DOMUS



Domus N.V. Prospectus













DOMUS

Domus N.V.

(a public company with limited liability (naamloze vennootschap) incorporated under the laws of The Netherlands, with its corporate seat in Amsterdam, The Netherlands)

Offering of up to 12,203,030 Ordinary Shares

This prospectus (the "**Prospectus**") relates to an offering (the "**Offering**") by (i) Domus N.V. (the "**Company**"), a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands, of up to 2,303,030 newly issued ordinary shares in the capital of the Company, with a nominal value of €0.20 each ("**Shares**"), from which it is targeting to receive gross proceeds of approximately €38 million and (ii) RPG Property B.V. (the "**Selling Shareholder**"), an indirect wholly owned subsidiary of BXR Group Limited, of up to 9,900,000 existing Shares. The Shares being offered by the Company and the Selling Shareholder are herein referred to as the "**Offer Shares**". The Offer Shares are being: (i) sold in the United States to "**qualified institutional buyers**" or "**QIBs**" (as defined in Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933 (the "**U.S. Securities Act**")) in reliance on Rule 144A; and (ii) offered and sold to institutional investors (including Qualified Investors (as defined herein)) in various jurisdictions outside the United States in offshore transactions in compliance with Regulation S ("**Regulation S**") under the U.S. Securities Act.

Prior to the Offering, there has been no public market for the Shares. Application has been made to list all of the Shares under the symbol "DOMUS" on Euronext in Amsterdam ("**Euronext Amsterdam**"), a regulated market of Euronext Amsterdam N.V. ("**Euronext**"). Subject to acceleration or extension of the timetable for the Offering, trading on an "as-if-when-issued/delivered" basis in the Offer Shares is expected to commence on or about 8 May 2014 (the "**First Trading Date**").

An investment in the Offer Shares involves substantial risks and uncertainties. See "*Risk Factors*" beginning on page 17 for a discussion of certain factors that should be considered in connection with an investment in the Offer Shares. All of these factors should be considered before investing in the Offer Shares.

OFFER PRICE: EXPECTED TO BE IN THE RANGE OF €16.50 TO €20.50 PER OFFER SHARE (THE "OFFER PRICE RANGE")

The offering period (the "**Offering Period**") will commence on 24 April 2014 and is expected to close no later than 12:00 Central European Time ("**CET**") on 7 May 2014, subject to acceleration or extension of the timetable for the Offering. The offer price per Offer Share (the "**Offer Price**"), and the exact number of Offer Shares offered in the Offering, will be determined by the Company, the Selling Shareholder and the Underwriters after the end of the Offering Period on the basis of the bookbuilding process and taking into account market conditions, a qualitative assessment of demand for the Offer Shares and other factors deemed appropriate. The Offer Price and the exact number of Offer Shares will be stated in a pricing statement (the "**Pricing Statement**"), which will be deposited with the Dutch Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) (the "**AFM**") and published in a press release on the Company's website. The Company, the Selling Shareholder and the Underwriters reserve the right to increase the maximum number of Offer Shares before the end of the Offering Period. Any such increase will be announced in a press release prior to the end of the Offering Period.

The Offer Price Range is an indicative price range and can be changed. Any increase in the top end of the Offer Price Range on the last day of the Offering Period or the determination of an Offer Price above the Offer Price Range will result in the Offering Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offering Period will result in the Offering Period being extended by at least one business day. Any change in the number of Offer Shares and/or the Offer Price Range will be announced in a press release on the Company's website.

The Selling Shareholder has granted to J.P. Morgan Securities plc, as stabilisation manager (the "**Stabilisation Manager**"), on behalf of the Underwriters, an option to purchase up to 1,830,454 additional Shares (the "**Over-allotment Shares**") at the Offer Price (as defined below) to cover over-allotments or short positions, if any, in connection with the Offering (the "**Over-allotment Option**"). The Over-allotment Option will be exercisable for a period of 30 days following the First Trading Date. As used herein, the term "**Offer Shares**" shall include any Over-allotment Shares (unless the context otherwise requires).

Subject to acceleration or extension of the timetable for the Offering, payment (in euro) for, and issue and delivery of, the Offer Shares ("**Settlement**") is expected to take place on or about 13 May 2014 (the "**Settlement Date**"). If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all applications to subscribe for or purchase Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made will be returned without interest or other compensation and transactions in Offer Shares on Euronext Amsterdam will be annulled. Any dealings in Offer Shares prior to Settlement are at the sole risk of the parties concerned. None of the Company, the Selling Shareholder, the Underwriters or Euronext accepts responsibility or liability with respect to any person as a result of the withdrawal of the Offering or the (related) annulment of any transaction in Offer Shares on Euronext Amsterdam. The Offer Shares will be delivered in book-entry form through the facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. ("**Euroclear Nederland**").

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the Offer Shares in any jurisdiction or to any person to whom it would be unlawful to make such an offer.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and are being: (i) sold in the United States only to persons who are QIBs, in reliance on Rule 144A; and (ii) offered and sold outside the United States in compliance with Regulation S. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Offer Shares, see "*Transfer Restrictions*".

This Prospectus constitutes a prospectus for the purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the "**Dutch Financial Supervision Act**"). This Prospectus has been filed with and approved by the AFM.

Sole Global Coordinator and Bookrunner

J.P. Morgan

Lead Managers

Kempen & Co **Wood & Company**

Prospectus dated 24 April 2014

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A - E (A.1 - E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not applicable".

Section A—Introduction and Warnings		
A.1	**Introduction and warnings**	This summary should be read as an introduction to the prospectus (the "**Prospectus**") relating to the offering (the "**Offering**") of up to 12,203,030 ordinary shares, with a nominal value of €0.20 each, in the capital of Domus N.V. ("**Shares**"). Any decision to invest in Shares should be based on consideration of the Prospectus as a whole, including any documents incorporated by reference. Where a claim relating to the Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to the persons who have tabled this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in Shares.
A.2	**Consent, indication, conditions and notice**	Not applicable. The Company does not consent to the use of the Prospectus for the subsequent resale or final placement of securities by financial intermediaries.

Section B—The Issuer		
B.1	**The legal and commercial name of the Company**	Domus N.V. (the "**Company**").
B.2	**Domicile, legal form, legislation and country of incorporation**	The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands. The Company has its corporate seat in Amsterdam, The Netherlands. The Company together with its subsidiary, RPG Byty, is referred to herein as the "**Group**".

Section B—The Issuer		
B.3	**Key factors relating to the nature of the Group's operations and its principal activities**	We are the largest privately owned residential real estate company in the Czech Republic measured by the number of units owned and managed. Our portfolio is concentrated in the Moravian-Silesian region, in and around Ostrava, the second largest urban area in the Czech Republic and the third largest city. We believe we provide high quality, reasonably priced rental housing that is accessible to the majority of the population in the region. As at 31 December 2013, our portfolio comprised 5,039 buildings, consisting of 43,314 residential units with a total floor area of 2.6 million sqm and 1,909 commercial units with a total floor area of 124,517 sqm, and 97.6 hectares of undeveloped land. According to the valuation report prepared by CBRE (the "**Valuation Report**"), which is included in the Prospectus, the fair value of our residential portfolio was CZK 24,260 million (€884 million), which equates to CZK 9,323 per sqm (€340 per sqm), compared to an average replacement cost per sqm of CZK 28,750 (€1,048), as estimated by management. Following the liberalisation of residential rent regulations in the Moravian-Silesian region with effect from 31 December 2010, we implemented a rent normalisation programme, which provides for gradual and affordable increases in rents under long-term lease agreements that are designed to achieve management's target of having all tenants pay market rents by 2020. Substantially all of our tenants whose properties were subject to deregulation (more than 90 per cent. of our tenants as at 31 December 2010) signed up to our rent normalisation programme. We refer to rents charged to tenants in connection with this programme as "post-regulated rents". As rents were deregulated, we experienced an expected increase in our vacancy rates. Vacancy rates stabilised in the summer of 2012 and were 10.90 per cent. as at 31 December 2012. In 2013, vacancy rates decreased, falling to 10.76 per cent. as at 31 December 2013. We believe that vacancies at this level have a positive effect on our business in the short term, as they allow us to re-lease vacant units at market rates. We also believe that vacancy rates will continue to decrease in line with current trading as a result of the improving market in certain areas in which we operate and the efforts of our dedicated central leasing team. We have invested more than CZK 7 billion (€280 million) in our residential portfolio since 2006. These investments have included capital expenditure pursuant to our one-off investment programme, on-going capital expenditure and value-enhancing maintenance expenditure (which is treated as an expense on our income statement). Our one-off investment programme was designed to support our rent normalisation programme and make our residential units more attractive to tenants. One of the key components of the one-off investment programme was the replacement of windows in over 40,000 units, which was completed in the fourth quarter of 2013. The one-off investment programme also has included the replacement of a significant number of lifts across our residential portfolio and the refurbishment of common areas in the majority of our apartment buildings. Our on-going capital expenditure has included continuous facade, roof, balcony, lift and riser upgrades as well as the refurbishment of vacant units. Our capital expenditure is expected to decrease significantly as our one-off investment programme nears completion. We expect that our total annual capital expenditure will

Section B—The Issuer		
		decrease from CZK 1,206 million (€49.0 million) in 2011 to CZK 604 million (€24.2 million) in 2014. By the end of 2014, we expect that we will have no capital expenditure remaining that is related to our one-off investment programme, and our on-going capital expenditure will decrease to CZK 431 million (€17.2 million) in 2016 and to CZK 407 million (€16.3 million) in 2018 and subsequent years. We also expect that our maintenance expenses will remain stable, at approximately CZK 213 million (€8.5 million) per year in the medium term. Accordingly, we currently estimate that our on-going capital expenditure and maintenance expenses will amount to CZK 620 million (€24.8 million) per year (€9.6 per sqm) from 2018. We believe that we have the following strengths: • Favourable macroeconomic environment and supportive household growth; • Vertically integrated operating platform run by a highly successful management team; • Leading position in the attractive Central European market with high barriers to entry; • Attractive and well-maintained residential portfolio; • Diversified residential portfolio with broad demographic appeal and stable tenant base; • Strong and contracted rental growth driven by rent deregulation; and • Strong operating performance underpinned by a conservative capital structure. Our strategy is composed of the following elements: • Achieve revenue growth through contracted increases in post-regulated rents and re-leasing vacant units at market rates; • Increase occupancy rates; • Continue to optimise our tenant base; • Increase operating efficiency; • Continue to deploy value enhancing capital expenditure; • Pursue growth through investments in our existing portfolio, opportunistic sales of apartment buildings and acquisition opportunities; and • Continue to pursue a conservative capital structure.
B.4a	**Significant recent trends**	***Macroeconomic environment in the Czech Republic*** The Czech Republic is one of the most stable Central European economies. Its GDP grew at a compound annual growth rate of 2.8 per cent. between 2003 and 2013, according to the Czech Statistical Office, outperforming the European Union, whose GDP grew at a compound annual growth rate of 1.3 per cent. during the same period, according to Eurostat. During the period from 2013 to 2018, GDP is expected to grow at a compound annual growth rate of 3 per cent., compared to 1.7 per cent. for the European Union as a whole. We believe that the Czech economy is healthier than most other emerging European markets as it has a relatively modest level of external public debt, consistent trade surpluses and among the lowest

		unemployment rates in the European Union. As at 31 December 2012, the Czech Republic's public debt as a percentage of GDP was 46.2 per cent., compared to 86.3 per cent. for the European Union as a whole. ***The Moravian-Silesian region*** Our portfolio is concentrated in the Moravian-Silesian region, in and around Ostrava. Ostrava is the second largest metropolitan area in the Czech Republic, second only to Prague. The Moravian-Silesian region has a population of 1.2 million people with the majority concentrated in Ostrava and its agglomeration of satellite cities, compared to the total population of 10.5 million in the Czech Republic. According to the Czech Statistical Office, the Moravian-Silesian region's GDP grew at a compound annual growth rate of 4.7 per cent. during the period from 2002 to 2012, which was comparable to the GDP growth rate in Prague and significantly above the rate of growth in most other regions in the Czech Republic. Ostrava is considered the centre of the fastest growing region of the Czech Republic, with a strong investment influx in industrial parks and development projects. In addition, four of the 20 largest companies in the Czech Republic are based in the Moravian-Silesian region, of which two are based in Ostrava. The region is also an educational hub, with seven universities in the Moravian-Silesian region, of which four are in Ostrava. ***Rent*** We derive substantially all of our revenue from leasing our properties, including revenue from services rendered to tenants, which are recharged to them at cost. Accordingly, our results of operations are substantially affected by the level of rent we charge to our tenants. Following the liberalisation of residential rent regulations in the Moravian-Silesian region with effect from 31 December 2010, our revenue growth has largely been driven by our contractually agreed rent increases as well as by turnover of post-regulated tenants. Additionally, the residential housing market in the Moravian-Silesian region has demonstrated attractive rental growth, historically outperforming national GDP growth. As a result of these factors, our average residential net cold rent per sqm/month increased from CZK 56.6 for the year ended 31 December 2011, to CZK 63.2 for the year ended 31 December 2012 and to CZK 69.4 for the year ended 31 December 2013. ***Improvements to our properties*** Our results of operations are affected by the level of expenditure we incur with respect to our residential real estate portfolio. In general, repair and maintenance expenses are recorded in our statement of comprehensive income as service expenses, while improvements to our properties are capitalised in investment property. Investment property is stated at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise. Accordingly, our capital expenditure directly affects our results of operations only insofar as our investment property fluctuates in value. Improvements to our properties funded by capital expenditure also affect our results of operations since improvements to our properties generally allow us to increase the rent that we charge tenants.

Section B—The Issuer		
		Vacancies and turnover Our results of operations are directly affected by vacancies and turnover. As it is not always possible to re-lease units within a short period after a unit is vacated, high turnover may lead to increased vacancy rates, which could negatively affect our results of operations. In addition, high turnover often leads to increased expenses incurred for re-leasing units, such as advertising expenses. Following the deregulation of rents, we experienced a one-off increase in our vacancy rates, from 4.71 per cent. as at 31 December 2010 to 10.90 per cent. as at 31 December 2012. We believe this was caused by a reduction in the number of tenants leasing multiple units for investment purposes and an increase in the number of more affluent tenants who chose to buy a home. Following this initial increase, vacancy rates stabilised at 10.90 per cent. as at 31 December 2012 and decreased to 10.76 per cent. as at 31 December 2013. Our focus is currently on maintaining and gradually reducing vacancy rates to a rate which will allow us to continue to realise incremental revenue growth from the re-leasing of vacant properties at market rates.
B.5	**Description of the Group and the Company's position within the Group**	RPG Byty is a wholly owned subsidiary of the Company. The Company has no subsidiaries other than RPG Byty. The Company is, in turn, a wholly owned indirect subsidiary (through RPG Property B.V. and various other entities) of BXR Group Limited, a company organised under the laws of the British Virgin Islands, with its corporate seat in the British Virgin Islands. BXR Group Limited is an international investment group with a historical background in Central Europe.
B.6	**Persons who, directly and indirectly, have a notifiable interest in the Company's capital or voting rights**	As of the date of this Prospectus, the Company is a wholly owned subsidiary of RPG Property B.V., a holding company incorporated in The Netherlands, which is an indirect wholly owned subsidiary of BXR Group Limited. Immediately following the completion of the Offering and assuming that the maximum number of Offer Shares is issued and sold, RPG Property B.V. will hold 39.9 per cent. of the Shares (or 30.9 per cent. if the over-allotment option granted in connection with the Offering is exercised in full). RPG Property B.V. does not have voting rights that are different from other shareholders.

Section B—The Issuer	
B.7	**Selected historical key financial information**

Selected Income Statement Data of RPG Byty

	Year ended 31 December			
	2011	**2012**	**2013**	**2013(1)**
	(CZK in thousands)			**(euro in thousands)**
Continuing Operations				
Revenues	2,798,738	2,924,352	2,954,303	113,758
Revenues from leasing of investment property	1,760,848	1,905,135	2,019,849	77,776
Revenues from services rendered(2)	1,036,567	1,017,996	932,883	35,922
Consumption of material and energy	(924,650)	(932,647)	(900,399)	(34,671)
Service expenses	(533,613)	(512,854)	(467,235)	(17,991)
Repairs and maintenance of investment property(3)	(234,198)	(225,394)	(193,254)	(7,441)
Personnel expenses	(118,530)	(119,644)	(161,039)	(6,201)
Property taxes and government fees	(20,465)	(24,340)	(24,054)	(926)
Depreciation and amortisation	(10,373)	(10,632)	(7,813)	(301)
Fair value adjustment on investment properties(4)	433,305	98,930	98,246	3,783
Bad debt expense	(50,058)	(55,811)	(54,519)	(2,099)
Gain/(loss) from sale of investment property	2,937	(581)	21,391	824
Other operating income	38,997	26,960	44,989	1,732
Other operating expenses	22,714	(26,506)	(34,726)	(1,337)
Result from operating activities	1,639,002	1,367,227	1,469,144	56,571
Financial income	33,474	17,998	5,867	226
Financial expense	(46,731)	(66,716)	(1,363,817)	(52,515)
Profit before income tax	1,625,745	1,318,509	111,194	4,282
Income tax expense	(314,229)	(258,119)	(25,898)	(997)
Net profit	1,311,516	1,060,390	85,296	3,285

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the Czech National Bank (*Česká národní banka*) (the "**CNB**") for the year ended 31 December 2013.

(2) Revenues from services rendered consist of utility costs in respect of properties and revenue from property management services rendered to affiliates. We pay utility costs to the various utility companies and re-charge them to tenants at cost.

(3) Consists of amounts paid to RPG Služby for facility management services comprised of maintenance, cleaning and small repairs.

(4) Fair value adjustment on investment properties represents the difference between the fair value of our portfolio at the end of the period and the estimated fair value at the beginning of the period, compared on a constant portfolio basis, which are estimated using our internal valuation model.

Selected Statement of Financial Position Data of RPG Byty

	As at 31 December			
	2011	2012	2013	2013(1)
	(CZK in thousands)			(euro in thousands)
Assets				
Investment property(2)	22,612,544	23,349,718	24,510,111	893,551
Residential portfolio	21,842,179	22,981,458	24,142,111	880,135
Total assets	23,979,881	24,537,191	26,408,218	962,749
Liabilities				
Long-term interest-bearing loans	626,768	4,757,738	365,212	13,314
Issued bonds	—	—	10,751,108	391,947
Total non-current liabilities	4,578,497	8,924,445	15,387,842	560,986
Total current liabilities	1,207,201	1,319,578	1,160,316	42,301
Total equity	18,194,183	14,293,168	9,860,060	359,643

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 27.43 per euro, the rate of the CNB as at 31 December 2013.

(2) Represents the fair value of investment properties at the end of the period.

Other Financial Data of RPG Byty

	As at and for the year ended 31 December			
	2011	2012	2013	2013(1)
	(CZK in thousands, except %)			(euro in thousands)
NOI(2)	1,436,367	1,551,001	1,642,000	63,227
EBITDA(3)	1,649,375	1,377,859	1,476,957	56,872
Adjusted EBITDA(3)	1,139,352	1,279,510	1,426,525	54,930
Adjusted EBITDA margin(4)	64.7%	67.2%	70.6%	
Capital expenditure(5)	1,205,934	1,086,343	1,096,783	42,233
Investment programme capital expenditure(6)	773,766	544,531	460,670	17,738
On-going capital expenditure(7)	432,168	541,812	636,113	24,495
Capital expenditure per sqm(8)	455	413	421	16.2
FFO(9)	1,134,632	1,270,362	1,027,553	39,567
LTV (total net debt)(10)	1.3%	21%	41.8%	
EPRA NAV(11)	21,934,343	18,262,751	13,673,350	498,482

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the CNB for the year ended 31 December 2013, except for EPRA NAV, which has been translated at an exchange rate of CZK 27.43 per euro, the rate of the CNB as at 31 December 2013.

(2) We define net operating income, or NOI, as total revenues less consumption of material and energy, service expenses (excluding consultancy charges) and property taxes and government fees.

(3) We define EBITDA as earnings before net financial expense, tax, depreciation and amortisation. We define Adjusted EBITDA as EBITDA, adjusted to exclude fair value adjustment on investment properties, gain/(loss) from sale of investment property and certain one-off items. Neither EBITDA nor Adjusted EBITDA is a measurement of performance under IFRS, and you should not consider these measures as an alternative to results from operating activities or net profit, or cash flows from operating, investing and financing activities, in each case determined in accordance with IFRS. The following table provides a reconciliation of EBITDA to net profit, and EBITDA to Adjusted EBITDA:

	Year ended 31 December			
	2011	2012	2013	2013(1)
	(CZK in thousands)			(euro in thousands)
Net profit	1,311,516	1,060,390	85,296	3,284
Income tax expense	314,229	258,119	25,898	997
Net financial expense	13,257	48,718	1,357,950	52,289
Depreciation and amortisation	10,373	10,632	7,813	301
EBITDA	**1,649,375**	**1,377,859**	**1,476,957**	**56,872**
Fair value adjustment on investment properties	(433,305)	(98,930)	(98,246)	(3,783)
Gain/(loss) from sale of investment property	(2,937)	581	(21,391)	(824)
One-off provision relating to a success fee for consulting services	(73,781)	—	—	—
One-off impact of investment property transfer	—	—	4,840	186
One-off refinancing of syndicated bank loan by Senior Secured Notes	—	—	6,099	235
One-off demolition costs	—	—	11,291	435
One-off extraordinary bonus	—	—	46,975	1,809
Adjusted EBITDA	**1,139,352**	**1,279,510**	**1,426,525**	**54,930**

(4) We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenues from leasing of investment property.

(5) Capital expenditure excludes amounts received in respect of government grants. Government grants used for capital expenditure were CZK 40,367 thousand and CZK 34,272 thousand for the years ended 31 December 2011 and 2012, respectively. No government grants were awarded in the year ended 31 December 2013.

(6) Represents the one-off capital expenditure pursuant to our one-off investment programme to refurbish our residential portfolio, which we started in 2006 and substantially completed in 2013.

(7) Represents on-going refurbishments of our units, including the refurbishment of approximately 8 per cent. of our residential units per year and the costs of on-going upgrades to roofs, balconies, risers and facades. The on-going capital expenditure does not include the property maintenance and repair costs that are recorded in service expenses under the statement of comprehensive income.

(8) Represents total capital expenditure over the total area of our residential properties in sqm.

(9) We define funds from operations, or FFO, as the sum of Adjusted EBITDA, plus revenue from property sales and interest received less interest paid and taxes paid. The following table shows FFO calculated for the years ended 31 December 2011, 2012 and 2013:

	Year ended 31 December			
	2011	2012	2013	2013(1)
	(CZK in thousands)			(euro in thousands)
Adjusted EBITDA	1,139,352	1,279,510	1,426,525	54,930
Property sales	9,391	3,604	43,188	1,663
Interest received/paid	(13,868)	(12,752)	(442,160)	17,026
Taxes paid	(243)	—	—	—
FFO	1,134,632	1,270,362	1,027,553	39,567

Section B—The Issuer

(10) We define loan-to-value ratio (total net debt), or LTV (total net debt), as total debt, minus cash and cash equivalents (excluding restricted cash) and loan receivables, divided by the fair value of our investment properties, which we estimate using our internal valuation model.

(11) European Public Real Estate net asset value, or EPRA NAV, represents total assets less total liabilities. Fair value of derivatives and deferred taxes are excluded. The following table shows EPRA NAV calculated as at 31 December 2011, 2012 and 2013.

	Year ended 31 December			
	2011	2012	2013	2013
	(CZK in thousands)			(euro in thousands)
Total assets	23,979,881	24,537,191	26,408,218	962,749
Fair value of derivatives—assets	—	—	200,400	7,306
Total liabilities	5,785,698	10,244,023	16,548,158	603,287
Deferred tax liability	3,727,587	3,941,807	3,997,306	145,728
Fair value of derivatives—liabilities	12,573	27,776	16,384	597
EPRA NAV	21,934,343	18,262,751	13,673,350	498,482

Operating Data

	Year ended 31 December			
	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2013 (unaudited)(1)
Number of units	45,564	45,464	45,223	
Residential units	43,745	43,625	43,314	
Post-regulated rate residential units(2)	33,416	29,498	25,901	
Market rate residential units(3)	10,329	14,127	17,413	
Commercial units	1,819	1,839	1,909	
Average residential net cold rent per sqm/month(4)	CZK 56.6	CZK 63.2	CZK 69.4	€2.67
Average residential net cold rental post-regulated rate per sqm/month	CZK 55.1	CZK 59.6	CZK 65.1	€2.50
Average residential net cold rental market rate per sqm/month	CZK 79.6	CZK 81.7	CZK 80.9	€3.11
Vacancy(5)	9.0%	10.9%	10.8%	
Turnover(6)	7.9%	11.6%	12.7%	
Bad debt percentage rate(7)	1.8%	1.9%	1.8%	

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the CNB for the year ended 31 December 2013.

(2) Represents units subject to post-regulated rents.

(3) Represents units subject to market rents plus vacant units.

(4) Average residential net cold rent per sqm/month is determined by dividing the aggregate net cold rent charged to all tenants of our residential properties during the period by the aggregate leasable sqm of our residential portfolio, divided by 12.

(5) Vacancy is defined as the number of residential units that were vacant at the end of the period divided by the total number of residential units at the end of the period.

(6) Turnover represents the number of residential units that were vacated and re-leased during the period.

(7) Bad debt percentage rate represents bad debt expense divided by the sum of revenues from leasing of investment property and revenues from services rendered.

Section B—The Issuer		
B.8	**Selected key pro forma financial information**	Not applicable. No pro forma information has been included in the Prospectus.
B.9	**Profit forecast or estimate**	Not applicable. No profit forecast or estimate has been included in the Prospectus.
B.10	**Historical audit report qualifications**	Not applicable. There are no qualifications to the audit report on the historical financial information.
B.11	**Explanation if insufficient working capital**	Not applicable. The Company believes that the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of the Prospectus.

Section C—Securities		
C.1	**Type and class, security identification number**	The Shares are ordinary shares in the capital of the Company. Up to 12,203,030 Shares are offered as part of the Offering and up to 1,830,454 Shares are subject to an over-allotment option granted in connection with the Offering. ISIN Code: NL0010733416
C.2	**Currency**	The Shares are denominated in and will trade in euro.
C.3	**Numbers of Shares and nominal value**	At the date of the Prospectus, 18,000,000 Shares, with a nominal value of €0.20 each, have been issued and are outstanding. Up to 2,303,030 Shares will be issued by the Company in the Offering.
C.4	**Rights attached to the Shares**	The Shares carry dividend rights. Each Share entitles its holder (a "**Shareholder**") to cast one vote at the general meeting of shareholders (the "**General Meeting**"). There are no restrictions on voting rights. Dutch law and the Company's articles of association (the "**Articles of Association**") generally give Shareholders pre-emptive rights to subscribe on a *pro rata* basis for any issue of new Shares or grant of rights to subscribe for Shares. Exceptions to these pre-emptive rights include: (i) the issue of Shares against non-cash contributions; (ii) the issue of Shares to the Company's employees or the employees of a group company; and (iii) the issue of Shares to persons exercising a previously granted right to subscribe for Shares. Pursuant to Dutch law and the Articles of Association, pre-emptive rights may be limited or excluded by a resolution of the General Meeting, which requires a majority of at least two-thirds of the votes cast in the event that less than 50 per cent. of the issued and outstanding share capital is present or represented at the meeting. A resolution of the General Meeting to limit or exclude pre-emptive rights can further only be adopted upon a proposal to that effect of the Company's board of directors (the "**Board of Directors**"). The General Meeting may delegate this authority to limit or exclude pre-emptive rights to the Board of Directors (if the Board of Directors has also been designated as the corporate body authorised to issue new Shares). Any delegation of this authority can only be made for a definite period not exceeding five years, can only be adopted upon a proposal of the Board of Directors and requires a majority of at least two-thirds of the votes cast in the event that less than 50 per cent. of the issued and outstanding share capital is present or represented at the meeting. A resolution of the Board of Directors to limit or exclude pre-emptive rights can only be adopted with the consent of the majority of the non-executive directors and if and insofar as the Board of Directors at that time has also been delegated the authority to issue Shares.

Section C—Securities		
		The Board of Directors is currently authorised to issue Shares and limit or exclude pre-emptive rights in connection with the Offering. In addition, the Board of Directors has been authorised to issue Shares, to grant rights to subscribe for Shares and to limit or exclude pre-emptive rights in relation to Shares. This designation is limited to (i) up to 10 per cent. of the number of issued Shares at the time immediately after Settlement, which authorisation may be used for general corporate purposes including the granting of stock options under the Company's executive share option plan, plus (ii) up to 10 per cent. of the number of issued Shares at the time immediately after Settlement, which additional 10 per cent. can only be used in connection with or on the occasion of mergers and acquisitions. The authorisations have been granted for an eighteen month period and shall expire on 17 October 2015.
C.5	**Restrictions on transferability of the Shares**	There are no restrictions on the free transferability of the Offer Shares under the Articles of Association. However, the offer of the Shares to persons located or resident in, or who are citizens of, or who have a registered address in countries other than the Netherlands, and the transfer of Offer Shares into jurisdictions other than the Netherlands, may be subject to specific regulations or restrictions.
C.6	**Listing and admission to trading of the Shares**	Application has been made to list all Shares under the symbol "DOMUS" on Euronext in Amsterdam ("**Euronext Amsterdam**"), a regulated market of Euronext Amsterdam N.V. Subject to acceleration or extension of the timetable for the Offering, trading on an "as-if-when-issued/delivered" basis in the Offer Shares is expected to commence on or about 8 May 2014.
C.7	**Dividend policy**	Subject to the availability of distributable results or reserves, we intend to distribute an annual dividend of approximately 70 per cent. of our consolidated funds from operations, or FFO. There will be no difference between our consolidated FFO and the FFO of RPG Byty, except in relation to certain operating costs incurred at the level of the Company. We currently do not have the intention to make any interim distributions, and, therefore, do not expect any distribution to be made before 2015.

Section D—Risks		
D.1	**Key risks that are specific to the Group or its industry**	• We are dependent on economic, demographic and market developments in the Moravian-Silesian region and the Czech Republic. • Higher vacancy rates and our inability to charge rents at levels sufficient to support our operations could have a material adverse effect on our results of operations. • We may not be able to achieve contracted rental increases from our existing tenants. • Our capital expenditure and other maintenance costs may be higher than expected. • The valuations of our portfolio contained in this Prospectus may not accurately reflect the value of our portfolio. • The formation and privatisation of Former OKD, our predecessor, and government sales could be challenged or otherwise subject to scrutiny or criticism, which could have a material adverse effect on our business, financial condition and results of operations.

Section D—Risks		
		• We are subject to statutory cross guarantees, which could be called upon at any time. • We may be unable to sell any portion of our portfolio on favourable terms, or at all, due to the restrictions contained in the Privatisation Agreement as well as the potentially illiquid nature of our properties and other factors. • Tenants of some of our properties may argue the invalidity of their respective lease agreements on procedural grounds. • The shares of RPG Byty and certain of its assets are pledged in favour of its creditors, and if RPG Byty is unable to meet its obligations under the Senior Secured Notes, the Currency Swaps, the Revolving Credit Facility or the Refurbishment Loans, its creditors will be entitled to enforce the pledge of its shares and/or other collateral securing these obligations. • Our substantial leverage and debt service obligations could adversely affect our business. • RPG Byty is subject to restrictive covenants that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities. • We will require a significant amount of cash to service our debt and sustain our operations, which we may not be able to generate or raise. • Following the completion of the Offering, we will continue to be indirectly partially owned by BXR Group Limited, and BXR Group Limited's interests may conflict with our interests or the interests of the holders of the Shares. • Our Refurbishment Loans and Revolving Credit Facility bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.
D.3	**Key risks relating to the Shares and the Offering**	• The market price of the Shares may fluctuate and may decline below the Offer Price and trading in the Shares may be very limited which might lead to holders not being able to sell their Shares at a reasonable price or at all. • Future sales of substantial amounts of our ordinary shares, or the perception that such sales could occur, could adversely affect the market value of the Shares. • We may not be able to pay dividends in accordance with our stated dividend policy. • Investors resident in countries other than The Netherlands may suffer dilution if they are unable to exercise pre-emptive rights in future offerings.

Section E—Offer		
E.1	**Net proceeds and estimated expenses**	We are targeting to receive gross proceeds of approximately €38 million from the Offering. We estimate that we will receive net proceeds from the Offering of approximately €35 million, following the deduction of underwriting commissions in the amount of approximately €1 million and expenses in the amount of approximately €2 million.

Section E—Offer		
		Assuming that the Offer Price is at the mid-point of the Offer Price Range, that the maximum number of Offer Shares is sold by the Selling Shareholder and that the Over-allotment Option is exercised in full, it is estimated that the Selling Shareholder will receive net proceeds from the Offering of approximately €205 million, following the deduction of underwriting commissions in the amount of approximately €6 million and expenses in the amount of approximately €5 million. We will not receive any proceeds from the sale of Offer Shares by the Selling Shareholder.
E.2a	**Reasons for the Offering and use of proceeds**	BXR Group Limited has indirectly owned RPG Byty since 2004 and has invested a significant amount of capital to restructure its operations. Through BXR Group Limited's efforts, RPG Byty has achieved a stable operating structure that supports the efficient management of its residential real estate portfolio. Following the substantial completion of its one-off investment programme in 2013, the business is now well positioned to achieve revenue growth through contracted increases in post-regulated rents as well as the re-leasing of vacant units at market rates, while incurring relatively limited capital and operating expenditure going forward. RPG Byty has also achieved a stable capital structure. Furthermore, BXR Group Limited, together with RPG Byty's management, believe that additional upside coming from regional consolidation and potentially cheaper refinancing will be better captured as a listed company. As a result of these factors, BXR Group Limited believes that RPG Byty is now an attractive opportunity for investors. We will make the €35 million of net proceeds available to RPG Byty, which intends to use such proceeds to finance on-going capital expenditures for its properties in coming years. In addition, we believe that the proceeds from the Offering will strengthen our equity capital base and reserves, providing us with greater flexibility in financing our planned growth.
E.3	**Terms and conditions of the Offering**	***The Offering*** The Offering consists of an offering by the Company of up to 2,303,030 Offer Shares and the Selling Shareholder of up to 9,900,000 Offer Shares. The Offer Shares are being (i) sold in the United States to "qualified institutional buyers" or "QIBs" (as defined in Rule 144A) in reliance on Rule 144A and (ii) offered and sold to institutional investors in various jurisdictions outside the United States in offshore transactions in compliance with Regulation S. The Offering is made only in those jurisdictions where, and only to those persons to whom, offer and sales of the Offer Shares may be lawfully made. ***Over-allotment Option*** The Selling Shareholder has granted J.P. Morgan Securities plc, as stabilisation manager, on behalf of the Underwriters, the Over-allotment Option, exercisable for a period of 30 days following the date of commencement of trading of the Shares, pursuant to which the Stabilisation Manager may purchase at the Offer Price the Over-allotment Shares, being up to 1,830,454 Shares, to cover over-allotments or short positions, if any, in connection with the Offering.

Section E—Offer		
		Offering Period Subject to acceleration or extension of the timetable for the Offering, prospective investors may subscribe for Offer Shares during the period commencing on 24 April 2014 and ending at 12:00 Central European Time on 7 May 2014 (the "**Offering Period**"). *Offer Price and Number of Offer Shares* The Offer Price is expected to be between €16.50 and €20.50 per Offer Share (the "**Offer Price Range**"). The Offer Price Range is an indicative price range and can be changed. Any increase in the top end of the Offer Price Range on the last day of the Offering Period or the determination of an Offer Price above the Offer Price Range will result in the Offering Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offering Period will result in the Offering Period being extended by at least one business day. Any change in the number of Offer Shares and/or the Offer Price Range will be announced in a press release on the Company's website. *Allocation* The allocation of the Offer Shares is expected to take place after termination of the Offering Period on or about 7 May 2014, subject to acceleration or extension of the timetable for the Offering. In the event that the Offering is over-subscribed, investors may receive fewer Offer Shares than they applied to subscribe for or purchase. *Payment* Payment (in euros) for the Offer Shares, and payment for the Over-allotment Shares pursuant to the Over-allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. Taxes and expenses, if any, must be borne by the investor. Investors must pay the Offer Price in immediately available funds on or before the Settlement Date (or earlier in the case of an early closing of the Offering Period and consequential acceleration of pricing, allocation, commencement of trading and Settlement). *Delivery of Offer Shares* The Offer Shares will be delivered in book-entry form through the facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation. Any dealings in Offer Shares prior to Settlement are at the sole risk of the parties concerned.

Section E—Offer		
		Underwriting Agreement The underwriting agreement entered into between the Company, the Selling Shareholder and the Underwriters on 24 April 2014 provides that the obligations of the Underwriters to procure purchasers for or, failing which, to purchase themselves the Offer Shares, and, if applicable, the Over-allotment Shares, are subject to: (i) entry into a pricing agreement between the Company, the Selling Shareholder and the Sole Global Coordinator on behalf of the Underwriters, which will contain the Offer Price; (ii) receipt of opinions on certain legal matters from counsel; (iii) receipt of customary officers' certificates; (iv) the absence of a suspension of trading on Euronext Amsterdam or certain other markets; (v) the absence of a material adverse change in the Company's financial condition or business affairs or in the financial markets; and (vi) certain other conditions.
E.4	**Interests material to the Offering (including conflicts of interest)**	Certain of the Underwriters and/or their respective affiliates have in the past engaged and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or the Selling Shareholder or any parties related to any of them, in respect of which they have received and may in the future receive customary fees and commissions.
E.5	**Person or entity offering to sell the Share and lock-up arrangements**	Pursuant to the Underwriting Agreement, the Company and the Selling Shareholder have agreed with the Underwriters that, for a period of 180 days after the Settlement Date, they will not, subject to certain customary exceptions, without the prior consent of the Sole Global Coordinator, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities exchangeable for or convertible into or exercisable for Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise. Following the expiration of these lock-up provisions, future sales of the Shares could be made by the Company or the Selling Shareholder. If the Company were to raise funds through additional equity offerings, this could cause dilution for its shareholders to the extent they do not participate.
E.6	**Dilution**	As a result of the issuance of the Offer Shares, the voting interest of the Selling Shareholder will be diluted. The maximum dilution for the Selling Shareholder would be 39.9 per cent., assuming the issuance and sale of the maximum number of Offer Shares.
E.7	**Estimated expenses charged to the investors by the Company**	No expenses will be charged by the Company to purchasers of Offer Shares.

RISK FACTORS

An investment in the Offer Shares involves a high degree of risk. You should carefully consider the following risks, together with other information provided to you in, or incorporated by reference into, this Prospectus, in deciding whether to invest in the Offer Shares. The occurrence of any of the events discussed below could have a material adverse effect on our business, financial condition or results of operations. If these events occur, the trading prices of the Offer Shares could decline, and you may lose all or part of your investment. Although we believe that the risks and uncertainties described below are the most material risks and uncertainties facing our business and the Offer Shares, they are not the only ones relating to us and the Offer Shares. Additional risks and uncertainties could also have a material adverse effect on our business, financial condition, results of operations or prospects and could negatively affect the price of the Offer Shares.

You should read and carefully review the entire Prospectus and should reach your own views before making an investment decision with respect to any Offer Shares. Furthermore, before making an investment decision with respect to any Offer Shares, you should consult your own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Offer Shares and consider such an investment decision in light of your personal circumstances.

This Prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Prospectus. See "Forward-Looking Statements".

Risks Related to Our Industry and Business

We are dependent on economic, demographic and market developments in the Moravian-Silesian region and the Czech Republic.

Substantially all of the real estate we own is located in the Moravian-Silesian region of the Czech Republic. Accordingly, due to the concentration of our portfolio, we are dependent on the trends in the region's real estate market, as well as general economic and demographic conditions and developments in the region and in the Czech Republic.

If economic conditions were to deteriorate in the region or in the Czech Republic, resulting in an increase in unemployment or a decline in real income, the ability of our tenants to pay rent may be impaired and the creditworthiness of our tenants may decrease. A decline in the creditworthiness of our tenants could increase the risk of a widespread failure to meet rent payment obligations. This could cause a decline in revenues and have a negative impact on our financial condition and results of operations.

Although unemployment in the region and the Czech Republic has decreased over the past decade, unemployment rates have been high in the past, and we cannot assure you that unemployment will not rise to such levels again in the future, and government subsidies may not be available to cover any shortfalls in our tenants' disposable income. Any such negative economic trend could impact our tenants' ability to pay their rent on time or at all, and could have a material adverse effect on our business, financial condition and results of operations.

Prevailing interest rates in the region and the Czech Republic also impact our business, as most purchasers of residential units in the region acquire such properties by way of mortgage loans. A favourable lending and low interest rate environment tends to allow more people to own their homes rather than rent them. Recently, the total volume of mortgages has increased in the region. Any continued trend in the market favouring purchasing over renting homes could reduce the demand for our rental properties.

Demographic trends in the region also impact our business, including the number of households. In addition, the Czech economy has strong linkages with the German economy, and therefore a downturn in the German economy could adversely impact the region. It is expected that the population of the region will slowly decline over the long term, which generally negatively affects demand for housing, although the number of households in the Moravian-Silesian region is expected to increase over the coming years, thereby increasing the demand for housing. However, if the increase in the number of households does not materialise or were to reverse, the demand for housing could also decline, including demand for our properties.

We also face competition for tenants for rental housing in the region, primarily from the municipalities of Ostrava and Havířov. These municipalities offer public housing at lower rates than we do, and could attract potential or existing tenants away from us on this basis. In addition, our dependence on the region could put us at a disadvantage to competitors who have a more geographically diversified portfolio, which could have a material adverse effect on our business, financial condition and results of operations.

Higher vacancy rates and our inability to charge rents at levels sufficient to support our operations could have a material adverse effect on our results of operations.

We generate revenue primarily by renting our residential properties. Such revenues are dependent on our ability to manage the level of vacancies and charge a level of rent that is profitable for our business. Low demand for housing generally, or at a particular location due to economic, social or other conditions in that location, may lead to higher vacancies and result in lower revenues. To the extent that we are able to re-lease a unit, there is a risk that we may not be able to do so on favourable terms. Alternatively, we may have to make additional investments to maintain the properties, as required by the relevant lease or by law, or improve the attractiveness of the property in order to re-lease a unit, either of which would cause an increase in vacancies or adversely impact our revenues and cash flows. In an effort to reduce our vacancy rates, we could also be forced to lease our units to less creditworthy tenants, which may increase our collection loss. If large numbers of tenants terminate their leases and we are unable to re-lease the units within a reasonably short time period, we could experience an increase in vacancies and operating costs, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to achieve contracted rental increases from our existing tenants.

Our strategy is dependent on our ability to gradually increase the rents that we collect from existing tenants through contracted rental increases under our rent normalisation programme, which is described under "*Business—Rent Management—Rent Normalisation Programme*". These efforts could be undermined by a number of factors, including changes in rent regulations, an increase in housing supply, population shifts away from the locations where our properties are located, local or macroeconomic conditions, local market rents, the condition and location of our properties, the scope of modernisation measures undertaken and turnover. Any failure to increase rents generally, or to achieve contracted rental increases in accordance with our rent normalisation programme, could have a material adverse effect on our business, financial condition and results of operations.

Our capital expenditure and other maintenance costs may be higher than expected.

The condition of our properties must be maintained in order for them to remain desirable to tenants and to generate revenue over the long term. Further, maintaining or improving the condition of our properties is important to capturing any increase in market demand and can entail significant costs. We will continue to undertake maintenance and refurbishment work on an on-going basis.

We are subject to a number of construction, operating and other risks relating to the completion of our one-off investment programme and our on-going property maintenance and refurbishment programmes, many of which are beyond our control, including shortages and price inflation of materials, equipment and labour, adverse weather conditions, accidents, unexpected delays and other unforeseen circumstances, any of which could result in costs that are materially higher than we initially estimated. In addition, numerous other factors, such as the age of the relevant building structure, the material and substances used at the time of construction or building code compliance and violations could also result in substantial maintenance costs.

Any of these circumstances could negatively affect our ability to complete our one-off investment programme on schedule or within the estimated budget, and even if we are successful in doing so, we may not be able to recoup our investments. Our failure to undertake appropriate maintenance and refurbishment work could adversely affect the rental revenue earned from the affected property, result in substantial unplanned costs, negatively impact the affected unit's value and, in some circumstances, result in a breach of our obligations under a lease. Should this happen, it could have a material adverse effect on our business, financial condition and results of operations.

The valuations of our portfolio contained in this Prospectus may not accurately reflect the value of our portfolio.

This Prospectus contains information regarding the fair value of our investment properties that we have determined in accordance with IFRS as set forth in the audited financial statements, as well as a valuation by CBRE as set forth in the Valuation Report. Neither CBRE, nor any person acting on its behalf, makes any warranty, express or implied, or assumes any liability with respect to the reliance upon or use of any information or analysis disclosed in the Valuation Report.

As real estate is unique, the valuation of real estate is inherently subjective and thus subject to uncertainty. A property's valuation depends on the factors considered during the valuation and on the applied valuation methods. In valuing a property, factors such as operating expenses, expected capital expenditure, the age of the properties, historical vacancy rates and inflation rates may be considered. In addition, property valuations are based on assumptions that may not be correct. In particular, CBRE makes certain assumptions in its Valuation Report, including the lease tenure, leasing, town planning and the condition and repair of buildings and sites, including environmental matters. An adverse change in one of the assumptions used or factors considered in valuing a property can materially decrease the assessed value of the property.

Some important assumptions we use, and which are used in the Valuation Report and future external property appraisal reports prepared in connection with our properties, are, and will be, based on, as the case may be, information that we produce, such as the number of units that we manage, our ownership of, and title to, such units, rents and vacancy rates. A change in the factors considered and assumptions used may cause valuation results to differ significantly. The valuation of our properties may not reflect the actual fair value of our property, or the estimated yield and annual rent of any such property.

A change in the factors or assumptions underlying the appraisal, including deterioration in prevailing market or economic conditions, could also cause the fair value determined for the respective valuation date to result in a fair value loss. Under these circumstances, we would be required to recognise the negative change in value as a loss resulting from the fair value adjustments of investment properties for the relevant accounting period. If such losses are significant, they could have a material adverse effect on our financial condition and results of operations.

The formation and privatisation of Former OKD, our predecessor, and government sales could be challenged or otherwise subject to scrutiny or criticism, which could have a material adverse effect on our business, financial condition and results of operations.

Former OKD was formed through the transformation of a state enterprise into a joint stock company in 1991 and its shares were privatised by the Czech government in a series of transactions between 1992 and 2004. These transactions involved privatisation through the voucher programme, consisting of the sale of vouchers to Czech citizens, and subsequent sales of shares in Former OKD by the National Property Fund. These transactions and their implementation by the Czech government have in the past been, and may continue to be, criticised, and a successful challenge of such transactions before the Czech government, Czech courts, arbitration tribunals or competent European institutions could result in attempts to unwind or otherwise invalidate such transactions and/or create adverse publicity. There have been and continue to be a variety of legal claims, investigations, critical negative statements by political figures and purported advocacy groups and reports in the Czech media in respect of these transactions and associated matters. Such criticism and challenges and the associated adverse publicity could affect the attractiveness of our portfolio to tenants and other counterparties and have other effects, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, whether or not we are a direct party to any legal challenge, we (as the owner, through RPG Byty, of the underlying assets) might face injunctions or similar measures that could cause such a material adverse effect, such as prohibiting disposals of our assets. For example, we were subject to a temporary injunction that was issued in December 2009 in connection with an arbitration dispute between the Czech Ministry of Finance and RPGI regarding the Privatisation Agreement (which was lifted by the court after several weeks) that restricted us from disposing of certain of our properties. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We are subject to statutory cross guarantees, which could be called upon at any time.

Under Czech law, we and other successor entities are deemed to have given statutory cross guarantees in respect of liabilities of Former OKD existing at the date of the demerger in 2006 that we and other successor entities assumed on such date and which have not subsequently been discharged or have otherwise ceased to exist or be enforceable. The cross guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective accounting date of the demerger, which was CZK 4,989 million with respect to RPG Byty.

These statutory cross guarantees could be called upon at any time if the principal debtor fails to pay its own debt, and amounts thereunder may become immediately due and payable. Due to their uncertain nature, we have not recorded a provision in respect of such cross guarantees (or otherwise disclosed these guarantees as a contingent liability) in the audited financial statements. If these cross guarantees were called, we may not have sufficient assets to pay amounts due under these guarantees and to the extent our assets are insufficient, we may need to incur a substantial amount of indebtedness or obtain other sources of funding to pay such amounts. There can be no assurance that such funding would be available on commercially reasonable terms or at all. Moreover, if we were to incur new debt in addition to our current level of indebtedness, the risks relating to our being highly leveraged would increase. No claim has been made in respect of the cross guarantee in the nearly eight years since the demerger occurred and we expect that the likelihood of any claim being made will diminish further with the passage of time. See "*Related Party Transactions—Cross Guarantee*". However, if such a claim were made, this could have a material adverse effect on our business, financial condition and results of operations.

Our senior management team is critical to our continued performance, and we may not be able to replace key personnel if we lose them.

We rely upon the members of our senior management team, primarily due to their substantial sector expertise. We have put in place compensation policies designed to retain and incentivise management. However, there can be no assurance that we will be able to retain and incentivise current management or to find suitable replacements should any of them leave. Should the members of our senior management team resign in significant numbers or if a critical member of our senior management were to resign unexpectedly, it could adversely affect our business. Furthermore, the process of attracting and retaining suitable replacements for senior management whose services that we may lose could result in transition costs and could divert the attention of other members of our senior management from our existing operations. Should we lose key personnel, this could have a material adverse effect on our business, financial condition and results of operations.

Inflation could adversely affect our business, results of operations and financial condition, particularly in a period of oversupply in the general housing market.

Inflation could adversely affect our business by increasing, among other things, the cost of the raw materials and labour that we use in maintaining or refurbishing properties. In addition, inflation could impact tenants' disposable income and buying power and consequently impact their ability to pay rent. In the event of an increase in inflation, we may seek to increase rents in order to maintain satisfactory margins. Even though we have contractually agreed inflation adjustment mechanisms in our post-regulated rental contracts, any potential oversupply of housing relative to demand in the general housing market may make it difficult or impossible to achieve such increases. We may not be able to raise rents sufficiently to overcome inflationary pressures due to the inability of tenants to afford such increases in rents relative to their income. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation and the accompanying potential material adverse effect on our business, financial condition and results of operations.

We may be unable to sell any portion of our portfolio on favourable terms, or at all, due to the restrictions contained in the Privatisation Agreement as well as the potentially illiquid nature of our properties and other factors.

Although our strategy is focused on renting, rather than selling, the properties in our portfolio, were we to decide to sell any of our properties, we may encounter difficulties in doing so as a result of restrictions contained in the Privatisation Agreement entered into in 2004 between Karbon Invest (which held a controlling stake in the Former OKD) and the National Property Fund. With respect to our business one provision under the Privatisation Agreement remains binding on RPGI as the successor in interest to Karbon Invest. This provision provides that, upon the sale of an individual residential unit (but not the building itself), RPGI is required to offer such residential unit pre-emptively to the current tenant at a price determined in accordance with the Privatisation Agreement, which may significantly diverge from what we would receive had the relevant residential unit been sold in the market. We have undertaken to RPGI that we will not cause them to default on this obligation. The interpretation of a number of aspects of this provision, including its applicability and the price setting mechanism, is unclear, which might give rise to disputes should individual residential units be sold. Accordingly, this provision, together with the statutory pre-emptive right that a tenant who is a natural person is afforded under Czech law in connection with the first transfer of the individual residential property where such tenant resides, would make the break-up of our portfolio by way of sale of individual residential units both legally complex and potentially economically disadvantageous to us and Shareholders.

Since the foregoing restrictions do not apply in the case of sales of entire buildings, we may, in instances where management has identified more attractive opportunities, selectively sell buildings. However, there can be no assurance that we will be successful in doing so. In particular, during periods of low demand or decreased property values or rents, land and property may become particularly illiquid. This could lead us to experience difficulties in disposing of buildings in a timely fashion, without extensive marketing efforts, or without reducing the sale prices of such buildings. Such unfavourable conditions could negatively impact our liquidity and our business. Furthermore, the indenture governing the Senior Secured Notes contains certain restrictions on the use of proceeds from asset sales. See "*Operating Financial Review—Liquidity and Capital Resources—Senior Secured Notes*" for further detail. If we are prevented from selling our properties, whether as a result of restrictions contained in the Privatisation Agreement, market conditions or otherwise, this could have a material adverse effect on our business, financial condition and results of operations.

Tenants of some of our properties may argue the invalidity of their respective lease agreements on procedural grounds.

Certain procedural requirements in connection with the execution and delivery of a small proportion of our lease agreements were not complied with at the time of commencement of those lease arrangements prior to 1992. While we believe that these leases represent an immaterial portion of our total lease agreements, there is a risk that a tenant of any such property could take legal action to rescind the relevant lease agreement and request compensation for rent paid during the term of the lease. However, even if a tenant successfully challenged a lease contract in court, the potential financial consequences for us would be mitigated by the fact that we could claim compensation for use of the property without legal title (a concept referred to as an "unjust enrichment" on the part of the tenant under Czech law). In addition to any claim for compensation, any legal action taken by a tenant on this basis could cause us to incur monetary costs associated with defending them and could create vacancies, as we may not be able to lease the relevant property immediately. Should our lease agreements be challenged, this could have a material adverse effect on our business, financial condition and results of operations.

We are subject to numerous regulations, and changes to the regulatory environment in the Czech Republic may materially and adversely affect our industry and impede our business.

A significant recodification of Czech private law became effective as at 1 January 2014. As a result of the recodification, the three acts forming the basis of Czech civil law, namely the Czech Civil Code, the Czech Commercial Code and the Act on International Private Law, were replaced by the New Czech Civil Code (Act No. 89/2012 Coll.) (the "**New Czech Civil Code**"), the New Act on Corporations (Act No. 90/2012 Coll.) and the New Czech Private International Law Act (Act No. 91/2012 Coll.), respectively. While Czech jurisprudence on the previous civil law was not fully settled in all areas, the introduction of these acts could cause additional uncertainty.

The recodification has an impact on nearly every natural person and legal entity in the Czech Republic and is expected to influence a wide range of issues, including property law, contract formation, the creation and enforcement of security, securities laws and corporate law. Adaptation to the new legal environment is expected to result in increased costs and expenses for us. The New Czech Civil Code retains certain tenant protections, including provisions with respect to termination of leases, rent increases and the pre-emptive right of individual tenants who is a natural person in connection with the first transfer of individual residential units. The New Czech Civil Code governs leases in effect at the time the law is effective, regardless of when the leases were entered into.

Notwithstanding the recodification, we are subject to national and local statutes, ordinances, administrative requirements, policies, rules and regulations concerning, among other things, planning, building development, land use, sales, fire, health and safety, and employment. These laws and regulations often provide broad discretion to the administering authorities and significant rights and powers to our tenants. See "*Regulation*". Further changes in laws and regulations, or the manner in which they are interpreted or applied, could limit our activities in the future or could significantly increase the cost of regulatory compliance. Should such changes occur, they could have a material adverse effect on our business, financial condition and results of operations.

In addition, because our properties are concentrated in one region in the Czech Republic, our business is subject to the risk that our operations may be impacted by changes in political, social or economic policies in the region or in the Czech Republic. In particular, in January 2014, three coalition parties formed a new government in the Czech Republic. There can be no assurance that the current government will remain in office until the expiration of its current mandate or that the current government or any subsequent government will continue the economic, fiscal, and regulatory policies of former governments. The policies of this new coalition government or any subsequent government could potentially lead to changes in the regulatory environment that may be adverse to us. Such reforms may include a reassessment of the rent deregulation and/or changes to the state rental subsidy programme. In addition, negative effects could result from changes in, but not limited to, real property laws, employment laws, anti-bribery, anti-corruption laws and anti-money laundering laws, or changes to court application fees for evictions.

We could be subject to liability claims for several years after selling properties.

