--	--	--	--	--
Trade and other receivables	97	208	208	1 526	231	--	440	201	199	1 941	--	--
Cash and cash equivalents	1 322	1	1	38	100	--	--	1	1	10 678	672	672
<b>Identifiable acquired assets</b>	<b>39 395</b>	<b>2 189</b>	<b>2 189</b>	<b>1 564</b>	<b>57 467</b>	<b>--</b>	<b>440</b>	<b>2 182</b>	<b>2 180</b>	<b>155 703</b>	<b>672</b>	<b>672</b>
Non-current interest-bearing loans and borrowings	-31 132	--	--	--	-51 082	--	--	--	--	-69 517	--	--
Deferred tax liability	-2 947	--	--	--	-2 888	--	--	--	--	-13 256	--	--
Current interest bearing loans and borrowings	--	--	--	--	--	--	--	--	--	-479	--	--
Current income tax liabilities	--	-11	-10	--	-9	--	--	-11	-11	-716	--	--
Trade and other payables	-2 626	-119	-120	-1 761	-1 488	--	--	-119	-119	-8 010	--	-27
<b>Identifiable acquired liabilities</b>	<b>-36 705</b>	<b>-130</b>	<b>-130</b>	<b>-1 761</b>	<b>-55 467</b>	<b>--</b>	<b>--</b>	<b>-130</b>	<b>-130</b>	<b>-91 978</b>	<b>--</b>	<b>-27</b>
<b>Net ident.assets of subsidiary acquired</b>	<b>2 690</b>	<b>2 059</b>	<b>2 059</b>	<b>-197</b>	<b>2 000</b>	<b>--</b>	<b>440</b>	<b>2 052</b>	<b>2 050</b>	<b>63 725</b>	<b>672</b>	<b>645</b>
<b>Consideration paid</b>	<b>2 690</b>	<b>50 000</b>	<b>2 000</b>	<b>1 600</b>	<b>2 000</b>	<b>*</b>	<b>513</b>	<b>2 000</b>	<b>2 000</b>	<b>63 725</b>	<b>672</b>	<b>672</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>	<b>47 941</b>	<b>-59</b>	<b>1 797</b>	<b>--</b>	<b>--</b>	<b>73</b>	<b>-52</b>	<b>-50</b>	<b>--</b>	<b>--</b>	<b>27</b>
<b>Cash and cash equivalents acquired</b>	<b>1 322</b>	<b>1</b>	<b>1</b>	<b>38</b>	<b>100</b>	<b>--</b>	<b>--</b>	<b>1</b>	<b>1</b>	<b>10 678</b>	<b>672</b>	<b>672</b>
<b>Cash outflow</b>	<b>1 368</b>	<b>49 999</b>	<b>1 999</b>	<b>1 562</b>	<b>1 900</b>	<b>--</b>	<b>513</b>	<b>1 999</b>	<b>1 999</b>	<b>53 047</b>	<b>--</b>	<b>--</b>
<b>Post-acquisition profit/ (loss)</b>	<b>5 201</b>	<b>-2 617</b>	<b>-334</b>	<b>-267</b>	<b>-2 680</b>	<b>-2 339</b>	<b>1 794</b>	<b>-10 495</b>	<b>-3 963</b>	<b>-1 104</b>	<b>-90</b>	<b>-679</b>

\* consideration paid for 100% share in CPI Finance Ireland amounted to CZK 49. The share capital was increased by TCZK 9 000 000 by the issue of new shares on 28 April 2011

\*\* On 20 April 2011 the share capital has increased by TCZK 47 915



# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## Other acquisitions (continued)

	Kerina, a.s.	LUDLOW a.s.	MAPON, a.s.	Marissa, a.s.	NERONTA, a.s.	Telč Property Development, a.s.	TRIFIT Vysoké Mýto s.r.o.	Trutnov Property Development, a.s.	Žďár Property Development, a.s.	Ždírec Property Development, a.s.
Investment property	122 300	66 344	--	--	--	19 843	206 953	162	--	--
Investment property under development	--	--	74 536	--	--	--	--	--	--	--
Property, plant and equipment	868	--	--	--	--	--	--	--	--	--
Loans provided	96 697	--	--	1 989	--	1 980	--	1 980	1 979	1 980
Current income tax receivables	--	--	--	--	--	--	433	--	--	--
Trade and other receivables	422	750	11	212	--	207	2 998	204	7 204	199
Cash and cash equivalents	162	469	1 952	1	672	4	10 044	1	15	1
<b>Identifiable acquired assets</b>	<b>220 449</b>	<b>67 563</b>	<b>76 499</b>	<b>2 202</b>	<b>672</b>	<b>22 034</b>	<b>220 428</b>	<b>2 347</b>	<b>9 198</b>	<b>2 180</b>
Non-current interest-bearing loans and borrowings	-177 249	-25 105	--	--	--	-17 988	-65 661	--	-7 250	--
Other non-current liabilities	--	--	--	--	--	--	-819	--	--	--
Deferred tax liability	-10 734	-7 904	-14 162	--	--	-478	-24 065	--	--	--
Current interest bearing loans and borrowings	-9 517	--	--	--	--	--	-75	--	--	--
Current income tax liabilities	--	--	--	-12	--	--	--	-11	--	-11
Trade and other payables	-20 845	-119	-205	-125	-27	-3 568	-22 464	-282	-1 562	-119
Provisions	-104	-10	--	--	--	--	--	--	--	--
<b>Identifiable acquired liabilities</b>	<b>-218 449</b>	<b>-33 138</b>	<b>-14 367</b>	<b>-137</b>	<b>-27</b>	<b>-22 034</b>	<b>-113 084</b>	<b>-293</b>	<b>-8 812</b>	<b>-130</b>
<b>Net ident.assets of subsidiary acquired</b>	<b>2 000</b>	<b>34 425</b>	<b>62 132</b>	<b>2 065</b>	<b>645</b>	<b>--</b>	<b>107 344</b>	<b>2 054</b>	<b>386</b>	<b>2 050</b>
<b>Consideration paid</b>	<b>2 000</b>	<b>34 425</b>	<b>62 132</b>	<b>2 000</b>	<b>672</b>	<b>***</b>	<b>107 344</b>	<b>2 000</b>	<b>500</b>	<b>2 000</b>
<b>Goodwill / (bargain purchase)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-65</b>	<b>27</b>	<b>--</b>	<b>--</b>	<b>-54</b>	<b>114</b>	<b>-50</b>
<b>Cash and cash equivalents acquired</b>	<b>162</b>	<b>469</b>	<b>1 952</b>	<b>1</b>	<b>672</b>	<b>4</b>	<b>10 044</b>	<b>1</b>	<b>15</b>	<b>1</b>
<b>Cash outflow</b>	<b>1 838</b>	<b>33 956</b>	<b>60 180</b>	<b>1 999</b>	<b>--</b>	<b>-4</b>	<b>97 300</b>	<b>1 999</b>	<b>485</b>	<b>1 999</b>
<b>Post-acquisition profit/ (loss)</b>	<b>13 856</b>	<b>-65</b>	<b>-18 296</b>	<b>-1 764</b>	<b>-39 048</b>	<b>-224</b>	<b>521</b>	<b>-200</b>	<b>-7 578</b>	<b>3 176</b>

\*\*\* consideration paid for 100% share in Telč Property Development, a.s. amounted to CZK 1.

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

The following table summarizes total assets and liabilities acquired with respect of Group's acquisitions in 2011 per geographical segments.

	Czech Republic	Slovak Republic	Other Europe	Total
Investment property	12 821 847	2 954 935	--	15 776 782
Investment property under development	617 850	--	--	617 850
Property, plant and equipment	7 236	--	--	7 236
Intangible assets	215	--	--	215
Loans provided	242 863	414 940	--	657 803
Current income tax receivables	2 209	--	--	2 209
Trade and other receivables	160 658	36 619	440	197 717
Cash and cash equivalents	415 615	58 079	--	473 694
<b>Identifiable acquired assets</b>	<b>14 268 493</b>	<b>3 464 573</b>	<b>440</b>	<b>17 733 506</b>
Non-current interest-bearing loans and borrowings	-7 888 283	-1 087 403	--	-8 975 686
Other non-current liabilities	-38 659	-15 331	--	-53 990
Deferred tax liability	-968 366	-344 406	--	-1 312 772
Current interest bearing loans and borrowings	-404 724	-1 040 045	--	-1 444 769
Current income tax liabilities	-16 069	--	--	-16 069
Trade and other payables	-496 369	-53 690	--	-550 059
Provisions	-999	--	--	-999
<b>Identifiable acquired liabilities</b>	<b>-9 813 469</b>	<b>-2 540 875</b>	<b>--</b>	<b>-12 354 344</b>
<b>Net ident.assets of subsidiary acquired</b>	<b>4 455 024</b>	<b>923 698</b>	<b>440</b>	<b>5 379 162</b>
<b>Consideration paid</b>	<b>4 502 749</b>	<b>925 549</b>	<b>513</b>	<b>5 428 811</b>
<b>Goodwill / (bargain purchase)</b>	<b>47 725</b>	<b>1 851</b>	<b>73</b>	<b>49 649</b>
<b>Cash and cash equivalents acquired</b>	<b>415 615</b>	<b>58 079</b>	<b>--</b>	<b>473 694</b>
<b>Cash outflow</b>	<b>4 087 134</b>	<b>867 470</b>	<b>513</b>	<b>4 955 117</b>
<b>Post-acquisition profit/ (loss)</b>	<b>592 823</b>	<b>-33 072</b>	<b>-545</b>	<b>559 206</b>

Goodwill of TCZK 49 979 arisen on acquisitions was fully impaired and recognized within other expenses in 2011 (note 5.9). Gain on bargain purchase of TCZK 330 is recognized within other income in 2011 (note 5.8). Total cash outflows resulting from the acquisition amounted to TCZK 4 955 117 (out of TCZK 197 282 resulting from the acquisition of joint-ventures). For the payables from acquisitions refer to Note 6.15.

### b) Acquisition of non-controlling interests

#### CPI - Bor, a.s.

On 4 January 2011, the Group acquired remaining 20% interest of the voting shares of CPI - Bor, a.s., increasing its ownership interest to 100%. A consideration of TCZK 30 000 was settled with the receivables due from the non-controlling interest shareholders from 2010. The carrying value of the net assets of CPI - Bor, a.s. at the acquisition date was TCZK 157 310 and the carrying value of the additional interest acquired was TCZK 31 461. The difference of TCZK 1 461 between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

#### Březiněves, a.s.

On 1 March 2011, the Group acquired an additional 0,55% interest in Březiněves, a.s., increasing its ownership interest to 100%. A cash consideration of TCZK 300 was paid to the non-controlling interest shareholders. The carrying value of the additional interest acquired at the acquisition date was TCZK -19. The difference of TCZK 319 between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

### **3.6 Change in consolidation method in 2011**

VT Holding, a.s. and its subsidiary 4B Property, s.r.o. were classified as associates and consolidated as equity-accounted investees at 31 December 2010. As a result of change in control of related projects, the entities were classified and consolidated as joint-ventures since 1 January 2011.

## 4 Segment reporting

### 4.1 Business segments

For investment property, discrete financial information is provided to the Board of Directors, which is the chief operating decision maker, on a property by property basis. The information provided is income from rental activities, net rentals (including gross rent and property expenses), valuations gains/losses, impairment of assets and result from operating activities. In addition interest income and expense with total finance result are monitored on property level.

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

The Group is considered to have nine reportable operating segments, 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 and sells residential property
- Land bank – acquires lands for further Group' utilization
- Mixture – includes properties with combined utilization (e.g. retail and office premises)
- Hotels – acquires, develops and leases hotels to operators
- Investment property under development – includes all development activities and related land plots in accordance with accounting policy in note 2.2(d)
- Other – primarily includes service and financing entities

### 4.2 Geographical information

The Company is incorporated in the Czech Republic. The Group primarily operates in the Czech Republic and Slovak Republic and has subsidiaries in Ireland, Netherlands, France and Cyprus. These subsidiaries are presented within "Other Europe".

In presenting information on geographical areas, revenue is based on the geographical location of property. Segment assets are based on the geographical location of the assets.

# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## Operating segments

	Retail		Office		Residential		Industry and logistics		Hotels	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue from rental activities	1 217 770	769 496	646 493	334 879	466 910	441 743	235 772	98 669	172 106	149 644
Net rental and service related income	1 193 771	745 991	624 972	326 882	-57 284	46 193	227 510	83 496	154 016	127 541
Net valuation gain/(loss) on inv. property	-151 659	163 385	9 716	484 016	737 166	303 796	68 298	56 219	425 059	26 244
(Impairment of assets)/ reversal of impairment	-4 356	-17 302	2 729	-7 538	-24 879	-16 630	-3 418	-182	-108 733	29 898
<b>Results from operating activities</b>	<b>917 255</b>	<b>760 443</b>	<b>602 333</b>	<b>729 592</b>	<b>595 148</b>	<b>313 281</b>	<b>275 265</b>	<b>106 264</b>	<b>182 949</b>	<b>162 583</b>
Interest income	46 757	67 188	4 720	791	591	93 275	4 149	5 118	18 992	27 735
Interest expense	-678 590	-397 042	-388 771	-203 267	-135 741	-150 705	-150 147	-75 862	-114 389	-89 010
<b>Net finance expenses</b>	<b>-534 087</b>	<b>-406 942</b>	<b>-334 175</b>	<b>-214 051</b>	<b>-136 807</b>	<b>-59 407</b>	<b>-130 625</b>	<b>-91 804</b>	<b>12 919</b>	<b>-62 333</b>
Income tax income/ (expense)	-96 074	-95 839	-65 169	-120 978	-119 366	-59 304	-85 298	-11 452	-41 283	-5 819
<b>Profit/(loss) for the period</b>	<b>287 094</b>	<b>257 662</b>	<b>202 989</b>	<b>394 563</b>	<b>338 975</b>	<b>194 570</b>	<b>59 342</b>	<b>3 008</b>	<b>154 585</b>	<b>94 431</b>

## Operating segments (continued)

	Land bank		Mixture		Other		Development		Eliminations		Total Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue from rental activities	3 741	3 343	150 896	100 095	14 012	15 843	892	308	-12 377	-8 116	2 896 215	1 905 904
Net rental and service related income	-876	906	134 769	80 791	496 343	270 986	4 239	-11 711	-443 994	-238 296	2 333 466	1 432 779
Net valuation gain/(loss) on inv. property	-156 627	57 037	-236 819	--	230 532	7 713	-26 005	202 411	--	--	899 661	1 300 821
(Impairment of assets)/ reversal of impairment	-21 283	-1 835	-17 478	-7 336	-4 756	-31 469	-19	-6	--	--	-182 193	-52 400
<b>Results from operating activities</b>	<b>-158 372</b>	<b>120 467</b>	<b>-132 821</b>	<b>58 776</b>	<b>184 607</b>	<b>-81 929</b>	<b>283 854</b>	<b>168 837</b>	<b>--</b>	<b>--</b>	<b>2 750 218</b>	<b>2 338 314</b>
Interest income	14 944	1 428	1 933	2 821	1 366 779	541 200	443	1 916	-1 004 251	-547 580	455 057	193 892
Interest expense	-40 825	-31 465	-87 964	-89 905	-1 014 128	-474 583	-26 954	-45 571	1 004 251	547 580	-1 633 258	-1 009 830
<b>Net finance expenses</b>	<b>65 929</b>	<b>-30 458</b>	<b>-49 139</b>	<b>-45 403</b>	<b>353 406</b>	<b>175 807</b>	<b>-27 968</b>	<b>-59 954</b>	<b>--</b>	<b>--</b>	<b>-780 547</b>	<b>-794 545</b>
Income tax income/ (expense)	21 287	-25 437	25 380	-20 497	-65 226	-24 727	-100 561	-36 507	--	--	-526 310	-400 560
<b>Profit/(loss) for the period</b>	<b>-71 156</b>	<b>64 572</b>	<b>-156 580</b>	<b>-7 124</b>	<b>472 787</b>	<b>69 151</b>	<b>155 325</b>	<b>72 376</b>	<b>--</b>	<b>--</b>	<b>1 443 361</b>	<b>1 143 209</b>

# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## Operating segments

	Retail		Office		Residential		Industry and logistics		Hotels	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets	19 207 795	18 140 460	11 055 679	11 006 368	8 710 034	10 085 949	3 308 942	3 420 201	4 187 477	3 311 233
Segment liabilities	15 088 663	15 582 537	9 629 462	10 420 068	5 227 285	5 152 076	3 113 245	3 303 149	2 693 064	2 243 490
Segment net assets	4 119 132	2 557 923	1 426 217	586 300	3 482 749	4 933 873	195 697	117 052	1 494 413	1 067 743
Capital expenditure	140 520	242 517	20 936	893 784	16 573	13 762	90	3	330 102	19 266

## Operating segments (continued)

	Land bank		Mixture		Other		Development		Eliminations		Total Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets	7 454 351	3 904 880	2 038 267	2 332 251	49 897 622	42 321 461	4 182 863	2 106 003	-45 274 869	-39 357 681	64 768 161	57 271 125
Segment liabilities	4 723 566	1 140 857	1 891 476	2 115 326	42 852 635	38 583 011	3 802 922	2 085 439	-45 274 869	-39 353 500	43 747 449	41 272 453
Segment net assets	2 730 785	2 764 023	146 791	216 925	7 044 987	3 738 450	379 941	20 564	--	-4 181	21 020 712	15 998 672
Capital expenditure	1 303	3 014	26 830	1 871	94 968	31 346	904 418	746 876	--	--	1 535 740	1 952 440

## Geographical areas

	Czech Republic		Slovak Republic		Other Europe		Eliminations		Total consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue from rental activities	2 506 425	1 664 763	402 167	249 257	--	--	-12 377	-8 116	2 896 215	1 905 904
Net valuation gain/(loss) on inv. property	721 236	1 214 728	-149 149	86 093	327 574	--	--	--	899 661	1 300 821
Total assets	77 520 348	66 175 682	5 166 723	6 074 199	27 355 959	24 378 925	-45 274 869	-39 357 681	64 768 161	57 271 125

## 5 Consolidated statement of comprehensive income

### 5.1 Gross rental and service revenue

	2012	2011
<b>Rental revenue</b>	<b>2 896 215</b>	<b>1 905 904</b>
Advisory and accounting services	60 894	34 294
Facility management	6 946	4 229
Other services	19 487	9 141
<b>Service revenue</b>	<b>87 327</b>	<b>47 664</b>
<b>Total gross rental and service revenue</b>	<b>2 983 542</b>	<b>1 953 568</b>

The significant increase in rental revenue is generally attributable to Group's expansion in 2012 and reflects effect of 12 month rental revenue of subsidiaries acquired in 2011 to Group's consolidated statement of comprehensive income.

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.

### 5.2 Net service charge income

	2012	2011
Service charge income	390 407	238 571
Service charge expenses	-377 775	-233 836
<b>Total</b>	<b>12 632</b>	<b>4 735</b>

Significant increase in volume of service charge income and expenses resulted from corresponding increase in rental activity.

### 5.3 Property operating expenses

	2012	2011
Repairs and maintenance (1)	-443 177	-328 181
Personnel expenses	-76 975	-56 453
Utility services	-73 261	-63 904
Real estate tax	-25 141	-18 656
Facility management	-13 229	-16 268
Property insurance expenses	-12 093	-9 574
Letting fee, other fees paid to real estate agents	-7 930	-12 230
Lease expenses	--	-2 292
Depreciation and amortisation expense	-1 494	-2 696
Other expenses	-9 408	-15 270
<b>Total property operating expenses</b>	<b>-662 708</b>	<b>-525 524</b>

#### Utility services

	2012	2011
Energy consumption	-42 722	-39 941
Material consumption	-10 820	-7 095
Waste management	-6 163	-6 852
Security services	-8 329	-5 401
Cleaning services	-5 227	-4 615
<b>Total utility services</b>	<b>-73 261</b>	<b>-63 904</b>

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

### Personnel expenses

	2012	2011
Wages and salaries	-56 622	-41 491
Social and health security contributions	-18 018	-14 143
Other social expenses	-2 335	-819
<b>Total personnel expenses</b>	<b>-76 975</b>	<b>-56 453</b>

(1) Repairs and maintenance expenses in 2012 and 2011 are mainly attributable to renovation of current residential portfolio.

### 5.4 Net valuation gain on investment property

	2012	2011
<b>Valuation gains</b>		
Residential	737 166	303 796
Hotels	521 760	74 832
Development	186 027	240 421
Retail	140 301	178 595
Industry and logistics	68 298	56 219
Office	28 204	484 016
Land bank	289	62 658
Other	235 403	7 713
<b>Total valuation gains</b>	<b>1 917 448</b>	<b>1 408 250</b>
<b>Valuation losses</b>		
Retail	-291 960	-15 210
Mixture	-236 819	--
Development	-212 032	-38 010
Land bank	-156 916	-5 621
Hotels	-96 701	-48 588
Office	-18 488	--
Other	-4 871	--
<b>Total valuation losses</b>	<b>-1 017 787</b>	<b>-107 429</b>
<b>Net valuation gain</b>	<b>899 661</b>	<b>1 300 821</b>



## 5.5 Net result on disposal of investment property

	2012	2011
Proceeds from disposal of investment property	275 214	141 654
Carrying value of investment property disposed of and related cost	-304 038	-133 345
<b>Total gain / (loss) on the disposal of investment property</b>	<b>-28 824</b>	<b>8 309</b>

Disposals of investment property in 2012 and 2011 represent primarily sale of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. in total carrying value of TCZK 215 180 (2011 – TCZK 121 357).

## 5.6 Net result on disposal of trading property – inventories

	2012	2011
Proceeds from disposal of trading property	8	102 787
Total carrying value of trading property disposed and related cost	-6	-36 021
<b>Total gain on the disposal of trading property</b>	<b>2</b>	<b>66 766</b>

The disposal of trading property in 2011 represents primarily the sale of the land plots in Prague.

## 5.7 Administrative expenses

	2012	2011
Wages and salaries - administrative part (4)	-137 084	-64 136
Other administrative expenses (5)	-39 443	-26 009
Rental	-38 738	-33 993
Audit, tax and advisory services (2)+(3)	-34 464	-133 534
Legal services	-32 991	-25 727
Social and health security contributions - administrative part (4)	-27 143	-15 622
Advertising expenses	-15 370	-5 180
Telecommunication, internet and software related expenses (1)	-13 469	-5 094
Depreciation and amortisation expense	-13 204	-7 889
Material consumption	-7 025	-5 518
Representation expenses	-3 941	-3 540
Accounting and other services - based on mandate contracts - internal	-3 793	-2 491
Repairs and maintenance	-2 639	-3 745
Other insurance expenses	-2 192	-1 573
Other social expenses - administrative part (4)	-2 113	-1 436
Energy consumption	-548	-258
Lease expenses	-103	-73
<b>Total administrative expenses</b>	<b>-374 260</b>	<b>-335 818</b>

- (1) The incline in telecommunication, internet and software related expenses are mainly attributable to consulting service with respect of new software implemented on Group level.
- (2) Balance of Audit, tax and advisory services in 2011 was adversely affected by one-off acquisition costs of TCZK 116 104 related to the acquisitions in 2011.
- (3) Audit and advisory expenses also include the cost of services provided by the Group's auditor of TCZK 12 489 (2011 – TCZK 7 018), of which:
  - Fees related to audit of consolidated financial statements of the Group amount to TCZK 6 384 (2011 – TCZK 6 125).
  - Fees for other services provided by the Group's auditor total TCZK 6 105 (2011 – TCZK 893).
- (4) Increase in administrative personnel expenses reflects the significant growth of Group's rental activities in 2011-2012.
- (5) Fees paid to investment property valuers represent TCZK 4 999 (2011 – TCZK 2 569).

## 5.8 Other income

	2012	2011
Gain on bargain purchase relating to business combinations (1)	58 159	330
Release of used provisions (refer to note 6.16)	37 743	--
Income related to lands acquired based on court decision (2)	34 505	9 970
Income related to contingent consideration (3)	14 986	6 283
Income from penalties (4)	21 102	3 194
Insurance claims	2 649	1 412
Other	9 917	2 003
<b>Total other income</b>	<b>179 061</b>	<b>23 192</b>

- (1) Gain on bargain purchase relating to business combinations in 2012 relates to acquisition of VT Holding, a.s. subgroup with total positive effect of TCZK 46 172 and BAYTON Gama, a.s. of TCZK 11 987. For detail of business combinations refer to note 3.4.
- (2) In 2012 the Group won litigation claims regarding ownership of land in total amount of TCZK 34 505 (2011 – TCZK 9 970). Acquisition of the land is disclosed within the investment property additions in note 6.1.
- (3) Income related to contingent consideration is attributable to purchase price adjustment to consideration paid for acquisition of Farhan, a.s. in 2010 (the successor company of Office Center Stodůlky DELTA a.s.).
- (4) Increase in income from penalties is mainly attributable to income from penalties for delayed repayment of loan provided to third party of TCZK 9 998 and penalties paid by construction company of TCZK 4 626.

## 5.9 Other expenses

	2012	2011
Impairment of assets (-) / Reversal of impairment (+) of assets (3)	-182 193	-52 400
Penalties	-30 622	-16 426
Gifts	-11 805	-5 544
Goodwill written off (1)	--	-49 979
Change in provisions (refer to note 6.16)	--	-20 332
Contingent consideration paid (2)	-9 694	--
Tax non-deductible VAT expenses	-6 632	-3 677
Taxes and fees	-3 196	-4 207
Loss on assignment of receivables	-570	-41
Other	-14 142	-5 223
<b>Total other expenses</b>	<b>-258 854</b>	<b>-157 829</b>

- (1) Goodwill write off in 2011 primarily relates to acquisition of Bageleot, a.s. (TCZK -47 941). For detail of business combinations refer to note 3.5.
- (2) Expenses related to contingent consideration are attributable to purchase price adjustments to consideration paid for subsidiaries Betonstav spol. s r.o. of TCZK 3 720 and CPI Jihlava Shopping, a.s. (the successor company of CPI - City Park Jihlava, a.s.) of TCZK 5 974.
- (3) As a result of the annual impairment test carried out in accordance with relevant accounting policies, the Group decided to charge through the consolidated statement of comprehensive income impairment of assets described in the table below:

## Impairment of assets

	2012	2011
Impairment of property, plant and equipment	-10 200	-1 375
Impairment of trade receivables	-37 728	-55 466
Impairment of other receivables	15 029	4 441
Impairment of current loans provided	-149 294	--
<b>Total</b>	<b>-182 193</b>	<b>-52 400</b>

Impairment losses on trade and other receivables include bad debt provisions and loss/gains related to receivables written off/recovered.

## 5.10 Finance income

	2012	2011
Bank interest income	4 975	2 691
Interest income on bonds (1)	--	33 952
Interest income on loans and receivables (2)	450 082	157 249
Net foreign exchange gain (3)	2 233	149 258
Gain on revaluation of financial derivatives (4)	43 550	52 943
Ineffective portion of changes in fair value of cash flow hedges	7 141	--
Other finance income (5)	434 447	16 822
<b>Total finance income</b>	<b>942 428</b>	<b>412 915</b>

- (1) Decrease in interest income on bonds primarily relates to bonds issued by ISTROKAPITAL CZ a.s. and sold by the Group in December 2011.
- (2) Increase in income on loans and receivables is directly attributable to significant increase in non-current loans provided both to third and related parties as described in note 6.6.
- (3) Net foreign exchange gain includes realised as well as unrealised foreign exchange gains and losses.
- (4) Gain on revaluation of financial derivatives relates to revaluation of interest rate swaps recognized at fair value as described in note 6.13.
- (5) Other finance income includes mainly TCZK 426 200 resulting from purchase of receivables at discount and subsequent receipt of the cash settlement. This transaction was carried out by the Group in connection with the acquisition of hotel complex Palais Maeterlinck in the French resort of Nice (note 6.2). The Group purchased receivables in nominal value app. TCZK 1 541 700 (app. TEUR 60 000) relating to this project from Irish consolidation agency National Asset Management Agency (NAMA) and subsequently received cash settlement from the former owner of the project. The difference between the carrying value of acquired receivables and received settlement is recognised as other finance income.

