
CPI Alfa, a.s.

ANNUAL REPORT 2014

KEY FIGURES

CPI Alfa in numbers – 2014

36,380

Gross rental income
(in thousands of CZK)

383,800

Investment property
(in thousands of CZK)

47,794

Equity
(in thousands of CZK)

100%

Occupancy rate

33,239

Operating profit
(in thousands of CZK)

10,930

Total leasable area
(in m²)

392,794

Total assets
(in thousands of CZK)

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PERSON RESPONSIBLE FOR THE ANNUAL REPORT 2014

Statutory Declaration

With the use of all reasonable care and to the best of our knowledge, the Annual Report 2014 provides a true and fair view of the financial situation, business activities, and results of operations of the company CPI Alfa, a.s. for 2014, and of the outlook for the future development of the financial situation, business activities, and results of operations of the company CPI Alfa, a.s. No facts have been omitted that could change the meaning of this report.

Prague, 20 April 2015



Zdeněk Havelka
Member of the Board of Directors
CPI Alfa, a.s.



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Independent Auditor's Report to the Shareholder of CPI Alfa, a.s.

Financial Statements

On the basis of our audit, on 20 April 2015 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

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

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of CPI Alfa, a.s. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.”

Report on Relations

We have reviewed the factual accuracy of the information disclosed in the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of CPI Alfa, a.s. for the year ended 31 December 2014 prepared in accordance with the applicable provisions of Act No. 90/2012 Coll., on Companies and Cooperatives. The responsibility for the preparation and factual accuracy of this report rests with the Company’s statutory body. Our responsibility is to express our view on the report on relations based on our review.

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


Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of CPI Alfa, a.s. for the year ended 31 December 2014 contains material 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 annual report is, in all material respects, consistent with the audited financial statements.

Prague
20 April 2015


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


Pavel Kliment
Partner
Registration number 2145

A CUT ABOVE CPI ALFA

The company CPI Alfa, a.s. (hereinafter also as “CPI Alfa” or “the Company”) was incorporated on 21 March 2012 and as of 1 October 2012 acquired properties from the company TREI Real Estate Czech Republic s.r.o. These properties are leased to retail chains Penny Market and Billa on the basis of 10 years lease agreements and are located in cities Dobříš, Holešov, Holice, Jablonec nad Nisou, Liberec, Říčany, Semily, Tanvald and Turnov.

In June 2014 CPI Alfa became a part of CPI PROPERTY GROUP (hereafter “the Group”). The Group is a Luxembourg based *société anonyme*, founded in 2004 as ORCO Germany S.A. Since its foundation it has been operating in Germany and concentrated mainly on commercial property, project development and asset management especially in Berlin. With its subsidiary Gewerbesiedlungs-Gesellschaft (GSG), the Group is the largest lessor of commercial property in the Berlin area. The Group has focused on investment properties, realizes development potentials and offers full-service asset management for third parties.

The Group owns and manages over 633,000 sq. m. of retail space, about 1,250 thousand sq. m. of existing office space, 23 hotels with about 8,600 beds and about 263,000 sq. m. of space intended for light industry and storage. With over 12,500 apartments, it is the second largest provider of rental housing in the Czech Republic.

MESSAGE FROM THE BOARD OF DIRECTORS OF CPI ALFA

Dear Shareholders,
Dear Business Partners,

The company CPI Alfa, a.s. was incorporated in 2012 as a SPV that acquired 9 properties of supermarkets from the company TREI Real Estate Czech Republic s.r.o. in October 2012. These properties are leased to retail chains Penny Market and Billa on the basis of 10 years lease agreements and are located in cities Dobříš, Holešov, Holic, Jablonec nad Nisou, Liberec, Říčany, Semily, Tanvald and Turnov. The total purchase value of acquired properties was CZK 369 million.

At the same time in October 2012, CPI Alfa issued Czech crowns project bonds with a total nominal value of CZK 279 million, with a fixed interest of 5.5% p.a., that are due in 2017. All these bonds were subscribed during the first day. Manager and arranger of the whole issue is the company Raiffeisenbank a.s. that the Group works on other projects with. In comparison to corporate bonds, the project bonds are secured by specific project portfolio of real estate, in this case by the relevant supermarkets.

All activities such as facility and property management, asset management, tax and accounting management, financial management and strategic management are provided by the service companies of the Group.

CPI Alfa as of 31 December 2014 reported a profit in the amount of TCZK 7,228 with gross rental income amounting TCZK 36,380.

Prague, 20 April 2015

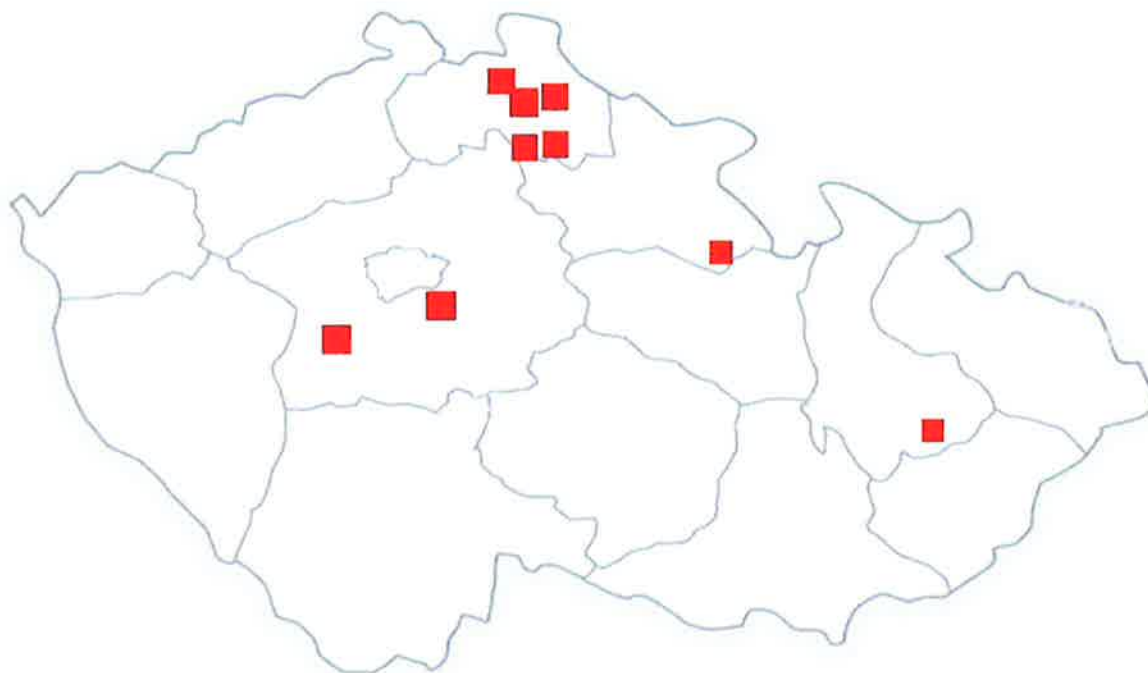


Zdeněk Havelka
Member of the Board of Directors
CPI Alfa, a.s.

OUR PORTFOLIO

CPI RETAIL

CPI Alfa owns the following real estate portfolio in the Czech Republic:



| Supermarket | City | Street |
|--------------|--------------------|--------------------------|
| Penny Market | Dobříš | Za Pivovarem 1656 |
| Penny Market | Holešov | Palackého 54 |
| Penny Market | Holice | Hradecká 1122 |
| Penny Market | Jablonec nad Nisou | Ivana Olbrachtova 4582/8 |
| Penny Market | Liberec | Na Žižkově 973/10 |
| Penny Market | Říčany | Pod Lihovarem 2055 |
| Penny Market | Semily | Jana Nerudy 393 |
| Penny Market | Turnov | Sobotecká 2078 |
| Billa | Tanvald | Krkonošská 647 |

Penny Market Dobříš

Tenant: Penny Market s.r.o.
Leasable area: 1,154 sqm
Occupancy: 100%
End of lease: 30 April 2025



Penny Market Holešov

Tenant: Penny Market s.r.o.
Leasable area: 1,184 sqm
Occupancy: 100%
End of lease: 31 December 2024

Penny Market Holice

Tenant: Penny Market s.r.o.
Leasable area: 1,170 sqm
Occupancy: 100%
End of lease: 31 December 2024





Penny Market Jablonec nad Nisou

| | |
|----------------|---------------------|
| Tenant: | Penny Market s.r.o. |
| Leasable area: | 1,202 sqm |
| Occupancy: | 100% |
| End of lease: | 30 April 2023 |

Penny Market Liberec

| | |
|----------------|---------------------|
| Tenant: | Penny Market s.r.o. |
| Leasable area: | 1,174 sqm |
| Occupancy: | 100% |
| End of lease: | 30 April 2023 |



Penny Market Říčany

| | |
|----------------|---------------------|
| Tenant: | Penny Market s.r.o. |
| Leasable area: | 1,172 sqm |
| Occupancy: | 100% |
| End of lease: | 30 April 2023 |



Penny Market Semily

Tenant: Penny Market s.r.o.
Leasable area: 1,557 sqm
Occupancy: 100%
End of lease: 31 December 2024



Penny Market Turnov

Tenant: Penny Market s.r.o.
Leasable area: 1,141 sqm
Occupancy: 100%
End of lease: 30 April 2023

Billa Tanvald

Tenant: BILLA, spol. s r.o.
Leasable area: 1,176 sqm
Occupancy: 100%
End of lease: 30 April 2023



CORPORATE GOVERNANCE

In January 2014 General Meeting of CPI Alfa decided on fully submission to new Business Corporation Act No. 90/2012 Coll. (further also “the Business Corporation Act”) and approved new Articles of Association.

In accordance with the Articles of Association, the statutory bodies of CPI Alfa are the General Meeting, the Board of Directors and the Supervisory Board, while the General Meeting as the supreme body elects and dismisses members of the Board of Directors and the Supervisory Board. The executive body is the Board of Directors of CPI Alfa. The Company has not established any other executive, control bodies or committees. In accordance with section 44(3) of Act No. 93/2009 Coll., the function of the audit committee is performed by the Supervisory Board of CPI Alfa.

General Meeting of CPI Alfa

The General Meeting is the supreme body of CPI Alfa. The scope of powers of the General Meeting includes:

- decision on changes to the Articles of Association, provided the change is not a result of an increase in share capital by the Board of Directors, or of another legal matter;
- decision on an increase in share capital or on authorization of the Board of Directors in this matter;
- decision on the possibility of offsetting a monetary receivable towards the Company against a receivable of the company arising from share capital repayment;
- decision on the issue of convertible or priority bonds;
- election and removal of members of the Board of Directors;
- election and removal of alternate members of the Board of Directors and if more alternates are elected the General Meeting has to determine the order in which the alternates will take over the free position of the member of the Board of Directors;
- election and removal of members of the Supervisory Board;
- election and removal of alternate members of the Supervisory Board and if more alternates are elected the General Meeting has to determine the order in which the alternates will take over the free position of the member of the Supervisory Board;
- approval of the ordinary or extraordinary financial statements and consolidated financial statements and interim financial statements if required by law regulation;
- decision on the allocation of profits or another funds or payment of losses;
- decision to quote participating securities of CPI Alfa for trading on European regulated market and to repeal such quotes;
- decision to liquidate the Company's by insolvency;
- appointment and removal of a liquidator;
- approval of the proposed distribution of the liquidation value;
- approval of disposal, lease or pledge of the business or such part of it that would cause a substantial change in the existing structure of the business or substantial change in the core business or activities of CPI Alfa;
- decision on taking the effects of actions made on behalf of the Company prior its incorporation;
- approval of the contract on a silent partnership including of the approval of its changes and cancellation;
- other decisions that Act No. 90/2012 Coll. or the Articles of Association confer powers on the General Meeting.

The General Meeting is quorate if present shareholders have shares with a nominal value of at least 30% of the Company's share capital. The General Meeting decides by majority vote of shareholders present, unless the Business Corporation Act, another law regulation or Articles of Association of CPI Alfa require a different type of majority.

Further modifications to the action and decision-making of the General Meeting, as well as the participation of shareholders in the General Meeting and the rights of shareholder at the General Meeting, the manner of convening the General Meeting, and the replacement General Meeting are governed by the Articles of Association of CPI Alfa.

Supervisory Board of CPI Alfa

The Supervisory Board is a supervisory body of CPI Alfa and is governed by the principles approved by the General Meeting on condition that these principles are not in conflict with the Business Corporation Act of Articles of Association.

The Supervisory Board oversees the performance of the Board of Directors and the Company's business.

The Supervisory Board is entitled, in particular, to:

- review the ordinary, extraordinary, consolidated and interim financial statements and the proposed distribution of profits or payment of losses and to submit its observations to the General Meeting,
- check all documents and records relating to the activities of CPI Alfa and to check whether the accounting records are properly kept in accordance with the facts and whether the business activities of CPI Alfa are conducted in accordance with the laws and Articles of Association.

The Supervisory Board consists of one member.