In connection with the sale of properties we may undertake, we may make representations, warranties and negative declarations of knowledge to the purchasers with respect to certain characteristics of the properties. The resulting liabilities continue to exist after the sale, usually for several years. In particular, we could be subject to claims for damages by purchasers who assert that the representations we made to them were untrue, or that we failed to meet our obligations. This could lead to legal disputes or litigation with the purchasers, which could result in our becoming liable to them. Furthermore to the extent that we made warranties to third parties in connection with refurbishment measures and claims are asserted against us because of defects, we may not have recourse against the companies that performed the work. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We could sustain substantial losses not covered by, or exceeding the coverage limits of, our insurance policies.

Our properties are insured against losses due to natural and man-made disasters, crime, product defects and various other risks. Our insurance policies are, however, subject to exclusions and limitations of liability. We may, therefore, have limited or no coverage relating to certain risks, including changes in planning laws or regulations, compliance with building codes and other ordinances, title defects and defective construction. In addition, our insurance providers could become insolvent. We also do not maintain separate funds or otherwise set aside reserves to cover losses or third party claims from uninsured events. Should an uninsured loss or a loss in excess of our insurance limits occur, we could lose capital invested in the affected property as well as anticipated income and capital appreciation from that property. In addition, we may incur further costs to repair damage caused by uninsured risks. We could also remain liable for any debt or other financial obligation relating to such a property and may experience material losses in excess of insurance proceeds. In the event we sustain losses that are not covered by our insurance policies, this could have a material adverse effect on our business, financial condition and results of operations.

We may incur environmental liabilities, including from residual pollution, soil conditions and contaminants in building materials.

Properties we own may contain ground contamination, hazardous substances or other residual pollution and environmental risks. We bear the risk of cost-intensive assessment, remediation and/or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the leasing or sale of properties, could trigger claims for rent reductions or termination of leases for cause, damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures we could have to undertake could negatively affect us and could cause us to incur considerable additional costs. We are also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can negatively affect the value of a property and our ability to lease or sell such a property. Some of our buildings fail to comply with certain sewage water treatment regulations. We may be required to take remedial measures that could result in material costs. Any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

Substantially all of our employees are party to a collective bargaining agreement, and we may face labour disruptions that could interfere with our operations.

Substantially all of our employees are party to a collective bargaining agreement between RPG Byty and a trade union (*Základní organizace Odborového svazu pracovníků hornictví, geologie, naftového průmyslu RPG RE*). While the current collective bargaining agreement expires on 31 December 2016, certain provisions relating to wages and other benefits expire on 31 December 2014. In addition, we negotiate wages and other benefits in the framework of the collective bargaining agreement on an annual basis. Should we fail to reach an agreement with the trade union in connection with annual wage and benefit negotiations or the extension of the collective bargaining agreement, we may experience increased labour costs, which in turn could adversely affect our margins. If we are unable to maintain satisfactory employee relations or negotiate acceptable terms in the future, then we could experience, among other things, work stoppages, strikes or other action or labour difficulties (including higher labour costs), any of which could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to acquire RPG Služby, our affiliate that provides facility management services, from the Selling Shareholder.

RPG Byty is party to a long-term service agreement with RPG Služby (as amended, the "**RPG Služby Service Agreement**"). Under the RPG Služby Service Agreement, RPG Služby (or any subcontractors engaged by RPG Služby) provides us with certain facility management services in connection with our properties, including repairs, renovation of vacant units, maintenance services and technical supervision. In the future, we intend to acquire RPG Služby from the Selling Shareholder in order to internalise the facility management services currently provided by it. The inability to complete and/or manage this transaction effectively or on commercially attractive terms, however, could result in us incurring additional costs and/or in management's attention being diverted from managing our portfolio. Any of these or other consequences could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to successfully identify and complete acquisitions on favourable terms or achieve anticipated synergies relating to any acquisitions, and such acquisitions could result in unforeseen operating difficulties and expenditures.

We periodically review potential acquisitions of complementary businesses, properties or services in the Czech Republic and other Central and Eastern European countries. However, we may be unable to find suitable acquisition targets. Even if we identify appropriate acquisition targets, we may be unable to complete such acquisitions on favourable terms, if at all. In addition, the process of integrating an acquired business, property or service into our existing business and operations may result in unforeseen operating difficulties and expenditures. Integration of an acquired business, property or service may also require significant management resources that otherwise would be available for the on-going development of our business. Moreover, we may not realise the anticipated benefits of any acquisition, and such transaction may not generate the expected financial results. Future acquisitions could also require us to issue equity securities, incur debt, assume contingent liabilities or amortise expenses related to intangible assets, any of which could have a material adverse effect on our business, financial condition and results of operations.

Damage to or interruptions in our information technology system could lead to diminished data security or limit our business operations.

Our information technology system supports our business optimisation strategy. Any interruptions in, failures of, or damage to, our information technology system could lead to business process delays, such as the outage of our customer service hotline. If our information technology system were to fail, we would have to recreate existing databases from our back-up systems, which would be time-consuming and expensive. We may also have to expend additional funds and resources to protect against or to remedy potential or existing security breaches and related consequences. In addition, if we had to replace our current information technology service provider, we would likely incur substantial costs and potential interruptions in our business processes and possibly lose data. Should our information technology system be disrupted or damaged, it could have a material adverse effect on our business, financial condition and results of operations.

As our real estate portfolio is concentrated in the Moravian-Silesian region, natural disasters, severe weather conditions or other catastrophic events affecting the region could have a material adverse effect on our business, financial condition and results of operations.

Our business may be affected by natural disasters (such as earthquakes, floods or fires), pollution, severe weather conditions (such as heavy rains and flooding) or other catastrophic and disruptive events (such as conflict or war or civil disturbance). If any of these events were to occur in the Moravian-Silesian region, this could result in a material disruption to our business and could adversely affect our ability to maintain our real estate portfolio. In addition, if a natural disaster or other similar event occurred that damaged critical infrastructure or that otherwise disrupted our operations or the operations of RPG Služby, it may be difficult or, in certain cases, impossible for us to meet our tenants' needs and to continue our business for a substantial period of time. If our disaster recovery and business continuity plans are not adequate in the event of a natural disaster or similar event, we could incur substantial expenses, and the on-going maintenance and further development of our real estate portfolio could be negatively impacted. This could significantly reduce our rental income and/or increase our operating costs, any of which could have a material adverse effect on our business, financial condition and results of operations.

The requirements of being a publicly traded company may increase our overall operating costs and subject us to increased costs and regulatory risk which could negatively impact our business.

As a publicly traded company on Euronext Amsterdam, we will be subject to certain listing requirements. The financial reporting, legal, corporate governance and other obligations associated with being a publicly traded company could require us to incur significant costs and place additional demands and requirements on our Board of Directors and management, as well as other administrative, operational and financial personnel and resources. In addition, if we are unable to comply with these requirements in a timely and effective manner, we and/or certain members of our Board of Directors and management may be subject to sanctions, which could have a material adverse effect on our business, financial condition and results of operations.

Competent authorities may deem the Company to be, or the Company may in the future become, an alternative investment fund within the meaning of the AIFMD, particularly if it changes the scope of its business activities.

We believe that neither the Company nor RPG Byty currently qualifies as an alternative investment fund within the meaning of the Alternative Investment Fund Managers Directive (the "**AIFMD**") because, among other things, they are business undertakings. However, there exists uncertainty regarding the scope of the AIFMD and competent authorities may take a different view. If either the Company or RPG Byty were considered by the relevant competent authorities in the EU Member States to qualify as, or otherwise operate as, an alternative investment fund within the meaning of the AIFMD, this could expose them to material fines, judicial penalties for non-compliance or other sanctions imposed by such competent authorities. In the Netherlands, these sanctions include an administrative fine (*bestuurlijke boete*) and a judicial penalty for non-compliance (*last onder dwangsom*) and publication thereof. Any such sanctions could have a material adverse effect on our business, financial condition and results of operations. In addition, such authorities may require the Company or RPG Byty to obtain a licence or authorisation and become a regulated institution under the AIFMD. Further, the Company or RPG Byty may in the future change their respective strategies, organisation, business policies or activities such that they would become an alternative investment fund within the meaning of the AIFMD. If the Company or RPG Byty decides to invest in or acquire new real estate portfolios, they may seek prior confirmation from the relevant competent authorities that any such expansion of their business would not result in them becoming an alternative investment fund within the meaning of the AIFMD. The Company may also consider whether it should transform itself or RPG Byty into an alternative investment fund within the meaning of the AIFMD.

In the event that the Company or RPG Byty becomes an alternative investment fund within the meaning of the AIFMD, either at the order of a competent authority or voluntarily, this could materially affect their regulatory position and could subject them to a licence requirement and requirements relating to, among other things, liquidity management, remuneration, transparency, valuation and leverage. In addition, the Company or RPG Byty could be required to appoint a depositary. Such requirements are likely to result in material additional operating costs for the relevant entity. There may also be restrictions on the marketing of the Shares, which in turn may have an adverse effect on liquidity and market price of the Shares. Such requirements as well as the qualification as an alternative investment fund could have a material adverse effect on the Company's business, financial condition and results of operations or the ability of the Company or RPG Byty to distribute or return capital to its shareholders. This may also create additional compliance costs, some of which may be passed on to investors. Failure to obtain a license or authorisation may result in the Company or RPG Byty having to cease its operations.

Risks Related to Our Structure and Financial Profile

The shares of RPG Byty and certain of its assets are pledged in favour of its creditors, and if RPG Byty is unable to meet its obligations under the Senior Secured Notes, the Currency Swaps, the Revolving Credit Facility or the Refurbishment Loans, its creditors will be entitled to enforce the pledge of its shares and/or other collateral securing these obligations.

In 2013, RPG Byty issued €400,000,000 aggregate principal amount of Senior Secured Notes and entered into Currency Swaps and the Revolving Credit Facility, all of which are secured by first-priority security interests. The collateral securing the Senior Secured Notes, Currency Swaps and the Revolving Credit Facility includes: (i) a pledge over all of the issued share capital of RPG Byty; (ii) mortgages over, and a pledge over insurance receivables from, substantially all of the real estate properties owned by RPG Byty, other than certain excluded property; (iii) pledges over all bank accounts of RPG Byty, other than certain operating and non-essential bank accounts; (iv) and pledges over receivables under existing lease agreements relating to all of the real estate properties owned by RPG Byty, other than certain excluded property. See "*Operating Financial Review—Liquidity and Capital Resources*" for a description of these security arrangements. Based on the valuation set out in the Valuation Report prepared by CBRE, security over assets representing 92 per cent. of the fair value of our portfolio has been granted for the benefit of the holders of the Senior Secured Notes, the hedge counterparties under the Currency Swaps and the lender under the Revolving Credit Facility. As a result, if RPG Byty is unable to meet its obligations under the Senior Secured Notes, the Currency Swaps or the Revolving Credit Facility, its creditors will be entitled to enforce the pledge of the shares of RPG Byty as well as the other collateral securing the Senior Secured Notes, the Currency Swaps and the Revolving Credit Facility. Any such enforcement could result in us losing control of RPG Byty and/or our real estate properties and certain other assets.

Additionally, the Refurbishment Loans are secured by a mortgage of certain real estate properties as well as pledges or security assignments of certain receivables and bank accounts. Based on the valuation set out in the Valuation Report prepared by CBRE, security over assets representing 5.8 per cent. of the fair value of our portfolio has been granted for the benefit of the lenders under the Refurbishment Loans. See "*Operating Financial Review—Liquidity and Capital Resources—Refurbishment Loans*" for a discussion of these security arrangements. As at 31 December 2013, the total indebtedness under the Refurbishment Loans was CZK 426,849 thousand. Upon an event of default under any of the Refurbishment Loans, the relevant lenders thereunder would be entitled to enforce the collateral securing such loans. Any such enforcement could result in us losing control of certain of our real estate properties and certain other assets, and would have a material adverse effect on the value of the Shares.

Our substantial leverage and debt service obligations could adversely affect our business.

We are highly leveraged and there can be no assurance that we will be able to generate sufficient cash flow from operations to service our debt obligations on an on-going basis. As at 31 December 2013, we had total debt of CZK 11,405,238 thousand. The degree to which we will remain leveraged could have important consequences to Shareholders offered hereby, including, but not limited to:

- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital and, capital expenditure and pay dividends;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations.

Despite our substantial leverage, we may still be able to incur more debt, which could further exacerbate the risks described above. Although we are subject to certain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. For further information regarding our substantial leverage and for more information about our outstanding indebtedness, see also "*Operating Financial Review—Liquidity and Capital Resources*".

RPG Byty is subject to restrictive covenants that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities.

The indenture governing the Senior Secured Notes contains restrictive covenants that may limit, among other things, the ability of RPG Byty to:

- pay dividends or make other distributions or purchase or redeem our stock;
- incur or guarantee additional indebtedness and issue certain preferred stock;
- make investments or other restricted payments;
- enter into agreements that restrict any future restricted subsidiaries' ability to pay dividends;
- transfer or sell assets;
- engage in certain transactions with affiliates;
- create liens on assets to secure indebtedness;
- impair security interests; or
- merge or consolidate with or into another company.

RPG Byty requires the permission of the lender under the Revolving Credit Facility and of the lender under certain of the Refurbishment Loans for the payment of dividends to the Company. Such permissions have been received as at the date of this Prospectus subject to the execution (which is expected to occur after the Offering) of technical amendments effecting consequential changes to the Revolving Credit Facility and certain of the Refurbishment Loans. See "*Operating Financial Review—Liquidity and Capital Resources*".

The Revolving Credit Facility and the Refurbishment Loans also contain certain covenants. The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, any breach of any of the covenants included in debt instruments to which we are subject could result in an event of default under these instruments. Upon the occurrence of any event of default, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could elect to declare all amounts outstanding thereunder, together with accrued interest, immediately due and payable. In addition, a default under any of these instruments could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions. If our creditors accelerate the payment of those amounts, we cannot assure you that our assets and the assets of any future subsidiaries would be sufficient to repay in full those amounts or to satisfy all other liabilities of any future subsidiaries that would be due and payable. In addition, if we are unable to repay those amounts, our creditors could proceed against any of our assets granted to them to secure repayment of those amounts, which could have a material adverse effect on our business, financial condition and results of operations. See "*—The shares of RPG Byty and certain of its assets are pledged in favour of its creditors, and if RPG Byty is unable to meet its obligations under the Senior Secured Notes, the Currency Swaps, the Revolving Credit Facility or the Refurbishment Loans, its creditors will be entitled to enforce the pledge of its shares and/or other collateral securing these obligations*".

We will require a significant amount of cash to service our debt and sustain our operations, which we may not be able to generate or raise.

Our ability to make principal or interest payments on our indebtedness when due and to fund our on-going operations will depend on our future performance and ability to generate cash, which, to a certain extent, is subject to the success of our business strategy as well as general economic, financial, competitive, legislative, legal, regulatory and other factors and the other factors discussed in these "*Risk Factors*", many of which are beyond our control.

We can provide no assurances that our business will generate sufficient cash flows from operations or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due or to fund our other liquidity needs.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditure;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt on or before maturity.

The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We can provide no assurances that we will be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In such an event, we may not have sufficient assets to repay all of our debt.

Any failure to make payments on our debt on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of Refurbishment Loans and the Revolving Credit Facility will limit our ability to pursue any of these alternatives. Any refinancing of our debt could cause us to incur additional costs, could be at higher interest rates and may require us to comply with more onerous covenants, which could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that any assets that we could be required to dispose of could be sold or that, if sold, the timing of such sale and the amount of proceeds realised from such sale would be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations which could have a material adverse effect on our business, financial condition and results of operations. See *"—Risks Related to Our Industry and Business—Due to the potentially illiquid nature of our properties and other factors, if we are unable to generate positive cash flows from our operating activities, we may be unable to sell any portion of our portfolio on favourable terms or at all*".

The Company is a holding company with no operations and relies on its subsidiary, RPG Byty, to provide it with funds necessary to meet its financial obligations.

The Company is a holding company with no material, direct business operations. The only asset of the Company is its 100 per cent. interest in RPG Byty. As a result, the Company is dependent on loans, dividends and other payments from RPG Byty to generate the funds necessary to meet its financial obligations, including the payment of dividends. The ability of RPG Byty to make such distributions and other payments depends on its earnings and may be subject to statutory or contractual limitations. As the holder of RPG Byty's equity, the Company's right to receive assets upon its liquidation or reorganisation will be effectively subordinated to the claims of its creditors. To the extent that the Company is recognised as a creditor of RPG Byty, the Company's claims may still be subordinated to any security interest in or other lien on its assets and to any of its debt or other obligations that are senior to the Company's claims. See "*—The shares of RPG Byty and certain of its assets are pledged in favour of its creditors, and if RPG Byty is unable to meet its obligations under the Senior Secured Notes, the Currency Swaps, the Revolving Credit Facility or the Refurbishment Loans, its creditors will be entitled to enforce the pledge of its shares and/or other collateral securing these obligations".*

Following the completion of the Offering, we will continue to be indirectly partially owned by BXR Group Limited, and BXR Group Limited's interests may conflict with our interests or the interests of the Shareholders.

Immediately following the completion of the Offering and assuming that the maximum number of Offer Shares is issued and sold, the Selling Shareholder will hold 39.9 per cent. of the Shares (or 30.9 per cent. if the Over-allotment Option is exercised in full). As a result, BXR Group Limited, as the ultimate parent company of the Selling Shareholder, will have the power to appoint and dismiss our directors and to block certain decisions required to be approved by our shareholders. In addition, the Selling Shareholder wholly owns RPG Služby, which provides us certain facility management services. The interests of BXR Group Limited as our indirect shareholder and/or the Selling Shareholder as the shareholder of RPG Služby may not, in all cases, be aligned with the interests of the Shareholders. If we encounter financial difficulties, or are unable to pay our debts as they mature or when we negotiate contractual arrangements with RPG

Služby in the future, the interests of BXR Group Limited may conflict with those of the Shareholders. There can be no assurances that the resolution of any matter that may involve the interests of BXR Group Limited will be resolved in a manner that Shareholders would consider to be in their best interests. Subject to certain restrictions, BXR Group Limited and any of our successor owners may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in the judgement of BXR Group Limited or its successor, could enhance its equity investment, even though such transactions may involve risks to Shareholders.

The Refurbishment Loans and Revolving Credit Facility bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

The Refurbishment Loans and Revolving Credit Facility bear interest at floating rates of interest, as adjusted periodically, plus a spread. Fluctuations in these rates may increase our overall interest burden and could have a material adverse effect on our ability to service our debt obligations. Although we have entered into interest rate swaps designed to fix a portion of the rates under certain of the Refurbishment Loans, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. See "*Operating Financial Review—Liquidity and Capital Resources—Refurbishment Loans—Interest Rate Swaps*". Furthermore, any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recorded directly on the income statement. Therefore, to the extent that the interest rate swaps we enter into do not qualify for hedge accounting treatment and fluctuations in interest rates result in losses, our results of operations could be adversely affected.

Certain of our debt obligations are denominated in euro, whereas the majority of our cash flow is denominated in Czech koruna, and as a result, fluctuations in the Czech koruna/euro exchange rate can have an adverse impact on our results of operations.

Certain of our debt obligations, including the Senior Secured Notes, are denominated in euro, whereas the majority of our cash flow is denominated in Czech koruna. Accordingly, to the extent our exposure to fluctuations in the Czech koruna/euro exchange rate remains unhedged, fluctuations in the Czech koruna/euro exchange rate could make it more difficult for us to service our debt obligations. We have entered into derivative financial instruments, including the Currency Swaps and the Long Call Option (as defined herein), to mitigate this risk. For more information, see "*Operating and Financial Review—Liquidity and Capital Resources—Currency Swaps*". Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recorded directly on the income statement. Therefore, to the extent that the Currency Swaps, the Long Call Option or other currency derivatives we enter into do not qualify for hedge accounting treatment and fluctuations in the Czech koruna/euro exchange result in losses, our results of operations could be adversely affected.

Risks Related to the Offering and the Shares

The market price of the Shares may fluctuate and may decline below the Offer Price and trading in the Shares may be very limited which might lead to holders not being able to sell their Shares at a reasonable price or at all.

Prior to the Offering, there has been no public trading market for the Shares. No assurances can be given that an active trading market for the Shares will develop or, if developed, can be sustained or will be liquid following the closing of the Offering. Furthermore, the Offer Price is not necessarily indicative of the prices at which the Shares will subsequently trade on the stock exchange. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond our control, including new government regulation, variations in operating results in our reporting periods, changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by us or our competitors of significant contracts, acquisitions, strategic alliances, joint ventures, capital commitments or new services, loss of major customers, additions or departures of key personnel, any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts, future issues or sales of ordinary shares and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Shares.

Future sales of substantial amounts of our ordinary shares, or the perception that such sales could occur, could adversely affect the market value of the Shares.

Each of the Company and the Selling Shareholder has agreed that, subject to certain exceptions, it will not, without the prior written consent of the Global Coordinator (such consent not to be unreasonably withheld) issue, offer or sell any ordinary shares of the Company or securities convertible or exchangeable into ordinary shares of the Company for, a period of 180 days following the Settlement Date, as described in "*Plan of Distribution—Lock-up Arrangements*". Following the expiration of these lock-up provisions, future sales of the Shares could be made by the Company or the Selling Shareholder. If the Company were to raise funds through additional equity offerings, this could cause dilution for its shareholders to the extent they do not participate. Moreover, sales of a substantial number of Shares by the Selling Shareholder (which, following the completion of the Offering and assuming that the maximum number of Offer Shares is issued and sold, will hold 39.9 per cent. of the Shares (or 30.9 per cent. if the Over-allotment Option is exercised in full)), or the perception that such sales could occur, could adversely affect the market price of the Shares.

If closing of the Offering does not take place, subscriptions for and purchases of the Offer Shares will be disregarded and transactions effected in the Offer Shares will be annulled.

Application has been made to list all of the Shares on Euronext Amsterdam. We expect that the Shares will be admitted to listing and that trading in the Shares will commence prior to the closing of the Offering on the First Trading Date on an "as-if-and-when-issued/delivered" basis. The Settlement Date, on which the closing of the Offering is scheduled to take place, is expected to occur on or about 13 May 2014, the third business day following the First Trading Date. The closing of the Offering may not take place if certain conditions are not satisfied or waived on or prior to the Settlement Date. Trading in the Offer Shares before the closing of the Offering will take place subject to the condition that, if closing of the Offering does not take place, the Offering may be withdrawn, all applications to subscribe for or purchase Offer Shares will be disregarded, any allocations made will be deemed not to have been made, any payments made will be returned without interest or other compensation and transactions on Euronext Amsterdam will be annulled. All dealings in the Offer Shares prior to settlement and delivery are at the sole risk of the parties concerned. The Company, the Selling Shareholder, the Underwriters and Euronext Amsterdam do not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions on Euronext Amsterdam.

We may not be able to pay dividends in accordance with our stated dividend policy.

Subject to the availability of distributable results or reserves as set forth in the Company's own (i.e., non-consolidated) annual financial statements prepared in accordance with Dutch generally accepted accounting principles, we intend to distribute an annual dividend of approximately 70 per cent. of the Company's consolidated FFO. We currently do not have the intention to make any interim distributions, and, therefore, do not expect any distribution to be made before 2015. See "*Dividends and Dividend Policy*". No assurances can be given, however, that we will make dividend payments in the future. The payment of dividends will depend on factors such as our business prospects, cash requirements and financial performance, the condition of the market and the general economic climate and other factors, including tax and other regulatory considerations. Furthermore, as the Company itself is a holding company and does not perform any operating activities, its ability to pay dividends and the level of any dividends is subject to the extent to which it receives funds, directly or indirectly, from its sole subsidiary, RPG Byty. See "*—Risks Related to Our Structure and Financial Profile—The Company is a holding company with no operations and relies on its subsidiary, RPG Byty, to provide it with funds necessary to meet its financial obligations.*". The Senior Secured Notes, the Revolving Credit Facility and the Refurbishment Loans contain restrictions on the payment of dividends by RPG Byty. In particular, the Senior Secured Notes provide that, subject to certain exceptions, any dividend paid by RPG Byty must not, when aggregated with all dividends and other restricted payments made since the issue date of the Senior Secured Notes, exceed 50 per cent. of consolidated net income from the beginning of the fiscal quarter commencing immediately prior to the issue date to the end of RPG Byty's most recently ended fiscal quarter, plus proceeds from equity issuances and certain other items. For these purposes, consolidated net income excludes certain non-cash items, such as fair value adjustments on RPG Byty's property portfolio, unrealised gains or losses on hedging instruments and impairment charges. For further detail of these exclusions, see "*—Liquidity and Capital Resources—Senior Secured Notes*". See also "*—Risks Related to Our Structure and Financial Profile—RPG Byty is subject to restrictive covenants that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities*". In addition, under Czech law, the amount available for distribution by RPG Byty to the Company as a dividend shall neither exceed its annual net profit (adjusted to account for any accumulated and undistributed net profit or loss from previous years, as well as for withdrawals from, or allocations to, reserves created from profits) nor the difference between RPG Byty's equity and the aggregate of its issued share capital and reserves that are required to be maintained by Czech law or, as the case may be, its Foundation Deed, as such items are set out in RPG Byty's financial statements. Any such distribution must be approved by a resolution of the shareholders of RPG Byty at the shareholders meeting within six months of the date of the financial statements and cannot cause the insolvency of RPG Byty.

The payment of dividends by the Company must also comply with Dutch corporate law. Under Dutch law and the Articles of Association, the Company may make distributions to its shareholders and other persons entitled to distributable profits only up to the amount of the part of the Company's equity which exceeds the nominal value of the issued share capital of the Company, plus the reserves that are required to be maintained by Dutch law. See "*Dividends and Dividend Policy—General*".

As a consequence of the foregoing factors, there can be no assurance as to whether dividends or similar payments will be paid in the future or, if they are paid, as to their amount.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The directors and officers of the Company named herein are non-residents of the United States. All or a substantial proportion of the assets of these individuals are located outside the United States. The Company's and RPG Byty's assets are predominantly located outside of the United States. As a result, it may be impossible or difficult for investors to effect service of process upon such persons or the Company or to enforce against them in U.S. courts a judgement obtained in such courts. In addition, there is doubt as to the enforceability, in The Netherlands, of original actions or actions for enforcement based on the federal or state securities laws of the United States or judgements of U.S. courts, including judgements based on the civil liability provisions of the U.S. federal or state securities laws. As a result, it may not be possible for you to serve process on such persons in the United States or to enforce judgements obtained in U.S. courts against them based on the civil liability provisions of the securities laws of the United States or the securities laws of any state within the United States. See "*Service of Process and Enforcement of Civil Liabilities*".

Investors resident in countries other than The Netherlands may suffer dilution if they are unable to exercise pre-emptive rights in future offerings.

In the event of an increase in our share capital, Shareholders are generally entitled to full pre-emptive rights unless these rights are restricted or excluded either by a resolution of the General Meeting at the proposal of the Board of Directors, or by a resolution of the Board of Directors (if the Board of Directors has been designated by the General Meeting or the Articles of Association for this purpose). However, certain Shareholders outside The Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with. In particular, there can be no assurance that we will be able to establish an exemption from registration under the U.S. Securities Act, and it is under no obligation to file a registration statement with respect to any such pre-emptive rights or underlying securities or to endeavour to have a registration statement declared effective under the U.S. Securities Act. Shareholders in jurisdictions outside The Netherlands who are not able or not permitted to exercise their pre-emptive rights in the event of a future pre-emptive rights offering may suffer dilution of their shareholdings.

Investors with a reference currency other than the euro will become subject to foreign exchange rate risk when investing in the Shares.

The Shares are, and any dividends to be announced in respect of the Shares will be, denominated in euro. An investment in the Shares by an investor whose principal currency is not the euro exposes the investor to currency exchange rate risk that may impact the value of the investment in the Shares or any dividends.

IMPORTANT INFORMATION

The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice. Each prospective investor should consult his own stockbroker, bank manager, lawyer, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Offer Shares, to consider such investment decision in light of the prospective investor's personal circumstances, and in order to determine whether or not such prospective investor is eligible to subscribe for or purchase the Offer Shares.

Potential investors should rely only on the information contained in this Prospectus and any supplement to this Prospectus within the meaning of Section 5:23 Dutch Financial Supervision Act. The Company does not undertake to update this Prospectus, unless pursuant to Section 5:23 Dutch Financial Supervision Act, and therefore potential investors should not assume that the information in this Prospectus is accurate as of any date other than the date of this Prospectus. No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus, and, if given or made, any other information or representations must not be relied upon as having been authorised by the Company. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

This Prospectus will be published in English only. Terms used in this Prospectus are defined in "Certain Definitions".

General and Responsibility Statement

This Prospectus is made available by the Company. The Company accepts responsibility for the information contained in this Prospectus. The Company declares that it has taken all reasonable care to ensure that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

No representation or warranty, express or implied, is made or given by or on behalf of the Underwriters or any of their affiliates or any of their respective directors, officers or employees or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this Prospectus, or incorporated by reference herein, and nothing in this Prospectus, or incorporated by reference herein, is, or shall be relied upon as, a promise or representation by the Underwriters or any of their affiliates as to the past or future.

None of the Underwriters accepts any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Selling Shareholder, the Offering or the Shares. Accordingly, the Underwriters disclaim, to the fullest extent permitted by applicable law, all and any liability, whether arising in tort or contract or which they might otherwise be found to have in respect of this Prospectus and/or any such statement.

Although the Underwriters are party to various agreements pertaining to the Offering and each of the Underwriters has or might enter into a financing arrangement with the Company and/or the Selling Shareholder, this should not be considered as a recommendation by any of them to invest in the Offer Shares.

The distribution of this Prospectus and the Offering may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer of, or an invitation to, purchase any Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. The Company, the Selling Shareholder and the Underwriters require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. None of the Company, the Selling Shareholder or the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective purchaser of Shares, of any such restrictions. The Company, the Selling Shareholder and the Underwriters reserve the right in their own absolute discretion to reject any offer to purchase Shares that the Company, the Selling Shareholder, the Underwriters or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations.

STABILISATION

In connection with the Offering, J.P. Morgan Securities plc or its affiliates will act as the Stabilisation Manager on behalf of the Underwriters and may engage in transactions that stabilise, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of trading in the Shares on Euronext Amsterdam (the "**Stabilisation Period**"). These activities may support the market price of the Shares at a level higher than that which might otherwise prevail. Stabilisation will not be executed above the Offer Price. Such transactions may be effected on Euronext Amsterdam, in the over-the-counter markets or otherwise. The Stabilisation Manager and its agents are not required to engage in any of these activities and, as such, there can be no assurance that these activities will be undertaken; if undertaken, the Stabilisation Manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Company was incorporated on 13 February 2014. Since its date of incorporation, it has conducted no operations. As described in *"Principal and Selling Shareholder—Reorganisation"*, on 11 April 2014, the Company acquired RPG Byty by way of a contribution by the Selling Shareholder of the shares of RPG Byty to the Company. The value attributed to RPG Byty, which will be accounted for by the Company as share premium in a separate (freely) distributable reserve, amounted to CZK 9,860,060,000 (€359,462,632). The Company has used an amount of €3,555,000 of the share premium reserve to pay up the Shares that were issued on 11 April 2014.

Purchase accounting has not been applied, and no fair value adjustment of net assets and no goodwill in relation to the acquisition will be recorded on the statement of financial position of the Company as the transaction is not considered to be a business combination under IFRS.

As a result, if the Company had prepared consolidated financial statements, there would be no differences between such consolidated financial statements and the financial statements of RPG Byty in relation to the statement of comprehensive income or the cash flow statement. There would be certain immaterial differences in relation to the statement of financial position arising from the different nominal value of the shares of the Company and RPG Byty, which would result in a different allocation across the items comprising equity. In addition, in future periods there will be certain immaterial differences between the statement of comprehensive income of the Company and RPG Byty resulting from operating costs incurred at the level of the Company. These costs will include, among other things, a portion of the compensation of senior management (with the majority of such compensation being incurred at the level of RPG Byty) and certain costs associated with the listing of the Shares and ongoing reporting as a public company.

Due to the immaterial nature of the differences between the financial statements of the Company and RPG Byty, management of the Company is of the view that the financial statements of RPG Byty as of and for the periods included herein provide the information required to be presented herein in accordance with Item 20.1 of Annex I of Commission Regulation (EC) No 809/2004 and pursuant to the Dutch Financial Supervision Act, which is designed to ensure that investors and potential investors in the Offer Shares are aware of all information that, according to the particular nature of RPG Byty and of the Offer Shares, is necessary to enable investors and potential investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the Offer Shares.

The historical financial information of RPG Byty presented in this Prospectus has been prepared in accordance with IFRS as adopted by the EU. The financial statements as at and for the years ended 31 December 2011, 2012 and 2013 have been audited by KPMG Česká republika Audit, s.r.o., RPG Byty's independent auditors, as stated in their report appearing herein.

There has been no significant change in the financial or trading position of the Group since 31 December 2013 up to the date of this Prospectus.

Other Financial Measures

In this Prospectus, we present certain non-IFRS measures, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, funds from operations, or FFO, loan-to-value ratio, or LTV, European Public

Real Estate net asset value, or EPRA NAV, and similar measures which are not required by, or presented in accordance with, IFRS or any other accounting standards and are not audited. As used in this Prospectus, the following terms have the following meanings:

- "**Adjusted EBITDA**" means EBITDA, adjusted to exclude fair value adjustment on investment properties, gain/(loss) from sale of investment property and certain one-off costs;
- "**Adjusted EBITDA margin**" means Adjusted EBITDA divided by revenues from leasing of investment property;
- "**EBITDA**" means earnings before net financial expense, tax, depreciation and amortisation;
- "**European Public Real Estate net asset value**" or "**EPRA NAV**" means total assets less total liabilities; fair value of derivatives and deferred taxes are excluded;
- "**funds from operations**" or "**FFO**" means Adjusted EBITDA, plus revenue from property sales and interest received less interest paid and taxes paid;
- "**loan-to-value ratio (total net debt)**" or "**LTV (total net debt)**" means the ratio of total net debt to the fair value of our investment properties, which we estimate using our internal valuation model;
- "**net operating income**" or "**NOI**" means total revenues less consumption of material and energy, service expenses (excluding consultancy charges) and property taxes and government fees;
- "**total debt**" means long-term interest bearing loans, which include bank loans for the refurbishment of certain properties, the Revolving Credit Facility, long-term obligations under finance leases, short-term obligations under finance leases, short-term interest bearing loans and borrowings and the fair value of derivative liabilities; and
- "**total net debt**" means total debt, minus cash and cash equivalents (excluding restricted cash) and loan receivables from related parties.

We believe that the presentation of EBITDA and Adjusted EBITDA is helpful to investors because these and similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. We believe that FFO is an important supplemental measure of our operating performance. We believe that FFO is an important liquidity indicator for real estate companies. We use the loan-to-value ratio to indicate room for optimisation of cost of capital for necessary financing measures. We believe that EPRA NAV is an important indicator of the intrinsic equity value of a real estate company.

These non-IFRS metrics are used by different companies for differing purposes and are often calculated in ways that reflect the particular circumstances of those companies. You should exercise caution in comparing our use of these metrics to such metrics or other similar metrics as reported by other companies. None of these metrics is a measurement of performance under IFRS and you should not consider these measures as an alternative to results from operating activities or net profit, or cash flows from operating, investing and financing activities, in each case determined in accordance with IFRS. These metrics do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirement and may not be indicative of our historical operating results or financial condition, nor are such measures meant to be predictive of our future results, financial condition or the equity value of our portfolio. These metrics have limitations as analytical tools, and you should not consider them in isolation.

Valuation Report

CBRE prepared a valuation of our portfolio and issued a report dated 23 April 2014 on the basis of fair value (the "**Valuation Report**") in accordance with the valuation standards contained within the Royal Institution of Chartered Surveyors Valuation—Professional Standards 2012. The 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 determined by CBRE is based on certain qualifications and assumptions (including tenure, ownership, leasing, town planning, and the condition and repair of buildings and sites, including environmental matters), estimates and projections and only a representative sample of our properties were inspected in accordance with the terms of the report. We cannot assure you that the projections or assumptions used, estimates made or procedures followed in the valuation of our portfolio are correct, accurate or complete.

Any opinions or conclusions reached in the Valuation Report are dependent upon these assumptions, estimates and projections that may or may not occur.

CBRE stated in its report that its valuation involved sufficient current local and national knowledge of the particular property market, and that it has the skills and understanding to undertake the valuation competently. All conclusions are based on information available at the time of review. Changes in factors upon which the review was based could affect the results. Forecasts are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including the actions of government, individuals, third parties and competitors. There is no implied warranty of merchantability or fitness for a particular purpose to apply.

Data based on the Valuation Report, which is included in this Prospectus, involves risks and uncertainties and is subject to change based on a variety of external factors, including those discussed in "*Risk Factors*".

Neither CBRE, nor any person acting on its behalf, makes any warranty, express or implied, or assumes any liability with respect to the reliance upon or use of any information or analysis disclosed in the Valuation Report. It is important to note that the "fair value" determined by CBRE in the Valuation Report with respect to our portfolio is different from the "fair value" of our investment properties included in the audited financial statements included elsewhere in this Prospectus. The difference is small and is mainly due to a slight difference in the discounted cash flow model used in the calculation. For a description of the projections, assumptions and estimates used in the determination of the fair value of our portfolio in the Valuation Report, see pages A20-24 and A74-77 of the Valuation Report included in this Prospectus. For a description of the projections and significant assumptions made in determining the fair value of the investment properties in the audited financial statements, see note 11 to the audited financial statements as at and for the year ended 31 December 2011 and note 10 to the audited financial statements as at and for the years ended 31 December 2012 and 2013 included in this Prospectus.

Except for the Valuation Report, no information construed as expert representations or reports have been used in this Prospectus. Such information has been quoted accurately and, as far as the Company is aware and to the extent that it may determine based on the information published by the experts, no fact has been omitted that could make the quoted information inaccurate or misleading.

At the Company's request, CBRE prepared the Valuation Report, which is included in full as an Annex to this Prospectus. The Valuation Report has been included with the consent of CBRE.

CBRE has its registered office at Palladium, Nam. Republiky 1a, Prague 1, Czech Republic. The CBRE team comprises valuers registered with the Royal Institution of Chartered Surveyors and other real estate professionals.

Operating Data

Certain data relating to our tenants, properties and rent levels included in this Prospectus, including the ages and employment status of our tenants, quality classifications and status of renovations of our properties and market rates for rent, are derived from our operating systems or management estimates, are not part of the audited financial statements or financial accounting records, are not subject to internal controls over financial reporting and have not been audited or otherwise reviewed by outside auditors, consultants or experts. See "*Business—Overview of Portfolio*". Unless otherwise indicated, all operating data presented in this Prospectus is as at or for the year ended 31 December 2013.

In this Prospectus:

- "**bad debt percentage rate**" means, for any period, bad debt expense during the period divided by the sum of revenues from the leasing of investment property and revenues from services rendered in connection with the leasing of investment property (i.e. mainly utility costs in respect of properties);
- "**market rate**" means the rental rate that we charge tenants who lease newly vacated properties;
- "**net cold rent**" means the amount of contractual rent excluding service charges and ancillary costs that are allocated to tenants, such as costs for utilities;
- "**post-regulated rate**" means the rental rate that we charge tenants who had a lease agreement with RPG Byty prior to 31 December 2010 and entered into new lease agreements following such date as part of our rent normalisation programme;
- "**sqm**" means square metres;

- “**turnover**” means, for any period, the number of residential units that were vacated and re-leased during the period;
- “**unit turn cost**” means costs related to repairs to an apartment following a tenant’s departure; and
- “**vacancy**” means, for any period, the number of residential units that were vacant at the end of the period.

Unless otherwise indicated, operating data presented on a per sqm basis is calculated using the gross sqm of our residential portfolio.

Adjustments

Certain numerical information and other amounts and percentages presented in this Prospectus have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

EXCHANGE RATES

The audited financial statements have been prepared in Czech koruna.

The following table sets forth the high, low, period average and period end exchange rates of one CZK for one euro in effect for the period noted, as reported by the CNB. We make no representation that any amount of currencies specified in the table below has been, or could be, converted into euro at the rates indicated or any other rate.

On 17 April 2014, the exchange rate was CZK 27.50 per euro.

Period	High	Low	Period average(1)	Period end
		(CZK per euro)		
Year ended 31 December				
2009	29.47	25.09	26.45	26.47
2010	26.37	24.41	25.29	25.06
2011	26.03	24.01	24.59	25.80
2012	25.96	24.44	25.14	25.14
2013	27.72	25.23	25.97	27.43
Month ended				
October 2013	25.82	25.51	25.66	25.72
November 2013	27.39	25.79	26.93	27.39
December 2013	27.72	27.41	27.52	27.43
January 2014	27.59	27.39	27.48	27.50
February 2014	27.55	27.33	27.44	27.34
March 2014	27.49	27.33	27.39	27.44
April 2014 (through 17 April)	27.50	27.41	27.45	27.50

Note:

(1) Period average represents the average of the daily exchange rates during the relevant period.

We did not use the rates listed above in the preparation of the audited financial statements.

The following table sets forth the high, low, period average and period end exchange rates of one CZK for one U.S. dollar in effect for the period noted, as reported by the CNB. We make no representation that any amount of currencies specified in the table below has been, or could be, converted into U.S. dollars at the rates indicated or any other rate.

On 17 April 2014, the exchange rate was CZK 19.85 per U.S. dollar.

Period	High	Low	Period average(1)	Period end
		(CZK per U.S. dollar)		
Year ended 31 December				
2009	28.95	18.30	19.06	18.37
2010	21.70	17.12	19.11	18.75
2011	20.10	16.27	17.69	19.94
2012	21.12	18.45	19.58	19.06
2013	20.32	18.66	19.57	19.89
Month ended				
October 2013	18.98	18.67	18.83	18.85
November 2013	20.26	19.08	19.96	20.12
December 2013	20.53	19.87	20.08	19.89
January 2014	20.38	20.05	20.20	20.35
February 2014	20.40	19.79	20.09	19.79
March 2014	19.97	19.62	19.82	19.90
April 2014 (through 17 April)	20.03	19.91	19.89	19.85

Note:

(1) Period average represents the average of the daily exchange rates during the relevant period.

For your convenience, we have translated certain Czech koruna amounts in this Prospectus that are derived from RPG Byty's statement of comprehensive income and cash flow statement for the year ended 31 December 2013 into euro on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the Czech National Bank (*Česká národní banka*) (the "**CNB**") for the year ended 31 December 2013. We have translated certain Czech koruna amounts in this Prospectus that are derived from RPG Byty's statement of financial position as at 31 December 2013 into euro at an exchange rate of CZK 27.43 per euro, the rate of the CNB as at 31 December 2013. We have translated Czech koruna amounts relating to capital expenditure that are derived from RPG Byty's statement of comprehensive income for the year ended 31 December 2011 at an exchange rate of 24.59 per euro, the average rate of the CNB for that period. We have translated all future estimates of capital expenditure and maintenance expenses (i.e., for the years 2014 and beyond) at a rate of CZK 25 per euro. We have also translated the amount of our investments in our residential portfolio since 2006 (CZK 7 billion) at a rate of CZK 25 per euro.

INDUSTRY AND MARKET DATA

We operate in an industry in which it is difficult to obtain precise industry and market information. We have generally obtained the market and competitive position data in this Prospectus from reports published by the Czech, Ostrava and German government offices, the International Monetary Fund, Eurostat, Global Insight, CBRE and Incoma GFK. Although we believe these sources are reliable, we cannot guarantee the information's accuracy and completeness as we do not have access to the information, methodology and other bases for such information and have not independently verified the information. Where third-party information has been sourced in this Prospectus, the source of such information has been identified.

The information in this Prospectus that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Group is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, in many cases we have made statements in this Prospectus regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We believe these statements to be true, based on market data and industry statistics, but we have not independently verified the information. We cannot guarantee that a third party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, our competitors may define their markets and their own relative positions in these markets differently than we do and may also define various components of their business and operating results in a manner which makes such figures non-comparable with ours.

SUPPLEMENTS

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares arises or is noted prior to the end of the Offering Period, a supplement to this Prospectus will be published. Such supplement will need to be approved by the AFM in accordance with Section 5:23 Dutch Financial Supervision Act. The Offering Period will be extended and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two business days following the publication of the supplement.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall, except as so modified or superseded, no longer constitute a part of this Prospectus.

NOTICE TO INVESTORS

The distribution of this Prospectus and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in the Offer Shares may, in certain jurisdictions other than The Netherlands, including, but not limited to the United States, be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus may not be used for, or in connection with, and does not constitute, an offer to sell, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation is not authorized or would be unlawful. Neither this Prospectus, nor any related materials, may be distributed or transmitted to, or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

None of the Company, the Selling Shareholder or the Underwriters, or any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Investors also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiary or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholder or the Underwriters.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Offer Shares are being: (i) sold in the United States only to QIBs in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A; and (ii) offered and sold outside the United States in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For certain restrictions on transfer of the Offer Shares, see "*Transfer Restrictions*".

The Offer Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Underwriters or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without the Company's prior written consent, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Offer Shares.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Prospectus has been prepared on the basis that all offers of Offer Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the European Economic Area ("**EEA**"), from the requirement to produce a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or the Global Coordinator to produce a prospectus for such offer. None of the Company, the Selling Shareholder or the Global Coordinator have authorised, nor do they authorise, the making of any offer of Offer Shares through any financial intermediary, other than offers made by the Global Coordinator which constitute the final placement of Offer Shares contemplated in this Prospectus.

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive (a "**Relevant Member State**"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive ("**Qualified Investors**")), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Global Coordinator for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholder or the Global Coordinator of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Shares described herein. The Shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland, and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or other regulated trading facility in Switzerland, and neither this Prospectus nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are Qualified Investors or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000.

Any investment or investment activity to which the Prospectus relates is available only to, and will be engaged in only with, persons who (i) are investment professionals falling within Article 19(5) or (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "**relevant persons**"). Persons who are not relevant persons should not take any action on the basis of the Prospectus and should not act or rely on it.

NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA

This document does not constitute a disclosure document under Chapter 6D or Part 7.9 of the Corporations Act 2001 of the Commonwealth of Australia (the "**Corporations Act**"). It has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**") as a disclosure document for the purposes of the Corporations Act.

ASIC has not reviewed this document or commented on the merits of investing in the Securities nor has any other Australian regulator.

No offer of Securities is being made in Australia, and the distribution or receipt of this document in Australia does not constitute an offer of securities capable of acceptance by any person in Australia, except in the limited circumstances described below relying on certain exemptions in the Corporations Act.

This document may only be provided in Australia to select investors who are able to demonstrate that they are "wholesale clients" for the purposes of Chapter 7 of the Corporations Act and fall within one or more of the following categories ("**Exempt Investors**"): "sophisticated investor" or "professional investors" who meet the criteria set out in, respectively, section 708(8) and section 708(11) and as defined in section 9 of the Corporations Act, experienced investors who receive the offer through an Australian financial services licensee, where all of the criteria set out in section 708(10) of the Corporations Act have been satisfied or senior managers of the Company (or a related body, including a subsidiary), their spouse, parent, child, brother or sister, or a body corporate controlled by any of those persons, as referred to in section 708(12) of the Corporations Act.

The provisions of the Corporations Act that define these categories of Exempt Investors are complex, and if you are in any doubt as to whether you fall within one of these categories, you should seek appropriate professional advice regarding these provisions.

FORWARD-LOOKING STATEMENTS

This Prospectus contains various "forward-looking statements" that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements, as a general matter, are all statements other than statements as to historical facts or present facts or circumstances. The words "aims", "anticipates", "believes", "continues", "could", "estimates", "expects", "intends", "may", "on-going", "plans", "potential", predicts", "projects", "seeks", "should", "targets" or "will", or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, in the sections entitled, "*Summary*", "*Risk Factors*", "*Operating and Financial Review*", "*Industry*" and "*Business*" and include, among other things, statements relating to:

- our strategy, outlook and growth prospects;
- our operational and financial targets and dividend policy;
- our liquidity, capital resources and capital expenditure;
- our planned investments;
- the expectations as to future growth in demand for our residential units;
- the impact of regulation on us and our operations;
- the competitive environment in which we operate; and
- the outcome of legal proceedings.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that they will materialise or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcomes could differ materially from those set out in the forward-looking statements as a result of, among other things:

- changes in economic, demographic and market conditions in the Moravian-Silesian region and the Czech Republic generally;
- high vacancy rates and our inability to charge rents sufficient to support our operations;
- failure to achieve contractual rental increases from our existing tenants;
- failure to control capital expenditure and maintenance costs;
- the accuracy of the estimated fair value of our portfolio;
- challenges to the formation and privatisation of Former OKD;
- the enforcement of statutory cross guarantees;
- failure to retain or attract experienced management;
- the effects of inflation and oversupply of housing on our business;
- the illiquid nature of our assets;
- liability for failing to follow procedural requirements in connection with certain leases;
- the regulatory framework applicable to our business, and any changes in the regulatory environment in the Czech Republic;
- liability for claims after selling properties;
- uninsured losses in excess of insurance limits;
- potential claims for environmental liabilities;
- our relationships with our employees and employee representatives;
- the failure to acquire RPG Služby in order to internalise the facility management services it provides;
- challenges in identifying and completing future acquisitions on favourable terms;
- challenges to our ownership of our portfolio;
- failure of our information systems or other operational risks;
- concentration of our properties in a particular location;
- the effects of being a publicly traded company on our overall operating costs; and
- other factors discussed under "*Risk Factors*".

These forward-looking statements speak only as at the date of this Prospectus. We expressly undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The ability of shareholders in certain countries other than The Netherlands to bring an action against the Company may be limited under law. The Company is a public limited liability company (*naamloze vennootschap*) incorporated in The Netherlands and has its statutory seat (*statutaire zetel*) in Amsterdam, The Netherlands. The directors and officers of the Company named herein are non-residents of the United States. All or a substantial proportion of the assets of these individuals are located outside the United States. The Company's and RPG Byty's assets are predominantly located outside of the United States. As a result, it may be impossible or difficult for investors to effect service of process upon such persons or the Company or to enforce against them in U.S. courts a judgment obtained in such courts. In addition, there is doubt as to the enforceability, in The Netherlands, of original actions or actions for enforcement based on the federal or state securities laws of the United States or judgments of U.S. courts, including judgments based on the civil liability provisions of the U.S. federal or state securities laws.

The United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a judgment rendered by a court in the United States will not be recognised and enforced by the Dutch courts. However, if a person has obtained a final and conclusive judgment for the payment of money rendered by a court in the United States which is enforceable in the United States and files his claim with the competent Dutch court, the Dutch court will generally give binding effect to the foreign judgment insofar as it finds that the jurisdiction of the foreign court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed and except to the extent that the foreign judgment contravenes Dutch public policy.

BACKGROUND AND REASONS FOR THE OFFERING AND USE OF PROCEEDS

Background and Reasons for the Offering

BXR Group Limited has indirectly owned RPG Byty since 2004 and has invested a significant amount of capital to restructure its operations. Through BXR Group Limited's efforts, RPG Byty has achieved a stable operating structure that supports the efficient management of its residential real estate portfolio. Following the substantial completion of its one-off investment programme in 2013, the business is now well positioned to achieve revenue growth through contracted increases in post-regulated rents as well as the re-leasing of vacant units at market rates, while incurring relatively limited capital and operating expenditure going forward. RPG Byty has also achieved a stable capital structure. Furthermore, BXR Group Limited, together with RPG Byty's management, believe that additional upside coming from regional consolidation and potentially cheaper refinancing will be better captured as a listed company. As a result of these factors, BXR Group Limited believes that RPG Byty is now an attractive opportunity for investors.

Use of Proceeds

We are targeting to receive gross proceeds of approximately €38 million from the Offering. We estimate that we will receive net proceeds from the Offering of approximately €35 million, following the deduction of underwriting commissions in the amount of approximately €1 million and expenses in the amount of approximately €2 million. We will make the €35 million of net proceeds available to RPG Byty, which intends to use such proceeds to finance on-going capital expenditures for its properties in coming years. In addition, we believe that the proceeds from the Offering will strengthen our equity capital base and reserves, providing us with greater flexibility in financing our planned growth.

Assuming that the Offer Price is at the mid-point of the Offer Price Range, that the maximum number of Offer Shares is sold by the Selling Shareholder and that the Over-allotment Option is exercised in full, it is estimated that the Selling Shareholder will receive net proceeds from the Offering of approximately €205 million, following the deduction of underwriting commissions in the amount of approximately €6 million and expenses in the amount of approximately €5 million. We will not receive any proceeds from the sale of Offer Shares by the Selling Shareholder.

DIVIDENDS AND DIVIDEND POLICY

General

Pursuant to Dutch law and the Articles of Association, any distribution on Shares, whether a distribution of profits or a distribution of freely distributable reserves, may only be made up to an amount equal to the excess of the Company's equity over the sum of the nominal value of the Company's issued share capital, plus the reserves that are required to be maintained by Dutch law. These reserves may include a reserve in respect of accrued losses on effective hedging instruments and a revaluation reserve in respect of any increase in the value of undisposed investment property, or a legal reserve for equity participations, which would be required if RPG Byty is restricted from making distributions in respect of its equity. The Company does not currently intend to account for investment properties, and therefore, does not intend to establish a revaluation reserve in its annual Dutch statutory financial statements, as is permitted under Dutch law, and is not currently required to establish a legal reserve for equity participations. The Company will account the value attributed to RPG Byty in the amount of CZK 9,860,060,000 (€359,462,632), as share premium in a separate (freely) distributable reserve, and has used an amount of €3,555,000 of that reserve to pay up Shares that were issued on 11 April 2014.

A distribution of profits (other than an interim distribution) may only be made after the adoption of the Company's own (i.e., non-consolidated) annual financial statements prepared in accordance with Dutch generally accepted accounting principles. The Company was incorporated on 13 February 2014 and therefore as of the date of this Prospectus had no non-consolidated financial statements prepared in accordance with Dutch generally accepted accounting principles evidencing the amount of the distributable equity and of the freely distributable share premium reserve. The information in such statements will be used as the basis for determining if the distribution of profits made with respect to the financial year in question is legally permitted.

The Board of Directors may decide that the profits realised during a financial year will be fully or partially allocated to the Company's reserves. The remainder after such allocation, if any, shall be at the disposal of the General Meeting. The Board of Directors shall make a proposal to the General Meeting for such purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting. See "*Description of Share Capital—Dividend Rights*".

If, with respect to any financial year, losses are incurred, no profits can be distributed for that financial year. Subject to Dutch law, the Board of Directors may, however, resolve to distribute profits retained from earlier financial years out of the profit reserve, if any.

Subject to Dutch law and the Articles of Association, the Board of Directors may resolve to make an interim distribution of profits or freely distributable reserves provided that the Company prepares an interim statement of assets and liabilities evidencing sufficient distributable equity.

The payment of dividends will depend on factors such as our business prospects, cash requirements and financial performance, the condition of the market and the general economic climate and other factors, including tax and other regulatory considerations. Furthermore, the Senior Secured Notes, the Revolving Credit Facility and the Refurbishment Loans contain restrictions on the payment of dividends by RPG Byty. In particular, the Senior Secured Notes provide that, subject to certain exceptions, any dividend paid by RPG Byty must not, when aggregated with all dividends and other restricted payments made since the issue date of the Senior Secured Notes, exceed 50 per cent. of consolidated net income from the beginning of the fiscal quarter commencing immediately prior to the issue date to the end of RPG Byty's most recently ended fiscal quarter, plus proceeds from equity issuances and certain other items. For these purposes, consolidated net income excludes certain non-cash items, such as fair value adjustments on RPG Byty's property portfolio, unrealised gains or losses on hedging instruments and impairment charges. For further detail of these exclusions, see "*—Liquidity and Capital Resources—Senior Secured Notes*". See also "*Risk Factors—Risks Related to Our Structure and Financial Profile—RPG Byty is subject to restrictive covenants that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities*" and "*Operating and Financial Review—Liquidity and Capital Resources*". As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid in the future or, if they are paid, their amount.

Dividend Policy

Subject to the availability of distributable results or reserves, we intend to distribute an annual dividend of approximately 70 per cent. of the Company's consolidated FFO. There will be no difference between our consolidated FFO and the FFO of RPG Byty, except in relation to certain operating costs incurred at the level of the Company. We currently do not have the intention to make any interim distributions, and, therefore, do not expect any distribution to be made before 2015.