## 5.11 Finance costs

	2012	2011
Interest expense related to bank and non-bank loans	-1 078 177	-805 431
Interest expense on bonds issued (1)	-460 968	-60 445
Bank charges	-60 112	-43 039
Interest expense related to finance leases	-49 993	-40 669
Interest expense on other non-current liabilities	-44 120	-103 285
Loss on revaluation of financial derivatives	-28 741	-142 428
Ineffective portion of changes in fair value of cash flow hedges	--	-12 001
Other finance cost	-864	-162
<b>Total finance cost</b>	<b>-1 722 975</b>	<b>-1 207 460</b>

- (1) Significant increase in interest on bonds is mainly relating to new bonds issued by the Group in 2012 (refer to note 6.12)

## 5.12 Taxation

### Tax recognised in profit or loss

	2012	2011
Current income tax expense		
Current year	-90 399	-160 186
Adjustment for prior year	1 426	-689
<b>Total</b>	<b>-88 973</b>	<b>-160 875</b>
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	-337 088	-273 472
Changes in income tax rate (1)	-93 222	--
Recognition (derecognition) of tax losses	- 7 027	33 787
<b>Total</b>	<b>-437 337</b>	<b>-239 685</b>
<b>Income tax from continuing operations recognised in profit or loss</b>	<b>-526 310</b>	<b>-400 560</b>
<b>Total income tax recognised in profit or loss</b>	<b>-526 310</b>	<b>-400 560</b>

- (1) The change in income tax rate is related to increase of income tax rate in Slovakia from 19% to 23% with the effective date of 1 January 2013.

### Reconciliation of effective tax rate

	2012	2011
Profit / (loss) for the period	1 443 361	1 143 209
Total income tax recognised in profit or loss	526 310	-400 560
<b>Profit / (loss) excluding income tax</b>	<b>1 969 671</b>	<b>1 543 769</b>
Current income tax rate	19%	19%
Income tax (expense) / income using the Company's domestic corporate income tax rate	-374 237	-293 316
Effect of tax rates in foreign jurisdictions	-66 078	-4 410
Changes in income tax rate	-93 222	--
Non-deductible expense	-76 680	-124 427
Tax exempt income	60 595	58 555
Income tax adjustment for prior years	230	-689
Other tax allowable credits	--	-202
Change in unrecognized deferred tax asset	49 692	-33 386
Change in the permanent tax differences	-25 715	-699
Other effects	-895	-1 986
<b>Tax income / (expense)</b>	<b>-526 310</b>	<b>-400 560</b>

### Current income tax asset

The current income tax assets of TCZK 85 346 (2011 – current income tax liability of TCZK 109 195) represents the amount of Group's income tax prepayments exceeding Group's income tax liabilities in respect of current and prior periods.

**CPI Group**

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

**Deferred tax assets and liabilities**
**Recognized deferred tax assets and liabilities**

The deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Investment property	--	--	-4 692 148	-4 236 522	-4 692 148	-4 236 522
Property, plant and equipment	--	9 636	-1 976	--	-1 976	9 636
Intangible assets	--	15	--	--	--	15
Trading property	--	--	-110 922	--	-110 922	--
Interest-bearing loans and borrowings	241 507	172 284	--	--	241 507	172 284
Trade and other receivables	55 069	42 691	--	--	55 069	42 691
Trade and other payables	--	--	--	-3 432	--	-3 432
Provisions	--	--	-18 085	-13 944	-18 085	-13 944
Other items	9 525	13 688	--	--	9 525	13 688
Tax losses carried-forward	52 388	65 773	--	--	52 388	65 773
<b>Gross deferred tax assets/(liabilities)</b>	<b>358 489</b>	<b>304 087</b>	<b>-4 823 131</b>	<b>-4 253 898</b>	<b>-4 464 642</b>	<b>-3 949 811</b>
<b>Set-off of tax</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>358 489</b>	<b>304 087</b>	<b>-4 823 131</b>	<b>-4 253 898</b>	<b>-4 464 642</b>	<b>-3 949 811</b>

**Unrecognized deferred tax assets**

Deferred tax assets were not recognized with respect following items:

	2012	2011
Trade and other receivables	1 381	2 006
Tax losses carried-forward	194 213	141 410
<b>Unrecognized deferred tax asset</b>	<b>195 594</b>	<b>143 416</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. The tax losses will expire in 2017.

**Movements in the temporary differences during the years 2012 and 2011**

	Balance at 1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Balance at 31 December 2012
Investment property	-4 236 522	-284 163	--	-171 463	-4 692 148
Property, plant and equipment	9 636	-15 145	--	3 533	-1 976
Intangible assets	15	-15	--	--	--
Trading property	--	-110 922	--	--	-110 922
Interest-bearing loans and borrowings	172 284	-10 267	--	79 490	241 507
Trade and other receivables	42 691	7 056	--	5 322	55 069
Trade and other payables	-3 432	3 432	--	--	--
Provisions	-13 944	-3 951	--	-190	-18 085
Other items	13 688	-9 977	4 338	1 476	9 525
Tax losses carried-forward	65 773	-13 385	--	--	52 388
<b>Total</b>	<b>-3 949 811</b>	<b>-437 337</b>	<b>4 338</b>	<b>-81 832</b>	<b>-4 464 642</b>

# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

	Balance at 1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combinations	Change in consolidation method (Note 3.6)	Balance at 31 December 2011
Investment property	-2 606 680	-268 192	-25 740	-1 305 939	-29 971	-4 236 522
Property, plant and equipment	905	8 731	--	--	--	9 636
Intangible assets	-1 382	1 397	--	--	--	15
Trading property	-2 833	2 833	--	--	--	--
Interest-bearing loans and borrowings	124 832	34 683	--	--	12 769	172 284
Trade and other receivables	38 295	1 305	--	--	3 091	42 691
Trade and other payables	10 613	-14 045	--	--	--	-3 432
Provisions	-3 248	-3 863	--	-6 833	--	-13 944
Other items	--	-28 793	42 481	--	--	13 688
Tax losses carried-forward	36 679	26 259	2 835	--	--	65 773
<b>Total</b>	<b>-2 402 819</b>	<b>-239 685</b>	<b>19 576</b>	<b>-1 312 772</b>	<b>-14 111</b>	<b>-3 949 811</b>

## 6 Consolidated statement of financial position

### 6.1 Investment property

#### 2012

	Industry and logistics	Retail	Office	Residential	Mixture	Hotels	Other	Land bank	Total
<b>Balance at 1 January 2012</b>	<b>2 681 333</b>	<b>15 720 122</b>	<b>10 353 588</b>	<b>6 868 550</b>	<b>2 173 581</b>	<b>2 516 960</b>	<b>465 077</b>	<b>3 841 594</b>	<b>44 620 805</b>
Acquisitions through business combinations	351 924	608 531	--	77 676	--	--	--	--	1 038 131
Acquisitions which were not business combinations	--	369 205	--	--	--	1 181 580	--	--	1 550 785
Transfer from / (to) investment property under development	--	574 502	-66 344	--	--	707 306	--	--	1 215 464
Other additions	90	140 520	20 936	16 573	26 830	330 102	70	1 303	536 424
Transfer from / (to) trading property - inventories	--	--	--	--	--	-1 776 568	--	--	-1 776 568
Transfer from / (to) property, plant and equipment	--	--	-4 980	--	--	--	-409	1 742	-3 647
Disposals	-887	-29 827	-7 294	-225 122	-525	--	--	-4 095	-267 750
Reclassifications between segments	--	--	--	--	--	--	78	-78	--
Valuation gain / (loss) – note 5.4	68 298	-151 659	9 716	737 166	-236 819	425 059	230 532	-156 627	925 666
Effect of movements in exchange rates	-55 398	-77 571	--	--	-34 521	--	--	--	-167 490
<b>Balance at 31 December 2012</b>	<b>3 045 360</b>	<b>17 153 823</b>	<b>10 305 622</b>	<b>7 474 843</b>	<b>1 928 546</b>	<b>3 384 439</b>	<b>695 348</b>	<b>3 683 839</b>	<b>47 671 820</b>

# CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## 2011

	Industry and logistics	Retail	Office	Residential	Mixture	Hotels	Other	Land bank	Total
<b>Balance at 1 January 2011</b>	<b>61 321</b>	<b>7 248 956</b>	<b>3 218 613</b>	<b>6 669 762</b>	<b>1 324 400</b>	<b>2 753 966</b>	<b>401 884</b>	<b>3 681 833</b>	<b>25 360 735</b>
Acquisitions through business combinations	2 431 574	7 435 674	5 712 240	--	--	122 300	55 151	19 843	15 776 782
Acquisitions which were not business combinations	--	--	884 632	--	--	--	--	--	884 632
Transfer from / (to) investment property under development	--	311 289	--	--	778 936	-442 150	--	--	648 075
Other additions	3	242 517	9 152	13 762	1 871	19 266	686	3 014	290 271
Transfer from trading property - inventories	--	--	--	--	--	--	--	5 779	5 779
Transfer from / (to) property, plant and equipment	5 475	7 253	2 345	2 587	400	37 334	-357	76 583	131 620
Effect of change in cons. method (note 3.6)	--	162 359	--	--	--	--	--	--	162 359
Disposals	-3	-3 745	--	-121 357	--	--	--	-2 495	-127 600
Other transfers	--	2 502	--	--	--	--	--	--	2 502
Valuation gain – note 5.4	56 219	163 385	484 016	303 796	--	26 244	7 713	57 037	1 098 410
Effect of movements in exchange rates	126 744	149 932	42 590	--	67 974	--	--	--	387 240
<b>Balance at 31 December 2011</b>	<b>2 681 333</b>	<b>15 720 122</b>	<b>10 353 588</b>	<b>6 868 550</b>	<b>2 173 581</b>	<b>2 516 960</b>	<b>465 077</b>	<b>3 841 594</b>	<b>44 620 805</b>



## Acquisitions through business combinations

### 2012

In 2012 the Group has acquired investment property in total value of TCZK 1 041 233 (refer to note 3.4). The most significant items were acquired through following business combinations:

- Acquisition of remaining 50% stake in VT Holding, a.s. including its subsidiaries VT Alfa, a.s., 4B Property, s.r.o. and Horova Immo s.r.o. Acquired entities hold portfolio of 11 supermarkets and other commercial buildings in Třebíč, Teplice, Prague and Zlín with total retail space exceeding 43 000 sqm in total value of TCZK 528 280 (the value represents 50% of investment property acquired in step acquisition). The facilities are mainly leased to retail chains Billa, Penny Market and Interspar. Acquired properties are held under long-term lease arrangements with expiration dates in 2020-2023.
- Acquisition of T.Land, a.s. including its subsidiary EDELWEISS Development s.r.o. T.Land, a.s. holds seven logistics halls near Prague (Vestec, Čestlice and Jažovice) with combined leasable area of 11 000 sqm and total value of TCZK 351 924 (segment logistics). EDELWEISS Development s.r.o. holds two supermarkets leased to Billa chain located in Tábor and České Budějovice in total value of TCZK 80 251 (segment retail). Majority of acquired properties are held under long-term lease arrangements with expiration dates in 2015-2023.
- Acquisition of BAYTON Beta, a.s. The acquired entity owns and rents apartment houses and separate flats in Vysočany, Řepy and Libeň in total value of TCZK 77 676 (residential segment).

### 2011

In 2011 the Group has acquired investment property in total value of TCZK 15 776 782. (refer to note 3.4). The most significant items were acquired through following business combinations:

- Acquisition of "Office Stars" Group with 7 entities holding a portfolio of 19 office buildings (122 000 sqm of fully let office premises) in Czech Republic in total value of TCZK 5 645 896 (office segment).
- Acquisition of CPI - City Park Jihlava, a.s. (formerly CEI Buiding, a.s.) - the regional shopping centre City Park Jihlava (25,000 sqm of retail space) of TCZK 2 442 087 (retail segment).
- Acquisition of Auto - priemyselný park, s.r.o. Lozorno including its subsidiary A/L SK Office 2 s.r.o. The entity holds Lozorno industrial zone near Bratislava (Slovakia), one of the largest automotive parks in Central Europe, with five industrial halls and combined leasable area of 118,000 sqm in total value of TCZK 2 038 817 (industry and logistics segment).
- Acquisition of "REAL4YOU" Group holding 14 retail properties in the Czech Republic and Slovakia including a chain of Penny Market stores and FamilyCentres retail parks with a combined area of 50,000 sqm in total value of TCZK 1 565 351 (retail segment).  
Acquisition of OLYMPIA Teplice s.r.o. - shopping centre Olympia Teplice (32,000 sqm of retail space) of TCZK 1 501 362 (retail segment).
- Acquisition of OLYMPIA Mladá Boleslav s.r.o. - shopping centre Olympia Mladá Boleslav (22,000 sqm of retail space) of TCZK 1 211 491 (retail segment).

## Acquisitions of investment property projects

### 2012

In 2012 the Group acquired portfolio of nine supermarkets from TREI Real Estate Czech Republic. Supermarkets are located in Czech Republic, (Dobříš, Holešov, Holice, Jablonec nad Nisou, Liberec, Říčany, Semily, Turnov and Tanvald) with leasable area of 10 900 sqm in total amount of TCZK 369 205.

All properties are leased to Penny Market and Billa chains till 2023.

In July 2012 the Group also purchased the hotel complex Palais Maeterlinck in the French resort of Nice in total amount of TCZK 1 181 580. In connection with the acquisition the Group also purchased receivables from previous owner relating to this project from Irish consolidation agency National Asset Management Agency (NAMA). For details refer to note 5.10.

## 2011

In 2011 the Group has purchased the former Živnostenská banka building (TCZK 884 632) in Prague city centre at Na Příkopě street in 2011. The office building consists of three parts with a total area of over 19,000 sqm.

### Transfer from investment property under development

## 2012

In April 2012 the Group has completed reconstruction of Clarion Congress Hotel České Budějovice (Vigano, a.s.) and consequently transferred the completed property in total value of TCZK 707 306 from investment property under development to investment property (hotel segment).

In November 2012 the Group has completed new retail center in Trutnov (MAPON, a.s.) and consequently transferred the completed property in total value of TCZK 574 502 from investment property under development to investment property (retail segment). The retail park represents 22 000 sqm of fully rented leasable area.

## 2011

In 2011 the Group has completed administrative and hotel complex CPI City Center Ústí nad Labem (Hraničář, a.s.) and Retail Park Beroun (Beroun Property Development, a.s.) and consequently transferred the completed property in total value of TCZK 1 090 225 from investment property under development to investment property (of which TCZK 778 936 to Mixture segment and TCZK 311 289 to Retail segment).

### Transfer to investment property under development

## 2012

At the end of 2012 the Group has started project of extension of shopping center IGY Centrum České Budějovice. As a result the Group has transferred investment property of TCZK 66 344 (LUDLOW a.s) from investment property (office segment) to investment property under development.

## 2011

Early in 2011 the Group has started reconstruction of Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.) and development of multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.) resulting in transfer of investment property of TCZK 442 150 from investment property in hotel segment to investment property under development.

### Other additions

## 2012

The most significant additions in 2012 represent extension of retail park in Beroun (Beroun Property Development, a.s.) and partial reconstruction of Clarion Congress Hotel (former Hotel Atom) in Ostrava (Kerina, a.s.).

## 2011

The most significant item of other additions in 2011 relate to extension of Retail park in Považská Bystrica (Považská Bystrica Investments, s.r.o.) and in Šumperk (Horova Immo s.r.o.).

### Transfer from property, plant and equipment

## 2012

There were no significant transfer from property, plant and equipment in 2012.

## 2011

In accordance with accounting policies applied, the Group re-assessed the use of certain items of property, plant and equipment and changed their classification from owner-occupied to investment property. In 2011, total value of reclassified property amounted to TCZK 131 620. No gain or loss arose on the re-measurement of the respective property.

## Transfer to trading property – inventories

### 2012

Based on obtained permission for development, the intention to start residential development project and actual status of Palais Maeterlinck project, the Group has transferred TCZK 1 776 568 from investment property under development to inventories. Transferred amount includes project acquisition cost, other costs incurred of TCZK 267 414 and valuation gain of TCZK 327 574.

## Disposals

### 2012

Disposals in 2012 and 2011 comprise mainly sales of apartments in Praha – Letňany from residential portfolio of CPI BYTY, a.s. to current tenants in total carrying value of TCZK 215 180 (2011 - TCZK 121 357). In 2012, the Group also sold buildings with related lands from investment property portfolio of Horova Immo s.r.o. in total carrying value of TCZK 20 810. For further information refer to note 5.5.

## Effect of movements in foreign exchange rates

Foreign exchange rate differences related to investment property arise in connection with translation of financial information of subsidiaries having EUR as functional currency to presentation currency of consolidated financial statements (CZK) and as a result of fluctuations in EUR/CZK exchange rate.

## Leased investment properties

Investment properties at an aggregate value of TCZK 3 319 835 at 31 December 2012 (2011 – TCZK 2 340 000) are held under long-term lease arrangements, which expire at varying dates between 2020 and 2033.

For liabilities related to leased investment properties refer to note 6.11.

## Pledged investment properties

For information related to pledged investment properties refer to note 6.11.

## 6.2 Investment property under development

### 2012

	Total
<b>Balance at 1 January 2012</b>	<b>1 906 076</b>
Acquisitions through business combinations	3 102
Transfer to investment property	-1 215 464
Additions	904 418
Transfer to trading property - inventories	-18 672
Disposals	-34 026
Valuation loss – note 5.4	-26 005
<b>Balance at 31 December 2012</b>	<b>1 519 429</b>

## 2011

	Total
<b>Balance at 1 January 2011</b>	<b>952 097</b>
Acquisitions through business combinations	617 850
Transfer to investment property	-648 075
Additions	746 876
Transfer from property, plant and equipment	35 230
Disposals	-313
Valuation gain – note 5.4	202 411
<b>Balance at 31 December 2011</b>	<b>1 906 076</b>

### Acquisitions through business combinations

#### 2012

Acquisition of 100% stake in Olomouc Office, a.s. (TCZK 3 102) represent acquisition through business combinations of investment property under development in 2012 (refer to note 3.4).

#### 2011

In 2011 the Group has acquired through business combinations investment property under development in total value of TCZK 617 850. The property was acquired through acquisition of 50% stake in COPA Centrum Národní, s.r.o. (TCZK 543 314) and acquisition of 100% stake in MAPON, a.s. (TCZK 74 536).

### Transfer to investment property

#### 2012

In April 2012 the Group has completed reconstruction of Clarion Congress Hotel České Budějovice (Vigano, a.s.) and consequently transferred the completed property in total value of TCZK 707 306 from investment property under development to investment property (hotel segment).

In November 2012 the Group has completed new retail center in Trutnov (MAPON, a.s.) and consequently transferred the completed property in total value of TCZK 574 502 from investment property under development to investment property (retail segment).

#### 2011

In 2011 the Group completed administrative and hotel complex CPI City Center Ústí nad Labem (Hraničář, a.s.) and Retail Park Beroun (Beroun Property Development, a.s.) and consequently transferred the completed property in total value of TCZK 1 090 225 to investment property (of which TCZK 778 936 to Mixture segment and TCZK 311 289 to Retail segment).

### Transfer from investment property

#### 2012

At the end of 2012 the Group has started project of extension of shopping center IGY Centrum České Budějovice. As a result of this project the Group has transferred investment property of TCZK 66 344 (LUDLOW a.s.) from investment property to investment property under development.

#### 2011

Early in 2011 the Group has started reconstruction of Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.) and development of multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.) resulting in transfer of investment property of TCZK 442 150 from investment property in hotel segment to investment property under development.

## Additions

### 2012

The main additions in 2012 represent development costs of retail center in Trutnov (MAPON, a.s.), multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.), reconstruction of hotel complex Palais Maeterlinck (CPI France, a SASU) and Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.).

Additions of Investment property under development include capitalized borrowing costs of TCZK 36 277 (2011 - TCZK 3 453).

### 2011

Additions in 2011 relate to development of administrative and hotel complex CPI City Center Ústí nad Labem (Hraničář, a.s.), Retail Park Beroun (Beroun Property Development, a.s.) and multi-purpose complex CPI City Center Olomouc (Olomouc City Center, a.s.) and to reconstruction of Clarion Hotel (formerly Gomel hotel) České Budějovice (Vigano, a.s.).

## Transfer to trading property - inventories

At the end of 2012 the Group also transferred land in total carrying value of TCZK 18 672 from investment property under development to inventories in connection with beginning of development of project Jižní stráž II project. This project relates to development of family houses in Březiněves (Březiněves, a.s.)

## Disposals

Disposals in 2012 comprise mainly sale of lands in Březiněves (Březiněves, a.s.) in total carrying value of TCZK 24 000.

## 6.3 Property, plant and equipment

### 2012

	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>					
<b>Balance at 1 January 2012</b>	<b>11 232</b>	<b>42 994</b>	<b>71 421</b>	<b>3 785</b>	<b>129 432</b>
Additions	58 227	6 596	3 610	353	68 786
Disposals	-3 022	-8 951	-6 877	--	-18 850
Transfer from/ to investment property	409	--	-3 570	4 980	1 819
Transfer	12 900	--	-12 900	--	--
Effect of movements in exchange rates	-10	-6	--	--	-16
<b>Balance at 31 December 2012</b>	<b>79 736</b>	<b>40 633</b>	<b>51 684</b>	<b>9 118</b>	<b>181 171</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Balance at 1 January 2012</b>	<b>5 041</b>	<b>19 977</b>	<b>38 332</b>	<b>--</b>	<b>63 350</b>
Depreciation for the period	2 665	7 477	--	--	10 142
Impairment loss	--	--	10 200	--	10 200
Disposals	-991	-8 819	426	--	-9 384
Transfer to investment property	--	--	-1 828	--	-1 828
Effect of movements in exchange rates	2	--	--	--	2
<b>Balance at 31 December 2012</b>	<b>6 717</b>	<b>18 635</b>	<b>47 130</b>	<b>--</b>	<b>72 482</b>
<b>Carrying amounts</b>					
<b>At 31 December 2011</b>	<b>6 191</b>	<b>23 017</b>	<b>33 089</b>	<b>3 785</b>	<b>66 082</b>
<b>At 31 December 2012</b>	<b>73 019</b>	<b>21 998</b>	<b>4 554</b>	<b>9 118</b>	<b>108 689</b>

## 2011

	Plant and equipment	PPE under finance leases	Property under construction	Other	Total
<b>Cost</b>					
<b>Balance at 1 January 2011</b>	<b>93 558</b>	<b>23 686</b>	<b>159 220</b>	<b>2 117</b>	<b>278 581</b>
Acquisitions through business combinations	--	--	5 568	1 668	7 236
Additions	2 700	20 142	20 793	--	43 635
Disposals	-883	-834	-3 218	--	-4 935
Transfer to investment property and investment	-84 143	--	-110 942	--	-195 085
<b>Balance at 31 December 2011</b>	<b>11 232</b>	<b>42 994</b>	<b>71 421</b>	<b>3 785</b>	<b>129 432</b>
<b>Accumulated depreciation and impairment</b>					
<b>Balance at 1 January 2011</b>	<b>32 163</b>	<b>14 066</b>	<b>36 957</b>	<b>--</b>	<b>83 186</b>
Depreciation for the period	1 688	6 447	--	--	8 135
Impairment loss/ (reversal of impairment loss)	--	--	1 375	--	1 375
Other disposals	-575	-536	--	--	-1 111
Transfer to investment property and investment	-28 235	--	--	--	-28 235
<b>Balance at 31 December 2011</b>	<b>5 041</b>	<b>19 977</b>	<b>38 332</b>	<b>--</b>	<b>63 350</b>
<b>Carrying amounts</b>					
<b>At 31 December 2010</b>	<b>61 395</b>	<b>9 620</b>	<b>122 263</b>	<b>2 117</b>	<b>195 395</b>
<b>At 31 December 2011</b>	<b>6 191</b>	<b>23 017</b>	<b>33 089</b>	<b>3 785</b>	<b>66 082</b>

### Additions

Transport vehicles acquired by CPI Heli, s.r.o. in total amount of TCZK 66 594 represent the most significant addition in 2012.

In 2011, additions were mainly attributable to transport vehicles acquired by CPI Services, a.s. under finance lease.

### Transfer from/ to investment property

In accordance with accounting policies applied, the Group re-assessed the use of certain items of property, plant and equipment and changed their classification from owner-occupied to investment property or vice versa. In 2012, total carrying value of reclassified property amounted to TCZK 1 742 (2011 – TCZK 131 620). On the contrary investment property amounting of TCZK 5 389 (2011 – TCZK 0) was reclassified to property, plant and equipment in 2012.

No gain or loss arose on the re-measurement of the respective property.

### Impairment

In connection with annual impairment test, the Group incurred the impairment expense relating to property, plant and equipment of TCZK 10 200 (2011 – impairment expense of TCZK 1 375). For further information refer to Note 5.9.

Carrying amount of property, plant and equipment pledged as collateral for liabilities represents TCZK 0 as at 31 December 2012 (2011 – TCZK 0)

## 6.4 Intangible assets

### 2012

	Software	Other	Total
<b>Cost</b>			
<b>Balance at 1 January 2012</b>	<b>19 193</b>	<b>--</b>	<b>19 193</b>
Additions	12 892	122	13 014
<b>Balance at 31 December 2012</b>	<b>32 085</b>	<b>122</b>	<b>32 207</b>
<b>Amortisation and impairment losses</b>			
<b>Balance at 1 January 2012</b>	<b>9 358</b>	<b>--</b>	<b>9 358</b>
Amortisation for the period (+)	4 554	2	4 556
<b>Balance at 31 December 2012</b>	<b>13 912</b>	<b>2</b>	<b>13 914</b>
<b>Carrying amounts</b>			
<b>At 31 December 2011</b>	<b>9 835</b>	<b>--</b>	<b>9 835</b>
<b>At 31 December 2012</b>	<b>18 173</b>	<b>120</b>	<b>18 293</b>

### 2011

	Software	Other	Total
<b>Cost</b>			
<b>Balance at 1 January 2011</b>	<b>17 066</b>	<b>2 502</b>	<b>19 568</b>
Acquisition through business combinations	215	--	215
Additions	1 912	--	1 912
Transfer to investment property	--	-2 502	-2 502
<b>Balance at 31 December 2011</b>	<b>19 193</b>	<b>--</b>	<b>19 193</b>
<b>Amortisation and impairment losses</b>			
<b>Balance at 1 January 2011</b>	<b>6 908</b>	<b>--</b>	<b>6 908</b>
Amortisation for the period	2 450	--	2 450
<b>Balance at 31 December 2011</b>	<b>9 358</b>	<b>--</b>	<b>9 358</b>
<b>Carrying amounts</b>			
<b>At 31 December 2010</b>	<b>10 158</b>	<b>2 502</b>	<b>12 660</b>
<b>At 31 December 2011</b>	<b>9 835</b>	<b>--</b>	<b>9 835</b>

### Additions

In 2012, additions are mainly attributable to new software acquired by CPI Services, a.s.

## 6.5 Other investments

### Non-current investments

The Group has following equity investments with the ownership interest not exceeding 10%.

	2012	2011
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
Moravský Peněžní Ústav - spořitelní družstvo*	2	--
<b>Total</b>	<b>11 768</b>	<b>11 766</b>

\*information was not available as of the date of consolidated financial statements

The Group did not obtain any dividends in 2012 (2011 – 48 TCZK).

## 6.6 Loans provided

### Non-current

	2012 Balance	2012 Average interest rate	2011 Balance	2011 Average interest rate
Loans provided - related parties (1) + (note 8)	2 639 978	11,02%	--	--
Loans provided - joint ventures (note 8)	274 248	8,23%	266 452	6,56%
Loans provided - third parties (1)	2 590 973	9,89%	481 873	5,61%
<b>Total</b>	<b>5 505 199</b>		<b>748 325</b>	

### Current

	2012 Balance	2012 Average interest rate	2011 Balance	2011 Average interest rate
Loans provided - related parties (note 8)	64 332	3,56%	3 612	1,82%
Loans provided - joint ventures (note 8)	12 328	0,00%	8 535	5,56%
Loans provided - third parties	1 214 509	8,78%	1 240 895	7,30%
<b>Total current loans provided</b>	<b>1 291 169</b>		<b>1 253 042</b>	
Impairment of current loans provided to third parties	149 294		--	
<b>Total current loans provided net of impairment</b>	<b>1 141 875</b>	--	<b>1 253 042</b>	--

(1) Significant increase in non-current loans provided primarily reflects process of financial assets restructuring performed by management of the Group in 2012. This process also resulted in significant decrease of trade and other receivables as described in note 6.8.

Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period. 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.



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The Group provides 39 non-current loans to third parties (2011 – 54) with interest rates between 3,15% and 12% (2011 – between 3,15% and 10%) and 25 current loans to third parties (2011 – 20) with interest rate between 1,05% and 15,00% (2011 – between 1,05% and 20,53%).

Current loans provided to third parties were impaired to reflect the recoverable amount.