The structure, constitution and term of the Supervisory Board, convening meetings of the Supervisory Board, the session of the Supervisory Board and the duties of Supervisory Board members are governed by the Articles of Association of CPI Alfa.

Members of the Supervisory Board of CPI Alfa as of 31 December 2014:

Milan Trněný, since 28 January 2014

As at 31 December 2014 Mr. Milan Trněný acts as a member of the Supervisory board or the board of directors of the following entities which are significant from the perspective of the Company:

Member of the Supervisory board:

SG - Industry, a.s., BAYTON Gama, a.s., Český Těšín Property Development, a.s., Verneřický Angus a.s., BPT Development, a.s., Nymburk Property Development, a.s., CPI - Facility, a.s., Carpenter Invest, a.s., Zámek Bezdrůžice, a.s. v likvidaci, Rejko, a.s., Brinkley, a.s., Lavagna, a.s., CPI - Real Estate, a.s., Romney, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Rampino, a.s., Wanchai, a.s., Garribba, a.s., CPI - Orlová, a.s., CPI Retail TWO, a.s., Darvall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Mercuda, a.s., Svitavy Property Development, a.s., Telč Property Development, a.s., LD Praha, a.s., Duggetti, a.s., Vigano, a.s., Státnice Property Development, a.s., Garreta, a.s., Wang, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Husson, a.s., Oghwell, a.s., Margulius, a.s., Třinec Property Development, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantalá, a.s., Tabcorp, a.s., Barkana, a.s., Brandýs Logistic, a.s., Soprem, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., CPI - Horoměřice, a.s., Sidoti, a.s., Wingera, a.s., Muleti, a.s., Jeseník Property Development, a.s., Scampia, a.s., CPI Reality, a.s., FL Property Development, a.s., IGY2 CB, a.s., Best Properties South, a.s., Vyškov Property Development, a.s., Marissa Sigma, a.s., Marissa West, a.s., Marissa Tau, a.s., Strakonice Property Development, a.s., Leterme, a.s., Přikopy Property Development, a.s., Tolimír, a.s., Pelhřimov Property Development, a.s., Saleya, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., Baudry, a.s., CPI - Štupartská, a.s., Beroun Property Development, a.s., Vila Anička, a.s., Camuzzi, a.s., Malerba, a.s., CPI - Land Development, a.s., Farhan, a.s., Feldman, a.s., CPI - Krásné Březno, a.s., Sexton, a.s., Cobham, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., Kerina, a.s., Gartmore, a.s., CPI Park Žďárek,

a.s., CPI - Zbraslav, a.s., Jeseník Investments, a.s., CPI Park Mlýnec, a.s., CPI City Center ÚL, a.s., OC Nová Zdobov a.s., CPI Alfa, a.s., CPI Beta, a.s., Hraničář, a.s., CPI Services, a.s., CPI Delta, a.s., STRM Property, a.s., CB Property Development, a.s., MB Property Development, a.s., Olomouc City Center, a.s., Rivaroli, a.s., Zacari, a.s., Mondello, a.s., Materiali, a.s., Robberg, a.s., Austenit, a.s., Marissa Yellow, a.s., Marissa Omega, a.s., Marissa Epsilon, a.s., Marissa Ióta, a.s., Marissa Omikrón, a.s., Marissa North, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Marissa South, a.s., Marissa East, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Marissa Delta, a.s., Marissa Lambda, a.s., Modřanská Property, a.s., Svitavy Property Alfa, a.s., Guerrera, a.s., Beroun Property Alfa, a.s., Baudry Beta, a.s., VERETIX a.s., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., Kroměříž Property Development, a.s., Karviná Property Development, a.s., CURITIBA a.s., Děčínská zemědělská a.s., Českolipská zemědělská a.s., PG-Hazlov a.s., Novergo, a.s., Czech Property Investments, a.s., Baudry Alfa, a.s., Farma Ploučnice a.s., CPI Epsilon, a.s., Spojené farmy a.s., s.r.o., CPI Hotels Properties, a.s., CPI HOLDING, SE, CPI Flats, a.s., BAYTON Delta, a.s., BAYTON Alfa, a.s., CPI Retail Portfolio I, a.s., CPI Lambda, a.s., GRANDHOTEL ZLATÝ LEV a.s., Czech Property Development, a.s., Vinice Property Development a.s., CPI – Bor, a.s., VM Property Development, a.s., Marissa, a.s., Pastviny a.s., Farmy Frýdlant a.s., ETO, a.s., CPI Retails ONE, a.s.

Member of the board of directors:

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

Board of Directors of CPI Alfa

The Board of Directors is a statutory body that manages the business activities of CPI Alfa. The Board of Directors is governed by the principles approved by the General Meeting on condition that these principles are not in conflict with the Business Corporation Act of Articles of Association. The Board of Directors decides on all matters of CPI Alfa that are not defined by law, the Articles of Association of CPI Alfa or public authority's decision reserved for another bodies of the Company.

In particular, the Board of Directors:

- ensures proper accounting;
- submits to the General Meeting the ordinary, extraordinary, consolidated and interim financial statements and the proposed distribution of profits or payment of losses.

The Board of Directors consists of two members.

The Board is quorate when its meeting is attended by all members of the Board. For decisions on all matters discussed at the meeting of the Board, the consent of all members of the Board is required.

The structure, constitution and term of the Board of Directors, convening meetings of the Board of Directors, the session of the Board of Directors and the duties of Board of Directors members are governed by the Articles of Association of CPI Alfa.

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

Zdeněk Havelka, member since 21 March 2012

Martin Němeček, member since 25 September 2012

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

Baudry, a.s., PV – Cvikov, s.r.o., ZEMSPOL s.r.o., JAGRA spol. s r.o., Český Těšín Property Development, a.s., Veneřický Angus a.s., Agrome s.r.o., CPI Palmovka Office, s.r.o., HD Investments s.r.o., Nymburk Property Development, a.s., BPT Development, a.s., Czech Property Investments, a.s., Prague Property Development, s.r.o., MULTICREDIT GROUP a.s., BAYTON Gama, a.s., Třinec Investments, s.r.o., Rolnická Skalná s.r.o., SPO-ZEM Nový Kostel s.r.o., Příbor Property Development, s.r.o., CD Property s.r.o., Zámek Bezdrůžice, a.s., Rejko, a.s., Best Properties South, a.s., Rampino, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Wanchai, a.s., Garribba, a.s., CPI – Orlová, a.s., Balvinder, a.s., Brinkley, a.s., CPI – Real Estate, a.s., Romney, a.s., Husson, a.s., Ogwell, a.s., Margulius, a.s., Airport City, s.r.o., CPI Retail MB s.r.o., CPI Retail Portfolio VI, s.r.o., U svatého Michala, a.s., Telč Property Development, a.s., LD Praha, a.s., Duggetti, a.s., Svitavy Property Development, a.s., FL Property Development, a.s., CPI Reality, a.s., Třinec Property Development, a.s., Tabcorp, a.s., Barkana, a.s., CPI Group, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantala, a.s., Brandýs Logistic, a.s., Soprem, a.s., Mendesa, a.s., Vogra, a.s., Zordiac, a.s., CPI Retail Portfolio VII, s.r.o., Statenice Property Development, a.s., Garreta, a.s., Wang, a.s., CPI Retails TWO, a.s., Darwall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Mercuda, a.s., Muleti, a.s., Jeseník Property Development, a.s., Scampia, a.s., CPI – Horoměřice, a.s., Sidoti, a.s., Wingera, a.s., Vedant, a.s., Turati, a.s., Carpenter Invest, a.s., Biohovězí s.r.o., CPI Národní, s.r.o., CPI Heli, s.r.o., Strakonice Property Development, a.s., CPI Retail Portfolio IV, s.r.o., Vyškov Property Development, a.s., Biochov s.r.o., Marissa Sigma, a.s., Marissa West, a.s., Marissa Tau, a.s., Ekodružstvo Severozápad, družstvo, CPI – Facility, a.s., RL – Management s.r.o., CPI Park Žďárek, a.s., Gartmore, a.s., CPI – Zbraslav, a.s., Jeseník Investments, a.s., Kerina, a.s., Farhan, a.s., Feldman, a.s., CPI – Krásné Březno, a.s., Sexton, a.s., Cobham, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., CPI Park Mlýnec, a.s., CPI City Center ÚL, a.s., IGY2 CB, a.s., Vigano, a.s., M.T.J. Consulting, a.s., Hraničář, a.s., CPI Delta, a.s., CPI Alfa, a.s., CPI Beta, a.s., OC Nová Zdaboř

a.s., CPI Services, a.s., Pietroni, s.r.o., STRM Property, a.s., CB Property Development, a.s., MB Property Development, a.s., Marissa Yellow, a.s., Marissa Omega, a.s., Marissa Epsilon, a.s., Marissa Ióta, a.s., Marissa Omikrón, a.s., Olomouc City Center, a.s., VERETIX a.s., Austentit, a.s., Marissa Delta, a.s., Marissa Lambda, a.s., Marissa North, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Marissa South, a.s., Marissa East, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Cerrini, s.r.o., Robberg, a.s., CPI Retail Portfolio III, s.r.o., Svitavy Property Development, a.s., Guerrera, a.s., Beroun Property Alfa, a.s., Baudry Beta, a.s., Modřanská Property, a.s., Zelená louka, s.r.o., HAINES, s.r.o., CPI Meteor Centre, s.r.o., CPI East, s.r.o., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., CPI West, s.r.o., Kroměříž Property Development, a.s., Karviná Property Development, a.s., CURITIBA a.s., Děčínská zemědělská a.s., Českolipská zemědělská a.s., PG-Hazlov a.s., Novegro, a.s., CPI Retail Portfolio VIII s.r.o., Týniště Property Development, s.r.o., CPI Retails ONE, a.s., Arkáda Prostějov, s.r.o., Leterme, a.s., Příkopy Property Development, a.s., Tolimir, a.s., Vila Anička, a.s., Camuzzi, a.s., Malerba, a.s., CPI – Land Development, a.s., Pelhřimov Property Development, a.s., Saleya, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., Baudry, a.s., CPI – Štupartská, a.s., Beroun Property Development, a.s., CPI Management, s.r.o., CPI Property, s.r.o., Farma Ploučnice a.s., CPI South, s.r.o., CPI Epsilon, a.s., CPI Lambda, a.s., Spojené farmy a.s., Czech Property Development, a.s., ABLON s.r.o., GRANDHOTEL ZLATÝ LEV a.s., Vinice Property Development a.s., CPI North, s.r.o., VM Property Development, a.s., MUXUM, a.s., CPI – Bor, a.s., Quadrio Residence, s.r.o., Naturland s.r.o., CPI Hotels Properties, a.s., CPI HOLDING, SE, CPI Flats, a.s., BAYTON Delta, a.s., BAYTON Alfa, a.s., Platnéřská 10 s.r.o., OC Spectrum, s.r.o., CPI Retail Portfolio I, a.s., Farmy Frýdlant a.s., Pastviny a.s., Angusland s.r.o., EMH West, s.r.o., Marissa, a.s., EMH South, s.r.o., EMH North, s.r.o., Biopotraviny s.r.o., Společenství vlastníků pro dům u Stadionu 21, Agro 2014 s.r.o., Společenství vlastníků Purkyňova 2120/5, Praha 1, ETO, a.s., Biopark s.r.o.

Management board

ZIBA, o.p.s.