Manner and Time of Dividend Payments

Payment of any dividend on the Shares in cash will be made in euro or such other currency as decided by the Board of Directors. Any dividends will be paid to shareholders through Euroclear Nederland, the Dutch centralised securities custody and administration system. Dividends will be credited automatically to shareholders' accounts without the need for shareholders to present documentation proving their ownership of the Shares. There are no restrictions in respect of the ability to receive dividends under Dutch law in respect of shareholders who are non-residents of The Netherlands. However, see the section entitled "*Taxation—Certain Dutch Tax Considerations*" for a discussion of certain aspects of taxation of dividends and refund procedures for non-residents of The Netherlands.

Uncollected Dividends

A claim for any dividend declared lapses five years after the date on which those dividends were released for payment. Any dividend that is not collected within this period reverts to the Company and is allocated to its general reserves.

Taxation of Dividends

Dividends are generally subject to withholding tax in The Netherlands. See the section entitled "*Taxation—Certain Dutch Tax Considerations*" for a discussion of certain aspects of taxation of dividends and refund procedures.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the capitalisation and indebtedness of RPG Byty as at 31 December 2013: (i) on an actual basis; and (ii) adjusted to give effect to the Offering assuming that the €35 million of net proceeds from the Offering received by the Company will be made available to RPG Byty through other capital contributions. The adjusted information is not necessarily indicative of what the capitalisation or indebtedness of RPG Byty or the Company would have been had the Offering been completed as at 31 December 2013. In addition, it is not indicative of the future capitalisation or indebtedness of RPG Byty or the Company. You should read this table together with the sections of this Prospectus entitled "*Use of Proceeds*", "*Selected Financial Information and Operating Data*" and "*Operating and Financial Review*" and with the audited financial statements and related notes included elsewhere in this Prospectus.

	As at 31 December 2013		
	Actual	Adjusted for the Offering	Adjusted for the Offering(1)
	(CZK in thousands)		(euro in thousands)
Capitalisation			
Current debt			
Secured(2)	67,050	67,050	2,444
Unsecured(3)	204,396	204,396	7,452
Financial derivatives—liability	16,384	16,384	597
Total current debt	287,830	287,830	10,493
Non-current debt			
Secured(2)	11,117,408(4)	11,117,408(4)	405,301
Total non-current debt (excluding current portion of long-term debt)	11,117,408	11,117,408	405,301
Equity(5)			
Share capital	500,000	500,000	18,228
Other capital contribution	—	960,050	35,000
Cash flow hedge reserve	103,691	103,691	3,780
Statutory reserves	50,000	50,000	1,823
Retained earnings	9,206,369	9,206,369	335,631
Total equity	9,860,060	10,820,110	394,463
Total capitalisation	21,265,298	22,225,348	810,257

	As at 31 December 2013		
	Actual	Adjusted for the Offering	Adjusted for the Offering[1]
	(CZK in thousands)		(euro in thousands)
Indebtedness			
Liquidity			
Cash and cash equivalents	959,947	1,919,997	69,996
Current financial debt			
Current bank debt	80,983	80,983	2,952
Current portion of non-current debt[6]	189,624	189,624	6,913
Short-term obligation under finance leases	839	839	31
Other current financial debt (derivative financial instruments)	16,384	16,384	597
Current financial debt	287,830	287,830	10,493
Net current financial indebtedness	(672,117)	(1,632,167)	(59,503)
Non-current financial indebtedness			
Non-current bank loans (non-current interest bearing loans)	365,212	365,212	13,314
Long-term obligation under finance leases	1,088	1,088	40
Senior Secured Notes	10,751,108	10,751,108	391,947
Non-current financial indebtedness (excluding current portion of long-term debt)	11,117,408	11,117,408	405,301
Net financial indebtedness	10,445,291	9,485,241	345,798

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 27.43 per euro, the rate of the CNB as at 31 December 2013. See "*Exchange Rates*".

(2) The Senior Secured Notes, the Revolving Credit Facility, the Refurbishment Loans and short-term obligations under finance leases are secured by certain assets of RPG Byty. See "*Operating and Financial Review—Liquidity and Capital Resources*".

(3) Includes accrued interest related to the Senior Secured Notes (CZK 123,413 thousand) and short-term loans (CZK 80,983 thousand).

(4) Includes the long-term portion of the Refurbishment Loans (CZK 365,212 thousand), the Senior Secured Notes (CZK 10,751,108 thousand) comprising the principal amount of the Senior Secured Notes (CZK 10,318,000 thousand), unrealised foreign exchange losses (CZK 652,000 thousand) as at 31 December 2013, less transaction costs (CZK 218,892 thousand) and long-term obligation under finance leases CZK 1,088 thousand.

(5) There are certain immaterial differences in equity between the consolidated financial statements of the Company and the audited financial statements of RPG Byty arising from the different nominal value of the shares of the Company and RPG Byty, which would result in a different allocation across the items comprising equity. Other than that, there are no material differences between the capitalisation and indebtedness of the Company and RPG Byty.

(6) Includes accrued interest related to the Senior Secured Notes (CZK 123,413 thousand) and current portion of long-term loans (CZK 66,211 thousand).

As at the date of this Prospectus, there has been no material change to the capitalisation or indebtedness of RPG Byty since 31 December 2013, the date of the most recently available audited financial statements.

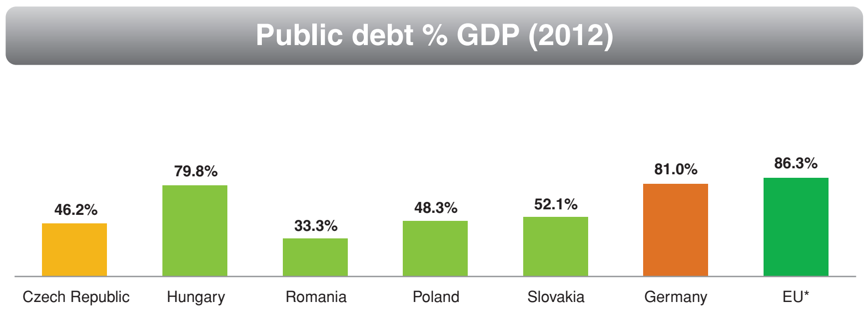
INDUSTRY

Introduction to the Macroeconomic Environment

The Czech Republic

The Czech Republic is one of the most stable Central European economies. Its GDP grew at a compound annual growth rate of 2.8 per cent. between 2003 and 2013, according to the Czech Statistical Office, outperforming the European Union, whose GDP grew at a compound annual growth rate of 1.3 per cent. during the same period, according to Eurostat. During the period from 2013 to 2018, GDP is expected to grow at a compound annual growth rate of 3 per cent., compared to 1.7 per cent. for the EU as a whole.

We believe that the Czech economy is healthier than most other emerging European markets as it has a relatively modest level of external public debt, consistent trade surpluses and among the lowest unemployment rates in the European Union. As at 31 December 2012, the Czech Republic's public debt as a percentage of GDP was 46.2 per cent., compared to 86.3 per cent. for the European Union as a whole. The following chart presents public debt levels in the Czech Republic compared with certain other European countries as at 31 December 2012:



Sources: International Monetary Fund; management estimates.

While growth in exports from the Czech Republic was modest in 2012 and 2013 compared with previous years, it still outpaced growth in imports. The Czech koruna is expected to remain strong as a result of the Czech Republic's trade surpluses and modest current account deficit levels. The Czech Republic's trade surplus was 4.97 per cent. of GDP as at 31 December 2013, compared to 0.55 per cent. for the European Union as a whole.

The Czech economy has strong linkages with the German economy, and benefits from Germany's economic strength. Germany is the Czech Republic's largest trading partner, both in terms of exports and imports. In 2013, Germany accounted for 31.8 per cent., or €35 billion, of total Czech exports, and for 29.5 per cent. of total Czech imports, or €30 billion. Slovakia, Poland, France, the United Kingdom and Austria are also significant trading partners. Commodities and motor vehicles represented the Czech Republic's most important export products in 2011 (approximately 18 per cent. of the total trade in 2011, implying $29 billion of exports). Other key exports are focused in three sectors: computers and electronics, machinery and equipment and metals and metal products. Highly labour-intensive sectors such as textiles have declined in importance. The Czech Republic's exports are expected to become increasingly focused on higher value-added products, while it will continue to import basic goods and commodities.

The following table presents the ten largest trading partners of the Czech Republic, both for exports and imports for the year ended 31 December 2012:

Exports			Imports		
	(U.S.$ billions)	(%)		(U.S.$ billions)	(%)
Germany	49.2	31.8	Germany	41.3	29.5
Slovakia	14.0	9.1	China	10.8	7.7
Poland	9.5	6.1	Poland	10.3	7.4
France	7.9	5.1	Slovakia	8.9	6.3
United Kingdom	7.6	4.9	The Netherlands	8.2	5.8
Austria	7.3	4.7	Russia	7.4	5.3
Italy	5.6	3.6	Austria	6.0	4.3
Russia	5.2	3.3	Italy	5.3	3.8
Netherlands	5.1	3.3	France	4.3	3.0
Germany	49.2	31.8	Germany	41.3	29.5

Source: International Monetary Fund; Eurostat; management estimates.

Strong foreign direct investment inflows have boosted the Czech economy over the past two decades and foreign direct investment flows and knowledge transfer have helped to modernise the corporate sector and accelerate and strengthen the production capacities of the economy, driving both industrial output and exports. The Czech Republic is strategically positioned to be a hub for further foreign direct investment due to its strong infrastructure, proximity to Austria and Germany, low operational costs and an investment environment that is competitive relative to the other EU economies. The Czech Statistical Office estimates that the Czech Republic had net foreign direct investment of CZK 41 billion and CZK 207 billion for the years ended 31 December 2011 and 2012, respectively, and net portfolio investments (equity and debt securities in the Czech Republic that fall under the financial account in the Czech Statistical Office's balance of payments calculation) of CZK 6 billion and CZK 43 billion for the years ended 31 December 2011 and 2012, respectively.

The Czech Republic has not experienced significant inflation in recent years. Annual inflation was less than 3 per cent. throughout the period from 2003 to 2013, with 2008 and 2012 being the only exceptions. This was partly a result of an increase in VAT from 10 per cent. to 14 per cent. and moderate depreciation of the Czech koruna against both the euro and the U.S. dollar.

Management expects inflation to remain moderate in the Czech Republic, at 2 per cent. for the next three years. The following table presents the historical and estimated changes in the consumer price index from 2010 through 2017:

	For the years ended 31 December							
	2010	2011	2012	2013	2014E	2015E	2016E	2017E
					(%)			
Consumer Price Index	1.5	1.9	3.3	1.4	2.0	2.0	2.0	2.0

Source: Czech Statistical Office; Management estimates.

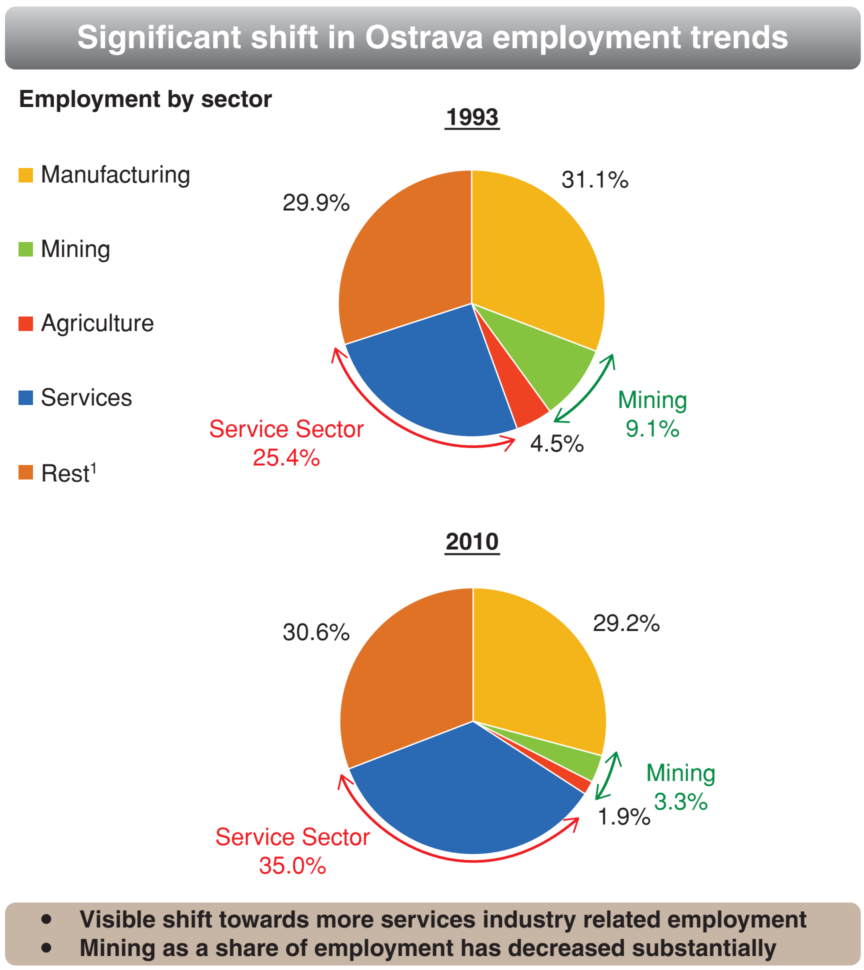
The Moravian-Silesian region

Ostrava is the second largest metropolitan area in the Czech Republic, second only to Prague. The Moravian-Silesian region has a population of 1.2 million people, with the majority concentrated in Ostrava and its agglomeration of satellite cities, compared to the total population of 10.5 million in the Czech Republic. According to the Czech Statistical Office, the Moravian-Silesian region's GDP grew at a compound annual growth rate of 4.7 per cent. during the period from 2002 to 2012, which was comparable to the GDP growth rate in Prague and significantly above the rate of growth in most other regions in the Czech Republic.

Ostrava is considered the centre of the fastest growing region of the Czech Republic, with a strong investment influx in industrial parks and development projects. In addition, four of the 20 largest companies in the Czech Republic are based in the Moravian-Silesian region, of which two are based in Ostrava. The region is also an educational hub, with seven universities in the Moravian-Silesian region, of which four are in Ostrava.

Ostrava and the Moravian-Silesian region have developed over the last 20 years into a dynamic growth region focused on the manufacturing, automobile, information technology, research and development and service sectors. The region attracted €5 billion of foreign direct investment in the last 10 years through several large domestic and international investments in new sectors, which led to the creation of a range of highly skilled jobs. Companies that have invested in the region include ArcelorMittal, Hyundai, Tieto, Mondelez International, Sungwoo Hitech, DHL, Verizon, Siemens, Cromodora Wheels, GE Money Bank and Briggs & Stratton. Ostrava was recently ranked as the ninth mid-size European city and the fourth Central and Eastern European city for foreign direct investment strategy by the FDI European Cities and Regions report and has benefited from foreign direct investment inflows in the manufacturing sector, especially in the automotive sector, evidenced by Hyundai commencing operations in 2006 in Nosovice, which is located in the south of Frýdek-Místek. It is the only Hyundai manufacturing plant in the European Union and it produces approximately 300,000 cars per year, an amount which accounts for approximately 2 per cent. of Czech GDP.

The region has also experienced a shift in employment trends towards services, transportation, education, information technology and healthcare. The chart below illustrates employment trends in Ostrava from 1993 to 2010:



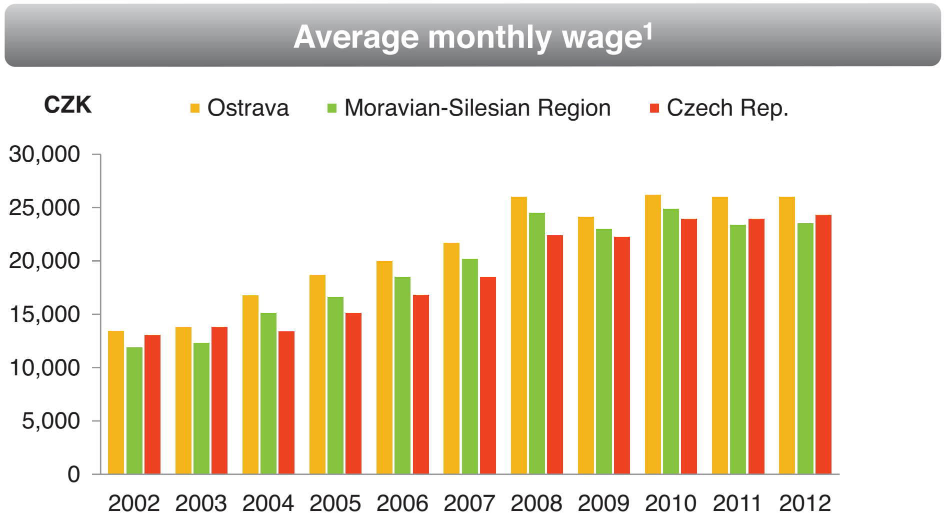
Source: Euromonitor, CreditInfo, Company Monitor (2012), Institute for Information on Education (2011), Czech Statistical Office, DTZ 2012 Report.

Note:

(1) Comprises a mix of secondary and service sector activities

The unemployment rate in Ostrava decreased from 14.7 per cent. in 2003 to 9.5 per cent. in 2012, reaching a low point of 8 per cent. in the first half of 2008. Wage growth in the region has outpaced growth in the Czech Republic as a whole. According to the Czech Statistical Office, average monthly wages in the Moravian-Silesian region grew by 5.5 per cent. during the period from 2000 to 2011, reaching €899 per month in 2011. This represented the fifth highest average monthly salary in the Czech Republic, with Prague, Central Bohemia, South Moravia and Pilsen exceeding the level achieved in the region.

The chart below shows growth in average monthly wages in Ostrava, the Moravian-Silesian region and the Czech Republic for the period from 2002 to 2012:



Source: IMF, Czech Statistical Office, Czech National Bank, Broker Reports, Eurostat.

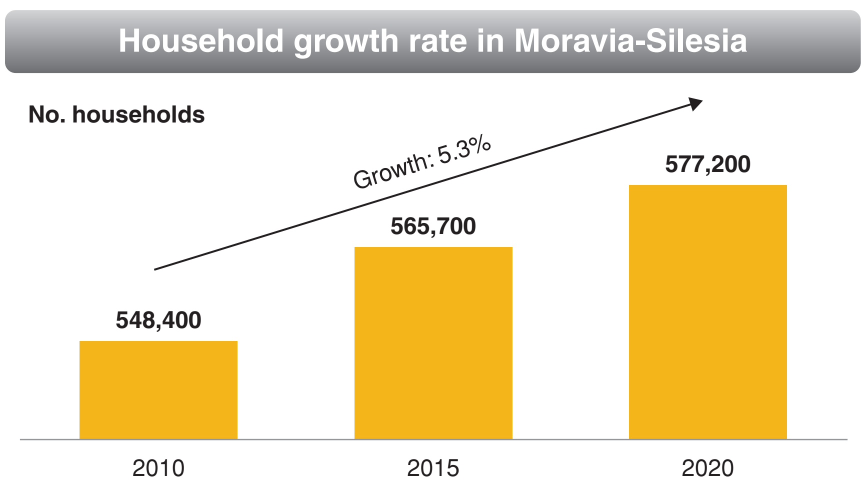
Note:

(1) Data on the average pre-tax monthly wage for the city of Ostrava is nearly the same as in the Moravian-Silesian Region.

Demographic developments in the Moravian-Silesian region

The population of the Moravian-Silesian region has decreased during the past ten years and it is estimated that it will continue to decrease slightly in the near future. Despite the expected decrease in the population, the number of households is expected to increase in the future. According to the Czech Statistical Office, in 2010, there were 548,400 households in the Moravian-Silesian region, which is expected to grow to 565,700 households in 2015 and 577,200 households in 2020, reflecting growth of 5.3 per cent. over the period from 2010 to 2020.

The graph below illustrates the expected increase in the number of households from 2010 to 2020:



Source: Incoma Gfk 2012—Socio-demographic transformation of the Moravia-Silesia Region.

Overview of the Housing Market in the Moravian-Silesian Region

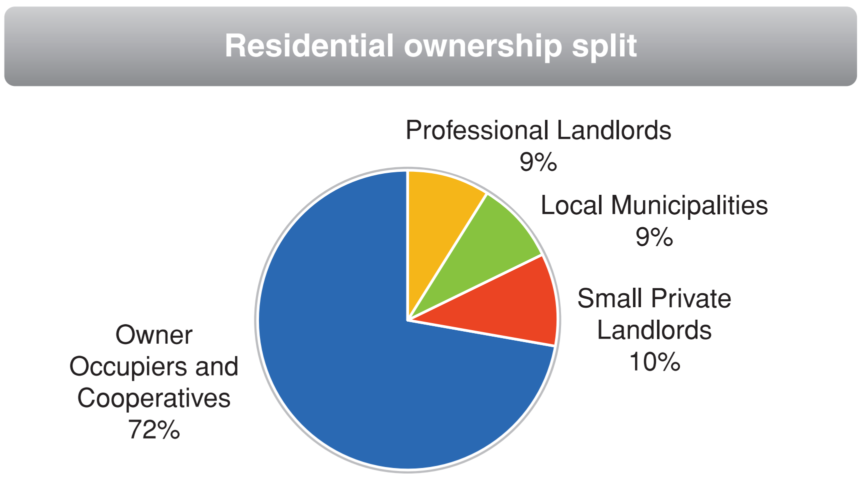
Existing stock and new supply

According to the Czech Statistical Office, there were 195,670 apartment buildings registered in the Moravian-Silesian region in 2011, of which 175,601 were occupied at the census date. Of the permanently occupied houses, 85 per cent. were family houses and 11 per cent. were apartment houses. A large portion of the housing stock was built between 1950 and the 1970s under a state-controlled construction programme. The table below presents the occupancy levels of the housing stock in the Ostrava region for 2013:

	Total houses	Permanently occupied	% unoccupied
Ostrava Agglomeration	138,828	126,281	9.0%
Frýdek-Místek	43,308	38,361	11.4%
Karviná	30,878	28,891	6.4%
Nový Jičín	30,214	26,816	11.2%
Ostrava-město	34,428	32,213	6.5%

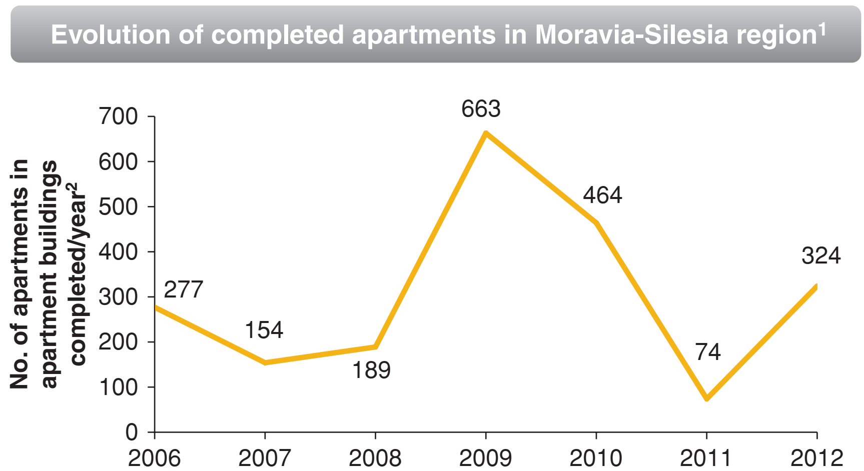
Source: Czech Statistical Office and Valuation Report

The following chart shows the residential ownership split of the Moravian-Silesian region for 2013:



Source: Management estimates.

Housing construction activity has declined since 2009. As a result, management expects that there will be a limited future supply of housing units in the region in the near future. Moreover, management expects that the planned destruction of obsolete and derelict apartments will further reduce the net housing supply in the future. The following chart presents newly constructed apartments completed per year for the period from 2006 to 2013:



Source: IMF, Czech Statistical Office, Czech National Bank, Broker Reports, Eurostat

Note:

(1) Apartments completed in apartments buildings. Family houses not included.

Demand drivers

Demand in the residential market is influenced by numerous factors such as population growth, birth rates, changes in levels of disposable income and trends in the number of households. Demographic developments mainly determine volume demand in the housing market in the longer term. Similarly, birth rates and changes in household size also play an important role in long-term demand for types of housing. In addition, increases in disposable income and mortgage lending are strong determinants of short-to-medium-term demand in the housing market.

According to the Czech Statistical Office, the number of households is expected to grow by a compound annual growth rate of approximately 5.3 per cent. for the period from 2010 to 2020, outperforming other countries such as Germany, where the number of households is expected to grow at a compound annual growth rate of 1.8 per cent. over the same period, according to the German Statistical Office. Management expects an increase in the number of households in the region, combined with increasing demand for space per individual, to support demand for residential rental units in the region.

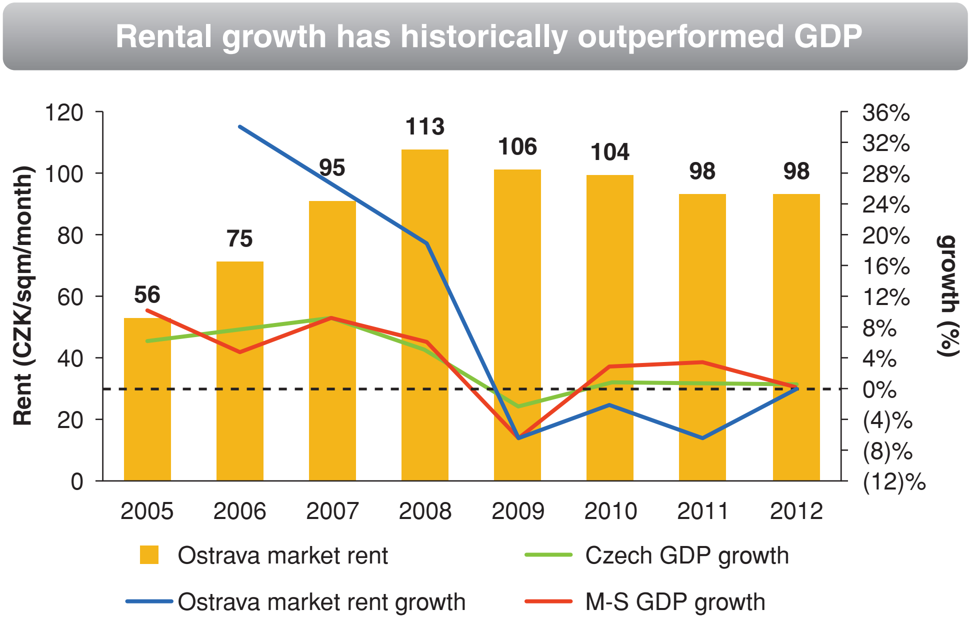
Loan market

One of the most important factors influencing demand for residential units is the availability of mortgage financing, as management estimates that approximately 80 per cent. of buyers purchase properties *via* mortgage loans. In addition, following a 35 per cent. decrease in the volume of mortgages that were granted in 2009, the volume of mortgage loans increased by approximately 13 per cent. and 41 per cent. in 2010 and 2011, respectively. In 2012 and 2013, the volume of mortgage loans outstanding grew by 6.3 per cent. and 6.7 per cent., respectively, to reach CZK 746.4 billion as at 31 December 2013. According to the Ministry of Regional Development, The Moravian-Silesian region is third after Prague and South Moravia in terms of the total volume of mortgages granted.

Development of residential rents and sales prices

The residential housing market has demonstrated attractive rental growth, historically outperforming GDP growth. Average market rents in Ostrava grew at a compound annual growth rate of approximately 7.5 per cent. from 2000 to 2012, compared to average GDP growth of 5.5 per cent. in the Moravian-Silesian region over the same period. Higher economic growth is expected in 2014, which is expected to have a positive effect on growth in rents in the region.

The graph below presents growth in Ostrava market rents compared to GDP growth in the Czech Republic and the Moravian-Silesian region for the period from 2006 to 2013:

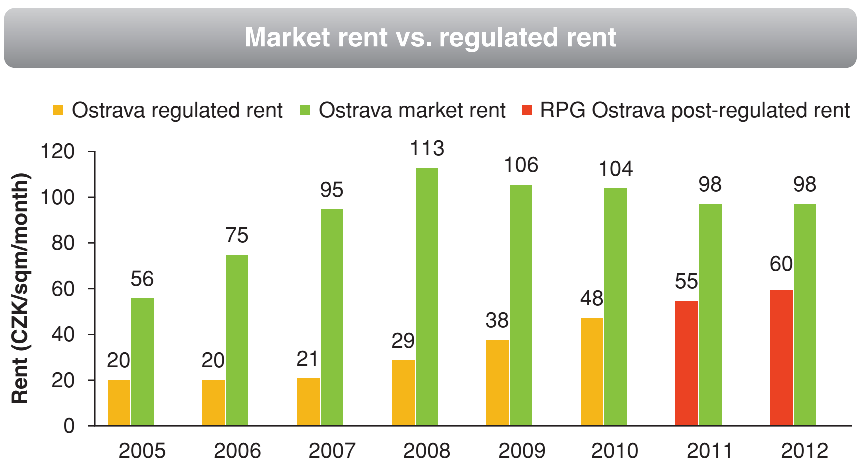


Source: IMF, Czech Statistical Office, Czech National Bank, Broker Reports, Eurostat

Note:

(1) Data on the average pre-tax monthly wage for the city of Ostrava is nearly the same as in the Moravian-Silesian Region.

The following graph presents market rents compared to regulated and RPG post-regulated rent for Ostrava from 2006 to 2012:



Source: Various sources

The average apartment price has also increased considerably in the Moravian-Silesian region, at a compound annual growth rate of 12.0 per cent. between 2000 and 2012, according to the Czech Statistical Office. This was primarily driven by economic growth, an increase in number of households and the availability of mortgage financing. After 2009, among regional cities in the Czech Republic, management believes that Ostrava witnessed the sharpest growth in apartment prices, with an average increase in regulated apartment prices of 12.4 per cent. between 2010 and 2013.

BUSINESS

Overview

We are the largest privately owned residential real estate company in the Czech Republic measured by the number of units owned and managed. Our portfolio is concentrated in the Moravian-Silesian region, in and around Ostrava, the second largest urban area in the Czech Republic and the third largest city. We believe we provide high quality, reasonably priced rental housing that is accessible to the majority of the population in the region. As at 31 December 2013, our portfolio comprised 5,039 buildings, consisting of 43,314 residential units with a total floor area of 2.6 million sqm and 1,909 commercial units with a total floor area of 124,517 sqm, and 97.6 hectares of undeveloped land. According to the Valuation Report prepared by CBRE, which is included in this Prospectus, the fair value of our residential portfolio was CZK 24,260 million (€884 million), which equates to CZK 9,323 per sqm (€340 per sqm), compared to an average replacement cost per sqm of CZK 28,750 (€1,048), as estimated by management.

Following the liberalisation of residential rent regulations in the Moravian-Silesian region with effect from 31 December 2010, we implemented a rent normalisation programme, which provides for gradual and affordable increases in rents under long-term lease agreements that are designed to achieve management's target of having all tenants pay market rents by 2020. Substantially all of our tenants whose properties were subject to deregulation (more than 90 per cent. of our tenants as at 31 December 2010) signed up to our rent normalisation programme. We refer to rents charged to tenants in connection with this programme as "post-regulated rents". As rents were deregulated, we experienced an expected increase in our vacancy rates. Vacancy rates stabilised in the summer of 2012 and were 10.90 per cent. as at 31 December 2012. In 2013, vacancy rates decreased, falling to 10.76 per cent. as at 31 December 2013. We believe that vacancies have a positive effect on our business in the short term, as they allow us to re-lease vacant units at market rates. We also believe that vacancy rates will continue to decrease in line with current trading as a result of the improving market in certain areas in which we operate and the efforts of our dedicated central leasing team.

We have invested more than CZK 7 billion (€280 million) in our residential portfolio since 2006 (including both capital expenditure and operating expenses). These investments have included capital expenditure pursuant to our one-off investment programme, on-going capital expenditure and value-enhancing maintenance expenditure (which is treated as an expense on our income statement). Our one-off investment programme was designed to support our rent normalisation programme and make our residential units more attractive to tenants. One of the key components of the one-off investment programme was the replacement of windows in over 40,000 units, which was completed in the fourth quarter of 2013. The one-off investment programme also has included the replacement of a significant number of lifts and the refurbishment of common areas in the majority of our apartment buildings. Our on-going capital expenditure has included continuous facade, roof, balcony, lift and riser upgrades as well as the refurbishment of units. Our capital expenditure is expected to decrease significantly as our one-off investment programme nears completion. We expect that our total annual capital expenditure will decrease from CZK 1,206 million (€49.0 million) in 2011 to CZK 604 million (€24.2 million) in 2014. By the end of 2014, we expect that we will have no capital expenditure remaining that is related to our one-off investment programme, and our on-going capital expenditure will decrease to CZK 431 million (€17.2 million) in 2016 and to 407 million (€16.3 million) in 2018 and subsequent years. We also expect that our maintenance expenses will remain stable, at approximately CZK 213 million (€8.5 million) per year in the medium term. Accordingly, we currently estimate that our on-going capital expenditure and maintenance expenses will amount to CZK 620 million (€24.8 million) per year (€9.6 per sqm) from 2018. As a result, we believe that we will be able to continue to grow our revenues through contracted increases in post-regulated rents as well as the re-leasing of vacant units at market rates, while incurring relatively limited capital expenditure.

For the year ended 31 December 2013, our revenues and Adjusted EBITDA amounted to CZK 2,954,303 thousand and CZK 1,426,525 thousand, respectively, compared to revenues and Adjusted EBITDA of CZK 2,924,352 thousand and CZK 1,279,510 thousand for the year ended 31 December 2012, respectively. FFO for the year ended 31 December 2013 was CZK 1,027,553 thousand, compared to CZK 1,270,362 thousand for the year ended 31 December 2012.

History

In the early 1990s, state enterprises primarily engaged in coal mining activities in the Czech Republic were converted into joint stock companies (*akciová společnost*) in preparation for privatisation. This was also the case for Former OKD. In 1994, 40 per cent. of Former OKD's shares were privatised by the issue of investment vouchers. From 1998 through 2004, Karbon Invest acquired a controlling stake in Former OKD. In 2004, Karbon Invest was acquired by a corporate group which is now owned by BXR Group. In the second half of 2005, the shares of the remaining minority shareholders of Former OKD were acquired by the BXR Group in accordance with Czech squeeze-out legislation such that Former OKD became wholly owned by the BXR Group.

On 31 May 2006, Former OKD was demerged, resulting in the formation of RPG Byty and several other businesses, including OKD a.s., a mining company and subsidiary of New World Resources plc, a logistics business and a gas reclamation business. Most of these entities continue to be controlled by the BXR Group. Due to the proximity of their operations, we continue to have contractual relationships with certain of these companies and their corporate groups.

Since its formation in 2006, RPG Byty has developed a vertically integrated model, with asset management, repairs and maintenance, property management, leasing and our relationships with customers being centrally managed. Our senior management, led by the co-CEOs of RPG Byty, Pavel Klimeš and Martin Ráž, have demonstrated their ability to transform the business in a relatively short period of time. We believe that our operating platform positions us well to achieve stable growth. We further believe that our operating platform is highly scalable and would allow us to expand our business with relatively minimal additional costs.

Karbon Invest, which held a controlling stake in the Former OKD, entered into the Privatisation Agreement in 2004 with the National Property Fund. With regards to our business, only one provision under the Privatisation Agreement remains binding on RPGI today as the successor in interest to Karbon Invest. It provides that, upon the sale of an individual residential unit (but not the building itself), RPGI is required to offer the residential unit pre-emptively to the current tenant at a price determined in accordance with the Privatisation Agreement, which may be lower than what we would receive had the relevant residential units been sold in the market. The interpretation of a number of aspects of this provision, including applicability and the price setting mechanism, is unclear, but it does not represent a practical limitation on our operations because our strategy is to manage rather than dispose of our residential portfolio.

Personnel Reorganisation

In August 2013, RPG Byty initiated a two-step reorganisation process to separate its property and asset management operations from those of its related companies, which are engaged in commercial and hospitality real estate and land development activities. We believe that the separation provides for a better allocation of operating costs.

The first step of the reorganisation involved the separation of property and asset management functions. On 1 August 2013, 34 property and asset management employees of RPG Byty who were already fully dedicated to the commercial and land development activities of certain related companies were transferred from RPG Byty to RPG RE Commercial and RPG RE Land. Under the terms of the reorganisation, RPG Byty continues to provide selected back office services, such as IT support and human resources management, to RPG RE Commercial, RPG RE Land and RPG Služby based on standardised service agreements. Prior to the reorganisation, RPG Byty provided full property and asset management services to RPG RE Commercial, RPG RE Land and the other related companies and charged those companies for its services.

The second step of the reorganisation, which was substantially completed on 1 January 2014, involved the commencement of the dissolution of RPG RE Management and the transfer of senior management from RPG RE Management to RPG Byty, RPG RE Commercial, and RPG RE Land. In connection with this step of the reorganisation, Martin Ráž and Pavel Klimeš, who were previously employees of RPG RE Management, were transferred to RPG Byty and are now directly employed by RPG Byty as directors and Co-CEOs. See "—*Management*". RPG RE Management terminated all service level agreements provided to RPG Byty at the end of February 2014.

Strengths

Favourable macroeconomic environment and supportive local demographic trends

The Czech Republic is among the most stable economies in the European Union. Its GDP has grown at a compound annual growth rate of 2.8 per cent. from 2003 to 2013, compared to 1.3 per cent. for the

European Union as a whole. Its relatively modest level of external public debt and trade surplus have contributed to its stability. The Czech Republic's public debt as a percentage of GDP was 46.2 per cent. in 2012, compared to 86.3 per cent. for the European Union as a whole. Its trade surplus was 3.8 per cent. of GDP in 2012, compared to 0.3 per cent. for the European Union. The Czech Republic's strong linkages with the German economy have also allowed it to benefit from Germany's economic strength.

Substantially all of the real estate we own is located in the Moravian-Silesian region, in and around Ostrava, which is the second largest leasing market in the Czech Republic, with approximately 1.2 million people and approximately 550,000 households. The Moravian-Silesian region is among the highest growth regions in the Czech Republic. It has developed into a dynamic growth region focused on manufacturing, automobiles, IT, research and development and the service sector. According to the Czech Statistical Office, the Moravian-Silesian region's GDP grew at a compound annual growth rate of 4.7 per cent. during the period from 2002 to 2012, which was comparable to the GDP growth rate in Prague and significantly above the rate of growth in most other regions. The region has attracted significant foreign investment, leading to the creation of highly skilled and diversified jobs, which has contributed to economic growth, a reduction in the unemployment rate and growth in wages. According to the Czech Statistical Office, average monthly gross wages in the Moravian-Silesian region grew by 5.5 per cent. during the period from 2000 to 2011, reaching €899 per month in 2011. This represented the fifth highest average monthly salary in the Czech Republic, following Prague, Central Bohemia, South Moravia and Pilsen among the 14 regions in the Czech Republic.

We believe that the macroeconomic environment in the Czech Republic, and in the Moravian-Silesian region in particular, is supportive of a growing residential rental market and will contribute to growth in the number of households. According to the Czech Statistical Office, the number of households in the Moravian-Silesian region is expected to grow by 5.3 per cent. for the period from 2010 to 2020, driven by a variety of demographic and societal factors, including, among other things, a smaller average household size. We further believe that the favourable macroeconomic environment will result in declines in vacancy and delinquency rates, and will contribute to the rents we offer as part of our rent normalisation programme, as well as market rents, remaining affordable to tenants.

Vertically integrated operating platform run by a highly successful management team

The Company's operating platform has evolved significantly since its inception such that it is now well positioned to achieve stable growth. Over the last few years, we have established a vertically integrated model, with facility management, property management and asset management being managed from our headquarters in Ostrava, where senior management are based. The centralisation of these functions facilitates the control of value creation as well as a focus on customer needs. Our central procurement of technical services and labour enables us to achieve uniform service standards and control costs. Furthermore, the scale of our operations and physical proximity to our properties allows us to benefit from economies of scale, which contributes to operational efficiency. Substantially all of our residential portfolio is located within a 50 km radius of our head offices.

We employ a highly skilled workforce, which is led by the co-CEOs of RPG Byty, Pavel Klimeš and Martin Ráž, who are focused on operations and finance, respectively, and have significant international experience. Our senior management team has demonstrated its ability to transform the business into an efficient operating platform employing the best practices of our German and Austrian peers in a relatively short period of time. The senior management team is supported by a strong team of operational managers. Each member of our management team has over five years of experience with RPG Byty. We also have a long-term contractual relationship with RPG Služby, which provides us access to additional personnel for facility management services in the form of maintenance, cleaning and small repairs.

Leading position in the attractive Central European market with high barriers to entry

We are the largest private residential real estate company in the Czech Republic and in the Moravian-Silesian region. We owned 43,314 residential units in the region as of 31 December 2013, while our three largest competitors, the City of Ostrava, the City of Havířov and the CPI Group, owned approximately 15,100, 7,600 and 4,200 units in the region, respectively. We believe that the residential real estate market in the Moravian-Silesian region has high barriers to entry, primarily as a result of relatively high construction costs as compared to rents, which limits the supply of new residential units available for rent. We estimate that construction and land acquisition costs in the region are approximately CZK 28,750 per sqm (€1,048 per sqm) of net leasable area, compared to a value of CZK 9,323 per sqm

(€340 per sqm) for our residential portfolio, based on the fair value of our portfolio set out in the Valuation Report prepared by CBRE. Furthermore, we believe that substantially all of the currently limited number of construction projects in the area are being built with an intention to sell the units rather than rent them.

We believe that our leadership in a market with high barriers to entry will allow us to benefit from expected household growth of 5.3 per cent. for the period from 2010 to 2020 and attractive market dynamics in the Moravian-Silesian region, which have led to increasing demand for rental housing. Since the financial crisis of 2008, rental housing has become more attractive compared to ownership due to more stringent mortgage approval conditions in the aftermath of the economic crisis. In the mid-market housing segment, tenants are typically not eligible for mortgage financing. Furthermore, there is limited supply even for eligible buyers, particularly in city centres and premium locations, which are already densely built, further favouring rental housing.

Attractive and well-maintained residential portfolio

We have invested more than CZK 7 billion (€280 million) in our residential portfolio since 2006 (including both capital expenditure and value-enhancing maintenance expenditure). These investments have included capital expenditure pursuant to our one-off investment programme, on-going capital expenditure and operating expenses. Our one-off investment programme was designed to support our rent normalisation programme and make our residential units more attractive to tenants. One of the key components of the one-off investment programme was the replacement of windows in over 40,000 units, which was completed in the fourth quarter of 2013. The one-off investment programme also has included the replacement of significant number of lifts and the refurbishment of common areas in the majority of our apartment buildings. Our on-going capital expenditure has included continuous facade, roof, balcony, lift and riser upgrades as well as the refurbishment of units. Our capital expenditure is expected to decrease significantly as our one-off investment programme nears completion.

We believe that the quality of our portfolio is generally higher than other rental residential buildings in the region as a result of our extensive investments to date. In particular, we have invested a higher amount of maintenance and modernisation capital expenditure than our German and Austrian peers. We expect this will permit us to reduce our capital expenditure in future periods. We expect that our on-going capital expenditure will decrease to CZK 431 million (€17.2 million) in 2016 and to CZK 407 million (€16.3 million) in 2018 and subsequent years. We also expect that our maintenance expenses will remain stable at approximately CZK 213 million (€8.5 million) per year in the medium term. Accordingly, we currently estimate that our on-going capital expenditure and maintenance expenses will amount to CZK 620 million (€24.8 million) per year (€9.6 per sqm) from 2018. This compares favourably to the on-going capital and maintenance expenditure levels of similar residential rental portfolios in Germany and Austria when adjusted for differences in labour costs, which are approximately 50 per cent. lower in the Czech Republic compared with Germany.

Diversified residential portfolio with broad demographic appeal and stable tenant base

We believe that our diversified residential portfolio provides us with broad demographic appeal. Our residential portfolio encompasses a wide variety of housing options and locations and is located across a number of different cities in the region, with 14,729 units in Ostrava, 12,003 units in Havířov and 7,645 units in Karviná, and in an array of urban, suburban and rural settings. The quality of the location of our properties is also diversified. The majority of our properties are in prime locations in city centres, in proximity to city centres, or in highly rated suburbs.

We also have a stable and diversified tenant base. The average tenure of our leases was approximately 15 years as at 31 December 2013, and over 49 per cent. of tenants had leases with at least a 10 year tenure. Our tenants represent a broad spectrum of the population of the region, including employees in the private sector (including multinationals and small- and medium-sized enterprises) and the public sector as well as pensioners and students. In 2009, we began conducting credit checks for new tenants, including the verification of their source of income, which we believe will help to maintain or reduce our already low bad debt percentage. Towards the higher end of the income spectrum, we have been capturing, and expect to continue to capture, a younger, more affluent portion of the mid-market as a result of the refurbishments we have made through our one-off investment programme and the superior service we provide to tenants as compared to our peers.

Strong and contracted rental growth driven by rent deregulation

Following the liberalisation of residential rent regulations in the Moravian-Silesian region with effect from 31 December 2010, our revenue growth has largely been driven by our contractually agreed rent increases as well as by turnover of post-regulated tenants, which permits us to lease vacated units to tenants at market rates. Substantially all of our tenants whose units were subject to rent deregulation (more than 90 per cent. of our tenants as at 31 December 2010) have signed up to our rent normalisation programme. Post-regulated leases provide for contractually agreed annual step-ups in rent, and an adjustment for inflation, until market rents are achieved. The gap between the average post-regulated rent and the average market rent remained at 24 per cent. for the year ended 31 December 2013. Turnover of post-regulated tenants has been beneficial for us because new contracts are automatically set at market rates. Post-regulated tenants represented approximately 67 per cent. of our tenants as at 31 December 2013, which we expect to decrease.

We believe that our post-regulated rates are, and will continue to be, affordable for our tenants. We estimate that our average post-regulated rent per month represents approximately 19 per cent. of the average household disposable income. Based on our average post-regulated rent, 72 per cent. of Ostrava households spend less than 23 per cent. of their income on rent. While tenants whose total cost of living exceeds 30 per cent. of their income currently receive a state subsidy in respect of any such excess (subject to appropriate size of apartments), state subsidies accounted for only 3 per cent. of our revenues from the lease of investment properties.

Despite the rent increases under our rent normalisation programme and the market rates we charge for units that come onto the market, our collection loss has remained relatively low and stable. Our bad debt percentage rate was 1.8 per cent. for the year ended 31 December 2013.

Strong operating performance underpinned by conservative capital structure

Our operating performance has historically been strong as compared to that of our German and Austrian peers. The scale of our operations and the physical proximity of our properties has allowed us to achieve significant cost benefits, leading to a higher Adjusted EBITDA margin and a higher FFO yield. Our high number of units per employee also demonstrates our ability to manage our properties efficiently.

We also have a more conservative capital structure than many of our peers, with significantly lower leverage. Our low level of indebtedness has also had a favourable effect on our cash flow generation, which implies greater income security, easier access to capital and low refinancing risk.

Strategy

Achieve revenue growth through contracted increases in post-regulated rents and re-leasing vacant units at market rates

Following the liberalisation of residential rent regulations with effect from 31 December 2010, we implemented a rent normalisation programme. Substantially all of our tenants who were subject to deregulation (more than 90 per cent. of our tenants as at 31 December 2010) have signed up to the programme. The programme provides for gradual, and what we believe to be affordable increases in rents that are designed to achieve market rents by 2020 under long-term lease agreements. A key component of our strategy going forward is to continue to reduce the gap between our post-regulated rents and market rents through our rent normalisation programme. Our post-regulated leases provide for an increase by the 2013 inflation rate in 2014, and for 2015 and beyond, increases of up to 7 per cent. per year, plus an increase by the inflation rate and an increase to take account of the increase in property taxes until the market rate is reached. At the same time that we are increasing our post-regulated rents, we have been able to charge new tenants market rates since 31 December 2010, which has also contributed to our revenue growth. The percentage of our occupied residential units that are leased at market rates has increased from 8.6 per cent. as at 31 December 2010, to 15.7 per cent. as at 31 December 2011, to 24 per cent. as at 31 December 2012 and to 33 per cent. as at 31 December 2013. We intend to continue to increase our revenues through both contracted increases in post-regulated rents and re-leasing vacant apartments at market rates.

Increase occupancy rates

Following the one-off increase in vacancy rates we experienced as a result of rent deregulation, we intend to maintain and gradually reduce vacancy rates to a rate which will allow us to realise incremental revenue growth from the re-leasing of vacant apartments at market rates to new tenants. We plan to achieve this through our dedicated central leasing team by focusing on marketing to specific target groups such as students and other young tenants, using an accelerated re-leasing process as well as providing additional ancillary services to our tenants. Customer service is also an important part of vacancy management strategy, and we will continue to focus on providing a high level of customer service to our tenants. We are experiencing a continued improvement in customer satisfaction. According to a survey conducted by Respond & Co. in 2011, approximately 80 per cent. of tenants are satisfied with the asset management initiatives and investment programme. In addition, approximately 83 per cent. of tenants consider RPG Byty to be their long-term landlord, according to a satisfaction survey that we conducted in 2012.

Continue to optimise our tenant base

We intend to continue to optimise our tenant base, both by tailoring our apartments to attract particular demographics and through marketing campaigns. We believe that our one-off investment programme has enabled us, and will continue to enable us, to capture a younger, more affluent portion of the mid-market. In addition, we are focusing on attracting more affluent tenants by refurbishing certain of our units to a higher standard and offering superior service as compared to our peers. Since 2009, we have been doing credit checks for new tenants to help us capture tenants with better credit and who represent a lower risk of default. We are also targeting younger tenants, including the growing student population in the Moravian-Silesian region. To address increasing demand from this demographic, we have started splitting some of our larger units into smaller units. We have supplemented these initiatives with various marketing campaigns designed to attract new tenants, including internet based marketing campaigns. We have started to see the impact of our strategy, particularly in terms of the age and income level of our tenant base. The average age of our tenants decreased from 54.1 as of 31 December 2012 to 52.7 as of 31 December 2013 (based on the age of signatories to lease agreements). In addition, the average age of tenants paying market rates (33 per cent. of all tenants as of 31 December 2013) was 40.4 years as of 31 December 2013, compared to 40.9 years as of 31 December 2012.

Increase operating efficiency

We intend to continue to benefit from the scalability of our operating platform in order to increase our operating efficiency. In 2013, our property management costs were CZK 135 (€5.4) per month/unit and as at 31 December 2013, the number of units per employee was 213, which we believe compares favourably with our German and Austrian peers. We intend to continue to improve our operating efficiency through active property management, as well as the continued implementation of our rent collection programme, leveraging investments in IT infrastructure and the continued centralisation of our procurement.

We have implemented a robust programme designed to reduce and maintain low rates of collection loss, which includes an automated claim procedure as well as specialised staff who are dedicated to rent collection. This has contributed to our bad debt percentage rate stabilising at 1.8 per cent. in the year ended 31 December 2013. On average, approximately 10 to 15 per cent. of bad debts are later recovered.

We believe that our investments in IT infrastructure, which have included a new SAP finance system and a new ERP FAMA operations system which was introduced in 2010, have allowed us to efficiently address demand for our properties and provide additional services without incurring additional personnel expenses. The majority of our IT capital expenditure has been completed by the 2013. We intend to continue to leverage these investments in order to improve our efficiency.

Continue to deploy value-enhancing capital expenditure

As a result of the substantial completion of our one-off investment programme, our capital expenditure is expected to decrease going forward. We expect that our total annual capital expenditure will decrease from CZK 1,206 million (€49.0 million) in 2011 to CZK 604 million (€24.2 million) in 2014. By the end of 2014, we expect that we will have no capital expenditure remaining that is related to our one-off investment programme, and our on-going capital expenditure will decrease to CZK 431 million (€17.2 million) in 2016 and to CZK 407 million (€16.3 million) in 2018 and subsequent years. We also expect that our maintenance expenses will remain stable at approximately CZK 213 million (€8.5 million) per year in the medium term. Accordingly, we currently estimate that our on-going capital expenditure and maintenance expenses will amount to CZK 620 million (€24.8 million) per year (€9.6 per sqm) from 2018. We believe that our budget compares favourably to the on-going capital expenditure levels of similar residential rental portfolios in

Germany and Austria when adjusted for differences in labour costs, which are approximately 50 per cent. lower in the Czech Republic than in Germany and Austria.

We believe that the substantial completion of our one-off investment programme will permit us to continue to experience revenue growth while incurring relatively low capital expenditure, which will cause our free cash flow (defined as operating cash flow less capital expenditure) to increase.

Pursue growth through investments in our existing portfolio, opportunistic sales of apartment buildings and acquisition opportunities

While we primarily intend to achieve growth through further investments in our portfolio, rent increases in our existing portfolio and margin expansion as a result of efficiency initiatives, we will evaluate opportunities to deploy capital more efficiently through the sale of individual apartment buildings as well as through acquisitions. Given the fragmentation of the Czech residential real estate market, we believe that there are opportunities to both buy and sell residential real estate.

While tenants of individual units have a pre-emptive right to buy their apartments, this does not apply in the case of sales of entire buildings. Accordingly, in instances where management has identified more attractive opportunities, it may selectively sell buildings.

We also intend to pursue acquisition opportunities in the Czech Republic and other Central and Eastern European countries. We intend to focus on two different types of target. First, we believe that our operating platform is highly scalable and can absorb additional units with relatively limited additional costs. Accordingly, our primary focus is on attractive add-on acquisitions in the Czech Republic.

Our secondary focus is on residential real estate portfolios that represent restructuring opportunities, for which we are well positioned to replicate our highly successful operating platform, including through refurbishment activities. These include the residential real estate portfolios of Poland-based PKP—Polish State Railways, Katowicki Holding Weglowy, the Polish Military Property Agency, ArcelorMittal Poland and Kompania Weglowa. For these types of portfolios, we would seek to apply our senior management's expertise in transforming our business. Our focus would be on areas such as business processes, rental growth, capital expenditure management, vacancy management, financing and customer focus, with the ultimate aim of increasing the value of these portfolios.

We will also explore ancillary opportunities to grow our revenues through additional services to our existing tenants and third party property management services.

Continue to pursue a conservative capital structure

We have a more conservative capital structure than many of our peers, with significantly lower leverage, which we intend to maintain. We will also continue to assess the financial markets in order to identify opportunities for refinancing. In particular, we will consider opportunities to reduce our cost of capital by refinancing the Senior Secured Notes through bank loans and the issuance of mortgage-backed or other similar securities. Our financial strategy also entails the use of derivative financial instruments for hedging purposes. We manage our interest rate risk on our floating rate debt, including the Refurbishment Loans, through interest rate swaps, and our foreign currency exposure, including the Senior Secured Notes, through currency swaps.

Rent Management

Our rent management activities focus on increasing the rents we charge to our tenants by reducing the gap between our current rents and market rents, primarily through our rent normalisation programme. We plan our rental rate increases by systematically analysing rent affordability in each location. We have implemented a target-rent system, whereby we analyse individual markets, including competitive factors and determine further operative and strategic measures we may take in each of these locations.

Increases in rents are driven by two primary factors: our rent normalisation programme and turnover of units in our residential portfolio. Each of these factors is discussed below.

Rent Normalisation Programme

With effect from 31 December 2010, the Czech parliament liberalised rent regulations in the Moravian-Silesian region. Following the liberalisation, in consultation with the Czech government and the Czech Association of Tenants (*Sdružení pro Ochranu Nájemníků České republiky*), we implemented a programme, which provides for gradual and affordable increase in rents under long-term lease agreements that are designed to achieve management's aim of having all tenants pay market rents by 2020. Our post-regulated leases were offered in connection with an environmentally friendly window replacement programme, through which we have replaced old windows with better insulated models, allowing tenants to reduce their energy costs. See "*—Investments—Capital Expenditure—Investment Programme*".

The contractual increases in our post-regulated rents are set forth below:

- 2011: increase of CZK 7.5 per sqm/month plus inflation, if it exceeds 2 per cent.;
- 2012 and 2013: increase of CZK 5.0 per sqm/month plus inflation if it exceeds 2 per cent.;
- 2014: increase by the rate of inflation in 2013; and
- 2015 and thereafter: discretionary increases of a maximum of 7 per cent. per year, plus an increase by the inflation rate and an increase by the increase in property taxes until the market rate is reached. Once the market rate is achieved, rent can only be increased by the rate of inflation plus any increase in property taxes.