The Group monitors value of debtor's assets concerning to non-current loans provided on ongoing basis. As at 31 December 2012 the Group has reasonable certainty that non-current loans provided will be repaid by the counterparty in full amount.

The carrying amount of loans approximates their fair value. Loans provided are not secured.

The maturity of non-current loans provided at 31 December 2012 and as at 31 December 2011 was as follows:

### 2012

	1-2 years	2-5 years	>5years	Total
Loans provided to related parties	980 225	1 493 390	166 363	2 639 978
Loans provided to joint ventures	--	--	274 248	274 248
Loans provided - third parties	113 297	928 833	1 548 843	2 590 973
<b>Total</b>	<b>1 093 522</b>	<b>2 422 223</b>	<b>1 989 454</b>	<b>5 505 199</b>

### 2011

	1-2 years	2-5 years	>5years	Total
Loans provided - joint ventures	--	24 905	241 547	266 452
Loans provided – third parties	25 236	366 613	90 024	481 873
<b>Total</b>	<b>25 236</b>	<b>391 518</b>	<b>331 571</b>	<b>748 325</b>

## 6.7 Trading property – inventories

	2012	2011
Projects under development	1 805 858	6 587
Other inventory	170	50
<b>Total</b>	<b>1 806 028</b>	<b>6 637</b>

Balance of inventories as at 31 December 2012 mainly includes projects under development related to “Palais Maeterlinck project” in total amount of TCZK 1 776 568 (refer to note 6.2) and “Jižní stráž project” (Březiněves, a.s.) totaling of TCZK 29 290.

The Group expects finalization of “Palais Maeterlinck project” in summer 2014 with estimated total construction cost to complete the project app. TCZK 670 000.

Carrying amount of inventory pledged as collateral for liabilities represents TCZK 1 776 568 as at 31 December 2012 (2011 – TCZK 0).

## 6.8 Trade and other receivables

### Non-current

	2012	2011
Receivables acquired through assignment (1)	611 245	587 374
Receivables from retentions (2)	3 868	28 920
Advances paid for financial investments	--	5 000
Other advances paid	10 067	--
Rental deposits	4 180	--
Other receivables due from third parties	38	83
<b>Total non-current receivables</b>	<b>629 398</b>	<b>621 377</b>

(1) On 30 November 2011, the Group concluded an agreement on assignment of receivables from both third and related parties and acquired receivables that are due on 27 January 2015. The acquisition price equals to the nominal value of the receivables. The purpose of the transaction was optimization and concentration of portfolio of receivables due to from third parties. Receivables are unsecured.

(2) Receivable from retention relates to acquisition of subsidiary Farhan, a.s. (successor company of Office Center Stodůlky DELTA a.s.).

### Current

	2012	2011
Trade receivables due from related parties (note 8)	2887	1 974
Trade receivables due from joint ventures (note 8)	121	2 396
Trade receivables due from third parties (1)	1 178 931	1 106 860
Advances paid (2)	164 501	188 563
Receivables from sale of subsidiaries (3)	146 637	1 309 614
Receivables from sale of receivables (4)	604 075	2 354 437
Receivables acquired through assignment (5)	101 306	1 369 547
Value added tax receivables (6)	--	40 979
Other tax receivables (7)	16 509	--
Prepaid expenses	179 066	139 889
Receivables from retentions	14 017	--
Other receivables due from related parties (note 8)	4 379	6 777
Other receivables due from third parties	78 775	149 139
<b>Total current receivables</b>	<b>2 491 204</b>	<b>6 670 175</b>
Impairment of trade receivables due from third parties	-335 722	-318 210
Impairment of other receivables due from third parties	-21 159	-42 692
<b>Total impairment of current receivables</b>	<b>-356 881</b>	<b>-360 902</b>
<b>Total trade and other receivables net of impairment</b>	<b>2 134 323</b>	<b>6 309 273</b>

(1) Trade receivables due from third parties represent primarily trade receivables from tenants of TCZK 71 250 (2011 - TCZK 723 515) and receivables from invoicing of utilities of TCZK 270 360 (2011 - TCZK 253 627). 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.

(2) Advances paid represent advances for utilities paid by the Group for which final invoice has not been received from utility providers.

(3) Receivables from sale of subsidiaries as at 31 December 2011 comprised mainly receivable of TCZK 1 011 746 from the sale of shares of Best Properties South, a.s. out of the Group in 2009. Subsequently, the receivable was cessed to a related party. As a result of financial assets restructuring process performed by management of the Group in 2012 above mentioned receivable was converted into non-current loans provided with interest rates between 8-12% and repayments in 2017-2022. The loan is

## CPI Group

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unsecured and management reviews ongoingly its value by monitoring the financial performance and estimated fair value of underlying properties.

- (4) Receivables from sale of receivables as at 31 December 2011 comprised mainly receivable of TCZK 1 527 254 from Best Properties South, a.s. sold to third party. During 2012 this receivable was partially settled and remaining portion is MCZK 572. The loan is unsecured and management reviews ongoingly its value by monitoring the financial performance and estimated fair value of underlying properties.
- (5) As at 31 December 2011 balance of receivables acquired through assignment mainly included unsecured receivables to both third and related parties in the amount of TCZK 1 143 672 due on 12 June 2012. The acquisition price equals to the nominal value of the receivables. As a result of financial assets restructuring process performed by Group's management 2012 above mentioned receivables were converted into non-current loans provided with interest rates between 7-12% and repayments in 2014-2017.
- (6) The Group recognizes value added tax payables as at 31 December 2012, refer to note 6.15.
- (7) Other tax receivables mainly includes receivable of TCZK 14 500 resulting from grant provided by state authorities relating to reconstruction of Clarion Congress Hotel České Budějovice (Vigano, a.s.).

## 6.9 Cash and cash equivalents

	2012	2011
Bank balances	3 758 754	1 400 031
Cash on hand	18 750	13 789
<b>Total</b>	<b>3 777 504</b>	<b>1 413 820</b>

The cash and cash equivalents include cash deposited on restricted accounts of TCZK 1 046 601 (2011 – TCZK 228 292). The deposits on restricted accounts are held to cover accrued interest payable on bank loans in accordance with loan covenants of the financing banks.

## 6.10 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

pcs	Ordinary shares	
	2012	2011
Issued at 1 January	5 535 175	3 866 873
New shares issued and paid in the year	2 198 571	1 668 302
<b>Issued at 31 December</b>	<b>7 733 746</b>	<b>5 535 175</b>

The subscribed capital of the Company as at 31 December 2012 was TCZK 6 186 997 (2011– TCZK 4 428 140), comprising 7 733 746 shares (2011 – 5 535 175 shares), each with a nominal value of CZK 800 (2011 – CZK 800). All shares are the same type (ordinary registered shares) and fully paid-up. All authorized shares were issued.

In 2012, there was a subscription of new shares and increase in the capital of the Company by TCZK 2 212 000, of which share capital increase of TCZK 1 758 857 and share premium increase by TCZK 453 142. The receivable from subscription was set-off with liabilities to the subscriber (related party) who at the same moment transferred these shares to the sole shareholder.

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 TCZK 1 287 042 is attributable to cash contribution of TCZK 789 938 paid by the sole shareholder and to in-kind contributions by the CPI Group owner of TCZK 497 104.

### 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.

### Legal reserve

Under Czech legislation, in the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of share capital) to the legal reserve. In subsequent years, the legal reserve is allocated a minimum 5% of profit after tax determined under Czech accounting standards until the legal reserve reaches 20% of share capital. The legal reserve can only be used to cover accumulated losses.

Total allocation from Group's statutory profits under Czech accounting principles represents TCZK 8 321 (2011 – TCZK 5 543).

## 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 6.13

Since January 2011 the Group applies hedge accounting in respect of foreign currency risks and selected interest rate swaps. 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. For detailed information refer to note 5.10.

## Other changes in equity

### 2012

Acquisition of non-controlling interest in 2012 relates to acquisition of 86,5% share in BAYTON Gama, a.s. resulting in 13,5% non-controlling interest recognized by the Group, refer to note 3.4.

### 2011

Change in non-controlling interest without change in control recognized directly in equity relates to acquisition of 20% interest in CPI - Bor, a.s. (TCZK 1 461) and 0.55% share in Březiněves, a.s. (TCZK 319). For detailed information refer to note 3.5.

## Earnings per share

### Basic earnings per share in 2012

#### Profit attributable to ordinary shareholders

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2012	1 441 666	1 441 666
<b>Net profit attributable to ordinary shareholders</b>	<b>1 441 666</b>	<b>1 441 666</b>

#### Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2012	5 535 175	1,0000	5 535 175
New shares issued (27 November 2012)	2 198 571	0,0932	204 798
Issued ordinary shares at 31 December 2012	7 733 746		5 739 973
Weighted average number of ordinary shares at 31 December 2012			5 739 973
<b>Earnings per share 2012 (CZK)</b>			<b>251,16</b>

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### Diluted earnings per share in 2012

#### Profit attributable to ordinary shareholders (diluted)

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2012	1 441 666	1 441 666
<b>Net profit attributable to ordinary shareholders</b>	<b>--</b>	<b>1 441 666</b>

#### Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2012	5 535 175	1,0000	5 535 175
New shares issued (27 November 2012)	2 198 571	0,0932	204 798
Issued ordinary shares at 31 December 2012	7 733 746		5 739 973
Weighted average number of ordinary shares at 31 December 2012			5 739 973
<b>Diluted earnings per share 2012 (CZK)</b>			<b>251,16</b>

### Basic earnings per share in 2011

#### Profit attributable to ordinary shareholders

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2011	1 143 275	1 143 275
<b>Net profit attributable to ordinary shareholders</b>	<b>1 143 275</b>	<b>1 143 275</b>

#### Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
<b>Earnings per share 2011 (CZK)</b>			<b>287,50</b>

### Diluted earnings per share in 2011

#### Profit attributable to ordinary shareholders (diluted)

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2011	1 143 275	1 143 275
<b>Net profit attributable to ordinary shareholders</b>	<b>1 143 275</b>	<b>1 143 275</b>

#### Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
<b>Diluted earnings per share 2011 (CZK)</b>			<b>287,50</b>

## 6.11 Interest-bearing loans and borrowings

### Non-current

	2012	2011
Loans from related parties	10 525	191 556
Loans from third parties	119 338	1 081 614
Bank loans	18 100 918	17 032 402
Finance lease liabilities (1)	1 475 357	1 176 822
Bills of exchange	47 231	25 655
<b>Total</b>	<b>19 753 369</b>	<b>19 508 049</b>

### Current

	2012	2011
Loans from related parties	1 545	44 779
Loans from third parties	1 510 724	1 933 841
Bank loans	3 577 023	4 380 108
Finance lease liabilities (1)	132 222	91 385
Bills of exchange	234 553	17 381
<b>Total</b>	<b>5 456 067</b>	<b>6 467 494</b>

(1) Increase in finance lease liabilities is mainly attributable to acquisition of remaining 50% stake in VT Holding, a.s. and acquisition of T.Land, a.s., including 100% share in its subsidiary EDELWEISS Development s.r.o.

### Bank loans

At 31 December 2012 the Group draws 79 (31 December 2011 - 59) bank loan facilities from 18 (31 December 2011 - 15) banks.

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 TCZK 42 821 361 as at 31 December 2012 (2011 - TCZK 42 116 424).

### Trade receivables

Total carrying amount of pledged receivables represents TCZK 876 432 at 31 December 2012 (2011 - TCZK 759 442).

### Bank accounts

Total amount of pledged bank accounts represents TCZK 1 165 254 at 31 December 2012 (2011 - TCZK 1 068 203).

### Shares of the subsidiaries

Balvinder, a.s., SHEMAR INVESTMENTS LIMITED, Baudry Beta, a.s., CB Property Development, a.s., Farhan, a.s., Lockhart, a.s., Brandýs Logistic, a.s., Carpenter Invest, a.s., Conradian, a.s., CPI - Real Estate, a.s., CPI - Štupartská, a.s., CPI Alfa, a.s., CPI BYTY, a.s., Hraničář, a.s., CPI Retails FIVE, a.s., CPI Retails FOUR, a.s., CPI Retails THREE, a.s., CPI Retails TWO, a.s., Český Těšín Property Development, a.s., Komárno Property Development, a.s., Liptovský Mikuláš Property Development, a.s., Michalovce Property Development, a.s., Modřanská Property, a.s., Nymburk Property Development, a.s., OC Nová Zdaboř a.s., Považská Bystrica Property

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Development, a.s., Prievidza Property Development, a.s., Příbor Property Development, s.r.o., Ružomberok Property Development, a.s., Třinec Property Development, a.s., Zvolen Property Development, a.s., CPI Jihlava Shopping, a.s., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., Marissa Gama, a.s., NERONTA, a.s., MUXUM, a.s., Příkopy Property Development, a.s., Svitavy Property Alfa, a.s., MAPON, a.s., U Svatého Michala, a.s., Vigano, a.s., Vyškov Property Development, a.s., Ždírec Property Development, a.s., CPI Heli, s.r.o., Beroun Property Development, a.s., Kerina, a.s., Trutnov Property Development, a.s.

### Covenants

Bank loans are subject to a number of covenants. All covenant ratios related to non-current bank loans were met as at 31 December 2012.

### Loans from third parties

Maturity analysis of loans from third parties and bank loans is as follows:

#### 2012

	< 1 year	1-5 years	>5years	Total
Loans from third parties	1 510 724	10 734	108 604	1 630 062
Bank loans	3 577 023	12 989 798	5 111 120	21 677 941
<b>Total</b>	<b>5 087 747</b>	<b>13 000 532</b>	<b>5 219 724</b>	<b>23 308 003</b>

#### 2011

	< 1 year	1-5 years	>5years	Total
Loans from third parties	1 933 841	492 300	589 314	3 015 455
Bank loans	4 380 108	8 175 638	8 856 764	21 412 510
<b>Total</b>	<b>6 313 949</b>	<b>8 667 938</b>	<b>9 446 078</b>	<b>24 427 965</b>

Loans from 3rd parties are unsecured.

### Finance lease liabilities

The finance lease liabilities relate to investment property held in form of finance lease. Contractual interest rates are based on EURIBOR/PRIBOR plus margins.

Finance lease liabilities relating to investment property as of 31 December are payable as follows:

#### 2012

	Payable within 1 year	Payable 1-5 years	Payable > 5years	Total payable
Future minimum lease payments	175 415	696 908	1 043 257	1 915 580
Interest	-49 336	-152 340	-124 220	-325 896
<b>Net present value of future minimum lease payments</b>	<b>126 079</b>	<b>544 568</b>	<b>919 037</b>	<b>1 589 684</b>

#### 2011

	Payable within 1 year	Payable 1-5 years	Payable > 5 years	Total payable
Future minimum lease payments	129 263	517 056	918 950	1 565 269
Interest	-43 002	-135 010	-137 590	-315 602
<b>Net present value of future minimum lease payments</b>	<b>86 261</b>	<b>382 046</b>	<b>781 360</b>	<b>1 249 667</b>



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Finance lease liabilities relating to property, plant and equipment as of 31 December are payable as follows:

### 2012

	Payable within 1 year	Payable 1-5 years	Total payable
Future minimum lease payments	7 315	12 773	20 088
Interest	-1 172	-1 021	-2 193
<b>Net present value of future minimum lease payments</b>	<b>6 143</b>	<b>11 752</b>	<b>17 895</b>

### 2011

	Payable within 1 year	Payable 1-5 years	Total payable
Future minimum lease payments	6 109	14 609	20 718
Interest	-985	-1 193	-2 178
<b>Net present value of future minimum lease payments</b>	<b>5 124</b>	<b>13 416</b>	<b>18 540</b>

## CPI Group

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### 6.12 Bonds issued

	31 December 2012		31 December 2011	
	No. of bonds issued	Value	No. of bonds issued	Value
<b>Non-current liabilities</b>				
Proceeds from issued bonds - CPI 2021 (1)	1 215	2 430 000	1 215	2 430 000
Less: bonds owned by Group	-1 215	-2 430 000	-925	-1 850 000
<b>Subtotal bonds - CPI 2021</b>	--	--	290	580 000
Proceed from issued bonds - CPI Finance Netherlands B.V. - 2011 (2)	500	5 000 000	375	3 750 000
Less: bonds owned by Group	-40	-400 000	--	--
<b>Subtotal bonds - CPI Finance Netherlands B.V. - 2011</b>	460	4 600 000	375	3 750 000
Proceeds from issued bonds SPOBYT 5,25/13 (3)	--	--	25 000	250 000
Less: bonds owned by Group	--	--	-25 000	-250 000
<b>Subtotal bonds - SPOBYT 5,25/13</b>	--	--	--	--
Proceeds from issued bonds - CPI VAR/15 - EUR (4)	30 000	377 100	--	--
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-6 966	--	--
<b>Subtotal bonds - CPI VAR/15 (EUR)</b>	30 000	370 134	--	--
Proceeds from issued bonds - CPI VAR/19 - CZK (5)	2 000 000 000	2 000 000	--	--
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-46 385	--	--
<b>Subtotal bonds - CPI VAR/19 (CZK)</b>	2 000 000 000	1 953 615	--	--
Proceeds from issued bonds - CPI VAR/19 - EUR (6)	116 000	1 458 120	--	--
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-34 453	--	--
<b>Subtotal bonds - CPI VAR/19 (EUR)</b>	116 000	1 423 667	--	--
Proceeds from issued bonds - CPI 8,00/42 (7)	1 000 000 000	1 000 000	--	--
Less: bonds owned by Group	-180 000 000	-180 000	--	--
Less: transaction costs	--	-140	--	--
<b>Subtotal bonds - CPI 8,00/42</b>	820 000 000	819 860	--	--
Proceeds from issued bonds - CPI ALFA (8)	279 000 000	279 000	--	--
Less: bonds owned by Group	--	--	--	--
Less: transaction costs	--	-6 067	--	--
<b>Subtotal bonds - CPI ALFA</b>	279 000 000	272 933	--	--
Proceeds from issued bonds - CPI 7,00/22 (9)	1 000 000 000	1 000 000	--	--
Less: bonds owned by Group	-1 000 000 000	-1 000 000	--	--
Less: transaction costs	--	-121	--	--
<b>Subtotal bonds - CPI 7,00/22</b>	--	-121	--	--
Proceeds from issued bonds - CPI 7,00/22 (10)	1 000 000 000	1 000 000	--	--
Less: bonds owned by Group	-1 000 000 000	-1 000 000	--	--
Less: transaction costs	--	-121	--	--
<b>Subtotal bonds - CPI 7,00/22</b>	--	-121	--	--
Proceeds from issued bonds - CPI 7,00/22 (11)	1 000 000 000	1 000 000	--	--
Less: bonds owned by Group	-1 000 000 000	-1 000 000	--	--
Less: transaction costs	--	-121	--	--

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Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

	31 December 2012		31 December 2011	
	No. of bonds issued	Value	No. of bonds issued	Value
<b>Subtotal bonds - CPI 7,00/22</b>	--	-121	--	--
Proceeds from issued bonds - CPI 8,00/42 (12)	1 000 000 000	1 000 000	--	--
Less: bonds owned by Group	-1 000 000 000	-1 000 000	--	--
Less: transaction costs	--	-141	--	--
<b>Subtotal bonds - CPI 8,00/42</b>	--	-141	--	--
Proceed from issued bonds - CPI Finance Netherlands B.V. (2012) (13)	100	1 000 000	--	--
Less: bonds owned by Group	-100	-1 000 000	--	--
<b>Subtotal bonds - CPI Finance Netherlands B.V. (2012)</b>	--	--	--	--
<b>Total non-current</b>		<b>9 439 705</b>		<b>4 330 000</b>
<b>Current liabilities</b>				
Proceeds from issued bonds - CPI var/12 (14)		--	65 000	650 000
Accrued interest bonds - CPI var/12		--		6 313
Accrued interest bonds - CPI 2021		--		50 598
Accrued interest bonds - CPI Finance Netherlands BV (2011)		185 523		8 181
Accrued interest bonds - CPI VAR/15 (EUR)		7 149		--
Accrued interest bonds - CPI VAR/19 (CZK)		38 957		--
Accrued interest bonds - CPI VAR/19 (EUR)		27 642		--
Accrued interest bonds - CPI ALFA		2 856		--
Accrued interest bonds - CPI 8,00/42		4 920		--
<b>Total current</b>		<b>267 047</b>		<b>715 092</b>
<b>Total</b>		<b>9 706 752</b>		<b>5 045 092</b>

## (1) 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 semiannually, on 8 February and 8 August respectively.

## (2) 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.

**(3) SPOBYT 5,25/13,** ISIN CZ0003501363

Bonds SPOBYT 5,25/13 with the total nominal value of TCZK 250 000 due in 2013 were issued on 30 October 2003. The nominal value of each bond is TCZK 10.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is SPOBYT 5,25/13, ISIN CZ0003501363). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 10 October 2003, reference number 45/N/900/2003/2 that came into force on 16 October 2003. Bonds were accepted for trading at the market organized by RM-Systém a.s.

On 21 August 2012 the Board of Directors decided to abolish bonds issued by the Company. Decision of board of Directors was made in accordance with Czech legislation (In terms of §15a, paragraph 1 of Act on Bonds).

Bonds abolishment decision became effective on 21 August 2012.

All above mentioned bonds were bought out from the holders by the original issuer – company SPOBYT, a.s. on 27 February 2007. In addition, the bonds were pledged in favour of the company Raiffeisenbank, a.s. and the rights to dispose of the bonds by issuer were limited. As a result of merger with the original issuer of the bonds (entity SPOBYT, a.s.) subsidiary CPI BYTY, a.s. became the issuer with effective date 1 January 2009.

**(4) 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 Securities Committee in the Czech Republic 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.

**(5) 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 Securities Committee in the Czech Republic 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.

**(6) 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 Securities Committee in the Czech Republic 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.

**(7) 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).

**(8) 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 and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 22 October 2012, reference number 2012/10125/570 effective on 22 October 2012. Bonds were accepted for trading at the Prague Stock Exchange.

**(9) 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).

**(10) 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).

**(11) 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).

**(12) 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 8,00/42, ISIN CZ0003502940).

### (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 var/12, ISIN CZ0003501447

CPI var/12 bonds were issued on 22 March 2005 and matured on 22 March 2012. The nominal value of each bond was TCZK 10 and the total nominal value of bonds issued amounted to TCZK 650 000.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI var/12, ISIN CZ0003501447). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 10 March 2005, reference number 45/N/7/2005/2 that came into force on 14 March 2005. Bonds were accepted for trading at the market organized by RM-Systém a.s.

Bonds CPI var/12 bear the interest rate based on 6M PRIBOR + 2% margin. Interests were due semiannually, on 22 March and 22 September respectively.

Reflecting the bonds' maturity in March 2012, the liability was reclassified to current liabilities as at 31 December 2011.

For interest expense related to bonds issued refer to note 5.11.

## 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 2012.

Issued bonds CPI Alfa are subject to a number of covenants. According to bonds prospectus the covenant ratios will be calculated firstly for the year ended 31 December 2013.

## 6.13 Liabilities from derivatives

### 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 2012 is summarized in the following table:

#### Non-current liabilities from derivatives

	2012	2011
Interest rate swaps used for hedging	116 476	36 694
Other interest rate swap contracts	167 965	175 358
<b>Total</b>	<b>284 441</b>	<b>212 052</b>

#### Current liabilities from derivatives

	2012	2011
Interest rate swaps used for hedging	--	--
Other interest rate swap contracts	48 582	53 975
<b>Total</b>	<b>48 582</b>	<b>53 975</b>
<b>Total liability from derivatives</b>	<b>333 023</b>	<b>266 027</b>

#### a) Interest rate swaps used for hedging

The Group has entered into interest rate swap contracts with notional amounts of TCZK 1 926 336 (2011 – TCZK 1 020 752) whereby it pays a fixed interest rate of 1,9% - 2,3% (2011 - 2,3% - 2,5%) 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 TCZK 6 855 322 (2011 – TCZK 7 656 842) have fixed interest payments at an average rate of 1,36 % (2011 – 3,429%) 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.

### 6.14 Bank overdrafts

Bank overdrafts amounted to TCZK 386 790 as at 31 December 2012 (2011 – TCZK 2 251 570). Overdrafts were drawn for the purpose of operating activities as well as for financing of acquisitions of the Group.

### 6.15 Trade and other payables

#### Non-current

	2012	2011
Trade payables due to third parties	3 965	3 375
Payables from acquisitions of subsidiaries and joint-ventures (1)	928 343	889 017
Tenant deposits (2)	87 436	101 286
Payables from retentions (3)	219 715	103 451
Other payables due to third parties	70	10 149
<b>Total</b>	<b>1 239 529</b>	<b>1 107 278</b>

#### Current

	2012	2011
Trade payables due to related parties	36	--
Trade payables due to third parties	847 261	972 784
Advances received	343 482	346 037
Value added tax payables	61 851	--
Payables due to employees, social security and health insurance, employees income tax (4)	34 543	12 326
Advances received from tenants (5)	311 827	283 357
Payables from acquisitions of subsidiaries and joint-ventures	162 424	104 323
Payables from receivables cession	41 718	52 452
Payables from retentions	1 845	31 142
Payables to owners association	46 181	46 181
Deferred income/ revenue	151 344	163 398
Other payables due to related parties	31 063	190 088
Other payables due to third parties	10 102	19 326
<b>Total</b>	<b>2 043 677</b>	<b>2 221 414</b>

- (1) Payables are due on 31 December 2017.
- (2) 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.
- (3) Increase in payables from retentions is mainly affected by the development and redevelopment of Group's investment property and investment property under construction portfolio.
- (4) Growth in employees employed by the Group and annual bonuses paid in December 2012 represent main impact on increase in payables due to employees.
- (5) Advances received from tenants represent 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.

## 6.16 Provisions

	2012	2011
<b>Balance at 1 January</b>	42 436	21 105
Provisions created in the period	3 367	36 114
Provisions used in the period	-15 681	--
Provisions reversed in the period	-25 429	-15 782
Provisions acquired through business combination	418	999
<b>Balance at 31 December</b>	<b>5 111</b>	<b>42 436</b>

<b>Analysis of total provisions</b>	2012	2011
Non-current provisions	--	--
Current provisions	5 111	42 436
<b>Total</b>	<b>5 111</b>	<b>42 436</b>

### Provision for business risk related to development activities

The Group recognised provision for business risk related to development activities in total amount of TCZK 33 820 as at 31 December 2011. As the settlement between the Group and the counterparty was carried out during 2012, the provision in total amount of TCZK 10 000 was utilized and outstanding amount of TCZK 23 820 was reversed to other income as at 31 December 2012.

### Other provisions

Other provisions relate mainly to expected penalties to be paid for late payments of Group's liabilities.

Provisions have not been discounted as the Group expects their utilization in 2013 and classifies them as current at 31 December 2012 and at 31 December 2011.



## 6.17 Operating leases

The Group leases out its investment property under operating lease. The future minimum lease payments under non-cancellable leases are as follows:

	2012	2011
Less than one year	2 413 513	2 726 852
Between one and five years	7 788 949	8 481 647
More than five years	6 750 637	7 199 004
<b>Total</b>	<b>16 953 099</b>	<b>18 407 503</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. Rental contracts for residential portfolio are subject to successive deregulation of rentals set by the Czech legislation.

## 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 arises from the potential inability of debtors to meet their obligations as they fall due. 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 consolidated 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 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 Group maintains the creditor management database, creates the segmented reports and performs tenants ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

In respect of cash and cash equivalents the Group has bank accounts with prestigious banking institutions, where no risk is expected.

Late payment reminders are automatically issued in respect of late payments and penalties are applied. Such late payments are monitored by Division managers who decide on the pre-litigious or litigious action to be taken.