As at 31 December 2014 Mr. Martin Němeček acts as a member of the board of directors of the following entities which are significant from the perspective of the Company:

Prague Property Development, s.r.o., BAYTON Gama, a.s., ZEMSPOL s.r.o., JAGRA spol. s r.o., Verneřický Angus a.s., Agrome s.r.o., CPI Palmovka Office, s.r.o., HD Investment s.r.o., BPT Development, a.s., CPI – Facility, a.s., Rolnická Skalná s.r.o., SPO-ZEM Nový Kostel s.r.o., Příbor Property Development, s. r.o., Biohovězí s.r.o., Limagro s.r.o., Carpenter Invest, a.s., Březiněves, a.s., HAINES s.r.o., CD Property s.r.o., Rejko, a.s., Brinkley, a.s., CPI – Real Estate, a.s., Romney, a.s., Felisa, a.s., Sistina, a.s., Žďár Property Development, a.s., Čáslav Investments, a.s., Trutnov Property Development, a.s., Salaman, a.s., Rampino, a.s., Wanchai, a.s., Garibba, a.s., CPI – Orlová, a.s., Balvinder, a.s., CPI Retails TWO, a.s., Darvall, a.s., Appiana, a.s., Ždírec Property Development, a.s., Konkola, a.s., Svitavy Property Development, a.s., Telč Property Development, a.s., LD Praha, a.s., Duggetti, a.s., U svatého Michala, a.s., CPI Retail MB s.r.o., CPI Retail Portfolio VI, s.r.o., Vigano, a.s., CPI Retail Portfolio V, s.r.o., CPI Retail Portfolio VII, s.r.o., Statenice Property Development, a.s., Garreta, a.s., Wang, a.s., Conradian, a.s., Komeya, a.s., Idrama, a.s., Rosenfeld, a.s., Lockhart, a.s., Huryana, a.s., Husson, a.s., Ogwell, a.s., Margulius, a.s., Třinec Property Development, a.s., Jetřichovice Property, a.s., Yosana, a.s., Tantalá, a.s., Tabcorp, a.s., Barkana, a.s., CPI Group, a.s., Brandýs Logistic, a.s., Soprem, a.s., Mendesa, a.s., Vorga, a.s., Zordiac, a.s., CPI – Horoměřice, a.s., Sidotí, a.s., Wingera, a.s., Muleti, a.s., Jeseník Property Development, a.s., Scampia, a.s., CPI Reality, a.s., FL Property Development, a.s., IGY2 CB, a.s., Best Properties South, a.s., Vyškov Property Development, a.s., Marissa Sigma, a.s., Marissa West, a.s., Marissa Tau, a.s., Ekodružstvo Severozápad, družstvo, RL - Management s.r.o., Biochov s.r.o., Airport City s.r.o., Strakonice Property Development, a.s., Leterme, a.s., Příkopy Property Development, a.s., Tolimir, a.s., Pelhřimov Property Development, a.s., Saleya, a.s., Tandis, a.s., Benjina, a.s., Bandar, a.s., CPI – Štupartská, a.s., Beroun Property Development, a.s., Vila Anička, a.s., Camuzzi, a.s., CPI – Land Development, a.s., Farhan, a.s., Feldman, a.s., CPI – Krásné Březno, a.s., Sexton, a.s., Cobham, a.s., Olomouc Office, a.s., CPI Retail Portfolio II, a.s., Kerina, a.s., Gartmore, a.s., CPI Park Žďárek, a.s., CPI – Zbraslav, a.s., Jeseník Investments, a.s., CPI Park Mlýnec, a.s., CPI City Center ÚL, a.s., CPI Alfa, a.s., CPI Beta, a.s., Hraničář, a.s., CPI Services, a.s.,

CPI Delta, a.s., Pietroni, s.r.o., STRM Property, a.s., CB Property Development, a.s., MB Property Development, a.s., Olomouc City Center, a.s., Cerrini, s.r.o., Robberg, a.s., CPI Retail Portfolio III, s.r.o., Austenit, a.s., Marissa Yellow, a.s., Marissa Omega, a.s., Marissa Epsilon, a.s., Marissa Ióta, a.s., Marissa Omikrón, a.s., Marissa North, a.s., Marissa Ypsilon, a.s., Marissa Kappa, a.s., Marissa South, a.s., Marissa East, a.s., Marissa Gama, a.s., CPI Jihlava Shopping, a.s., Marissa Théta, a.s., Marissa Delta, a.s., Marissa Lambda, a.s., Svitavy Property Alfa, a.s., Guerrera, a.s., Beroun Property Alfa, a.s., Baudry Beta, a.s., VERETIX a.s., Zelená louka s.r.o., CPI Meteor Centre, s.r.o., CPI Národní, s.r.o., CPI East, s.r.o., CPI Shopping Teplice, a.s., CPI Shopping MB, a.s., CPI West, s.r.o., Kroměříž Property Development, a.s., Karviná Property Development, a.s., CURITIBA a.s., Děčínská zemědělská a.s., Českolipská zemědělská a.s., PG-Hazlov a.s., Novegro, a.s., CPI Heli, s.r.o., Arkáda Prostějov, s.r.o., Baudry Alfa, a.s., PV – Cvikov s.r.o., CPI Property, s.r.o., Třinec Investments, s.r.o., Farma Ploučnice a.s., CPI Epsilon, a.s., Spojené farmy a.s., Farma Svitavka s.r.o., Zelená pastva s.r.o., Českolipská farma s.r.o., CPI Retail Portfolio VIII s.r.o., Quadrio Residence, s.r.o., Naturland s.r.o., CPI Hotels Properties, a.s., CPI Flats, a.s., BAYTON Delta, a.s., BAYTON Alfa, a.s., OC Spektrum, s.r.o., Biopotraviny s.r.o., CPI South, s.r.o., CPI Lambda, a.s., CPI North, s.r.o., GRANDHOTEL ZLATÝ LEV a.s., Czech Property Development, a.s., ABLON s.r.o., CPI – Bor, a.s., MUXUM, a.s., Angusland s.r.o., Zelená farma s.r.o., EMH North, s.r.o., EMH South, s.r.o., EMH West, s.r.o., Pastviny, a.s., Farmy Frýdlant a.s., ETO, a.s., Biopark s.r.o., Týniště Property Development, s.r.o., CPI Retails ONE, a.s., Agro 2014 s.r.o., Společenství vlastníků Purkyňova 2120/5, Praha 1

Management

The Management of the Company was the Board of Directors of CPI Alfa in 2014.

The workplace of the Management – members of the Board of Directors of CPI Alfa – is Prague 1, Václavské náměstí 1601/47, 110 00.

Principles of Remuneration for Members of the Supervisory Board and Board of Directors

CPI Alfa does not have any fixed principles for remuneration of the Supervisory Board members and the Board of Directors. The General Meeting of CPI Alfa 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. Members of the Supervisory Board and the Board of Directors of CPI Alfa did not have any monetary or non-monetary income in 2014.

Members of the Supervisory Board, the Board of Directors and persons close to them do not own any shares issued by CPI Alfa and they are not contractual parties to any option or similar contracts, the underlying assets of which are participating securities issued by CPI Alfa, and no such contracts have been concluded to their benefit.

Given that CPI Alfa has no employees and therefore not executives within the meaning of the Labour Code, no bonuses were paid to executives.

Statement

They are no conflicts of interest for members of the Supervisory Board and the Board of Directors of CPI Alfa.

Internal Control System and Risk Report

CPI Alfa has not established any committees for audit or a separate unit of internal audit. Control of internal processes falls fully within the competences and responsibilities of the members of the Board of Directors. As part of the internal control, members of the Board of Directors of CPI Alfa are responsible for the following:

- Reliability and sharing of information;
- Compliance with generally binding legal regulations and internal regulations;
- Safeguarding of property and proper use of resources;
- Achievement of set objectives.

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

Credit Risk

Credit risk refers to the risk of losses, to which CPI Alfa is exposed in the event that third parties (e.g. tenants) fail to fulfill their obligation toward the Company arising from their mutual financial or business relationships. CPI Alfa is exposed to the credit risk above all in leasing of properties (primarily trade receivables). The company regularly monitors its receivables towards the tenants to minimize this risk.

Liquidity Risk

Liquidity risk refers to the risk of short-term lack of liquid funds to cover outstanding liabilities of the Company, i.e. in case of CPI Alfa, this is particularly a risk arising from the issued bonds and trade liabilities. The Company uses various planning tools to monitor liquidity risk of shortage of financial resources. These tools include:

- maintaining a sufficient amount of liquid resources;
- projections of future cash flows from operations.

Market Risk

The market risk includes the possibility of a negative development of the asset value due to unexpected changes in the underlying market parameters such as exchange rates or interest rates. Given the fact that all transactions of CPI Alfa are denominated in national currency and issued bonds bear fixed interest yields, the risk of exchange rate and interest rate risk is minimal.

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

Dependence of CPI Alfa on rental properties

Due to the fact that CPI Alfa operates only in the rental property, its financial results depend on the existence of tenants who are able to properly and timely pay the agreed rent and maintain the properties owned by CPI Alfa. If there was a significant loss of tenants, this fact could negatively affect the economic and financial situation of CPI Alfa.

Dependence of CPI Alfa in the payment of rent

CPI Alfa is dependent on the timely and proper payment of the rent and other payments from the tenants. Future returns will depend largely on the time remaining until expiration of leases with key tenants and the solvency of the key tenants. CPI Alfa believes that it has taken appropriate steps to protect itself from the above-mentioned risks by the estimation of risk solvency of its tenants and by the inclusion of the necessary arrangements in the lease agreements. If there was a default of tenants (current or future) to CPI Alfa, this could have a negative impact on the ability of CPI Alfa to meet its financial obligations.

Risk of early termination of the lease of the current and future tenants

Lease agreements concluded between the CPI Alfa and the individual tenants include a number of provisions for the event of breach of the contract. Certain lease agreements entered into between CPI Alfa and each tenant may contain provisions relating to the termination. Any premature termination by the lessee could have a material impact on the financial results of CPI Alfa.

Risks associated with low liquidity of real estate

The risk of investing in real estate is related to their low liquidity. Unlike financial assets, the sale of real estate may be more difficult and long-term matter which may adversely affect the profitability of investments in real estate. Any delays in the sales process or reduction of the sales price of such property as a result of bad timing of the sale, may have an adverse impact on the financial results of CPI Alfa.

The risks to the tenants

Risk of tenants of real estate owned by CPI Alfa may affect CPI Alfa. Risk factors threatening the tenant may indirectly affect the ability of CPI Alfa to meet its financial obligations.

Risk of damage to property and the need for sudden repairs

In the event that the properties owned by CPI Alfa are substantially damaged due to natural or any other unforeseen event or a sudden need for repairs occurs, it is possible that it can significantly decrease their market value. The same effect can occur if CPI Alfa does not properly maintain the properties, whether from a lack of liquidity or other reasons.

The risks associated with insurance of CPI Alfa

CPI Alfa has entered into property insurance for their most important assets. CPI Alfa cannot guarantee that the costs associated with any by natural or other unpredictable events will have a negative impact on its assets and the economic and financial situation of CPI Alfa since insurance does not provide full coverage of all the risks associated with real estate owned by CPI Alfa.

The risk of a conflict of interest between the shareholder and bondholder of CPI Alfa

CPI Alfa cannot exclude that in the future there will be no change in strategy and that its shareholder or any of the members of the Group begins to take steps (mergers, transactions, acquisitions, distributions, sale of assets,

etc.), which can be conducted with a view to benefit the Group as a rather than in favour of CPI Alfa. Such changes may have a significant impact on the economic situation of CPI Alfa.

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, CPI Alfa would be limited, for an indefinite time, in the disposal of its property, which could adversely affect the financial situation of CPI Alfa.

Corporate Governance Code

CPI Alfa did not adopt a binding corporate governance code. CPI Alfa complies with all provisions of the Commercial Code relating to the shareholder rights - particularly to their right to influence CPI Alfa in matters such as the election of members of the Board of Directors and changes in the Articles of Incorporation. CPI Alfa duly convenes General Meetings and ensures equal treatment of all shareholders. In carrying out its statutory duties, CPI Alfa regularly reports on its financial situation, performance, ownership and management. Above and beyond its statutory duties, it regularly reports on all significant matters affecting its business. The reason, why the CPI Alfa did not create or adopt any Code, is mainly the fact that the shares issued by CPI Alfa are not publicly traded and the existing simple shareholder structure with a sole shareholder.

REPORT ON CPI ALFA

Company CPI Alfa

CPI Alfa, a.s., with its registered office at Prague 1, Vladislavova 1390/17, Postal Code 110 00, Company Identification Number 242 82 111, was established on 21 March 2012 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 Alfa valid as of 31 December 2014, the subject of business is:

- Rental of properties, residential and non- residential premises.

CPI Alfa was registered in the Commercial Register kept by the Municipal Court in Prague, Section B, File 18133. Documents are filed in the collection of documents and in the registered office of the Company.

Contact details

CPI Alfa, 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,
www.cpialfa.cz

The Company's registered office address changed from Pohořelec 112/24, Nové Město, 110 00 Praha 1 to Vladislavova 1390/17, Nové Město, 110 00 Praha 1, the change in Commercial register was made on 30 January 2014.

The parent company of CPI Alfa is the company Czech Property Investments, a.s., with its registered office at Prague 1, Václavské náměstí 1601/47, postcode 110 00, Company Identification Number 427 16 161 that prepares consolidated financial statements and consolidated annual report in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) as adopted by the European Union.

CPI Alfa is not dependent upon other entities within CPI PROPERTY GROUP.

No public bid for the takeover of CPI Alfa shares was made in 2013. CPI Alfa did not make any public bids for takeover of shares of other companies and its business was not interrupted. CPI Alfa was not involved in any judicial, administrative or arbitration proceedings which could have had a significant impact on its financial situation.

CPI Alfa 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, based on which it would be bound to provide consideration in the event of the termination of their office or employment in connection of a takeover bid.

CPI Alfa did not create any programs, on the basis of which 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.