Under our post-regulated leases, the inflation adjustment for any given year is determined by reference to the Consumer Price Index published by the Czech Statistics Office for the prior year.

Substantially all of our tenants whose properties were subject to deregulation (more than 90 per cent. of our tenants as at 31 December 2010) signed up to our rent normalisation programme. As at 31 December 2013, approximately 67 per cent. of our tenants paid post-regulated rents, with the remaining tenants paying market rates. The gap between the average post-regulated rent and the average market rent remained at 24 per cent. for the year ended 31 December 2013. Despite the rent increases under our rent normalisation programme, our collection loss has remained relatively low and stable. Our bad debt percentage rate was 1.8 per cent. for the year ended 31 December 2013.

Turnover

The level of rent we charge is affected by turnover of units in our residential portfolio because we are able to rent vacated units at market rates. As rents were deregulated, we experienced an expected increase in turnover of post-regulated tenants, which we believe will eventually have a positive effect on our business. For example, in each of 2012 and 2013, we signed approximately 5,000 new leases on vacant units, all of which were signed at market rents. Post-regulated tenants represented approximately 67 per cent. of our tenants as at 31 December 2013, which we expect to decrease as units are leased at market rates. Based on our average turnover for the past three years, which we expect to remain relatively stable over the near term, more than half of our non-market rate rental units will be rented at market rates within the next five years.

Overview of Portfolio

Our portfolio is exclusively in the Moravian-Silesian region, which is located approximately 350 km east of Prague. At 31 December 2013, our portfolio consisted of 5,039 buildings, consisting of 43,314 residential units with a total floor area of approximately 2.6 million sqm and 1,909 commercial units with a total floor area of 124,517 sqm, and 97.6 hectares of undeveloped land. Our commercial units are typically located on the ground floor of our residential properties and are leased mainly for retail or office use.

The following map illustrates the distribution of the location of the properties in our portfolio.

- CPI Group is the second largest private landlord in the Czech Republic with 12,771 units

The following table provides certain information regarding our portfolio for the periods indicated:

	Year ended 31 December			
	2011	2012	2013	2013(1)
Number of units	45,564	45,464	45,223	
Residential units	43,745	43,625	43,314	
Post-regulated rate residential units(2)	33,416	29,498	25,901	
Market rate residential units(3)	10,329	14,127	17,413	
Commercial units	1,819	1,839	1,909	
Average residential net cold rent per sqm/month(4)	CZK 56.6	CZK 63.2	CZK 69.4	€2.67
Average residential net cold rental post-regulated rate per sqm/month	CZK 55.1	CZK 59.6	CZK 65.1	€2.50
Average residential net cold rental market rate per sqm/month	CZK 79.6	CZK 81.7	CZK 80.9	€3.11
Vacancy(5)	9.0%	10.9%	10.8%	
Turnover(6)	7.9%	11.6%	12.7%	
Bad debt percentage rate(7)	1.8%	1.9%	1.8%	

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the CNB for the year ended 31 December 2013. See "*Exchange Rates*".

(2) Represents units subject to post-regulated rents.

(3) Represents units subject to market rents charged plus vacant units.

(4) Average residential net cold rent per sqm/month is determined by dividing the aggregate net cold rent charged to all tenants of our residential properties during the period by the aggregate leasable sqm of our residential portfolio, divided by twelve.

(5) Vacancy is defined as the number of residential units that were vacant at the end of the period divided by the total number of residential units at the end of the period.

(6) Turnover represents the number of residential units that were vacated and re-leased during the period.

(7) Bad debt percentage rate represents bad debt expense divided by the sum of revenues from leasing of investment property and revenues from services rendered.

Fair value

According to the Valuation Report prepared by CBRE, which is included in this Prospectus, the fair value of our residential portfolio was CZK 24,260 million (€884 million). The "fair value" determined by CBRE in the Valuation Report with respect to our portfolio is different from the "fair value" of our investment properties included in the audited financial statements included elsewhere in this Prospectus. See "*Presentation of Financial and Other Information—Valuation Report*".

The Valuation Report was prepared in accordance with the valuation standards contained within the Royal Institution of Chartered Surveyors Valuation—Professional Standards 2012. The 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 determined by CBRE is based on certain qualifications and assumptions (including tenure, ownership, leasing, town planning, and the condition and repair of buildings and sites, including environmental matters), estimates and projections and only a representative sample of our properties were inspected in accordance with the terms of the report.

The following table shows the evolution of the fair value of our portfolio during the past four years based on our internal valuation model:

	As at 31 December			
	2010	2011	2012	2013
	(CZK in millions)			
Fair value of portfolio	21,027,288	22,612,544	23,349,718	24,510,111

The following table shows the fair value of our portfolio by city as at 31 December 2013 based on CBRE's valuation.

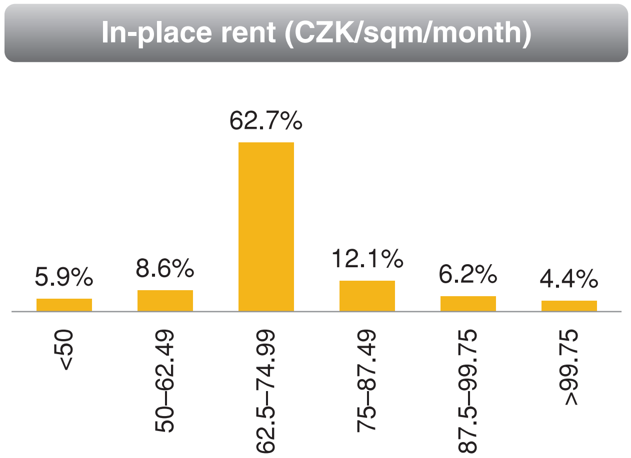
	Number of residential units	Fair Value (CZK millions)	% of total fair value of residential units	Fair value per sqm (CZK)	January 2014 residential rent multiplier(1)
Ostrava	14,729	8,876	36	9,996	12.6x
Havířov	12,003	6,909	29	9,618	13.0x
Karviná	7,645	4,021	17	9,351	12.4x
Frýdek Místek	2,369	1,383	6	9,706	12.1x
Orlova	2,130	1,057	4	7,837	11.5x
Opava	427	285	1	10,736	13.1x
Other	4,011	1,730	7	6,600	11.3x
Total	43,314	24,260	100	9,323	12.5x

Note:

(1) Represents fair value divided by the average monthly rent in January for our residential units multiplied by 12.

Rent per sqm/month

In 2013, we leased 458 units per month across the portfolio at an average monthly rent of CZK 80.9 per sqm (€3.25). The following table shows the rent per sqm/month for our portfolio as at 31 December 2013:



Location

The following table shows the occupancy and rents of our residential portfolio by city as at 31 December 2013:

	Residential units	Occupancy (%)	Post-regulated rent per sqm/month (CZK)	Market rent per sqm/month (CZK)[1]	Rental gap (%)
Ostrava	14,729	91.3	67.9	82.5	21
Havířov	12,003	86	68.7	82.5	20
Karviná	7,645	86.8	68.6	82.7	20
Frýdek-Místek	2,369	92	68.7	82.0	19
Orlova	2,130	92.7	55.5	73.8	33
Opava	427	93.7	68.6	80.6	18
Other	4,011	92.1	47.3	68.2	44
Total	43,314	89.2	65.3	80.8	24

Note:

(1) Market rent represents the rate we charge to market rent tenants

We classify our residential property units into four classifications according to location. Properties classified as "Superior" are our highest quality city centre units. Our second highest classification is "A", which we assign to locations of prime locations in city centres or close vicinity of the city centres. Classification "B" applies to our highly rated suburban locations (based on our internal rating methodology). Our lowest classification is "C", which applies to units located in smaller towns and outer suburbs.

The following table shows our properties by location quality as at 31 December 2013:

	Superior	A	B	C
Location quality (% of total residential units)	3.5%	46.2%	37.4%	12.9%

Building composition and age

Our residential portfolio encompasses a wide variety of housing options. The average size of our units is 60 sqm and the average number of floors per building (excluding family housing) is four. The following table shows the composition of our residential portfolio classified by building material as at 31 December 2013:

	Number of buildings	% of building portfolio	Number of units	Occupancy %	Average monthly rent (CZK per sqm)
Brick	3,224	64	27,575	87.3	70.8
Plattenbau/pre-cast	807	16	14,297	92.5	70.9
Other	1,008	20	1,442	93.5	53.4
Total	5,039	100	43,314	89.2	70.2

The following table shows the composition of our residential portfolio classified by the year of construction. As at 31 December 2013, the average age of our buildings was 59 years.

	≤ 1909	1910 - 1929	1930 - 1949	1950 - 1969	1970 - 1989	1990 - 1999	≥ N/A
Percentage of total residential units	4.8	4.7	9.1	67.6	10.7	0.1	2.9

Residential unit size and number of rooms

Our residential portfolio is also varied in size and number of rooms. The following table shows the size of our residential units as at 31 December 2013:

	< 40 sqm	40 - 60 sqm	60 - 70 sqm	70 - 90 sqm	> 90 sqm
Percentage of total residential units	6	39.8	18	30	6.2

The following table shows the number of rooms per residential unit as at 31 December 2013:

	1 room	2 rooms	3 rooms	4 rooms	> 4 rooms
Percentage of total tenants[(1)]	3.3	15.1	49.1	29.7	2.8

Note:

(1) Number of rooms includes the kitchen and the living room and does not only refer to bedrooms

Tenants

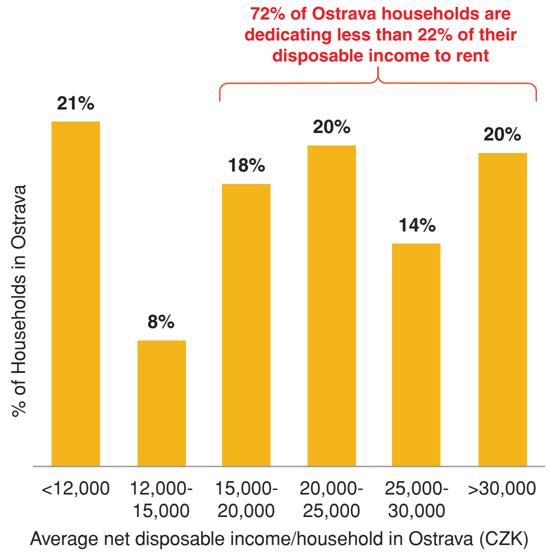
We have approximately 90,000 tenants, including all household members living in our properties. We believe that the mix of our tenants reflects the local population dynamics of the Moravian-Silesian region and we believe that we offer affordable rental housing to these clients. For example, our average post-regulated rent per month represented approximately 19 per cent. of the average household disposable income in Ostrava. Based on our average post-regulated rent, approximately 72 per cent. of Ostrava households spend less than 23 per cent. of their income on rent. Tenants whose total cost of living exceeds 30 per cent. of their income receive a state subsidy that brings this percentage back below 30 per cent., subject to living in appropriately sized apartments.

The following table illustrates the income profile of our tenants, showing both net cold rent/income and cost of living/income based on average net disposable income per household in Ostrava:

Income profile / affordability of housing

Based on average RPG net cold rent and estimated total cost of living

Net cold rent / income[1]	33%	29%	22%	17%	14%	<14%
Cost of living / income[2]	55%	49%	38%	29%	24%	<24%



Note:

(1) Based on 2013 average RPG post-regulated net cold rent of CZK 3,913 per flat.

(2) Based on total cost of living of CZK 6,613 per flat. Total cost of living based on post-regulated net rent of CZK 3,913 plus CZK 2,700 of service charges (management estimate).

Despite the increases in rents in connection with our rent normalisation programme, we have been able to maintain a relatively low and stable collection loss. Our bad debt percentage rate was 1.8 per cent., 1.9 per cent. and 1.8 per cent. for the years ended 31 December 2011, 2012 and 2013, respectively. We have been able to increase the credit quality of our tenant base in part due to the introduction in 2010 of credit checks for new tenants. Approximately 5,000 apartments were leased at market rents in 2012 and 2013 following the completion of credit checks. We also believe that we have been able to capture a younger, more affluent portion of the mid-market as a result of our one-off investment programme and the superior service we provide to tenants as compared to our peers.

Employment Status

Our tenants represent a broad spectrum of the population of the Moravian-Silesian region. Many of our tenants are employed by multinational companies and small- to medium-sized enterprises, including Asus, Mondelez International, Sungwoo Hitech, Hyundai, Plakor, ArcelorMittal, Vitkovice, Tieto, Brembo, Dalkia and Behr.

The following table sets forth the employment status of our tenants, based on information provided by them, as at 31 December 2012:

	As at 31 December 2012
Multinationals and small- and medium-sized enterprises	28.0%
Pensioners	22.4%
Former OKD/New World Resources	8.4%
Unemployed	7.5%
Self employed	3.4%
Public employer	3.3%
Students	0.6%
No information available	26.4%
Total	100%

Age

The following table provides the ages of our residential tenants as at 31 December 2013(1):

	< 30	30 - 40	40 - 50	50 - 60	60 - 70	> 70	Average Age
Tenants paying market rent (%)(1)	24.5	26.9	21.1	14.9	8.0	3.2	40.4
All tenants (%)(2)	9.5	16.0	18.5	18.7	17.1	19.7	52.7

Note:

(1) Based on information provided by tenants (information not available for 1.4 per cent.).

(2) Based on information provided by tenants (information not available for 0.6 per cent.).

Tenure

Our tenant base is diversified and stable, with over 49 per cent. of our tenants having continuously rented properties in our portfolio for the past 10 years. The following table provides the length of lease tenure for our residential tenants as at 31 December 2013:

	Under 5 years	5 - 10 years	10 - 15 years	15 - 20 years	20 - 30 years	Over 30 years	Average tenure
Percentage of total residential tenants(1)	33.7	16.5	12.5	7.4	12.6	16.6	14.9

Note:

(1) Information not available for 0.7 per cent.

Management of Our Portfolio

We manage our portfolio through our centralised, vertically integrated operating structure. We operate our strategic functions, including rent and vacancy management, capital expenditure and collections management, and our operating functions, such as procurement, rent collection and our IT platform, from our headquarters in Ostrava. We also conduct our other operating functions, including our call centres, for leasing, emergency and maintenance services and client centres, from this location.

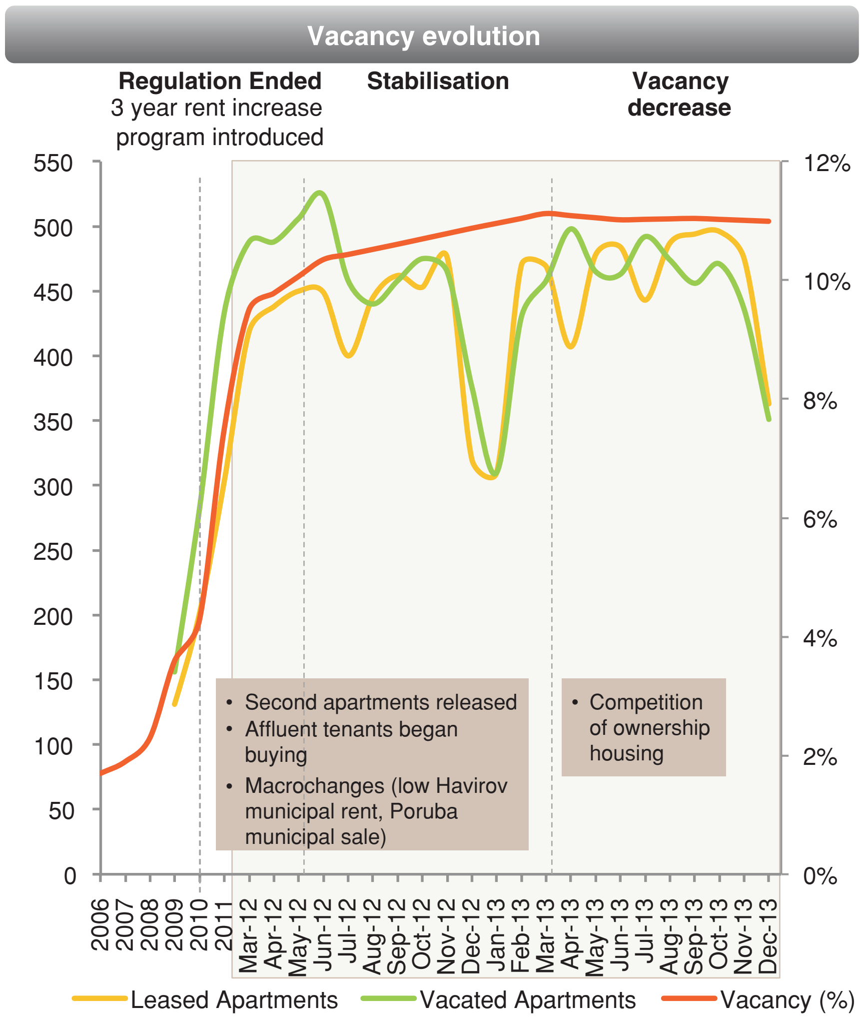
In addition to our in-house strategic and operating functions, we have a long-term contractual relationship with RPG Služby, which provided us access to 227 additional personnel for facility management services in the form of maintenance, cleaning and small repairs as at 1 January 2014.

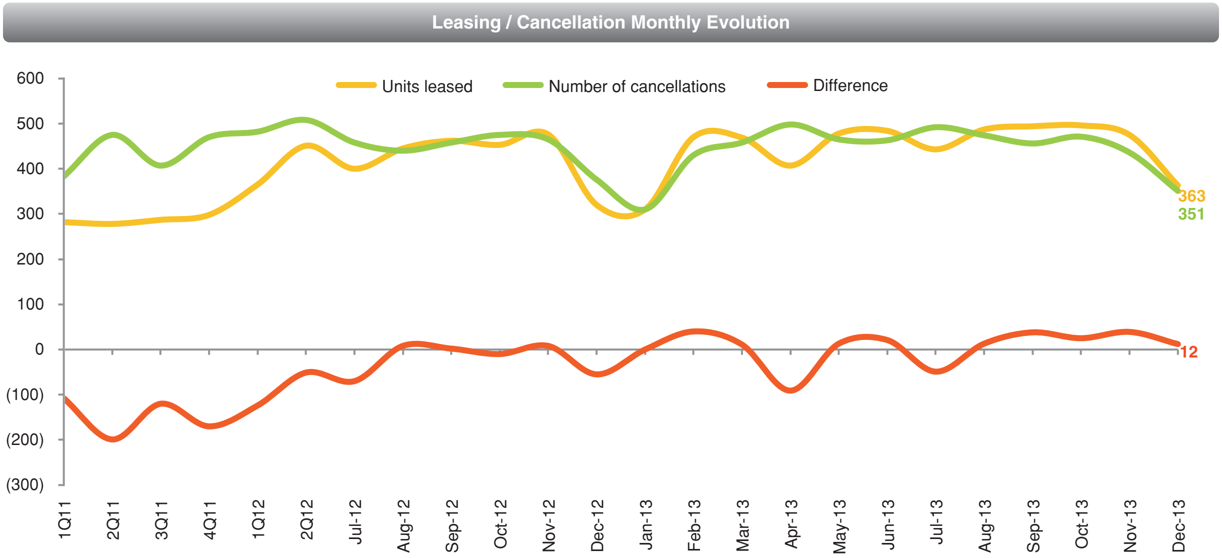
In addition to our headquarters, we have three maintenance and facility management centres located in Ostrava, Havířov and Karviná, and four client centres located in Ostrava, Ostrava Poruba, Havířov and Karviná. Each of these centres is located near our properties.

Vacancy management

Following the deregulation of rents, we experienced a one-off increase in our vacancy rates from 4.71 per cent. as at 31 December 2010 to 10.90 per cent. as at 31 December 2012. We believe that this was caused by a reduction in the number of tenants leasing multiple units for investment purposes and an increase in the number of more affluent tenants who chose to buy a home. Vacancy rates subsequently decreased throughout 2013, with our vacancy stabilising at 10.76 per cent. as at 31 December 2013. Our focus is currently on maintaining and gradually reducing vacancy rates to a rate which will allow us to realise incremental revenue growth from the re-leasing of vacant properties at market rates to new tenants.

The following charts show (i) our vacancies over the past 24 months and (ii) the difference between units leased and the number of cancellations that we experienced over the past 12 months:





It is expected that slightly higher vacancy and turnover will have positive effect on the business as RPG can let vacated apartments at market rates and therefore close the rent gap much faster

We have taken several steps to decrease vacancy rates, including increasing our marketing efforts through various channels, promoting student housing, dividing larger units into smaller units and increasing the rigor of credit checks on potential tenants.

We have an internal leasing department comprised of 20 agents and 14 support staff and a retention team comprised of 7 staff that are all focused on vacancy management. The principal focus of this team is on: (i) general retention activities targeted at our tenant base; (ii) marketing activities designed to attract new tenants; and (iii) taking a customised approach to address specific concerns with respect to individual tenants and units.

General retention activities

Our retention policy encompasses a wide range of initiatives aimed at preserving our current tenant base. Set out below are examples of some of our activities designed to retain our tenants.

Early identification programme

Our retention team identifies potential tenants who may wish to terminate their leases and works with such tenants on an individual basis. Our experience has been that the earlier our retention team is able to work with tenants who have expressed a desire to terminate their leases, the more likely the tenant will remain a tenant. For example, during 2013, we were able to retain approximately 13 per cent. of tenants who served a termination notice to us. However, in cases where tenants initiated contact with us indicating a desire to leave prior to serving a termination notice, we were able to retain over 70 per cent. of these tenants over the same period.

Emergency and maintenance and client service call centres

All phone operators and client centres are supplied by a centralised IT platform.

Our emergency line provides 24 hour, seven day per week support for incidents requiring immediate assistance such as gas leakages, water pipe breakages or electricity failures. We are typically able to respond to these calls within two hours.

Our client service line is open Monday through Friday from 7 a.m. to 5 p.m. and addresses non-emergency, administrative and technical requests from tenants. The client service team serviced over 65,000 calls and 16,000 emails in 2013.

Client centres

We maintain client centres in Ostrava, Ostrava Poruba, Havířov and Karviná which are responsible for similar services as our client service call centre. However, these centres also focus on tasks that require the tenant to be present at the time of service, such as execution of documentation and return of physical items. In 2013, we serviced over 78,000 clients through our client centres.

Website and other communication

In addition to our call centres, we also communicate with tenants through our website, letters and our magazine, Bydlíme, which is read by approximately 85 per cent. of tenants. We recently revised our website to be a more comprehensive source of information about our business and we have seen an increase in web traffic, with 52,616 visitors per month in 2013 (an increase of 12.5 per cent. from 2012), of which 44 per cent. are new visitors with an average browsing time of over seven minutes.

Annual customer service surveys

We strive to maintain high levels of customer service, as we believe customer service plays an important role in increasing tenant satisfaction and retention rates. We conduct annual surveys to identify tenant needs and desires and revise our customer services appropriately. According to a survey conducted by Respond & Co. in 2011, 80 per cent. of our tenants are satisfied with our asset management initiatives and investment programme. In addition, 83 per cent. of tenants consider RPG Byty to be their long-term landlord according to a satisfaction survey that we conducted in 2012.

Housekeeping

Two third party contracted companies and 22 of our part-time employees are dedicated to housekeeping in order to improve cleanliness of the common areas of our properties and maintain tenant satisfaction.

Apartment exchange programme

We offer an apartment exchange programme to existing tenants. The programme is processed through a web application that provides a platform for tenants to post apartment exchange requests to facilitate the market for exchanges.

Field social worker

In line with our neighbourhood development initiatives, we have employed a field social worker to assist tenants who are experiencing financial difficulties. Our field social worker assists tenants with designing debt settlement solutions, potentially pre-empting the need for judicial remedies in relation to their debts and enabling the tenant to remain in the unit, and is also able to help with obtaining access to the state rental subsidy programme.

Extra services

We provide extra services that we believe contribute to the retention of our tenants. These services include internet and cable television and commercial discounts with numerous suppliers such as insurance companies and furniture retailers.

Marketing activities

We conduct a wide range of marketing activities in order to attract new tenants. Our management team has instituted innovative marketing programmes to drive rental growth, including successful campaigns aimed at rent increases, vacancy reductions and re-leasings with minimal unit turn costs. These marketing efforts include traditional media advertising, negotiating discounts from local retailers for our tenants and internet campaigns.

One new area of focus is marketing that targets younger potential tenants, including university students. In order to serve this demographic group and to tap into the demand for smaller properties, we have split certain extra large units into smaller ones, and, in 2013, we created 252 new residential units from 125 existing units. We have started to see an impact of this strategy, as the average age of our tenants decreased from 54.1 as at 31 December 2012 to 52.7 as at 31 December 2013 (based on the age of signatories to lease agreements). In addition, as at 31 December 2013, the average age of tenants paying market rates was lower, at 40.4 years as compared to 40.9 years at 31 December 2012. See "—*Tenants*".

To help manage our leasing activities, we operate a hotline. Our leasing hotline allows us to gather information from callers, identify the needs of potential tenants and efficiently introduce the caller to the appropriate agent. Our leasing hotline provides a standardised, branded interface to the public and a framework for us to gather information about potential clients and track the success of our responses. It also provides us with valuable data that assists us in developing new services and helps us shorten the time between a unit being vacated and being re-leased. In January 2014, our leasing department received over 2,800 calls per month to our new leasing line.

Customised approach

In situations where vacancy management requires more a customised approach depending on the individual tenant or location, we have developed a two-pronged strategy.

At a macro level, our team liaises with municipalities, police, social services and non-profit organisations to help rebuild the social fabric and motivate community participation through programmes such as our RPG Housing Fund, which provides aid to tenants who struggle to meet their financial obligations. We have contributed over CZK 12 million to the RPG Housing Fund, of which CZK 5.8 million was directed to the tenants in the year ended 31 December 2013.

On a micro level, we target the modernisation of properties in certain locations to generate pride in the community. To enhance security, we have also built monitoring systems to be used by the municipal police in selected locations in Karviná-Nové město, Havířov-Šumbark and Ostrava-Kunčičky. We believe that our zero-tolerance policies and security camera systems foster a sense of security among our tenants.

In 2012, we established a new security manager position to cooperate with the municipal police and the police of the Czech Republic in crime prevention. Over 1,500 physical checks were performed in 2013, which focused on, among other things, verifying the number of persons in the property and confirming that the property is being used for the purposes intended.

Facilities management

Maintenance, property repairs and capital expenditures are conducted through a long-term contractual arrangement with RPG Služby. The compensation paid by RPG Byty to RPG Služby is the costs of the services provided plus a contractually agreed profit margin. The margin is negotiated each year and was agreed at approximately 2 per cent. for 2013 and 2014. In 2013, the total invoiced amount from RPG Služby under the contract was CZK 648,639 thousand. See "*Related Party Transactions*". As at 31 December 2013, the NAV of RPG Služby was CZK 27,347 thousand in accordance with Czech accounting legislation. In the future, we intend to acquire RPG Služby from the Selling Shareholder in order to internalise the facility management services currently provided by it. However, there can be no assurance that we will be successful in doing so. See "*Risk Factors—We may be unable to acquire RPG Služby, our affiliate that provides facility management services, from the Selling Shareholder*".

In 2013, over 37,000 requests from tenants were dispatched for minor maintenance, which represents an average of 147 requests dispatched per business day.

Collections management

Collections management includes rent accounting, collections and litigation. All rent and deposit accounts are monitored on an on-going basis and all incoming payments are tracked systematically. We also have arrangements in place with certain large corporations whereby we collect rent directly from their employees' payroll in exchange for discounted rent, which helps to ensure that rent payments are made on time. These arrangements cover approximately 11 per cent. of our leases.

We take the appropriate steps to collect rent payments when they are overdue. We accomplish this through a direct personal dialogue between a collection manager at the local level and the relevant tenant through our localised organisational structure. Our internal systems includes an automated claim procedure, which provides a rapid alert system with different phases of escalation. Collection managers utilise their customer-oriented debt counselling skills to work with tenants who are having trouble paying their rent. This specialised staff contacts tenants personally or by phone and may engage legal counsel when appropriate.

The average time for court evictions has been reduced to 17 months, and to less than 7 months for out-of-court evictions.

Management of commercial units

Management of the commercial units in our portfolio is handled by a small team in parallel with the management of our residential properties.

Investments

Capital expenditure

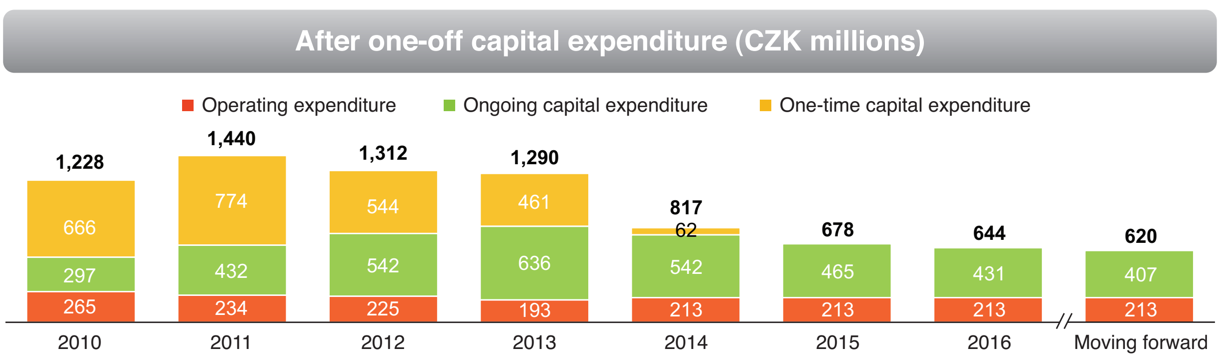
Investment programme

In 2006, we commenced an extensive one-off investment programme aimed at modernising our portfolio. Under the investment programme, which we accelerated starting in 2010, we refurbished our residential properties in an environmentally friendly and socially responsible manner by replacing the windows for all of our tenants who signed post-regulated leases, upgraded the facades, common areas and thermal insulation of our buildings and improved other features such as roofs, lifts and piping. As at 31 December 2013, we had replaced all of the windows for tenants who participate in our rent normalisation programme.

Since 2010, we have also improved the security in a number of our buildings. Our security initiative has included replacement of entrance doors, doorbells and mailboxes and an upgrade to common areas in the buildings. In 2012, we also installed bars on the entrances to cellars in certain residential buildings and water savers for all of our residential tenants in 2012. We estimate that tenants could save up to 30 per cent. of water consumption as a result of this upgrade. In 2013, in addition to completing the window replacement programme, we continued our security initiative, installed heating indicators that are designed help reduce energy consumption, repaired facades and made other general renovations.

We substantially completed our one-off investment programme during 2013. Our capital expenditure is expected to decrease significantly as our one-off investment programme nears completion. We expect that our total annual capital expenditure will decrease from CZK 1,206 million (€49.0 million) in 2011 to CZK 604 million (€24.2 million) in 2014. By the end of 2014, we expect that we will have no capital expenditure remaining that is related to our one-off investment programme, and our on-going capital expenditure will decrease to CZK 431 million (€17.2 million) in 2016 and to CZK 407 million (€16.3 million) in 2018 and subsequent years. We also expect that our maintenance expenses will remain stable at approximately CZK 213 million (€8.5 million) per year in the medium term. Accordingly, we currently estimate that our on-going capital expenditure and maintenance expenses will amount to CZK 620 million (€24.8 million) per year (€9.6 per sqm) from 2018. We believe that our budget should be sufficient to renovate approximately 8 per cent. of our residential units per year and to cover the costs of on-going upgrades to roofs, balconies, risers and facades.

The following chart presents our historical and budgeted capital expenditure for the periods indicated, including a breakdown between capital expenditure associated with our one-off investment programme and on-going capital expenditure:



The following table shows the status of renovations undertaken on our buildings in our residential portfolio from 2011 to 2013:

	Year ended 31 December		
	2011	2012	2013
	(% of total residential units)		
Fully renovated[(1)]	14	22	24
Partially renovated[(2)]	30	37	49
Good standard (non-renovated)[(3)]	44	36	22
Lower quality standard (non-renovated)[(4)]	9	3	3
Special projects[(5)]	3	2	2

Notes:

(1) Represents the number of residential units in buildings that are refurbished and in very good technical condition.

(2) Represents the number of residential units in buildings that are partially refurbished and in good technical condition.

(3) Represents the number of residential units in buildings that are not refurbished but in good technical condition.

(4) Represents the number of residential units in buildings that are not refurbished and have minor technical defects.

(5) Represents the number of residential units in buildings that have significant technical defects.

We will evaluate any future capital expenditure on the basis of return enhancement and the contribution of such capital expenditure to the increase in the value of our portfolio.

Cooperation with municipalities

We continued cooperating with municipalities within the so-called Integrated Development Plan of certain cities, which allows us to upgrade our buildings and the common spaces on our properties. In 2013, we renovated 344 units in Orlová and Karviná as part of this plan.

Information technology

In addition to investments in our portfolio, our capital expenditure programme included IT platform improvements, including the upgrade of the SAP finance system and the implementation of the new ERP FAMA operations system. In addition, our leasing, tenant relations, CRM and document management system modules were upgraded during 2011 and 2012. The majority of our IT capital expenditure has been completed by 2013, with the final remaining modules planned to be implemented during the first half of 2014.

Disposals

The targeted disposal of properties is part of our strategy to actively manage our portfolio. We dispose of assets where we believe that we can obtain a more favourable return on equity with a sale compared to existing or potential rental income. In addition, we seek to optimise our portfolio through the sale of low yielding properties that do not fit our business strategy, such as single family homes or isolated properties. We perform our sales internally and through third-party real estate brokers, to whom we usually pay a commission.

Limited Sale Project

The Company's indirect shareholders have indicated to the Company that they wish to make a contribution to the region by providing a subsidy for the purchase of apartment buildings by tenants. As part of its programme of ongoing engagement with tenants, the Company has agreed to make available for purchase a limited number of apartment buildings in Ostrava-Poruba during 2014. Buildings containing approximately 100 apartment units are to be offered for sale to their tenants. Individual apartment units will not be sold. In order to participate in the programme, tenants of at least 70 per cent. of the apartments in a building must form a co-operative which will buy the freehold of the building.

The buildings will be offered for sale at market prices, with the Selling Shareholder or its affiliates subsidising the tenant co-operatives for a portion of the purchase price. The price will be based on a fixed price per habitable square metre reflecting the market price, which exceeds the book value and the value ascribed to apartments in that location by CBRE in the Valuation Report.

While it is not the Company's principal strategic focus to market its properties for sale, it will continue to consider opportunities that may arise to make realisations above book value. There can be no assurance that offers will be received from tenant co-operatives or that any sales will be completed. There can also be no assurance that the Selling Shareholder or its affiliates will seek or be willing to engage in further subsidised programmes in future.

The proceeds of any sales from the above programme received by RPG Byty will not be sufficiently large that RPG Byty will be required to make an offer to repurchase any of the Senior Secured Notes.

Investment process and key criteria

We periodically review potential acquisition opportunities in the Czech Republic and other Central and Eastern European countries. Our primary focus is on attractive add-on acquisitions in the Czech Republic. We believe that our operating platform is highly scalable and would allow us to expand our business through acquisitions with relatively minimal additional costs. We also believe that there are potential opportunities for synergies with these types of acquisitions. If we acquire these types of targets, our focus will be on sharing of best practices, repositioning and vacancy management and achieving a disciplined return on equity. Our aim ultimately would be to achieve short-to medium-term rental growth and value appreciation.

Our secondary focus is on opportunities where we believe that we can replicate the transformation that our management has implemented at RPG Byty. The potential opportunities we have identified mainly include residential real estate portfolios in Central and Eastern Europe, which are typically part of larger industrial conglomerates. We believe that we can increase operational efficiency for these types of assets by applying our expertise in areas such as business processes, rental growth, capital expenditure management, vacancy management, financing and customer focus, with the ultimate aim of increasing the value of these portfolios.

Leases

We generally use standardised lease agreements. In general, the provisions of our residential leases reflect Czech tenancy law in effect at the time of execution of the lease agreement and are subject to relevant rent control provisions where applicable. See "*Regulation—Current Czech Tenancy Law*". The majority of our current standard market rent residential leases have a duration of one year, which can be extended by separate written agreement at the election of the parties. Our current standard post-regulated leases are typically for an indefinite period of time. We can only terminate residential lease agreements upon the occurrence of certain events specified under Czech law. See "*Regulation—Current Czech Tenancy Law*". Unless provided otherwise in a lease, the tenant may terminate a lease with a fixed term upon at least three months' prior written notice to us for serious reasons arising out of a change of circumstances under which the parties entered into the lease and the tenant cannot be reasonably expected to continue the lease. A tenant may terminate a lease with an indefinite term with at least three months' prior written notice without reason. For more information on our lease agreements with respect to post-regulated rents, see "*—Rent management*".

Our current standard commercial lease is typically for an indefinite period of time and can be terminated subject to three months' advance notice without reason. Under our current standard commercial lease, we are entitled to terminate the lease subject to one month advance notice in the case of a tenant failing to pay the rent or other fees, and both parties can agree to terminate the agreement at any time. Additionally, under our current standard commercial lease, the rent can be increased due to inflation or costs we have incurred in connection with the maintenance, repair and improvement of the premises.

During the course of an internal review of our existing lease agreements, it came to our attention that certain procedural requirements in connection with the execution and delivery of a small proportion of our residential lease agreements were not complied with at the time of commencement of those lease arrangements prior to 1992. We are not aware of any tenant commencing any legal action to contest the validity of a lease on these grounds. Furthermore, even if a tenant successfully challenged a lease contract in court, the potential financial consequences would be mitigated by the fact that we could claim compensation for use of the property without legal title (a concept referred to as an "unjust enrichment" on the part of the tenant under Czech law).

Utilities Contracts

We procure thermal heating services through contracts with several different suppliers. The contracts are typically for an indefinite term and provide that either party may terminate the agreement with two to six months' prior written notice. The prices for thermal supply energy are subject to regulation by law and by the relevant governmental regulatory office. The commercial pricing terms of the contracts are typically renegotiated on an annual basis.

We procure water supply and sewage through contracts with several suppliers. The contracts are for an indefinite term and provide that either party may terminate the agreement with one to three months' prior written notice. The prices for water supply and sewage are subject to regulation by law and by the relevant governmental regulatory office. The contracts may be unilaterally modified by the suppliers. The commercial pricing terms of the contracts are typically renegotiated on an annual basis.

We procure electricity through contracts with several suppliers. Contracts with certain suppliers are for a two year term with an automatic extension, while others are for an indefinite period and allow either party to terminate the agreement with three months' prior written notice. The prices for the distribution of electricity are subject to regulation by law and the relevant governmental regulatory office, and we do not have the option of choosing an alternative electricity distributor. The price of electricity, however, is not regulated by law, and we do have the option of choosing another electricity supplier subject to the termination provisions of our existing electricity supply contracts.

We procure services for the installation and maintenance of digital broadcasting infrastructure (including provision of electronic communication services) through a contract with an electronic communication services provider. The contract expires on 31 December 2031. The prices for services provided are fixed for the entire term of the contract and may be adjusted according inflation/deflation indexes only.

Competition

According to our estimates, the majority of residential units in the Moravian-Silesian region are owner occupied or cooperatives. We are the largest residential landlord in the region, owning an estimated 9 per cent. of the total residential units as at 31 December 2013. We compete against two broad categories of residential real estate companies: publicly owned and privately owned companies.

Publicly owned

Municipality of Ostrava

Despite the on-going privatisation of municipal dwellings over the past two decades, the municipality of Ostrava is the second largest owner of residential units in the Moravian-Silesian region with approximately 15,100 residential units in 2013 according to public land records, which represented 2.8 per cent. of all residential properties. However, this number is significantly lower than in 2007, when the municipality of Ostrava owned 23,609 units, reflecting a steady decrease in market share.

Municipality of Havířov

According to industry reports, in 2013, the municipality of Havířov owned 7,600 residential units.

Privately owned

CPI Group

The CPI Group is a large Czech real estate group focused on investment, development and property management across a broad range of asset types, including residential, retail, office, hospitality and logistics properties. According to our estimates, it is the second largest private landlord in the Czech Republic with more than 12,600 residential units. These units are primarily located in the Northern Bohemia region and the Northern Moravia region.

Intellectual Property

We are entitled to use our name and logo for commercial and advertising purposes. We also maintain licenses as needed for the operation of our business, such as for the software we use in the administration of our residential portfolio. We hold no patents or other significant intellectual property rights. The possession and ownership of intellectual property rights do not generally play a significant role in the operation of our business.

Information Technology

We use an SAP system for accounting and controlling, Business Planning and Consolidation for financial consolidation, reporting and budgeting and an Enterprise Resource Planning facilities management ("**ERP FAMA**") operations system for operations. The first FAMA modules were implemented in 2010 and were substantially completed in 2013, with the final remaining modules planned to be implemented during the first half of 2014. We also completed a major data management system project, through which tenant information will be stored electronically, and have introduced electronic data invoicing with key suppliers. We use a number of intranet applications for electronic approval of purchase orders, contracts and approval of invoices and delivery of goods. We have spent over €1.5 million on ICT hardware and software systems.

Facilities

We lease our corporate headquarters and lease our client centres in Ostrava, Ostrava Poruba and Havířov from one of our affiliates at market rates. We own our client centre in Karviná. In addition, RPG Služby leases maintenance and facility management centres in Ostrava, Havířov and Karviná from RPG RE Commercial, which it utilises exclusively to service our portfolio pursuant to the terms of our contractual arrangement. See "*Related Party Transactions*".

Employees

As at 1 January 2014, we had 442 employees (including 227 RPG Služby employees). We believe that our relations with our employees are positive.

RPG Byty is party to a collective bargaining agreement concluded with certain trade unions (*Základní organizace Odborového svazu pracovníků hornictví, geologie, naftového průmyslu RPG RE*) representing all of RPG Byty's employees (regardless of whether such employees are members of the relevant trade unions), though we negotiate wages and certain benefits within the framework of the collective bargaining agreement on an annual basis.

Wage increases for our employees are negotiated annually. Social and financial benefits include, among other things, contribution to pension/life insurance, extra holiday for all employees, alimentation contributions and housing benefits.

Insurance

We have various insurance policies, which include general property insurance, business interruption, electronic equipment insurance (which protects against natural disasters, fire, aircraft and vehicle accidents), theft and vandalism insurance, liability insurance and directors' and officers' liability insurance.

Given the nature of our business and the risks associated with our operations, we believe that we possess adequate amounts of insurance. Our directors regularly review the adequacy of our insurance coverage. However, it is possible that we will incur damages that are not covered by our insurance policies or that exceed the coverage limits of such insurance policies. Moreover, there can be no assurance that it will be possible for us to obtain adequate insurance coverage in the future. See "*Risk Factors: Risks Related to Our Industry and Business—We could sustain substantial losses not covered by, or exceeding the coverage limits of, our insurance policies*".

Corporate Social Responsibility and Public Relations

As a leading business in the Moravian-Silesian region, we are committed to contributing to the regional economy and the welfare of the local residents. We operate a corporate social responsibility programme, which includes assistance to local government agencies and non-governmental organisations, to support their efforts to improve neighbourhoods and assist economically disadvantaged members of the communities in which we operate. We support and closely cooperate with more than 30 non-profit organisations focused on education, support for young people leaving orphanages and support for senior citizens and disabled persons. In addition, we created a fund to assist tenants who struggle to maintain their livelihood, including single mothers, young families and senior citizens, the RPG Housing Fund, and have contributed more than CZK 12 million over the course of the last three years. Of this amount, we paid CZK 5.8 million during the year ended 31 December 2013. Our community oriented efforts also involve all levels of our staff with programmes such as our community teamwork day.

Our in-house public relations team is primarily responsible for managing public and press relations. We believe we have a generally positive image among our tenant base as a result of the significant investment that we have made in our residential portfolio since 2006, which has improved the living standards of tenants, and the socially conscious manner in which the rental increase programme was implemented. We have been commended on several occasions by the Czech Association of Tenants (*Sdružení pro Ochranu Nájemníků České republiky*) for our socially responsible handling of the rental increase programme. Our corporate social responsibility programme has also gained visibility through our advertising, marketing and publicity efforts. At the same time, we have suffered negative publicity and press reporting as a consequence of the condition of some properties that have yet to be refurbished and of occasional lapses in the management of complaints from tenants and other stakeholders. We also continue to encounter publicity associated with criticism of the privatisation of Former OKD and with claims by a small association of tenants named *Sdružení nájemníků BYTYOKD.CZ* (the "**Association**"). See "*—Legal and Regulatory Proceedings*".

Legal and Regulatory Proceedings

Save as discussed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or which have had in the previous twelve months, a significant effect on the financial position or profitability of the Company or the Group, including its subsidiaries. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and the Company can offer no assurances in this regard. Below is a description of legal proceedings that the Company considers material.

The second stage of the privatisation of Former OKD in 2004 has been the subject of a number of investigations and legal challenges, including charges against a professional valuer who advised the Czech government and two former senior staff of the National Property Fund. Many of these have been instigated by the Association and appear to have at their root a publicly stated desire on the part of certain tenants to produce a result whereby they have the opportunity to acquire the properties that they lease at a below-market price. Through various claims, the Association has alleged that in conducting the sale of its minority share in Former OKD, the Czech government undervalued the residential properties of Former OKD. We believe that neither we nor any of our affiliates is currently the subject of any such investigation, nor are we party to any litigation related to the privatisation save as described below. However, the investigations and challenges have in the past generated and may continue to be accompanied by adverse publicity and have other effects on us and our properties. In 2010, we were subject to a temporary injunction restricting the disposal of certain properties. The injunction was lifted after a few weeks and the relevant legal action was dismissed.

In January 2008, the Association lodged a State Aid complaint with the European Commission (the "**Commission**"), alleging that the Czech State undervalued Former OKD's shares in the privatisation process and that the sale process lacked transparency. On 13 July 2011, the Commission issued a decision pursuant to the State Aid rules of the Treaty on the Functioning of the European Union ("**TFEU**") by which it concluded that the sale by the Czech State of Former OKD's shares fulfilled the test relating to the behaviour of a private vendor in a market economy and, therefore, in the absence of an advantage to the buyer, did not provide State Aid within the meaning of Article 107(1) TFEU. In October 2011, the Association filed an action to appeal the Commission's decision in the General Court of the European Union. In May 2013, the Association's appeal against the Commission's decision was rejected by the General Court of the European Union and no further appeal was brought within the limitation period. We understand that further queries have been raised with the Commission both by the Association and, more recently, by a Czech Member of the European Parliament, but to our knowledge no further procedure is being considered by the Commission. We cannot rule out the possibility of further action by, among others, the Association in the event of developments in the cases against the valuer or the National Property Fund staff. However, even if those developments were to prompt the European Commission to re-evaluate the privatisation and determine that it involved State Aid, the financial consequences of being required to repay any State Aid should be for the account of RPGI as legal successor to Karbon Invest (and not for the account of the Group).

In three separate court proceedings with an individual tenant in which we have sought to enforce the rent increase to market level, the tenant has argued in his defence that due to alleged defects in the privatisation process in 1990-91, RPG Byty is not the legal owner of the building in which such tenant's apartment unit is located. We believe that our title to our buildings is supported by definitive substantive arguments as well as by prescription under the law which prevents a valid challenge after more than 20 years' ownership. Other claims relating to alleged defects in the privatisation process have been raised in the past, but such claims have never been successful. Nevertheless, we cannot exclude the possibility that negative publicity regarding these cases could prompt other tenants to attempt to use similar arguments when disputing rent increases or payments of rent.

SELECTED FINANCIAL INFORMATION AND OPERATING DATA

The tables below set out selected financial information of RPG Byty as at and for the years ended 31 December 2011, 2012 and 2013, in each case prepared in accordance with IFRS as adopted by the EU and derived from RPG Byty's audited financial statements as at and for the years ended 31 December 2011, 2012 and 2013. The selected financial information of RPG Byty as at and for the years ended 31 December 2011, 2012 and 2013 has been derived from the 2011, 2012 and 2013 financial statements appearing elsewhere in this offering document and which have been audited by KPMG Ceska republika Audit, s.r.o., RPG Byty's independent auditors.

Selected Income Statement Data of RPG Byty

	Year ended 31 December			
	2011	2012	2013	2013[(1)]
	(CZK in thousands)			(euro in thousands)
Continuing Operations				
Revenues	2,798,738	2,924,352	2,954,303	113,758
Revenues from leasing of investment property	1,760,848	1,905,135	2,019,849	77,776
Revenues from services rendered[(2)]	1,036,567	1,017,996	932,883	35,922
Other revenues	1,323	1,221	1,571	60
Consumption of material and energy	(924,650)	(932,647)	(900,399)	(34,671)
Service expenses	(533,613)	(512,854)	(467,235)	(17,991)
Repairs and maintenance of investment property[(3)]	(234,198)	(225,394)	(193,254)	(7,441)
Consultancy	(116,357)	(96,490)	(79,385)	(3,057)
Other[(4)]	(183,058)	(190,970)	(194,596)	(7,493)
Personnel expenses	(118,530)	(119,644)	(161,039)	(6,201)
Property taxes and government fees	(20,465)	(24,340)	(24,054)	(926)
Depreciation and amortisation	(10,373)	(10,632)	(7,813)	(301)
Fair value adjustment on investment properties[(5)]	433,305	98,930	98,246	3,783
Bad debt expense	(50,058)	(55,811)	(54,519)	(2,099)
Gain/(loss) from sale of investment property	2,937	(581)	21,391	824
Other operating income	38,997	26,960	44,989	1,732
Other operating expenses	22,714	(26,506)	(34,726)	(1,337)
Result from operating activities	1,639,002	1,367,227	1,469,144	56,571
Financial income	33,474	17,998	5,867	226
Financial expense	(46,731)	(66,716)	(1,363,817)	(52,515)
Profit before income tax	1,625,745	1,318,509	111,194	4,282
Income tax expense	(314,229)	(258,119)	(25,898)	(997)
Net profit	1,311,516	1,060,390	85,296	3,285

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the CNB for the year ended 31 December 2013. See "*Exchange Rates*".

(2) Revenues from services rendered consist of utility costs in respect of properties and revenue from property management services rendered to affiliates. We pay utility costs to the various utility companies and re-charge them to tenants at cost.

(3) Consists of amounts paid to RPG Služby for facility management services comprised of maintenance, cleaning and small repairs.

(4) Other services expenses include water utility costs, which we pay and re-charge to our tenants at cost, and other expenses.

(5) Fair value adjustment on investment properties represents the difference between the fair value of our portfolio at the end of the period and the estimated fair value at the beginning of the period, compared on a constant portfolio basis, which are estimated using our internal valuation model. See note 11 to the audited financial statements as at and for the year ending 31 December 2011 and note 10 to the audited financial statements as at and for the years ending 31 December 2012 and 2013 appearing elsewhere in this Prospectus. The internal valuation of our portfolio differs slightly from the valuation set out in the Valuation Report.

Selected Statement of Financial Position Data of RPG Byty

	As at 31 December			
	2011	2012	2013	2013(1)
	(CZK in thousands)			(euro in thousands)
Assets				
Investment property(2)	22,612,544	23,349,718	24,510,111	893,551
Residential portfolio	21,842,179	22,981,458	24,142,111	880,135
Land	770,365	368,261	368,000	13,416
Restricted cash(3)	119,875	217,155	65,491	2,388
Fair value of derivatives—non-current assets	—	—	177,482	6,470
Other non-current assets	22,840	24,768	26,494	966
Total non-current assets	22,755,259	23,591,641	24,779,578	903,375
Accounts receivable and prepayments	615,401	698,006	636,693	23,212
Fair value of derivatives—current assets	—	—	22,918	836
Loans to related parties	576,796	49,890	9,082	331
Cash and cash equivalents	32,425	197,654	959,947	34,996
Total current assets	1,224,622	945,550	1,628,640	59,374
Total assets	23,979,881	24,537,191	26,408,218	962,749
Liabilities				
Long-term interest-bearing loans	626,768	4,757,738	365,212	13,314
Issued bonds	—	—	10,751,108	391,947
Deferred tax liability(4)	3,727,587	3,941,807	3,997,306	145,728
Other long-term liabilities(5)	224,142	224,900	274,216	9,997
Total non-current liabilities	4,578,497	8,924,445	15,387,842	560,986
Accounts payable and accruals	938,764	925,373	995,299	36,285
Current portion of long-term loans	76,467	197,038	66,211	2,414
Short-term loans and borrowings	177,756	168,032	80,983	2,952
Fair value of derivatives—liabilities	12,573	27,776	16,384	597
Other current liabilities	1,641	1,359	1,439	53
Total current liabilities	1,207,201	1,319,578	1,160,316	42,301
Total equity	18,194,183	14,293,168	9,860,060	359,463
Total equity and liabilities	23,979,881	24,537,191	26,408,218	962,749

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 27.43 per euro, the rate of the CNB as at 31 December 2013. See "*Exchange Rates*".

(2) Represents the fair value of investment properties at the end of the period.

(3) Restricted cash consists of certain security deposits received from tenants and cash deposits relating to tax deductible provisions in respect of future investments in the portfolio in the form of property repairs.

(4) Deferred tax liability relates mainly to revaluation of investment properties upon the adoption of IFRS as an accounting standard in lieu of Czech GAAP with effect from 1 January 2011, and represents unrealised tax liability in connection with unrealised fair valuation gain calculated as the difference between the statutory tax base and the estimated fair value of investment properties.

(5) Other long-term liabilities consist of deferred payments to key suppliers (by way of performance bond), long-term obligations under finance leases relating to the car fleet and IT equipment and security deposits received from tenants.

Selected Cash Flow Statement Data of RPG Byty

	Year ended 31 December			
	2011	2012	2013	2013[(1)]
	(CZK in thousands)			(euro in thousands)
Net cash flows from operating activities	1,185,292	1,036,526	1,612,934	62,108
Net cash flows used in investing activities	(1,453,317)	(518,162)	(1,015,363)	(39,098)
Net cash flows from/(used in) financing activities	290,985	(353,135)	164,722	6,343
Cash and cash equivalents at the end of year	32,425	197,654	959,947	39,964

Note:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the CNB for the year ended 31 December 2013.

Other Financial Data of RPG Byty

	As at and for the year ended 31 December			
	2011	2012	2013	2013[(1)]
	(CZK in thousands, except %)			(euro in millions)
NOI[(2)]	1,436,367	1,551,001	1,642,000	63,227
EBITDA[(3)]	1,649,375	1,377,859	1,476,957	56,872
Adjusted EBITDA[(3)]	1,139,352	1,279,510	1,426,525	54,930
Adjusted EBITDA margin[(4)]	64.7%	67.2%	70.6%	
Capital expenditure[(5)]	1,205,934	1,086,343	1,096,783	42,233
Investment programme capital expenditure[(6)]	773,766	544,531	460,670	17,739
On-going capital expenditure[(7)]	432,168	541,812	636,113	24,495
Capital expenditure per sqm[(8)]	455	413	421	16.2
FFO[(9)]	1,134,632	1,270,362	1,027,553	39,567
LTV (total net debt)[(10)]	1.3%	21%	41.8%	
EPRA NAV[(11)]	21,934,343	18,262,751	13,673,350	498,482

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the CNB for the year ended 31 December 2013, except for EPRA NAV, which has been translated at an exchange rate of CZK 27.43 per euro, the rate of the CNB as at 31 December 2013.

(2) We define net operating income, or NOI, as total revenues less consumption of material and energy, service expenses (excluding consultancy charges) and property taxes and government fees.

(3) We define EBITDA as earnings before net financial expense, tax, depreciation and amortisation. We define Adjusted EBITDA as EBITDA, adjusted to exclude fair value adjustment on investment properties, gain/(loss) from sale of investment property and certain one-off items. Neither EBITDA nor Adjusted EBITDA is a measurement of performance under IFRS, and you should not consider these measures as an alternative to results from operating activities or net profit, or cash flows from operating, investing and financing activities, in each case determined in accordance with IFRS. See "*Presentation of Financial*

and Other Information—Other Financial Measures". The following table provides a reconciliation of EBITDA to net profit, and EBITDA to Adjusted EBITDA:

	Year ended 31 December			
	2011	2012	2013	2013
	(CZK in thousands)			(euro in thousands)
Net profit	1,311,516	1,060,390	85,296	3,284
Income tax expense	314,229	258,119	25,898	997
Net financial expense	13,257	48,718	1,357,950	52,289
Depreciation and amortisation	10,373	10,632	7,813	301
EBITDA	1,649,375	1,377,859	1,476,957	56,872
Fair value adjustment on investment properties	(433,305)	(98,930)	(98,246)	(3,783)
Gain/(loss) from sale of investment property	(2,937)	581	(21,391)	(824)
One-off provision relating to a success fee for consulting services	(73,781)	—	—	—
One-off fair value adjustment of liquidated assets (demolition)	—	—	4,840	186
One-off refinancing of syndicated bank loan by Senior Secured Notes	—	—	6,099	235
One-off demolition costs	—	—	11,291	435
One-off extraordinary bonus	—	—	46,975	1,809
Adjusted EBITDA	1,139,352	1,279,510	1,426,525	54,930

(4) We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenues from leasing of investment property.