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

The following tables present financial assets as of 31 December 2012 reflecting their classification based on its ageing structure and impairment if applicable:

### Credit risk profile at 31 December 2012:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	3 777 504	--	--	3 777 504
Trade and other receivables	1 831 070	932 651	356 881	3 120 602
Loans provided	6 524 497	122 577	149 294	6 796 368
Other investments	11 768	--	--	11 768
<b>Total</b>	<b>12 144 839</b>	<b>1 055 228</b>	<b>506 175</b>	<b>13 706 242</b>

### Breakdown of overdue financial assets which are not impaired at 31 December 2012:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	71 811	42 763	627 635	48 729	141 713	932 651
Loans provided	93 966	1 633	2 802	10 048	14 128	122 577
<b>Total</b>	<b>165 777</b>	<b>44 396</b>	<b>630 437</b>	<b>58 777</b>	<b>155 841</b>	<b>1 055 228</b>

### Credit risk profile at 31 December 2011:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	1 413 820	--	--	1 413 820
Trade and other receivables	3 306 900	3 262 848	360 902	6 930 650
Loans provided	1 709 756	291 611	--	2 001 367
Other investments	11 766	--	--	11 766
<b>Total</b>	<b>6 442 242</b>	<b>3 554 459</b>	<b>360 902</b>	<b>10 357 603</b>

### Breakdown of overdue financial assets which are not impaired at 31 December 2011:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	69 157	34 236	22 059	150 650	2 986 746	3 262 848
Loans provided	--	504	1 480	50 552	239 075	291 611
<b>Total</b>	<b>69 157</b>	<b>34 740</b>	<b>23 539</b>	<b>201 202</b>	<b>3 225 821</b>	<b>3 554 459</b>

## 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.

### At 31 December 2012

	Carrying value	< 3 months	3-12 months	1-2 years	2 - 5 years	> 5 years	Total
Loans from third parties	1 630 062	958 152	592 823	2 385	6 712	168 628	1 728 700
Loans from related parties	12 070	1 729	553	11 262	--	--	13 544
Bank loans incl. overdrafts	22 064 731	1 205 445	2 850 036	938 215	13 548 366	6 401 832	24 943 894
Bonds issued	9 706 752	411 702	433 965	578 620	2 339 392	11 898 822	15 662 501
Finance lease liabilities	1 607 579	34 883	100 395	137 310	471 391	1 217 194	1 961 173
Liabilities from derivatives	333 023	--	48 582	24 651	199 733	60 057	333 023
Trade and other payables	3 283 206	1 491 843	551 843	52 800	163 208	1 023 521	3 283 215
Bills of exchange	281 784	149 011	85 542	47 137	94	--	281 784
<b>Total</b>	<b>38 919 207</b>	<b>4 252 765</b>	<b>4 663 739</b>	<b>1 792 380</b>	<b>16 728 896</b>	<b>20 770 054</b>	<b>48 207 834</b>

### At 31 December 2011

	Carrying value	< 3 months	3-12 months	1-2 years	2 - 5 years	> 5 years	Total
Loans from related parties	236 335	--	46 700	191 312	12 413	--	250 425
Loans from third parties	3 015 455	431 878	1 587 268	159 625	186 173	937 378	3 302 322
Bank loans	21 412 510	2 633 660	4 098 005	752 243	8 166 895	10 626 606	26 277 409
Bonds issued	5 045 092	711 249	12 001	--	--	5 286 930	6 010 180
Finance lease liabilities	1 268 207	22 752	70 488	95 717	332 176	1 018 646	1 539 779
Liabilities from derivatives	266 027	--	53 975	--	206 649	5 403	266 027
Trade and other payables	3 328 692	1 575 474	482 542	24 387	167 292	1 292 619	3 542 314
Bills of exchange	43 036	17 381	--	25 655	--	--	43 036
<b>Total</b>	<b>34 615 354</b>	<b>5 392 394</b>	<b>6 350 979</b>	<b>1 248 939</b>	<b>9 071 598</b>	<b>19 167 582</b>	<b>41 231 492</b>

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) interest-bearing assets and liabilities, 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.

### a) 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 EUR.

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.

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

### 2012

	Currency	Amount in original currency
Cash and cash equivalents	TEUR	10 885
	TUSD	2
Trade and other receivables	TEUR	5 108
Loans provided	TEUR	88 639
Trade and other payables	TEUR	-4 505
	TUSD	-18
Interest bearing loans and borrowings	TEUR	-216 900
Bonds issued	TEUR	-73 540
Liabilities from derivatives	TEUR	-3 761
<b>Net position</b>	<b>TEUR</b>	<b>-194 074</b>
<b>Net position</b>	<b>TUSD</b>	<b>-16</b>

### 2011

	Currency	Amount in original currency
Cash and cash equivalents	TEUR	11 512
	TUSD	5
Trade and other receivables	TEUR	6 070
	TUSD	--
Loans provided	TEUR	40 922
Other investments (bonds)	TEUR	--
Trade and other payables	TEUR	-3 502
	TUSD	-61
Interest bearing loans and borrowings	TEUR	-308 101
Liabilities from derivatives	TEUR	-2 621
<b>Net position</b>	<b>TEUR</b>	<b>-255 720</b>
<b>Net position</b>	<b>TUSD</b>	<b>56</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 2012. 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	6 781
1-2 years	7 395
2-5 years	22 521
5-10 years	45 777
more than 10 yrs	80 628
<b>Total</b>	<b>163 102</b>

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

### 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 or USD would have the below effect to profit/(loss) or equity of the Group providing all other variables remaining constant:

### 2012

	Original currency		TCZK	CZK depreciated by 10% to EUR or USD	Change	CZK appreciated by 10% to EUR or USD	Change
Cash and cash equivalents	TEUR	10 885	273 649	301 014	27 365	246 284	-27 365
	TUSD	2	38	42	4	34	-4
Trade and other receivables	TEUR	5 108	128 415	141 257	12 842	115 574	-12 842
Loans provided	TEUR	88 639	2 228 384	2 451 222	222 838	2 005 546	-222 838
Trade and other payables	TEUR	-4 505	-113 256	-124 582	-11 326	-101 930	11 326
	TUSD	-18	-343	-377	-34	-309	34
Interest bearing loans and borrowings	TEUR	-216 900	-5 452 866	-5 998 153	-545 287	-4 907 579	545 287
Bonds issued	TEUR	-73 540	-1 848 796	-2 033 676	-184 880	-1 663 916	184 880
Liabilities from derivatives	TEUR	-3 761	-94 552	-104 007	-9 455	-85 097	9 455
<b>Net exposure to currency risk</b>	TEUR	<b>-194 074</b>	<b>-4 879 022</b>	<b>-5 366 924</b>	<b>-487 903</b>	<b>-4 391 120</b>	<b>487 903</b>
<b>Net exposure to currency risk</b>	TUSD	<b>-16</b>	<b>-305</b>	<b>-336</b>	<b>-30</b>	<b>-275</b>	<b>30</b>
<b>Impact on profit/loss</b>	TCZK				<b>-86 579</b>		<b>86 579</b>
<b>Impact on equity</b>	TCZK				<b>-401 294</b>		<b>401 294</b>

## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

### 2011

		In original currency	TCZK	CZK depreciated by 10% to EUR or USD	Change	CZK appreciated by 10% to EUR or USD	Change
Cash and cash equivalents	TEUR	11 512	297 010	326 711	29 701	267 309	-29 701
	TUSD	5	100	110	10	90	-10
Trade and other receivables	TEUR	6 070	156 606	172 267	15 661	140 945	-15 661
	TUSD	--	--	--	--	--	--
Loans provided	TEUR	40 922	1 055 788	1 161 367	105 579	950 209	-105 579
Other investments (bonds)	TEUR	--	--	--	--	--	--
Trade and other payables	TEUR	-3 502	-90 352	-99 387	-9 035	-81 317	9 035
	TUSD	-61	-1 216	-1 338	-122	-1 094	122
Interest bearing loans and borrowings	TEUR	-308 101	-7 949 006	-8 743 906	-794 900	-7 154 105	794 900
Other bonds issued	TEUR	--	--	--	--	--	--
Liabilities from derivatives	TEUR	-2 621	-67 622	-74 384	-6 762	-60 860	6 762
<b>Net exposure to currency risk</b>	<b>TEUR</b>	<b>-255 720</b>	<b>-6 597 576</b>	<b>-7 257 332</b>	<b>-659 756</b>	<b>-5 937 819</b>	<b>659 756</b>
<b>Net exposure to currency risk</b>	<b>TUSD</b>	<b>-56</b>	<b>-1 116</b>	<b>-1 228</b>	<b>-112</b>	<b>-1 004</b>	<b>112</b>
<b>Impact on profit/loss</b>	<b>TCZK</b>				<b>-359 889</b>		<b>359 889</b>
<b>Impact on equity</b>	<b>TCZK</b>				<b>-299 755</b>		<b>299 755</b>

In terms of the Group's overall currency risk management strategy, the Group requires minimization of its exposure to changes in the cash flows from rent contracts.

### b) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under notes 6.6 for financial assets and under notes 6.11 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 3M 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 interest-bearing financial instrument 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



## CPI Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

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 6.13). 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 10% 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. The analysis is performed on the same basis for 2011.

A 10% change in the interest rate would have the below effect to profit/ (loss) or equity of the Group providing all other variables remaining constant:

#### 2012

	Effective interest rate	Average amount	Interest calculated
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	4,01%	22 715 286	910 883
Bonds issued with variable interest rate	5,90%	8 435 220	497 678
<b>Total</b>		<b>31 150 506</b>	<b>1 408 561</b>

#### 2012

	Increase by 10%	Interest calculated	Profit (loss) effect	Decrease by 10%	Interest calculated	Profit (loss) effect
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	4,41%	1 001 971	- 91 088	3,61%	819 795	91 088
Bonds issued with variable interest rate	6,49%	547 446	-49 768	5,31%	447 910	49 768
<b>Total</b>		<b>1 549 417</b>	<b>- 140 856</b>		<b>1 267 705</b>	<b>140 856</b>

#### 2011

	Effective interest rate	Average amount	Interest calculated
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	3,23%	-17 257 045	-557 403
Bonds issued with variable interest rate	4,25%	-1 230 000	-52 275
<b>Total</b>		<b>-18 487 045</b>	<b>-609 678</b>

#### 2011

	Increase by 10%	Interest calculated	Profit (loss) effect	Decrease by 10%	Interest calculated	Profit (loss) effect
Interest bearing loans and borrowings incl. finance lease liabilities at variable interest rate	3,55%	-613 143	-55 740	2,91%	-501 662	55 740
Bonds issued with variable interest rate	4,68%	-57 503	-5 228	3,83%	-47 048	5 228
<b>Total</b>		<b>-670 646</b>	<b>-60 968</b>		<b>-548 710</b>	<b>60 968</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 interest-bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date and the periods in which they reprice.

### 2012

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans from related parties	7,01%	12 070	--	--	12 070
Loans from third parties (1)	7,49%	1 630 062	--	--	1 630 062
Bank overdraft	6,92%	386 790	9 709	--	377 081
Bank loans	4,03%	21 677 941	21 445 139	118 902	113 900
Finance lease liabilities	3,73%	1 607 579	964 407	625 277	17 895
Bonds issued (2)	6,18%	9 706 752	--	8 606 687	1 100 065
<b>Total</b>		<b>35 021 194</b>	<b>22 419 255</b>	<b>9 350 866</b>	<b>3 251 073</b>

(1) Unpaid interests represent TCZK 184 603 (fixed interest rate).

(2) Including unpaid interest of TCZK 267 047.

### 2011

	Effective interest rate	Total	3 month or less	3-12 months	Fixed interest rate
Loans from related parties	5,72%	236 335	--	--	236 335
Loans from third parties (1)	6,89%	3 015 455	166 318	--	2 849 137
Bank overdraft	9,34%	2 251 570	--	--	2 251 570
Bank loans	3,23%	21 412 510	20 589 489	823 021	--
Finance lease liabilities	3,24%	1 268 207	1 249 667	--	18 540
Bonds issued (2)	4,42%	5 045 092	--	1 286 911	3 758 181
<b>Total</b>		<b>33 229 169</b>	<b>22 005 474</b>	<b>2 109 932</b>	<b>9 113 763</b>

(1) Unpaid interest represent TCZK 3 279 (loans with variable interest rate) and TCZK 358 265 (fixed interest rate) respectively.

(2) Including unpaid interest of TCZK 65 058.

## c) 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 6.1.

## 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 Group

Notes to the consolidated financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

CPI 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 2012.

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 2012 and at 31 December 2011 were as follows:

	2012	2011
Debt	43 747 449	41 272 453
Equity	21 020 712	15 998 672
<b>Total</b>	<b>208%</b>	<b>258%</b>

## 7.5 Financial instruments and fair values

### Categories of financial instruments

Financial assets in the Group comprise non-current and current loans provided, trade and other receivables and cash and cash equivalents, which are all classified as loans and receivables.

Financial liabilities in the Group comprise interest bearing loans and borrowings, bonds issued, bank overdraft, and trade and other payables, which are classified as other financial liabilities. Financial liabilities also include interest rate swaps which are categorized as derivatives as fair value through profit or loss (non hedge) and interest rate swaps used as hedging instruments.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of bonds issued.

The fair values of financial assets and liabilities together with the carrying amounts shown in the consolidated statement of financial position are as follows:

	Carrying amount		Fair value	
	2012	2011	2012	2011
<b>Financial assets</b>				
Loans provided	6 647 074	2 001 367	6 647 074	2 001 367
Trade and other receivables	2 763 721	6 930 650	2 763 721	6 930 650
Cash and cash equivalents	3 777 504	1 413 820	3 777 504	1 413 820
<b>Total financial assets</b>	<b>13 188 299</b>	<b>10 345 837</b>	<b>13 188 299</b>	<b>10 345 837</b>
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	25 209 436	25 975 543	25 209 436	25 975 543
Bonds issued	9 706 752	5 045 092	9 647 382	4 231 810
Liabilities from derivatives	333 023	266 027	333 023	266 027
Trade and other payables	3 283 206	3 328 692	3 283 206	3 328 692
Bank overdraft	386 790	2 251 570	386 790	2 251 570
<b>Total financial liabilities</b>	<b>38 919 207</b>	<b>36 866 924</b>	<b>38 859 837</b>	<b>36 053 642</b>

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2012, the Group held the following financial instruments carried at fair value in the statement of financial position:

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
None	--	--	--	--
<b>Liabilities measured at fair value</b>				
Liabilities from derivatives	--	333 023	--	333 023

As at 31 December 2011, the Group held the following financial instruments carried at fair value in the statement of financial position:

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
None	--	--	--	--
<b>Liabilities measured at fair value</b>				
Liabilities from derivatives	--	266 027	--	266 027

## 8 Related parties

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.

	2012	2011
Remuneration paid to key management personnel and members of Board of Directors	40 246	34 848
<b>Total</b>	<b>40 246</b>	<b>34 848</b>

Breakdown of balances and transactions between key management personnel and members of Board of Directors and the Group is as follows:

	2012	2011
<b>Balances at 31 December</b>		
Loans provided	31 044	3 612
Trade receivables	252	210
Other receivables	4 379	6 777
Trade payables	36	--
Other payables	31 015	107 088
<b>Transactions</b>		
Interest income	26 525	66
Bonds expense	614	270

### Joint ventures

During the year, Group companies entered into the following transactions with joint ventures:

	2012	2011
<b>Balances at 31 December</b>		
Loans provided	286 576	274 987
Trade receivables	121	2 396
<b>Transactions</b>		
Sale of services	4 700	1 662
Interest income	13 495	5 662

## Other related parties

During the year, Group companies entered into the following transactions with other related parties:

	2012	2011
<b>GANDOLF CONSULTANCY LIMITED</b>		
Loans received	--	224 493
Interest expense	10 845	13 107
<b>Vila Šárka, a.s.</b>		
Trade receivables	20	143
Other receivables	--	--
Loans provided	2	--
Sale of services	12	13
<b>Milada Malá (1)</b>		
Trade receivables	1 429	1 429
Loans provided	2 324 352	--
Other payables	48	83 000
Interest income	95 744	1 764
<b>STRM Group (2)</b>		
Trade receivables	956	*
Other receivables	611 245	*
Loans provided	215 696	*
Interest income	7 153	*
Sale of services	14	*
<b>Other entities (3)</b>		
Trade receivables	230	192
Loans provided	125 737	--
Loans received	12 070	11 842
Sale of services	108	48
Interest expense	644	--
Interest income	2 547	--

(1) Milada Malá subscribed new shares in the capital of the Company by TCZK 2 212 000, of which share capital increase of TCZK 1 758 857 and share premium increase by TCZK 453 142. The receivable from subscription was set-off with liabilities to the subscriber who at the same moment transferred these shares to the sole shareholder.

(2) + (\*) STRM Group includes following companies (related since 2012):

STRM Property, a.s., STRM Alfa, a.s., STRM Beta, a.s., STRM Delta, a.s. and STRM Gama, a.s.

(3) Other entities include following companies:

Cerrini, s.r.o., Materiali, a.s., Mondello, a.s., Papetti, s.r.o., Pietroni, s.r.o., Rivaroli, a.s., Robberg, a.s., Zacari, a.s. and CPI Group, a.s.

## **9 Contingent liabilities**

### **9.1 Contingent assets**

The Group is not aware of existence of any contingent assets as at 31 December 2012.

### **9.2 Contingent liabilities**

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.

## **10 Capital commitments**

The Group has capital commitments of TCZK 977 687 (2011 – TCZK 150 000) in respect of capital expenditures contracted for at the date of the statement of financial statements.

## 11 Subsequent events

### Bonds

In March 2013 the Group issued new bonds:

#### **CPI 6,05/16**

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 and the issuing terms were 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.

CPI 6,05/16

No. of bonds – pcs 150 000

Nominal value – TCZK 10

Maturity – 29 March 2016

Interest rate – 6,05% p.a.

#### **CPI BYTY bonds**

The Group (through its subsidiary CPI BYTY, a.s.) prepares four new bonds issues assured by a real estate portfolio of CPI BYTY, a.s.

Bond issues are being issued as a part of a bond program, with an overall volume of TCZK 3 800 000. The overall volume of any bonds issued under the bond program must not at any time exceed TCZK 3 000 000.

CPI BYTY bond issues are expected to be issued during the year 2013, starting in May 2013. The nominal value of each bond will be TCZK 1. Maturity of individual issues varies between 2-8 years. Bond issues will bear the fixed interest rates between 2,5% - 5,8% depending on their maturity.

The prospectus and the issuing terms are being now approved by Czech National Bank. Approval is expected early in May 2013.

The proceeds from the bonds will be primarily used to refinance currently existing bank loans of the CPI BYTY, a.s.



**COPA acquisition**

On 7 February 2013, the Group acquired remaining 50% stake in COPA Centrum Národní, s.r.o (renamed to CPI Národní, s.r.o. on 18 February 2013) from the Pawlowski AG. As a result of the acquisition the Group has increased its ownership interest to 100%.

QUADRIO (former name COPA centrum) multifunctional complex is being built above the Národní třída metro station in Prague 1. It will offer more than 28,000 sqm office and retail premises in the center of Prague.

Project completion is forecast for Q3 2014.

Prague, 30 April 2013

**Radovan Vitek**

Chairman of the Board of Directors

**Marek Stublej**

Vice-chairman of the Board of Directors

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Czech Property Investments, a.s.

**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012**

## STATEMENT OF FINANCIAL POSITION

	Note	31 December 2012	31 December 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries and jointly controlled entities	3.1	15 247 707	13 847 414
Investment property	5.1	63 420	68 510
Property, plant and equipment	5.2	4 209	5 145
Intangible assets and goodwill	5.3	7 596	7 312
Other investments	5.4	11 766	11 766
Loans provided	5.5	9 129 118	3 631 514
Trade and other receivables	5.7	867 005	848 337
<b>Total non-current assets</b>		<b>25 330 821</b>	<b>18 419 998</b>
<b>Current assets</b>			
Trading property - inventories	5.6	--	182
Current income tax assets	4.11	4 589	--
Trade and other receivables	5.6	1 312 233	6 222 110
Loans provided	5.5	8 383 647	4 096 880
Cash and cash equivalents	5.8	1 678 023	18 822
<b>Total current assets</b>		<b>11 378 492</b>	<b>10 337 994</b>
<b>TOTAL ASSETS</b>		<b>36 709 313</b>	<b>28 757 992</b>
<b>Equity</b>			
Share capital		6 186 997	4 428 140
Share premium		575 942	122 800
Revaluation reserve		869 263	465 941
Other reserves		2 431 368	1 186 477
Retained earnings		2 773 897	1 685 260
<b>Total equity attributable to owners of the Company</b>	5.9	<b>12 837 467</b>	<b>7 888 618</b>

Czech Property Investments, a.s.

Financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2012	31 December 2011
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	5.10	8 584 945	4 802 792
Bonds issued	5.11	9 590 772	2 352 000
Trade and other payables	5.13	928 343	927 953
Deferred tax liabilities	4.11	3 261	73 563
<b>Total non-current liabilities</b>		<b>19 107 321</b>	<b>8 156 308</b>
<b>Current liabilities</b>			
Bank overdraft	5.12	377 081	2 248 678
Interest-bearing loans and borrowings	5.10	2 505 286	7 413 429
Bonds issued	5.11	207 082	887 599
Current income tax liabilities	4.11	--	595
Trade and other payables	5.13	1 675 076	2 162 765
<b>Total current liabilities</b>		<b>4 764 525</b>	<b>12 713 066</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36 709 313</b>	<b>28 757 992</b>

Notes to financial statements on pages 10 to 81 are integral part of these financial statements.

Czech Property Investments, a.s.

Financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended	
		31 December 2012	31 December 2011
<b>Revenues</b>	4.1	<b>18 373</b>	<b>133 354</b>
Administrative expenses	4.2	-34 177	-188 544
Net valuation gain / (loss) on investment property	4.3	-4 681	357
Gain / (Loss) on the disposal of subsidiaries	4.4	--	-31
Loss on the disposal of trading property	4.5	-21	-1 828
(Impairment of assets) / Reversal of impairment of assets	4.6	-471 463	1 981
Other income	4.7	10 599	538
Other expenses	4.8	-19 897	-1 547
<b>Results from operating activities</b>		<b>-501 267</b>	<b>-55 720</b>
Finance income	4.9	2 731 445	494 870
Finance costs	4.10	-1 273 774	-701 135
<b>Net finance income / (costs)</b>		<b>1 457 671</b>	<b>-206 265</b>
<b>Profit / (Loss) before income tax</b>		<b>956 404</b>	<b>-261 985</b>
Income tax income	4.11	69 145	38 870
<b>Profit / (Loss) from continuing operations</b>		<b>1 025 549</b>	<b>-223 115</b>
<b>Discontinued operation</b>			
<b>Profit / (Loss) for the period</b>		<b>1 025 549</b>	<b>-223 115</b>
<b>Other comprehensive income / (expense) for the period, net of tax</b>		<b>--</b>	<b>--</b>
<b>Total comprehensive income / (expense) for the period</b>		<b>1 025 549</b>	<b>-223 115</b>
Profit / (Loss) attributable to:			
Owners of the Company		1 025 549	-223 115
Non-controlling interest		--	--
Profit / (Loss) for the period		1 025 549	-223 115
Total comprehensive income / (expense) attributable to:			
Owners of the Company		1 025 549	-223 115
Non-controlling interest		--	--
Total comprehensive income / (expense) for the period		1 025 549	-223 115

Czech Property Investments, a.s.

Financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	For the year ended	
	Note	31 December 2012    31 December 2011
<b>Earnings per share</b>		
Basic earnings / (loss) per share (CZK)		178,67                      -56,11
Diluted earnings / (loss) per share (CZK)		178,67                      -56,11
<b>Earnings per share - continuing operations</b>		
Basic earnings / (loss) per share (CZK)		178,67                      -56,11
Diluted earnings / (loss) per share (CZK)		178,67                      -56,11

Notes to financial statements on pages 10 to 81 are integral part of these financial statements.

Czech Property Investments, a.s.

Financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## STATEMENT OF CASH FLOWS

		For the year ended	
	Note	31 December 2012	31 December 2011
<b>Operating activities:</b>			
<b>Profit before income tax</b>		<b>956 404</b>	<b>-261 985</b>
<i>Adjusted by:</i>			
Net valuation (gain) / Loss on investment property	4.3	4 681	-357
Depreciation / amortisation of tangible assets	5.2	2 677	2 768
Impairment of assets / Reversal of impairment of assets	4.6	471 463	-1 981
(Gain) / Loss on the disposal of property, plant and equipment	4.5	21	--
(Gain) / Loss on the disposal of subsidiaries	4.4	--	31
Net finance (income) / costs	4.9 & 4.10	-1 457 671	186 923
Exchange rate differences		-17 969	94 877
Other non-cash adjustments		--	776
<b>Profit before changes in working capital and provisions</b>		<b>-40 394</b>	<b>21 052</b>
Changes in trade and other receivables		1 033 729	-2 848 786
Changes in trading property - inventory		182	351
Changes in trade and other payables		1 122 067	1 909 899
Changes in provisions		-448	--
Income tax paid		-17 100	91
<b>Net cash flows from operating activities:</b>		<b>2 097 758</b>	<b>-917 393</b>
<b>Investing activities:</b>			
Acquisition of investment in subsidiaries, jointly controlled entity and associates	3.3	-1 949 524	-9 019 616
Proceeds from disposals of investment in subsidiaries and jointly controlled entities		--	448 200
Cash acquired as a result of merger		266	946
Acquisition of property, plant and equipment	5.2	-438	-1 255
Acquisition of intangible assets	5.3	-2 056	-278
Acquisition of other investments	5.4	--	-20
Proceeds from sale of property, plant and equipment		857	--
Proceeds from other investments	6.6	--	303 066
Other loans (provided) / repaid	4.9	-4 319 314	-2 797 741
Dividends received		14 000	48
Interest received		603 616	313 546
<b>Net cash flows from investing activities</b>		<b>-5 652 593</b>	<b>-10 753 104</b>

Czech Property Investments, a.s.

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## STATEMENT OF CASH FLOWS (CONTINUED)

	Note	For the year ended	
		31 December 2012	31 December 2011
<b>Financing activities:</b>			
Proceeds from bonds issued	5.5	8 096 772	2 000
Re-purchase of own bonds		--	-2 000
Other capital contributions		789 938	1 000 000
Drawings / (repayments) of loans and borrowings		-3 001 616	10 794 583
Drawings / (repayments) of finance lease liabilities		--	-184
Interest paid		-671 058	-149 902
<b>Net cash flows from financing activities</b>		<b>5 214 036</b>	<b>11 644 497</b>
<b>Net increase in cash and cash equivalents</b>		<b>1 659 201</b>	<b>-26 000</b>
<b>Cash and cash equivalents at beginning of the year</b>	5.8	<b>18 822</b>	<b>44 822</b>
<b>Cash and cash equivalents at the end of the year</b>	5.8	<b>1 678 023</b>	<b>18 822</b>

Notes to financial statements on pages 10 to 81 are integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Legal reserve	Merger reserve	Revaluation reserve	Other capital contributions	Retained earnings	Total attributable to owners of the Company	Total equity
<b>Balance at 1 January 2012</b>		<b>4 428 140</b>	<b>122 800</b>	<b>30 810</b>	--	<b>465 941</b>	<b>1 155 667</b>	<b>1 685 260</b>	<b>7 888 618</b>	<b>7 888 618</b>
<u>Comprehensive income for the period</u>										
<i>Profit for the period</i>		--	--	--	--	--	--	1 025 549	1 025 549	1 025 549
<i>Total other comprehensive income/ (expense)</i>		--	--	--	--	--	--	--	--	--
Total comprehensive income for the period		--	--	--	--	--	--	<b>1 025 549</b>	<b>1 025 549</b>	<b>1 025 549</b>
<u>Transactions with owners of the Company, recognised directly in equity</u>										
Issue of ordinary shares	5.9	1 758 857	453 142	--	--	--	--	--	2 211 999	2 211 999
Owner's contribution	5.9	--	--	--	--	--	1 287 042	--	1 287 042	1 287 042
<i>Total transactions with owners of the Company</i>		<b>1 758 857</b>	<b>453 142</b>	--	--	--	<b>1 287 042</b>	--	<b>3 499 041</b>	<b>3 499 041</b>
<u>Other movements</u>										
Effect of merger	3.2	--	--	--	-42 151	--	--	63 088	20 937	20 937
Effect resulting from non-interest loans granted from subsidiaries	5.9	--	--	--	--	403 322	--	--	403 322	403 322
<i>Total other movements</i>		--	--	--	<b>-42 151</b>	<b>403 322</b>	--	<b>63 088</b>	<b>424 259</b>	<b>424 259</b>
<b>Balance at 31 December 2012</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>12 837 467</b>

Czech Property Investments, a.s.