Economic Development in the Czech Republic

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

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

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

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

Retail Market in the Czech Republic

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

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

Property Valuation

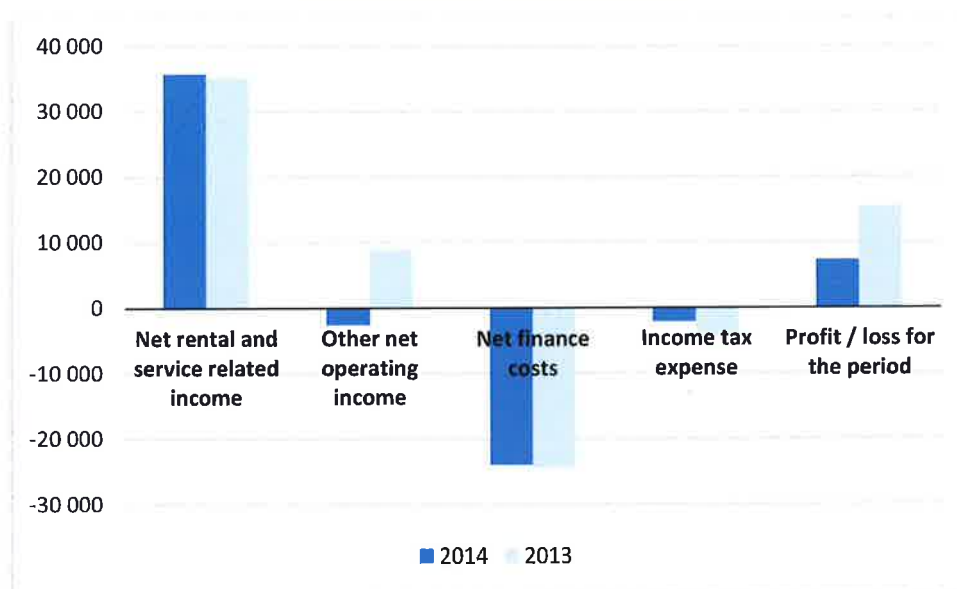
The financial statements of CPI Alfa as of 31 December 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, which include the application of the fair value method. Since the Investment properties owned by CPI Alfa must be stated at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

The property portfolio valuation is based on a report issued by DTZ. DTZ is a global leader in property services. The organization has more than 28,000 employees, operating in more than 260 offices in 502 countries and offers a complete range of tailored services on any scale, across multiple service lines and geographies. In the Czech Republic provides occupiers and investors on a local, regional and international scale with industry leading, end to end property solutions. DTZ in the Czech Republic has over 80 employees operating across 2 offices.

Earnings and Balance Sheet Analysis

For the year ended 31 December 2014, CPI Alfa reported a profit in the amount of TCZK 7,228 (31 December 2013 - TCZK 15,425).

Chart 1 Structure of Profit/Loss (in TCZK)



Total asset amounted to TCZK 392,794 as at 31 December 2014 (31 December 2013 - TCZK 393,791). The largest share of the total asset is represented by investment property amounting TCZK 383,800 (31 December 2013 - TCZK 383,800).

Chart 2 Structure of Assets (in TCZK)

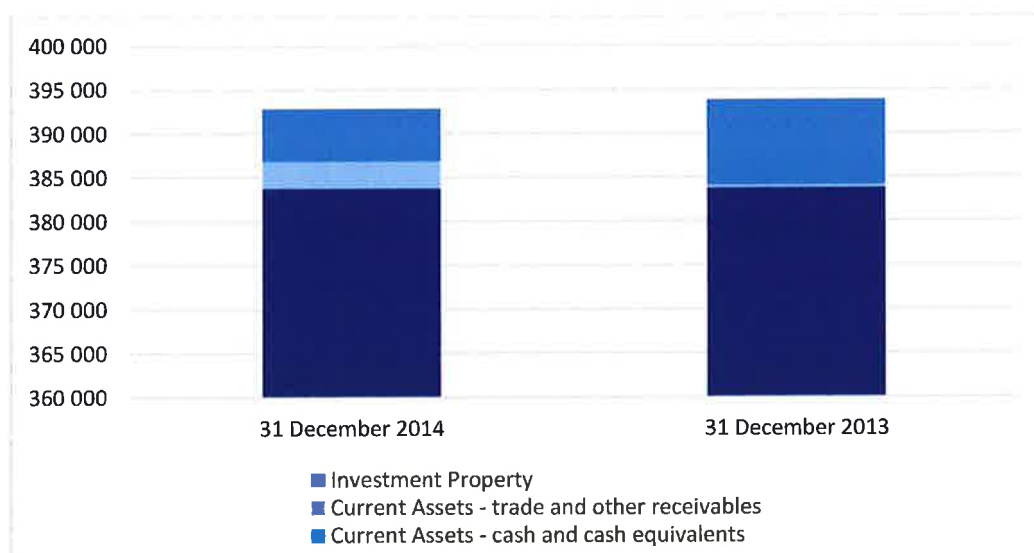
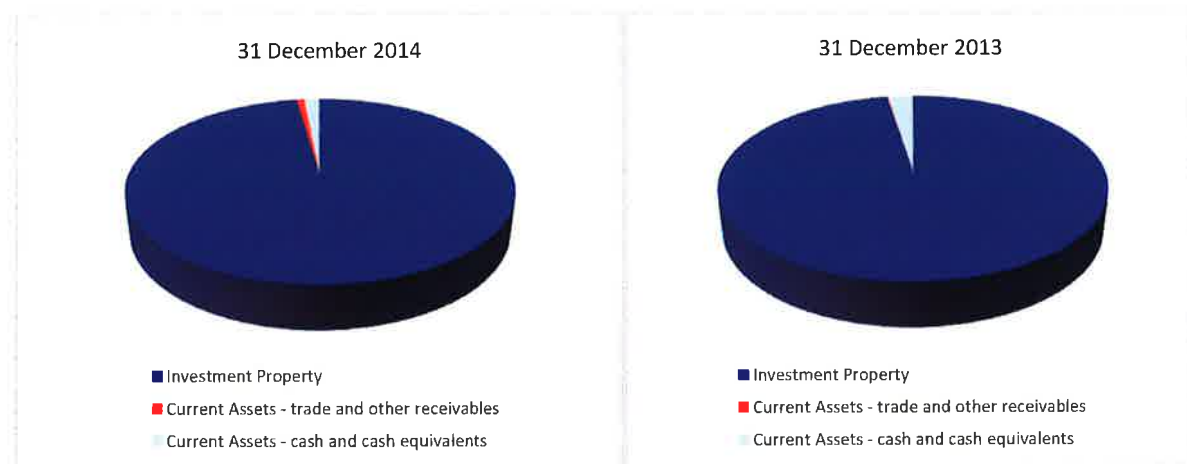


Chart 3 Structure of Assets (in %)



Total liabilities amounted TCZK 345,000 as at 31 December 2014 (31 December 2013 - TCZK 353,225). The largest share of total liabilities is represent issued bonds in the total amount of TCZK 277,617 (31 December 2013 - TCZK 276,276).

Chart 4 Structure of Equity and Liabilities (in TCZK)

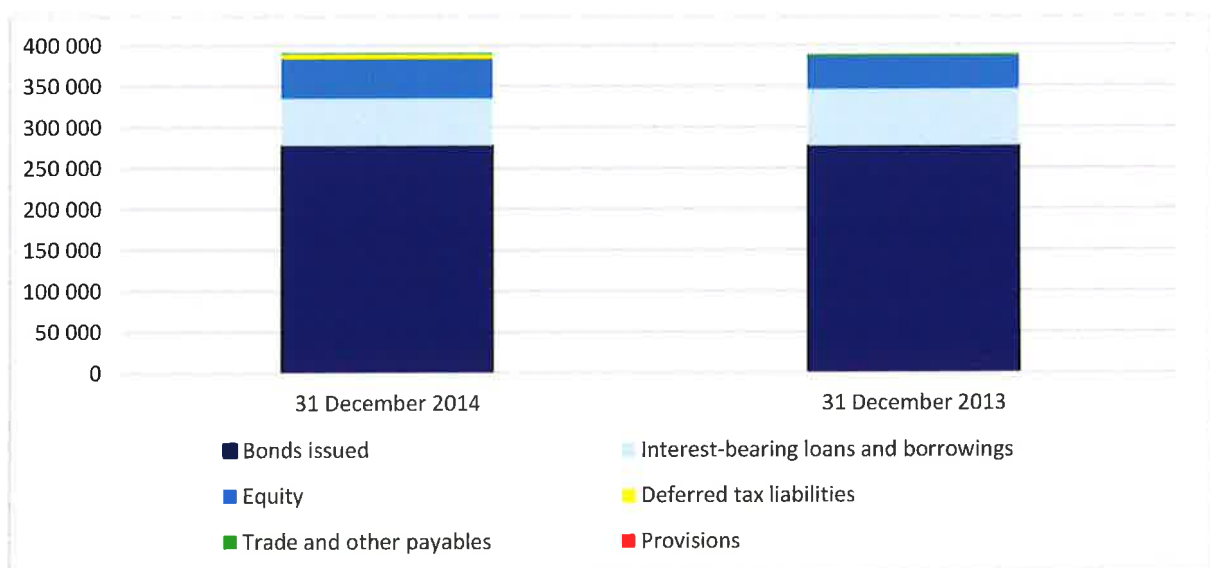
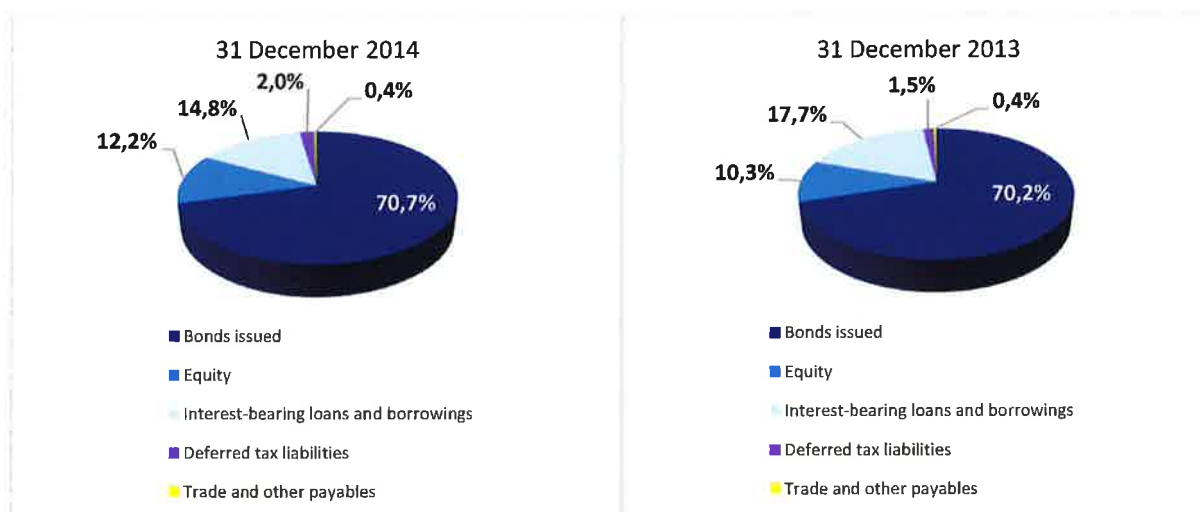


Chart 5 Structure of Equity and Liabilities (in %)



Financing

Data on Bonds

CPI Alfa issued following bonds:

| | |
|-----------------------------------|--|
| ISIN | CZ0003502205 |
| Date of Issue | 26 October 2012 |
| Maturity Date | 26 October 2017 |
| Nominal Value of 1 Bond | CZK 1.00 |
| Number of Issued Bonds | 279,000,000 |
| Total Nominal Value | CZK 279,000,000.00 |
| Number of Subscribed Bonds | 279,000,000 |
| Interest Rate | 5.5% pa |
| Security Kind | owner/bearer |
| Security Form | dematerialized |
| Interests Payment | quarterly retrospectively always by 26 January, 26 April, 26 July and 26 October |
| Prospectus Approval | decision of the Czech National Bank Ref. No. 2012/10125/570 of 22 October 2012 which came into force on 22 October 2012 |
| Security | shares issued by CPI Alfa and all properties held by CPI Alfa, guarantee statement provided by the parent company Czech Property Investments, a.s. |
| Market | Prague Stock Exchange, Corporate sector Market |

Information on Equity

Data on Shares

Shares of CPI Alfa, a.s. are common shares in the form of paper certificates, issued to the bearer, the nominal value is CZK 100,000 per share. The total nominal value of the issue is CZK 2,000,000. 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 Alfa are pledged in favor of the company Raiffeisenbank a.s. as a security of the issued bonds. 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 Alfa 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 of 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 Alfa are not traded on any public or regulated domestic or foreign market.

Data on Share Capital

The share capital of CPI Alfa is CZK 2,000,000 and it is divided into 20 shares with a nominal value of CZK 100,000 per share.

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

Shareholder structure of CPI as of 31 December 2014:

| Shareholder | Share in share capital |
|----------------------------------|------------------------|
| Czech Property Investments, a.s. | 100.00% |
| Total | 100.00% |

CPI Alfa is not aware of any information about agreements between the shareholders that may make the transferability of shares or voting rights more difficult.

Data on Equity

The value of equity as of 31 December 2014 is TCZK 47,794 and it consists of: share capital (TCZK 2,000), capital funds (TCZK 25,000) and accumulated profit (TCZK 20,794).

Outlook

As a SPV, CPI Alfa has been incorporated for acquisition, holding and renting of its own properties. In the following years, the business activities of CPI Alfa will concentrate on maintaining of full valuable relations with its tenants and on proper facility and property management. This aim shall ensure sufficient income for covering of its liabilities and for creating of a required profit.