(5) Capital expenditure excludes amounts received in respect of government grants. Government grants used for capital expenditure were CZK 40,367 thousand and CZK 34,272 thousand for the years ended 31 December 2011 and 2012, respectively. No government grants were awarded in the year ended 31 December 2013.

(6) Represents the one-off capital expenditure pursuant to our one-off investment programme to refurbish our residential portfolio, which we started in 2006 and substantially completed in 2013.

(7) Represents on-going refurbishments of our units, including the refurbishment of approximately 8 per cent. of our residential units per year and the costs of on-going upgrades to roofs, balconies, risers and facades. The on-going capital expenditure does not include the property maintenance and repair costs that are recorded in service expenses under the statement of comprehensive income.

(8) Represents total capital expenditure over the total area of our residential properties in sqm.

(9) We define funds from operations, or FFO, as the sum of Adjusted EBITDA, plus revenue from property sales and interest received less interest paid and taxes paid. See "*Presentation of Financial and Other Information—Other Financial Measures*". The following table shows FFO calculated for the years ended 31 December 2011, 2012 and 2013:

	Year ended 31 December			
	2011	2012	2013	2013
	(CZK in thousands)			(euro in thousands)
Adjusted EBITDA	1,139,352	1,279,510	1,426,525	54,930
Property sales	9,391	3,604	43,188	1,663
Interest received/paid	(13,868)	(12,752)	(442,160)	(17,026)
Taxes paid	(243)	—	—	—
FFO	1,134,632	1,270,362	1,027,553	39,567

(10) We define loan-to-value-ratio (total net debt), or LTV (total net debt), as total debt, minus cash and cash equivalents (excluding restricted cash) and loan receivables, divided by the fair value of our investment properties, which we estimate using our internal valuation model. See "*Operating and Financial Review—Investment Property*" and "*Presentation of Financial and Other Information—Other Financial Measures*".

(11) European Public Real Estate net asset value, or EPRA NAV, represents total assets less total liabilities. Fair value of derivatives and deferred taxes are excluded. The following table shows EPRA NAV calculated as at 31 December 2011, 2012 and 2013:

	Year ended 31 December			
	2011	2012	2013	2013
	(CZK in thousands)			(euro in thousands)
Total assets	23,979,881	24,537,191	26,408,218	962,749
Fair value of derivatives—assets	—	—	200,400	7,306
Total liabilities	5,785,698	10,244,023	16,548,158	603,287
Deferred tax liability	3,727,587	3,941,807	3,997,306	145,728
Fair value of derivatives—liabilities	12,573	27,776	16,384	597
EPRA NAV	21,934,343	18,262,751	13,673,350	498,482

Operating Data of RPG Byty

	Year ended 31 December			
	2011 (unaudited)	2012 (unaudited)	2013 (unaudited)	2013 (unaudited)[(1)]
Number of units	45,564	45,464	45,223	
Residential units	43,745	43,625	43,314	
Post-regulated rate residential units[(2)]	33,416	29,498	25,901	
Market rate residential units[(3)]	10,329	14,127	17,413	
Commercial units	1,819	1,839	1,909	
Average residential net cold rent per sqm/month[(4)]	CZK 56.6	CZK 63.2	CZK 69.4	€2.53
Average residential net cold rental post-regulated rate per sqm/month	CZK 55.1	CZK 59.6	CZK 65.1	€2.50
Average residential net cold rental market rate per sqm/month	CZK 79.6	CZK 81.7	CZK 80.9	€3.11
Vacancy[(5)]	9.0%	10.9%	10.8%	
Turnover[(6)]	7.9%	11.6%	12.7%	
Bad debt percentage rate[(7)]	1.8%	1.9%	1.8%	

Notes:

(1) Amounts shown in euro have been translated on a constant currency basis at an exchange rate of CZK 25.97 per euro, the average rate of the CNB for the year ended 31 December 2013. See "*Exchange Rates*".

(2) Represents units subject to post-regulated rents.

(3) Represents units subject to market rents charged plus vacant units.

(4) Average residential net cold rent per sqm/month is determined by dividing the aggregate net cold rent charged to all tenants of our residential properties during the period by the aggregate leasable sqm of our residential portfolio, divided by 12.

(5) Vacancy is defined as the number of residential units that were vacant at the end of the period divided by the total number of residential units at the end of the period.

(6) Turnover represents the number of residential units that were vacated and re-leased during the period.

(7) Bad debt percentage rate represents bad debt expense divided by the sum of revenues from leasing of investment property and revenues from services rendered.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of RPG Byty's financial condition and results of operations is based on its audited financial statements as at and for the years ended 31 December 2011, 2012 and 2013 and should be read in conjunction with "Presentation of Financial and Other Information" and "Selected Financial Information and Operating Data" included elsewhere in this Prospectus. The following discussion should also be read in conjunction with, and is qualified in its entirety by reference to, the audited financial statements included elsewhere in this Prospectus.

The following discussion includes forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including, but not limited to, those described under "Forward-Looking Statements" and "Risk Factors".

Overview

We are the largest privately owned residential real estate company in the Czech Republic measured by the number of units owned and managed. Our portfolio is concentrated in the Moravian-Silesian region, in and around Ostrava, the second largest urban area in the Czech Republic and the third largest city. We believe we provide high quality, reasonably priced rental housing that is accessible to the majority of the population in the region. As at 31 December 2013, our portfolio comprised 5,039 buildings, consisting of 43,314 residential units with a total floor area of 2.6 million sqm and 1,909 commercial units with a total floor area of 124,517 sqm, and 97.6 hectares of undeveloped land. According to the Valuation Report prepared by CBRE, which is included in this Prospectus, the fair value of our residential portfolio was CZK 24,260 million (€884 million), which equates to CZK 9,323 per sqm (€340 per sqm), compared to an average replacement cost per sqm of CZK 28,750 (€1,048), as estimated by management.

Following the liberalisation of residential rent regulations in the Moravian-Silesian region with effect from 31 December 2010, we implemented a rent normalisation programme, which provides for gradual and affordable increases in rents under long-term lease agreements that are designed to achieve management's target of having all tenants pay market rents by 2020. Substantially all of our tenants whose properties were subject to deregulation (more than 90 per cent. of our tenants as at 31 December 2010) signed up to our rent normalisation programme. We refer to rents charged to tenants in connection with this programme as "post-regulated rents". As rents were deregulated, we experienced an expected increase in our vacancy rates. Vacancy rates stabilised in the summer of 2012 and were 10.90 per cent. as at 31 December 2012. In 2013, vacancy rates decreased, falling to 10.76 per cent. as at 31 December 2013. We believe that vacancies have a positive effect on our business in the short term, as they allow us to re-lease vacant units at market rates. We also believe that vacancy rates will continue to decrease in line with current trading as a result of the improving market in certain areas in which we operate and the efforts of our dedicated central leasing team.

We have invested more than CZK 7 billion (€280 million) in our residential portfolio since 2006 (including both capital expenditure and value-enhancing maintenance expenditure). These investments have included capital expenditure pursuant to our one-off investment programme, on-going capital expenditure and operating expenses. Our one-off investment programme was designed to support our rent normalisation programme and make our residential units more attractive to tenants. One of the key components of the one-off investment programme was the replacement of windows in over 40,000 units, which was completed in the fourth quarter of 2013. The one-off investment programme also has included the replacement of a significant number of lifts and the refurbishment of common areas in the majority of our apartment buildings. Our on-going capital expenditure has included continuous facade, roof, balcony, lift and riser upgrades as well as the refurbishment of units. Our capital expenditure is expected to decrease significantly as our one-off investment programme nears completion. We expect that our total annual capital expenditure will decrease from CZK 1,206 million (€49.0 million) in 2011 to CZK 604 million (€24.2 million) in 2014. By the end of 2014, we expect that we will have no capital expenditure remaining that is related to our one-off investment programme, and our on-going capital expenditure will decrease to CZK 431 million (€17.2 million) in 2016 and to CZK 407 million (€16.3 million) in 2018 and subsequent years. We also expect that our maintenance expenses will remain stable, at approximately CZK 213 million (€8.5 million) per year in the medium term. Accordingly, we currently estimate that our on-going capital expenditure and maintenance expenses will amount to CZK 620 million (€24.8 million) per year (€9.6 per sqm) from 2018. As a result, we believe that we will be able to continue to grow our revenues through contracted increases in post-regulated rents as well as the re-leasing of vacant units at market rates, while incurring relatively limited capital expenditure.

For the year ended 31 December 2013, our revenues and Adjusted EBITDA amounted to CZK 2,954,303 thousand and CZK 1,426,525 thousand, respectively, compared to revenues and Adjusted EBITDA of CZK 2,924,352 thousand and CZK 1,279,510 thousand for the year ended 31 December 2012, respectively. FFO for the year ended 31 December 2013 was CZK 1,027,553 thousand, compared to CZK 1,270,362 thousand for the year ended 31 December 2012.

Factors Affecting Our Results of Operations

Set forth below are certain key factors that have historically affected our results of operations and that may affect our results of operations in the future.

Rents

We derive substantially all of our revenue from leasing our properties, including revenue from services rendered to tenants, which are recharged to them at cost. Accordingly, our results of operations are substantially affected by the level of rent we charge to our tenants. Following the liberalisation of residential rent regulations in the Moravian-Silesian region with effect from 31 December 2010, our revenue growth has largely been driven by our contractually agreed rent increases as well as by turnover of post-regulated tenants, which permits us to lease vacated units to tenants at market rates.

The leases of post-regulated tenants provide for contractually agreed annual step-ups in rent, and an adjustment for inflation, until the gap to market rents is closed. Post-regulated tenants represented approximately 67 per cent. of our tenants as at 31 December 2013.

The contractual increases in our post-regulated rents are set forth below:

- 2011: increase of CZK 7.5 per sqm/month plus inflation, if it exceeds 2 per cent.;
- 2012 and 2013: increase of CZK 5.0 per sqm/month plus inflation if it exceeds 2 per cent.;
- 2014: increase by the rate of inflation in 2013; and
- 2015 and thereafter: discretionary increases of a maximum of 7 per cent. per year, plus an increase by the inflation rate and an increase by the increase in property taxes until the market rate is reached. Once the market rate is achieved, rent can only be increased by the rate of inflation plus any increase in property taxes.

Under our post-regulated leases, the inflation adjustment for any given year is determined by reference to the Consumer Price Index published by the Czech Statistics Office for the prior year. For 2010, 2011, 2012 and 2013, inflation was 1.5 per cent., 1.9 per cent., 3.3 per cent. and 1.4 per cent., respectively. Accordingly, there was no adjustment for inflation in 2011 or 2012. As a result of the contractual increases in post-regulated rents, the gap between the average residential post-regulated rate and the market rate decreased from 31 per cent. for the year ended 31 December 2011, to 27 per cent. for the year ended 31 December 2012 and to 24 per cent. for the year ended 31 December 2013.

The level of rent we charge is also affected by turnover of post-regulated tenants because we are able to rent vacated units at market rates, which are higher than post-regulated rates. The percentage of our occupied residential units that are leased at market rates has increased from 8.6 per cent. as at 31 December 2010, to 15.7 per cent. as at 31 December 2011, to 24 per cent. as at 31 December 2012 and to 33 per cent. as at 31 December 2013. This has contributed to our revenue from units that are leased at market rates growing at a compound annual growth rate of 65.0 per cent. during the period from 31 December 2010 to 31 December 2013. By contrast, our revenue from units that are leased at post-regulated rates declined by 1.3 per cent. on a compound annual basis over the same period.

As a result of the factors described above, our average residential net cold rent per sqm/month increased from CZK 56.6 for the year ended 31 December 2011, to CZK 63.2 for the year ended 31 December 2012 and to CZK 69.4 for the year ended 31 December 2013.

Demographic and economic conditions in the Moravian-Silesian region

Our portfolio is concentrated in the Moravian-Silesian region, in and around Ostrava. Consequently, our business is affected by demographic and economic conditions and trends prevailing in the region, which affect tenants' ability to pay our rents as well as vacancy levels and the demand for rental properties generally.

Demographic trends

Demographic factors significantly affect demand for rental properties and, therefore, the amount of residential units that we are able to lease and the level of rents we can charge. These factors include, among others, population, average household size and average age of the population.

The population of the Moravian-Silesian region decreased during the past ten years and it is estimated that it will continue to decrease slightly in the near future. Despite the expected decrease in the population, the number of households is expected to increase in the future, in part because an increasing proportion of the population is living on their own. According to the Czech Statistical Office, the number of households in the Moravian-Silesian region is expected to grow by 5.3 per cent. over the period from 2010 to 2020. We believe that the expected increase in the number of households will contribute to demand for our residential units.

Economic trends

Economic trends in the Moravian-Silesian region, including economic growth or decline, unemployment rates, trends in wages, interest rate levels and inflation rates affect demand for our rental properties, rental revenues and the level of our costs and expenses.

In particular, lower unemployment rates or increases in wages or salaries may have a positive effect on the average disposable income of our tenants, thereby potentially increasing demand for our rental units. The unemployment rate in Ostrava decreased from 14.7 per cent. in 2003 to 9.5 per cent. in 2012, reaching a low point of 8 per cent. in the first half of 2008. Wage growth in the region has outpaced growth in the Czech Republic as a whole. According to the Czech Statistical Office, average monthly wages in the Moravian-Silesian region grew by 5.5 per cent. during the period from 2000 to 2011, reaching €899 per month in 2011.

In addition, interest rates affect demand for rental properties. A low interest rate environment tends to make it more feasible for more people to own their homes rather than rent them, since it is generally easier for them to obtain mortgages. However, due to more stringent mortgage conditions in the aftermath of the global economic crisis, rental housing has become an attractive alternative for many people compared to ownership. In the mid-market housing segment in the region, tenants are typically not eligible for mortgages. Even for eligible buyers, there is a very limited new supply of properties in the Czech Republic, particularly in city centres and premium locations, which are already densely populated, further favouring rental housing.

Improvements to our properties

Our results of operations are affected by the level of expenditure we incur with respect to our residential real estate portfolio. In general, repair and maintenance expenses are recorded in our statement of comprehensive income as service expenses, while improvements to our properties are capitalised in investment property. Investment property is stated at fair value, which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise. See *"—Fair value adjustments of investment property"*. Accordingly, our capital expenditure directly affects our results of operations only insofar as our investment property fluctuates in value. Improvements to our properties through capital expenditure also affect our results of operations since improvements to our properties generally allow us to increase the rent that we charge tenants.

We have invested more than CZK 7 billion (€280 million) in our residential portfolio since 2006 (including both capital expenditure and value-enhancing maintenance expenditure). These investments have included capital expenditure pursuant to our one-off investment programme, on-going capital expenditure and operating expenses. Our one-off investment programme was designed to support our rent normalisation programme and make our residential units more attractive to tenants. One of the key components of the one-off investment programme was the replacement of windows in over 40,000 units, which was completed in the fourth quarter of 2013. The one-off investment programme also has included the replacement of a significant number of lifts and the refurbishment of common areas in the majority of our apartment buildings. Our on-going capital expenditure has included continuous facade, roof, balcony, lift and riser upgrades as well as the refurbishment of units. Our capital expenditure is expected to decrease significantly as our one-off investment programme nears completion. We expect that our total capital expenditure will decrease from CZK 1,206 million (€49.0 million) in 2011 to CZK 604 million (€24.2 million) in 2014. By the end of 2014, we expect that we will have no capital expenditure remaining that is related to our one-off investment programme, and our on-going capital expenditure will decrease in 2016 to CZK 431 million (€17.2 million) to CZK 407 million (€16.3 million) in 2018 and subsequent years. For a description of our historical and future capital expenditure, see *"—Liquidity and Capital Resources—Capital expenditure*".

Our service expenses consist of maintenance, cleaning and small repairs, which are provided by RPG Služby. Our repairs and maintenance of investment property expense was CZK 234,198 thousand, CZK 225,394 thousand and CZK 193,254 thousand for the years ended 31 December 31, 2011, 2012 and 2013. Over the medium term, we expect these expenses to remain relatively stable at approximately CZK 213 million per year. The reduction of maintenance costs is a result of (i) significant one-off capital expenditure invested in the portfolio and (ii) an improvement in productivity and material procurement prices provided by RPG Služby. Additionally, due to the mild winder in 2013, there were no extraordinary weather-related events that lead to increased maintenance costs.

Vacancies and turnover

Our results of operations are directly affected by vacancies and turnover. As it is not always possible to re-lease units within a short period after a unit is vacated, high turnover may lead to increased vacancy rates, which could negatively affect our results of operations. In addition, high turnover often leads to increased expenses incurred for re-leasing units, such as advertising expenses. Following the deregulation of rents, we experienced a one-off increase in our vacancy rates, from 4.71 per cent. as at 31 December 2010 to 10.90 per cent. as at 31 December 2012. We believe this was caused by a reduction in the number of tenants leasing multiple units for investment purposes and an increase in the number of more affluent tenants who chose to buy a home. Our focus is currently on maintaining and gradually reducing vacancy rates to a rate which will allow us to continue to realise incremental revenue growth from the re-leasing of vacant properties at market rates. Our vacancy for the years ended 31 December 2011, 2012 and 2013 was 9.00 per cent., 10.90 per cent. and 10.76 per cent., respectively. Annual turnover amounted to 7.9 per cent. in 2011, 11.6 per cent. in 2012 and 12.7 per cent. in 2013.

Fair value adjustments of investment properties

The investment properties that we own are re-valued internally on a annual basis in accordance with IFRS 13 and are recorded at their respective fair values on the relevant reporting dates, with gains from fair value adjustments being recorded directly in the statement of comprehensive income. Improvements to our properties are capitalised in investment property.

Two significant factors influence the valuation of investment properties: first, the cash flows arising from operational performance; and second, the discount rates and capitalisation rates that are based on market interest rates and risk premiums applicable to our business. Cash flows arising from operational performance are primarily determined by rental income per sqm and vacancy rate trends, total portfolio size, maintenance and administrative expenses and operating expenses. Capitalisation and discount rates are influenced by prevailing interest rates and risk premiums. When discount rates and capitalisation rates increase, the fair value decreases, and vice versa. Even small changes in one or more of these factors can have a significant effect on the fair value of our investment properties and therefore on our results of operations.

Gains from fair value adjustments of investment properties amounted to CZK 433,305 thousand, CZK 98,930 thousand and CZK 98,246 thousand for the years ended 31 December 2011, 2012 and 2013, respectively. These adjustments were primarily due to the improved operational performance of the Company as a result of the rent normalisation programme and are calculated after the investment properties are adjusted by the addition of annual capital expenditure.

Explanation of Key Statement of Comprehensive Income Items

Revenues

Revenues are principally comprised of revenues from the leasing of our residential investment properties and revenues from services rendered in connection with the leasing of such properties.

Revenues from services rendered include revenue from property management services rendered to affiliates and revenues from services related to the use of the residential and commercial space by tenants, such as heating, water and sewage charges and electricity in respect of common areas. We pay utility costs to the various utility companies and re-charge them to tenants at cost for occupied units. See "*—Quantitative and Qualitative Disclosures about Market Risks—Credit risk*".

Consumption of material and energy

Consumption of material and energy includes the cost of utilities for our residential portfolio, including heating, hot water, sewage charges and electricity. We pay utility costs and re-charge them to tenants at cost. The largest of the utility costs is heating, representing 87.7 per cent., 87 per cent. and 86.6 per cent. of such costs for the years ended 31 December 2011, 2012 and 2013, respectively. We pay cold water utility costs and re-charge them to tenants at cost. See *"—Quantitative and Qualitative Disclosures about Market Risks—Credit risk*".

Service expenses

Service expenses include repairs and maintenance of investment property, cold water utility costs, consultancy fees and other expenses.

The largest component of our service expenses is repairs and maintenance expenses, which consist of facility management services in the form of maintenance, cleaning and small repairs provided by RPG Služby.

Consultancy fees consist of management fees that were paid to RPG RE Management, the entity that formerly employed certain members of our management team prior to the personnel reorganisation described under "*Business—History—Personnel Reorganisation*".

Other expenses are comprised of costs and expenses relating to advisory, marketing, legal, tax, audit and similar services.

Personnel expenses

Personnel expenses include personnel costs relating to our employees. These expenses include gross salaries, health and social insurance and other employee benefits.

Property taxes and government fees

Property taxes and government fees include court related fees relating to evictions, transport taxes and real estate taxes related to our investment properties.

Depreciation and amortisation

Depreciation and amortisation relates to office and IT equipment used in the conduct of our business.

Fair value adjustment on investment properties

Fair value adjustment on investment properties represents year-on-year changes in the estimated fair value of our portfolio as measured at the end of each period, which we estimate using our internal valuation model. See "*—Investment Properties*". Capital expenditure is added to investment properties and the fair value adjustment is calculated after the inclusion of this addition to investment properties.

Bad debt expense

Bad debt expense is comprised of unpaid rents and associated utility costs. It represents bad debt provision expense divided by the sum of revenues from leasing of investment property and revenues from services rendered.

Gain/(loss) from sale of investment property

Gain/(loss) from sale of investment property consists of gains/(losses) in respect of non-core investment properties that are sold or demolished.

Other operating income

Other operating income comprises contractual penalties and penalty interest income, income from easements, insurance proceeds from insurance claims and other operating revenues, such as new tenant administrative fees.

Other operating expenses

Other operating expenses comprise contractual penalties and penalty interest expense, payments to employees for injuries, lost wages and illness, donations, unrecovered valued added tax ("**VAT**") costs, property write-offs, changes in operating provisions, insurance premiums and other operating expenses.

Financial income

Financial income principally comprises bank interest income, interest received in connection with cash pooling arrangements with certain of our affiliates and short-term loans made to related parties.

Financial expense

Financial expense is comprised of bank interest expense and fees in respect of the Senior Secured Notes, the Refurbishment Loans and the Revolving Credit Facility, cash pooling arrangements and loans to affiliates, bank fees and other interest expenses.

Income tax expense

Income tax expense consists of deferred tax expense. The major component of the deferred tax expense is the difference between the statutory tax base, which is calculated based on Czech GAAP historical costs, and the estimated fair value of our portfolio included in the financial statements. This deferred tax expense component represents the unrealised tax liability in respect of unrealised fair valuation gain and is calculated by multiplying the difference between our statutory tax base and the estimated fair value of our portfolio by the corporate tax rate. We would be required to pay this component of the deferred income tax expense only upon the sale of our properties.

Recent Developments

Current trading

Based on preliminary results of operations for the two months ended 28 February 2014, revenues from leasing of investment property were CZK 338,970 thousand, an increase of CZK 4,987 thousand, or 1.5 per cent., compared to revenues from leasing of investment property of CZK 333,983 thousand for the two months ended 28 February 2013. This increase was primarily driven by the average CZK 0.8 sqm/month inflation adjustment increase implemented on 1 March 2013 with respect to our post-regulated rates as a result of our rent normalisation programme and the addition of 3,347 new leases at market rates between 1 March 2013 and 28 February 2014. Our vacancy rate also continued to decline in the two months ended 28 February 2014. As at 28 February 2014, our vacancy rate was 10.64 per cent. compared to 10.76 per cent. as at 31 December 2013. We also implemented an inflation adjustment of rents on 1 March 2014, which raised our average post-regulated rates by approximately CZK 0.8 per sqm/month. The foregoing figures are unaudited.

Results of Operations

Year ended 31 December 2012 compared to year ended 31 December 2013

The following table sets forth our results of operations for the years ended 31 December 2012 and 2013:

	Year ended 31 December	
	2012	2013
	(CZK in thousands)	
Revenues	2,924,352	2,954,303
Consumption of material and energy	(932,647)	(900,399)
Service expenses	(512,854)	(467,235)
Personnel expenses	(119,644)	(161,039)
Property taxes and government fees	(24,340)	(24,054)
Depreciation and amortisation	(10,632)	(7,813)
Fair value adjustment on investment properties	98,930	98,246
Bad debt expense	(55,811)	(54,519)
Gain/(loss) from sale of investment property	(581)	21,391
Other operating income	26,960	44,989
Other operating expenses	(26,506)	(34,726)
Result from operating activities	1,367,227	1,469,144
Financial income	17,998	5,867
Financial expense	(66,716)	(1,363,817)
Profit before income tax	1,318,509	111,194
Income tax expense	(258,119)	(25,898)
Net profit	1,060,390	85,296

Revenues

	Year ended 31 December	
	2012	2013
	(CZK in thousands)	
Revenues	2,924,352	2,954,303
Revenues from leasing of investment property	1,905,135	2,019,849
Revenues from services rendered	1,017,996	932,883
Other revenues	1,221	1,571

Revenues from leasing of investment property increased by CZK 114,714 thousand, or 6.0 per cent., from CZK 1,905,135 thousand in the year ended 31 December 2012 to CZK 2,019,849 thousand in the year ended 31 December 2013. This increase was primarily due to an increase in post-regulated rents pursuant to our rent normalisation programme and an increase in the turnover of units, which were re-leased at market rates. Average market rates were 24 per cent. higher than the average post-regulated rents during this period.

Revenues from services rendered decreased by CZK 85,113 thousand, or 8.4 per cent., from CZK 1,017,996 thousand in the year ended 31 December 2012 to CZK 932,883 thousand in the year ended 31 December 2013. This decrease was primarily due to a decrease in utility costs re-charged to tenants, which was in turn driven by lower heating consumption as a result of the warmer winter in the Moravian-Silesian region in 2013. Revenues from re-charged utilities decreased by CZK 78,723 thousand, or 8.1 per cent., from CZK 967,319 thousand for the year ended 31 December 2012 to CZK 888,596 thousand for the year ended 31 December 2013.

Consumption of material and energy

Consumption of material and energy decreased by CZK 32,248 thousand, or 3.5 per cent., from CZK 932,647 thousand in the year ended 31 December 2012 to CZK 900,399 thousand in the year ended 31 December 2013. Utility costs re-charged to tenants decreased by CZK 35,480 thousand, or 3.9 per cent., from CZK 920,424 thousand in the year ended 31 December 2012 to CZK 884,944 thousand in the year ended 31 December 2013, primarily due to a decrease in heating consumption as a result of a warmer winter in the Moravian-Silesian region in 2013 and enhancements made to our buildings as a result of our one-off investment programme, which resulted in properties being more heat efficient. We incur utility costs for vacant units and in 2013 accounted additional costs in an amount of CZK 22,145 thousand for the settlement of utility costs incurred for vacant units in 2012.

Service expenses

	Year ended 31 December	
	2012	**2013**
	(CZK in thousands)	
Service expenses	512,854	467,235
Repairs and maintenance of investment property	225,394	193,254
Consultancy	96,490	79,385
Other	190,970	194,596

Service expenses decreased by CZK 45,619 thousand, or 8.9 per cent., from CZK 512,854 thousand in the year ended 31 December 2012 to CZK 467,235 thousand in the year ended 31 December 2013. This decrease was primarily due to lower maintenance expenses as a result of improved productivity and reduced maintenance requirements for our buildings as a result of substantially completing our significant one-off capital expenditure program, as well as lower consultancy expenses. The decrease in consultancy expenses was due to technical building passportization (the technical and economic and financial audit of building structures) incurred in 2012, whereas no such expenses were incurred in 2013. Lower legal expenses also contributed to the decrease in service expenses. In 2013, demolition costs included CZK 11,291 thousand of one-off demolition costs in Karviná and consultancy expenses included CZK 6,099 thousand of one-off refinancing of a syndicated bank loan with the Senior Secured Notes.

Personnel expenses

Personnel expenses increased by CZK 41,395 thousand, or 34.6 per cent., from CZK 119,644 thousand in the year ended 31 December 2012 to CZK 161,039 thousand in the year ended 31 December 2013. This increase was primarily due to a one-off extraordinary bonus payment of CZK 46,975 thousand. With the exception of this one-off extraordinary bonus payment, personnel expenses remained stable as a result of improved efficiency, primarily due to the implementation of our new IT systems.

Property taxes and government fees

Property taxes and government fees remained stable at CZK 24,054 thousand in the year ended 31 December 2013, compared to CZK 24,340 thousand in the year ended 31 December 2012.

Fair value adjustment on investment properties

Fair value adjustment on investment properties remained stable at CZK 98,246 thousand for the year ended 31 December 2013, compared to CZK 98,930 thousand for the year ended 31 December 2012, primarily due to the stability of our expected rent increases pursuant to our rent normalisation programme and long-term vacancy rates.

Bad debt expense

Bad debt expense decreased slightly by CZK 1,292 thousand, or 2.3 per cent., from CZK 55,811 thousand in the year ended 31 December 2012 to CZK 54,519 thousand in the year ended 31 December 2013 due to improved collection rates. Our bad debt expense as at 31 December 2013 represented 1.8 per cent. of revenues from leasing of investment property and revenues from services rendered for the year compared to 1.9 per cent. for the year ended 31 December 2012.

Other operating income

	Year ended 31 December	
	2012	2013
	(CZK in thousands)	
Other operating income	26,960	44,989
Contractual penalties and penalty interest income	5,605	6,120
Easement	380	608
Insurance cover	5,650	17,263
Other operating revenues	15,325	20,998

Other operating income increased by CZK 18,029 thousand, or 66.9 per cent., from CZK 26,960 thousand in the year ended 31 December 2012 to CZK 44,989 thousand in the year ended 31 December 2013. This increase was primarily due to increased income from insurance cover and new tenant and other administrative and settlement fees.

Other operating expense

	Year ended 31 December	
	2012	2013
	(CZK in thousands)	
Other operating expenses	26,506	34,726
Contractual penalties and penalty interest expense	462	45
Compensation of employees for injuries, loss on wages, employment related illness etc.	33	55
Donations	1,554	733
Unrecovered VAT	17,512	15,093
Property write-offs	758	995
Change in operating provisions	(413)	1,327
Insurance	7,937	8,045
Other operating expenses, net	(1,337)	8,433

Other operating expense increased by CZK 8,220 thousand, or 31 per cent., from CZK 26,506 thousand in the year ended 31 December 2012 to CZK 34,726 thousand in the year ended 31 December 2013. This increase was primarily due to the recognition of a fair value adjustment in relation to the disposal of certain tangible assets in 2013.

Financial income

	Year ended 31 December	
	2012	2013
	(CZK in thousands)	
Financial income	17,998	5,867
Bank interest received	273	414
Other interest received	14,018	2,519
Revaluation of option	—	2,800
Realised and unrealised foreign exchange gains	3,665	—
Other financial income	42	134

Financial income decreased by CZK 12,131 thousand, or 67.4 per cent., from CZK 17,998 thousand in the year ended 31 December 2012 to CZK 5,867 thousand in the year ended 31 December 2013. This decrease was primarily due to a decrease in interest received as a result of the repayment of the majority of our intercompany loans in August 2012.

Financial expense

	Year ended 31 December	
	2012	2013
	(CZK in thousands)	
Financial expenses	66,716	1,363,817
Bank interest expense	38,760	80,421
Bond interest expense	—	495,177
Other interest expense	7,082	3,752
Realised and unrealised foreign exchange losses	14,246	599,009
Settlement of interest rate swap	—	67,790
Bank fees	6,628	117,668

Financial expense increased by CZK 1,297,101 thousand, or 1,944.2 per cent., from CZK 66,716 thousand in the year ended 31 December 2012 to CZK 1,363,817 thousand in the year ended 31 December 2013. This increase was due to the issuance of the Senior Secured Notes in during 2013. Realised and unrealised foreign exchange losses related to realised foreign exchange losses resulting from the revaluation of trade receivables and payables and the year-end revaluation of bond principal in the amount of CZK 652,000 thousand. Bank fees primarily included fees in respect of interest rate swaps in the amount of CZK 67,790 thousand, an early loan repayment fee of CZK 33,427 thousand and transaction costs in the amount of CZK 77,838 thousand relating to expensing the remaining accrued syndicated bank loans fees.

Income tax expense

Income tax expense decreased by CZK 232,221 thousand, or 90 per cent., from CZK 258,119 thousand in the year ended 31 December 2012 to CZK 25,898 thousand in the year ended 31 December 2013. This decrease was primarily due to a decrease in profit before tax, principally as a result of the increase in interest expense following our issuance of the Senior Secured Notes and a change in the deferred tax asset arising from tax losses in 2013. Our effective tax rate was 20 per cent. and 23 per cent. for the years ended 31 December 2012 and 2013, respectively.

Year ended 31 December 2011 compared to year ended 31 December 2012

The following table sets forth our results of operations for the years ended 31 December 2011 and 2012:

	Year ended 31 December	
	2011	2012
	(CZK in thousands)	
Revenues	2,798,738	2,924,352
Consumption of material and energy	(924,650)	(932,647)
Service expenses	(533,613)	(512,854)
Personnel expenses	(118,530)	(119,644)
Property taxes and government fees	(20,465)	(24,340)
Depreciation and amortisation	(10,373)	(10,632)
Fair value adjustment on investment properties	433,305	98,930
Bad debt expense	(50,058)	(55,811)
Gain/(loss) from sale of investment property	2,937	(581)
Other operating income	38,997	26,960
Other operating expenses	22,714	(26,506)
Result from operating activities	1,639,002	1,367,227
Financial income	33,474	17,998
Financial expense	(46,731)	(66,716)
Profit before income tax	1,625,745	1,318,509
Income tax expense	(314,229)	(258,119)
Net profit	1,311,516	1,060,390

Revenues

	Year ended 31 December	
	2011	2012
	(CZK in thousands)	
Revenues	2,798,738	2,924,352
Revenues from leasing of investment property	1,760,848	1,905,135
Revenues from services rendered	1,036,567	1,017,996
Other revenues	1,323	1,221

Revenues from leasing of investment property increased by CZK 144,287 thousand, or 8.2 per cent., from CZK 1,760,848 thousand in the year ended 31 December 2011 to CZK 1,905,135 thousand in the year ended 31 December 2012. This increase was primarily due to an increase in post-regulated rents pursuant to our rent normalisation programme and an increase in the turnover of units, which were re-leased at market rates. Average market rates were higher than the average post-regulated rents during this period by approximately 27 per cent.

Revenues from services rendered decreased by CZK 18,571 thousand, or 1.8 per cent., from CZK 1,036,567 thousand in the year ended 31 December 2011 to CZK 1,017,996 thousand in the year ended 31 December 2012. This decrease was primarily due to an increase in utility costs that could not be re-charged as a result of increased vacancies. Utility costs re-charged to tenants remained stable at CZK 966,860 thousand for the year ended 31 December 2011 and CZK 967,319 thousand for the year ended 31 December 2012 despite an increase in energy prices. The increase in energy prices was mitigated by gains in heat efficiency due to the installation of more energy efficient windows as part of our one-off investment programme and building insulation efforts that we started in 2009.

Consumption of material and energy

Consumption of material and energy increased by CZK 7,997 thousand, or 0.9 per cent., from CZK 924,650 thousand in the year ended 31 December 2011 to CZK 932,647 thousand in the year ended 31 December 2012. Utility costs re-charged to tenants increased slightly from CZK 918,499 thousand in the year ended 31 December 2011 to CZK 920,424 thousand in the year ended 31 December 2012, primarily due to an increase in energy prices. Despite the increase in energy prices, utility costs for both years remained relatively stable because of enhancements made to our buildings and units as a result of our one-off investment programme, which resulted in properties being more heat efficient.

Service expenses

	Year ended 31 December	
	2011	2012
	(CZK in thousands)	
Service expenses	533,613	512,854
Repairs and maintenance of investment property	234,198	225,394
Consultancy	116,357	96,490
Other	183,058	190,970

Service expenses decreased by CZK 20,759 thousand, or 3.9 per cent., from CZK 533,613 thousand in the year ended 31 December 2011 to CZK 512,854 thousand in the year ended 31 December 2012. This decrease was primarily due to lower management fees and lower maintenance cost of investment property as a result of increased labour productivity.

Personnel expenses

Personnel expenses increased by CZK 1,114 thousand, or 0.9 per cent., from CZK 118,530 thousand in the year ended 31 December 2011 to CZK 119,644 thousand in the year ended 31 December 2012. This increase was primarily due to an increase in the number of employees in the leasing department.

Property taxes and government fees

Property taxes and government fees increased by CZK 3,875 thousand, or 18.9 per cent., from CZK 20,465 thousand in the year ended 31 December 2011 to CZK 24,340 thousand in the year ended 31 December 2012. This increase was primarily due to increase in court fees per case relating to evictions.

Fair value adjustment on investment properties

Fair value adjustment on investment properties decreased from a positive adjustment of CZK 433,305 thousand for the year ended 31 December 2011, which was primarily due to a change in our assumptions in rent level increases as a result of the success of our rent normalisation programme, to CZK 98,930 thousand for the year ended 31 December 2012. The lower adjustment for the year ended 31 December 2012 was driven primarily by an increase in the stability of our expected rent increases pursuant to our rent normalisation programme.

Bad debt expense

Bad debt expense increased by CZK 5,753 thousand, or 11.5 per cent., from CZK 50,058 thousand in the year ended 31 December 2011 to CZK 55,811 thousand in the year ended 31 December 2012. Despite the rent increases under our rent normalisation programme and the market rates we charge for units that are re-leased, our collection rates have been relatively stable. Our bad debt expense as at 31 December 2012 represented 1.9 per cent. of revenues from leasing of investment property and revenues from services rendered for the year compared to 1.8 per cent. for the year ended 31 December 2011.

Other operating income

	Year ended 31 December	
	2011	**2012**
	(CZK in thousands)	
Other operating income	38,997	26,960
Contractual penalties and penalty interest income	6,198	5,605
Easement	1,317	380
Government grants	16,354	—
Insurance cover	3,071	5,650
Other operating revenues	12,057	15,325

Other operating income decreased by CZK 12,037 thousand, or 30.9 per cent., from CZK 38,997 thousand in the year ended 31 December 2011 to CZK 26,960 thousand in the year ended 31 December 2012. This decrease was primarily due to lower government grants for selected building refurbishment projects, partially offset by higher new tenant administrative fees.

Other operating expense

	Year ended 31 December	
	2011	**2012**
	(CZK in thousands)	
Other operating expenses	(22,714)	26,506
Contractual penalties and penalty interest expense	307	462
Compensation of employees for injuries, loss on wages, employment related illness etc.	33	33
Donations	—	1,554
Unercovered VAT	33,667	17,512
Property write-offs	6,994	758
Change in operating provisions	(72,871)	(413)
Insurance	7,864	7,937
Other operating expenses, net	1,292	(1,337)

Other operating expense increased by CZK 49,220 thousand, or 216.7 per cent., from a credit of (CZK 22,714) thousand in the year ended 31 December 2011 to a debit of CZK 26,506 thousand in the year ended 31 December 2012. This increase was primarily due to a one-off release of an operating provision relating to a success fee from consulting services of CZK 73,781 thousand in the year ended 31 December 2011. Due to formation of a VAT consolidated group with one of our affiliates, VAT costs decreased from CZK 33,667 thousand in the year ended 31 December 2011 to CZK 17,512 thousand in the year ended 31 December 2012.

Financial income

	Year ended 31 December	
	2011	**2012**
	(CZK in thousands)	
Financial income	33,474	17,998
Bank interest received	551	273
Other interest received	15,673	14,018
Realised and unrealised foreign exchange gains	17,224	3,665
Other financial income	26	42

Financial income decreased by CZK 15,476 thousand, or 46.2 per cent., from CZK 33,474 thousand in the year ended 31 December 2011 to CZK 17,998 thousand in the year ended 31 December 2012. This decrease was primarily due to a decrease in realised and unrealised foreign exchange gains.

Financial expense

	Year ended 31 December	
	2011	**2012**
	(CZK in thousands)	
Financial expenses	46,731	66,716
Bank interest expense	24,487	38,760
Other interest expense	6,285	7,082
Realised and unrealised foreign exchange losses	11,263	14,246
Bank fees	4,696	6,628

Financial expense increased by CZK 19,985 thousand, or 42.8 per cent., from CZK 46,731 thousand in the year ended 31 December 2011 to CZK 66,716 thousand in the year ended 31 December 2012. This increase was primarily due to an increase in bank interest expense and fees, which was, in turn, due to an increase in borrowings under our senior facilities.

Income tax expense

Income tax expense decreased by CZK 56,110 thousand, or 17.9 per cent., from CZK 314,229 thousand in the year ended 31 December 2011 to CZK 258,119 thousand in the year ended 31 December 2012. This decrease was primarily due to a decrease in profit before tax. Our effective tax rate remained relatively unchanged, at 19 per cent. and 20 per cent. for the years ended 31 December 2011 and 2012.

Investment Properties

The fair values of our investment properties as at 31 December 2011, 2012 and 2013 were calculated internally using recognised valuation techniques. Undeveloped land was valued by an external appraiser based on a comparable methodology. The fair values of residential and commercial properties are based on the discounted cash flow method. In some cases, fair values can be determined based on recent real estate transactions with similar characteristics and location to those of our assets. In order to increase the reliability of the fair value determination, the fair values of investment property determined internally are also compared to the values determined by independent real estate valuation experts. The valuation of our portfolio differs slightly from the valuation set out in the Valuation Report included elsewhere in this Prospectus. See "*Presentation of financial and other information—Valuation Report*".

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (including future revenue streams) and the overall repair and condition of the property as well as discount rates applicable to those assets. These estimates are based on then prevailing local market conditions. For more detailed information on the significant assumptions made, and methods used, in determination of fair value of our investment properties, see note 11 to the audited financial statements as at and for the year ended 31 December 2011 and note 10 to the audited financial statements as at and for the years ended 31 December 2012 and 2013 included elsewhere in this Prospectus.

The following table shows the fair value of our investment property as at the dates indicated:

	As at 31 December		
	2011	2012	2013
	(CZK in thousands)		
Additions	42	—	—
Capitalised subsequent expenditure	1,165,567	1,052,071	1,096,783
Disposals	(13,658)	(11,724)	(21,797)
Property transfer	—	—	(12,839)
Fair value adjustment	433,305	98,930	98,246
Spin-off(1)	—	(402,103)	—
Fair value	22,612,544	23,349,718	24,510,111

Note:

(1) Consists of vacant land spun off from RPG Byty and merged into RPG RE Land, one of our affiliates, in 2012. See "*Related Party Transactions—Spin off of property to RPG RE Land*".

Liquidity and Capital Resources

Our liquidity requirements arise primarily from the requirement to fund capital expenditures, to fund our operating costs and to service our debt. During the periods under review, our principal sources of liquidity have consisted of cash generated from operations and borrowings under our indebtedness, including the Senior Secured Notes, the Revolving Credit Facility and the Refurbishment Loans. At 31 December 2013, we had total debt of CZK 11,405,238 thousand. At 31 December 2013, we had cash and cash equivalents of CZK 959,947 thousand (excluding restricted cash of CZK 65,491 thousand), loans receivables from related parties of CZK 9,082 thousand and total net debt of CZK 10,235,809 thousand. Our total net debt was comprised of long-term interest bearing debt instruments, which include the Senior Secured Notes, the Refurbishment Loans, the Revolving Credit Facility, long-term obligations under finance leases, short-term obligations under finance leases, short-term interest bearing loans and borrowings and the fair value of derivatives—liabilities, minus cash and cash equivalents (excluding restricted cash), loan receivables from related parties and the fair value of derivatives—assets.

Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under "*Risk Factors*".

We believe that our working capital is sufficient for our present requirements, that is for at least twelve months following the date of this Prospectus.

Senior Secured Notes

On 2 May 2013, RPG Byty issued €400 million in aggregate principal amount of 6¾ per cent. Senior Secured Notes due 2020. Interest on the Senior Secured Notes is payable semi-annually in arrears on 1 May and 1 November of each year. The Senior Secured Notes will mature on 1 May 2020.

The indenture governing the Senior Secured Notes, among other things, restricts the ability of RPG Byty to pay dividends or make other distributions or purchase or redeem its stock. Subject to certain exceptions, any dividend paid by RPG Byty must not, when aggregated with all dividends and other restricted payments made since the issue date of the Senior Secured Notes, exceed 50 per cent. of consolidated net income from the beginning of the fiscal quarter commencing immediately prior to the issue date to the end of RPG Byty's most recently ended fiscal quarter, plus proceeds from equity issuances and certain other items. For these purposes, consolidated net income is subject to the following exclusions, which in each case are subject to certain exceptions:

- any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations;
- any one time non-cash charges or any amortisation or depreciation resulting from purchase accounting;

- the cumulative effect of a change in accounting principles;
- any extraordinary, exceptional or non-recurring gains or losses or any charges in respect of any restructuring, redundancy or severance;
- any unrealised gains or losses in respect of hedging obligations;
- any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards;
- any goodwill or other intangible asset impairment charges;
- all deferred financing costs written off and premium paid in connection with any early extinguishment of indebtedness and any net gain or loss from any write-off or forgiveness of indebtedness;
- all fair value adjustments on investment properties; and
- the impact of any capitalised interest on any subordinated shareholder debt.

In addition, the net income or loss of any entity that is not a restricted subsidiary under the indenture governing the Senior Secured Notes or that is accounted for by the equity method of accounting will only be included to the extent of any dividends paid by such entity. Further, any net income or loss of any restricted subsidiary (other than a guarantor under the indenture governing the Senior Secured Notes) will be excluded if, subject to certain exceptions, such subsidiary is subject to restriction on the payment of dividends. As at the date of this Prospectus, RPG Byty had no subsidiaries.

In addition, in order to pay dividends or make other distributions or purchase or redeem its stock, RPG Byty's LTV ratio must be equal to or less than 0.437 to 1.00, its fixed charge coverage ratio for the previous four fiscal quarters must be at least 2.00 to 1.00 and its available liquidity (defined as cash and cash equivalents of the issuer and its restricted subsidiaries together with undrawn amounts under its credit facilities) must be at least CZK 770 million, in each case giving pro forma effect to any such dividend, distribution, purchase or redemption. The LTV ratio is calculated on the basis of the euro/Czech koruna exchange rate as at the date of the issuance of the Senior Secured Notes. Following the completion of the Offering, RPG Byty can pay a minimum of 5 per cent. dividend on market capitalisation, even if it does not comply with the aforementioned tests. The indenture governing the Senior Secured Notes also contains certain other covenants, including covenants restricting RPG Byty's ability to:

- incur or guarantee additional indebtedness;
- make investments of other restricted payments;
- transfer or sell assets;
- enter into certain transactions with affiliates;
- create liens on assets to secure indebtedness;
- impair security interests; or
- merge or consolidate with or into another company.

Each of these covenants is subject to a number of significant exceptions and qualifications.

The Senior Secured Notes are secured by first-priority security interests, which also secure the obligations of RPG Byty under certain other indebtedness, including the Revolving Credit Facility. The collateral securing the Senior Secured Notes and the Revolving Credit Facility includes:

- a pledge over all of the issued share capital of RPG Byty;
- mortgages over, and a pledge over insurance receivables from, substantially all of the real estate properties owned by RPG Byty, other than certain excluded property;
- pledges over all bank accounts of RPG Byty, other than certain operating and non-essential bank accounts; and
- pledges over receivables under existing lease agreements relating to all of the real estate properties owned by RPG Byty, other than certain excluded property.

Upon certain events defined as constituting a change of control, RPG Byty may be required to make an offer to purchase the Senior Secured Notes. However, such a change of control will not be deemed to have occurred if prior to the two-year anniversary of the date of the issuance of the Senior Secured Notes a defined loan-to-value ratio is not exceeded in connection with such event.

Following the issue of the Senior Secured Notes, RPG Byty and certain other parties entered into the Intercreditor Agreement to govern the relationships and relative priorities among the trustee and security agent of holders of the Senior Secured Notes, the hedge counterparty under each of the Currency Swaps, the lender under the Revolving Credit Facility and certain other parties.

Currency Swaps

In April 2013, RPG Byty entered into currency swaps transactions with Goldman Sachs International and Česká spořitelna, a.s. to hedge the risk of fluctuations in the Czech koruna/euro exchange rate associated with its obligations under the euro-denominated Senior Secured Notes. The nominal amount of the cross currency swap contract with Goldman Sachs International (the "**GS Swap**") is €200 million. The GS Swap will terminate when the Senior Secured Notes mature on 1 May 2020. The GS Swap is secured by the same collateral that secures the currency swap contract with Česká spořitelna, a.s. (the "**CS Swap**"), the Senior Secured Notes and the Revolving Credit Facility (as described above under "*—Senior Secured Notes*" above). The nominal amount of the CS Swap is also €200 million. The CS Swap will terminate when the Senior Secured Notes mature on 1 May 2020. The CS Swap is secured by the same collateral that secures the GS Swap, the Senior Secured Notes and the Revolving Credit Facility (as described above under "*—Senior Secured Notes*" above). The Currency Swaps are treated as effective hedges for accounting purposes and accordingly, changes in their fair value are recognised directly as other comprehensive income in the hedging reserve.

RPG Byty also has a long call option (the "**Long Call Option**") intended to hedge against currency risk in respect of half of the value of the principal of the Senior Secured Notes against any decrease of the exchange rate above the level of CZK 32.3 to €1. The Long Call Option is not treated as an effective hedge and accordingly changes in fair value are recognized directly in profit and loss.

Revolving Credit Facility

On 19 December 2013, RPG Byty entered into a revolving credit facility agreement with Raiffeisenbank a.s. that provided for a revolving credit facility of up to CZK 550 million, with a final termination date of 31 October 2016. The Revolving Credit Facility is used primarily for the funding of working capital needs and debt service requirements. The overdraft facility of the Revolving Credit Facility, however, may only be used for general corporate purposes. The Revolving Credit Facility is secured by the same assets that secure the Senior Secured Notes. The Revolving Credit Facility contains an obligation to fulfil the covenants made under the indenture governing the Senior Secured Notes (see "*—Senior Secured Notes*" above) and also contains certain covenants that limit the incurrence of debt, and the payment of dividends without the lender's consent. Such permission has been received as at the date of this Prospectus subject to the execution (which is expected prior to 30 June 2014) of technical amendments effecting consequential changes to the Revolving Credit Facility. Breach of these and other covenants would constitute a default under the revolving credit facility agreement and any default or the occurrence of certain events (such as a change of control) would provide Raiffeisenbank a.s. with the right to declare all outstanding amounts under the Revolving Credit Facility to become immediately due and payable.

Refurbishment Loans

Česká spořitelna, a.s. Credit Facilities

RPG Byty is party to three credit facility agreements with Česká spořitelna, a.s. (the "**CS Facilities**"). Two of the CS Facilities were entered into on 7 December 2001 by Former OKD (the legal predecessor of RPG Byty) (referred to collectively as "**CS Facilities 1 and 2**") and one CS Facility was entered into on 15 March 2011 by RPG Byty ("**CS Facility 3**"). Each CS Facility provides for a term loan facility to RPG Byty, the proceeds of which were used to pay or refinance the payment for the repair and reconstruction of the specific residential houses identified therein. At 31 December 2013, the outstanding principal amounts under CS Facilities 1, 2 and 3 were CZK 13,932 thousand, CZK 52,040 thousand and CZK 210,000 thousand, respectively. Loans drawn under CS Facilities 1 and 2 will mature on 20 November 2016 and 20 March 2017, respectively. Loans drawn under CS Facility 3 will mature on 31 December 2020.

Loans accrue interest at the 6-month PRIBOR rate plus 1.3 per cent. per year under the CS Facilities 1 and 2 and at the 3-month PRIBOR rate plus 2.65 per cent. per year under the CS Facility 3, with a default margin of 20 per cent. per year under CS Facilities 1 and 2 and the aggregate amount of a basic rate for commercial clients plus 11 per cent. per year under CS Facility 3.

The CS Facilities have covenants limiting the incurrence of debt, the incurrence of liens, the sale of assets and the payment of dividends without the consent of the lender. Pursuant to a letter dated 31 March 2014, Česká Spořitelna, a.s. issued a waiver in relation to the payment of dividends by RPG Byty. The waiver provides that, if the offering and listing of shares issued by the Company occurs, then RPG Byty shall, no later than 30 May 2014, execute amendments to the CS Facilities stipulating limitations on the payment of dividends that are similar in all material respects to the limitations on the payment of dividends provided under the Indenture. Additionally, RPG Byty is required to comply with certain financial covenants, including, in respect of the CS Facility 3, maintaining a debt-service coverage ratio of at least 1.25, a debt-to-rental income ratio of a maximum of 6.00 and an equity-to-total assets ratio of at least 0.20 to 1.00. There are no financial covenants related to the maintenance of the LTV ratio. Breach of these and other covenants that constitute RPG Byty's default, or occurrence of certain events (such as a change of control), provides Česká spořitelna, a.s. with the right to declare all outstanding amounts under the relevant CS Facility to become immediately due and payable. The CS Facilities are secured by a mortgage of the real estate properties specified in each facility agreement, a pledge of receivables under the lease agreements relating to such real estate properties, a pledge of insurance receivables relating to the real properties mortgaged to the benefit of Česká Spořitelna, a.s. and a pledge of certain bank account receivables. The security package is separate from the security package that secure the Senior Secured Notes, the Currency Swaps and the Revolving Credit Facility and the security package that secures the Equa Bank Facilities described below. CS Facilities 1 and 2 are also secured by a bank guarantee issued by Českomoravská záruční a rozvojová banka. The CS Facilities and related security documents are governed by Czech law.

Equa bank a.s. Credit Facilities

RPG Byty is party to three credit facility agreements with Equa bank a.s. (the "**Equa Bank Facilities**"). On 11 April 2014, Equa bank a.s. replaced UniCredit Bank Czech Republic and Slovakia a.s. as lender under the Equa Bank Facilities by means of an assignment of receivables. Each Equa Bank Facility provides for a term loan facility to RPG Byty, the proceeds of which were used to refinance indebtedness incurred in connection with reconstruction of the specific residential houses specified therein. At 31 December 2013, the outstanding principal amounts under the Equa Bank Facilities were CZK 33,947 thousand, CZK 41,491 thousand and CZK 75,439 thousand. All of the loans drawn under the Equa Bank Facilities will mature on 31 December 2019.

Loans under the Equa Bank Facilities accrue interest at the 3-month PRIBOR rate plus 2.95 per cent. per year, with a default interest of at least 20 per cent. per year. The Equa Bank Facilities have covenants limiting the incurrence of debt, the incurrence of liens, the sale of assets and the payment of dividends without the lender's consent. A waiver enabling the payment of dividends without the lender's consent if the offering and listing of shares issued by the Company occurs has been provided by Equa Bank a.s. as at the date of this Prospectus. Additionally, RPG Byty is required to comply with certain financial covenants, including maintaining an EBITDA-to-annual debt service ratio of at least 1.25 tested in respect of financial items related to refurbished properties. There are no financial covenants related to the maintenance of the LTV ratio. Breach of these and other covenants that constitute RPG Byty's default, or the occurrence of certain events (such as a change of control), provide Equa bank a.s. with the right to declare all outstanding amounts under the relevant Equa Bank Facility immediately due and payable.

Each Equa Bank Facility is secured by a mortgage of the real estate properties specified in each facility agreement, a security assignment of receivables under lease agreements relating to such real estate properties, a bank account pledge agreement, a pledge of insurance proceeds agreement. The security package is separate from the security package that secures the Senior Secured Notes, the Currency Swaps and the Revolving Credit Facility and the security package that secures the CS Facilities. The Equa Bank Facilities and related security documents are governed by Czech law.

Interest rate swaps

RPG Byty has entered into certain hedging instruments in relation to the Refurbishment Loans in order to manage its exposure to interest rate fluctuations. RPG Byty entered into a Czech koruna-denominated interest rate swap agreement with Česká spořitelna, a.s. (the "**CS Interest Rate Swap**") to hedge the risk of fluctuations in interest rates associated with its obligations under the one of the Refurbishment Loans, CS Facility 3. The CS Interest Rate Swap will terminate on 31 December 2020 when CS Facility 3 matures.