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## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Note	Share capital	Share premium	Legal reserve	Revaluation reserve	Other capital contributions	Retained earnings	Total attributable to owners of the Company	Total equity
<b>Balance at 1 January 2011</b>		<b>3 093 498</b>	--	<b>12 410</b>	--	<b>155 667</b>	<b>1 367 430</b>	<b>4 629 005</b>	<b>4 629 005</b>
<u>Comprehensive income for the period</u>									
<i>Loss for the period</i>		--	--	--	--	--	-223 115	-223 115	-223 115
<i>Total other comprehensive income/(expense)</i>		--	--	--	--	--	--	--	--
Total comprehensive expense for the period		--	--	--	--	--	<b>-223 115</b>	<b>-223 115</b>	<b>-223 115</b>
<u>Transactions with owners of the Company, recognised directly in equity</u>									
Issue of ordinary shares		1 334 642	122 800	--	--	--	--	1 457 442	1 457 442
Owner's contribution		--	--	--	--	1 000 000	--	1 000 000	1 000 000
<i>Total transactions with owners of the Company</i>		<b>1 334 642</b>	<b>122 800</b>	--	--	<b>1 000 000</b>	--	<b>2 457 442</b>	<b>2 457 442</b>
<u>Other movements</u>									
Effect of merger	3.6	--	--	18 400	--	--	540 945	559 345	559 345
Effect resulting from non-interest loans granted from subsidiaries		--	--	--	465 941	--	--	465 941	465 941
<i>Total other movements</i>		--	--	<b>18 400</b>	<b>465 941</b>	--	<b>540 945</b>	<b>1 025 286</b>	<b>1 025 286</b>
<b>Balance at 31 December 2011</b>		<b>4 428 140</b>	<b>122 800</b>	<b>30 810</b>	<b>465 941</b>	<b>1 155 667</b>	<b>1 685 260</b>	<b>7 888 618</b>	<b>7 888 618</b>

Notes to financial statements on pages 10 to 81 are integral part of these financial statements.

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

Czech Property Investments, a.s. („the Company“) is a joint-stock company incorporated under the laws of the Czech Republic.

The Company was established 17 December 1991 and was incorporated 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 Radovan Vítek, Minská 41, Brno, 616 00.

### Management

**as at 31 December 2012**

#### *Board of Directors*

Chairman

Radovan Vítek, since 30 November 2011

Vice-chairman

Marek Stubleý, since 30 November 2011

Member

Marie Vítková, since 30 November 2011

#### *Supervisory Board*

Members

Vladimír Sup, since 12 February 2010

Pavel Semrád, since 12 February 2010

Radan Kamenický, since 28 December 2005

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## as at 31 December 2011

### *Board of Directors*

Chairman

Radovan Vítek, since 30 November 2011

Vice-chairman

Marek Stubleý, since 30 November 2011

Member

Marie Vítková, since 30 November 2011

### *Supervisory Board*

Members

Vladimír Sup, since 12 February 2010

Pavel Semrád, since 12 February 2010

Radan Kamenický, since 28 December 2005

## **Employees**

The Company does not employ any employees at 31 December 2012 (at 31 December 2011 – 3 employees).

## 2 Basis of preparation and significant accounting policies

### 2.1 Basis 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 30 April 2013.

#### 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 2012 (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).

- **IAS 12 Income Taxes – Recovery of Underlying Assets**

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendment becomes effective for annual periods beginning on or after 1 January 2012, but does not have any effect in the Company's performance or in its disclosures as the tax rate for these assets does not differ if they are recovered by sale or use.

- **IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements**

The amendment requires additional disclosures about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship between those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The Company did not have any assets with these characteristics, so there has not been any effect in the presentation of its financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 13 *Fair Value Measurements* which becomes mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets.

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

- **IFRS 13 Fair Value Measurement**

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs.

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

**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:

- investment property is measured at fair values;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- contingent consideration 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 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 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 associated assumptions are based on historical experience, internal calculations and various other factors that the management believes to be reasonable under the circumstances. The actual results may differ from these 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(m) – 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 5.5 and 5.10 – Amortisation of interest free loan
- Note 3.1 and 4.6 - Valuation of investment in subsidiaries

## 2.2 Significant accounting policies

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 functional currency 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(i)).

### c) Investment property

Investment property is property held either to earn rental revenue or for capital appreciation or 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 labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

An external independent valuation company, 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 2012 and 2011 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(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(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(n).

#### **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 labor, 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:

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Property	30 – 50 years	30 – 50 years
Equipment	10 years	10 years
Motor vehicles	5 years	5 years
Fittings	5 years	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	2012	2011
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 - inventory

Trading property - inventory 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 - inventory. The cost of self-constructed trading property - inventory includes the cost of material and direct labor, any other costs directly attributable to bringing the trading property - inventory to a condition for their intended use and capitalised borrowing costs. Deemed costs of trading property – inventory 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, provided loans, 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.

### **Provided loans**

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). Loan receivables with a short duration (1 year) are not discounted.

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

### **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.

### **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 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 Company becomes a party to the contractual provisions of the instrument.

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 expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability.

### **Interest-bearing loans, borrowings, bonds issued and bank overdraft**

Interest-bearing loans and borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

The Company is utilizing commonly 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 they arise.

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

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Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## **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. Transaction costs are recognized in profit or loss on an accrual basis using the effective interest method.

## **Trade and other payables**

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest method.

### **(iii) Share capital and share premium**

#### **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)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 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***

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. However, 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 may enter into credit related commitments which are accounted for in accounts out 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 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. They are recorded based on issued invoices and estimates.

### **(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) Administrative expenses**

Administrative expenses include service provided based on mandate contracts, legal and advisory services and other expenses relating to the management and administration of the Company. These expenses are recognised as it accrues in profit or loss.

### **(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) Finance income and finance costs**

Finance income comprises interest income on funds invested (bank interest, interest on provided loans, interest on bonds purchased), 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.

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.

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

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.

Foreign currency gains and losses 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.



#### **o) Income tax**

Income tax expense for the year comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to 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

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 and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized 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 that relate 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.

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Each segment within the Company 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% (2011 - 89,3 %) of revenues are realized in the Czech Republic (2011 - 10,7 % of revenues were realized in Slovakia).

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).

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### 3 Investments in subsidiaries and jointly controlled entities

As at 31 December 2012 the Company undertakes control in 67 subsidiaries (2011 - 54 subsidiaries, 1 jointly controlled entity), further referred to as the "CPI Group" or "Group".

#### 3.1 Investments in subsidiaries and jointly controlled entities at 31 December 2012

Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
Balvinder, a.s.	100,00%	68 000	--	68 000	75 549
Baudry, a.s.	100,00%	34 794	-536	34 258	34 258
BAYTON Beta, a.s.	100,00%	87 460	--	87 460	88 488
BAYTON Gama, a.s.	86,50%	542 482	--	542 482	653 609
Beroun Property Alfa, a.s.	100,00%	2 000	-55	1 945	1 945
Beroun Property Development, a.s.	100,00%	37 000	--	37 000	83 828
BPT Development, a.s.	100,00%	2 230	-2 230	--	-11 038
Brandýs Logistic, a.s. (Komura, a.s.)	100,00%	52 000	--	52 000	117 992
Březiněves, a.s.	100,00%	2 427	-2 427	--	-19 597
Camuzzi, a.s.	100,00%	42 000	-668	41 332	41 332
Carpenter Invest, a.s.	100,00%	113 558	-7 201	106 357	106 357
Conradian, a.s.	100,00%	175 000	-156 568	18 432	18 432
CPI - Bor, a.s.	100,00%	182 649	--	182 649	194 492
CPI - Facility, a.s.	100,00%	2 000	-2 000	--	-31 155
CPI - Land Development, a.s.	100,00%	1 500 000	-144 201	1 355 799	1 355 799
CPI - Orlová, a.s.	100,00%	30 000	-9 388	20 612	20 612
CPI - Real Estate, a.s.	100,00%	59 266	--	59 266	758 415
CPI - Štupartská, a.s.	100,00%	101 000	-79 019	21 981	21 981
CPI - Zbraslav, a.s.	100,00%	71 904	--	71 904	123 775
CPI Alfa, a.s.	100,00%	27 000	-1 859	25 141	25 141
CPI Beta, a.s.	100,00%	2 000	--	2 000	2 020
CPI BYTY, a.s.	100,00%	184 767	--	184 767	3 394 261
CPI City Center ÚL, a.s.	100,00%	25 414	--	25 414	32 411
CPI Delta, a.s.	100,00%	2 000	--	2 000	2 006
CPI East, s.r.o.	100,00%	200	-39	161	161
CPI Facility Slovakia, a.s.	100,00%	609	--	609	1 810
CPI Finance Ireland Limited	100,00%	9 001 500	-4 749	8 996 751	8 996 751
CPI Finance Netherlands B.V.	100,00%	48 428	--	48 428	551 623
CPI Heli, s.r.o.	100,00%	200	-200	--	-3 969
CPI Hotels Properties, a.s.	100,00%	150 000	--	150 000	438 297
CPI Management, s.r.o.	100,00%	200	--	200	1 641
CPI Park Mlýnec, a.s.	100,00%	139 900	-67 610	72 290	72 290
CPI Property, s.r.o.	100,00%	200	--	200	888
CPI Reality, a.s.	100,00%	662 881	--	662 881	1 539 217

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Name (former name)	Ownership interest in %	Cost of investment	Impairment	Carrying amount	Net assets
CPI Retails FOUR, a.s. (BAYTON SR, a.s.)	100,00%	1 600	--	1 600	22 395
CPI Retails ONE, a.s.	100,00%	2 000	-759	1 241	1 241
CPI Retails THREE, a.s. (ABIGAIL, a.s.)	100,00%	695	-695	--	-13 860
CPI Retails TWO, a.s.	100,00%	2 000	--	2 000	2 761
CPI Services, a.s.	100,00%	2 000	-2 000	--	-10 785
CPI West, s.r.o.	100,00%	200	--	200	3 177
Družstvo Land	99,96%	934 026	--	934 026	1 174 782
ELAMOR, a.s.	100,00%	672	-86	586	586
FL Property Development, a.s.	100,00%	12 000	--	12 000	21 686
IGY2 CB, a.s.	100,00%	35 000	-610	34 390	34 390
Kerina, a.s.	100,00%	87 000	-37 074	49 926	49 926
Malerba, a.s.	100,00%	100 000	--	100 000	1 832 718
Marissa, a.s.	100,00%	339 660	-3 883	335 777	335 777
MUXUM, a.s.	100,00%	258 326	-32 715	225 611	225 611
Olomouc City Center, a.s.	99,91%	140 655	-48 909	91 746	91 746
Olomouc Office, a.s.	100,00%	2 000	--	2 000	2 000
Prague Property Development, s.r.o.	100,00%	38 771	--	38 771	93 479
Příbor Property Development, s.r.o. (AB BHV spol. s.r.o.)	100,00%	2 690	--	2 690	10 532
Příkopy Property Development, a.s. (Bageleot, a.s.)	100,00%	225 000	-81 349	143 651	143 651
Strakonice Property Development, a.s.	100,00%	6 000	-5 606	394	394
Svitavy Property Alfa, a.s.	100,00%	2 000	--	2 000	3 955
Svitavy Property Development, a.s.	100,00%	102 000	-64 937	37 063	37 063
Telč Property Development, a.s.	100,00%	8 000	-864	7 136	7 136
Trutnov Property Development, a.s.	100,00%	82 000	-452	81 548	81 548
Týniště Property Development, s.r.o.	100,00%	200	-200	--	-148
U svatého Michala, a.s.	100,00%	111 000	--	111 000	188 857
Vigano, a.s.	100,00%	282 000	-282 000	--	-13 995
VM Property Development, a.s.	100,00%	2 000	--	2 000	26 861
VT Holding, a.s.	100,00%	149 124	--	149 124	254 737
Vyškov Property Development, a.s.	100,00%	2 000	--	2 000	63 965
Žďár Property Development, a.s.	100,00%	8 500	-8 419	81	81
Ždírec Property Development, a.s.	100,00%	6 000	--	6 000	9 448
<b>Total</b>	<b>--</b>	<b>16 297 015</b>	<b>-1 049 308</b>	<b>15 247 707</b>	<b>--</b>

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### 3.2 Merger of the Company with its subsidiary in 2012

Subsidiary CPI Finance, a.s. merged with the Company (the „successor company”) with the effective date of 1 January 2012. The transaction was legally completed on 30 November 2012 when the merger was recorded in the commercial register.

The merger had the following effect on Company’s assets and liabilities:

Assets in fair value CPI Finance, a.s.	2 454 309	Liabilities of CPI Finance, a.s.	1 638 372
Value of investments into:		Effect on equity of the Company:	20 937
CPI Finance, a.s.	-795 000	thereof: Retained Earnings	63 088
		Merger Reserve	-42 151
<b>Total</b>	<b>1 659 309</b>		<b>1 659 309</b>

### 3.3 Change in investment in subsidiaries in 2012

#### a) Acquisition of investment in subsidiaries and stakes in jointly controlled entities

During 2012, the Company has acquired or founded the following entities.

Entity	Change	Share in %	Date of acquisition/foundation
BAYTON Beta, a.s.	acquisition	100,00%	28 June 2012
BAYTON Gama, a.s.	acquisition	86,50%	28 June 2012
BPT Development, a.s.	acquisition	100,00%	5 December 2012
Březiněves, a.s.	acquisition	100,00%	17 December 2012
CPI Alfa, a.s.	founded	100,00%	21 March 2012
CPI Beta, a.s.	founded	100,00%	21 March 2012
CPI Delta, a.s.	founded	100,00%	21 March 2012
CPI East, s.r.o.	founded	100,00%	12 March 2012
CPI Heli, s.r.o.	founded	100,00%	27 March 2012
CPI West, s.r.o.	founded	100,00%	14 March 2012
Olomouc City Center, a.s.	acquisition	99,91%	5 December 2012
Olomouc Office, a.s.	acquisition	100,00%	5 December 2012
Týniště Property Development, s.r.o.	founded	100,00%	8 August 2012
VT Holding, a.s.	acquisition	50,00%	29 March 2012

- On 28 June 2012, the Company acquired 100% of the shares in BAYTON Beta, a.s. for TCZK 87 460. The acquired entity owns and rents apartment houses and separate flats in Vysočany, Řepy and Libeň. Fair value of investment property operated represent TCZK 77 676 at 31 December 2012.
- On 28 June 2012, the Company acquired 86,5% of the shares in BAYTON Gama, a.s. for TCZK 542 482. The entity mainly owns bonds issued by the Company.

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- In December 2012 the Company acquired 100% of the shares in BPT Development, a.s. and Březiněves, a.s. from CPI BYTY, a.s. for TCZK 2 230 and TCZK 2 427 respectively. The purpose of the transaction is optimization of portfolio of CPI Group and provision of more effective management to acquired entities.
- On 5 December 2012, the Company acquired 99,91% of the shares in Olomouc City Center, a.s. for TCZK 140 655. Acquisition of the entity is connected with development of multi-purpose complex CPI City Center Olomouc. In connection with this project the Company also acquired 100% of the shares in Olomouc Office, a.s. for TCZK 2 000.
- On 29 March 2012, the Company acquired remaining 50% stake in VT Holding, a.s., including 100% share in its subsidiaries 4B Property, s.r.o., Horova Immo s.r.o. and VT Alfa, a.s. As a result of the acquisition the Company has increased its ownership interest to 100%. This acquisition includes 11 supermarkets and other commercial buildings in Czech republic with total retail space exceeding 43 000 sqm. The facilities are mainly leased to retail chains Billa, Penny Market and Interspar.

#### b) Disposal of investments in subsidiaries and jointly controlled entities in 2012

No entities were disposed in 2012.

### 3.4 Mergers of subsidiaries in 2012

- DOREK Vysoké Mýto, a.s. and TRIFIT Vysoké Mýto s.r.o. have merged Svitavy Property Alfa, a.s. (the „successor company”) with the effective date of 4 November 2011. All assets and liabilities of DOREK Vysoké Mýto, a.s. and TRIFIT Vysoké Mýto s.r.o. passed to the successor company. The transaction was legally completed on 7 November 2012 when the merger was recorded in the commercial register.
- Dunajská Streda Investments, s.r.o. has merged with Trenčín Property Development, a.s. (the „successor company”) with the effective date of 1 July 2012. All assets and liabilities of Dunajská Streda Investments, s.r.o. passed to the successor company. The transaction was legally completed on 1 May 2012 when the merger was recorded in the commercial register. Simultaneously Trenčín Property Development, a.s. was renamed to CPI Retails FIVE, a.s. on 1 May 2012.
- Chrudim Investments, a.s. and Náchod Investments, s.r.o. have merged with CPI Retails TWO, a.s. (the „successor company”) with the effective date of 1 July 2012. All assets and liabilities of Chrudim Investments, a.s. and Náchod Investments, s.r.o. passed to the successor company. The transaction was legally completed on 9 May 2012 when the merger was recorded in the commercial register.
- Komárno Investments, s.r.o. has merged with BAYTON SR, a.s. (the „successor company”) with the effective date of 1 July 2012. All assets and liabilities of Komárno Investments, s.r.o. passed to the successor company. The transaction was legally completed on 1 May 2012 when the merger was recorded in the commercial register. Simultaneously BAYTON SR, a.s. was renamed to CPI Retails FOUR, a.s. on 1 May 2012.
- Mělník Investments, s.r.o., Pardubice Investments, s.r.o. and Řepý Investments, s.r.o. have merged with CPI Retails ONE, a.s. (the „successor company”) with the effective date of 1 July 2012. All assets and liabilities of Mělník Investments, s.r.o., Pardubice Investments, s.r.o. and Řepý Investments, s.r.o. passed to the successor company. The transaction was legally completed on 30 March 2012 when the merger was recorded in the commercial register.
- Považská Bystrica Investments, s.r.o. has merged with ABIGAIL, a.s. (the „successor company”) with the effective date of 1 July 2012. All assets and liabilities of Považská Bystrica Investments, s.r.o. passed to the successor company. The transaction was legally completed on 1 April 2012 when the merger was recorded

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in the commercial register. Simultaneously ABIGAIL, a.s. was renamed to CPI Retails THREE, a.s. on 1 April 2012.

### 3.5 Investments in subsidiaries and jointly controlled entities at 31 December 2011

Name (former name)	Ownership interest (%)	Cost of investment	Impairment	Carrying amount	Net assets
AB BHV, spol. s r.o.	100,00%	2 690	--	2 690	7 891
ABIGAIL, a.s.	100,00%	695	-165	530	530
Bageleot, a.s.	100,00%	50 000	-50 000	--	-558
Balvinder, a.s.	100,00%	2 000	--	2 000	14 853
Baudry, a.s.	100,00%	2 000	-275	1 725	1 725
BAYTON SR, a.s.	100,00%	1 600	-1 600	--	-489
Beroun Property Alfa, a.s.	100,00%	2 000	-28	1 972	1 972
Beroun Property Development, a.s.	100,00%	2 000	--	2 000	7 090
Camuzzi, a.s.	100,00%	2 000	-439	1 561	1 561
Carpenter Invest, a.s.	100,00%	88 558	-5 419	83 139	83 139
Conradian, a.s.	100,00%	110 000	-110 000	--	-45 763
CPI - Bor, a.s.	100,00%	182 649	-30 077	152 572	152 572
CPI - Facility, a.s.	100,00%	2 000	-2 000	--	-32 154
CPI - Land Development, a.s.	100,00%	1 500 000	-177 301	1 322 699	1 322 699
CPI - Orlová, a.s.	100,00%	2 000	-2 000	--	-5 205
CPI - Real Estate, a.s.	100,00%	59 266	--	59 266	660 338
CPI - Štupartská, a.s.	100,00%	27 000	-27 000	--	-61 718
CPI - Zbraslav, a.s.	100,00%	71 904	--	71 904	119 031
CPI BYTY, a.s.	100,00%	184 767	--	184 767	4 986 314
CPI City Center ÚL, a.s.	100,00%	5 233	--	5 233	8 446
CPI Facility Slovakia, a.s.	100,00%	609	--	609	1 756
CPI Finance Ireland Limited	100,00%	9 001 500	-2 339	8 999 161	8 999 161
CPI Finance Netherlands B.V.	100,00%	48 428	--	48 428	204 916
CPI Finance, a.s.	100,00%	795 000	--	795 000	815 937
CPI Hotels Properties, a.s.	100,00%	150 000	--	150 000	404 247
CPI Management, s.r.o.	100,00%	200	-22	178	178
CPI Park Mlýnec, a.s.	100,00%	121 900	--	121 900	131 552
CPI Property, s.r.o.	100,00%	200	-13	187	187
CPI Reality, a.s.	100,00%	662 881	--	662 881	1 469 841
CPI Retails TWO, a.s.	100,00%	2 000	-2 000	--	-1 913
CPI Services, a.s.	100,00%	2 000	-2 000	--	-10 506
Družstvo Land	99,96%	934 026	--	934 026	1 180 226
FL Property Development, a.s.	100,00%	2 000	--	2 000	12 413
IGY2 CB, a.s.	100,00%	2 000	--	2 000	2 162
Kerina, a.s.	100,00%	87 000	--	87 000	100 856
Komura, a.s.	100,00%	2 000	--	2 000	19 465
Malerba, a.s.	100,00%	100 000	--	100 000	1 835 965
Marissa, a.s.	100,00%	2 000	-1 699	301	301

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Name (former name)	Ownership interest (%)	Cost of investment	Impairment	Carrying amount	Net assets
MUXUM, a.s.	100,00%	108 326	-108 326	--	-88 427
Prague Property Development, s.r.o.	100,00%	38 771	--	38 771	92 082
Strakonice Property Development, a.s.	100,00%	2 000	-2 000	--	-2 989
Svitavy Property Alfa, a.s.	100,00%	2 000	-1 557	443	443
Svitavy Property Development, a.s.	100,00%	40 000	-40 000	--	-11 969
Telč Property Development, a.s.	100,00%	--	--	--	-224
Trenčín Property Development, a.s.	100,00%	827	-827	--	-4 869
Trutnov Property Development, a.s.	100,00%	2 000	-146	1 854	1 854
U svatého Michala, a.s.	100,00%	2 000	--	2 000	47 684
Vigano, a.s.	100,00%	2 000	-2 000	--	-211 236
VM Property Development, a.s.	100,00%	2 000	--	2 000	27 321
VT Holding, a.s.	50,00%	1 000	-1 000	--	-5 557
Vyškov Property Development, a.s.	100,00%	2 000	--	2 000	74 111
Žďár Property Development, a.s.	100,00%	500	-500	--	-7 192
Ždírec Property Development, a.s.	100,00%	2 000	--	2 000	5 226
<b>Total</b>	<b>--</b>	<b>14 420 202</b>	<b>-572 788</b>	<b>13 847 414</b>	<b>--</b>

### 3.6 Merger of the Company with its subsidiaries in 2011

Subsidiaries Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. merged with the Company (the „successor company”) with the effective date of 28 July 2011. The transaction was legally completed on 28 July 2011 when the merger was recorded in the commercial register.

The merger had the following effect on Company’s assets and liabilities:

Assets in fair value Ústí nad Labem Property Development, a.s.	2 595	Liabilities of Ústí nad Labem Property Development, a.s.	13 406
Assets in fair value Prague Development Holding, a.s.	1 271 987	Liabilities of Prague Development Holding, a.s.	320 470
Value of investments into:		Effect on equity of the Company:	559 345
Prague Development Holding, a.s.	-381 361	thereof: Retained Earnings	540 945
Ústí nad Labem Property Development, a.s. (1)	--	Legal Reserve	18 400
<b>Total</b>	<b>893 221</b>		<b>893 221</b>

(1) Carrying value of disclosed financial investment was zero, as original cost of investment in Ústí nad Labem Property Development, a.s. amounted to TCZK 50 000 and related impairment to TCZK -50 000.



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### 3.7 Change in investment in subsidiaries and jointly controlled entities in 2011

#### a) Acquisition of investment in subsidiaries in 2011

Entity	Change	Share in %	Date
AB BHV, spol. s r.o.	acquisition	100,00%	13 January 2011
Bageleot, a.s.	acquisition	100,00%	15 July 2011
Baudry, a.s.	acquisition	100,00%	8 March 2011
BAYTON SR, a.s.	acquisition	100,00%	1 February 2011
Beroun Property Alfa, a.s.	founded	100,00%	19 July 2011
Camuzzi, a.s.	acquisition	100,00%	8 March 2011
CPI Facility Slovakia, a.s.	founded	100,00%	30 June 2011
CPI Finance Ireland Limited	acquisition	100,00%	31 March 2011
CPI Finance Netherlands B. V.	acquisition	100,00%	12 April 2011
CPI Management, s.r.o.	founded	100,00%	19 September 2011
CPI Property, s.r.o.	founded	100,00%	27 September 2011
CPI Retails ONE, a.s.	acquisition	100,00%	1 February 2011
CPI Retails TWO, a.s.	acquisition	100,00%	1 February 2011
IGY2 CB, a.s.	founded	100,00%	24 August 2011
Kerina, a.s.	acquisition	100,00%	1 February 2011
Komura, a.s.	acquisition	100,00%	1 June 2011
Marissa, a.s.	acquisition	100,00%	8 March 2011
Svitavy Property Alfa, a.s.	founded	100,00%	20 July 2011
Telč Property Development, a.s.	acquisition	100,00%	31 March 2011
Trutnov Property Development, a.s.	acquisition	100,00%	4 April 2011
Žďár Property Development, a.s.	acquisition	100,00%	8 March 2011
Ždírec Property Development, a.s.	acquisition	100,00%	2 May 2011

- The Company has acquired subsidiary AB BHV spol. s r.o. for TCZK 2 690 on 13 January 2011. AB BHV, spol. s r.o. rents retail and residential premises in Příbor. Fair value of investment property operated represent TCZK 42 000 at 31 December 2011.
- The Company has acquired subsidiary Bageleot, a.s. for TCZK 50 000 on 15 July 2011. Bageleot, a.s. has acquired former Živnostenská banka building for TCZK 884 632 in Prague city centre at Na Příkopě street.
- The Company has acquired subsidiary Baudry, a.s. for TCZK 2 000 on 8 March 2011. Baudry, a.s. operates as holding company of subsidiary Baudry Beta, a.s. to which the Company sold its 4 subsidiaries (refer to note 4.5).
- The Company has acquired subsidiary BAYTON SR, a.s. for TCZK 1 600 on 1 February 2011. Subsequently, BAYTON SR, a.s. has acquired Komárno Investments, s.r.o.
- The Company has acquired subsidiary Camuzzi, a.s. (including its subsidiary RK Building s.r.o.) for TCZK 2 000 on 8 March 2011. This subgroup operates hotel premises in Františkovy Lázně. Fair value of investment property operated represent TCZK 55 151 at 31 December 2011.
- CPI Facility Slovakia, a.s. was founded by the Company for the purpose of extension of facility services provided to group entities in Slovak Republic.

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- CPI Finance Ireland Limited and CPI Finance Netherlands B. V. were acquired by the Company to optimize structure of financing activities of the Group. Purchase price represents TCZK 513 for CPI Finance Netherlands B. V. and EUR 2 for CPI Finance Ireland Limited. Consequently, the share capital of CPI Finance Ireland Limited was increased by TCZK 9 000 000 by the issue of new shares on 28 April 2011 and by TCZK 47 915 with respect of CPI Finance Netherlands B.V.
- CPI Retails ONE, a.s. and CPI Retails TWO, a.s. were acquired on 1 February 2011 for TCZK 2 000 each. Both entities operate as holdings. CPI Retails ONE, a.s. has purchased 3 entities (Řepy Investments, s.r.o., Mělník Investments, s.r.o. and Pardubice Investments, s.r.o.). These entities rents retail premises in total fair value of TCZK 361 950 at 31 December 2011. CPI Retails TWO, a.s. has purchased 2 entities (Náchod Investments, s.r.o. and Chrudim Investments, a.s.). These entities rents retail premises in total fair value of TCZK 287 283 at 31 December 2011.
- The Company has acquired subsidiary Kerina, a.s. for TCZK 2 000. Kerina, a.s. operates hotel premises in Ostrava. Fair value of investment property operated represent TCZK 160 700 at 31 December 2011.
- The Company has acquired subsidiary Komura, a.s. including its subsidiary Brilliant Variety, s.r.o. for TCZK 2 000. This subgroup operates industrial premises near Brandýs nad Labem. Fair value of investment property operated represent TCZK 454 450 at 31 December 2011.
- The Company has acquired subsidiary Telč Property Development, a.s. for CZK 1. Telč Property Development, a.s. owns land plots with fair value of TCZK 21 386 at 31 December 2011.
- Trutnov Property Development, a.s. was acquired for TCZK 2 000. This entity operates as holding. Trutnov Property Development, a.s. has purchased MAPON, a.s. Fair value of investment property operated by MAPON, a.s. represents TCZK 186 132 at 31 December 2011.
- The Company has acquired subsidiary Žďár Property Development, a.s. for TCZK 500. Žďár Property Development, a.s. has no investment property at 31 December 2011.
- The Company has acquired subsidiary Ždírec Property Development, a.s. for TCZK 2 000. Ždírec Property Development, a.s. rents retail premises in Ždírec nad Doubravou. Fair value of investment property operated represent TCZK 33 050 at 31 December 2011.