Similarly to the current year, the Company does not plan any major capital expenditures in 2015.

Other

Research and Development

With regard to the content of the business activities of CPI Alfa, it is not engaged in research and development of new products or procedures.

Environment and Human Resources

CPI Alfa does not endanger the environment with its activities.

Branches abroad

CPI Alfa does not have any branches abroad.

Fees Charged by Auditors

In 2014, the following audit fees were charged (excluding VAT):

| | Audit of financial statements and annual report in TCZK |
|----------------|---|
| CPI Alfa, a.s. | 300 |
| Total | 300 |

Prague, 20 April 2015



Zdeněk Havelka

Member of the Board of Directors

CPI Alfa, a.s.

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

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

processed

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

the Board of Directors by the company CPI Alfa, a.s.
the registration number: 242 82 111, seated in: Praha 1, Vladislavova 1390/17,
incorporated in the Commercial register kept by the Municipal Court in Prague,
Section B, File 18133

Contents:

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

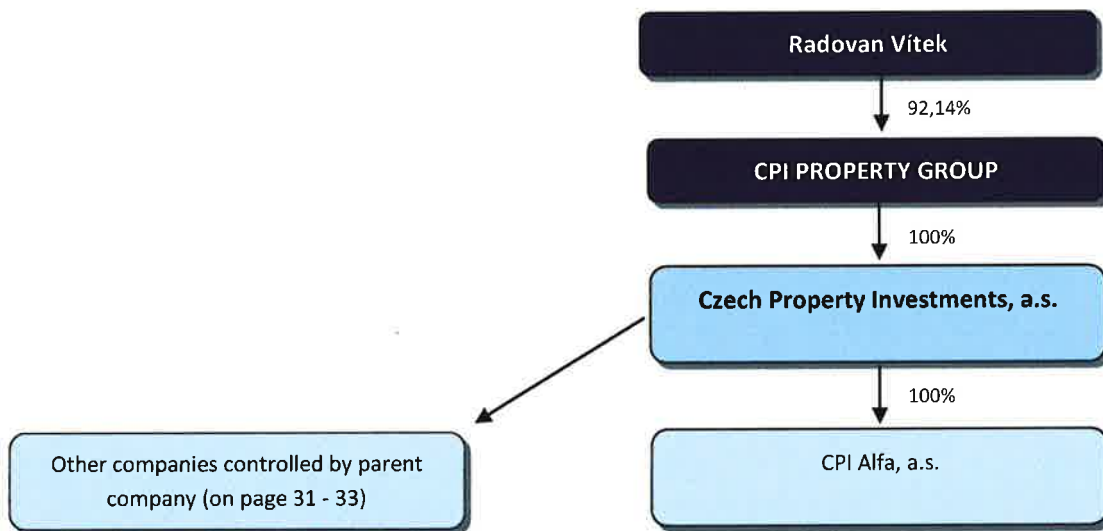
Prague, 31 March 2015

I.
Preamble

Report is processed by the Board of Directors of the company CPI Alfa, a.s. by § 82 (2a) of the Act No. 90/2012 Sb., the Business Corporation Act, as amended.

Report is processed for the financial year 2014.

II.
Structure of relations between controlling and controlled entities and relations between the controlled entity and entities controlled by the same entity



Company:

Corporate name: CPI Alfa, a.s.
Corporate address: Praha 1, Vladislavova 1390/17, 110 00
Registration number: 242 82 111
File number: B 18133
Legal form: joint-stock company

The subject of business:

- rental of properties, residential and non-residential premises.

Statutory body - the Board of directors

Member of the Board of directors: Zdeněk Havelka

Member of the Board of directors: Martin Němeček

Share capital: 2 000 000 Kč
Paid: 100%

(hereinafter "Controlled entity" or „Subsidiary“)

The role of the Controlled entity is a rental of properties, residential and non-residential premises.

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

Company controlling the subsidiary

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

The subject of business:

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

Statutory body – the Board of directors:

Member of the Board of directors: Kristína Magdolenová

Member of the Board of directors: Zdeněk Havelka

Share capital: 6 186 996 800 Kč

The sole shareholder: CPI PROPERTY GROUP

(hereinafter „Parent company” or „Controlling entity”).

Companies controlled by Parent company directly or indirectly – this companies are included “CPI Group” (see the table on page 31 – 33)

(hereafter „Other controlled entities“)

Company controlling the Parent company

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

The subject of business:

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

Statutory body – the Board of directors

Chairman of the Board of directors: Edward Hughes

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

Share capital: 330 376 830,00 EUR

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

III.

Overview of proceeding which were made at the instigation of or in the interest of the controlling entity; overview of mutual agreements between the controlled entity and the controlling entity or between entities controlled by the same controlling entity; relations with other companies in CPI group; judgement of the Board of directors over advantages and disadvantages resulting for controlling entity within CPI group; statement of prejudice.

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

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

B. Overview of mutual agreements between the controlled and controlling entity or between entities controlled by the same controlling entity

- The Loan agreement with the company Czech Property Investments, a.s. from 1 October 2012.
- The Management agreement with the company CPI Management, s.r.o. from 1 October 2012.

C. Relations with other companies within CPI group

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

D. Other Legal Acts

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

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

During the last financial period, no measurements were implemented, no supplies were provided and no considerations were received in the interest of or at the instigation of Controlling entity or entities controlled by the same Controlling entity.

The value of transactions between related parties is set out in the notes to the financial statements of CPI Alfa, a.s. for 2014. The Board of Directors of the Controlled Entity considers that CPI Alfa, a.s. benefits mainly from administrative, legal and financial support provided by CPI group. Also the Board of Directors considers that from the point of CPI Alfa, a.s. there are not any of disadvantages resulting from being a part of CPI group.

F. Loss suffered

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

IV. Conclusion

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

CPI Alfa, a.s.
Zdeněk Havelka
Member of the Board of Directors

Other companies controlled by the parent company

| Companies controlled by Czech Property Investments a.s. - Czech Republic | Ownership interest % | Companies controlled by Czech Property Investments a.s. - Czech Republic | Ownership interest % |
|---|-------------------------|---|-------------------------|
| ABLON s.r.o. | 100.00 | CPI West, s.r.o. | 100.00 |
| Airport City s.r.o. | 100.00 | CURITIBA, a.s. | 100.00 |
| Arkáda Prostějov, s.r.o. | 100.00 | Čáslav Investments, a.s. | 100.00 |
| Balvinder, a.s. | 100.00 | Český Těšín Property Development, a.s. | 100.00 |
| Baudry Alfa, a.s. | 100.00 | Družstvo Land | 100.00 |
| Baudry Beta, a.s. | 100.00 | EMH North, s.r.o. | 100.00 |
| Baudry, a.s. | 100.00 | EMH South, s.r.o. | 100.00 |
| BAYTON Alfa, a.s. | 100.00 | EMH West, s.r.o. | 100.00 |
| BAYTON Delta, a.s. | 100.00 | Farhan, a.s. | 100.00 |
| BAYTON Gama, a.s. | 86.50 | FL Property Development, a.s. | 100.00 |
| Beroun Property Alfa, a.s. | 100.00 | HD Investment s.r.o. | 100.00 |
| Beroun Property Development, a.s. | 100.00 | Hraničář, a.s. | 100.00 |
| Best Properties South, a.s. | 100.00 | IGY2 CB, a.s. | 100.00 |
| BPT Development, a.s. | 100.00 | Jeseník Investments, a.s. | 100.00 |
| Brandýs Logistic, a.s. | 100.00 | Kerina, a.s. | 100.00 |
| Březiněves, a.s. | 100.00 | LD Praha, a.s. | 100.00 |
| Camuzzi, a.s. | 100.00 | Lockhart, a.s. | 100.00 |
| Carpenter Invest, a.s. | 100.00 | Malerba, a.s. | 100.00 |
| CB Property Development, a.s. | 100.00 | Marissa Delta, a.s. | 100.00 |
| CD Property s.r.o. | 100.00 | Marissa East, a.s. | 100.00 |
| Conradian, a.s. | 100.00 | Marissa Epsilon, a.s. | 100.00 |
| CPI - Bor, a.s. | 100.00 | Marissa Gama, a.s. | 100.00 |
| CPI - Facility, a.s. | 100.00 | Marissa Iota, a.s. | 100.00 |
| CPI - Krásné Březno, a.s. | 100.00 | Marissa Kappa, a.s. | 100.00 |
| CPI - Land Development, a.s. | 100.00 | Marissa Lambda, a.s. | 100.00 |
| CPI - Orlová, a.s. | 100.00 | Marissa North, a.s. | 100.00 |
| CPI - Real Estate, a.s. | 100.00 | Marissa Omega, a.s. | 100.00 |
| CPI - Štupartská, a.s. | 100.00 | Marissa Omikrón, a.s. | 100.00 |
| CPI - Zbraslav, a.s. | 100.00 | Marissa Sigma, a.s. | 100.00 |
| CPI Alfa, a.s. | 100.00 | Marissa South, a.s. | 100.00 |
| CPI Beta, a.s. | 100.00 | Marissa Tau, a.s. | 100.00 |
| CPI BYTY, a.s. | 100.00 | Marissa Théta, a.s. | 100.00 |
| CPI City Center ÚL, a.s. | 100.00 | Marissa West, a.s. | 100.00 |
| CPI Delta, a.s. | 100.00 | Marissa Yellow, a.s. | 100.00 |
| CPI East, s.r.o. | 100.00 | Marissa Ypsilon, a.s. | 100.00 |
| CPI Epsilon, a.s. | 100.00 | Marissa, a.s. | 100.00 |
| CPI Flats, a.s. | 100.00 | MB Property Development, a.s. | 100.00 |
| CPI Group, a.s. | 100.00 | Modřanská Property, a.s. | 100.00 |
| CPI Heli, s.r.o. | 100.00 | MUXUM, a.s. | 100.00 |
| CPI Hotels Properties, a.s. | 100.00 | Nymburk Property Development, a.s. | 100.00 |
| CPI Jihlava Shopping, a.s. | 100.00 | OC Nová Zdobov a.s. | 100.00 |
| CPI Lambda, a.s. | 100.00 | OC Spektrum, s.r.o. | 100.00 |
| CPI Management, s.r.o. | 100.00 | Olomouc City Center, a.s. | 100.00 |

| Companies controlled by Czech Property Investments a.s. - Czech Republic | Ownership interest % |
|---|-------------------------|
| CPI Meteor Centre, s.r.o. | 100.00 |
| CPI Národní, s.r.o. | 100.00 |
| CPI North, s.r.o. | 100.00 |
| CPI Palmovka Office, s.r.o. | 100.00 |
| CPI Park Mlýnec, a.s. | 100.00 |
| CPI Park Žďárek, a.s. | 100.00 |
| CPI Property, s.r.o. | 100.00 |
| CPI Reality, a.s. | 100.00 |
| CPI Retail MB s.r.o. | 100.00 |
| CPI Retail Portfolio I, a.s. | 100.00 |
| CPI Retail Portfolio II, a.s. | 100.00 |
| CPI Retail Portfolio III, s.r.o. | 100.00 |
| CPI Retail Portfolio IV, s.r.o. | 100.00 |
| CPI Retail Portfolio V, s.r.o. | 100.00 |
| CPI Retail Portfolio VI, s.r.o. | 100.00 |
| CPI Retail Portfolio VII, s.r.o. | 100.00 |
| CPI Retail Portfolio VIII s.r.o. | 100.00 |
| CPI Retail ONE, a.s. | 100.00 |
| CPI Retail TWO, a.s. | 100.00 |
| CPI Services, a.s. | 100.00 |
| CPI Shopping MB, a.s. | 100.00 |
| CPI Shopping Teplice, a.s. | 100.00 |
| CPI South, s.r.o. | 100.00 |

| Companies controlled by Czech Property Investments a.s. - Czech Republic | Ownership interest % |
|---|-------------------------|
| Olomouc Office, a.s. | 100.00 |
| Pelhřimov Property Development, a.s. | 100.00 |
| Platněšská 10 s.r.o. | 100.00 |
| Prague Property Development, s.r.o. | 100.00 |
| Příbor Property Development, s.r.o. | 100.00 |
| Příkopy Property Development, a.s. | 100.00 |
| Quadrio Residence, s.r.o. | 100.00 |
| Statenice Property Development, a.s. | 100.00 |
| Strakonice Property Development, a.s. | 100.00 |
| Svitavy Property Alfa, a.s. | 100.00 |
| Svitavy Property Development, a.s. | 100.00 |
| Telč Property Development, a.s. | 100.00 |
| Trutnov Property Development, a.s. | 100.00 |
| Třinec Investments, s.r.o. | 100.00 |
| Třinec Property Development, a.s. | 100.00 |
| Týniště Property Development, s.r.o. | 100.00 |
| U Svatého Michala, a.s. | 100.00 |
| VERETIX, a.s. | 100.00 |
| Vigano, a.s. | 100.00 |
| VM Property Development, a.s. | 100.00 |
| Vyškov Property Development, a.s. | 100.00 |
| Žďár Property Development, a.s. | 100.00 |
| Ždírec Property Development, a.s. | 100.00 |