The CS Interest Rate Swap is not secured by any collateral. The original principal amount of the CS Interest Rate Swap was CZK 270,000 thousand, which is gradually decreasing pursuant to the contemplated repayment schedule. The current principal amount is CZK 202,500 thousand for the period from 31 March 2014 to 30 June 2014.

Originally, RPG Byty entered into a Czech koruna-denominated interest rate swap agreement with UniCredit Bank Czech Republic and Slovakia a.s. (the "**UCB Interest Rate Swap**") to hedge the risk of fluctuations in interest rates associated with its obligations under the current Equa Bank Facilities. The UCB Interest Rate Swap was terminated in connection with the replacement of UniCredit Czech Republic and Slovakia a.s., as lender under the Equa Bank Facilities.

Cash flows

The following table summarises our cash flow for the periods indicated:

	Year ended 31 December		
	2011	**2012**	**2013**
	(CZK in thousands)		
Net cash flows from operating activities	1,185,292	1,036,526	1,612,934
Net cash flows used in investing activities	(1,453,317)	(518,162)	(1,015,363)
Net cash flows from/(used in) financing activities	290,985	(353,135)	164,722
Net (decrease)/increase in cash and cash equivalents	22,960	165,229	762,293

Net cash flows from operating activities

Net cash flows from operating activities increased by CZK 576,408 thousand, or 55.6 per cent., from CZK 1,036,526 thousand in the year ended 31 December 2012 to CZK 1,612,934 thousand in the year ended 31 December 2013. This increase was driven primarily by favourable working capital movements, including a CZK 138,060 thousand increase in receivables in 2012, compared to a CZK 5,029 thousand decrease in 2013. Restricted cash also decreased by CZK 151,663 thousand in 2013, compared to an increase of CZK 97,280 thousand in 2012. Restricted cash related to cash deposited for investment property repairs in line with tax regulations and rental deposits received from tenants based on rental contracts concluded between 1 April 2006 and 31 October 2011. The decrease in restricted cash in 2013 primarily related to the reduction of the tax provision which was created for capital expenditure.

Net cash flows from operating activities decreased by CZK 148,766 thousand, or 12.6 per cent., from CZK 1,185,292 thousand in the year ended 31 December 2011 to CZK 1,036,526 thousand in the year ended 31 December 2012. This decrease was driven primarily by changes in working capital, which was partially offset by an increase in revenues from leasing of investment property of CZK 1,905,135 thousand for the year ended 31 December 2011 compared to CZK 1,760,848 thousand for the year ended 31 December 2012. The changes in working capital were primarily due to a decrease in payables in 2012 as a result of payments to suppliers who were invoiced for capital expenditure by the end of 2011 and were paid in early 2012 and an increase in restricted cash. The increase in restricted cash related to a tax provision created for future capital expenditure, principally relating to the replacement of windows, thereby deferring the payment of taxes.

Net cash flows used in investing activities

Net cash flows used in investing activities increased by CZK 497,201 thousand, or 96.0 per cent., from CZK 518,162 thousand for the year ended 31 December 2012 to CZK 1,015,363 thousand for the year ended 31 December 2013. The cash outflow in 2013 was primarily due to capital expenditure, including capital expenditure in relation to our one-off investment programme.

Net cash flows used in investing activities decreased by CZK 935,155 thousand, or 64.3 per cent., from CZK 1,453,317 thousand for the year ended 31 December 2011 to CZK 518,162 thousand for the year ended 31 December 2012. The cash outflow in 2012 was primarily due to capital expenditure, including capital expenditure in relation to our one-off investment programme, partially offset by the repayment of loans receivables in connection with a loan restructuring.

Net cash flows from/(used in) financing activities

Net cash flows from/(used in) financing activities increased by CZK 517,857 thousand, from a cash outflow of CZK 353,135 thousand in the year ended 31 December 2012 to a cash inflow of CZK 164,722 thousand in the year ended 31 December 2013. This was driven by the net proceeds received from the issuance of the Senior Secured Notes, partially offset by the repayment of loans and borrowings and the payment of dividends.

Net cash flows from/(used in) financing activities decreased by CZK 644,120 thousand, or 221.4 per cent., from a positive cash inflow of CZK 290,985 thousand in the year ended 31 December 2011 to a cash outflow of CZK 353,135 thousand in the year ended 31 December 2012. This was driven by the incurrence of debt under our senior facilities in November 2012, which was more than offset by dividends paid to our shareholder with the proceeds of indebtedness under these facilities and with amounts received from affiliates in connection with a loan restructuring.

Capital expenditure

Our capital expenditures incurred during the years ended 31 December 2011, 2012 and 2013 are set out below.

	Year ended 31 December		
	2011	**2012**	**2013**
		(unaudited)	
		(CZK in thousands)	
Investment programme capital expenditure	773,766	544,531	460,670
On-going capital expenditure	432,168	541,812	636,113

We have historically funded our capital expenditure from our cash from operations, the Refurbishment Loans and from a prior revolving credit facility that was repaid using the proceeds from the issue of the Senior Secured Notes.

We expect that our total capital expenditure will decrease from CZK 1,206 million (€49.0 million) in 2011 to CZK 604 million (€24.2 million) in 2014. Beginning in 2015, we expect that we will have no capital expenditure remaining that is related to our one-off investment programme, and our on-going capital expenditure will decrease in 2016 to CZK 431 million (€17.2 million) to CZK 407 million (€16.3 million) in 2018 and subsequent years. Our future capital expenditure amounts will be discretionary, and we may adjust spending in any period according to our strategy to enhance the value of our existing residential portfolio. We intend to finance all of our projected capital expenditure through cash flows from operations.

The implementation of our capital expenditure strategy described above, as well as the amount and timing of any other future discretionary capital expenditure will depend upon a variety of factors, including current and anticipated market demand and our own targets relating to operating leverage that will be determined by our evolving business plan. Our capital expenditures are also affected by and updated for changing general economic, demographic and market conditions.

Contractual obligations

The following table summarises our material contractual obligations at 31 December 2013. The following table includes both principal and future interest payments that we would be required to make. The table also excludes any payments under any hedging agreements.

	As at 31 December 2013			
	Within 1 year	**Between 1 and 5 years**	**More than 5 years**	**Total**
		(CZK in thousands)		
Accounts payable and accruals(1)	968,557	—	—	845,144
Loans and borrowings	154,487	235,471	142,010	531,968
Issued bonds(2)	591,480	2,850,268	11,919,862	15,485,023
Financial derivatives	—	—	16,384	16,384
Obligations under finance leases	839	1,088	—	1,927
Other long-term liabilities(3)	—	263,197	9,931	273,128
Total	1,715,363	3,350,024	12,088,187	17,153,574

Notes:

(1) Consists of trade payables and accruals for utility costs.

(2) The principal amount of the Senior Secured Notes has been converted into Czech koruna using an exchange rate of CZK 27.43 as at 31 December 2013. The coupon payments in respect of the Senior Secured Notes have been converted into Czech koruna using exchange rates agreed in the hedging agreement.

(3) Consist of deferred payments to key suppliers (by way of performance bond), long-term obligations under finance leases relating to our car fleet and IT equipment and security deposits received from tenants.

Off-balance sheet arrangements

Our only off-balance sheet arrangements relate to certain operating leases with respect to our car fleet and IT equipment, which represented CZK 37,108 thousand of liabilities (non-cancellable operating leases) in aggregate as at 31 December 2013 and commitments for investments in our investment property of CZK 123,764 thousand as at 31 December 2013.

Quantitative and Qualitative Disclosures about Market Risks

Credit risk

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. This risk arises primarily from the rent and amounts charged for utility costs that we collect from our tenants.

To counteract this risk, we require for all tenants to pay security deposits before moving in and we require all new tenants to undergo credit screening procedures before signing a lease. In addition, we maintain a credit check system for all new tenants, perform ratings for our tenants to identify risk factors and apply suitable measures before signing rental contracts with new tenants and continually monitor receivables balances on an on-going basis.

With respect to our utility costs, at the beginning of each year we fix the monthly rate that our tenants pay for utility costs, which takes into account the rates we negotiate with the utility companies. At the end of the year, we compare the total amount we paid to the utility companies with what we charged and received from tenants for their utility costs during the year. If we receive amounts from a tenant that exceed the tenant's share of the relevant utility costs, we refund the excess amount. If we pay more of a tenant's utility costs than the tenant pays to us during the year, we charge the tenant for the deficit. We have refunded CZK 404 million in the aggregate to our tenants over the previous three years.

Foreign exchange risk

We have had limited exposure to foreign exchange risk, as substantially all of our revenues and expenses have been denominated in CZK. However, certain of our obligations, such as those under the Senior Secured Notes, are denominated in euro. We have entered into derivative financial instruments, including the Currency Swaps and the Long Call Option, to mitigate this risk.

The following table sets forth RPG Byty's sensitivity to a 1 per cent. variation in the value of the Czech koruna to the euro:

	Year ended 31 December		
	2011	2012	2013
	(CZK in thousands)		
1 per cent. appreciation/depreciation in CZK	2,046	1,304	110,942

Interest rate risk

Our exposure to interest rates relates primarily to our loans receivable and debt obligations with variable interest rates. The Refurbishment Loans bear interest at a floating rate. We use derivative financial instruments (such as interest rate swaps) to hedge our exposure to interest rate risks. It is our policy that the terms of the derivative matches the terms of the item at risk in order to attempt to maximise the effectiveness of the derivative.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our financial information, which has been prepared in accordance with IFRS. The preparation of this financial information requires us to make estimates and judgements that affect the reported amounts of income, expenses, assets and liabilities and the related disclosure of contingent assets and liabilities.

Estimates are based on available information and experience. Actual results could differ from these estimates. Information about significant areas at estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the audited financial statements are described in notes 11 (*investment property*), 12 (*property, plant and equipment*), 13 (*intangible assets*), 17 (*risk management and financial instruments*) and 23 (*deferred tax*) to the audited financial statements as at and for the year ending 31 December 2011 and notes 10 (*investment property*), 11 (*property, plant and equipment*), 12 (*intangible assets*), 16 (*risk management and financial instruments*) and 22 (*deferred tax*) to the audited financial statements as at and for the years ending 31 December 2012 and 2013. For a detailed description of our significant accounting policies, see note 2 to the audited financial statements as at and for the years ended 31 December 2011, 2012 and 2013.

REGULATION

Our business is subject to a variety of private and public laws and regulations in the Czech Republic. The following is a brief overview of certain selected areas at regulation applicable to our business. Much of Czech tenancy law changed as a result of the significant recodification of Czech private law that became effective as at 1 January 2014, as described in further detail below. If we fail to comply with any of these laws and regulations, we may be subject to civil liability, fines or even criminal sanctions.

Czech Tenancy Law

Our portfolio primarily consists of Czech residential real estate. Our business is therefore subject to Czech residential tenancy law, which in many aspects favours tenants over landlords. In particular, it imposes restrictions on us with regard to rent increases and the termination of leases for an indefinite period without stating a qualified reason. Additionally, the first transfer of individual residential units (apartments) after the conversion of a building or a piece of land (including such building situated thereon under the "*Superficies solo cedit principle*" described below) into individual residential units (apartments) is also subject to a statutory pre-emptive right of tenants who are natural persons to purchase the apartment.

The private law regulation of residential leases (tenancy law) is primarily contained in the New Czech Civil Code. The New Czech Civil Code regulates residential and non-residential leases and replaces the previous Civil Code, the Apartment Ownership Act, as well as the Act on Lease and Sublease of Non-Residential Premises. A basic description of certain aspects of residential leases under the New Czech Civil Code is set forth below.

As our business primarily concerns residential leases, the description below relates to residential leases only.

Residential Lease Agreements

Under the New Czech Civil Code, which entered into effect on 1 January 2014, the formal requirements for a residential lease agreement to be valid are limited. The parties to a lease must specify the apartment to be leased and the lease agreement must contain an obligation of the landlord to provide an apartment for use and obligation of the tenant to pay the rent. The object of the lease can be a legally separate individual residential unit or an apartment forming a part of the building.

Under Czech law, a lease agreement must be written. However, in case an oral agreement is made, only a tenant can object to the validity of the oral agreement. Residential leases cannot deprive tenants of the rights provided by the New Czech Civil Code. The New Czech Civil Code expressly prohibits the imposition of contractual penalties for any breach of the lease agreement by the tenant.

The New Czech Civil Code also provides that if a tenant has been using an apartment for three years in good faith, the lease has been duly established and the lease agreement is considered validly concluded (pursuant to prevailing interpretation the three years period can only start to run on the date of the effectiveness of the New Czech Civil Code, i.e. 1 January 2014).

Residential leases are governed by the New Czech Civil Code regardless of when such leases were entered into. Rights and obligations predating the effectiveness of the New Czech Civil Code (as well as the execution of the leases entered into prior to the New Czech Civil Code) however, are assessed pursuant to the previous regulations. If the provisions of a lease agreement conflict with the provisions of the New Czech Civil Code which cannot be altered by contract, the New Czech Civil Code prevails.

Certain Rights and Obligations of Tenants and Landlords

The New Czech Civil Code provides for several rights and undertakings of tenants and landlords that can be partially amended and supplemented by lease agreements. Some examples of some of the most important rights and undertakings are provided below.

In the event an apartment is unfit for habitation, a tenant can refuse to move in and pay rent until the defects are fixed. If the tenant moves in, he or she is entitled to a reduction in rent as long as the defects remain.

The landlord and the tenant may agree upon a security deposit that may amount to up to six months' rent. The deposit can be used to compensate unpaid rent or to compensate other breaches of a tenant's obligations. The deposit must bear a statutory interest rate.

The New Czech Civil Code allows a landlord to prohibit persons other than a tenant from using the unit without the consent of the landlord (save for close relatives of the tenant).

In general, a tenant must accommodate alterations or repairs made to a building or apartment conducted by or on behalf of a landlord. The New Czech Civil Code contains detailed rules on different situations regarding such alterations. Any alterations or remodelling of the apartment or the building may only be conducted by the tenant with prior landlord approval (except for alterations related to disability or health limitations). At the end of the lease term, the tenant is generally required to remove such alterations or remodelling at the tenant's own expense, if requested by the landlord.

Statutory Protection against Termination of Residential Leases by Landlord

Under the New Czech Civil Code, a landlord may terminate a lease agreement concluded for a definite period or indefinite period by giving three months' notice if: (i) the tenant materially breaches his or her obligations under the lease; (ii) the tenant is sentenced for an intentional criminal offence committed against the landlord, a member of the landlord's family, a person who lives in the building where the tenant's apartment is situated or against a third person's property located in the building; (iii) the apartment or building must be vacated for reasons of public interest that render the apartment unusable; or (iv) there are other similarly serious reasons for terminating the lease.

A landlord may also terminate a lease agreement for an indefinite period by giving three months' notice if: (i) the apartment will be used by the landlord; (ii) the apartment will be used by the landlord's spouse who intends to abandon the household and a proposal for a divorce has been filed or the landlord and the spouse have already divorced; or (iii) the landlord needs the apartment for certain close relatives of the landlord or the landlord's spouse. The landlord is required to re-lease the apartment to the tenants or provide compensation if the landlord does not start to use the apartment within one month from the date of termination of the lease for the reason stated in the termination notice.

The tenant has the right to file a request with the court to determine whether the termination was justified within two months from the date of receipt of the termination notice.

If the tenant materially breaches his or her obligations, the landlord has the right to terminate the lease with immediate effect and without complying with the general termination notice period and to demand that the tenant vacate the apartment without delay and no later than one month after the end of the lease, provided, however, that the landlord had requested that the tenant remedy within a reasonable time the material breach of his or her obligations under the lease prior to the delivery of the lease termination notice. A material breach of a lease includes, but is not limited to, the following circumstances: (i) the tenant does not pay the rent and associated costs for a period of at least three months; (ii) the tenant seriously or irreparably damages the apartment or the building; (iii) the tenant causes serious damage or trouble to the landlord or to other people living in the building; or (iv) the tenant uses the apartment in an unauthorised way or for a purpose not permitted in the lease. The landlord must state in the lease termination notice how the tenant materially breached his or her obligations under the lease.

If the tenant does not vacate the apartment on the day that the lease ends, the landlord has the right to continue to charge the agreed rent until the day that the tenant actually vacates the apartment.

If a lease agreement is terminated by the landlord, the landlord is required to inform the tenant about his or her right to submit a complaint to a court of competent jurisdiction and request such court to determine whether the lease termination was justified, otherwise such termination is invalid.

The landlord may also terminate a lease agreement without stating a reason by giving two months' notice within three months after the landlord becomes aware that: (i) the tenant has died; (ii) the rights and obligations under the lease agreement have not been transferred to the tenant's other household members; and (iii) of the identity of the tenant's heir or the administrator of the tenant's estate. A tenant's heir or the administrator of the tenant's estate may also terminate a lease agreement without stating a reason by giving two months' notice within three months after he or she becomes aware that (i) the tenant died; (ii) a tenant's heir or administrator has rights of inheritance; and (iii) the rights and obligations under the lease agreement were not transferred to a member of the tenant's household. Such notice must be given at all times not later than six months after the tenant died.

Tenant's right to terminate a residential lease under the New Czech Civil Code

Under the New Czech Civil Code, a tenant may terminate a lease concluded for a definite period if the circumstances under which the parties entered into the agreement changed to the extent that the tenant cannot reasonably be required to continue the lease.

In case of residential lease concluded for an indefinite period, the tenant may terminate such arrangement by a written termination notice without stating a qualified reason by giving three months' notice.

If a tenant's spouse is living in an apartment, the tenant cannot terminate the lease without his or her consent provided in writing.

Statutory rules on rent increases

If a lease agreement does not provide for a rent increase or if it does not specifically prohibit an increase in rent, the landlord may propose increasing the rent in writing to the tenant, provided the proposed rent increase, along with any rent increase in the past three years, is not more than 20 per cent. of the original rental rate and is comparable to similar rents for apartments of a similar location and quality. Any proposal that has been made before the lapse of a 12-month period during which the rent has not been increased, or any proposal that does not contain the rent amount and does not evidence satisfaction of such conditions, will be null and void. The implementing regulation specifies the details and procedures for identifying comparable rents.

If the tenant agrees to the proposed rent increase, he or she must begin to pay the increased rent three months after the delivery of the landlord's proposal. If the tenant does not inform the landlord within two months from the delivery of the landlord's proposal that he or she agrees with the rent increase proposal, the landlord is, within three months, entitled to ask a court of competent jurisdiction to determine the amount of the rent increase. A similar procedure applies in the case of a tenant requesting a decrease in rent.

If the landlord makes alterations that consistently improve the utility value of the rented apartment or the overall living conditions in the building or result in permanent energy or water savings, the landlord may make an agreement with the tenant that the rent will increase, but by no more than 10 per cent. of the annual costs reasonably incurred for the alteration. If at least two-thirds of the tenants of the apartments in the building agree to such proposal, the rent increase will apply to the other tenants as well. If the parties fail to agree on such rent increase, the landlord may propose a rent increase of 3.5 per cent. of the annual costs of the alteration. Any proposal that fails to evidence the amount of rent or fulfilment of such conditions will be null and void.

Pre-emptive right

The New Czech Civil Code protects tenants in cases where the building is converted into individual apartments. Section 1187(1) of the New Czech Civil Code provides that if an apartment is created by splitting a right to the building or to the land into an ownership right to the apartment (*jednotka*), the tenant has a pre-emptive right to the apartment upon its first transfer. The pre-emptive rights expire if the tenant fails to accept the offer within six months from its effectiveness.

Superficies solo cedit principle

Prior to 1 January 2014, Czech law allowed for land and any buildings situated on such land to be held under separate titles. However, the implementation of the New Czech Civil Code reintroduced the *superficies solo cedit* principle to Czech law and provides that if a building and the land on which such building is situated were owned by the same owner prior to 1 January 2014 and there are no other incompatible rights, such building now constitutes a part of the land. Certain of the buildings that we own were built on land that we do not own. As a result, for these properties, pursuant to the New Czech Civil Code, we and the landowner have a mutual pre-emptive right upon a sale of the building or the land, respectively. Less than two per cent. of all of our buildings fall into this category.

Requirement for energy performance certificates

In accordance with Section 7a of the Act No. 406/2000 Coll., Energy Savings Act, as amended (the "**Energy Savings Act**"), the owner of a building or certain other entities specified by law is obliged to arrange for an energy performance certificate (*průkaz energetické náročnosti*):

- for newly constructed buildings or buildings that have undergone major renovations; and
- for occupied residential houses or office buildings with a total energy reference area of:
  - more than 1,500 sqm by 1 January 2015;
  - more than 1,000 sqm by 1 January 2017; and
  - less than 1,000 sqm by 1 January 2019.

The owner is also obliged to arrange for the energy performance certificate in the case of: (i) the sale of the building or contiguous part thereof; (ii) lease of the building; or (iii) lease of a contiguous part of the building starting from 1 January 2016.

From 1 January 2013, prior to entering into a contract with a potential buyer, the owner of apartment property must: (i) submit to the potential buyer an energy performance certificate that discloses the property's energy efficiency; (ii) handover the energy performance certificate to the buyer as at the date of concluding the contract; and (iii) ensure that at the time of sale the indicators of the energy performance specified in the energy performance certificate are listed in the information and promotional materials. Furthermore, the Energy Savings Act provides for additional requirements with respect to construction projects mainly to meet energy saving requirements provided by implementing regulation if a new building is constructed or an existing building substantially refurbished. Energy performance certificates are generally valid for 10 years.

Restrictions on Properties due to Subsidies Granted to Us

We have participated in several government initiatives to revitalise housing stock in certain communities and promote environmentally-friendly refurbishments. The subsidy programmes restrict our dealings with participating properties, including prohibitions against the sale or destruction of the properties or the granting of security interests.

Restrictions on Properties due to Historic Preservation

Some of the buildings we own are subject to protection pursuant to Act No. 20/1987 Coll., National Monuments Care Act, as amended (the "**National Monuments Care Act**"). The National Monuments Care Act generally places restrictions on structural changes and use of the property, and requires the owner to maintain the protected structure and its surroundings. Owners of properties located in a preservation area must obtain specific governmental approval for renovations, reconstruction, altering the structure, changing the use of the building or demolishing the building structure. Moreover, the owner of a building listed as a cultural monument is required to preserve and maintain the building in a predominantly unchanged state, keep the property in a good condition at his expense and protect it against danger, damage, depreciation or theft. If the owner intends to transfer the property for consideration, save for a sale between close persons or joint owners, the Czech State has a pre-emptive statutory right to purchase the property. If the landlord fails to offer the property to the Ministry of Culture for sale, the legal act by which the landlord transferred the ownership to another person will be invalid if the Ministry of Culture invokes the invalidity. The Ministry of Culture may invoke such invalidity within three years from the date of the transaction.

Regulation Relating to Environmental Damage and Contamination

In addition to Czech tenancy law, we are subject to various rules and regulations regarding environmental protection. A brief overview of selected environmental regulations is set forth below.

General protection of the environment

Act No. 17/1992 Coll., the Environment Act, as amended (the "**Environment Act**"), sets forth the basic set of public law obligations that all natural persons and legal entities must comply with. In particular, the Environment Act creates the duty to avoid causing any pollution or damage to the environment and to minimise any unfavourable impact an activity has on the environment. This duty to avoid causing pollution or damage to the environment applies to all natural persons and legal entities. One of the principal obligations that arises from Section 19 of the Environment Act is that any person who becomes aware of any risk of environmental damage or any damage that has already occurred has a duty to take all necessary measures to avert such risk or mitigate the consequences of such damage. Additionally, under Section 27 of the Environment Act, the party responsible for environmental damage or other unlawful conduct has a duty to restore the damaged area to its natural state. If this is not possible or practical, such party must remedy the environmental damage in some other way or pay monetary compensation to the state.

There are no statutes of limitation relating to the application of the public law duty described above. If the polluter is unknown (or if such subject is known but unable to fulfil the respective remedial measures due to bankruptcy for example), the Czech state or the respective region of the Czech Republic must arrange for such measures to be implemented at its own cost. This duty to prevent, remediate or pay compensation for one's own pollution is called the "polluter pays" principle.

Protection of water

We are subject to the relevant provisions of Act No. 254/2001, Water Act, as amended (the "**Water Act**"), together with numerous implementing regulations.

The Water Act distinguishes the general disposal of surface water for personal use, which is free, from other disposals that are subject to a permit. The release of pollution into water is governed by principles including best available technology and correct agricultural practice. The Water Act is based on the "user pays" and "polluter pays" principles.

The Water Act stipulates that the consent of the relevant municipal or regional authority is required for surface water take-off and to release wastewater into surface water or ground water.

Maintenance of water and sewerage systems

Pursuant to Section 3 of Act No. 274/2001 Coll., the Water and Sewerage System Act, as amended (the "**Water and Sewerage System Act**"), the owner of a water connection (*vodovodní přípojka*) must ensure that the connection has been built properly and is used in a manner that would prevent the water in the water system (*vodovod*) from being contaminated. The owner of a sewerage connection (*kanalizační přípojka*) must ensure that the connection has been properly built and does not reduce the flow profile of the sewerage system (*kanalizace*) into which it outlets. The owner must also ensure that the volume of wastewater discharge (*vypouštění odpadních vod*) and the method of discharge occur in accordance with the relevant laws. In certain of our buildings, wastewater discharge does not comply with the Water and Sewerage System Act, however, we are currently planning a €1 million investment and working with the city of Ostrava in order to make such buildings compliant.

Water quality

In the event that the quality of the drinking water and its hygienic limits are not in accordance with the limits set up by the law, pursuant to Section 4(5) of the Act No. 258/2000 Coll., the Public Health Protection Act, as amended (the "**Public Health Protection Act**"), the owner or operator of the water pipeline is, among other things, required to promptly investigate and determine the cause of the drinking water's non-compliance with the quality/hygienic limits and must adopt effective remedies. This applies similarly to hot water (*teplá voda*).

Real Estate Acquisition Tax

Parties to a transfer of real estate located in the Czech Republic may bear certain costs in connection with the transaction. These costs include, but are not limited to, the payment of a real estate transfer tax by the seller of real estate where the buyer is the guarantor of the real estate transfer tax payment unless the parties agree that the tax is paid by the purchaser. The real estate acquisition tax is currently assessed at four per cent. of the higher of or equal to the purchase price and the comparative value of the property. The comparative value is 75 per cent. of the guide value (determined by the tax authorities for certain comparable property) or 75 per cent. of the value established in accordance with the Act on Valuation of Property.

MANAGEMENT

Introduction

This section summarises certain information concerning the Board of Directors, our senior management and our employees. It is based on relevant provisions of Dutch corporate law as in effect on the date of this Prospectus and on the Articles of Association and the By-Laws (as defined below) as they will be in place prior to Settlement. This section further includes a brief summary of information concerning our employees, remuneration and pension plans.

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to the relevant provisions of Dutch law as in force on the date of this Prospectus and the Articles of Association and the By-Laws. The Articles of Association are available in the governing Dutch language and an unofficial English translation thereof, and the By-laws are available in English, on the Company's website.

Management structure

The Company has a one-tier board structure consisting of executive and non-executive directors.

Board of Directors

Powers, responsibilities and functioning

Under Dutch law, the Board of Directors is collectively responsible for the general affairs of the Company. Pursuant to the Articles of Association, the Board of Directors may assign duties and powers to individual directors and/or committees that are composed of two or more directors, with the day-to-day management of the Company entrusted to the executive directors. The non-executive directors have the task of supervising the performance of duties by the executive directors as well as the general course of affairs of the Company and the business connected with it. In addition, both executive and non-executive directors must perform such duties as are assigned to them pursuant to the Articles of Association and, as applicable, the By-Laws or a resolution of the Board of Directors. Each director has a duty towards the Company to properly perform the duties assigned to him or her. Furthermore, each director has a duty to act in the corporate interest of the Company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees and other stakeholders.

In accordance with Dutch law and the Articles of Association, the Board of Directors may draft regulations which determine that one or more members of the Board of Directors can make valid decisions concerning matters belonging to its or their duties. For more information, see "*—Decision Making and Approvals*" below.

Pursuant to Dutch law, an executive director may not be allocated the tasks of: (i) serving as chairman of the Board of Directors; (ii) fixing the remuneration of the directors; or (iii) nominating directors for appointment. An executive director may further not participate in the adoption of resolutions (including any deliberations in respect of such resolutions) related to the remuneration of executive directors.

Tasks that have not been specifically allocated to a specific director fall within the power of the Board of Directors as a whole. The members of the Board of Directors share responsibility for all decisions and acts of the Board of Directors and for the acts of each individual member of the Board of Directors regardless of the allocation of tasks.

The Board of Directors as a whole is entitled to represent the Company. Additionally, any two executive directors, acting jointly, are authorised to represent the Company. Moreover, each executive director who has been granted the title of chief executive officer or chief financial officer of the Company is authorised to individually represent the Company.

Composition, appointment, term and dismissal

The Articles of Association provide that the Board of Directors shall consist of at least one executive director and two non-executive directors. The majority of the directors shall be non-executive directors. The exact number of directors, executive directors and non-executive directors shall be determined by the Board of Directors. The Board of Directors shall designate one of the non-executive directors as chairman of the Board of Directors for a term to be determined by the Board of Directors, and may designate one or more of the other non-executive directors as vice-chairman of the Board of Directors.

Pursuant to the Articles of Association, directors will be appointed by the General Meeting, on the basis of a (non-binding) nomination for appointment by the Board of Directors. The Board of Directors does not have the right to make a binding nomination for the appointment of directors. The executive directors shall not take part in discussions or decision making by the Board of Directors relating to nominations for the appointment of directors. A resolution to appoint a director nominated by the Board of Directs may be adopted by the General Meeting by an absolute majority of votes cast, irrespective of the represented capital. A resolution to appoint a director other than in accordance with a nomination by the Board of Directors may be adopted by the General Meeting by an absolute majority of votes cast representing more than one-third of the Company's issued share capital. If the quorum is not met, no adjournment can occur and no second General Meeting can be convened. Only candidates whose names are included on the agenda of the General Meeting can be voted on for appointment as director.

The General Meeting will also decide whether a director is appointed as an executive or as a non-executive director. The Board of Directors may designate an executive director with the title of chief executive officer or chief financial officer. No such proposal is currently contemplated. The legal relationship between a director and the Company will not be considered an employment agreement.

Pursuant to the Articles of Association, the members of the Board of Directors will serve for terms of not more than four years from appointment. The term of office for each director will end when his or her successor is appointed by the General Meeting, unless the number of directors has been reduced so there is no vacancy on the Board of Directors, or until his or her earlier death, resignation or dismissal.

The General Meeting has the power to suspend or dismiss a member of the Board of Directors at any time, with or without cause, by means of a resolution for suspension or dismissal passed by an absolute majority of the votes cast. If the General Meeting adopts a resolution to suspend or dismiss a director without a nomination of the Board of Directors to do so, the resolution must be passed by an absolute majority of the votes cast, representing more than one-third of the issued capital. The executive directors shall not participate in the discussion and decision-making process of the Board of Directors on making a proposal for suspension and dismissal.

Executive directors may also be suspended by the Board of Directors. The executive directors shall not participate in the discussion and decision-making process of the Board of Directors regarding suspensions and dismissals. Any suspension may be extended one or more times, but may not last longer than three months in aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on dismissal of the relevant director, the suspension shall end. A suspension can be ended by the General Meeting at any time.

Decision-making and approvals

Prior to the Settlement, the Board of Directors shall adopt board regulations (the "**By-Laws**"). The By-Laws describe, *inter alia*, the procedure of holding meetings and decision-making by the Board of Directors, and the Board of Directors' operating procedures. The Company's business affairs and effective management of the Company's operations shall be conducted in the Netherlands and meetings of the Board of Directors shall be held in the Netherlands with at least half of the participating members of the Board of Directors physically present. The By-Laws shall be established taking into account the Dutch Corporate Governance Code. For further information on the Dutch Corporate Governance Code see "*Description of Share Capital and Corporate Governance—Corporate governance*".

Under the Articles of Association and the By-Laws, the members of the Board of Directors shall endeavour to achieve that resolutions are as much as possible adopted unanimously. Where unanimity cannot be reached and Dutch law, the Articles of Association or the By-Laws do not prescribe a larger majority, all resolutions of the Board of Directors must be adopted by an absolute majority of the votes cast at a meeting where (i) a majority of the members of the Board of Directors is present or represented and (ii) at least half of the participating directors is physically present in the Netherlands ((i) and (ii) the "**Meeting Requirements**"). In the event of a tie of votes, the chairman of the Board of Directors shall have the deciding vote.

Pursuant to the Articles of Association, the Board of Directors may designate specific resolutions which are subject to requirements that deviate from those set out in the preceding paragraph. These types of resolutions and the nature of the deviation must be clearly specified and laid down in writing. The proposed By-Laws contain resolutions which can only be adopted by the Board of Directors (without any delegation being possible and in accordance with the Meeting Requirements) by an absolute majority of the votes cast provided that the majority of the non-executive directors must have voted in favour of the relevant proposal. These resolutions include those:

(a) to determine or, as applicable, amend the operational and financial objectives of the Company and its subsidiaries and the strategy designed to achieve the objectives of the Company and its subsidiaires;

(b) to determine or, as applicable, amend the parameters to be applied in relation to the strategy, for example in respect of the financial ratios;

(c) to issue Shares or grant rights to subscribe for Shares, as well as to limit or exclude pre-emptive rights, if and insofar as the Board of Directors has been designated for that purpose by a resolution of the General Meeting;

(d) to make proposals to the General Meeting where the Articles of Association provide that such proposal is required to adopt the relevant resolution, such as a resolution to issue Shares or grant rights to subscribe for Shares or to limit or exclude pre-emptive rights relating thereto or to designate the Board of Directors as the corporate body to so issue, grant, limit or exclude;

(e) to acquire or alienate Shares in its own capital or depositary receipts thereof;

(f) any of the resolutions by the Board of Directors in respect of the following:

  (i) to make nominations to the General Meeting for the appointment of directors;

  (ii) to make a proposal to the General Meeting for suspension or removal of a director;

  (iii) to propose to the General Meeting to adopt a policy on remuneration of the Board of Directors;

  (iv) to establish remuneration and other terms of service for executive directors;

  (v) to adjust upwards or downwards the value of a variable remuneration component conditionally awarded in a particular financial year if in its opinion such value produces an unfair result due to extraordinary circumstances in the period in which the performance criteria determined beforehand are or should be realised;

  (vi) to claim back from executive directors the variable remuneration component granted on the basis of incorrect (financial) information; and

  (vii) to approve the granting by the Company and its subsidiaries of personal loans, guarantees or the like to directors within the framework of its usual business operations, on conditions which apply to all employees;

  provided that according to the Articles of Association or the By-Laws, as the case may be, the executive directors shall not take part in the discussions and decision-making by the Board of Directors on any of the matters referred to under (f);

(g) to allocate duties of the Board of Directors to individual directors;

(h) to appoint or remove the company secretary;

(i) to establish committees, appoint and dismiss their members, determine the tasks of the committees and adopt or amend the rules of the committees;

(j) to appropriate the Company's profits during a financial year—the positive balance on the profit and loss account—wholly or partly to increase and/or form reserves of the Company or, as applicable, allocate any losses incurred in a financial year;

(k) to make any interim distributions and/or to make any distributions and the expense of any reserve of the Company or, as applicable, propose to the General Meeting to make a distribution of profits;

(l) to determine when distributions on Shares shall be made payable, to determine that a distribution on Shares shall wholly or partly be a payment in Shares or a payment in cash in another currency than euro;

(m) to prepare the Company's annual accounts and annual report;

(n) to enter into mergers, take-overs and joint-ventures;

(o) to propose, with respect to the Company and its subsidiaries, to amend either the Articles of Association or the foundation deed (as applicable), change the corporate form, enter into a statutory merger or statutory demerger or dissolve the Company or any of its subsidiaries;

(p) to approve the exercise of any other voting rights or any other shareholder rights by the Company in its capacity of shareholder of a subsidiary with respect to any resolution put to the general meeting of shareholders of any such subsidiary as required by applicable law, legislation or constitution of such subsidiary, including to approve to reduce the issued capital of a subsidiary;

(q) to cooperate in the issuance of depositary receipts for Shares;

(r) to assess whether a (potential) conflict of interests exists that is of material significance to the Company and/or to a director;

(s) to designate one of the non-executive directors as chairman and (if applicable) to designate one or more of the other non-executive directors as vice-chairman;

(t) to amend the By-Laws or the Company's other corporate governance policies and codes; and

(u) to make any addition or amendment to the foregoing list of resolutions.

Pursuant to the Articles of Association and the By-Laws, resolutions can also be adopted without holding a meeting which requires that the proposal is submitted to all directors and none of them has objected to the manner of adopting resolutions.

The Board of Directors meets as often as deemed necessary by the chairman, an executive director or one-third of the directors, but in any event at least four times each financial year.

The Board of Directors shall appoint a company secretary and is authorised to replace him or her at any time. The company secretary holds the duties and powers vested in him or her pursuant to the Articles of Association, the By-Laws and/or a separate resolution of the Board of Directors.

Board of Directors resolutions requiring prior approval

Resolutions of the Board of Directors entailing a significant change in the identity or the character of the Company or its business require the prior approval of the General Meeting, which in any case includes:

(a) the transfer of all or substantially all of the business of the Company to a third party;

(b) the entry into or termination of a long-term cooperation with another legal entity, company or partnership by the Company or any of its subsidiaries, or as a fully-liable partner in a limited or general partnership, if such cooperation or termination is of fundamental importance to the Company; or

(c) the acquisition or disposal by the Company or any of its subsidiaries of a participating interests in the capital of a company with a value equal to at least one-third of the sum of the assets of the Company according to its consolidated balance sheet and explanatory notes included in its most recently adopted consolidated annual accounts.

The absence of approval of a Board of Directors resolution by the General Meeting will not affect the authority of the Board of Directors, any two executive directors or, if so designated, the chief executive officer or the chief financial officer to represent the Company.

Conflict of interests

Pursuant to Dutch law and the Articles of Association, a member of the Board of Directors may not participate in the adoption of resolutions (including any deliberations) if he or she has a direct or indirect personal conflict of interest. Such a conflict of interests only exists if in the situation at hand the member of the Board of Directors is deemed to be unable to serve the interests of the Company and the business connected with it with the required level of integrity and objectivity. The existence of a (potential) conflict of interest does not affect the authority of representation of the Company as described under "*—Board of Directors—Powers, responsibilities and functioning*" above.

A member of the Board of Directors must immediately report any conflict of interest or potential conflict of interests that is of material significance to the Company and/or to him or her to the chairman of the Board of Directors and the other members of the Board of Directors and shall provide all relevant information, including information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The member concerned shall not take part in the assessment by the Board of Directors whether a conflict of interests exists.

If a transaction is proposed in which not only the Company but also an affiliate of the Company has an interest, then the mere fact that a member of the Board of Directors holds any office or other function with the affiliate concerned or another affiliate, whether or not remunerated, does not mean that such a conflict of interests exists.

Members of the Board of Directors

The following table sets forth the members of the Board of Directors at the date of this Prospectus:

Name	Age	Position	First appointed	Appointed until
Martin Ráž	46	Executive director	15 April 2014	15 April 2018
Agnes L. Blanco Querido	33	Executive director	15 April 2014	15 April 2018
Onno Breur	63	Independent non-executive director, Chairman	15 April 2014	15 April 2018
Peter Kadas	52	Non-independent non-executive director	15 April 2014	15 April 2016
Allerd Derk Stikker	52	Non-independent non-executive director	13 February 2014	15 April 2016
Joerg Schwagenscheidt	50	Independent, non-executive director	15 April 2014	15 April 2018
Laurentius A.P. (René) Mulder	60	Independent, non-executive director	15 April 2014	15 April 2017

The Company's registered address serves as the business address for all members of the Board of Directors, being Jachthavenweg 109h, 1081 KM Amsterdam, The Netherlands.

Martin Ráž is the Co-Chief Executive Officer of RPG Byty and an executive director of the Company. He was the Chief Financial Officer of RPG RE Management for eight years and has been a Director of RPG Byty for more than two years. Before joining these companies, he worked at Ferra Engineering in Brisbane, Australia as a Financial Manager. He has a broad range of experience, having held chief financial officer and other senior financial management positions in the automotive, aerospace and construction industries in locations including Australia, the Czech Republic and other Central and Eastern European nations. Mr. Ráž holds an MBA from Rochester Institute of Technology in the state of New York in the United States.

Agnes L. Blanco Querido is an executive director of the Company. She was Head of Investor Relations at New World Resources Plc in Amsterdam from 2008 to 2011, and was an Investor Relations Analyst at ABN AMRO Holding N.V. in Amsterdam from 2006 to 2008. She also served as a NexGen Fellow at Emzingo Group LLC in Johannesburg, South Africa in 2013. Ms. Blanco Querido graduated with a Bachelor of Sciences degree in Economics from the State University of Campinas (UNICAMP) in São Paulo, Brazil in 2003 and completed a post-graduate specialisation in Economic Diplomacy at the State University of Campinas (UNICAMP)/UNCTAD in São Paulo, Brazil and Geneva, Switzerland. Ms. Blanco Querido also completed an Executive Education Corporate Finance Modular Programme at the London Business School in 2009 and received an International MBA from the IE Business School in Madrid, Spain, in 2013.

Onno Breur is the Chairman of the Board of Directors. He also serves as chairman of the non-executive board of Westplan. He was Chief Operating Officer and member of the board of Vesteda Property Management from 2004 to 2013, and was director of real estate at Achmea Global Investors (and later F&C Netherlands) from 1996 to 2004. He served as a senior international manager at MBO/Nationale Nederlanden/ING Real Estate from 1992 to 1996 and as a director of Sterling Development from 1990 to 1992. Before working for these companies, Mr. Breur spent over 15 years working in the real estate industry in the Netherlands and the United States. In 1975, Mr. Breur graduated from the Institute for Business Administration and Economics (*HEAO*) in Amsterdam.

Peter Kadas was appointed as a Director of RPG Property B.V. in December 2008 and of BXR Real Estate Investments B.V. in October 2006. He has also served as Vice-Chairman of New World Resources plc (previously New World Resources N.V. before the formation of New World Resources plc) since 2007 and as a director since 2006. Mr. Kadas is also a non-executive director of Fotex Holding SE, Shred-it International Inc., Marex Spectron Group Limited. Mr. Kadas has been a senior employee of BXR Partners LLP, an affiliate of BXR Group, since 2010. He was a director of Bakala Crossroads Partners Ltd, another affiliate of BXR Group from 2000 to 2010. He was managing director of Croesus Central Europe from 1997 to 2000. From 1996 to 1997 he also worked as managing director for MC Securities in London. In 1995, he co-founded Renaissance Capital, Russia's first private investment bank. In 1990, he was a director of Credit Suisse First Boston's branch office in Budapest. Mr. Kadas also served on numerous corporate boards in the region, including at Credit Suisse First Boston, the management committee of Renaissance Capital, and as vice-chairman of the board of directors of České radiokomunikace. Mr. Kadas graduated in 1986 from Trinity College, University of Toronto with a Bachelor of Arts degree in Economics and Politics. In 1990, he obtained a Master of Business Administration degree from Dartmouth College in the United States.

Allerd Derk Stikker is the Chief Operating Officer of BXR Group and a non-executive director of the Company. In addition to RPG Property, Derk Stikker is a director of a number of companies in the BXR Group, including BXR Group B.V., Green Gas International B.V., Hoyo Hoyo B.V. and Malawi Mangoes (Mauritius) Limited. He started his career as a banking consultant in the United States. After returning to Europe, he became active within the oil and gas sector and was subsequently Chief Financial Officer of IMC, a financial institution. He joined BXR Group in 2007, initially as Chief Financial Officer of RPG Real Estate. A Dutch citizen, he holds an MBA from George Washington University in Washington D.C. in the United States.

Joerg Schwagenscheidt is an independent non-executive director of the Company. From 2006 to 2014, he also worked at GSW Immobilien, initially as a executive manager from 2006 to 2010 and as a member of the management board from 2010 to January 2014. Mr. Schwagenscheidt has been active in the real estate industry since 1990. From 1999 to 2006 he was head of the Gelsenkirchen and Essen branches of Viterra AG/ Deutsche Annington GmbH, from 1998 to 1999 he was a member of management at BBT Bau-Boden Treuhand GmbH & Co. KG, from 1996-1997 he was managing director at DB Immobilien GmbH, and from 1991 to 1996 he served as a regional manager at Dr. Lübke Immobilien GmbH. He holds a degree in real estate economics from ebs European Business School.

Laurentius A.P. (René) Mulder is an independent non-executive director of the Company. Since 2004 he has served as chairman of the board of Van Dyke Netherlands Inc., and since 2013 he has served as managing director of BNK Petroleum Investments B.V. After having held various positions at Oranje-Nassau Group since 1982, from 2009 to 2012 he served as a member of the supervisory board and later as a member of the advisory council of Oranje-Nassau Energie B.V., from 2006 to 2008 he served as chairman of the advisory council of HME Group B.V., from 2001 to 2007 he served as a member of the supervisory board of America Today B.V., and from 1995 to 2005, he served as a member of the Supervisory Board of Arvato Services B.V. He holds a Bachelors of Law degree from Vrije Universiteit in Amsterdam, the Netherlands, an MBA from the Rotterdam School of Management at Erasmus University and he completed a Management Development Program at Harvard Business School in Cambridge, Massachusetts in the United States.

Committees

Prior to Settlement, the Board of Directors shall establish an Audit Committee, a Remuneration Committee and a Nominations Committee. The Board of Directors shall appoint the members of each committee and determine the tasks of each committee. The committees will consist of non-executive members of the Board of Directors. They will report their findings to the Board of Directors, which will be ultimately responsible for all decision-making. The Board of Director will remain collectively responsible for decisions prepared or taken by one or more of the committees.

Audit Committee

The Audit Committee will be charged in particular with:

(a) the supervision and monitoring of:

    (i) the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;

    (ii) the provision of financial information by the Company (including but not limited to the choice of accounting policies, application and assessment of the effects of new rules, information about the treatment of estimated items in the annual accounts, forecasts, work of internal and external auditors);

(iii) compliance with recommendations and observations of internal and external auditors;

(iv) the role and functioning of the internal audit function;

(v) the policy of the Company on tax planning;

(vi) relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services carried out by him for the Company;

(vii) the financing of the Company; and

(viii) the application of information and communication technology (ICT);

(b) to give advice to the Board of Directors on the nomination by the Board of Directors to the General Meeting for the appointment of the external auditor;

(c) where necessary, to make proposals to the Board of Directors on the policy applied in respect of the independence of the external auditor and possible (potential) conflicts of interests between the external auditor and the Company; and

(d) to prepare meetings of the Board of Directors where the annual report, the annual accounts, the half-yearly and the quarterly figures of the Company are discussed.

According to its rules, as currently proposed, the Audit Committee will meet as often as required for a proper functioning of the Audit Committee, but at least four times each financial year. The Audit Committee will consist of three non-executive members of Board of Directors to be appointed by the Board of Directors prior to Settlement. The Board of Directors shall further appoint one of the members of the Audit Committee as chairman of the Audit Committee. The members will be: Joerg Schwagenscheidt (Chairman), Onno Breur and Laurentius A.P. (René) Mulder.

Remuneration Committee

The Remuneration Committee will have the following duties:

(a) drafting proposals to the Board of Directors for the remuneration policy to be pursued for the directors, which policy, as well as any material changes thereto, shall be submitted to the General Meeting for adoption;

(b) drafting proposals for the remuneration of the individual executive members of the Board of Directors; such proposals shall, in any event, deal with (i) the remuneration structure and (ii) the amount of the fixed remuneration, shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation awarded, as well as the performance criteria and their application, and, if there are reasons therefore, to make proposals for changes or additions to the remuneration of individual executive directors, which remuneration and possible changes and/or additions shall be submitted for adoption to the Board of Directors;

(c) to prepare the remuneration report; and

(d) to make proposals to the Board of Directors for the remuneration of the individual non-executive directors, which remuneration will be submitted to the General Meeting for adoption.

According to its rules, as currently proposed, the Remuneration Committee will meet as often as required for a proper functioning of the Remuneration Committee, but at least twice each financial year. The Remuneration Committee will consist of three non-executive members of Board of Directors to be appointed by the Board of Directors prior to Settlement. The Board of Directors shall further appoint one of the members of the Remuneration Committee as chairman of the Remuneration Committee. The members will be: Peter Kadas (Chairman), Joerg Schwagenscheidt and Laurentius A.P. (René) Mulder.

Nominations Committee

The Nominations Committee will have the following duties:

(a) to draft selection criteria and appointment procedures for directors;

(b) to assess at least once a year the size and composition of the Board of Directors, and to make proposals for the board profile;

(c) to assess at least once a year the functioning of individual board members, and report their findings to the Board of Directors;

(d) to make proposals for (re)appointments;

(e) to supervise the policy of the Board of Directors on the selection criteria and appointment procedures for senior management;

(f) to prepare the decision-making process of the Board of Directors on the acceptance by an executive director of the membership of the supervisory board of a listed company;

(g) to evaluate the Company's governance and reporting the results thereof to the Board of Directors; and

(h) to prepare the decision-making process of the Board of Directors concerning any conflicts of interest that may arise in the acceptance by members of the Board of Directors of additional positions.

According to its rules, as currently proposed, the Nominations Committee will meet as often as required for a proper functioning of the Nominations Committee, but at least twice each financial year. The Nominations Committee will consist of three non-executive members of Board of Directors to be appointed by the Board of Directors prior to Settlement. The Board of Directors shall further appoint one of the members of the Nominations Committee as chairman of the Nominations Committee. The members will be: Onno Breur (Chairman), Allerd Derk Stikker and Laurentius A.P. (René) Mulder.

Senior Management of RPG Byty

The following table sets forth our current senior management:

Name	Age	Position
Pavel Klimeš	49	Co-CEO of RPG Byty
Martin Ráž	46	Co-CEO of RPG Byty
Zdeněk Vozník	58	Director of Property Management
Vladimír Fornůsek	46	Director of RPG Služby and Head of Facility Management(1)
Martin Sládeček	41	Head of Letting

Note:

(1) Vladimír Fornůsek is employed part time by RPG Byty and part time by our affiliate, RPG Služby. We have a long term contractual relationship with RPG Služby, pursuant to which it provides facility management services in the form of maintenance, cleaning and small repairs. See "*Related Party Transactions—Service Agreement with RPG Služby*".

The business address for all members of RPG Byty's senior management is Gregorova 2582/3, 701 97 Ostrava-Moravská Ostrava, Czech Republic.

Pavel Klimeš is the Co-Chief Executive of RPG Byty and, prior to the transactions described in "*Business—History—Personnel reorganisation*", was the Chief Operations Officer of RPG RE Management for the previous six years. He joined RPG Byty in 2008 and became a director as at 1 April 2013. He previously was a member of RPG Byty's Supervisory Board from 2008 to 2011. Prior to joining RPG Byty, he worked at Orco Property Group as Group Development Director and as Asset Manager. He has held various senior management positions in construction and real estate companies in the Czech Republic, Israel and Taiwan and has experience with the AT Kearney management consultancy. Mr. Klimeš holds an MBA from the Katz Graduate School of Business in the state of Pennsylvania in the United States.

Martin Ráž is the Co-Chief Executive Officer of RPG Byty and an executive director of the Company. He was the Chief Financial Officer of RPG RE Management for eight years and has been a director of RPG Byty for more than two years. Before joining RPG Byty in 2006, he worked at Ferra Engineering in Brisbane, Australia as a Financial Manager. He has a broad range of experience, having held chief financial officer and other senior financial management positions in the automotive, aerospace and construction industries in locations including Australia, the Czech Republic and other Central and Eastern European nations. Mr. Ráž holds an MBA from Rochester Institute of Technology in the state of New York in the United States.

Zdeněk Vozník has been the Director of Property Management at RPG Byty, s.r.o. for seven years. Before joining RPG in 2007, Mr. Vozník worked at ING Nationale-Nederlanden in Prague as a Director of Sales

Support and Area Director. Mr. Vozník holds a master's degree from Technical University in Ostrava, Czech Republic

Vladimír Fornůsek has been a Director of RPG Služby and Head of Facility Management for seven years. Before joining RPG in 2007, Mr. Fornůsek worked at Mostecká uhelná, a.s. and CzechCoal a.s. as a Director for Restructuralisation, focusing on operations productivity improvement, cost controls and processes optimisation. He also has previous consulting experience with Deloitte & Touche. Mr. Fornůsek holds a master's degree from the University of Economics in Prague, Czech Republic.

Martin Sládeček has been the Head of Letting of RPG Byty for six years. Before joining RPG in 2008, Mr. Sládeček worked at Komerční banka (an affiliate of Société Générale) as a Senior Project Manager. He has held project positions focused on property management in various companies in the Czech Republic. Mr. Sládeček holds a bachelor's degree from the University of Finance and Administration in Prague.

Employment and severance agreements of executive directors

Term of employment

Martin Ráž has entered, and Agnes L. Blanco Querido shall enter, into a service agreement for a four-year term after which the agreement is renewable. The service agreements end four years after appointment by the General Meeting, upon termination of the executive director's membership of the Board of Directors or by notice of either party. Termination by either party is possible with a three months notice period.

Severance payments

Executive directors are not eligible for severance payments under the terms of their service agreements with the Company.

Loans and guarantees

The Company does not grant loans or guarantees, including mortgage loans, to the members of the Board of Directors. At the date of this Prospectus, no such loans are outstanding.

Claw-back

A "claw-back" clause is included in the service agreements of the executive directors of the Company, applicable in the situation that the financial or other information on which the pay-out of variable remuneration was based is determined to be incorrect.

Employment and severance agreements of non-executive directors

Term of employment

Non-executive directors have entered into service agreements, ranging from four to two-year terms, respectively, after which the agreements are renewable. The service agreements end four to two years, respectively, after appointment by the General Meeting, upon termination of the non executive director's membership of the Board of Directors or by notice of either party. Termination by either party is possible with a three month notice period.

Severance payments

Non-executive directors are not eligible for severance payments under the terms of their service agreements with the Company.

Loans and guarantees

The Company does not grant loans or guarantees, including mortgage loans, to the members of the Board of Directors. At the date of this Prospectus, no such loans are outstanding.

Claw-back

As non-executive directors are not entitled to variable payments, no "claw-back" clause is included in the service agreements of the non-executive directors of the Company.

Remuneration

In accordance with Dutch law and the Articles of Association, the Company has a policy with respect to the remuneration of the Board of Directors. This policy is determined by the General Meeting. The authority to establish remuneration and other terms of service for executive directors is vested in the Board of Directors, provided that proposals concerning remuneration of executive directors in the form of Shares or rights to subscribe for Shares must be submitted to the General Meeting for its approval. The executive directors shall not participate in the discussion and decision-making on this subject. The authority to establish remuneration for non-executive directors is vested in the General Meeting.

Remuneration of the executive directors

The remuneration package for executive directors consists of a fixed remuneration and a variable remuneration.

Base salary

Martin Ráž, executive director of the Company, will receive a total gross annual salary of €17,500 in addition to his salary as an officer of RPG Byty.

Agnes L. Blanco Querido, executive director of the Company, will receive a total gross annual salary of €135,000.

Variable income

Executive directors are entitled to an annual variable remuneration in accordance with the Company's remuneration policy as determined by the non-executive members of the Board of Directors. In line with the current remuneration policy of the Company, the executive directors can earn an annual bonus of up to 42 per cent. of their gross annual salary at the discretion of the non-executive members of the Board of Directors, depending on Company performance and individual performance.

Remuneration of the non-executive directors

The remuneration package for non-executive directors consists of a fixed remuneration only.

Base salary

The non-executive directors, not being the chairman of the Board of Directors, each receive a remuneration of €35,000 annually.

The chairman of the Board of Directors receives a remuneration of €45,000 annually.

In addition, the chairmen of the Remuneration Committee and the Nominations Committee will receive an additional remuneration of €5,000 per annum, and a member of such committees will receive an additional remuneration of €3,500 per annum. The chairman of the Audit Committee will receive an additional remuneration of €7,500 per annum, and a member of this committee will receive an additional remuneration of €5,000 per annum.

Remuneration of senior management in 2013

The aggregate remuneration paid to the senior management for the year ended 31 December 2013 was CZK 79,037 thousand (€3,043.4 thousand), and included an exceptional one-off bonus. No post-employment benefits, other long-term benefits or termination benefits were received by these employees.