#### b) Acquisition of non-controlling interests in 2011

##### CPI - Bor, a.s.

On 4 January 2011, the Company acquired remaining 20% interest of the voting shares of CPI - Bor, a.s., increasing its ownership interest to 100%. A cash consideration of TCZK 30 000 was settled with the receivables due to the non-controlling interest shareholders from 2010. The carrying value of the net assets of CPI - Bor, a.s. at the acquisition date was TCZK 157 310 and the carrying value of the additional interest acquired was TCZK 31 461. The difference of TCZK 1 461 between the consideration paid and the carrying value of the interest acquired has been recognised to retained earnings within equity.

#### c) Disposal of investments in subsidiaries in 2011

During 2011, the Company has disposed the following entities.

Entity	Change	Share of disposal in %	Date of disposal
Baumarkt České Budějovice s.r.o.	sale	100,00%	30 September 2011
CB Property Development, a.s.	sale	100,00%	31 August 2011
Farhan, a.s.	sale	100,00%	31 August 2011
Lockhart, a.s.	sale	100,00%	7 September 2011

## 4 Statement of comprehensive income

### 4.1 Revenues

	2012	2011
Advisory and accounting services (1)	--	115 480
Rental revenue	12 838	14 413
Other services	5 535	3 461
<b>Total</b>	<b>18 373</b>	<b>133 354</b>

(1) Decrease in advisory and accounting services provided by the Company is attributable to change in internal processes and activities within CPI Group. Since 1 January 2012 these activities are rendered by the other service company of CPI Group.

### 4.2 Administrative expenses

	2012	2011
Service provided based on mandate contracts (1)	-612	-130 265
Rental	-22 894	-16 717
Audit, tax and advisory services (2)	-4 615	-16 473
Legal services (2)	--	-11 615
Wages and salaries (3)	-116	-2 955
Depreciation and amortisation expense	-2 677	-2 768
Telecommunication fees	-1 173	-2 176
Representation expenses	-11	-1 511
Social and health security contributions (3)	-9	-1 005
Advertising expenses	-58	-650
Repairs and maintenance	-3	-545
Insurance expenses	-73	-300
Material consumption	-230	-259
Energy consumption	-7	-35
Other social expenses	--	-33
Other administrative expenses	-1 699	-1 237
<b>Total</b>	<b>-34 177</b>	<b>-188 544</b>

(1) Services provided based on mandate contracts included activities provided by Company's subsidiaries, mainly by CPI Management, s.r.o., CPI Services, a.s. and CPI - Facility, a.s. These services related to advisory and accounting services invoiced to the entities within the Group.

Change in internal processes regarding provision of advisory and accounting services within the CPI Group (as described in note 4.1) was also reflected in decrease of corresponding expenses.

(2) Advisory and legal services in 2011 were mainly attributable to services incurred in connection with acquisitions of subsidiaries in 2011. Since 1 January 2012 these activities are rendered by the other service company of CPI Group.

(3) Decrease in wage expenses and social and health contribution is attributable is connected with decrease in number of employees employed by the Company.

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#### 4.3 Net valuation gain/(loss) on investment property

	2012	2011
<b>Valuation gains</b>		
Land bank	--	357
<b>Total valuation gains</b>	--	357
<b>Valuation losses</b>		
Land bank	-4 681	--
<b>Total valuation losses</b>	-4 681	--
<b>Net valuation gains/(losses)</b>	<b>-4 681</b>	<b>357</b>

#### 4.4 Net result on disposal of the financial investment in subsidiaries

	2012	2011
<b>Proceeds from sale of subsidiaries and associates</b>		
Baumarkt České Budějovice s.r.o.	--	72 200
CB Property Development, a.s.	--	177 000
Farhan, a.s.	--	122 000
Lockhart, a.s.	--	77 000
<b>Total proceeds from disposal of subsidiaries and associates</b>	<b>--</b>	<b>448 200</b>
<b>Carrying value of subsidiary + cost to sell</b>		
Baumarkt České Budějovice s.r.o.	--	-72 231
CB Property Development, a.s.	--	-177 000
Farhan, a.s.	--	-122 000
Lockhart, a.s.	--	-77 000
<b>Total carrying value of subsidiaries sold and related cost to sell</b>	<b>--</b>	<b>-448 231</b>
<b>Net gain / (loss) on the disposal of subsidiaries</b>		
Baumarkt České Budějovice s.r.o.	--	-31
CB Property Development, a.s.	--	--
Farhan, a.s.	--	--
Lockhart, a.s.	--	--
<b>Total gain / (loss) on the disposal of subsidiaries</b>	<b>--</b>	<b>-31</b>

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#### 4.5 Net result on disposal of trading property – inventories

	2012	2011
<b>Proceeds from sale of trading property</b>		
Project management – Mariánské Lázně	435	4 037
<b>Total proceeds from disposal of trading property</b>	<b>435</b>	<b>4 037</b>
<b>Carrying value of trading property sold and related cost</b>		
Project management - Mariánské Lázně	-456	-5 865
<b>Total carrying value of trading property disposed and related cost</b>	<b>-456</b>	<b>-5 865</b>
<b>Net gain / (loss) on the disposal of trading property</b>		
Project management - Mariánské Lázně	-21	-1 828
<b>Total gain / (loss) on the disposal of trading property</b>	<b>-21</b>	<b>-1 828</b>

Project management of project Mariánské Lázně was transferred to other service company of CPI Group in 2012.

#### 4.6 Impairment of assets (-) / Reversal of impairment (+) of assets

As a result of the annual impairment test carried out in accordance with relevant accounting policies, the Company decided to charge through the statement of comprehensive income impairment of assets described in table below:

	2012	2011
Impairment of financial investments (2)	-476 520	22 668
Impairment of property, plant and equipment	--	-273
Impairment of trade receivables (1)	-16 917	-1 137
Impairment of other receivables	21 974	-19 277
<b>Total</b>	<b>-471 463</b>	<b>1 981</b>

(1) Impairment losses on trade receivables include bad debt provisions charged to profit or loss and loss/gain related to receivables written off/recovered. For further information related to monitoring of credit risk exposures, refer to note 6.1 Credit risk.

(2) The Company recognized loss on financial investment's impairment of TCZK 476 520 in 2012. The main negative impacts represents impairment loss of TCZK 282 000 (Vigano, a.s.), and TCZK 64 937 (Svitavy Property Development, a.s.) and TCZK 48 909 (Olomouc City Center, a.s.).

In 2011, the Company recognized gain on reversal of financial investment's impairment of TCZK 22 668. The positive effect of impairment reversal of TCZK 83 139 related to Carpenter Invest, a.s. reflecting increase in net assets of the subsidiary. The offsetting impairment loss related mainly to the impairment of TCZK 50 000 related to Bageleot, 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 individual properties.

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The fair values of underlying properties were estimated using the following methods and assumptions:

### Investment property

Fair values of Investment properties and Investment properties under development were estimated as at 31 December 2012 based entirely on external valuations performed by professionally qualified valuers. Generally the property portfolio is valued by DTZ Czech Republic, a.s. Valuations of selected properties, particularly land (land bank), was performed by RSA TACOMA, a.s. or other external valuation companies.

The results of independent valuations were further analysed by the 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 and current market conditions.

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

#### (i) Residential

Residential properties have been valued 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.

The valuer applied an exit yield of 8.00% (5% - Prague) and a discount rate of 9.00% (5,25% - Prague) due to the location, quality of the buildings, covenant strength and current vacancy levels.

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

Retail, office, logistics and industry properties have been valued using Investment method of valuation. This 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.

The main assumptions in estimating fair value of underlying properties were as follows:

2012	Industry and logistics	Office	Mixture	Retail
Estimated rental value per sqm (CZK) per year*	1 213	3 811	3 650	3 002
Equivalent yield	8,5%-12%	6,5%-11%	8,8%-9,3%	5%-10%
Equivalent yield (weighted average)	8,91%	7,18%	7,30%	7,65%

\* based on selected properties

2011	Industry and logistics	Office	Mixture	Retail
Estimated rental value per sqm (CZK) per year*	1 205	3 747	3 347	2 974
Equivalent yield	8,5%-12%	6,75%-11%	8,8%-9,3%	5%-9%
Equivalent yield (weighted average)	8,87%	7,18%	7,76%	6,52%

\* based on selected properties

(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) Hotel

Hotel properties have been valued using the direct comparison method of valuation and the price per bedroom was calculated and compared. The valuer estimated the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison.

Hotels in the downtown of Prague are valued using the price of MCZK 4 – 10 per bedroom, outside of Prague's downtown and in other regions of the Czech Republic the calculated price per bedroom is MCZK 1 – 2.

The fair value of Palais Maeterlinck property as of the day of its transfer from Investment Property to Trading Property – Inventory was prepared based on internal feasibility study. This study considered results of prior appraisal prepared by external valuator appointed by the financing bank and updated the expected fair value based on communication and ongoing discussion with local based real estate agents. The assumptions used in updating the fair value were as follows: Expected average price of EUR 23,000 per sq. m; total budgeted costs of EUR 89 million; development margin of 15%.

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.

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#### 4.7 Other income

	2012	2011
Release of unused provisions (1)	448	187
Income from penalties (2)	9 998	--
Insurance claims	-40	97
Other	193	254
<b>Total</b>	<b>10 599</b>	<b>538</b>

(1) Release of unused provision in 2012 relates to provision for penalties recognised by CPI Finance, a.s. as at 31 December 2011. As subsidiary CPI Finance, a.s. merged with the Company (the „successor company”) with the effective date of 1 January 2012 (note 3.2) the Company released unused provision in 2012.

Release of unused provision in 2011 relates to provision for penalties recognised by Prague Development Holding, a.s. as at 31 December 2010. As subsidiaries Prague Development Holding, a.s. and Ústí nad Labem Property Development, a.s. merged with the Company (the “successor company”) with the effective date of 1 January 2011 (note 3.6) the Company released unused provision in 2011.

(2) Income from penalties result from delayed repayment of loan provided to third party of TCZK 9 998.

#### 4.8 Other expenses

	2012	2011
Taxes and fees	-159	-52
Penalties	-2 006	-87
Gifts (1)	-10 320	-320
Tax non-deductible VAT expenses	-1 049	--
Property under construction written off (2)	-6 363	-1 019
Other	--	-69
<b>Total</b>	<b>-19 897</b>	<b>-1 547</b>

(1) The Company donated mainly to non-profit educational and environmental institutions.

(2) Increase is attributable mainly due to purchased project and feasible studies which were written off in 2012.

#### 4.9 Finance income

	2012	2011
Bank interest income	157	903
Interest income on bonds (1)	--	33 782
Interest income on loans and receivables (2)	787 288	358 109
Net foreign exchange gain	--	101 313
Dividends received (3)	1 944 000	48
Other finance income	--	715
<b>Total</b>	<b>2 731 445</b>	<b>494 870</b>

(1) Decrease in interest income on bonds primarily relates to bonds issued by ISTROKAPITAL CZ a.s. and sold by the Company in December 2011.

(2) Increase in income on loans and receivables is generally attributable to significant increase in non-current and current loans provided to third parties and to entities under direct or indirect control as described in note 5.5.



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(3) In 2012 the Company received dividends from CPI BYTY, a.s. and from CPI Finance Netherlands B.V. in the amount of TCZK 1 930 000 and TCZK 14 000 respectively. Receivable from dividend of TCZK 1 930 000 related to CPI BYTY, a.s. was offset with payable of TCZK 1 508 000 arisen from repurchase of own bonds (see note 5.11) and with payables arisen from cession of receivables of TCZK 422 000, see note 5.13. Balance in 2011 relates to dividend received from other investments, refer to note 5.4.

#### 4.10 Finance costs

	2012	2011
Interest expense related to bank and non-bank loans (1)	-904 104	-485 710
Interest expense on bonds issued (2)	-284 047	-141 038
Interest expense on other non-current liabilities	-40 335	-54 169
Net foreign exchange loss	-15 464	--
Bank charges	-29 824	-20 053
Other finance cost	--	-165
<b>Total</b>	<b>-1 273 774</b>	<b>-701 135</b>

(1) Substantial growth in interest on bank and non-bank loans is primarily attributable to interest amounting of TCZK 486 647 related to the amortization of interest-free loan, provided by CPI Finance Netherlands B.V., refer to note 5.9.

(2) Significant increase in interest on bonds is mainly relating to new bonds issued by the Company in 2012 (refer to note 5.11).

#### 4.11 Taxation

	2012	2011
<b>Current income tax expense</b>		
Current year	--	-1 257
Adjustment for prior years	46	-1 544
<b>Total</b>	<b>46</b>	<b>-2 801</b>
<b>Deferred income tax expense</b>		
Origination and reversal of temporary differences	69 099	41 671
<b>Total</b>	<b>69 099</b>	<b>41 671</b>
<b>Income tax from continuing operations recognised in profit or loss</b>	<b>69 145</b>	<b>38 870</b>
<b>Total income tax recognised in profit or loss</b>	<b>69 145</b>	<b>38 870</b>

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## Reconciliation of effective tax rate

	2012	2011
Profit / (loss) for the period	1 025 549	-223 115
Total income tax recognised in profit or loss	69 145	38 870
<b>Profit/(loss) before income tax</b>	<b>956 404</b>	<b>-261 985</b>
Current income tax rate	19%	19%
Income tax expense/(revenue) using the Company's domestic corporate income tax rate	-181 717	49 777
Non-deductible expense	-111 032	-5 017
Tax exempt income	369 360	5 301
Income tax adjustment for prior years	46	-1 544
Change in the permanent tax differences	-7 512	-9 559
Other effects	--	-88
<b>Income tax income recognised in profit or loss</b>	<b>69 145</b>	<b>38 870</b>

## Current income tax assets

The current income tax assets of TCZK 4 589 (2011 – current income tax liability TCZK 595) represents the amount of income tax Company's prepayments exceeding income tax liability in respect of current and prior periods.

## Recognized deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Investment property	--	--	-7 571	-8 448	-7 571	-8 448
Property, plant and equipment	207	4 839	--	--	207	4 839
Loans provided	84 541	1 938	--	--	84 541	1 938
Interest-bearing loans and borrowings	--	--	-80 438	-72 557	-80 438	-72 557
Trade and other receivables	--	4 819	--	--	--	4 819
Trade and other payables	--	--	--	-4 154	--	-4 154
<b>Tax assets/(liabilities)</b>	<b>84 748</b>	<b>11 596</b>	<b>-88 009</b>	<b>-85 159</b>	<b>-3 261</b>	<b>-73 563</b>
<b>Set-off of tax</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net tax assets/(liabilities)</b>	<b>84 748</b>	<b>11 596</b>	<b>-88 009</b>	<b>-85 159</b>	<b>-3 261</b>	<b>-73 563</b>

## Unrecognized deferred tax asset

	2012	2011
Trade and other receivables	4 245	7 670
<b>Net tax assets</b>	<b>4 245</b>	<b>7 670</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.

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## Movement in deferred tax balances

### 2012

	Balance at 1 January 2012	Impact of merger	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2012
Investment property	-8 448	--	877	--	-7 571
Property, plant and equipment	4 839	--	-4 632	--	207
Loans provided	1 938	--	-14 764	97 367	84 541
Interest-bearing loans and borrowings	-72 557	--	92 462	-100 343	-80 438
Trade and other receivables	4 819	4 179	-8 998	--	--
Trade and other payables	-4 154	--	4 154	--	--
<b>Total</b>	<b>-73 563</b>	<b>4 179</b>	<b>69 099</b>	<b>-2 976</b>	<b>-3 261</b>

### 2011

	Balance at 1 January 2011	Recognised in profit or loss	Recognised directly in equity	Balance at 31 December 2011
Investment property	-8 380	-68	--	-8 448
Property, plant and equipment	3 580	1 259	--	4 839
Intangible assets	-1 355	1 355	--	--
Loans provided	--	-9 498	11 436	1 938
Interest-bearing loans and borrowings	--	48 173	-120 730	-72 557
Trade and other receivables	5 035	-216	--	4 819
Trade and other payables	-4 828	674	--	-4 154
Other items	8	-8	--	--
<b>Total</b>	<b>-5 940</b>	<b>41 671</b>	<b>-109 294</b>	<b>-73 563</b>

## 5 Statement of financial position

### 5.1 Investment property

#### At 31 December 2012

	Land bank	Total
<b>Balance at 1 January 2012</b>	<b>68 510</b>	<b>68 510</b>
Transfer to property, plant and equipment	-409	-409
Valuation loss	-4 681	-4 681
<b>Balance at 31 December 2012</b>	<b>63 420</b>	<b>63 420</b>

#### At 31 December 2011

	Land bank	Total
<b>Balance at 1 January 2011</b>	<b>68 510</b>	<b>68 510</b>
Transfer to property, plant and equipment	-357	-357
Valuation gain	357	357
<b>Balance at 31 December 2011</b>	<b>68 510</b>	<b>68 510</b>

Investment property represents land portfolio in Prague (Klíčov and Vysočany) and near Kladno (Bratronice u Kladna).

Investment property is not pledged as collateral as at 31 December 2012 (2011 – TCZK 0).

### 5.2 Property, plant and equipment

#### 2012

	Plant and equipment	PPE under finance lease	Property under construction	Other	Total
<b>Cost</b>					
<b>Balance at 1 January 2012</b>	<b>10 201</b>	<b>1 233</b>	<b>25 674</b>	<b>71</b>	<b>37 179</b>
Other additions	438	--	--	--	438
Disposals	-489	-319	-660	--	-1 468
Transfer from investment property	409	--	--	--	409
Effect of movements in exchange rates	--	--	--	--	--
<b>Balance at 31 December 2012</b>	<b>10 559</b>	<b>914</b>	<b>25 014</b>	<b>71</b>	<b>36 558</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2012</b>	<b>6 187</b>	<b>863</b>	<b>24 984</b>	<b>--</b>	<b>32 034</b>
Depreciation for the period	753	152	--	--	905
Other disposals	-489	-101	--	--	-590
<b>Balance at 31 December 2012</b>	<b>6 451</b>	<b>914</b>	<b>24 984</b>	<b>--</b>	<b>32 349</b>
<b>Carrying amounts</b>					
<b>At 1 January 2012</b>	<b>4 014</b>	<b>370</b>	<b>690</b>	<b>71</b>	<b>5 145</b>
<b>At 31 December 2012</b>	<b>4 108</b>	<b>--</b>	<b>30</b>	<b>71</b>	<b>4 209</b>

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## 2011

	Plant and equipment	PPE under finance lease	Property under construction	Other	Total
<b>Cost</b>					
<b>Balance at 1 January 2011</b>	<b>9 257</b>	<b>1 233</b>	<b>26 025</b>	<b>71</b>	<b>36 586</b>
Other additions	587	--	668	--	1 255
Disposals	--	--	-1 019	--	-1 019
Transfer from investment property	357	--	--	--	357
<b>Balance at 31 December 2011</b>	<b>10 201</b>	<b>1 233</b>	<b>25 674</b>	<b>71</b>	<b>37 179</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2011</b>	<b>5 338</b>	<b>700</b>	<b>24 711</b>	<b>--</b>	<b>30 749</b>
Depreciation for the period	849	163	--	--	1 012
Impairment loss/ (reversal of impairment loss)	--	--	273	--	273
<b>Balance at 31 December 2011</b>	<b>6 187</b>	<b>863</b>	<b>24 984</b>	<b>--</b>	<b>32 034</b>
<b>Carrying amounts</b>					
<b>At 31 December 2010</b>	<b>3 919</b>	<b>533</b>	<b>1 314</b>	<b>71</b>	<b>5 837</b>
<b>At 31 December 2011</b>	<b>4 014</b>	<b>370</b>	<b>690</b>	<b>71</b>	<b>5 145</b>

Carrying amount of property, plant and equipment pledged as collateral for liabilities represents TCZK 0 as at 31 December 2012 (2011 – TCZK 0).

## 5.3 Intangible assets

### 2012

	Software	Other	Total
<b>Cost</b>			
<b>Balance at 1 January 2012</b>	<b>15 265</b>	<b>--</b>	<b>15 265</b>
Additions	1 934	122	2 056
<b>Balance at 31 December 2012</b>	<b>17 199</b>	<b>122</b>	<b>17 321</b>
<b>Amortisation and impairment losses</b>			
<b>Balance at 1 January 2012</b>	<b>7 953</b>	<b>--</b>	<b>7 953</b>
Amortisation for the period (+)	1 770	2	1 772
<b>Balance at 31 December 2012</b>	<b>9 723</b>	<b>2</b>	<b>9 725</b>
<b>Carrying amounts</b>			
<b>At 1 January 2012</b>	<b>7 312</b>	<b>--</b>	<b>7 312</b>
<b>At 31 December 2012</b>	<b>7 476</b>	<b>120</b>	<b>7 596</b>

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## 2011

	Software	Other	Total
<b>Cost</b>			
<b>Balance at 1 January 2011</b>	<b>14 987</b>	--	<b>14 987</b>
Additions	278	--	278
<b>Balance at 31 December 2011</b>	<b>15 265</b>	--	<b>15 265</b>
<b>Amortisation and impairment losses</b>			
<b>Balance at 1 January 2011</b>	<b>6 197</b>	--	<b>6 197</b>
Amortisation for the period (+)	1 756	--	1 756
<b>Balance at 31 December 2011</b>	<b>7 953</b>	--	<b>7 953</b>
<b>Carrying amounts</b>			
<b>At 1 January 2011</b>	<b>8 790</b>	--	<b>8 790</b>
<b>At 31 December 2011</b>	<b>7 312</b>	--	<b>7 312</b>

## 5.4 Other investments

### Non-current investments

The Company has following investments with the ownership interest not exceeding 10%:

	2012	2011
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</b>	<b>11 766</b>	<b>11 766</b>

\*information was not available as of the date of financial statements

The Company did not obtain any dividends from non-current investments in 2012 (2011 – 48 TCZK).

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## 5.5 Loans provided

### Non-current

	2012		2011	
	Balance	Average interest rate	Balance	Average interest rate
<b>Non-current loans provided</b>				
Loans provided to entities under direct or indirect control	5 513 984	5,29%	3 266 669	5,18%
Loans provided to other related parties (1)	2 632 499	11,02%	--	--
Loans provided to joint ventures	--	--	49 808	5,00%
Loans provided to third parties (1)	982 635	10,39%	315 037	6,17%
<b>Total</b>	<b>9 129 118</b>		<b>3 631 514</b>	

### Current

	2012		2011	
	Balance	Average interest rate	Balance	Average interest rate
<b>Current loans provided</b>				
Loans provided to entities under direct or indirect control	7 289 980	6,56%	2 968 001	6,38%
Loans provided to other related parties	63 181	1,82%	3 612	3,50%
Loans provided to joint ventures/associates	--	--	16 860	5,00%
Loans provided to third parties	1 030 486	10,02%	1 108 407	7,69%
<b>Total</b>	<b>8 383 647</b>		<b>4 096 880</b>	

(1) Significant increase in non-current loans provided primarily reflects process of financial assets restructuring performed by management of the Company in 2012. This process also resulted in significant decrease of trade and other receivables as described in note 5.7.

Balances of current loans include loan principal and unpaid interest that are due to be settled within 12 months after the reporting period. 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.

Significant increase in non-current and current loans provided primarily reflects process of financial assets restructuring performed by management in 2012. This process also resulted in significant decrease of trade and other receivables as described in note 5.7.

Management monitors value of debtor's assets concerning to non-current loans provided on ongoing basis. As at 31 December 2012 the Company has reasonable certainty that non-current loans provided will be repaid by the counterparty in full amount.

The Company provides 27 non-current loans to third parties (2011 – 22) with interest rates between 2% and 12% (2011 – between 2% and 10%) and 10 current loans to third parties (2011 – 37) with interest rate between 4,50% and 15% (2011 – between 2% and 10%).

The Company provides 51 non-current loans to entities under direct or indirect control (2011 – 46) with interest rates between 2,50% and 11% (2011 – between 3,15% and 8%) and 18 current loans to entities under direct or indirect control (2011 – 22) with interest rate between 0% and 8,50% (2011 – between 4% and 7%).

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The maturity of non-current loans provided to third parties and joint ventures at 31 December 2012 and as at 31 December 2011 was as follows:

## 2012

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	592 604	2 870 547	2 050 833	5 513 984
Loans provided to other related parties	972 746	1 493 390	166 363	2 632 499
Loans provided - other	109 001	828 513	45 121	982 635
<b>Total</b>	<b>1 674 351</b>	<b>5 192 450</b>	<b>2 262 317</b>	<b>9 129 118</b>

## 2011

	1-2 years	2-5 years	>5years	Total
Loans provided to entities under direct or indirect control	5 589	2 029 169	1 231 911	3 266 669
Loans provided to joint ventures/associates	--	49 808	--	49 808
Loans provided to third parties	14 083	214 917	86 037	315 037
<b>Total</b>	<b>19 672</b>	<b>2 293 894</b>	<b>1 317 948</b>	<b>3 631 514</b>

## 5.6 Trading property – inventories

	2012	2011
Projects under development	--	182
<b>Total</b>	<b>--</b>	<b>182</b>

## 5.7 Trade and other receivables

### Non-current

	2012	2011
Advances paid for financial investment	--	12 495
Other advances paid	3 180	--
Receivables acquired through assignment from related parties(1)	861 152	837 781
Other receivables due from third parties	2 673	--
<b>Total non-current receivables</b>	<b>867 005</b>	<b>850 276</b>
Impairment to advances paid for financial investment	--	-1 939
<b>Total trade and other receivables net of impairment</b>	<b>867 005</b>	<b>848 337</b>

(1) The balance primarily represent an agreement concluded on 30 November 2011 on assignment of receivables and acquired receivables in nominal amount of TCZK 611 245 that are due on 27 January 2015. The acquisition price equals to the nominal value of the receivables. The purpose of the transaction was optimization and concentration of portfolio of receivables due from third parties. Receivables are unsecured.



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## Current

	2012	2011
Trade receivables due from entities under direct or indirect control	105 705	128 095
Trade receivables due from other related parties	970	103
Trade receivables due from joint ventures/associates	--	4 120
Trade receivables due from third parties	47 338	79 120
Receivables from sale of subsidiaries (1)	4 043	1 307 675
Receivables from sale of receivables (2)	604 075	2 354 437
Receivables acquired through assignment (3)	61 629	1 306 269
Other receivables due from entities under direct or indirect control	483 447	1 042 415
Other receivables due from other related parties	4 329	6 353
Other receivables due from third parties	23 041	31 953
<b>Total current receivables</b>	<b>1 334 577</b>	<b>6 260 540</b>
Impairment of trade receivables due from third parties	-16 523	-17 191
Impairment of other receivables due from third parties	-5 821	-21 239
<b>Total impairment of current receivables</b>	<b>-22 344</b>	<b>-38 430</b>
<b>Total trade and other receivables net of impairment</b>	<b>1 312 233</b>	<b>6 222 110</b>

(1) Receivables from sale of subsidiaries as at 31 December 2011 comprised mainly receivable of TCZK 1 011 746 from the sale of shares of Best Properties South, a.s. Subsequently, the receivable was cessed to a related party. As a result of financial assets restructuring process performed by management in 2012 above mentioned receivable was converted into non-current loans provided to related parties with interest rates between 8-12% and repayments in 2017-2022. The loan is unsecured and management reviews ongoingly its value by monitoring the financial performance and estimated fair value of underlying properties.

(2) Receivables from sale of receivables as at 31 December 2011 comprised mainly receivable of TCZK 1 527 254 from Best Properties South, a.s. sold to third party. During 2012 this receivable was partially settled and remaining portion is MCZK 572. The loan is unsecured and management reviews ongoingly its value by monitoring the financial performance and estimated fair value of underlying properties.

(3) As at 31 December 2011 balance of receivables acquired through assignment mainly included unsecured receivables to both third and related parties in the amount of TCZK 1 143 672 due on 12 June 2012. The acquisition price equals to the nominal value of the receivables. As a result of financial assets restructuring process performed by management 2012 above mentioned receivables were converted into non-current loans provided with interest rates between 7-12% and repayments in 2014-2017. The loan is unsecured.

## 5.8 Cash and cash equivalents

	2012	2011
Bank balances	1 668 499	15 525
Cash on hand	9 524	3 297
<b>Total</b>	<b>1 678 023</b>	<b>18 822</b>

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## 5.9 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	
	2012	2011
Issued at 1 January	5 535 175	3 866 873
New shares issued and paid in the year	2 198 571	1 668 302
<b>Issued at 31 December</b>	<b>7 733 746</b>	<b>5 535 175</b>

The subscribed capital of the Company as at 31 December 2012 was TCZK 6 186 997 (2011 – TCZK 4 428 140), comprising 7 733 746 shares (2011 – 5 535 175 shares), each with a nominal value of CZK 800 (2011 – 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.