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

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

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

| Companies controlled by Czech Property Investments a.s. - Poland | Ownership interest % |
|---|-------------------------|
| GARET Investments sp. z o.o. | 100.00 |
| Prosta 69 Sp. z o.o. | 100.00 |
| SPH Properties Sp. z o.o. | 100.00 |

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

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

| Companies controlled by Czech Property Investments a.s. - Cyprus | Ownership interest % |
|---|-------------------------|
| ALAMONDO LIMITED | 100.00 |
| Avacero Ltd. | 100.00 |
| AVIDANO LIMITED | 100.00 |
| BREGOVA LIMITED | 100.00 |
| Codiazella Ltd | 100.00 |

| Companies controlled by Czech Property Investments a.s. - Cyprus | Ownership interest % |
|---|-------------------------|
| JONVERO LIMITED | 100.00 |
| LERIEGOS LIMITED | 100.00 |
| MESARGOSA LIMITED | 100.00 |
| OSMANIA LIMITED | 100.00 |
| PRINGIPO LIMITED | 100.00 |

| Companies controlled by | Ownership interest % | Companies controlled by | Ownership interest % |
|--|----------------------|--|----------------------|
| Czech Property Investments a.s. - Cyprus | | Czech Property Investments a.s. - Cyprus | |
| CPI CYPRUS LIMITED | 100.00 | SASHKA LIMITED | 100.00 |
| DERISA LIMITED | 100.00 | SHAHEDA LIMITED | 100.00 |
| DORESTO LIMITED | 100.00 | TUNELIA LIMITED | 100.00 |
| GOMENDO LIMITED | 100.00 | Volanti Ltd. | 100.00 |
| GORANDA LIMITED | 100.00 | ZLATICO LIMITED | 100.00 |
| ISTAFIA LIMITED | 100.00 | | |
| Czech Property Investments a.s. - Slovak Republic | | Czech Property Investments a.s. - Slovak Republic | |
| 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 | Office Center Poštová, s.r.o. | 100.00 |
| CPI Retails THREE, a.s. | 100.00 | Považská Bystrica Property Development, a.s. | 100.00 |
| Čadca Property Development, s.r.o. | 100.00 | Prievidza Property Development, a.s. | 100.00 |
| ELAMOR, a.s. | 100.00 | Ružomberok Property Development, a.s. | 100.00 |
| Komárno Property Development, a.s. | 100.00 | Trebišov Property Development, s.r.o. | 100.00 |
| Liptovský Mikuláš Property Development, a.s. | 100.00 | Zvolen Property Development, a.s. | 100.00 |
| Czech Property Investments a.s. - British Virgin Island | | | |
| CPI FINANCE (BVI) LIMITED | 100.00 | | |
| Czech Property Investments a.s. - Ireland | | | |
| CPI Finance Ireland Limited | 100.00 | | |
| Czech Property Investments a.s. - Netherland | | | |
| CPI Finance Netherlands B.V. | 100.00 | | |
| Czech Property Investments a.s. - France | | Czech Property Investments a.s. - France | |
| CPI FRANCE aSASU | 100.00 | CPI IMMO, S.a.r.l. | 100.00 |
| Czech Property Investments a.s. - Guernsey | | | |
| CPI Management International Limited | 100.00 | | |
| Czech Property Investments a.s. - Luxembourg | | Czech Property Investments a.s. - Luxembourg | |
| ENDURANCE ASSET, S.á r.l | 100.00 | Polma 1 S.á r.l | 100.00 |
| Radovan Vitek – Czech Republic | | Radovan Vitek – Czech Republic | |
| Cerrini, s.r.o. | 100.00 | Rivaroli, a.s. | 100.00 |
| Materali, a.s. | 100.00 | Robberg, a.s. | 100.00 |
| Mondello, a.s. | 100.00 | Vila Šárka, a.s. | 100.00 |
| ZIBA Art s.r.o. | 100.00 | Zacari, a.s. | 100.00 |
| Pietroni, s.r.o. | 100.00 | ZIBA, o.p.s. | zakladatel |

FINANCIAL STATEMENTS

Individual Financial Statements as of 31 December 2014

- Statement of financial position
- Statement of comprehensive income
- Statement of cash flows
- Statement of changes in equity
- Notes to the Financial Statements

Financial statements as at 31 December 2014



CPI Alfa, a.s.

Statement of financial position

| | Note | 31 December 2014 | 31 December 2013 |
|---------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment property | 3.1 | 383 800 | 383 800 |
| Total non-current assets | | 383 800 | 383 800 |
| Current assets | | | |
| Trade and other receivables | 3.2 | 3 077 | 321 |
| Cash and cash equivalents | 3.3 | 5 917 | 9 670 |
| Total current assets | | 8 994 | 9 991 |
| TOTAL ASSETS | | 392 794 | 393 791 |
| EQUITY | | | |
| Share capital | 3.4 | 2 000 | 2 000 |
| Other reserves | 3.4 | 25 000 | 25 000 |
| Retained earnings | | 20 794 | 13 566 |
| Total equity | | 47 794 | 40 566 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 3.5 | 55 000 | 67 800 |
| Bonds issued | 3.6 | 274 761 | 273 420 |
| Deferred tax liabilities | 3.9 | 7 953 | 5 864 |
| Total non-current liabilities | | 337 714 | 347 084 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 3.5 | 3 045 | 1 733 |
| Bonds issued | 3.6 | 2 856 | 2 856 |
| Trade and other payables | 3.7 | 1 385 | 1 552 |
| Provisions | 3.8 | -- | -- |
| Total current liabilities | | 7 286 | 6 141 |
| Total liabilities | | 345 000 | 353 225 |
| TOTAL EQUITY AND LIABILITIES | | 392 794 | 393 791 |

Notes to financial statements on page 6 to 35 are integral part of these financial statements.

CPI Alfa, a.s.

Financial statements for the year ended 31 December 2014 in thousand Czech crowns (TCZK)

Statement of comprehensive income

| | Note | For the year ended | |
|--|------|--------------------|------------------|
| | | 31 December 2014 | 31 December 2013 |
| Gross rental income | 4.1 | 36 380 | 35 808 |
| Property operating expenses | 4.2 | -645 | -557 |
| Net rental and service related income | | 35 735 | 35 251 |
| Administrative expenses | 4.3 | -2 069 | -2 217 |
| Net valuation gain / (loss) on investment property | 4.4 | -425 | 11 050 |
| Other income | | -- | 50 |
| Other expenses | | -2 | -7 |
| Results from operating activities | | 33 239 | 44 127 |
| Finance income | 4.5 | -- | 32 |
| Finance costs | 4.6 | -23 922 | -24 436 |
| Net finance costs | | -23 922 | -24 404 |
| Profit before income tax | | 9 317 | 19 723 |
| Income tax expense | 4.7 | -2 089 | -4 298 |
| Profit from continuing operations | | 7 228 | 15 425 |
| Profit for the period | | 7 228 | 15 425 |
| Other comprehensive income / (expense) for the period, net of tax | | -- | -- |
| Total comprehensive income for the period | | 7 228 | 15 425 |
| Profit attributable to owners | | 7 228 | 15 425 |
| Total comprehensive income attributable to owners | | 7 228 | 15 425 |
| Earnings per share | | | |
| Basic earnings per share (CZK) | 3.4 | 361 | 771 |
| Diluted earnings per share (CZK) | 3.4 | 361 | 771 |

Notes to financial statements on page 6 to 35 are integral part of these financial statements.

Statement of cash flows

| | Note | For the year ended | |
|---|-----------|--------------------|------------------|
| | | 31 December 2014 | 31 December 2013 |
| Cash flows from operating activities | | | |
| Profit before income tax | | 9 317 | 19 723 |
| <i>Adjusted by:</i> | | | |
| (Gain) / loss on investment property revaluation | 4.4 | 425 | -11 050 |
| Net finance costs | 4.7 | 23 922 | 24 404 |
| Profit before tax after adjustments | | 33 664 | 33 077 |
| Changes in trade receivables | 3.2 | -2 756 | 389 |
| Changes in liabilities | 3.1 & 3.7 | -592 | -7 130 |
| Changes in provision | 3.8 | -- | -38 |
| Net cash from operating activities | | 30 316 | 26 298 |
| Cash flow from investing activities | | | |
| Interest received | | -- | 63 |
| Net cash flow from investing activities | | -- | 63 |
| Cash flow from financing activities | | | |
| Repayments of loans and borrowings and long term payables | 3.5 | -12 800 | -- |
| Interest paid | 3.5 & 3.6 | -21 269 | -25 639 |
| Net cash used in financing activities | | -34 069 | -25 639 |
| Net increase / (decrease) in cash and cash equivalents | | -3 753 | 722 |
| Cash and cash equivalents at beginning of the year | | 9 670 | 8 948 |
| Cash and cash equivalents at the end of the year | | 5 917 | 9 670 |

Notes to financial statements on page 6 to 35 are integral part of these financial statements.

Statement of changes in equity

2014

| | Share capital | Other capital funds | Retained earnings | Total equity |
|---|---------------|---------------------|-------------------|--------------|
| Balance at 1 January 2014 | 2 000 | 25 000 | 13 566 | 40 566 |
| Profit for the period | -- | -- | 7 228 | 7 228 |
| Total comprehensive income for the period | -- | -- | 7 228 | 7 228 |
| Balance at 31 December 2014 | 2 000 | 25 000 | 20 794 | 47 794 |

2013

| | Share capital | Other capital funds | Retained earnings | Total equity |
|---|---------------|---------------------|-------------------|--------------|
| Balance at 1 January 2013 | 2 000 | 25 000 | -1 859 | 25 141 |
| Profit for the period | -- | -- | 15 425 | 15 425 |
| Total comprehensive income for the period | -- | -- | 15 425 | 15 425 |
| Balance at 31 December 2013 | 2 000 | 25 000 | 13 566 | 40 566 |

Notes to financial statements on page 6 to 35 are integral part of these financial statements.

Notes to the Financial Statements

1 General information

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

The Company was established on 21 March 2012 and was incorporated in the Commercial register kept by the Municipal Court in Prague. The registration number of the Company is 242 82 111.

The address of its registered office is Vladislavova 1390/17, Nové Město, 110 00 Praha 1.

Principal activities

The Company rents and manages its investment property portfolio composed of retail parks.

Shareholder

The sole shareholder of the Company is Czech Property Investments, a.s. (hereafter “CPI a.s.”) with its registered office - Václavské náměstí 1601/47, 110 00 Praha 1, Czech Republic. The registration number of the sole shareholder is 427 16 161. The Company is part of consolidated group of Czech Property Investments, a.s. (hereafter “the Group”), which is controlled by CPI PROPERTY GROUP, located at 40, rue de la Vallée, L-2661 Luxembourg, Grand-Duchy of Luxembourg.

The CPI a.s.’s share is fully pledged as a security for issued bonds (note 3.6)

Management as at 31 December 2014

Board of Directors

Members

Zdeněk Havelka, since 21 March 2012
Martin Němeček, since 25 September 2012

Supervisory Board

Members

Milan Trněný, since 28 January 2014

Changes in the Board of Directors and the Supervisory Board

Milan Trněný was removed as a member of the Board of Directors since 28 January 2014, the change in Commercial register was made on 30 January 2014.

Josef Štolba was removed as a member of the Supervisory Board since 28 January 2014, the change in Commercial register was made on 30 January 2014.

Pavel Semrád was removed as a member of the Supervisory Board since 28 January 2014, the change in Commercial register was made on 30 January 2014.

Radan Kamenický was removed as a member of the Supervisory Board since 28 January 2014, the change in Commercial register was made on 30 January 2014.

Milan Trněný was appointed as a member of the Supervisory Board with effective date 28 January 2014, the change in Commercial register was made on 30 January 2014.

The Company’s registered office address changed from Pohořelec 112/24, Nové Město, 110 00 Praha 1 to Vladislavova 1390/17, Nové Město, 110 00 Praha 1, the change in Commercial register was made on 30 January 2014.

as at 31 December 2013

Board of Directors

Supervisory Board

Members

Members

Zdeněk Havelka, since 21 March 2012

Josef Štolba, since 25 September 2012

Milan Trněný, since 21 March 2012

Pavel Semrád, since 25 September 2012

Martin Němeček, since 25 September 2012

Radan Kamenický, since 25 September 2012

Employees

The Company has no employees as at 31 December 2014 (as at 31 December 2013 – no employees).

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

(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 authorised for issue by the Board of Directors on 20 April 2015.