Equity Holdings

At the date of this Prospectus, none of the current members of the Board of Directors holds any Shares or options on Shares. See "*—Executive Share Option Plan*" for a description of the stock option plan that we expect to establish.

Executive Share Option Plan

The Company expects RPG Byty to establish an executive share option plan (the "**Plan**") to align the interests of participants in the Plan with the Shareholders. The Plan is open to executive directors, and senior management of RPG Byty and/or RPG Služby, with individual eligibility being determined by the decision of the respective company's sole shareholder reflecting the Remuneration Committee's recommendation. The Plan will be operated and administered by RPG Byty and RPG Služby (as appropriate) based on the decision of the respective company's sole shareholder reflecting the determination of the Company's Board of Directors and the Remuneration Committee. The Remuneration Committee may at its discretion and subject to legal requirements amend the Plan. The Board of Directors may terminate the Plan at any time, but any such termination will not affect the options already granted at the time.

In each year, RPG Byty's and/or RPG Služby's (as appropriate) sole shareholder will on the basis of the Remuneration Committee's recommendations determine the number of non-transferable options to acquire the Shares to be granted to eligible executive directors and employees of RPG Byty and/or RPG Služby. In exercising its discretion, the Remuneration Committee will take into account RPG Byty's performance by reference to the target and performance conditions, including economic vacancy and FFO (after capital expenditure) per share, approved from time to time by the Remuneration Committee. The maximum number of shares over which the options may be granted may not exceed the number equal to 5 per cent. of the Company's issued share capital. No options can be granted under the Plan after the sixth anniversary of the date on which the Plan is adopted.

The relevant options may be exercised following the date on which they have vested subject to good/bad leaver provisions described below and provided that, as at vesting, the holder of the option right is still an executive director or employee. The options will vest in accordance with the following vesting schedule:

- at the end of the first year from the grant: 30 per cent. option granted;
- at the end of the second year from the grant: 30 per cent. option granted; and
- at end of the third first year from the grant: 40 per cent. option granted.

All options shall vest in the event a public offer is made for the Shares which results in a party other than BXR Group Limited or its shareholders acquiring more than 50 per cent. of the Shares. In addition, all options shall vest in the event of a legal merger in which the Company is the disappearing company, a winding up of the Company or any similar transactions. Options shall be adjusted proportionately in the event of a capitalisation, rights issue or (reverse) stock split.

The Plan provides for a 'good leaver' provision which allows that—despite the relevant director or employee having left the relevant company—his vested options may be exercised In the event that an executive director or employee qualifies as a 'bad leaver' under the Plan all his options (both vested and unvested) will lapse. All unexercised options will automatically lapse after a period of six years from the date of grant.

The exercise price for options which have vested shall be (i) in respect of the options granted before the first anniversary of the Offering, the Offer Price or (ii) in respect of the options granted at or after the first anniversary of the Offering, the volume weighted average price of Shares on Euronext Amsterdam in the three months immediately prior to the date of grant of the option, in each case less the cumulative capital distribution over the relevant period (i.e. between the grant and exercise dates).

The Company expects that the final implementation of the Plan and first grant of options will be determined by the Remuneration Committee in 2014 after the Offering. All the members of senior management of RPG Byty listed under "*—Senior Management of RPG Byty*" and the Company's executive directors will be eligible under the Plan for grants of options. On 17 April 2014, the General Meeting has approved the establishment of the Plan and the grant of options within the limits set out above, with the number of options to be allocated during the first year after the Settlement to each of Martin Ráž and Pavel Klimeš being limited to up to 0.5 per cent. of the Company's issued share capital at the time of grant (on the basis of the currently issued share capital of the Company this would amount to 90,000 options for each of them). No further approval by the General Meeting is required for the grant of options under the Plan, or further grants to senior management under the Plan.

Potential conflicts of interests

The Company is not aware of any potential conflicts of interest between the private interest or other duties of the members of the Board of Directors and their duties to the Company.

Liability of the members of the Board of Directors

Under Dutch law, members of the Board of Directors may be liable towards the Company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages towards the Company and towards third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil and criminal liabilities.

The liability of members of the Board of Directors and other key employees *vis-à-vis* third parties is covered by a directors and officers liability insurance policy. This policy contains limitations and exclusions, such as wilful misconduct or intentional recklessness (*opzet of bewuste roekeloosheid*).

Indemnification

Pursuant to the Articles of Association, unless otherwise provided by the law, the following shall be reimbursed to current and former directors:

(a) reasonable costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the request of the Company;

(b) any damages or fines payable by them as a result of an act or failure to act as referred to under (a); and

(c) reasonable costs of appearing in other legal proceedings in which they are involved as current or former directors, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf.

There shall be no entitlement to reimbursement as referred to above if and to the extent that (i) a Dutch court has established in a final and conclusive decision that the act or failure to act of the applicable current or former director may be characterised as wilful, intentionally reckless or seriously culpable conduct, unless the law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness (which, in the case of seriously culpable conduct, may be the case where the applicable current or former director was acting honestly and in good faith with a view to the interest of the Company or (ii) the costs or the financial loss of the applicable current or former director are covered by an insurance and the insurer has paid out the costs or financial loss. The Company may take out liability insurance for the benefit of the persons concerned.

Other information in relation to members of the Board of Directors

At the date of this Prospectus, no member of the Board of Directors has, in the previous five years (i) been convicted of any offences relating to fraud, (ii) held an executive function at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation, (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body) and (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Employees

Number of employees

As at 1 January 2014, we had 442 employees, including 227 RPG Služby employees providing facility management services in the form of maintenance, cleaning and small repairs.

Pension schemes

Neither the Company nor RPG Byty operates a pension scheme on behalf of, or for the benefit of, its employees. RPG Byty nevertheless provides to its employees, among other benefits, financial contributions to the employees' private additional pensions insurance, in the scope defined by RPG Byty's collective bargaining agreement described below under "—*Works councils and collective bargaining agreements*".

Works councils and collective labour agreements

The Company does not have a works council. Employees of RPG Byty, a subsidiary of the Company, are represented by a trade union which is party to a collective bargaining agreement with RPG Byty. While the current collective bargaining agreement expires on 31 December 2016, certain provisions relating to wages and other benefits expire on 31 December 2014.

Limitation of supervisory positions

Dutch legislation came into force on 1 January 2013 limiting the number of supervisory positions to be occupied by executive directors of "large Dutch companies". The term "large Dutch company" applies to any Dutch company or Dutch foundation which, if prepared on the basis of its consolidated financial results, meets at least two of the following criteria: (i) the value of its assets, as given in its balance sheet (together with explanatory notes) on the basis of their acquisition price and production costs, is more than EUR 17.5 million; (ii) its net turnover in the applicable year is more than EUR 35 million; and (iii) the average number of employees in the applicable financial year is at least 250.

The new rules provide that (i) a person cannot be appointed as a managing or executive director of a "large Dutch company" if he/she already holds more than two supervisory positions at another "large Dutch company" or if he/she is the chairman of the supervisory board or one-tier board of another "large Dutch company"; and (ii) a person cannot be appointed as a supervisory director or non-executive director of a large company" if he/she already holds five or more supervisory positions at another "large Dutch company", whereby the position of chairman of the supervisory board or one-tier board of another "large Dutch company" is counted twice.

An appointment in violation of these restrictions will result in that last appointment being void. Earlier appointments at other entities are not affected. The fact that an appointment is thus void does not affect the validity of decision-making.

These rules only apply when a company qualifies as a large Dutch company at two consecutive balance sheet dates.

Since the Company was only incorporated on 13 February 2014, it is not a large Dutch company yet but it is expected to qualify as a large Dutch company as of the end of its first financial year (i.e., 31 December 2014).

Diversity policy

Dutch legislation came into force on 1 January 2013 requiring large Dutch companies (see above for the explanation of this term) to pursue a policy of having at least 30 per cent. of the seats on both the board of directors and the supervisory board to be held by men and at least 30 per cent. of those seats to be held by women. This allocation of seats will be taken into account in connection with the following actions: (i) the appointment, or nomination for the appointment, of executive and non-executive directors; (ii) drafting the criteria for the size and composition of the Board of Directors, as well as the designation, appointment, recommendation and nomination for appointment of non executive directors; and (iii) drafting the criteria for the non-executive directors. Pursuant to Dutch law, if a large Dutch company does not comply with the gender diversity rules, it will be required to explain in its annual report (i) why the seats are not allocated in a well-balanced manner; (ii) how it has attempted to achieve a well-balanced allocation; and (iii) how it aims to achieve a well-balanced allocation in the future. This rule is temporary and will cease to have effect on 1 January 2016.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

This section summarises certain information concerning the Company's share capital and certain material provisions of the Articles of Association and applicable Dutch law. It is based on relevant provisions of Dutch law as in effect on the date of this Prospectus and on the Articles of Association and the By-Laws as they will be in place prior to Settlement.

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Articles of Association and the relevant provisions of Dutch law as in force on the date of this Prospectus. The Articles of Association are incorporated by reference in this Prospectus and are available in the governing Dutch language and an unofficial English translation thereof on the Company's website. See also "*Management*" for a summary of certain material provisions of the Articles of Association and Dutch law relating to the Board of Directors.

General

Domus N.V. is a public company with limited liability (*naamloze vennootschap*) under Dutch law. The Company was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law on 13 February 2014 and was converted into a public limited liability company (*naamloze vennootschap*) under Dutch law by a notarial deed dated 15 April 2014. The Company has its statutory seat in Amsterdam, The Netherlands, with its registered office at Jachthavenweg 109h, 1081 KM Amsterdam, The Netherlands. The Company is registered with the Dutch Trade Register of the Chamber of Commerce (*Kamer van Koophandel*) under number 59991461. The telephone number of the Company is +31 (0)20 5046710. The Company trades under the name Domus. The current articles of association of the Company will be amended prior to Settlement by execution of a notarial deed of amendment which will result in the Company's articles of association *inter alia* containing the provisions summarised below. See also "*Principal and Selling Shareholder—The Reorganisation*" for more information regarding the reorganisation.

Corporate Objects

The Company's corporate objects, as set out in article 3 of its Articles of Association, are to:

(a) incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;

(b) finance businesses and companies;

(c) borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;

(d) render advice and services to businesses and companies with which the Company forms a group and to third parties;

(e) grant guarantees, to bind the Company and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties;

(f) acquire, alienate, encumber, manage and exploit registered property and items of property in general;

(g) trade in currencies, securities and items of property in general;

(h) develop and trade in patents, trade marks, licenses, know-how, copyrights, data base rights and other intellectual property rights; and

(i) perform any and all activities of an industrial, financial or commercial nature,

and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Share Capital

Authorised and issued share capital

At the date of this Prospectus, the Company's authorised share capital amounts to €16 million and is divided into 80 million Shares with a nominal value of €0.20 each, of which 18 million Shares are issued and outstanding. All issued Shares have been fully paid up.

History of share capital

At incorporation of the Company, the issued share capital amounted to €1 divided into one hundred ordinary shares, with a nominal value of €0.01 each.

As part of an amendment of the Company's articles of association on 12 March 2014, the issued ordinary shares, with a nominal value of €0.01 each, were combined into 5 Shares.

On 2 April 2014, the issued share capital of the Company was increased to €45,000 (or 225,000 Shares) as a result of the issue of 224,995 Shares.

On 11 April 2014, the Company issued 17,775,000 Shares at the expense of the Company's share premium reserve, resulting in an issued share capital of €3,600,000 consisting of 18 million Shares. There have been no changes to the Company's issued share capital since 11 April 2014.

On 15 April 2014, being the effective date of the conversion of the Company into a public company with limited liability as set out above, the Company *inter alia* introduced an authorised share capital into its articles of association, which has been set at €16 million divided into 80 million Shares.

Form and transfer of Shares

All Shares are in registered form. The Company will not issue share certificates. A transfer of a Share or a restricted right thereto requires a deed of transfer and the acknowledgement by the Company of the transfer in writing. Such acknowledgement is not required if the Company itself is party to the transfer.

A Share becomes a deposit share by transfer or issuance to Euroclear Nederland or to an intermediary, recording in writing that it is a deposit share. The deposit share shall be recorded in the shareholders register of the Company in the name of Euroclear Nederland or the relevant intermediary, stating in writing that it is a deposit share. Deposit shareholders are not recorded in the shareholders register of the Company. Deposit shares can only be delivered from a collective depot or giro depot with due observance of the related provisions of the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*) and with the approval of the Board of Directors. The transfer by a deposit shareholder of its book-entry rights representing deposit shares shall be effected in accordance with the provisions of the Dutch Securities Giro Transfer Act. The same applies to the establishment of a right of pledge and the establishment or transfer of a usufruct on these book-entry rights.

Issue of Shares

The General Meeting, or the Board of Directors to the extent designated by the General Meeting, resolves upon the issue of Shares. As long as the Board of Directors is designated as authorised to resolve upon an issue of Shares, the General Meeting may not resolve upon an issue of Shares. This also applies to the granting of rights to subscribe for Shares, such as options, but is not required for an issue of Shares pursuant to the exercise of a previously granted right to subscribe for Shares. A resolution of the Board of Directors to issue Shares and to grant rights to subscribe for Shares can only be adopted with the consent of the majority of the non-executive directors.

The scope of the Board of Directors' authority to issue Shares is determined by a resolution of the General Meeting and relates at most to all unissued Shares of the authorised capital, as applicable now or at any time in the future. The duration of this authority is also determined by a resolution of the General Meeting and is for five years at most. Alternatively, designation of the Board of Directors as the body competent to issue Shares may be provided in the Company's articles of association for a period not exceeding five years in each case. The number of Shares that may be issued will be determined at the time of designation. Designation pursuant to the Company's articles of association may be withdrawn by an amendment of the articles of association. Designation by resolution of the General Meeting cannot be withdrawn unless determined otherwise at the time of designation.

A resolution of the General Meeting to issue Shares, or to designate the Board of Directors as a body of the Company authorised to do so or to withdraw the designated authority of the Board of Directors, may only be adopted at the proposal of the Board of Directors. Any such resolutions shall be adopted with an absolute majority of the votes cast, irrespective of the represented capital.

On 17 April 2014, the General Meeting designated the Board of Directors as the body authorised to issue such number of Shares as needed in connection with the Offering and to exclude statutory pre-emptive rights in relation to such Shares. This designation is to be used in connection with the Offering. In addition, on 17 April 2014, the General Meeting designated the Board of Directors as the body authorised to issue Shares, to grant rights to subscribe for Shares and to limit or exclude statutory pre-emptive rights in relation to Shares. This designation is limited to (i) up to 10 per cent. of the number of issued Shares at the time immediately after Settlement, which can be used for general purposes, including but not limited to the financing of mergers and acquisitions or the granting of stock options under the Plan, or otherwise, plus (ii) up to 10 per cent. of the number of issued Shares at the time immediately after Settlement, which additional 10 per cent. can only be used in connection with or on the occasion of mergers and acquisitions. The authorisation has been granted for an eighteen month period and shall expire on 17 October 2015.

No resolution of the General Meeting or the Board of Directors is required for an issue of Shares pursuant to the exercise of a previously granted right to subscribe for Shares.

Pre-emptive rights

Pursuant to Dutch law and the Articles of Association, Shareholders have pre-emptive rights to subscribe on a *pro rata* basis for any issue of new Shares or a grant of rights to subscribe for Shares. Exceptions to these pre-emptive rights include: (i) the issue of Shares against non-cash considerations; (ii) the issue of Shares to the Company's employees or the employees of a group company; and (iii) the issue of Shares to persons exercising a previously granted right to subscribe for Shares.

Pre-emptive rights may be limited or excluded by a resolution of the General Meeting, which requires a majority of at least two-thirds of the votes cast in the event that less than 50 per cent. of the issued and outstanding share capital is present or represented at the General Meeting. A resolution of the General Meeting to limit or exclude pre-emptive rights can only be adopted at the proposal of the Board of Directors. The General Meeting may delegate this authority to the Board of Directors (if the Board of Directors has also been designated as the corporate body authorised to issue new Shares), at the proposal of the Board of Directors and with a majority of at least two-thirds of the votes cast in the event that less than 50 per cent. of the issued share capital is present or represented at the General Meeting. The delegation of this authority can only be for a definite period not exceeding five years. A resolution of the Board of Directors to limit or exclude pre-emptive rights can only be adopted with the consent of the majority of the non-executive directors.

As set out above, the Board of Directors is currently authorised to limit or exclude pre-emptive rights accruing to Shareholders in relation to the issue of such Shares to be issued in connection with the Offering and, in addition thereto, to issue (i) up to 10 per cent. of the number of issued Shares at the time immediately after Settlement, which can be used for general purposes, including but not limited to the financing of mergers and acquisitions or the granting of stock options under the Plan, or otherwise, plus (ii) up to 10 per cent. of the number of issued Shares at the time immediately after Settlement, which additional 10 per cent. can only be used in connection with or on the occasion of mergers and acquisitions.

Acquisition of own Shares

The Company may not subscribe for its own Shares on issue. The Company may acquire fully paid-up Shares at any time for no consideration. The Company may further acquire fully paid-up Shares other than for no consideration if (i) the distributable part of the Company's equity is at least equal to the total purchase price of the repurchased Shares and (ii) the Board of Directors has been authorised by the General Meeting for the repurchase of Shares. The nominal value of the Shares which the Company acquires, holds or holds as pledge or which are held by a subsidiary may not exceed 50 per cent. of the issued share capital. The General Meeting's authorisation is valid for a maximum of 18 months. As part of the authorisation, the General Meeting must specify the number of Shares that may be acquired, the manner in which the Shares may be acquired and the price range within which the Shares may be acquired. A resolution of the Board of Directors to repurchase Shares or depositary receipts thereof can only be taken with the consent of the majority of the non-executive directors.

No authorisation from the General Meeting is required for the acquisition of fully paid-up Shares for the purpose of transferring these Shares to employees pursuant to any share option plan. The Company may not cast votes on Shares held by it nor will such Shares be counted for the purpose of calculating a voting quorum.

The Board of Directors has been authorised to repurchase Shares up to 10 per cent. of the outstanding share capital of the Company for an eighteen month period, up to and including 17 October 2015, against a repurchase price which does not exceed the market price at the time of any such repurchase of Shares plus 5 per cent.

Reduction of share capital

The General Meeting may resolve to reduce the Company's issued share capital by cancelling Shares or by reducing the nominal value of the Shares by amending the Articles of Association. The General Meeting may only adopt such resolution upon proposal of the Board of Directors. Only Shares held by the Company or Shares for which it holds depositary receipts may be cancelled. The decision to reduce the Company's share capital requires a majority of at least two-thirds of the votes cast in case less than 50 per cent. of the issued and outstanding share capital is present or represented at the General Meeting. Reduction of the nominal value of the Shares with or without repayment shall take place proportionately on all Shares. The requirement of proportion may be deviated from with the consent of all Shareholders concerned.

Dutch law contains detailed provisions regarding the reduction of capital. A resolution to reduce the issued share capital shall not take effect as long as creditors have legal recourse against the resolution.

General Meetings and voting rights

The annual General Meeting must be held within six months following the end of each financial year. Other General Meetings are held as often as the Board of Directors deems necessary. In addition, Shareholders who represent, alone or in the aggregate, at least one-tenth of the issued and outstanding share capital may request that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within eight weeks from the date the request was made, the Shareholders requesting such General Meeting are authorised to request a District Court in summary proceedings to convene a General Meeting. Within three months of it becoming apparent to the Board of Directors that the equity of the Company has decreased to an amount equal to or lower than one-half of the paid-up part of the capital, a General Meeting will be held to discuss any requisite measures.

General Meetings must be convened by the Board of Directors or its chairman. The convocation notice must be given no later than the 42nd day before the date of the General Meeting. The General Meetings will be conducted in the English language and must be held in Amsterdam or the municipality of Haarlemmermeer (including Schiphol Airport), The Netherlands, at the choice of those who call the meeting. The notice of the General Meeting is published on the Company's website. The availability of the notice is published by press release. The notice of a General Meeting must include the place and date and an agenda indicating the items for discussion, the procedure for participating in the meeting and the requirements for admission to the meeting.

The agenda for a General Meeting must contain such items as the Board of Directors or the person or persons convening the meeting determine. Under the Articles of Association and Dutch law, Shareholders representing solely or jointly at least three per cent. of the Company's issued and outstanding share capital have a right to request the Board of Directors to include items on the agenda of the General Meeting. The Board of Directors must agree to these requests, provided that (i) the request was made in writing and motivated, and (ii) the request was received by the chairman of the Board of Directors at least 60 days prior the date of the General Meeting.

Each Shareholder may attend the General Meeting, address the General Meeting and exercise voting rights *pro rata* to his shareholding, either in person or by proxy. Shareholders may exercise these rights if they are the Shareholders on the record date which is the 28th day before the day of the meeting and they or their proxy have notified the Company of their intention to attend the meeting in writing at the address and by the date specified in the notice of the meeting.

Each Shareholder may cast one vote for each Share held. The General Meeting may adopt resolutions by an absolute majority of the votes cast, except where a larger majority is prescribed by Dutch law or the Articles of Association. Members of the Board of Directors may attend a General Meeting in which they have an advisory role.

Dividends

Pursuant to the Articles of Association and Dutch law, any distribution on Shares, whether a distribution of profits or a distribution of freely distributable reserves, may only be made up to an amount equal to the excess of the Company's equity over the sum of the nominal value of the issued share capital, plus the reserves as required to be maintained by Dutch law.

A distribution of profits (other than an interim distribution) may only be made after the adoption of the Company's own (i.e. non-consolidated) audited annual financial statements. The information in such statements will be used as the basis for determining if the distribution of profits made with respect to the financial year in question is legally permitted.

The Board of Directors may decide that the profits realised during a financial year will fully or partially be allocated to the Company's reserves. The remainder after such allocation, if any, shall be at the disposal of the General Meeting. The Board of Directors shall make a proposal to the General Meeting for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.

The Board of Directors may decide that a distribution on Shares shall be made in the form of Shares or decide that Shareholders have the option to receive a distribution in cash and/or in the form of Shares, provided that the Board of Directors has been authorised by the General Meeting as the corporate body authorised to issue Shares.

Subject to Dutch law and the Articles of Association, the Board of Directors may resolve to make an interim distribution of profits or freely distributable reserves provided that the Company prepares an interim statement of assets and liabilities evidencing sufficient distributable equity.

Shareholders are entitled to share in the profit *pro rata* to their shareholding. Any entitlement to a distribution by a Shareholder expires five years after the date those distributions were released for payment.

Dissolution and Liquidation

The Company may only be dissolved by a resolution of the General Meeting upon proposal by the Board of Directors. If a resolution to dissolve the Company is to be put to the General Meeting, this must in all cases be stated in the notice convening the General Meeting or announced to the Shareholders. If the General Meeting has resolved to dissolve the Company, the members of the Board of Directors will be charged with the liquidation of the business of the Company. During the liquidation, the provisions of the Articles of Association will remain in force as far as possible.

Any surplus remaining after settlement of the debts and litigation costs will be distributed to the Shareholders in proportion to the aggregate nominal value of their Shares.

Amendment of the Company's Articles of Association

A resolution of the General Meeting to amend the Articles of Association may only be adopted upon proposal by the Board of Directors. A proposal to amend the Articles of Association must be included in the notice convening the General Meeting. A copy of the proposal containing the proposed amendment must be available for inspection by every Shareholder and other persons holding General Meeting rights until the end of the General Meeting.

The resolution to amend the Articles of Association may be adopted by the General Meeting with an absolute majority of the votes cast, irrespective of the represented capital.

Corporate Governance

The Dutch Corporate Governance Code (the "**Code**") has its statutory basis in Book 2 of the Dutch Civil Code. The Code contains principles and best practice provisions for the management board, the supervisory board, shareholders and general meetings of shareholders and audit and financial reporting.

All companies whose registered offices are in the Netherlands and whose shares or depositary receipts for shares have been admitted to listing on a stock exchange are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Code and, if they do not apply, to explain the reasons why. The Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have complied the Code.

Compliance with the Code

The Code defines a company as a long-term form of collaboration between the principal corporate bodies of a company. For the Company, these corporate bodies include the Board of Directors and the General Meeting. According to the Code, good corporate governance results in effective decision-making in a manner which enhances shareholder value and enables a company to maintain a culture of integrity, transparency and trust.

The Company fully endorses the underlying principles of the Code which is reflected in a policy that complies with the best practice provisions as stated in the Code. The Company expects to fully comply with the provisions of the Code with the exception of the following:

- arguably, best practice provision III.2.1 provides that all non-executive directors except for one shall be independent within the meaning of best practice provision III.2.2. Although in our view it can be argued that this best practice provision does not apply to a company with a one-tier board such as the Company, two of our non-executive directors (being Mr. Kadas and Mr. Stikker) do not satisfy all independence criteria of the Code. However, we firmly believe that their contribution to the Board of Directors shall be of considerable value, thus justifying the deviation, if any, from best practice provision III.2.1. of the Code, also taking into account the composition of the Board of Directors as a whole and of the non-executive directors as a group;
- best practice provision III.6.1 which provides that, *inter alia,* a conflict of interest shall in any event exist if the company intends to enter into a transaction with a legal entity (i) in which a director holds a material financial interest, (ii) where the director has a family relationship with a director of that entity or (iii) where the director itself holds a board / supervisory position. We intend to provide that any of the aforementioned events does as such not result in a conflict of interest but in a potential conflict of interest which should be assessed and addressed at the time entering into such transaction taking into account all circumstances. We believe this approach to be more in line with current legislation; and
- best practice provision IV.3.1 which provides that, *inter alia,* meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of a press release, and that provisions shall be made for all shareholders to follow these meetings and presentations in real time. We attempt to provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. We meet with many investors, potential investors and analysts during the course of the year. We feel it is not practical to announce these meetings in advance or to make provisions for all shareholders to follow these meetings and presentations in real time. We restrict the information presented in these meetings to publicly-available material. Investors may listen in on an analyst's conference call given at the publication of our annual figures and our first, second and third quarter results. Recordings of these calls are available on our website as are copies of presentations made to investors and analysts.

Home member state for purposes of the EU Transparency Directive

The Netherlands is the home member state of the Company for the purposes of the EU Transparency Directive (Directive 2004/109/EC), as amended. As a result, the Company will be subject to financial and other reporting obligations under the Dutch Financial Supervision Act and the Dutch financial reporting supervision act (*Wet toezicht financiële verslaggeving*) (the "**Dutch Financial Reporting Supervision Act**"), which implement the EU Transparency Directive in the Netherlands.

Annual Accounts, Semi-annual Accounts and Quarterly Statements

Pursuant to the Dutch Financial Supervision Act, the Company must prepare the annual accounts and make them available for inspection by the shareholders at the Company's offices, within four months following each financial year. The annual accounts must be accompanied by an audit opinion, an annual report and certain other information required under Dutch law and a report of the Board of Directors. The annual accounts must be signed by the members of the Board of Directors.

The annual accounts, the annual report, the other information required under Dutch law, the report of the Board of Directors and the auditor's statement must be made available to the shareholders for review as from the day of the notice convening the annual General Meeting. The annual accounts must be adopted by the General Meeting and filed with the AFM within five days after adoption.

As soon as possible but in any event within two months following the first six months of the financial year, the Company must prepare a semi-annual financial statement and make it publicly available. If the semi-annual financial reporting is audited or reviewed, the independent auditor's opinion must be made publicly available together with the semi-annual financial reporting.

The Company is obliged to publish interim statements (*inter alia* containing an overview of important transactions and their financial consequences) in the period starting ten weeks after and six weeks before the first and second half of each financial year. Such interim statements include an explanation of the important events and transactions that took place during the period between the start of the financial year and publication of the interim statements and the consequences for the financial position of the Company. The interim statements also include a general description of the financial position and the performance of the Company during that period. The obligation to publish interim statements may change depending on how the Netherlands will transpose the EU Directive 2013/50/EU which amends the Transparency Directive.

The Company must publish and simultaneously send the annual, semi-annual and interim statements to the AFM and comply with other reporting obligations, including those resulting from the listing of the Shares on Euronext Amsterdam, in accordance with the relevant Dutch laws.

Dutch Financial Reporting Supervision Act

On the basis of the Dutch Financial Reporting Supervision Act, the AFM supervises the application of financial reporting standards by, amongst others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the Financial Reporting Supervision Act, the AFM has an independent right to (i) request an explanation from the Company regarding its application of financial reporting standards if based on publicly known facts or circumstances, the AFM has reason to doubt that its financial reporting meets the applicable standards; and (ii) recommend to the Company the publication of further explanations in respect of its financial reporting. If the Company does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber of the Court of Appeal in Amsterdam (the "**Enterprise Chamber**") orders the Company to (i) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (ii) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

Rules Governing Obligations of Shareholders to Make a Public Offer

Pursuant to the Dutch Financial Supervision Act and in accordance with Directive 2004/25/EC, also known as the takeover directive, any shareholder who (individually or jointly) directly or indirectly obtains control of a public company with limited liability with its corporate seat in the Netherlands and its shares admitted to trading on a regulated market is required to make a public offer for all issued and outstanding shares in that company's share capital. Such control is deemed present if a (legal) person is able to exercise, alone or acting in concert, at least 30 per cent. of the voting rights in the general meeting of shareholders of such listed company. An exemption exists if such shareholder or group of shareholders reduces its holding below 30 per cent. within 30 days of the acquisition of controlling influence provided that (i) the reduction of its holding was not effected by a transfer of shares or depositary receipts to an exempted party and (ii) during this period such shareholder or group of shareholders did not exercise its voting rights.

Furthermore, it is prohibited to make a public offer for shares of a listed company, such as the Shares, unless an offer document has been made generally available that has been approved by the AFM. A public offer may only be made by way of publication of an approved offer document unless *inter alia* an issuer makes a public offer for securities it has issued itself. The public offer rules are intended to ensure that in the event of a public offer, among others, sufficient information will be made available to the holders of the shares, the holders of the shares will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period.

Squeeze-out Procedures

Pursuant to Section 2:92a, of the Dutch Civil Code, a shareholder who for his own account holds at least 95 per cent. of the issued share capital of a Dutch public company may initiate proceedings against the minority shareholders jointly for the transfer of their shares to him or her. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him or her. Unless the addresses of all of them are known to the acquiring person, such person is required to publish the same in a daily newspaper with a national circulation.

The offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds at least 95 per cent. of the outstanding share capital and represents at least 95 per cent. of the total voting rights. The claim of a takeover squeeze-out must be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim for a takeover squeeze-out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the shares of the minority shareholders. In the event of a mandatory offer, the mandatory offer price is in principle deemed to be a reasonable price that must be accepted by minority shareholders. In the event of a voluntary public offer, the offered price is considered reasonable if at least 90 per cent. of the shares have been acquired.

The Dutch Civil Code also entitles those minority shareholders that have not previously tendered their shares under an offer to transfer their shares to the offeror, provided that the offeror has acquired at least 95 per cent. of the outstanding share capital and represents at least 95 per cent. of the total voting rights. With respect to price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies. This claim must also be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

Obligations to Disclose Holdings and Transactions

Shareholders may be subject to notification obligations under the Dutch Financial Supervision Act. Shareholders are advised to seek professional advice on these obligations.

The Company

The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if its issued share capital or voting rights changes by 1 per cent. or more since the Company's previous notification. The Company must furthermore quarterly notify the AFM within eight days after the relevant quarter, in the event its share capital or voting rights changed by less than 1 per cent. in that relevant quarter since the Company's previous notification.

Shareholders

Pursuant to the Dutch Financial Supervision Act, upon the Company becoming a listed company, each shareholder who holds a substantial holding in the Company, should forthwith notify the AFM of such substantial holding. A substantial holding means a holding of at least 3 per cent. of the Company's share capital or the ability to vote on at least 3 per cent. of the total voting rights. Any person who, directly or indirectly, acquires or disposes of an actual or potential interest in the capital or voting rights of the Company must immediately notify the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person, directly or indirectly, in the Company, reaches, exceeds or falls below any of the following thresholds: 3 per cent., 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 40 per cent., 50 per cent., 60 per cent., 75 per cent. and 95 per cent.

A notification requirement also applies if a person's direct or indirect interest in the Company's share capital or voting rights passively reaches, exceeds or falls below the abovementioned thresholds as a result of a change in the Company's total outstanding share capital or voting rights. Such notification has to be made no later than the fourth trading day after the AFM has published the Company's notification of the change in its outstanding share capital and/or voting rights.

Furthermore, every holder of 3 per cent. or more of the Company's share capital or voting rights whose interest at 31 December at midnight differs from a previous notification to the AFM must notify the AFM within four weeks.

Controlled entities, within the meaning of the Dutch Financial Supervision Act, do not have notification obligations under the Dutch Financial Supervision Act, as their, direct and indirect, interests are attributed to their (ultimate) parent. Any person may qualify as a parent for purposes of the Dutch Financial Supervision Act, including an individual. A person who has a 3 per cent. or larger interest in the Company's share capital or voting rights and who ceases to be a controlled entity for these purposes must immediately notify the AFM. As of that moment, all notification obligations under the Dutch Financial Supervision Act will become applicable to the former controlled entity.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) shares and voting rights directly held (or acquired or disposed of) by any person; (ii) shares and voting rights held (or acquired or disposed of) by such person's controlled entity or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement (including a discretionary power of attorney); (iii) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights against a payment; (iv) shares which such person (directly or indirectly) or third party referred to above, may acquire pursuant to any option or other right to acquire shares; (v) shares which determine the value of certain cash settled financial instruments such as contracts for difference and total return swaps; (vi) shares that must be acquired upon exercise of a put option by a counterparty; and (vii) shares which are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares. Special attribution rules apply to shares and voting rights which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations as if the pledgee or beneficial owner were the legal holder of the shares.

For the same purpose, the following instruments qualify as "shares": (i) shares, (ii) depositary receipts for shares (or negotiable instruments similar to such receipts), (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds), and (iv) options for acquiring the instruments under (i) or (ii).

As from 1 July 2013, a requirement to notify the AFM of any gross short position was introduced. For the notification of gross short positions the same thresholds apply as for notifying an actual or potential interest in the capital and/or or voting rights of a Dutch listed company, as referred to above.

In addition, pursuant to Regulation (EU) No 236/2012, each person holding a net short position attaining 0.2 per cent. of the issued share capital of a Dutch listed company is required to report it to the AFM. Each subsequent increase of this position by 0.1 per cent. above 0.2 per cent. will also need to be reported. Each net short position equal to 0.5 per cent. of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1 per cent. will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set-off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located.

Public registry

The AFM does not issue separate public announcements of these notifications. It does, however, keep a public register of all notifications under the Dutch Financial Supervision Act on its website www.afm.nl. Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

Identity of Shareholders

The Company may request Euroclear Nederland, admitted institutions, intermediaries, institutions abroad, and managers of an investment institution, to provide certain information on the identity of its shareholders. Such request may only be made during a period of 60 days up to the day on which the general meeting of shareholders will be held. No information will be given on shareholders with an interest of less than 0.5 per cent. of the issued share capital. A shareholder who, individually or together with other

Shareholders, holds an interest of at least 10 per cent. of the issued share capital may request the Company to establish the identity of its shareholders. This request may only be made during a period of 60 days until (and not including) the 42nd day before the day on which the general meeting of shareholders will be held.

Insider trading and market manipulation

Reporting of insider transactions

The rules on preventing market abuse set out in the Dutch Financial Supervision Act are applicable to the Company, the members of the Board of Directors, other insiders and persons performing or conducting transactions in the securities of the Company. Certain important market abuse rules set out in the Dutch Financial Supervision Act that are relevant for investors are described hereunder.

The Company is required to publish inside information. Pursuant to the Dutch Financial Supervision Act, inside information is knowledge of specific (*concrete*) information directly or indirectly relating to the issuer or the trade in its securities which has not yet been made public and publication of which could significantly affect the trading price of the securities. At the time of publication, the Company must simultaneously provide the AFM with such inside information. Furthermore, the Company must without delay publish the inside information on its website and keep it available on the Company's website for at least one year.

It is prohibited for any person to use inside information within or from the Netherlands or a non-EU member state by conducting or effecting a transaction in the Shares. In addition, it is prohibited for any person to pass on inside information relating to the Company or the trade in its securities to a third party or to recommend or induce, on the basis of inside information, any person to conduct a transaction in securities of the Company. Furthermore, it is prohibited for any person to manipulate the market, for instance by conducting transactions which could lead to an incorrect or misleading signal of the supply of, the demand for or the price of the securities.

Insiders within the meaning of the Dutch Financial Supervision Act are obliged to notify the AFM, ultimately on the fifth trading day after the transaction date, when they carry out or cause to be carried out, for their own account, a transaction in the Shares or in securities the value of which is at least in part determined by the value of the Shares. Insiders within the meaning of the Dutch Financial Supervision Act in this respect are: (i) members of the Board of Directors, (ii) other persons who have a managerial position and in that capacity are authorised to make decisions which have consequences for future development and business prospects and who, on a regular basis, can have access to inside information relating, directly or indirectly, to the Company, and (iii) certain persons closely associated with the persons mentioned under (i) and (ii) designated by the Dutch Market Abuse Decree (*Besluit marktmisbruik Wft*). The Dutch Financial Supervision Act and the regulations promulgated thereunder cover, *inter alia*, the following categories of closely associated persons: (i) the spouse or any partner considered by national law as equivalent to the spouse, (ii) dependent children, (iii) other relatives who have shared the same household for at least one year at the relevant transaction date, and (iv) any legal person, trust or partnership whose, among other things, managerial responsibilities are discharged by a person referred to under (i) to (iii) immediately above or by the relevant member of the Board of Directors or other person with any authority in respect of the Company as described above.

This notification obligation does not apply to transactions based on a discretionary management agreement as described in Section 8 of the Dutch Market Abuse Decree. Under certain circumstances, notification may be postponed until the date the value of the transactions performed for that person's own account, together with transactions carried out by the persons closely associated with that person, amounts to €5,000 or more in the calendar year in question.

If a member of the Board of Directors has notified a transaction to the AFM under the Dutch Financial Supervision Act as described above under "*—Obligations to Disclose Holdings and Transactions*", such notification is sufficient for purposes of the Dutch Financial Supervision Act as described in this paragraph.

Code of conduct and insiders lists

Pursuant to the market abuse rules set out in the Dutch Financial Supervision Act, the Company shall adopt rules governing the holding, reporting and carrying out of transactions in the Shares or in financial instruments the value of which is determined by the value of the Shares by members of the Board of Directors, as well as rules on compliance and suspected abuse for its employees. In addition, the Company shall draw up a list of persons who could have access to inside information on a regular basis and the Company shall inform the persons concerned of the rules against insider trading and market manipulation including the sanctions which can be imposed in the event of a violation of those rules.

Non-compliance

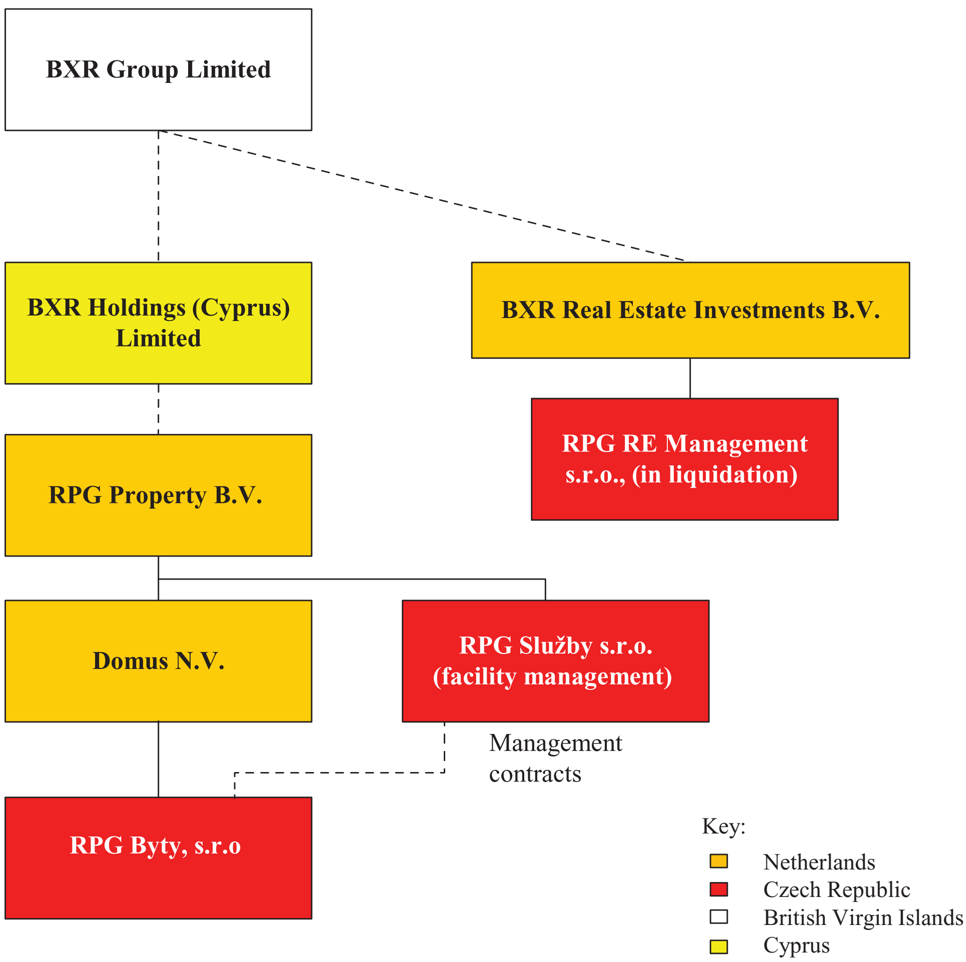
Non-compliance with the notification obligations and market abuse rules under the Dutch Financial Supervision Act could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with some of the notification obligations under the Dutch Financial Supervision Act may lead to civil sanctions, including suspension of the voting rights relating to the Shares held by the offender for a period of not more than three years, voiding of a resolution adopted by the General Meeting in certain circumstances and ordering the person violating the disclosure obligations to refrain, during a period of up to five years, from acquiring Shares and/or voting rights in Shares.

PRINCIPAL AND SELLING SHAREHOLDER

As of the date of this Prospectus, the Company is a wholly owned subsidiary of the Selling Shareholder, a holding company which itself is an indirect wholly owned subsidiary of BXR Group Limited. The following table sets forth our principal and selling shareholder immediately prior to the Offering and giving effect to the Offering:

	Shares Owned Before the Offering		Shares Owned After Offering Assuming Maximum Number of Offer Shares Issued and Sold		Shares Owned Assuming Full Exercise of Over-Allotment Option	
	Number	%	Number	%	Number	%
RPG Property B.V.	18,000,000	100.0	8,100,000	39.9	6,269,546	30.9
Public Float	—	—	12,203,030	60.1	14,033,484	69.1
Total	18,000,000	100.0	20,303,030	100.0	20,303,030	100.0

BXR Group Limited is an international investment group with a diverse range of global interests. While it remains a substantial investor in Central Europe, it has in recent years diversified its investment activities to include investments in Western Europe, the Americas, Africa, Asia and Australia. BXR Group Limited typically takes large or controlling stakes in companies and is active in the management of its investments. In addition to its investment in the Company, BXR Group Limited currently has investments in mining, logistics, green energy, financial services, agriculture, education and other industries. The following chart sets forth the structure of BXR Group, to the extent relevant, prior to the Offering:



BXR Group Limited is owned by a number of North American and EU investors. The largest single shareholder of the group is Zdenek Bakala, who, together with his family, holds a non-controlling 50 per cent. stake. In addition, a trust associated with the family of Peter Kadas, a non-executive director of the Company, owns a minority interest in BXR Group Limited. After the Offering, BXR Group Limited will undergo a corporate reorganisation, which is expected to result in the ultimate holding company of the Company and RPG Sluzby becoming BXR Holdings (Cyprus) Limited. There will be no change in the indirect ownership of the Company or RPG Služby by the ultimate shareholders described in this paragraph.

The Reorganisation

The Company was incorporated on 13 February 2014 as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*). On 11 April 2014, the Company entered into a share premium contribution agreement with the Selling Shareholder, pursuant to which the Selling Shareholder contributed the shares in the capital of RPG Byty to the Company. The value attributed to RPG Byty, which will be accounted for by the Company as share premium in a separate (freely) distributable reserve, amounted to CZK 9,860,060,000 (€359,462,632). The Company has used an amount of €3,555,000 of the share premium reserve to pay up the Shares that were issued on 11 April 2014. The value of the shares of RPG Byty for purposes of this transfer was determined on the basis of a decision of the Board of Directors. The Board of Directors considered the EPRA NAV of RPG Byty as at 31 December 2013 in determining this value. The shares in the capital of RPG Byty were transferred to the Company pursuant to a share transfer deed on 11 April 2014. On 15 April 2014, the Company was converted into a public company with limited liability (*naamloze vennootschap*) for purposes of the Offering. A further amendment of the Company's articles of association, which will result in the adoption of the Articles of Association as referred to in this Prospectus, will take place before Settlement.

In connection with the reorganisation as described in the preceding paragraph (the "**Reorganisation**"), the Company acceded to the Intercreditor Agreement and replaced the Selling Shareholder as the pledgor of shares of RPG Byty under the share pledge agreement securing the Senior Secured Notes, the Currency Swaps, the Long Call Option and the Revolving Credit Facility. The Selling Shareholder was released from its obligations under these agreements.

In connection with the contribution of the shares in the capital of RPG Byty by the Selling Shareholder, on 11 April 2014, the Company entered into a cooperation agreement with RPGI regarding compliance with the terms of the Privatisation Agreement, which replaced the cooperation agreement between the Selling Shareholder and RPGI. See *"Related Party Transactions—Certain Relationships and Related Party Transactions—Agreement on Cooperation with RPGI"* for a description of this cooperation agreement.

RPG Služby became a wholly owned subsidiary of the Selling Shareholder on 2 April 2014. The Company or the Group intends to acquire RPG Služby in the future, although there can be no assurance that it will do so.

RELATED PARTY TRANSACTIONS

Certain Relationships and Related Party Transactions

From time to time, we may enter into transactions with parties that have relationships with our shareholder and its beneficial owner, BXR Group Limited. Although we do not have a formal related party transaction policy, we believe that transactions with our affiliates are on terms obtainable from third parties for similar products and services. See note 10 to the audited financial statements as at and for the year ended 2011 and note 9 to the audited financial statements as at and for the years ended 31 December 2012 and 2013 included in this Prospectus.

In the ordinary course of business we enter into service agreements, financial agreements, rental agreements for non-residential properties and agreements regarding residential properties. Below is a summary of the agreements with related parties that we believe are material.

Service Agreement with RPG Služby

On 1 January 2012, RPG Byty entered into the RPG Služby Service Agreement. Under the RPG Služby Service Agreement, as amended, RPG Služby (or any subcontractors engaged by RPG Služby) provides us with certain facility management services in connection with our properties, including repairs, renovation of vacant units, maintenance services and technical supervision. The compensation paid by RPG Byty to RPG Služby is cost plus a margin. The margin for 2013 was 2 per cent., and it will remain at 2 per cent. for 2014. The agreement is for an indefinite period of time. The agreement may be terminated subject to 24 months' advance notice. The arrangements between RPG Byty and RPG Služby are conducted at arms' length. In particular, RPG Byty does not use the services of RPG Služby on an exclusive basis and uses other contractors when those contractors provide services on a more cost effective basis.

In the future, we intend to acquire RPG Služby from the Selling Shareholder in order to internalise the facility management services currently provided by it. There can, however, be no assurance that we will be successful in doing so.

Cooperation Agreement with Advanced World Transport a.s.

On 30 December 2011, RPG Byty entered into a cooperation agreement with Advanced World Transport a.s. ("**AWT**") to establish a group within the meaning of Section 5a of Czech Act No. 235/2004, on Valued Added Tax (as amended, the "**AWT Cooperation Agreement**"). Pursuant to the AWT Cooperation Agreement, AWT acts as a representative of the group and undertakes certain obligations to the Czech financial authorities in respect of Valued Added Tax as well as for the payment of fines, penalties or default interests regarding Value Added Tax. RPG Byty and AWT are jointly and severally liable for the fulfilment of the group's obligations arising under Czech tax law. In the event any member violates its obligations under the AWT Cooperation Agreement, the other member is entitled to claim a contractual penalty of CZK 20,000 for each violation. In the event that RPG Byty is required to meet all tax obligations of the group or obligations on behalf of AWT there are recourse provisions that allow RPG Byty to reclaim from AWT a part of the Value Added Tax settled which is related to the activities of AWT. RPG Byty is obliged to pay AWT compensation corresponding to the total amount of the services actually rendered. The AWT Cooperation Agreement will remain in force for as long as RPG Byty and AWT are members of the same group of connected entities, however, the deregistration of the group can only be made up to 31 October of each year with effect from 1 January of the following year.

Cash Pooling Agreements

RPG Byty has a two-way cash pooling agreement with RPG Služby under which each Company makes available to each other up to CZK 20,000,000. Pursuant to the cash pooling agreement, the parties may provide advances to each other for a period of one day. In the event that the overall balance of RPG Služby's bank account is not zero at the end of the business day, RPG Služby must provide RPG Byty with a one-day loan in the amount corresponding to such positive balance. Interest on the loans is determined in case of a positive balance or a negative balance as the aggregate amount of a reference rate plus a margin. The cash pooling agreement may be terminated upon any party's withdrawal from the cash pool agreement with Česká spořitelna, a.s.

Cooperation Agreement with OKD a.s.

On 29 May 2009, RPG Byty entered into a cooperation agreement with OKD a.s. ("**OKD**"), which was subsequently amended on 5 August 2009, 17 February 2010 and 31 May 2012 (as amended, the "**OKD Cooperation Agreement**"). Under the OKD Cooperation Agreement, we must first offer vacant apartments to certain OKD employees selected by OKD before offering the apartments on the public market. The lease agreements may be concluded only with employees qualifying under certain non-discriminatory criteria, such as a requirement that the employee is not already a tenant of one our other apartments with state-regulated rent or is not subject to any criminal or other proceeding that could affect a tenant's obligations under its lease. OKD employees are offered a one-year lease with rent set at a 15 per cent. discount to the relevant market price. We offer similar terms to certain large outside corporations. These arrangements provide us with large and relatively consistent groups of renters, and the rental payments are deducted directly from the employees' payrolls to avoid delinquencies. The OKD Cooperation Agreement may be rescinded by either party in the case of a material breach. The agreement will expire according to its terms on 31 May 2015.

Non-Residential Lease Agreements with RPG RE Commercial

RPG Byty, as tenant, has entered into several non-residential lease agreements with RPG RE Commercial to rent certain non-residential premises in Ostrava, Ostrava Poruba and Havířov (the "**Lease Agreements**"). The rental payments under the Lease Agreements include rent for the non-residential premises, rent for certain movable assets and services fees. The overall rent under the Lease Agreements is approximately CZK 14 million per year exclusive of Valued Added Tax. The Lease Agreements may be terminated (i) by either party upon three months' notice, (ii) upon one month's notice following RPG Byty's failure to pay the rent within 10 days after the due date or (iii) by mutual agreement of the parties.

Spin-off of Property to RPG RE Land

With effect from 31 December 2012, RPG Byty transferred certain plots of land located near its investment properties to RPG RE Land. The transfer was effected as a corporate de-merger action conducted in accordance with Czech law. RPG Byty and RPG RE Land have entered into arrangements relating to access rights to our buildings that pass over the land transferred to RPG RE Land.

Cross Guarantee

Former OKD was a government-controlled enterprise, and as a result it owned and operated a large range of businesses (including mining businesses, businesses ancillary to mining and real estate businesses). In connection with the restructuring of Former OKD carried out in 2006, and pursuant to Czech law, RPG Byty, OKD, a.s. (including OKK Koksovny, a.s. which inherited certain assets and liabilities of Former OKD as a result of its subsequent demerger from Former OKD), Green Gas DPB, a.s., Advanced World Transport, a.s., RPG Trading s.r.o. (defunct since January 2010), RPG RE Land, RPG RE Commercial and other successor entities of Former OKD are subject to a statutory cross guarantee. The statutory cross guarantee is deemed to be given by each successor entity in relation to the liabilities of the demerged entity (Former OKD) that were assumed by each other successor entity on the date of the demerger (i.e. 31 May 2006). The aggregate liability under the cross guarantee of each successor entity is limited to the value of the net assets of the guarantor as at the effective accounting date of the demerger, which was CZK 4,989 million with respect to RPG Byty.

The statutory cross guarantee can only be called if the principal debtor fails to pay its own debt. Furthermore, the guarantee applies only to liabilities existing on the date of the demerger and does not apply to any liabilities that existed before, or have arisen after, such date. As no claim has been made in respect of the cross guarantee in the nearly eight years since the demerger occurred, we would expect the likelihood of any claim being made will further diminish with the passage of time.

Settlement of Mining Damages Agreement

RPG Byty is a party to a settlement of mining damages agreement with OKD dated 18 April 2006. The agreement was entered into in order to set forth basic guidelines for the settlement of damages to our 259 houses (a total of 450 units) incurred in connection with the mining activities of OKD. Under the agreement, (i) RPG Byty undertakes to assert a claim for damages only on the basis of, and within the terms and conditions stipulated in, the agreement and (ii) OKD undertakes to reimburse the damages in the stipulated forms as follows: demolition and reimbursement of all the expenses connected with it, monetary compensation and reimbursement of expenses for providing housing replacement to affected tenants should the demolition take place.

Resolution of Conflict of Interest Agreement

RPG Byty is a party to a resolution of conflict of interest agreement with OKD dated 18 April 2006. The agreement was entered into in order to secure usage of the exclusive mining-seam by OKD and protect our buildings and interests. Under the agreement, RPG Byty, among other things, (i) approves the mining activities of OKD, (ii) undertakes to make the best effort to provide suitable land plots to third parties as needed in connection with settlement between OKD and such third parties related to OKD's mining activities (on an individual basis with each such third party), (iii) undertakes to ask OKD for its opinion prior to any transfer of our property to a third party, (iv) undertakes to consult with and ask OKD for a binding opinion prior to any construction, reconstruction or improvement of our real property situated within a mining area. OKD undertakes to reimburse us for damages that we incurred in connection with the mining activities of OKD.

Service Agreements with Real Estate Companies

RPG Byty is a party to service agreements with RPG RE Land, s.r.o., RPG Služby, and RPG RE Commercial, its affiliates involved in real estate businesses. Pursuant to those agreements, we provide certain back office services, including IT support and human resources management. The scope of services provided differs between counterparties. Prior to the reorganisation described under "*Business—History—Personnel Reorganisation*", RPG Byty provided full property and asset management services to the other related companies. The agreements are for an indefinite period and either party may terminate the agreement upon providing notice for a minimum period of between one and six months. Payments to us are on arms' length terms.

Agreement on Cooperation with RPGI

On 11 April 2014, the Company entered into a cooperation agreement with RPGI regarding compliance with the terms of the Privatisation Agreement, which replaced the cooperation agreement between the Selling Shareholder and RPGI. As noted under "*Business—Overview—History*", with regards to our business, only one provision under the Privatisation Agreement remains binding on RPGI as the successor in interest to Karbon Invest. Such provision provides that, upon any proposed sale of an individual residential unit, RPGI is required to offer the residential unit pre-emptively to the current tenant at a price determined in accordance with a price formula prescribed by the Privatisation Agreement, which may be lower than the amount that may be realised if the relevant residential units were sold in the market. Under the cooperation agreement with RPGI, the Company undertakes to support RPGI by procuring compliance with the relevant provision of the Privatisation Agreement by RPG Byty, as the owning entity of the residential portfolio. The Company also undertakes to inform RPGI in the event of a breach or alleged breach of the relevant provision, as well as to co-operate with RPGI in respect of any disputes arising in relation to the relevant provision. The Company further undertakes not to dispose of its interest in RPG Byty, nor otherwise allow any third party to acquire control of RPG Byty, and not to dispose of the portfolio or any part of it, or allow the portfolio or any part of it to be owned by a person other than RPG Byty, unless the person that would control the majority of the shares or voting rights in the company that owns the residential portfolio (or part thereof) enters into an agreement identical to the cooperation agreement.

THE OFFERING

Introduction

The Offering consists of an offering by the Company of up to 2,303,030 Offer Shares and the Selling Shareholder of up to 9,900,000 Offer Shares. The Offer Shares are being (i) sold in the United States to "qualified institutional buyers" or "QIBs" (as defined in Rule 144A) in reliance on Rule 144A and (ii) offered and sold to institutional investors in various jurisdictions outside the United States in offshore transactions in compliance with Regulation S. The Offering is made only in those jurisdictions where, and only to those persons to whom, offer and sales of the Offer Shares may be lawfully made.