In 2012, there was a subscription of new shares and increase in the capital of the Company by TCZK 2 212 000, of which share capital increase of TCZK 1 758 857 and share premium increase by TCZK 453 142. The receivable from subscription was set-off with liabilities to the subscriber (related party) who at the same moment transferred these shares to the sole shareholder.

### Other capital funds

Increase in other capital funds by TCZK 1 287 042 is attributable to cash contribution of TCZK 789 938 paid by the sole shareholder. Remaining amount represents offset of receivable from other capital funds increase with liabilities to sole shareholder.

### Legal reserve

Under Czech legislation, in the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of share capital) to the legal reserve. In subsequent years, the legal reserve is allocated a minimum 5% of profit after tax determined under Czech accounting standards until the legal reserve reaches 20% of share capital. The legal reserve can only be used to cover accumulated losses.

### Other changes in equity

#### Merger

As a result of merger of the Company (as the successor company) with CPI Finance, a.s. the retained earnings increased by TCZK 20 937 (refer to note 3.2).

### 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 and the difference in the amount of TCZK 575 235 between nominal value of the loan and its amortized cost was

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credited against equity of the Company. The Company also recognised related deferred tax liability in the amount of TCZK 109 294 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 TCZK 3 152 658. As at 31 December 2012 the Company extended repayment of the loan till 31 December 2013. Consequently, the difference between the nominal value of the new loan tranches and their fair value at the inception and the difference between carrying value of the loan and its amortised costs (calculated with 8% effective interest rate) in the total amount of TCZK 497 928 less related deferred tax of TCZK 94 606 was credited to equity of the Company as at the inception dates and as at 31 December 2012 respectively.

## Earnings per share

### Basic earnings per share in 2012

#### Profit attributable to ordinary shareholders

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2012	1 025 549	1 025 549
<b>Net profit attributable to ordinary shareholders</b>	<b>1 025 549</b>	<b>1 025 549</b>

#### Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2012	5 535 175	1,0000	5 535 175
New shares issued (27 November 2012)	2 198 571	0,0932	204 798
Issued ordinary shares at 31 December 2012	7 733 746		5 739 973
Weighted average number of ordinary shares at 31 December 2012			5 739 973
<b>Earnings per share 2012 (CZK)</b>			<b>178,67</b>

### Diluted earnings per share in 2012

#### Profit attributable to ordinary shareholders (diluted)

	Continuing operations	Total
Net profit attributable to ordinary shareholders for the year ended 31 December 2012	1 025 549	1 025 549
<b>Net profit attributable to ordinary shareholders</b>	<b>1 025 549</b>	<b>1 025 549</b>

#### Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2012	5 535 175	1,0000	5 535 175
New shares issued (27 November 2012)	2 198 571	0,0932	204 798
Issued ordinary shares at 31 December 2012	7 733 746		5 739 973
Weighted average number of ordinary shares at 31 December 2012			5 739 973
<b>Diluted earnings per share 2012 (CZK)</b>			<b>178,67</b>

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## Basic earnings per share in 2011

### Loss attributable to ordinary shareholders

	Continuing operations	Total
Loss attributable to ordinary shareholders for the year ended 31 December 2011	-223 115	-223 115
<b>Net loss attributable to ordinary shareholders</b>	<b>- 223 115</b>	<b>- 223 115</b>

### Weighted average number of ordinary shares

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
<b>Earnings per share 2011 (CZK)</b>			<b>-56,11</b>

## Diluted earnings per share in 2011

### Loss attributable to ordinary shareholders (diluted)

	Continuing operations	Total
Loss attributable to ordinary shareholders for the year ended 31 December 2011	-223 115	-223 115
<b>Net loss attributable to ordinary shareholders</b>	<b>- 223 115</b>	<b>- 223 115</b>

### Weighted average number of ordinary shares (diluted)

	pcs	Weight	Weighted average
Issued ordinary shares at 1 January 2011	3 866 873	1,0000	3 866 873
New shares issued (7 December 2011)	1 668 302	0,0658	109 697
Issued ordinary shares at 31 December 2011	5 535 175		3 976 570
Weighted average number of ordinary shares at 31 December 2011			3 976 570
<b>Diluted earnings per share 2011 (CZK)</b>			<b>-56,11</b>

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## 5.10 Interest-bearing loans and borrowings

### Non-current

	2012	2011
Loans drawn from entities under direct or indirect control	8 522 075	4 500 621
Loans drawn from other related parties	10 525	10 594
Loans drawn from third parties	5 208	265 922
Bills of exchange	47 137	25 655
<b>Total</b>	<b>8 584 945</b>	<b>4 802 792</b>

### Current

	2012	2011
Loans drawn from entities under direct or indirect control (1)	1 017 319	6 269 716
Loans drawn from other related parties	1 546	1 247
Loans drawn from third parties	1 251 868	1 125 085
Bills of exchange	234 553	17 381
<b>Total</b>	<b>2 505 286</b>	<b>7 413 429</b>

Maturity analysis of loans is as follows:

### 2012

	< 1 year	1-5 years	> 5years	Total
Loans from entities under direct or indirect control	1 017 319	407 457	8 114 618	9 539 394
Loans from to other related parties	1 546	10 525	--	12 071
Loans from joint ventures	--	--	--	--
Loans from third parties	1 251 868	5 208	--	1 257 076
<b>Total</b>	<b>2 270 733</b>	<b>423 190</b>	<b>8 114 618</b>	<b>10 808 541</b>

### 2011

	< 1 year	1-5 years	> 5years	Total
Loans from entities under direct or indirect control	6 269 716	861 729	3 638 892	10 770 337
Loans from to other related parties	1 247	10 594	--	11 841
Loans from third parties	1 125 085	226 076	39 846	1 391 007
<b>Total</b>	<b>7 396 048</b>	<b>1 098 399</b>	<b>3 678 738</b>	<b>12 173 185</b>

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## 5.11 Bonds issued

	31 December 2012		31 December 2011	
	No. of bonds issued	Value	No. of bonds issued	Value
<b>Non-current liabilities</b>				
Proceeds from issued bonds - CPI 2021 (1)	1 215	2 430 000	1 215	2 430 000
Less: bonds owned by the Company	-793	-1 586 000	-39	-78 000
<b>Subtotal bonds - CPI 2021</b>	<b>422</b>	<b>844 000</b>	<b>1 176</b>	<b>2 352 000</b>
Proceeds from issued bonds - CPI VAR/15 (EUR) (2)	30 000	377 100	--	--
Less: transaction costs	--	-6 966	--	--
<b>Subtotal bonds - CPI VAR/15 (EUR)</b>	<b>30 000</b>	<b>370 134</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI VAR/19 (CZK) (3)	2 000 000 000	2 000 000	--	--
Less: transaction costs	--	-46 385	--	--
<b>Subtotal bonds - CPI VAR/19 (CZK)</b>	<b>2 000 000 000</b>	<b>1 953 615</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI VAR/19 (EUR) (4)	116 000	1 458 120	--	--
Less: transaction costs	--	-34 453	--	--
<b>Subtotal bonds - CPI VAR/19 (EUR)</b>	<b>116 000</b>	<b>1 423 667</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI 8,00/42 (5)	1 000 000 000	1 000 000	--	--
Less: transaction costs	--	-140	--	--
<b>Subtotal bonds - CPI 8,00/42</b>	<b>1 000 000 000</b>	<b>999 860</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI 7,00/22 (6)	1 000 000 000	1 000 000	--	--
Less: transaction costs	--	-121	--	--
<b>Subtotal bonds - CPI 7,00/22</b>	<b>1 000 000 000</b>	<b>999 879</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI 7,00/22 (7)	1 000 000 000	1 000 000	--	--
Less: transaction costs	--	-121	--	--
<b>Subtotal bonds - CPI 7,00/22</b>	<b>1 000 000 000</b>	<b>999 879</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI 7,00/22 (8)	1 000 000 000	1 000 000	--	--
Less: transaction costs	--	-121	--	--
<b>Subtotal bonds - CPI 7,00/22</b>	<b>1 000 000 000</b>	<b>999 879</b>	<b>--</b>	<b>--</b>
Proceeds from issued bonds - CPI 8,00/42 (9)	1 000 000 000	1 000 000	--	--
Less: transaction costs	--	-141	--	--
<b>Subtotal bonds - CPI 8,00/42</b>	<b>1 000 000 000</b>	<b>999 859</b>	<b>--</b>	<b>--</b>
<b>Total non-current</b>		<b>9 590 772</b>		<b>2 352 000</b>

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	31 December 2012		31 December 2011	
	No. of bonds issued	Value	No. of bonds issued	Value
<b>Current liabilities</b>				
Proceeds from issued bonds - CPI var/12 (10)	--	--	65 000	650 000
Accrued interest bonds - CPI var/12	--	--	--	6 313
Accrued interest bonds - CPI 2021 (1)	--	111 167	--	231 286
Accrued interest bonds - CPI VAR/15 (EUR) (2)	--	7 149	--	--
Accrued interest bonds - CPI VAR/19 (CZK) (3)	--	38 957	--	--
Accrued interest bonds - CPI VAR/19 (EUR) (4)	--	27 643	--	--
Accrued interest bonds - CPI 8,00/42 (5)	--	6 000	--	--
Accrued interest bonds - CPI 7,00/22 (6)	--	5 056	--	--
Accrued interest bonds - CPI 7,00/22 (7)	--	4 083	--	--
Accrued interest bonds - CPI 7,00/22 (8)	--	3 694	--	--
Accrued interest bonds - CPI 8,00/42 (9)	--	3 333	--	--
<b>Total current</b>		<b>207 082</b>		<b>887 599</b>
<b>Total</b>		<b>9 797 854</b>		<b>3 239 599</b>

(1) **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 semiannually, on 8 February and 8 August respectively.

(2) **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 Securities Committee in the Czech Republic 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.

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**(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 Securities Committee in the Czech Republic 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 Securities Committee in the Czech Republic 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 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).

**(6) 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).

**(7) 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).

**(8) 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).



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**(9) 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 7,00/22, ISIN CZ0003502940).

**(10) CPI var/12, ISIN CZ0003501447**

CPI var/12 bonds were issued on 22 March 2005 and matured on 22 March 2012. The nominal value of each bond was TCZK 10 and the total nominal value of bonds issued amounted to TCZK 650 000.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, the abbreviation is CPI var/12, ISIN CZ0003501447). The prospectus and the issuing terms were approved by the decision of the Securities Committee in the Czech Republic on 10 March 2005, reference number 45/N/7/2005/2 that came into force on 14 March 2005. Bonds were accepted for trading at the market organized by RM-Systém a.s.

Bonds CPI var/12 bear the interest rate based on 6M PRIBOR + 2% margin. Interests were due semiannually, on 22 March and 22 September respectively.

Reflecting the bonds' maturity in March 2012, the liability was reclassified to current liabilities as at 31 December 2011.

For interest expense related to bonds issued refer to note 4.10.

### **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 2012.

### **5.12 Bank overdrafts**

Bank overdrafts amounted to TCZK 377 081 as at 31 December 2012 (2012 – TCZK 2 248 678). Overdrafts were drawn for the purpose of operating activities as well as for financing of acquisitions.

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## 5.13 Trade and other payables

### Non-current

	2012	2011
Payables from acquisitions of subsidiaries and joint-ventures (1)	928 343	889 017
Payables related to assignment of receivables - due to related parties	--	38 875
Tenant deposits	--	61
<b>Total</b>	<b>928 343</b>	<b>927 953</b>

(1) Payables relating to acquisitions of subsidiaries in 2008 are due on 31 December 2017.

### Current

	2012	2011
Trade payables due to entities under direct or indirect control (1)	1 041	124 481
Trade payables due to third parties	70 984	66 622
Advances received (2)	109 901	--
Value added tax payables	4 312	--
Payables from acquisitions of subsidiaries (3)	162 424	68 027
Payables related to assignment of receivables (4)	1 061 271	1 685 543
Payables from unpaid contribution due to entities under direct or indirect control	191 069	--
Deferred income/ revenue	3 000	--
Other payables due to other related parties	31 064	189 788
Other payables due to third parties	40 010	28 304
<b>Total</b>	<b>1 675 076</b>	<b>2 162 765</b>

(1) Trade payables to entities under direct or indirect control have substantially decreased as a result of change in provision of advisory and accounting activities (note 4.1).

(2) Balance 2012 includes advance received from third party of TCZK 101 737 related to specific project to be carried out in 2013.

(3) Increase in mainly due to payable related to acquisition of Olomouc City Center, a.s. of TCZK 140 655 (note 3.3).

(4) Payables relate to receivables assigned by entities under direct or indirect control decreased mainly as a result of offset with CPI BYTY, a.s., note 4.9.

## 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 and interest rate 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. Credit risk is managed on a Company level. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities including deposits with banks and financial institutions, loans provided to third parties and other financial instruments.

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. 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.

Within the Company, management process can be divided into two areas - assessing the creditworthiness before concluding the contract and requesting the appropriate forms of security when entering into contracts or if indication of reduction in creditworthiness of the debtor for contracts already concluded. Creditworthiness of debtor is being judged individually. Payments for ancillary services provided are generally received in advance, thereby reducing the risk of unpaid debt.

Before granting a loan Company evaluates the creditworthiness of the borrower and the risk assessment if the loan requires collateral.

In respect of cash and cash equivalents the Company has bank accounts with prestigious banking institutions, where minimum risk is expected.

Late payment reminders are automatically issued in respect of late payments and penalties are applied. Such late payments are monitored by Division managers who decide on the pre-litigious or litigious action to be taken.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The following tables present financial assets as of 31 December 2012 reflecting their classification based on its ageing structure and impairment if applicable:

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### Credit risk profile at 31 December 2012:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	1 678 023	--	--	1 678 023
Trade and other receivables	1 484 960	694 278	22 344	2 201 582
Loans provided	17 396 019	116 746	--	17 512 765
<b>Total</b>	<b>20 559 002</b>	<b>811 024</b>	<b>22 344</b>	<b>21 392 370</b>

### Breakdown of overdue financial assets which are not impaired at 31 December 2012:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	3 529	365	573 788	43 942	72 654	694 278
Loans provided	93 827	485	4	8 537	13 893	116 746
<b>Total</b>	<b>97 356</b>	<b>850</b>	<b>573 792</b>	<b>52 479</b>	<b>86 547</b>	<b>811 024</b>

### Credit risk concentration at 31 December 2011:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	18 822	--	--	18 822
Trade and other receivables	3 889 167	3 179 341	40 369	7 108 877
Loans provided	6 961 743	766 651	--	7 728 394
<b>Total</b>	<b>10 869 732</b>	<b>3 945 992</b>	<b>40 369</b>	<b>14 856 093</b>

### Breakdown of overdue financial assets which are not impaired at 31 December 2011:

	Past due 1-30 days	Past due 31-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	11 903	154 317	5 952	9 786	2 997 383	3 179 341
Loans provided	--	1 436	1 694	193 804	569 717*	766 651
<b>Total</b>	<b>11 903</b>	<b>155 753</b>	<b>7 646</b>	<b>203 590</b>	<b>3 567 100</b>	<b>3 945 992</b>

\* Thereof balance of loans provided to group companies represents TCZK 523 999.

## 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 honor all cash flow obligations as they become due. Concentration of risk is limited due 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.

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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. The table includes both interest and principal cash flows.

#### **At 31 December 2012**

	Carrying value	< 3 months	3-12 months	1-2 years	2 - 5 years	> 5 years	Total
Loans drawn from entities under direct or indirect control	9 539 394	871 334	163 345	348 953	101 455	9 940 444	11 427 531
Loans drawn from other related parties	12 071	1 699	459	11 137	--	--	13 295
Loans from third parties	1 257 076	185 899	1 146 678	3 463	2 124	--	1 338 164
Bank overdrafts	377 081	377 081	--	--	--	--	377 081
Bonds issued	9 797 854	379 305	516 667	688 889	2 391 200	15 017 680	18 993 741
Trade and other payables	2 603 419	1 488 395	186 681	--	1 262 976	--	2 938 052
Bills of exchange	281 690	85 542	149 011	47 137	--	--	281 690
<b>Total</b>	<b>23 868 585</b>	<b>3 389 255</b>	<b>2 162 841</b>	<b>1 099 579</b>	<b>3 757 755</b>	<b>24 958 124</b>	<b>35 367 554</b>

#### **At 31 December 2011**

	Carrying value	< 3 months	3-12 months	1-2 years	2 - 5 years	> 5 years	Total
Loans drawn from entities under direct or indirect control	10 770 337	--	6 683 517	--	1 089 225	5 785 838	13 558 581
Loans drawn from to other related parties	11 841	--	1 247	--	12 501	--	13 748
Loans from third parties	1 391 007	121 498	1 069 021	--	299 793	53 654	1 543 966
Bank overdrafts	2 248 678	2 248 678	--	--	--	--	2 248 678
Bonds issued	3 239 599	881 286	6 313	--	--	3 351 600	4 239 199
Bills of exchange	43 036	--	17 381	25 655	--	--	43 036
Trade and other payables	3 090 718	892 696	1 270 069	--	61	927 892	3 090 718
<b>Total</b>	<b>20 795 216</b>	<b>4 144 158</b>	<b>9 047 548</b>	<b>25 655</b>	<b>1 401 580</b>	<b>10 118 984</b>	<b>24 737 926</b>

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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) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

The Company uses derivative financial instruments in an insignificant scope 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 currency of the Company.

The table below shows the material balances held in foreign currencies that are deemed subject to currency risk.

#### 2012

	Currency	Carrying amount
Cash and cash equivalents	TEUR	453
Cash and cash equivalents	TUSD	2
Trade and other receivables	TEUR	341
Loans provided	TEUR	83 903
Trade and other payables	TEUR	-2 994
Interest bearing loans and borrowings	TEUR	-16 986
Other investments (bonds)	TEUR	-73 540
<b>Net position</b>	<b>TEUR</b>	<b>-8 823</b>
<b>Net position</b>	<b>TUSD</b>	<b>2</b>

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## 2011

	Currency	Carrying amount
Cash and cash equivalents	TEUR	274
Cash and cash equivalents	TUSD	2
Trade and other receivables	TEUR	1 949
Loans provided	TEUR	35 905
Trade and other payables	TEUR	-97
Interest bearing loans and borrowings	TEUR	-41 553
<b>Net position</b>	<b>EUR</b>	<b>-3 522</b>
<b>Net position</b>	<b>USD</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 or USD would have the below effect to profit/(loss) or equity of the Company providing all other variables remaining constant:

## 2012

		Original currency	TCZK	CZK depreciated by 10% to EUR or USD	Change	CZK appreciated by 10% to EUR or USD	Change
Cash and cash equivalents	TEUR	453	11 388	12 527	1 139	10 249	-1 139
	TUSD	2	38	42	4	34	-4
Trade and other receivables	TEUR	341	8 573	9 430	857	7 716	-857
Loans provided	TEUR	83 903	2 109 321	2 320 253	210 932	1 898 389	-210 932
Trade and other payables	TEUR	-2 994	-75 269	-82 796	-7 527	-67 742	7 527
Interest bearing loans and borrowings	TEUR	-16 986	-427 028	-469 731	-42 703	-384 325	42 703
Other investments (bonds)	TEUR	-73 540	-1 848 796	-2 033 675	-184 879	-1 663 917	184 879
Net exposure to currency risk	TEUR	-8 823	-221 811	-243 992	-22 181	-199 630	22 181
Net exposure to currency risk	TUSD	2	38	42	4	34	-4
Impact on profit/(loss)	TCZK				-22 177		22 177

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## 2011

		Original currency	TCZK	CZK depreciated by 10% to EUR or USD	Change	CZK appreciated by 10% to EUR or USD	Change
Cash and cash equivalents	TEUR	274	7 077	7 785	708	6 369	-708
	TUSD	2	40	44	4	36	-4
Trade and other receivables	TEUR	1 949	50 274	55 301	5 027	45 247	-5 027
Loans provided	TEUR	35 905	926 336	1 018 970	92 634	833 702	-92 634
Trade and other payables	TEUR	-97	-2 503	-2 753	-250	-2 253	250
Interest bearing loans and borrowings	TEUR	-41 553	-1 072 062	-1 179 268	-107 206	-964 856	107 206
Net exposure to currency risk	TEUR	-3 522	-90 878	-99 966	-9 088	-81 790	9 088
Net exposure to currency risk	TUSD	2	40	44	4	36	-4
Total impact on profit/(loss)	TCZK				-9 084		9 084

### 6.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments is described under notes 5.5 and 5.10 for financial assets and 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 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 10% change in the interest rate would have the below effect to profit/ (loss) or equity of the Company providing all other variables remaining constant:

## 2012

	Effective interest rate	Average amount	Interest calculated
Bonds issued with variable interest rate	6,82%	4 679 220	319 123
<b>Total</b>		<b>4 679 220</b>	<b>319 123</b>



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## 2012

	Increase by 10%	Interest calculated	Profit (loss) effect	Decrease by 10%	Interest calculated	Profit (loss) effect
Bonds issued with variable interest rate	7,50%	350 941	-31 818	6,14%	287 305	31 818
<b>Total</b>		<b>350 941</b>	<b>-31 818</b>		<b>287 305</b>	<b>31 818</b>

## 2011

	Effective interest rate	Average amount	Interest calculated
Bonds issued with variable interest rate	4,70%	3 002 000	141 094
<b>Total</b>		<b>3 002 000</b>	<b>141 094</b>

## 2011

	Increase by 10%	Interest calculated	Profit (loss) effect	Decrease by 10%	Interest calculated	Profit (loss) effect
Bonds issued with variable interest rate	5,17%	155 203	-14 109	4,23%	126 985	14 109
<b>Total</b>		<b>155 203</b>	<b>-14 109</b>		<b>126 985</b>	<b>14 109</b>

### Effective interest rate and re-pricing analysis

All interest-bearing financial assets are provided at fixed interest rates. In respect of interest-bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date and the periods in which they re-price.

## 2012

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans drawn from entities under direct or indirect control	7,50%	9 539 394	--	--	9 539 394
Loans drawn from other related parties	7,01%	12 071	--	--	12 071
Loans drawn from third parties	7,28%	1 257 076	--	--	1 257 076
Bank overdrafts	7,00%	377 081	--	--	377 081
Bonds issued	7,12%	9 679 220	--	4 679 220	5 000 000
<b>Total</b>		<b>20 864 482</b>	<b>--</b>	<b>4 679 220</b>	<b>16 185 622</b>

## 2011

	Effective interest rate	Total	3 month or less	3-6 months	Fixed interest rate
Loans drawn from entities under direct or indirect control	6,60%	10 770 337	--	--	10 770 337
Loans drawn from other related parties	6,00%	11 841	--	--	11 841
Loans drawn from third parties	6,52%	1 391 007	--	--	1 391 007
Bank overdrafts	9,34%	2 248 678	--	--	2 248 678
Bonds issued	4,70%	3 002 000	--	3 002 000	--
<b>Total</b>		<b>17 423 863</b>	<b>--</b>	<b>3 002 000</b>	<b>14 421 863</b>

## 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 2012.

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 2012 and at 31 December 2011 were as follows:

	2012	2011
Debt	23 871 846	20 869 374
Equity	12 837 467	7 888 618
<b>Total</b>	<b>186%</b>	<b>265%</b>

## 6.5 Financial instruments and fair values

### Categories of financial instruments

Financial assets of the Company comprise non-current and current loans provided, trade and other receivables, cash and cash equivalents, which are all classified as loans and receivables.

Financial liabilities comprise interest bearing loans and borrowings, bonds issued, bank overdraft, and trade and other payables, provisions and current income tax liabilities, which are classified as other financial liabilities.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of bonds issued.

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

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	Carrying amount		Fair value	
	2012	2011	2012	2011
<b>Financial assets</b>				
Loans provided	17 512 765	7 728 394	17 512 765	7 728 394
Trade and other receivables	2 179 238	7 070 447	2 179 238	7 070 447
Cash and cash equivalents	1 678 023	18 822	1 678 023	18 822
<b>Total financial assets</b>	<b>21 370 026</b>	<b>14 817 663</b>	<b>21 370 026</b>	<b>14 817 663</b>
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	11 090 231	12 216 221	11 090 231	12 216 221
Bonds issued	9 797 854	3 239 599	10 479 264	2 758 245
Trade and other payables	2 603 419	3 090 718	2 603 419	3 090 718
Bank overdraft	377 081	2 248 678	377 081	2 248 678
<b>Total financial liabilities</b>	<b>23 868 585</b>	<b>20 795 216</b>	<b>24 549 995</b>	<b>20 313 862</b>

### Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2012 and at 31 December 2011 the Company did not held any financial instruments carried at fair value in the statement of financial position.

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## 7 Related parties

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 2012 (2011 - TCZK 6 134).

Breakdown of balances between the Company and related parties is as follows:

### Non-current receivables as at 31 December

	2012	2011
CPI BYTY, a.s.	249 907	250 407
<b>Receivables acquired through assignment from entities under direct or indirect control</b>	<b>249 907</b>	<b>250 407</b>
STRM Group (3)	611 245	--
<b>Receivables acquired through assignment from other related parties</b>	<b>611 245</b>	<b>--</b>

### Trade receivables as at 31 December - current

	2012	2011
CPI City Center ÚL, a.s.	3 620	5 635
CPI Reality, a.s.	4 389	4 606
CPI Services, a.s.	15 591	3 555
CPI Retails FIVE, a.s. (Dunajská Streda Investments, s.r.o.)	6 718	6 633
CPI Retails FOUR, a.s. (Komárno Investments, s.r.o.)	7 889	7 742
Komárno Property Development, a.s.	3 593	3 912
Liptovský Mikuláš Property Development, a.s.	3 458	3 666
Michalovce Property Development, a.s.	3 117	3 330
MUXUM, a.s.	3 130	3 146
CPI Retails TWO, a.s. (Náchod Investments, s.r.o.)	4 819	2 888
Nymburk Property Development, a.s.	2	7 575
Marissa Gama, a.s. (Office Star Fourteen, spol. s r.o.)	3 872	4 104
CPI Retails THREE, a.s. (Považská Bystrica Investments, s.r.o.)	4 771	4 666
Považská Bystrica Property Development, a.s.	4 114	4 366
Prievidza Property Development, a.s.	3 290	3 473
CPI Retails ONE, a.s. (Řepy Investments, s.r.o.)	7 531	5 901
Třinec Property Development, a.s.	3 171	4 501
Zvolen Property Development, a.s.	3 649	3 898
NERONTA, a.s. (Auto - priemyselný park, s.r.o. Lozorno)	4 381	2 646
Balvinder, a.s.	--	2 788
Carpenter Invest, a.s.	--	2 106
CPI - Real Estate, a.s.	--	8 372
Ružomberok Property Development, a.s.	2 354	2 596
4B Investments, a.s. (4B Property, s.r.o.) (1)	1 676	--

Czech Property Investments, a.s.