(b) New standards

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

- Amendments to IFRS 10, Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. This amendment has no impact to the Company, as the Company has no subsidiary.
- IAS 32, Financial Instruments: Presentation – Amendments to IAS 32. These amendments to IAS 32 do not have any impact to the Company, they clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Company.
- IAS 39, Financial Instruments: Recognition and Measurement – Amendments to IAS 39. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Company as the Company has not novated its derivatives during the current or prior periods.
- IAS 36, Impairment of Assets – Amendments to IAS 36. The amendment introduced disclosure requirements regarding the recoverable amount of impaired assets in case that amount is based on fair value less costs of disposal. IAS 36 require to disclose the recoverable amounts of assets or cash-generating units, for which an impairment loss has been recognised or reversed during the period in the interim financial statements. These amendments have no impact on the Company.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these financial statements.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. It is very likely to affect the Company's accounting treatment of financial instruments. The Company is yet to assess IFRS 9's full impact.
- IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The Company is not currently subject to significant levies. The adoption of the interpretation has had no significant effect on the financial statements for earlier periods and on the interim financial statements for the period ended 30 June 2014. The Company does not expect IFRIC 21 to have a significant effect on the results for the financial year ending 31 December 2014.

(c) Basis of measurement

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

- investment property is measured at fair value;
- financial instruments measured at fair value or amortised costs.

(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 results of which form the basis of judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The 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 assumptions, estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the notes:

- 2.2 (b) – Investment property;
- 5.5 – Financial instruments and fair values.

2.2 Significant accounting policies

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

a) Foreign currency

(i) Functional currency

Functional currency of the Company is Czech Crown, it is the currency of the primary economic environment in which the entity operates and majority of its transactions are carried in this currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of 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) 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 2014 and 2013 respectively.

c) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon 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.

Other 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(j).

d) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise loans provided, trade and other receivables, and cash and cash equivalents.

The Company initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including financial assets 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 asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

Loans provided

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

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

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

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

Trade and other receivables

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

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 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.

(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. The 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 contractual cash flows of the financial liability.

Interest-bearing loans, borrowings and bonds issued

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.

Bank overdrafts form an integral part of the Company's cash management.

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 and bonds that is due within one year from the date of the statement of financial position.

Transaction costs

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

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

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.

e) 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 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) 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.

(ii) Non - financial assets

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

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

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

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

f) 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.

g) Guaranties provided

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

h) Revenue

(i) Rental income

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

i) 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.

j) Finance income and finance costs

Finance income comprises interest income on bank interest and interest on provided loans.

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, borrowings and bonds issued and bank charges.

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.

k) Income tax

Income tax on the profit or loss 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 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 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.

l) 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.

m) 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.

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 cost 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 – retail. In respect of geographical segments, all activities are carried out in the Czech Republic.

n) 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 The accounting period

The financial statements of the Company are prepared for accounting period from 1 January 2014 till 31 December 2014. The 2013 is comparative information in the statement of comprehensive income, cash flow statement and statement of changes in equity.

3 Statement of financial position

3.1 Investment property

At 31 December 2014

| | Retail | Total |
|------------------------------------|----------------|----------------|
| Balance at 1 January 2014 | 383 800 | 383 800 |
| Other additions | 425 | 425 |
| Valuation loss | -425 | -425 |
| Balance at 31 December 2014 | 383 800 | 383 800 |

At 31 December 2013

| | Retail | Total |
|------------------------------------|----------------|----------------|
| Balance at 1 January 2013 | 372 750 | 372 750 |
| Valuation gain | 11 050 | 11 050 |
| Balance at 31 December 2013 | 383 800 | 383 800 |

Investment property represents retail portfolio in Dobříš, Holešov, Holice, Rýnovice u Jablonce nad Nisou, Liberec, Říčany, Semily, Tanvald and Turnov.

Investment property portfolio was purchased from unrelated party on October 2012 with current tenants (note 4.1).

All investment property is pledged as a security for issued bonds.

Fair value measurement of investment property

(a) Fair value hierarchy

The Company's investment properties were valued at 31 December 2014 by independent professionally qualified valuer, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Company's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes.

The independent valuer provides appraisal of the Company's investment property annually.

At 1 January 2014 the fair value measurement for investment property of TCZK 383 800 has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

(b) Level 3 fair value

Reconciliation from the opening balances at 1 January 2014 to the closing balances at 31 December 2014 for Level 3 fair values is shown in the following table:

| | |
|------------------------------------|----------------|
| Balance at 1 January 2014 | 383 800 |
| Additions | 425 |
| Changes in fair value | -425 |
| Balance at 31 December 2014 | 383 800 |

(c) Valuation technique and significant unobservable inputs

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|------------------------------|---------------------------------|---|
| Income capitalisation method | | <i>The estimated fair value would increase (decrease) if:</i> |
| | - net operating income | - expected net operating income were higher (lower) |
| | - capitalisation rate (yield) | - expected capitalisation rate were lower (higher) |

Income capitalisation method - application guidance provided by IVSC, www.ivsc.org

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The difference between gross and net rental income includes expense categories such as vacancy, non recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. When using the income capitalisation method, the mentioned expenses have to be included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised.

(d) Sensitivity analysis

The following assumptions in determining the fair value were used:

At 31 December 2014

| | |
|--|--------|
| Net rental income for 12 months period | 36 380 |
| - Yield | 9,48% |

At 31 December 2013

| | |
|--|--------|
| Net rental income for 12 months period | 35 808 |
| - Yield | 9,33% |

The table below presents the sensitivity of the valuation of the investment property to the changes in the most significant assumptions underlying the valuation:

At 31 December 2014

| | Change in fair value by |
|-------------------------------|-------------------------|
| Increase in net rental by 10% | 38 380 |
| Decrease in net rental by 10% | -38 380 |
| Increase in Yield by 50 bp | -19 231 |
| Decrease in Yield by 50 bp | 21 372 |

At 31 December 2013

| | Change in fair value by |
|-------------------------------|-------------------------|
| Increase in net rental by 10% | 38 380 |
| Decrease in net rental by 10% | -38 380 |
| Increase in Yield by 50 bp | -19 522 |
| Decrease in Yield by 50 bp | 21 733 |

3.2 Trade and other receivables

Current

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Trade receivables due from third parties | 677 | 321 |
| Advances paid (note 7.1) | 1 607 | -- |
| Prepaid expenses | 793 | -- |
| Total current receivables | 3 077 | 321 |

3.3 Cash and cash equivalents

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Bank balances | 5 858 | 9 610 |
| Cash on hand | 59 | 60 |
| Total cash and cash equivalents | 5 917 | 9 670 |

The Company has no restricted cash as at 31 December 2014 and 31 December 2013.

3.4 Equity

Changes in equity

The statement of changes in equity is presented on the face of the financial statements.

Share capital

Share capital of the Company as at 31 December 2014 consists of 20 shares (as at 31 December 2013 – 20 shares), each with a nominal value of TCZK 100 (as at 31 December 2013 – TCZK 100).

Share capital as at 31 December 2014 was TCZK 2 000 (as at 31 December 2013 – TCZK 2 000). All shares are the same type (ordinary registered shares) and fully paid-up.

Other reserves

Other reserves consist of owners contribution of TCZK 25 000 (as at 31 December 2013 – TCZK 25 000).

Earnings per share

Basic earnings per share in 2014

Profit attributable to ordinary shareholders

| | Continuing operations | Discontinued operations | Total |
|--|-----------------------|-------------------------|--------------|
| Net profit attributable to ordinary shareholders for the year ended 31 December 2014 | 7 228 | -- | 7 228 |
| Net profit attributable to ordinary shareholders | 7 228 | -- | 7 228 |

Weighted average number of ordinary shares

| | pcs | Weight | Weighted average |
|--|-----|--------|------------------|
| Issued ordinary shares at 31 December 2013 | 20 | 1,0000 | 20 |
| Issued ordinary shares at 31 December 2014 | 20 | 1,0000 | 20 |
| Weighted average number of ordinary shares at 31 December 2014 | | | 20 |
| Earnings per share 2014 | | | 361 |

Basic earnings per share in 2013

Profit attributable to ordinary shareholders

| | Continuing operations | Discontinued operations | Total |
|--|-----------------------|-------------------------|---------------|
| Net profit attributable to ordinary shareholders for the year ended 31 December 2013 | 15 425 | -- | 15 425 |
| Net profit attributable to ordinary shareholders | 15 425 | -- | 15 425 |

Weighted average number of ordinary shares

| | pcs | Weight | Weighted average |
|--|-----|--------|------------------|
| Issued ordinary shares at 31 December 2012 | 20 | 1,0000 | 20 |
| Issued ordinary shares at 31 December 2013 | 20 | 1,0000 | 20 |
| Weighted average number of ordinary shares at 31 December 2013 | | | 20 |
| Earnings per share 2013 | | | 771 |

Diluted earnings per share in 2014**Profit attributable to ordinary shareholders (diluted)**

| | Continuing operations | Discontinued operations | Total |
|---|-----------------------|-------------------------|--------------|
| Net profit/(loss) attributable to ordinary shareholders for the year ended 31 December 2014 | 7 228 | -- | 7 228 |
| Net profit attributable to ordinary shareholders | 7 228 | -- | 7 228 |
| Diluted earnings per share 2014 | -- | -- | 361 |

Diluted earnings per share in 2013**Profit attributable to ordinary shareholders (diluted)**

| | Continuing operations | Discontinued operations | Total |
|--|-----------------------|-------------------------|---------------|
| Net profit attributable to ordinary shareholders for the year ended 31 December 2013 | 15 425 | -- | 15 425 |
| Net profit attributable to ordinary shareholders | 15 425 | -- | 15 425 |
| Diluted earnings per share 2013 | | | 771 |

3.5 Interest bearing loans and borrowings

Non-current

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Loans from related parties | 55 000 | 67 800 |
| Total non-current interest bearing loans and borrowings | 55 000 | 67 800 |

Current

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Loans from related parties | 3 045 | 1 733 |
| Total current interest bearing loans and borrowings | 3 045 | 1 733 |

The loan was provided by the parent company CPI a.s. and bears fixed interest of 10 % p.a. The current part of a loan TCZK 3 045 (31 December 2013 - TCZK 1 733) represents unpaid interests only. The principal amount of the loan TCZK 55 000 (31 December 2013 - TCZK 67 800) is due as a whole on 31 December 2017.

The detailed split as at 31 December 2014 can be summarized as follows:

| | Currency | Nominal interest rate | Due within 1 year | Due within 1-5 years | Due in following years | Total |
|-----------------------------------|----------|-----------------------|-------------------|----------------------|------------------------|---------------|
| Loans from related parties | | | | | | |
| Czech Property Investments, a.s. | CZK | 10 % p.a. | 3 045 | 55 000 | -- | 58 045 |
| Total | | | 3 045 | 55 000 | -- | 58 045 |

The detailed split as at 31 December 2013 can be summarized as follows:

| | Currency | Nominal interest rate | Due within 1 year | Due within 1-5 years | Due in following years | Total |
|-----------------------------------|----------|-----------------------|-------------------|----------------------|------------------------|---------------|
| Loans from related parties | | | | | | |
| Czech Property Investments, a.s. | CZK | 10 % p.a. | 1 733 | 67 800 | -- | 69 533 |
| Total | | | 1 733 | 67 800 | -- | 69 533 |

3.6 Bonds issued

| | 31 December 2014 | | 31 December 2013 | |
|---|---------------------|----------------|---------------------|----------------|
| | No. of bonds issued | Value | No. of bonds issued | Value |
| Non-current | | | | |
| Proceeds from issued bonds - CPI Alfa, a.s. (1) | 279 000 000 | 279 000 | 279 000 000 | 279 000 |
| Less: transaction cost | -- | -4 239 | -- | -5 580 |
| Total non-current | 279 000 000 | 274 761 | 279 000 000 | 273 420 |
| Current | | | | |
| Accrued interest on bonds - CPI Alfa, a.s. | -- | 2 856 | -- | 2 856 |
| Total current | -- | 2 856 | -- | 2 856 |
| Total bonds issued | 279 000 000 | 277 617 | 279 000 000 | 276 276 |

(1) CPI Alfa bonds were issued on 26 October 2012 and mature on 26 October 2017. The nominal value of each bond is CZK 1. The Company could issue bonds up to maximum value of TCZK 279 000.

Bonds were issued as bearer notes in listed form (registered in the Central Securities Depository, ISIN CZ0003502205). The prospectus was approved by the decision of the Czech National Bank on 22 October 2012, reference number 2012/10125/570 effective on 22 October 2012. Bonds were accepted for trading at the Prague Stock Exchange.

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.

Collateral

In order to secure the obligations arising from bonds issued the Company or its parent company respectively pledged following assets as collateral:

- investment property;
- shares in CPI Alfa, a.s.

Any liabilities arising from issued bonds are guaranteed by CPI a.s., the sole shareholder of CPI Alfa, a.s.

Covenants

Issued bonds are subject to a number of covenants. All covenant ratios have been complied for the year ending 31 December 2014.

3.7 Trade and other payables

Current

| | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| Trade payables due to third parties | 363 | 681 |
| Advances received | 499 | 220 |
| Value added tax payables | 523 | 651 |
| Total current trade and other payables | 1 385 | 1 552 |

3.8 Provisions

| | 2014 | 2013 |
|-----------------------------------|-----------|-----------|
| Balance at 1 January | -- | 38 |
| Provisions created in the period | -- | -- |
| Provisions utilised in the period | -- | -38 |
| Balance at 31 December | -- | -- |

3.9 Deferred tax

Recognized deferred tax assets and liabilities

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

| | Assets | | Liabilities | | Net | |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| Investment property | -- | -- | -7 953 | -5 864 | -7 953 | -5 864 |
| Deferred tax liabilities | -- | -- | -7 953 | -5 864 | -7 953 | -5 864 |
| Set-off of tax | -- | -- | -- | -- | -- | -- |
| Net tax liabilities | -- | -- | -7 953 | -5 864 | -7 953 | -5 864 |

Unrecognized deferred tax assets

Deferred tax assets were not recognized in respect of the following item:

| | 31 December 2014 | 31 December 2013 |
|--------------------------------|------------------|------------------|
| Tax losses carried-forward | 1 894 | 1 757 |
| Unrecognized tax assets | 1 894 | 1 757 |

Deferred tax from the tax loss for the year 2012 of TCZK 1 176 will expire in 2017, deferred tax from the tax loss for the year 2013 of TCZK 439 expire in 2018 and deferred tax from the tax loss for the year 2014 of TCZK 279 will expire in 2019. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

Movements in the temporary differences during the period**2014**

| | Balance at 31 December 2013 | Recognised in profit or loss | Balance at 31 December 2014 |
|---------------------|-----------------------------|------------------------------|-----------------------------|
| Investment property | -5 864 | -2 089 | -7 953 |
| Total | -5 864 | -2 089 | -7 953 |

2013

| | Balance at 31 December 2012 | Recognised in profit or loss | Balance at 31 December 2013 |
|---------------------|-----------------------------|------------------------------|-----------------------------|
| Investment property | -1 566 | -4 298 | -5 864 |
| Total | -1 566 | -4 298 | -5 864 |

4 Statement of comprehensive income

4.1 Gross rental income

| | 31 December 2014 | 31 December 2013 |
|----------------------------------|------------------|------------------|
| Total gross rental income | 36 380 | 35 808 |

Gross rental income includes income from rental of 9 supermarkets. These supermarkets are leased to Billa and Penny Market retail chains.

Rental contracts are concluded till 2023. No service charges are invoiced to tenants.

4.2 Property operating expenses

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Repairs and maintenance | -521 | -430 |
| Property insurance expenses | -124 | -127 |
| Total property operating expenses | -645 | -557 |

4.3 Administrative expenses

| | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| Service provided based on mandate contracts (1) | -1 151 | -1 118 |
| Audit, tax and advisory services | -401 | -247 |
| Legal services | -31 | -702 |
| Lease and rental expenses | -483 | -148 |
| Other administrative expenses | -3 | -2 |
| Total administrative expenses | -2 069 | -2 217 |

(1) Services provided based on mandate contracts include administrative services provided by related party - CPI Management, s.r.o., part of CPI Group (see Note 7).

4.4 Net valuation gain/loss on investment property

| | 31 December 2014 | 31 December 2013 |
|--------------------------------|------------------|------------------|
| Valuation gains | | |
| Retail | -- | 11 050 |
| Total valuation gains | -- | 11 050 |
| Valuation losses | | |
| Retail | -425 | -- |
| Total valuation losses | -425 | -- |
| Net valuation gain/loss | -425 | 11 050 |

4.5 Finance income

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Bank interest income | -- | 32 |
| Interest income on loans and receivables | -- | -- |
| Total finance income | -- | 32 |

4.6 Finance costs

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Interest expense related to loans from related parties (1) | -6 357 | -6 874 |
| Interest expense on bonds issued (2) | -17 562 | -17 557 |
| Bank charges | -3 | -5 |
| Total finance costs | -23 922 | -24 436 |

- (1) Interest expense related to loans from related parties represents interest on loan provided by the parent company CPI a.s. (further details are described in note 3.5).
- (2) Interest expense on bonds issued represents interest payments to bondholders (TCZK 15 558) and amortisation of transaction costs (TCZK 2 004).

4.7 Taxation

Income tax expense recognised in profit and loss

| | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| Current income tax expense | -- | -- |
| Total | -- | -- |
| Deferred income tax expense | | |
| Origination and reversal of temporary differences | -2 089 | -4 298 |
| Total | -2 089 | -4 298 |
| Income tax from continuing operations recognised in profit or loss | -2 089 | -4 298 |
| Total income tax expense recognised in profit or loss | -2 089 | -4 298 |

Reconciliation of effective tax rate

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Profit for the period | 7 228 | 15 425 |
| Total income tax expense recognised in profit or loss | -2 089 | -4 298 |
| Profit excluding income tax | 9 317 | 19 723 |
| Current income tax rate | 19% | 19% |
| Income tax calculated using the domestic corporate income tax rate | -1 770 | -3 747 |
| Non-deductible expense | -40 | -12 |
| Tax exempt income | -- | 7 |
| Current year losses for which no deferred tax asset recognised (1) | -279 | -546 |
| Income tax expense | -2 089 | -4 298 |

(1) The Company reported a tax loss both in 2013 and 2014 (note 3.9).

5 Financial risk management

5.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk mainly from its rental activities (primarily for trade receivables).

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.

Customer credit risk is managed reflecting the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The following tables present financial assets as of 31 December 2014 reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk concentration at 31 December 2014:

| | Total neither past due nor impaired | Total past due but not impaired | Impaired | Total |
|-----------------------------|-------------------------------------|---------------------------------|-----------|--------------|
| Cash and cash equivalents | 5 917 | -- | -- | 5 917 |
| Trade and other receivables | 2 602 | 475 | -- | 3 077 |
| Total | 8 519 | 475 | -- | 8 994 |

Credit risk concentration at 31 December 2013:

| | Total neither past due nor impaired | Total past due but not impaired | Impaired | Total |
|-----------------------------|-------------------------------------|---------------------------------|-----------|--------------|
| Cash and cash equivalents | 9 670 | -- | -- | 9 670 |
| Trade and other receivables | 321 | -- | -- | 321 |
| Total | 9 991 | -- | -- | 9 991 |

Breakdown of overdue financial assets which are not impaired at 31 December 2014

| | Past due 1-30 days | Past due 31-90 days | Past due 91-180 days | Past due 181-360 days | Past due more than 360 days | Total |
|-----------------------------|--------------------|---------------------|----------------------|-----------------------|-----------------------------|------------|
| Trade and other receivables | 425 | 50 | -- | -- | -- | 475 |
| Total | 425 | 50 | -- | -- | -- | 475 |

5.2 Liquidity risk

Liquidity risk refers to the possibility of the Company being unable to meet its cash obligations mainly in relation to the settlement of amounts due to suppliers and bank loans and facilities. The Company monitors its risk to a shortage of funds using different liquidity planning tools. These tools comprise e.g. following activities:

- maintain a sufficient balance of liquid funds

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Notes to the financial statements for the year ended 31 December 2014 in thousand Czech crowns (TCZK)

- flexible utilization of bank loan, overdrafts and facilities
- projection of future cash flows from operating activities

Liquidity risk analysis

The following table summarises 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.

At 31 December 2014

| | Carrying amount | < 3 months | 3-12 months | 1-2 years | 2 - 5 years | > 5 years | Total |
|----------------------------|-----------------|--------------|---------------|---------------|----------------|-----------|----------------|
| Loans from related parties | 58 045 | 4 420 | 4 125 | 5 500 | 60 500 | -- | 74 545 |
| Bonds issued | 277 617 | 3 889 | 11 669 | 15 558 | 291 965 | -- | 323 081 |
| Trade and other payables | 1 385 | 1 385 | -- | -- | -- | -- | 1 385 |
| Total | 337 047 | 9 694 | 15 794 | 21 058 | 352 465 | -- | 399 011 |

At 31 December 2013

| | Carrying amount | < 3 months | 3-12 months | 1-2 years | 2 - 5 years | > 5 years | Total |
|----------------------------|-----------------|--------------|---------------|---------------|----------------|-----------|----------------|
| Loans from related parties | 69 533 | 3 428 | 5 085 | 6 780 | 81 360 | -- | 96 653 |
| Bonds issued | 276 276 | 3 889 | 11 669 | 15 558 | 307 523 | -- | 338 639 |
| Trade and other payables | 1 552 | 1 415 | 137 | -- | -- | -- | 1 552 |
| Total | 347 361 | 8 732 | 16 891 | 22 338 | 388 883 | -- | 436 844 |

5.3 Foreign currency risk

The Company is not exposed to any foreign currency risk. All transactions are denominated and carried out in Czech Crowns.

5.4 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.

As the Interest-bearing loans and bonds issued are based on fixed rates, a change in market interest rates at the end of the reporting period would not affect profit or loss.

Trade receivables and payables are interest-free and have settlement dates within one year.

5.5 Fair values

Categories of financial instruments

Financial assets of the Company comprise trade and other receivables and cash and cash equivalents, which are all classified as receivables.

Financial liabilities of the Company comprise interest bearing loans and borrowings, bonds issued and trade and other payables, 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:

| | Fair value hierarchy (Level) | Carrying amount | | Fair value | |
|---------------------------------------|------------------------------|------------------|------------------|------------------|------------------|
| | | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| Financial assets | | | | | |
| Trade and other receivables | | 3 077 | 321 | 3 077 | 321 |
| Cash and cash equivalents | | 5 917 | 9 670 | 5 917 | 9 670 |
| Total financial assets | | 8 994 | 9 991 | 8 994 | 9 991 |
| Financial liabilities | | | | | |
| Interest bearing loans and borrowings | Level 3 | 58 045 | 69 533 | 61 150 | 69 533 |
| Bonds issued | Level 3 | 277 617 | 276 276 | 279 000 | 274 378 |
| Trade and other payables | | 1 385 | 1 552 | 1 385 | 1 552 |
| Total financial liabilities | | 377 047 | 347 361 | 341 535 | 345 463 |

Fair value hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair value, both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values are categorized, in accordance with the requirements of IFRS 13, into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- (1) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- (2) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- (3) Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 3.1 regarding the fair value of investment property.

5.6 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Company as property investor is mainly influenced by the fact that it leverages its project financing by using bank debts. There is no real seasonality impact on its financial position but rather a volatility of financial markets might positively or negatively influence Company's financial position.

No changes were made in the objectives, policies or processes during the year ended 31 December 2014.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total equity. Debt is defined as long-term and short-term liabilities as detailed described in statement of financial position. Equity includes all capital and reserves as shown in the consolidated statement of financial position.

The gearing ratios at 31 December 2014 and at 31 December 2013 were as follows:

Gearing ratio

| | 31 December 2014 | 31 December 2013 |
|--------------|------------------|------------------|
| Debt | 345 000 | 353 225 |
| Equity | 47 794 | 40 566 |
| Total | 722% | 871% |

6 Contingent assets and liabilities

6.1 Contingent assets

Management of the Company is not aware of existence of any contingent assets as at 31 December 2014.

6.2 Contingent liabilities

The Company does not have in evidence any contingent liabilities. No legal proceeding is active the result of which would influence financial statements and the Company is not aware about any potential enter upon the law-suit.

7 Related parties

The Company has a related party relationship with its members of Board of Directors and shareholder and companies in which these parties held controlling or significant influence or are joint ventures.

The Board of Directors did not obtain any remuneration from the Company in 2014 and in 2013.

Other advances paid

| | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| CPI Management, s.r.o. | 1 607 | -- |
| Total other advances paid to related parties | 1 607 | -- |

Breakdown of balances between the Company and related parties is as follows:

Loans as at 31 December 2014

| | < 1 year | 2-5 years | > 5 let years | Total |
|---|--------------|---------------|---------------|---------------|
| Czech Property Investments, a.s. | 3 045 | 55 000 | -- | 58 045 |
| Total loans from related parties | 3 045 | 55 000 | -- | 58 045 |

Loans as at 31 December 2013

| | < 1 year | 2-5 years | > 5 let years | Total |
|---|--------------|---------------|---------------|---------------|
| Czech Property Investments, a.s. | 1 733 | 67 800 | -- | 69 533 |
| Total loans from related parties | 1 733 | 67 800 | -- | 69 533 |

During the year, the Company has entered into the following transactions with related parties:

Purchases

| | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| CPI Management, s.r.o. | 1 151 | 1 118 |
| U svatého Michala, a.s. | -- | 9 |
| Total purchases related to related parties | 1 151 | 1 127 |

Interest expense

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Czech Property Investments, a.s. | 6 357 | 6 874 |
| Total interest expense related to related parties | 6 357 | 6 874 |

Interest expense includes interest on interest-bearing loans (note 3.5).

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Notes to the financial statements for the year ended 31 December 2014 in thousand Czech crowns (TCZK)

8 Capital commitments

The Company has no capital commitments as at 31 December 2014 (as at 31 December 2013 – no capital commitments).

9 Subsequent events

No significant events occurred between the balance sheet date and the date of preparation of the Company's financial statements.

Prague, 20 April 2015



Zdeněk Havelka

Member of the Board of Directors

CPI Alfa, a.s.