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	2012	2011
CB Property Development, a.s.	1 158	--
CPI Hotels Properties, a.s.	1 203	--
CPI Jihlava Shopping, a.s.	1 673	--
CPI Management, s.r.o.	4 592	--
Marissa West, a.s.	1 393	--
Others	551	25 990
<b>Total trade receivables due from entities under direct or indirect control</b>	<b>105 705</b>	<b>128 095</b>
VT Holding, a.s. (Horova Immo s.r.o.) (1)	--	2 290
Others	--	1 830
<b>Total trade receivables due from joint ventures</b>	<b>--</b>	<b>4 120</b>
STRM Group (3)	942	--
Other	28	103
<b>Total trade receivables due from other related parties</b>	<b>970</b>	<b>103</b>

#### Other receivables as at 31 December - current

	2012	2011
CPI Finance, a.s. (2)	--	577 647
Baudry, a.s.	376 000	376 000
Baudry Beta, a.s.	--	72 200
CPI - Real Estate, a.s.	--	7 000
MUXUM, a.s.	6 917	6 916
CPI BYTY, a.s.	85 816	--
CPI Reality, a.s.	9 250	--
Malerba, a.s.	4 245	--
Others	1 219	2 652
<b>Total other receivables due from entities under direct or indirect control</b>	<b>483 447</b>	<b>1 042 415</b>
Radovan Vitek	4 329	4 329
Others	--	2 024
<b>Total other receivables due from other related parties</b>	<b>4 329</b>	<b>6 353</b>

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## Loans provided 2012

	<1 year	2-5 years	>5 years	Total
Balvinder, a.s.	1 806	20 400	--	22 206
Baudry Beta, a.s.	7 097	--	--	7 097
Baudry, a.s.	208	101 996	--	102 204
BPT Development, a. s.	1 265	13 952	--	15 217
Brandýs Logistic, a.s.	629	--	--	629
Březiněves, a. s.	78 918	148 300	--	227 218
Camuzzi, a.s.	3 058	11 500	--	14 558
Carpenter Invest, a.s.	35 270	--	118 505	153 775
CB Property Development, a.s.	33 972	177 506	--	211 478
Conradian, a.s.	--	--	75 338	75 338
CPI - Bor, a.s.	72	--	--	72
CPI - Facility, a.s.	--	20 989	--	20 989
CPI - Krásné Březno, a.s.	40	--	--	40
CPI - Land Development, a.s.	5 312	5 000	--	10 312
CPI - Orlová, a.s.	1 134 204	--	--	1 134 204
CPI - Real Estate, a.s.	27 677	104 046	--	131 723
CPI - Štupartská, a.s.	21 354	29 563	--	50 917
CPI Alfa, a.s.	4 940	67 800	--	72 740
CPI BYTY, a.s.	176 185	55 236	--	231 421
CPI City Center ÚL, a.s.	1 394	67 229	--	68 623
CPI Delta, a.s.	125 700	--	--	125 700
CPI France, a SASU	1 035 447	--	--	1 035 447
CPI Heli, s.r.o.	--	12 002	--	12 002
CPI Hotels Properties, a.s.	48 701	8 051	--	56 752
CPI Jihlava Shopping, a.s.	172	--	--	172
CPI Park Mlýnec, a.s.	379 733	--	--	379 733
CPI Park Žďárek, a.s.	3 691	--	--	3 691
CPI Reality, a.s.	4 550	--	--	4 550
CPI Retails FIVE, a.s.	5 138	--	80 892	86 030
CPI Retails FOUR, a.s.	5 562	103 105	--	108 667
CPI Retails ONE, a.s.	689	--	--	689
CPI Retails THREE, a.s.	5 156	95 783	--	100 939
CPI Retails TWO, a.s.	5 426	--	111 186	116 612
CPI Services, a.s.	101 832	--	--	101 832
CPI Shopping MB, a.s.	5 670	165 608	--	171 278
CPI Shopping Teplice, a.s.	6 378	186 296	--	192 674
CPI West, s.r.o.	117	1 408	--	1 525
Čadca Property Development, s.r.o.	151	--	43 258	43 409
Družstvo Land	15 295	46 062	--	61 357
ELAMOR, a.s.	7	75	--	82
Farhan, a.s.	16 456	511 120	--	527 576
FL Property Development, a.s.	627 635	--	--	627 635

Czech Property Investments, a.s.

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	<1 year	2-5 years	>5 years	Total
Horova Immo s.r.o. (1)	5 147	--	--	5 147
Hraničář, a.s.	64 425	--	301 735	366 160
Kerina, a.s.	15	4 720	--	4 735
Komárno Property Development, a.s.	1 757	--	36 923	38 680
Lipt. Mikuláš Property Development, a.s.	1 267	--	37 496	38 763
Lockhart, a.s.	15 628	--	--	15 628
Malerba a.s.	35 683	235 628	--	271 311
Marissa West, a.s.	8 983	--	--	8 983
Marissa, a.s.	846	1 005 194	--	1 006 040
MB Property Development, a.s.	2	--	--	2
Michalovce Property Development, a.s.	1 665	--	42 817	44 482
Modřanská Property, a.s.	11 602	103 611	--	115 213
MUXUM, a.s.	143	--	--	143
NERONTA,a.s.	32 913	--	600 846	633 759
Nymburk Property Development, a.s.	1 636	59 800	--	61 436
OC Nová Zdaboř a. s.	1	--	--	1
Olomouc City Center, a.s.	156	--	--	156
Považská Bystrica Property Development, a.s.	1 269	--	30 336	31 605
Prievidza Property Development, a.s.	1 090	--	27 011	28 101
Příbor Property Development, s. r.o.	1 137	--	6 039	7 176
Příkopy Property Development, a.s.	24 741	--	--	24 741
RK Building s.r.o.	40	973	--	1 013
Ružomberok Property Development, a.s.	1 181	--	30 884	32 065
Strakonice Property Development, a.s.	562 147	--	--	562 147
Svitavy Property Alfa, a.s.	11 681	132 039	--	143 720
Svitavy Property Development, a.s.	441 687	--	--	441 687
Telč Property Development a.s.	363 724	8 000	--	371 724
Trebišov Property Development, s.r.o.	215	--	61 371	61 586
Trutnov Property Development, a.s.	2 071	--	47 898	49 969
Třinec Property Development, a.s.	2 419	--	52 782	55 201
Týniště Property Development, s. r. o.	641 840	--	--	641 840
U svatého Michala, a. s.	4 841	--	--	4 841
Vigano, a.s.	37 905	--	259 220	297 125
VM Property Development, a.s.	300 922	--	--	300 922
VT Alfa, a.s.	5 802	--	--	5 802
VT Holding, a.s.	61 692	--	--	61 692
Vyškov Property Development, a.s.	9 026	--	--	9 026
Zvolen Property Development, a.s.	1 384	--	35 407	36 791
Žďár Property Development,a.s.	702 151	--	--	702 151
Ždírec Property Development, a.s.	339	--	11 048	11 387
MAPON, a.s.	1 900	--	--	1 900
<b>Total loans provided to entities under direct or indirect control</b>	<b>7 289 980</b>	<b>3 502 992</b>	<b>2 010 992</b>	<b>12 803 964</b>
Milada Malá	23 260	2 134 729	166 363	2 324 352
STRM Group (3)	7 479	208 217	--	215 696

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	<1 year	2-5 years	>5 years	Total
Robberg, a.s.	2 547	123 190	--	125 737
Others	29 895	--	--	29 895
<b>Total loans provided to other related parties</b>	<b>63 181</b>	<b>2 466 136</b>	<b>166 363</b>	<b>2 695 680</b>

## 2011

	< 1 year	2-5 years	> 5 years	Total
CPI Finance Netherlands B.V.	1 529 795	--	--	1 529 795
Farhan, a.s.	--	544 258	--	544 258
Malerba, a.s.	23 884	376 496	--	400 380
Hraničář, a.s.	42 240	--	351 009	393 249
Bageleot, a.s.	393 094	--	--	393 094
CPI - Land Development, a.s.	18 491	32 337	250 228	301 056
CB Property Development, a.s.	18 832	249 051	--	267 883
Lockhart, a.s.	8 508	--	190 796	199 304
Carpenter Invest, a.s.	16 604	14 166	129 339	160 109
Vigano, a.s.	329	--	148 000	148 329
Svitavy Property Alfa, a.s.	130 054	--	--	130 054
CPI Services, a.s.	127 183	--	--	127 183
CPI - Real Estate, a.s.	21 220	38 998	54 178	114 396
U svatého Michala, a. s.	22 833	86 781	--	109 614
ABIGAIL, a.s.	39 787	63 129	--	102 916
CPI - Štupartská, a.s.	14 933	80 558	--	95 491
BAYTON SR, a.s.	94 826	--	--	94 826
MAPON, a.s.	1 807	90 982	--	92 789
Modřanská Property, a.s.	7 287	81 420	--	88 707
CPI Retails TWO, a.s.	79 253	--	--	79 253
Svitavy Property Development, a.s.	12 929	62 052	--	74 981
Družstvo Land	10 445	58 682	--	69 127
Baumarkt České Budějovice s.r.o.	4 142	64 237	--	68 379
Trutnov Property Development, a.s.	66 908	--	--	66 908
CPI Park Mlýnec, a.s.	5 741	--	56 981	62 722
CPI Retails ONE, a.s.	59 507	--	--	59 507
Vyškov Property Development, a.s.	6 208	--	45 897	52 105
Trenčín Property Development, a.s.	49 454	--	--	49 454
CPI Park Žďárek , a.s.	7 236	42 129	--	49 365
CPI - Orlová	8 132	38 861	--	46 993
CPI - Facility, a.s.	2 141	43 107	--	45 248
IGY2 CB, a.s.	35 900	--	--	35 900
Dunajská Streda Investments, s.r.o.	33 327	--	--	33 327
Mělník Investments, s.r.o.	25 134	--	--	25 134
Chrudim Investments, s r.o.	15 805	--	--	15 805
Telč Property Development a.s.	2 607	10 029	--	12 636
CPI - Krásné Březno, a. s.	1 236	9 336	--	10 572



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	< 1 year	2-5 years	> 5 years	Total
Others	30 188	48 149	5 482	83 819
<b>Total loans provided to entities under direct or indirect control</b>	<b>2 968 001</b>	<b>2 034 759</b>	<b>1 231 910</b>	<b>6 234 669</b>
VT Alfa, a.s. (1)	11 340	--	--	11 340
Others	5 520	49 808	--	55 328
<b>Total loans provided to joint ventures</b>	<b>16 860</b>	<b>49 808</b>	<b>--</b>	<b>66 668</b>
Others	3 612	--	--	3 612
<b>Total loans provided to other related parties</b>	<b>3 612</b>	<b>--</b>	<b>--</b>	<b>3 612</b>

### Non-current payables related to assignment of receivables at 31 December

	2012	2011
CPI Finance, a.s. (2)	--	36 733
CPI Reality, a.s.	--	2 142
<b>Total non-current payables related to assignment of receivables</b>	<b>--</b>	<b>38 875</b>

### Current payables related to assignment of receivables at 31 December

	2012	2011
CPI BYTY, a.s.	562 451	249 291
CPI Finance, a.s. (2)	--	1 178 417
CPI Reality, a.s.	262 244	85 130
Malerba, a.s.	47 738	49 738
Michalovce Property Development, a.s.	43 506	44 634
Považská Bystrica Property Development, a.s.	42 677	43 786
Nymburk Property Development, a.s.	444	9 504
Český Těšín Property Development, a.s.	7 863	7 863
Prievidza Property Development, a.s.	6 713	6 885
Komárno Property Development, a.s.	4 203	4 295
Zvolen Property Development, a.s.	2 198	2 222
Prague Development Holding, a.s.	--	--
Carpenter Invest, a.s.	32 440	--
CPI Services, a.s.	15 856	--
Družstvo Land	15 493	--
Liptovský Mikuláš Property Development, a.s.	1 416	--
Prague Property Development, s.r.o.	11 186	--
Ružomberok Property Development, a.s.	1 910	--
Vyškov Property Development, a.s.	2 124	--
Others	809	3 778
<b>Total current payables related to assignment of receivables</b>	<b>1 061 271</b>	<b>1 685 543</b>

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### Payables from unpaid contribution as at 31 December

	2012	2011
U svatého Michala, a.s.	47 000	--
VT Holding, a.s. (1)	144 000	--
Other	69	--
<b>Total payables from unpaid contribution</b>	<b>191 069</b>	<b>--</b>

### Trade payables as at 31 December

	2012	2011
CPI Services, a.s.	--	80 378
CPI - Facility, a.s.	--	36 071
CPI Finance, a.s. (2)	--	4 854
CPI Facility Slovakia, a.s.	--	2 382
CPI Management, s.r.o.	746	--
CPI Reality, a.s.	295	--
Others	--	796
<b>Total trade payables due from entities under direct or indirect control</b>	<b>1 041</b>	<b>124 481</b>

### Liabilities related to bonds issued as at 31 December

	2012	2011
CPI BYTY, a.s.	--	1 496 000
CPI Reality, a.s.	76 000	76 000
CPI - Real Estate, a.s.	200 000	200 000
BAYTON Gama, a.s.	568 000	--
CPI - Orlová, a.s.	130 000	--
CPI Hotels Properties, a.s.	50 000	--
CPI Park Mlýnec, a.s.	375 000	--
FL Property Development, a.s.	625 000	--
Strakonice Property Development, a.s.	560 000	--
Svitavy Property Development, a.s.	440 000	--
Telč Property Development, a.s.	360 000	--
Týniště Property Development, s.r.o.	640 000	--
VM Property Development, a.s.	300 000	--
Žďár Property Development, a.s.	700 000	--
Prague Development Holding, a.s.	--	--
<b>Total liabilities from bonds issued</b>	<b>5 024 000</b>	<b>1 772 000</b>
CPI BYTY, a.s.	15 165	150 120
CPI Reality, a.s.	13 225	9 503
CPI - Real Estate, a.s.	12 848	21 065
Prague Development Holding, a.s.	--	--
BAYTON Gama, a.s.	69 929	--
CPI Park Mlýnec, a.s.	1 896	--
FL Property Development, a.s.	3 160	--
Strakonice Property Development, a.s.	2 287	--

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

	2012	2011
Svitavy Property Development, a.s.	1 797	--
Telč Property Development, a.s.	1 330	--
Týniště Property Development, s.r.o.	2 364	--
VM Property Development, a.s.	1 000	--
Žďár Property Development, a.s.	2 333	--
Others	1 080	--
<b>Total accrued interest</b>	<b>128 414</b>	<b>180 688</b>
<b>Total liabilities related to bonds</b>	<b>5 152 414</b>	<b>1 952 688</b>

### Other payables to other related parties as at 31 December

	2012	2011
Radovan Vitek	--	51 600
Other	31 064	138 188
<b>Total other payables to other related parties</b>	<b>31 064</b>	<b>189 788</b>

### Loans drawn from entities under direct or indirect control/other related parties

#### 2012

	< 1 year	2-5 years	> 5years	Total
BAYTON Beta, a.s.	26	20 424	--	20 450
BAYTON Gama, a.s.	24	19 384	--	19 408
Beroun Property Alfa, a.s.	13	1 900	--	1 913
Brandýs Logistic, a.s.	1 093	11 200	--	12 293
Carpenter Invest, a.s.	532	11 237	--	11 769
CB Property Development, a.s.	213	1 943	--	2 156
Conradian, a.s.	1 869	21 576	--	23 445
CPI - Bor, a.s.	26 061	13 668	--	39 729
CPI - Zbraslav, a. s.	4 480	35 226	--	39 706
CPI Beta, a.s.	69	1 900	--	1 969
CPI Delta, a.s.	69	1 900	--	1 969
CPI Finance Netherlands B.V.	716 282	--	8 114 648	8 830 930
CPI Hotels Properties, a.s.	41 216	--	--	41 216
CPI Jihlava Shopping, a.s.	80 673	--	--	80 673
CPI Reality, a.s.	40 567	144 773	--	185 340
Český Těšín Property Development, a.s.	101	--	--	101
Horova Immo s.r.o. (1)	661	--	--	661
Hraničář, a.s.	4 487	4 806	--	9 293
Kerina, a.s.	363	--	--	363
Marissa West, a.s.	36 513	--	--	36 513
MUXUM, a.s.	43 400	--	--	43 400
OC Nová Zdobov a. s.	31	--	--	31
Prague Property Development, s.r.o.	2 877	78 302	--	81 179
Svitavy Property Alfa, a.s.	11 466	8 126	--	19 592
Vigano, a.s.	3 294	14 880	--	18 174

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

	< 1 year	2-5 years	> 5 years	Total
Balvinder, a.s.	939	16 182	--	17 121
<b>Total loans provided to entities under direct or indirect control</b>	<b>1 017 319</b>	<b>407 427</b>	<b>8 114 648</b>	<b>9 539 394</b>
Others	1 546	10 525	--	12 071
<b>Total loans from other related parties</b>	<b>1 546</b>	<b>10 525</b>	<b>--</b>	<b>12 071</b>

## 2011

	< 1 year	2-5 years	> 5 years	Total
CPI Finance Netherlands B.V.	5 541 556	--	3 629 000	9 170 556
CPI Finance, a.s.	85 733	438 386	--	524 119
CPI Finance Netherlands B.V.	500 561	--	--	500 561
CPI Reality, a.s.	29 209	126 570	--	155 779
Prague Property Development, s.r.o.	1 020	94 302	--	95 322
Hraničář, a.s.	3 646	49 915	--	53 561
CPI - Zbraslav, a. s.	3 357	34 629	--	37 986
Vigano, a.s.	2 147	27 030	--	29 177
Třinec Property Development, a.s.	26 363	--	--	26 363
Conradian, a.s.	969	23 300	--	24 269
Balvinder, a.s.	1 041	16 743	--	17 784
Office Star Three, spol. s r.o.	17 014	--	--	17 014
Carpenter Invest, a.s.	293	14 720	--	15 013
CPI - Bor, a.s.	756	13 668	--	14 424
Office Star Seven, spol. s r.o.	12 010	--	--	12 010
Komura, a.s.	523	11 200	--	11 723
TRIFIT Vysoké Mýto s.r.o.	11 037	--	--	11 037
Others	32 481	11 266	9 892	53 639
<b>Total loans from entities under direct or indirect control</b>	<b>6 269 716</b>	<b>861 729</b>	<b>3 638 892</b>	<b>10 770 337</b>
Others	1 247	10 594	--	11 841
<b>Total loans from other related parties</b>	<b>1 247</b>	<b>10 594</b>	<b>--</b>	<b>11 841</b>

During the year, the Company entered into the following transactions with related parties:

## Sales

	2012	2011
CPI Reality, a.s.	--	10 390
CPI - Real Estate, a.s.	--	5 713
Farhan, a.s.	--	5 518
Hraničář, a.s.	--	5 431
Brandýs Logistic, a.s. (Komura, a.s.)	--	4 357
CPI Services, a.s.	10 941	4 053
Vyškov Property Development, a.s.	--	3 492
CB Property Development, a.s.	--	3 483
MUXUM, a.s.	--	2 622
CPI Retails FOUR, a.s. (Komárno Investments, s.r.o.)	--	2 486
Balvinder, a.s.	--	2 224
Lockhart, a.s.	--	2 165

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

	2012	2011
NERONTA, a.s. (Auto - priemyselný park, s.r.o. Lozorno)	--	2 154
Modřanská Property, a.s.	--	2 059
CPI Retails FIVE, a.s. (Dunajská Streda Investments, s.r.o.)	--	2 035
MB Property Development, a.s.	--	2 006
CPI BYTY, a.s.	6	--
CPI Management, s.r.o.	935	--
Others	--	40 841
<b>Total revenues related entities under direct or indirect control</b>	<b>11 882</b>	<b>101 029</b>
<b>Total revenues related to joint ventures</b>	<b>--</b>	<b>3 306</b>
<b>Total sales</b>	<b>11 882</b>	<b>104 335</b>

### Interest income

	2012	2011
Farhan, a.s.	18 318	27 684
Hraničář, a.s.	23 719	24 911
Malerba, a.s.	17 812	18 997
CB Property Development, a.s.	15 257	14 692
Marissa West, a.s.	--	8 983
Carpenter Invest, a.s.	7 829	8 730
Lockhart, a.s.	7 485	8 508
CPI - Land Development, a.s.	4 488	5 363
U svatého Michala, a.s.	4 319	5 249
CPI - Štupartská, a.s.	6 424	4 742
CPI Services, a.s.	164	4 416
Modřanská Property, a.s.	4 315	4 130
Baudry Beta, a.s. (Baumarkt České Budějovice s.r.o.)	3 060	3 868
Kerina, a.s.	15	3 750
Svitavy Property Development, a.s.	4 394	3 737
CPI - Real Estate, a.s.	6 457	3 628
Příkopy Property Development, a.s. (Bageleot, a.s.)	12 942	3 124
CPI Park Mlýnec, a.s.	2 702	2 950
Vyškov Property Development, a.s.	2 818	2 832
Beroun Property Development, a.s.	--	2 604
CPI Park Žďárek, a.s.	1 969	2 518
CPI - Orlová, a.s.	5 303	2 362
Družstvo Land	3 408	2 277
CPI - Facility, a.s.	--	2 141
Balvinder, a.s.	2 019	--
Březiněves, a. s.	7 308	--
Camuzzi, a.s.	1 726	--
Conradian, a.s.	5 717	--
CPI Alfa, a.s.	4 940	--
CPI BYTY, a.s.	9 119	--
CPI Hotels Properties, a.s.	2 488	--

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

	2012	2011
CPI Retails FIVE, a.s.	6 009	--
CPI Retails FOUR, a.s.	5 646	--
CPI Retails ONE, a.s.	1 039	--
CPI Retails THREE, a.s.	6 172	--
CPI Retails TWO, a.s.	4 774	--
CPI Shopping MB, a.s.	5 137	--
CPI Shopping Teplice, a.s.	5 792	--
FL Property Development, a.s.	2 636	--
Komárno Property Development, a.s.	1 757	--
Liptovský Mikuláš Property Development, a.s.	1 267	--
MAPON, a.s.	3 154	--
Michalovce Property Development, a.s.	1 665	--
NERONTA, a.s.	32 917	--
Nymburk Property Development, a.s.	1 636	--
Považská Bystrica Property Development, a.s.	1 269	--
Prievidza Property Development, a.s.	1 090	--
Ružomberok Property Development, a.s.	1 181	--
Strakonice Property Development, a.s.	2 466	--
Svitavy Property Alfa, a.s.	9 072	--
Telč Property Development, a.s.	1 791	--
Trutnov Property Development, a.s.	2 071	--
Třinec Property Development, a.s.	2 419	--
Týniště Property Development, a.s.	1 840	--
Vigano, a.s.	15 705	--
VT Holding, a.s. (1)	4 420	--
VT Alfa, a.s. (1)	5 061	--
Žďár Property Development, a.s.	2 561	--
Zvolen Property Development, a.s.	1 384	--
Others	4 993	11 752
<b>Total interest income related to entities under direct or indirect control</b>	<b>323 439</b>	<b>183 948</b>
VT Holding, a.s. (1)	--	4 388
VT Alfa, a.s. (1)	--	2 278
<b>Total interest income related to joint ventures</b>	<b>--</b>	<b>6 666</b>
Milada Malá	95 744	--
STRM Group (3)	7 153	--
Others	29 072	1 822
<b>Total interest income related to other related parties</b>	<b>--</b>	<b>1 822</b>
<b>Total interest income</b>	<b>131 969</b>	<b>192 436</b>

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## Purchases

	2012	2011
CPI - Facility, a.s.	--	31 915
CPI Facility Slovakia, a.s.	--	3 292
CPI Slovakia, a.s.	--	--
CPI Services, a.s.	--	91495
CPI Management, s.r.o.	612	--
<b>Total purchases</b>	<b>612</b>	<b>126 702</b>

## Interest expense

	2012	2011
CPI BYTY, a.s.	--	82 190
CPI Reality, a.s.	9 227	37 659
CPI Finance Netherland	217 451	24 284
CPI Finance, a.s. (2)	--	12 036
CPI - Real Estate, a.s.	9 796	10 016
Hraničář, a.s.	841	2 690
Prague Development Holding, a.s.	--	--
CPI - Zbraslav, a.s.	1 124	--
CPI Jihlava Shopping, a.s.	7 754	--
Marissa West, a.s.	3 383	--
MUXUM, a.s.	1 003	--
Prague Property Development, a.s.	1 857	--
Třinec Property Development, a.s.	1 437	--
Vigano, a.s.	1 148	--
BAYTON Gama, a.s.	13 807	--
CPI Hotels Properties, a.s.	1 189	--
CPI Park Mlýnec, a.s.	1 896	--
FL Property Development, a.s.	3 160	--
Strakonice Property Development, a.s.	2 287	--
Svitavy Property Development, a.s.	1 797	--
Telč Property Development, a.s.	1 330	--
Týniště Property Development, a.s.	2 364	--
VM Property Development, a.s.	1 000	--
Žďár Property Development, a.s.	2 333	--
Others	9 693	9 190
<b>Total interest expense related to entities under direct or indirect control</b>	<b>295 877</b>	<b>178 065</b>
Others	1 258	270
<b>Total interest income related to other related parties</b>	<b>1 258</b>	<b>270</b>
<b>Total interest expense</b>	<b>297 135</b>	<b>178 335</b>

(1) On 29 March 2012, the Company acquired remaining 50% stake in VT Holding, a.s., including 100% share in its subsidiaries 4B Property, s.r.o., Horova Immo s.r.o. and VT Alfa, a.s. As a result of the acquisition the Company has increased its ownership interest to 100%.

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

(2) Subsidiary CPI Finance, a.s. merged with the Company (the „successor company”) with the effective date of 1 January 2012.

(3) STRM Group has become new related party in 2012 and includes following companies: STRM Property, a.s. as parent company and its subsidiaries STRM Alfa, a.s., STRM Beta, a.s., STRM Delta, a.s. and STRM Gama, a.s.

Other entities include following companies:

Cerrini, s.r.o., Materiali, a.s., Mondello, a.s., Papetti, s.r.o., Pietroni, s.r.o., Rivaroli, a.s., Robberg, a.s., Zacari, a.s. and CPI Group, a.s.



Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## 8 Contingencies, guarantees provided

### 8.1 Contingent liabilities

The Company provides following guarantees to its subsidiaries at 31 December 2012.

Subsidiary	Guarantee	Carrying amount of related liability	
		at 31 December 2012 in TCZK	at 31 December 2011 in TCZK
NERONTA, a.s.	Guarantee statement	1 164 403	1 838 747
Balvinder, a.s.	Blank bill	174 594	181 679
Baudry Beta, a.s.	Guarantee statement	294 249	313 998
Beroun Property Development, a.s.	Blank bill	278 517	76 475
Carpenter Invest, a.s.	Guarantee statement	107 565	117 173
CB Property Development, a.s.	Guarantee statement	729 060	794 640
Conradian, a.s.	Blank bill	117 554	121 298
CPI - Land Development, a.s.	Assumption for receivables, blank bill	--	13 664
CPI - Real Estate, a.s.	Assumption for receivables	169 651	203 337
CPI - Štupartská, a.s.	Assumption for receivables, blank bill	100 000	128 906
CPI BYTY, a.s.	Blank bill	2 947 571	3 072 723
CPI Park Mlýnec, a.s.	Assumption for receivables, blank bill	--	16 976
Hraničář, a.s.	Blank bill	231 400	342 848
CPI Retails ONE, a.s.	Guarantee statement	218 904	256 369
CPI Retails TWO, a.s.	Guarantee statement	178 796	201 082
Lockhart, a.s.	Blank bill	448 950	482 289
MUXUM, a.s.	Blank bill, guarantee statement	175 664	195 480
CPI Retails THREE, a.s.	Guarantee statement	189 584	207 141
CPI Retails FOUR, a.s.	Guarantee statement, blank bill	287 233	316 306
CPI Retails FIVE, a.s.	Guarantee statement	212 784	--
Třebíšov Property Development, s.r.o.	Guarantee statement	160 697	172 131
U svatého Michala, a.s.	Blank bill	--	142 475
Vigano, a.s.	Blank bill	323 024	336 019

### 8.2 Contingent assets

The Company is not aware of existence of any contingent assets as at 31 December 2012.

### 8.3 Pledge of shares

The shares of following subsidiaries are pledged in respect of bank loans drawn by individual subsidiaries or bonds issued at 31 December 2012:

Balvinder, a.s., Brandýs Logistic, a.s., Carpenter Invest, a.s., Conradian, a.s., CPI - Real Estate, a.s., CPI - Štupartská, a.s., CPI Alfa, a.s., CPI BYTY, a.s., CPI Retails FIVE, a.s., CPI Retails FOUR, a.s., CPI Retails THREE, a.s., CPI Retails TWO, a.s., MUXUM, a.s., Příkopy Property Development, a.s., Svitavy Property Alfa, a.s., U Svatého Michala, a.s., Vigano, a.s., Vyškov Property Development, a.s., Ždírec Property Development, a.s., CPI Park Žďárek, a.s., Trutnov Property Development, a.s., Kerina, a.s., Beroun Property Development, a.s.

Czech Property Investments, a.s.

Notes to financial statements for the year ended 31 December 2012 in thousand Czech crowns (TCZK)

## 9 Capital commitments

The Company has no capital commitments as at 31 December 2012.

## 10 Subsequent events

### Bonds

In March 2013 the Company issued new bonds:

#### CPI 6,05/16

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 and the issuing terms were 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.

CPI 6,05/16

No. of bonds – pcs 150 000

Nominal value – TCZK 10

Maturity – 29 March 2016

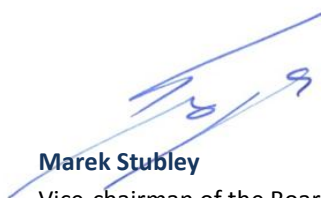
Interest rate – 6,05% p.a.

Prague, 30 April 2013



**Radovan Vitek**

Chairman of the Board of Directors



**Marek Stublej**

Vice-chairman of the Board of Directors