The Selling Shareholder has granted the Stabilisation Manager, on behalf of the Underwriters, the Over-allotment Option, exercisable for a period of 30 days following the date of commencement of trading of the Shares, pursuant to which the Stabilisation Manager may purchase at the Offer Price the Over-allotment Shares, being up to 1,830,454 Shares, to cover over-allotments or short positions, if any, in connection with the Offering.

Timetable

Subject to acceleration or extension of the timetable for, or withdrawal of, the Offering, the timetable below sets forth certain expected key dates for the Offering.

Event	Expected Date and Time
Start of Offering Period	24 April 2014
End of Offering Period	7 May 2014, 12:00 CET
Expected pricing and allocation	7 May 2014
Commencement of trading in Offer Shares on Euronext Amsterdam	8 May 2014
Settlement (payment and delivery) of the Offer Shares	13 May 2014

The Company and the Selling Shareholder may, subject to the agreement of the Underwriters, adjust the dates, times and periods given in the timetable and throughout this Prospectus. If the Company, the Selling Shareholder and the Underwriters should decide to do so, the Company will make this public through a press release, which will also be placed on the Company's website. Any other material alterations will be published in a press release on the Company's website and in a supplement to this Prospectus (if required) that is subject to the approval of the AFM.

Any acceleration of the timetable for the Offering will be published in a press release at least three hours before the end of the original Offering Period, provided that any extension will be for a minimum of one full day. Any extension of the timetable for the Offering will be published in a press release at least three hours before the proposed end of the accelerated Offering Period. In any event, the Offering Period will be at least six business days.

Offer Price and Number of Offer Shares

At the date of this Prospectus, the Offer Price is expected to be in the range of €16.50 to €20.50 (inclusive) per Offer Share. The Offer Price, which may be higher or lower than the Offer Price Range, and the exact number of Offer Shares offered will be determined by the Company, the Selling Shareholder and the Underwriters after the end of the Offering Period, including any acceleration or extension, on the basis of the results of the bookbuilding process and taking into account market conditions, a qualitative assessment of demand for the Offer Shares and other factors deemed appropriate. The Offer Price and the exact number of Offer Shares will be stated in the Pricing Statement, which will be published in a press release on the Company's website and be deposited with the AFM.

The Company, the Selling Shareholder and the Underwriters reserve the right to change the Offer Price Range and/or increase the maximum number of Offer Shares before the end of the Offering Period. Any such increase will be announced in a press release prior to the end of the Offering Period.

The Offer Price Range is an indicative price range and can be changed. Any increase in the top end of the Offer Price Range on the last day of the Offering Period or the determination of an Offer Price above the

Offer Price Range will result in the Offering Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offering Period will result in the Offering Period being extended by at least one business day. Any change in the number of Offer Shares and/or the Offer Price Range will be announced in a press release on the Company's website.

Offering Period

Subject to acceleration or extension of the timetable for the Offering, prospective investors may subscribe for Offer Shares during the period commencing on 24 April 2014 and ending at 12:00 CET on 6 May 2014. In the event of an acceleration or extension of the Offering Period, pricing, allotment, admission and first trading of the Offer Shares, as well as payment for and delivery of the Offer Shares in the Offering may be advanced or extended accordingly. If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares arises or is noted before the Settlement Date, a supplement to this Prospectus will be published, the Offering Period will be extended and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two business days following the publication of the supplement.

Allocation

The determination of the final Offer Price and the allocation of the Offer Shares is expected to take place after termination of the Offering Period on or about 6 May 2014, subject to acceleration or extension of the timetable for the Offering. The Offer Price, which may be set within, above or below the Offer Price Range, which is an indicative price range, and the exact number of Offer Shares and, if applicable, Over-allotment Shares, will be determined by the Selling Shareholder, in consultation with the Company, following recommendations from the Global Coordinator, taking into account market conditions and other factors. In the event that the Offering is over-subscribed, investors may receive fewer Offer Shares than they applied to subscribe for. The Underwriters may, at their own discretion and without stating the grounds therefor, reject any subscriptions wholly or partly. Allotment of the Offer Shares to investors will be determined by the Company and the Selling Shareholder in consultation with the Underwriters. The Underwriters will notify investors of any allotment of Offer Shares to them.

Investors participating in the Offering will be deemed to have checked whether and to have confirmed they meet the requirements of the selling and transfer restrictions in "*Selling and Transfer Restrictions*". If in doubt, investors should consult their professional advisers.

Payment

Payment (in euros) for the Offer Shares, and payment for the Over-allotment Shares pursuant to the Over-allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. Taxes and expenses, if any, must be borne by the investor. Investors must pay the Offer Price in immediately available funds on or before the Settlement Date (or earlier in the case of an early closing of the Offering Period and consequential acceleration of pricing, allocation, commencement of trading and Settlement).

Delivery and Listing of Shares

The Offer Shares will be delivered in book-entry form through the facilities of Euroclear Nederland with registered address at Herengracht 459-469, 1017 BS Amsterdam, The Netherlands—(Chamber of Commerce registration n° 34 216 825).

Application has been made for the Shares to be accepted for clearance through the book-entry facilities of Euroclear Nederland.

Delivery of the Offer Shares, and Over-allotment Shares pursuant to the Over-allotment Option, if such option has been exercised prior to the Settlement Date, will take place on the Settlement Date, which is expected to take place on or about 13 May 2014, through the book-entry facilities of Euroclear Nederland, in accordance with their normal settlement procedures applicable to equity securities and against payment for the Shares in immediately available funds.

Application has been made to list the Shares on Euronext Amsterdam under the symbol "DOMUS" with ISIN code NL0010733416. Subject to acceleration or extension of the timetable for the Offering, trading on an "as-if-and-when-issued/delivered" basis in the Offer Shares is expected to commence on or about 7 May 2014.

The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. See "*Plan of Distribution*".

If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for Offer Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation. Any dealings in Offer Shares prior to Settlement are at the sole risk of the parties concerned.

Ranking and Dividends

The Offer Shares and, if the Over-allotment Option will be exercised, any Over-allotment Shares will, upon issue, rank equally in all respects. The Shares will carry dividend rights as of the date of issue. See "*Dividends and Dividend Policy*".

Dilution

As a result of the issuance of the Offer Shares, the voting interest of the Selling Shareholder will be diluted. The maximum dilution for the Selling Shareholder would be 39.9 per cent., assuming the issuance and sale of the maximum number of Offer Shares.

Listing Agent and Paying Agent

Kempen & Co N.V. is the listing agent with respect to the admission to listing and trading of the Shares on Euronext Amsterdam and is also acting as paying agent for the Shares in the Netherlands. The address of Kempen & Co N.V. is Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands.

PLAN OF DISTRIBUTION

Introduction

On the date of this Prospectus, the Company, the Selling Shareholder and the Global Coordinator on behalf of the Underwriters entered into an underwriting agreement (the "**Underwriting Agreement**") relating to the offer and sale of the Offer Shares in connection with the Offering. Under the terms and subject to the conditions set forth in the Underwriting Agreement, the Underwriters have severally agreed to procure purchasers for or, failing which, to purchase themselves, the Offer Shares. The proportion of Offer Shares that each Underwriter may severally be required to purchase is indicated below.

Underwriters	% of total Offer Shares
J.P. Morgan Securities plc	80.00
Kempen & Co N.V.	10.00
Wood & Company Financial Services a.s.	10.00
Total	100.00

The Underwriting Agreement provides that the obligations of the Underwriters to procure purchasers for or, failing which, to purchase themselves the Offer Shares, and, if applicable, the Over-allotment Shares, are subject to: (i) entry into a pricing agreement between the Company, the Selling Shareholder and the Global Coordinator on behalf of the Underwriters, which will contain the Offer Price; (ii) receipt of opinions on certain legal matters from counsel; (iii) receipt of customary officers' certificates; (iv) the absence of a suspension of trading on Euronext Amsterdam or certain other markets; (v) the absence of a material adverse change in the Company's financial conditions or business affairs or in the financial markets; and (vi) certain other conditions.

In consideration of the agreement by the Underwriters to procure purchasers for or, failing which, to purchase themselves, the Offer Shares and, if applicable, the Over-allotment Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Underwriting Agreement provides for the Underwriters to be paid selling, underwriting and management commissions of between 2.385 per cent. and 2.70 per cent. (depending on the size of the Offering) of the product of the Offer Price and the aggregate number of Offer Shares and Over-allotment Shares, if any. This does not include any incentive fees, which may be paid to the Underwriters at the discretion of the Company and the Selling Shareholder.

The Offering consists of an offering by the Company of up to 2,303,030 Offer Shares and the Selling Shareholder of up to 9,900,000 Offer Shares. The Offer Shares are being (i) sold in the United States to "qualified institutional buyers" or "QIBs" (as defined in Rule 144A under the U.S. Securities Act) in reliance on Rule 144A and (ii) offered and sold to institutional investors in various jurisdictions outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act. The Offering is made only in those jurisdictions where, and only to those persons to whom, offer and sales of the Offer Shares may be lawfully made.

Any offer and sale in the United States will be made by affiliates of the Underwriters who are broker dealers registered under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**").

Over-allotment and Stabilisation

In connection with the Offering, J.P. Morgan Securities plc as Stabilisation Manager, or its agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws, over-allot Shares or effect transactions with a view to supporting the market price of the Shares, or any options, warrants or rights with respect to, or other interests in, the Shares, if any, or other securities of the Company. These activities may raise or maintain the market price of the Shares above independent market levels or prevent or retard a decline in the market price of the Shares. Such transactions may be effected on Euronext Amsterdam, in the over-the-counter markets or otherwise. The Stabilisation Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken. Such stabilisation, if commenced, may be discontinued at any time and must be brought to an end within 30 days after the First Trading Date. Save as required by law or regulation, the Stabilisation Manager does not intend to disclose the extent of any stabilisation transactions under the Offering. The Stabilisation Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 15 per cent. of the total number of Offer Shares sold in the Offering.

None of the Company, the Selling Shareholder or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Shares. In addition, none of the Company, the Selling Shareholder or any of the Underwriters makes any representation that the Stabilisation Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Lock-up Arrangements

Pursuant to the Underwriting Agreement, the Company and the Selling Shareholder have agreed with the Underwriters that, for a period of 180 days after the Settlement Date, they will not, subject to certain customary exceptions, without the prior consent of the Global Coordinator, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities exchangeable for or convertible into or exercisable for Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transactions are to be settled by delivery of the Shares or other securities, in cash or otherwise.

General

Certain of the Underwriters and/or their respective affiliates have in the past engaged and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or the Selling Shareholder or any parties related to any of them, in respect of which they have received and may in the future receive customary fees and commissions. In addition, J.P. Morgan Securities plc acted as an initial purchaser in connection with the issuance of Senior Secured Notes by RPG Byty and currently holds certain of the Senior Secured Notes. Furthermore, in connection with the Offering, each of the Underwriters and any of its affiliates acting as an investor for its own account may take up the Offer Shares and Over-allotment Shares (if any) and, in that capacity, may retain, purchase or sell for its own account such securities and any securities of the Company or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Offer Shares or the Over-allotment Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters and any affiliate acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

Selling Restrictions

General

No public offer is being made and no one has taken any action that would, or is intended to, permit a public offering of the Offer Shares to be made in any country or jurisdiction, other than the Netherlands, where any such action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this offer document nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction. It is the responsibility of any person who receives a copy of this Prospectus to satisfy himself or herself as to full observance of the laws of any relevant territory in respect of any actions he or she may take, including obtaining of any requisite governmental or other consent or the observance of any requisite formalities and the payment of any issue, transfer or other taxes due in such territory.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Offer Shares are only to be offered and sold outside the United States in offshore transactions in compliance with Regulation S, and sold within the United States to QIBs in reliance upon Rule 144A.

United Kingdom

Any offer or sale of the Offer Shares may only be made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances that do not require publication by the Company of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000. Any investment or investment activity to which this offer document relates is available only to, and will be engaged in only with, investment professionals falling within Article 19(5), or fall within section 49(2)(a) to (d) ("high net worth; unincorporated associations, etc.") of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this offer document and should not act or rely on it.

European Economic Area

In relation to each state which is a party to the agreement relating to the European Economic Area (an "**EEA State**") and which has implemented the Prospectus Directive (a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, an offer to the public of any Offer Shares which are the subject of the Offering contemplated by this Prospectus may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State, all in accordance with the Prospectus Directive, except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 natural or, if the Relevant Member State has implemented the relevant provision of Directive 2010/73/EU, 150, natural or legal persons (other than Qualified Investors), as permitted under the Prospectus Directive;

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall require the Company, the Selling Shareholder or any Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Australia

ASIC has not reviewed this document or commented on the merits of investing in the Securities nor has any other Australian regulator. No offer of Securities is being made in Australia, and the distribution or receipt of this document in Australia does not constitute an offer of securities capable of acceptance by any person in Australia, except in the limited circumstances described below relying on certain exemptions in the Corporations Act. This document may only be provided in Australia to select investors who are able to demonstrate that they are "wholesale clients" for the purposes of Chapter 7 of the Corporations Act and fall within one or more of the following categories of Exempt Investors: "sophisticated investors" or "professional investors", who meet the criteria set out in, respectively, section 708(8) and section 708(11) and as defined in section 9 of the Corporations Act, experienced investors who receive the offer through an Australian financial services licensee, where all of the criteria set out in section 708(10) of the Corporations Act have been satisfied or senior managers of the Company (or a related body, including a subsidiary), their spouse, parent, child, brother or sister, or a body corporate controlled by any of those persons, as referred to in section 708(12) of the Corporations Act.

TRANSFER RESTRICTIONS

The Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

(3) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;

(4) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;

(5) the Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;

(6) the purchaser acknowledges that the Company shall not recognise any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions;

(7) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(8) the purchaser acknowledges that the Company, the Selling Shareholders, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

(1) the purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;

(2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;

(3) the purchaser: (i) is a qualified institutional buyer; (ii) is aware that the sale to it is being made pursuant to an exemption from the registration requirements of the U.S. Securities Act; and (iii) is acquiring such Offer Shares for its own account or for the account of a qualified institutional buyer;

(4) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;

(5) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only: (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A; (ii) in compliance with Regulation S; or (iii) in accordance

with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(6) the purchaser acknowledges that the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;

(7) the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

(8) the purchaser acknowledges that the Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;

(9) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and

(10) the purchaser acknowledges that the Company, the Selling Shareholders, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Underwriters, the Selling Shareholders and the Company that:

(1) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(2) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Global Coordinator has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer" in relation to any of the Offer Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

TAXATION

The statements herein regarding taxation are based on the laws and published practice in force in the relevant jurisdictions as at the date of this Prospectus, all of which are subject to any changes in law occurring after this date, including changes made on a retroactive basis, and to differing interpretations. The following summary does not purport to be a comprehensive description of all of the tax considerations which may be relevant to a decision to purchase, hold or dispose of the Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Shares are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of the Shares.

Certain Dutch Tax Considerations

Introduction

The following summary outlines certain principal Dutch tax consequences of the acquisition, holding and disposal of the Shares, but does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant. For purposes of Dutch tax law, a holder of Shares may include an individual or entity who does not have the legal title of these Shares, but to whom, nevertheless, the Shares or the income thereof is attributed on the basis of such individual or entity having an interest in the Shares or the income thereof or based on specific statutory provisions.

This summary is therefore intended as general information only and each potential investor should consult a professional tax adviser about the tax consequences of the acquisition, holding and disposal of Shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as at the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Dutch tax consequences for:

(a) Shareholders holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company and Shareholders of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (a statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5 per cent, or more of the total issued capital of the Company or of 5 per cent. or more of the issued capital of a certain class of shares of the Company, (ii) rights to acquire, directly or indirectly, such interest, or (iii) certain profit sharing rights in the Company;

(b) investment institutions (*fiscale beleggingsinstellingen*);

(c) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Dutch corporate income tax;

(d) persons to whom Shares and the income therefrom are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Dutch Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(e) entities which are a resident of Aruba, Curacao or Saint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Saint Eustatius or Saba;

(f) Shareholders which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Shares or the benefits derived from or realised in respect of these Shares;

(g) holders of Shares for which Shares or any benefits derived or deemed to be derived from such Shares have a connection with their past, present or future employment or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*); and

(h) corporate Shareholders who qualify for the participation exemption (*deelnemingsvrijstelling*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5 per cent. or more of the nominal paid-up share capital and is not considered a portfolio investment which is not a qualifying portfolio investment (*kwalificerende beleggingsdeelneming*).

Where this summary refers to The Netherlands, such reference is restricted to the part of the Kingdom of The Netherlands that is situated in Europe and the legislation applicable there.

Dividend tax

Withholding of dividend tax

The Company is required to withhold 15 per cent. Dutch dividend tax in respect of dividends paid on Shares. In the Dutch Dividend Tax Act 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from Shares, which include:

(a) direct or indirect distributions of profit, regardless of their name or form;

(b) liquidation proceeds, proceeds on redemption of Shares and, as a rule, the consideration for the repurchase of Shares by the Company in excess of its average paid-in capital recognised for Dutch dividend tax purposes, unless a particular statutory exemption applies;

(c) the nominal value of Shares issued to a holder of Shares or an increase in the nominal value of Shares, to the extent that the nominal value of Shares or the increase thereof is not funded out of the Company's paid-in capital recognised for Dutch dividend tax purposes; and

(d) partial repayments of paid-in capital recognised for Dutch dividend tax purposes, if and to the extent there are qualifying profit (*zuivere winst*), unless the general meeting of shareholders has resolved in advance to make such repayment and provided that the nominal value of the Shares concerned has been reduced by an equal amount by way of an amendment of the Company's Articles of Association.

Credit for residents of The Netherlands

If a holder of Shares is a resident or deemed to be a resident of The Netherlands for Dutch corporate or personal income tax purposes, Dutch dividend tax which is withheld with respect to proceeds from Shares will generally be creditable and/or refundable for Dutch corporate income tax or Dutch personal income tax purposes.

Relief or refund for non-residents of The Netherlands

If a holder of Shares is a resident of a country other than The Netherlands, and (i) such holder is a corporate entity which is a resident of a member state of the EU or of a designated state that is a party to the Agreement on the European Economic Area, holding Shares in respect of which the Company is not required to withhold dividend tax pursuant to Dutch statutory provisions as implemented to comply with requirements pursuant to the EU Parent/Subsidiary Directive (PbEU 2011, L 345); or (ii) if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between The Netherlands and that country, and such holder is a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Dutch dividend tax.

Corporate and personal income tax

Residents of The Netherlands

If a holder of Shares is a resident of The Netherlands or deemed to be a resident of The Netherlands for Dutch corporate income tax purposes and is fully subject to Dutch corporate income tax or is only subject to Dutch corporate income tax in respect of an enterprise to which Shares are attributable, income derived from Shares and gains realised upon the redemption or disposal of Shares is generally taxable in The Netherlands (at up to a maximum rate of 25 per cent.).

If an individual holder of Shares is a resident of The Netherlands, deemed to be a resident of The Netherlands for Dutch personal income tax purposes or who has opted to be treated as a resident of The Netherlands for personal income tax purposes, income derived from Shares and gains realised upon the redemption or disposal of Shares is taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Dutch Income Tax Act 2001 if:

(a) such holder is an entrepreneur (*ondernemer*) and has an enterprise to which Shares are attributable or such holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise Shares are attributable; or

(b) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to Shares that exceed regular, active portfolio management.

If neither condition (a) nor (b) above applies, an individual that holds Shares will be subject to Dutch personal income tax on the basis of a deemed return on income from savings and investments (*sparen en beleggen*) rather than on the basis of income actually earned or realised. This deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of Shares less the fair market value of certain qualifying liabilities at the beginning of the calendar year. The fair market value of Shares will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments will be taxed at a flat rate of 30 per cent.

Non-residents of The Netherlands

If a holder of Shares is not a resident of The Netherlands, deemed to be a resident of The Netherlands for Dutch corporate or personal income tax purposes, nor has opted to be treated as a resident of The Netherlands for personal income tax purposes, such holder is not liable to Dutch corporate income tax or Dutch personal income tax in respect of income derived from Shares and gains realised upon the redemption or disposal of Shares, unless:

(a) such holder is not an individual and such holder (i) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or a permanent representative Shares are attributable, or (ii) is other than by way of securities entitled to a share in the profit of an enterprise or a co-entitlement to the net worth of an enterprise which is effectively managed in The Netherlands and to which enterprise Shares are attributable. This income is subject to Dutch corporate income tax at up to a maximum rate of 25 per cent.;

(b) such holder is an individual and such holder (i) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands to which permanent establishment or permanent representative Shares are attributable, or (ii) realises income or gains with respect to Shares that qualify as income from miscellaneous activities in The Netherlands which include activities with respect to Shares that exceed regular, active portfolio management or (iii) is other than by way of securities entitled to a share in the profit of an enterprise that is effectively managed in The Netherlands and to which enterprise Shares are attributable.

Income derived from Shares as specified under (i) and (ii) by an individual is subject to Dutch personal income tax at progressive rates up to a maximum rate of 52 per cent,. Income derived from a share in the profit as specified under (iii) that is not already included under (i) or (ii) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "*—Residents of The Netherlands*"). The fair market value of such share in the profit of an enterprise (which includes Shares) will be part of the individual's Dutch yield basis.

Gift and inheritance tax

Residents of The Netherlands

Generally, gift tax or inheritance tax (*schenkbelasting of erfbelasting*) will be due in The Netherlands in respect of the acquisition of Shares by way of a gift by, or on behalf of, or on the death of, a holder of Shares that is a resident or deemed to be a resident of The Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 at the time of the gift or his or her death. A gift made under a condition precedent is for purposes of the Dutch Gift and Inheritance Tax Act 1956 deemed to be made at the time the condition precedent is fulfilled and is subject to gift tax if the donor is, or is deemed to be, a resident of The Netherlands at that time.

A holder of Dutch nationality is deemed to be a resident of The Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 if he or she has been resident in The Netherlands and dies or makes a gift within ten years after leaving The Netherlands. A holder of any other nationality is deemed to be a resident of The Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 if he or she has been resident in The Netherlands and makes a gift within a 12-month period after leaving The Netherlands. The same 12-month rule may apply to entities that have transferred their seat of residence out of The Netherlands.

Non-residents of The Netherlands

No gift or inheritance tax will be due in The Netherlands in respect of the acquisition of Shares by way of a gift by, or as a result of the death of a holder that is neither a resident nor deemed to be a resident of The Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956. However, inheritance tax will be due in the case of a gift of Shares by, or on behalf of, a holder, who at the date of the gift, was neither a resident nor deemed to be a resident of The Netherlands for the purposes of Dutch gift or inheritance tax, but such holder dies within 180 days after the date of the gift and at the time of his or her death is a resident or deemed to be a resident of The Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

Value added tax

In general, no value added tax will arise in respect of payments in consideration for the issue of Shares or in respect of a cash payment made under Shares, or in respect of a transfer of Shares.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in The Netherlands by a holder of Shares in respect of, or in connection with the subscription, issue, placement, allotment, delivery or transfer of Shares.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, SHAREHOLDERS ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SHAREHOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) SHAREHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

General

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Shares that are U.S. Holders and that will hold the Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax or the net investment income tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisors concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Shares by the partnership.

This summary assumes that the Company will not be a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes for the current taxable year, which the Company believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and The Netherlands (the "**Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

General

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Dutch withholding tax paid by the Company with respect thereto, generally will be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Shares will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company generally will be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty and the Company is not treated as a PFIC in the taxable year in which the dividends are paid or the preceding taxable year. The Company expects to qualify for the benefits of the Treaty and does not believe that it will be treated as a PFIC for the current taxable year or the preceding taxable year. A U.S. Holder will be eligible for this reduced rate only if it has held the Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and certain other conditions are satisfied.

Effect of Dutch withholding taxes

As discussed in "Taxation—Certain Dutch Tax Consequences", under current law, payments of dividends by the Company to foreign investors are subject to a 15 per cent. Dutch withholding tax. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Dutch taxes withheld by the Company, and as then having paid over the withheld taxes to the Dutch taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received by the U.S. Holder from the Company with respect to the payment.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Dutch income taxes withheld by the Company. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket. If a U.S. Holder receives a dividend from the Company that qualifies for the reduced rate described above under "Dividends-General", the amount of the dividend taken into account in calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder has not held the Shares for at least 16 days in the 31-day period beginning 15 days before the ex-dividend date.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Dutch taxes into U.S. Dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. Dollars at the spot rate on the date received. However, cash basis and electing accrual basis U.S. Holders may translate Dutch taxes into U.S. Dollars using the exchange rate in effect on the day the taxes are paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made and all subsequent taxable years, and cannot be revoked without the consent of the IRS.

Foreign currency dividends

Dividends paid in euro will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the euro are converted into U.S. dollars at that time. If dividends received in euro are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Sale or other Disposition

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. Long-term capital gains of non-corporate U.S. Holders are generally eligible for preferential rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss generally will be U.S. source.

A U.S. Holder's tax basis in a Share generally will be its U.S. dollar cost. The U.S. dollar cost of a Share purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Shares traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of Shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of Foreign Currency

Foreign currency received on the sale or other disposition of a Share will have a tax basis equal to the U.S. dollar value of the amount realised on such sale or other disposition. Foreign currency that is purchased generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Shares or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Passive Foreign Investment Company Considerations

The Company does not believe that it will be treated as a PFIC for the current taxable year or the foreseeable future. A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. Although rental income generally is passive income, certain exceptions apply to allow a lessor to treat its rental income as non-passive. One exception provides that rental income earned by a lessor from leasing real property will be treated as non-passive income if such rental income is earned from leasing real property with respect to which the lessor, through its own officers or staff of employees, regularly performs active and substantial management and operational functions while the property is leased. The Company believes that the rental income that it takes into account for purposes of the PFIC tests described above currently qualifies for this exception. The Company's possible status as a PFIC must be determined annually, however, and may be subject to change if such income fails to qualify for this exception for any year. If the Company were to be treated as a PFIC in any year, U.S. Shareholders generally would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described above under "*—Dividends-General*". A U.S. Holder who owns, or is treated as owning, PFIC stock during any taxable year in which the Company is classified as a PFIC may be required to file IRS Form 8621 (or any successor form). Prospective purchasers should consult their tax advisers regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

Backup Withholding and Information Reporting

Payments of dividends on, and proceeds from the disposition of, Shares paid by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting

U.S. taxpayers that own certain foreign financial assets, including equity of foreign entities, with an aggregate value in excess of $50,000 at the end of the taxable year or $75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The Shares are expected to constitute foreign financial assets subject to these requirements unless the Shares are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of the rules relating to foreign financial asset reporting.

AVAILABLE INFORMATION

The Prospectus and the Company's Articles of Association will be made available to investors at no cost at the Company's registered office, located at Jachthavenweg 109h, 1081 KM Amsterdam, The Netherlands. Subject to selling and transfer restrictions, the Prospectus is also available to investors on the Company's website (www.domusnv.com). The posting of the Prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares to or from any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution. Information on the Company's website (www.domusnv.com) or any other website does not form part of the Prospectus.

The Company has agreed that, for so long as any of the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided to such persons pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting requirements of the U.S. Exchange Act.

DOCUMENTS INCORPORATED BY REFERENCE

The Articles of Association as they will read following their amendment prior to Settlement are incorporated in, and form part of, this Prospectus and can be obtained free of charge on the Company's website at www.domusnv.com.

No Incorporation of Website

The contents of the Company's website, including any websites accessible from hyperlinks on the Company's website, do not form part of and are not incorporated by reference into this Prospectus.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Linklaters LLP as to matters of Dutch, English and United States federal law and by Kocián Šolc Balaštík, advokátní kancelář, s.r.o., as to matters of Czech law. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Loyens & Loeff N.V. as to matters of Dutch law, Latham & Watkins (London) LLP as to matters of English and United States federal law, and by PRK Partners s.r.o. advokátní kancelář as to matters of Czech law.

INDEPENDENT AUDITORS

The audited financial statements of RPG Byty as at and for the years ended 31 December 2011, 2012 and 2013, included elsewhere in this Prospectus, have been audited by KPMG Česká republika Audit, s.r.o., an independent public accounting firm and a Czech limited liability company and a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative. Its offices are located at Pobřežní 1a, 186 00 Praha 8, Czech Republic.

CERTAIN DEFINITIONS

In this Prospectus:

- "**Articles of Association** refers to the articles of association of the Company as they will read following their amendment prior to Settlement;
- "**BXR Group**" refers to BXR Group Limited and each of its subsidiaries;
- "**BXR Group Limited**" refers to BXR Group Limited, a company organised under the laws of the British Virgin Islands, with its corporate seat in the British Virgin Islands;
- "**By-Laws**" refers to the rules adopted by the Board of Directors regarding its functioning and internal organisation;
- "**CBRE**" refers to CBRE s.r.o., a limited liability company organised under the laws of the Czech Republic;
- "**Clearstream**" refers to Clearstream Banking, *société anonyme*;
- "**Company**" refers to Domus N.V., a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of The Netherlands;
- "**Currency Swaps**" refers to CZK/€ currency swaps entered into with Goldman Sachs International and Česká spořitelna, a.s. to hedge certain currency risks related to the Senior Secured Notes, as described under "*Operating and Financial Review—Liquidity and Capital Resources—Currency Swaps*";
- "**Czech GAAP**" means the generally accepted accounting principles in the Czech Republic;
- "**Czech koruna**" or "**CZK**" refers to the lawful currency of the Czech Republic;
- "**$**", "**dollars**" or "**U.S. dollars**" refers to the lawful currency of the United States;
- "**EU**" refers to the European Union;
- "**€**" or "**euro**" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- "**Former OKD**" refers to the now non-existent OKD, a.s., a joint stock company (*akciová společnost*) organised under the laws of the Czech Republic and certain other entities;
- "**General Meeting**" refers to the general meeting of shareholders of the Company, being the corporate body, or where the context so requires, the physical meeting of Shareholders;
- "**Group**" refers to the Company together with its subsidiaries;
- "**IFRS**" refers to International Financial Reporting Standards as adopted by the EU;
- "**Intercreditor Agreement**" means the agreement dated 2 May 2013 among, *inter alios*, RPG Byty, the trustee for the Senior Secured Notes, the lender under the Revolving Credit Facility, the hedge counterparties under the Currency Swaps and the security agent in respect of the Senior Secured Notes, the Currency Swaps and the Revolving Credit Facility;
- "**Karbon Invest**" refers to the now non-existent KARBON INVEST, a.s., a joint stock company (*akciová společnost*) organised under the laws of the Czech Republic, which was merged with Charles Capital, a.s. and RPG Industries Public Limited into RPGI;
- "**National Property Fund**" refers to the Fond Národního Majetku České Republiky, the National Property Fund of the Czech Republic, an agency of the Czech Republic incorporated as a specific entity under the laws of the Czech Republic;
- "**Privatisation Agreement**" refers to the share purchase agreement of 16 September 2004 between the National Property Fund and Karbon Invest in connection with the sale to Karbon Invest of 45.88 per cent. of the shares of Former OKD;
- "**Refurbishment Loans**" refers to bank loans for refurbishment of certain properties, as described under "*Operating and Financial Review—Liquidity and Capital Resources—Refurbishment Loans*";
- "**Revolving Credit Facility Agreement**" or the "**Revolving Credit Facility**" refers to the revolving credit facility dated 19 December 2013 between RPG Byty and Raiffeisenbank a.s., with a committed amount

of up to CZK 550 million thereunder, as described under "*Operating and Financial Review—Liquidity and Capital Resources—Revolving Credit Facility*";

- "**RPG Byty**" refers to RPG Byty, s.r.o., a wholly owned subsidiary of the Company incorporated as a limited liability company under the laws of the Czech Republic;
- "**RPG Property**" or the "**Selling Shareholder**" refers to RPG Property B.V., a holding company incorporated in The Netherlands that is an indirect wholly owned subsidiary of BXR Group Limited;
- "**RPG RE Commercial**" refers to RPG RE Commercial, s.r.o., a limited liability company incorporated under the laws of the Czech Republic;
- "**RPG RE Land**" refers to RPG RE Land s.r.o., a limited liability company incorporated under the laws of the Czech Republic;
- "**RPG RE Management**" refers to RPG RE Management, s.r.o., a limited liability company incorporated under the laws of the Czech Republic, an affiliate of the Company that formerly employed certain members of our management team and is currently in liquidation;
- "**RPG Služby**" refers to RPG Služby, s.r.o., a limited liability company incorporated under the laws of the Czech Republic, an affiliate of the Company that provides facility management services to us in the form of maintenance, cleaning and small repairs;
- "**RPGI**" refers to RPG Industries Limited (formerly RPG Industries Ltd., RPG Industries Plc, RPG Industries SE and RPG Industries Public Limited), a private limited company organised under the laws of Cyprus, with its corporate seat in Nicosia, Cyprus;
- "**Senior Secured Notes**" refers to the €400,000,000 aggregate principal amount of RPG Byty's 6¾ per cent. Senior Secured Notes due 2020;
- "**United States**" or "**U.S.**" refers to the United States of America;
- "**Valuation Report**" refers to the valuation report dated 23 April 2014 relating to our portfolio by CBRE, which is included elsewhere in this Prospectus; and
- "**we**", "**us**", "**our**" and other similar terms refer to the Company or the Group, as the context so requires.

INDEX TO FINANCIAL STATEMENTS

RPG BYTY, S.R.O.

Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

for the year ended 31 December 2013

CONTENTS

GENERAL INFORMATION

Statutory Representatives

Anton Aksic
Pavel Klimeš
Martin Ráž

The Company is represented by at least two Statutory Representatives acting jointly. The Company's supreme body is the General Meeting.

Supervisory Board

Supervisory Board was established as of 4 December 2008. Otakar Jelínek, Pavel Telička and Pavel Klimeš were appointed as members of the Supervisory Board as of that date. As at 2 December 2011, all members were recalled of the Supervisory Board and the Supervisory Board was terminated. The change was recorded in the Commercial Register as at 27 December 2011. As at 9 April 2013, the Supervisory Board was established again. Kamil Čermák, Stanislav Svoboda and Lucie Zieglerová were appointed as members of the Supervisory Board as of that date.

Registered Office

Gregorova 2582/3
701 97 Ostrava-Moravská Ostrava
Czech Republic

Identification Number

277 69 127

REPORT OF THE MANAGEMENT

Management of RPG Byty, s.r.o. ("the Company") hereby presents its financial statements for the financial year ended on 31 December 2013.

Evaluation of the year 2013

The year 2013 was the year of the completion of project for the gradual increasing of previously regulated rents. Since 2011 any adjustment to the rent has only been possible based on an agreement between the tenant and the landlord. New deregulated rents were negotiated with more than 99% of the tenants of the Company, thanks to a thorough and meticulous preparation, social consideration and open communication with the tenants. The company offered a gradual and socially acceptable increase of the monthly rents during the period 2011 - 2013, including the calculation of the rent increase for the upcoming period. The proposal involved almost 36 thousand tenants. The overwhelming majority of the tenants received new contracts or amendments to their rental agreements, and therefore acquired long-term stable housing. The formerly regulated rents were increased for the last time across the board in 2013, according to newly signed rental agreements or amendments to rental agreements, as of January 1, 2013 and maximally by 5 CZK/m2, plus, as of March 1, 2013, by the part of the inflation exceeding 2%, which represented an increase of 1,3% in 2013.

In addition to the project for the increasing of rents, the Company established the so-called RPG Housing Fund (RPG Fond bydleni) in 2011, aiming at the reduction of potential negative impacts of the deregulation on single living senior tenants. The Company received a total of 1,845 applications for the funding from this fund in 2013. A total of 1,532 applications were accepted, while the contributions in the form of discounts on rent reached almost 6 million CZK. Since its establishment the RPG Housing Fund has provided contributions amounting to more than 12 million CZK to more than 6,200 applicants.

In 2013, the Company, also continued the extensive regeneration of its housing portfolio. In the course of the year, the Company spent approximately 1.3 billion CZK on the repairs and overall refurbishment of the buildings and apartments. The repairs affected approximately 2,000 buildings. Programs initiated in the past years, such as the Safety (Bezpečnost) and Exterior (Exteriér) Projects, the complex revitalization or separately named actions focused on the specific technical components of buildings also continued in 2013; however the main target of the Company was the completion of the windows replacement in the apartments of tenants with formerly regulated rents, where the Company undertook to replace the windows by the end of 2014 as part of the project for the increasing of rents. In 2012 the Company's management decided to realize this windows replacement earlier, i.e. by the end of 2013, in order to decrease the energy costs of the buildings and save the tenants' costs on heating. This promise was kept and the final phase of the windows replacement project was completed by the end of the year 2013. The windows were replaced in more than 9,000 of apartments in 776 buildings. Thanks to this, more than 40,000 RPG apartments had new windows replaced by the end of 2013.

Furthermore, the Company completed another part of the revitalization of its housing portfolio in the town quarters of Karviná—Nové Město and Orlová—Poruba in 2013, as part of the Integrated Town Development Plan. The revitalization works were carried out in both parts from September to November 2013 and affected a total of 128 apartments in Karviná and 216 apartments in Orlová. The building works included the façade insulations, roof repairs and insulations, insulations of basement ceilings, remediation of balconies, windows replacement, tinsmithing works, works on railings, entry doors, mailboxes and doorbells as well as electrical installation works. All these works required almost 44 million CZK.

The Company previously cooperated with Karviná and Orlová, when the Company also worked with the town of Český Těšín within this project. More than 1,000 apartments were completely revitalized in these localities.

Another part of the Karviná—Nové Město locality revitalization was the demolition of several residential buildings, which could not be reconstructed due to unacceptable economic costs. Specifically 7 houses were demolished while their tenants (117 families) were moved to new buildings. As they were moved to the locations that had already undergone the revitalization, their housing conditions were undoubtedly improved.

The Company strives to improve the life in the socially segregated areas and therefore systematically and in the long term cooperates with a number of private, state and non-profit organizations. There were more than 30 of such organizations last year, working in the area of education, supporting young people leaving children's home (orphanage), seniors and disabled citizens, helping with social inclusion and public housing.

The Company also carried out important revitalization works on the residential buildings in the socially segregated areas, which directly affected 4,150 apartments and cost more than half a billion CZK up to end of 2013.

The Safety (Bezpečnost) Project, focused on increasing safety of the RPG buildings, apartments and the surrounding areas, also continued throughout the entire 2013. The corner stone of the project is the replacement of the entry doors, entry bells and mailboxes as well as the installation of bars at the entrances to the cellars and lofts and improvement of the aesthetical impression of the common areas of the buildings.

Furthermore, the Company is also financing installation of camera surveillance systems in selected localities to enable the municipal police a better monitoring of these areas ensuring thus the public safety and order. The camera systems were previously installed in Ostrava—Kunčičky and Havířov—Šumbark and the installation continued in 2013 in the part of the revitalized locality Karviná—Nové Město.

In addition to the increasing demand for smaller apartments the Company decided as early as in 2012 to start dividing large apartments (3+1 or 4+1 / 2-bedroom and 3-bedroom apartments) into two smaller units. The successful project continued in 2013, when a total of 125 apartments were divided, creating thus 127 new apartments.

In 2013, the Company traditionally placed a strong emphasis on communication with the tenants. Almost 164,000 contacts with the tenants were carried out during this year, which was an increase by 1.3% compared to the previous year. A total of 78,700 clients were served at the RPG client centers, with the average waiting time of approximately 20 minutes. The RPG Customer Line operators dealt with 65,000 phone calls and answered 16,100 emails in 2013. The Control Department replied in writing to tenants' 4,200 suggestions and questions. The Company also communicates with the tenants via its webpage and by post. The tenants also receive the Bydlíme information magazine distributed into their mailboxes free of charge.

The Company successfully realized issuing of senior bonds with principal sum of 400 million EUR with the due date in 2020 and a coupon in the amount of 6.75%. The minimal value of the bond is 100 thousand EUR; and over this value in the amounts dividable by thousand EUR. The Company is secured against the exchange rate fluctuation by the arrangement of currency derivatives, which secure all coupon payment from the bonds in the full amount as well as a half of the value of the principal sum against the decrease of the exchange rate above the level of 32.3 CZK to EUR. The distribution of these bonds is regulated by the appropriate legal regulations on the securities and shares.

Activities in the research and development area and environmental protection

The Company is not carrying out any activities in the research and development area due to its line of business.

As in previous years even in 2013, the Company invested large financial sums into the revitalization of its extensive real-estate portfolio, mainly into the replacement of windows, insulation of buildings etc. This contributed to the reduction of the energy costs of its real estate, which in turn helps to reduce the negative impact on the environment of the region. At the same time, the Company is striving to find new technologies and ways, which would help saving the environment of the region and reduce the negative impact on it.

Activities in the labor-law relations area

As of December 31, 2013 the Company employed a total of 203 employees. Compared to the previous year there was a reduction in the number of employees, caused mainly by a transfer of activities associated with the management of commercial assets, lands and sites onto the companies RPG RE Commercial, s.r.o. and RPG RE Land, s.r.o. as of August 1, 2013. In the area of the intellectual capital the Company focused mainly on the employees of the customer service departments as well as on the departments affected by the current changes to the legal regulations.

All activities in the human resources area were carried out according to the valid legislation, including the collective agreement.

Organizational branch of the Company abroad

The Company does not have any organizational branch abroad.

Expected future development

As in previous years, the Company will continue the revitalization and modernization of its housing portfolio. The Company is planning an investment of up to 900 million CZK into the repairs, overall refurbishment and associated costs of the real-estate portfolio.

Following the completion of the windows replacement in the overwhelming majority of apartments owned by the Company, the main focus of the revitalization will remain the Safety Project and particular actions aimed at specific components of the residential houses.

The Company will also continue with the projects aimed at reducing energy costs of housing (for instance the continuous ongoing installation of heat consumption indicators in approx. 36 thousand apartments). According to the previous plan the indicator-based heat consumption measurement was to be provided as a paid service for households interested in this program. However, in accordance with the new legislative valid from January 1, 2013, the indicators will be installed in all households at the costs of the Company by December 31, 2014 at the latest.

Apart from the above mentioned projects the normal day-to-day maintenance will be carried out in the buildings and apartments according to the needs of the tenants. The Company will further work on making the communication channels with the tenants more effective in order to react to changeable requirements with flexibly.

Important future events

The RPG RE Management, s.r.o top management was transferred into the Company as of January 1, 2014. The reason for this change is a hundred percent integration of all the parts of the management into the Company with the aim to centralize the management and make it more efficient with regards to the operation of the Company and the development of its real-estate portfolio.

A Collective Agreement between the Company and Ground Organization of the Unions of Employees of Mining, Geology and Oil Industry RPG RE (Základní organizace Odborového svazu pracovníků hornictví, geologie a naftového průmyslu RPG RE) was signed on February 28, 2014. The Agreement is valid for the years 2014 - 2016.

No other event occurred subsequent to the balance sheet date that would have material impact on this Report.

Ostrava, March 12, 2014

Mr. Pavel Klimeš
Statutory representative

Mr. Martin Ráž
Statutory representative

KPMG Česká republika Audit, s.r.o.
28. října 3117/61
702 00 Ostrava
Česká republika

Telephone +420 596 158 200
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Independent Auditor's Report to the Member of RPG Byty, s.r.o.

We have audited the accompanying financial statements of RPG Byty, s.r.o. which comprise the statement of financial position as of 31 December 2013, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of RPG Byty, s.r.o. as of 31 December 2013, 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.

Ostrava
12 March 2014

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

Blanka Dvořáková
Partner
Licence number 2031

RPG Byty, s.r.o.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2013 CZK'000	2012 CZK'000
CONTINUING OPERATIONS			
Revenues	3	2,954,303	2,924,352
Consumption of material and energy		(900,399)	(932,647)
Services expenses	4	(467,235)	(512,854)
Personnel expenses	5	(161,039)	(119,644)
Property taxes and government fees		(24,054)	(24,340)
Depreciation and amortisation	11,12	(7,813)	(10,632)
Fair value adjustment on investment properties	10	98,246	98,930
Bad debt expense	15	(54,519)	(55,811)
Gain from sale of investment property		21,391	(581)
Other operating income, net	6	44,989	26,960
Other operating expenses, net	6	(34,726)	(26,506)
RESULT FROM OPERATING ACTIVITIES		1,469,144	1,367,227
Financial income	7	5,867	17,998
Financial expense	7	(1,363,817)	(66,716)
PROFIT BEFORE INCOME TAX		111,194	1,318,509
Income tax expense	8, 22	(25,898)	(258,119)
NET PROFIT FOR THE PERIOD		85,296	1,060,390
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss:			
Cash flow hedges—effective portion of changes in fair value		161,100	(15,203)
Cash flow hedges—reclassified to profit or loss		(5,309)	—
Related tax		(29,601)	2,888
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		126,190	(12,315)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		211,486	1,048,075
Profit attributable to:			
Equity holders of the Company		85,296	1,060,390
Total comprehensive income attributable to:			
Equity holders of the Company		211,486	1,048,075

The notes on the pages F-14 to F-45 are an integral part of these consolidated financial statements.

RPG Byty, s.r.o.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	Note	31/12/2013 CZK'000	31/12/2012 CZK'000
ASSETS			
Property, plant and equipment	11	5,217	5,415
Investment property	10	24,510,111	23,349,718
Intangible assets	12	21,277	19,353
Derivatives	16, 18	177,482	—
Restricted cash	13	65,491	217,155
TOTAL NON-CURRENT ASSETS		24,779,578	23,591,641
Accounts receivable and prepayments	15	636,693	698,006
Derivatives	16	22,918	—
Loan to related parties	14	9,082	49,890
Cash and cash equivalents	17	959,947	197,654
TOTAL CURRENT ASSETS		1,628,640	945,550
TOTAL ASSETS		26,408,218	24,537,191
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	500,000	500,000
Cash flow hedge reserve	16,18	103,691	(22,499)
Statutory reserves	18	50,000	50,000
Retained earnings		9,206,369	13,765,667
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		9,860,060	14,293,168
TOTAL EQUITY		9,860,060	14,293,168
LIABILITIES			
Long-term interest-bearing loans and borrowings	20	365,212	4,757,738
Issued bonds	24	10,751,108	—
Deferred tax liability	22	3,997,306	3,941,807
Long-term obligation under finance leases		1,088	2,126
Other long-term liabilities	21	273,128	222,774
TOTAL NON-CURRENT LIABILITIES		15,387,842	8,924,445
Provisions	19	600	500
Accounts payable and accruals	23,24	995,299	925,373
Derivatives	16, 18	16,384	27,776
Current portion of long-term loans	20	66,211	197,038
Short-term obligation under finance leases		839	859
Short-term interest bearing loans and borrowings	20	80,983	168,032
TOTAL CURRENT LIABILITIES		1,160,316	1,319,578
TOTAL EQUITY AND LIABILITIES		26,408,218	24,537,191

The notes on the pages F-14 to F-45 are an integral part of these consolidated financial statements.

RPG Byty, s.r.o.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Note	2013 CZK'000	2012 CZK'000
Cash flows from operating activities			
Net profit before taxation		111,194	1,318,509
Adjustments for:			
Depreciation	11	2,543	2,925
Amortisation	12	5,270	7,707
Fair value adjustment on investment properties	10	(98,246)	(98,930)
Changes in provisions and allowances		39,931	36,625
(Profit) / Loss on disposal of investment property		(21,391)	581
Fair value revaluation of option	7	(2,800)	—
Other financial expense / (income), net		192,483	—
Unrealized exchange gain / loss	24	652,000	—
Interest expense / (income), net	7	562,989	31,708
Other non-cash items		20,403	23,651
Operating profit before working capital changes		1,464,376	1,322,776
(Increase) / Decrease in receivables	15	5,029	(138,060)
Increase / (Decrease) in payables	23	(8,134)	(50,910)
(Increase) / Decrease in restricted cash	13	151,663	(97,280)
Cash generated from operating activities		1,612,934	1,036,526
Corporate income tax (paid) / received	8	—	—
Net cash flows from operating activities		1,612,934	1,036,526
Cash flows from investing activities			
Interest received		2,933	13,837
Repayment of loans receivable	14	45,530	571,193
Provision of loans receivables	14	(4,722)	(44,287)
Purchase of intangible assets	12	(7,194)	(9,454)
Purchase of property, plant and equipment	11	(2,315)	—
Purchase of investment property	10	(1,092,783)	(1,053,055)
Proceeds from sale of investment property		43,188	3,604
Net cash flows used in investing activities		(1,015,363)	(518,162)
Cash flows from financing activities			
Proceeds from loans and borrowings	20	33,303	4,512,620
Repayments of loans and borrowings	20	(4,736,295)	(177,319)
Payment of transaction costs related to loans and borrowings	20	(20,012)	(73,848)
Early loan repayment fee	20	(33,427)	—
Settlement of interest rate swap related to loans and borrowings	20	(67,790)	—
Proceeds from issued bonds	24	10,318,000	—
Payment of transaction costs related to issued bonds	24	(238,676)	—
Interest paid		(445,093)	(26,589)
Dividend paid	18	(4,645,288)	(4,588,000)
Net cash flows from / (used in) financing activities		164,722	(353,135)
Net (decrease) / increase in cash and cash equivalents		762,293	165,229
Cash and Cash Equivalents at the beginning of year		197,654	32,425
Cash and Cash Equivalents at the end of year	17	959,947	197,654

The notes on the pages F-14 to F-45 are an integral part of these consolidated financial statements.

RPG Byty, s.r.o.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

CZK'000	Note	Share capital	Cash flow hedge reserve	Statutory reserves	Retained earnings	Total equity
Balance at 1 January 2013		500,000	(22,499)	50,000	13,765,667	14,293,168
Total comprehensive income						
Profit		—	—	—	85,296	85,296
Other comprehensive income	16,18	—	126,190	—	—	126,190
Total comprehensive income		—	*126,190*	—	*85,296*	*211,486*
Transactions with owners of the Company						
Dividends	18	—	—	—	(4,645,288)	(4,645,288)
Total transactions with owners of the Company		—	—	—	*(4,645,288)*	*(4,645,288)*
Transactions with related parties under common control						
Property transfer		—	—	—	694	694
Total transactions with related parties under common control		—	—	—	*694*	*694*
Balance at 31 December 2013		**500,000**	**103,691**	**50,000**	**9,206,369**	**9,860,060**

CZK'000	Note	Share capital	Cash flow hedge reserve	Statutory reserves	Retained earnings	Total equity
Balance at 1 January 2012		500,000	(10,184)	595	17,703,772	18,194,183
Total comprehensive income						
Profit		—	—	—	1,060,390	1,060,390
Other comprehensive income	16,18	—	(12,315)	—	—	(12,315)
Total comprehensive income		—	*(12,315)*	—	*1,060,390*	*1,048,075*
Transactions with owners of the Company						
Dividends	18	—	—	—	(4,588,000)	(4,588,000)
Total transactions with owners of the Company		—	—	—	*(4,588,000)*	*(4,588,000)*
Transactions with related parties under common control						
Spin off transaction	10	—	—	—	(361,090)	(361,090)
Total transactions with related parties under common control		—	—	—	*(361,090)*	*(361,090)*
Reserve fund allocation	18	—	—	*49,405*	*(49,405)*	—
Balance at 31 December 2012		**500,000**	**(22,499)**	**50,000**	**13,765,667**	**14,293,168**

The notes on the pages F-14 to F-45 are an integral part of these consolidated financial statements.

CORPORATE INFORMATION

RPG Byty, s.r.o. (the "Company") is a limited liability company established under the laws of the Czech Republic. The registered office of the Company is at Gregorova 2582/3, 701 97, Ostrava-Moravská Ostrava, the Czech Republic.

The Company's principal activities comprise the letting of residential and non-residential premises.

The parent company of the Company is RPG Property B.V., incorporated in the Netherlands, which holds 100% of the ordinary shares of the Company. The ultimate parent is BXR Group Limited.

These financial statements were approved by the board of directors and authorised for issue effective on March 12, 2014.

1. GENERAL INFORMATION

Statement of compliance

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

Basis of preparation

The financial statements are presented in Czech Crowns (CZK), which is also a functional currency of the Company, rounded to the nearest thousand.

The financial statements are prepared on the historical cost basis with exceptions of assets and liabilities which are stated at their fair value. The fair value valuation is used only for investment property and financial derivatives.

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following note:

• Note 10—Investment property.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. If necessary, prior year items are restated to make them comparable with those of current year.

New IFRS standards and interpretations approved by the European Union that are not yet effective

The Company is currently evaluating the potential impact of new standards, interpretations and amendments to published standards that have been issued, but are not effective as at 31 December 2013 and are relevant for the Company.

• IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014);

1. GENERAL INFORMATION (Continued)

- IFRS 11 Joint arrangements (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 July 2014);
- Amendments to IAS 32 Offsetting of Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014);

Management of the Company has not completed the analysis of the impact of the above mentioned standards and amendments to published standards on the Company's Financial Statements.

Standards applicable from 1 January 2013

Management of the Company completed the analysis of the impact of new standards, interpretations and amendments that are effective for annual periods beginning on or rafter 1 January 2013 and are relevant for the Company. The main impact of these changes is as follows:

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs. There is no significant impact on the Company's financial statements as a result of IFRS 13, except for more extensive disclosure in the notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles for preparation of the cash flow statement

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax. Interest received is classified as an investing activity as it mainly relates to the investments. Dividends and interest paid is classified as a financing activity.

b) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to functional currency at the foreign exchange rate ruling at that date. Foreign currency differences on retranslation are recognised in profit or loss.

c) Derivative financial instruments

The Company uses derivative financial instruments (such as interest rate swaps, cross currency swap, long call option) to mitigate its exposure to interest and currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to profit or loss.

The fair value of derivatives is based on mark-to-market valuations and is estimated by discounting the expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designed.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the change in fair value of the hedging instrument is recognised directly as other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are reclassified to the profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecasted sale or expenditure occurs. Where the hedged item is a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecasted transaction or firm commitment is no longer expected to occur, amounts previously recognised in the other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecasted transaction or firm commitments occur.

d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any (see accounting policy j). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, capitalized borrowing costs, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, and an appropriate proportion of production overheads.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Where an item of property, plant and equipment is comprised of major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

(ii) Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the policy applicable to that asset. Minimum lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit and loss.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

(iii) Subsequent expenditure

The Company recognises in the carrying amount the cost of replacing a component of an item of plant and equipment at the time the cost is incurred if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and construction-in-progress is not depreciated.

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

- Plant and equipment .... 4 - 15 years
- Vehicles .... 3 - 8 years
- Other .... 4 - 15 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Plant and equipment is assessed for impairment annually. When there is an indicator that carrying amount is not recoverable the carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes. Investment property is recognised initially at cost, including transaction costs. After initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are evaluated annually.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Rental income from investment property is accounted for as described in accounting policy n).

No assets held under finance lease have been classified as investment property.

f) Intangible assets

(i) Software and other intangible assets

Software and other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy j).

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with defined useful life are amortised from the date they are available for use.

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

- Software . . . . 3 years
- Other . . . . 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Intangible asset is assessed for impairment annually. When there is an indicator that carrying amount is not recoverable the asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

g) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value including any transaction costs, receivables are subsequently carried at their amortised cost using the effective interest method, less any allowance for impairment (see accounting policy j).

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (with original maturity of three months and less).

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

i) Restricted cash

Restricted balances of cash, which are shown under non-current financial assets as restricted funds (see Note 13), relate to the bonds paid by the tenants of the Company's apartments and to the funds deposited for investment property repairs in line with tax regulations. The non-current classification is based on the expected timing of the release of the funds.

j) Impairment

The carrying amounts of the Company' assets, excluding deferred tax assets (see accounting policy p) and investment property (see accounting policy e)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

For purpose of impairment testing, non-financial assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the assets or groups of assets (the "cash-generating units"). An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss.

(i) Calculation of recoverable amount

The recoverable amount of loans and receivables is calculated as the present value of expected future cash flows, discounted to their present value using the financial asset's original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other non-financial assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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 and amortization, if no impairment loss had been recognized.

k) Interest-bearing borrowings and issued bonds

Interest-bearing borrowings and issued bonds are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings and issued bonds are stated at amortised costs with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

l) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event 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 of time value of money is material, provisions are determined by discounting the expected 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.

m) Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not invoiced by the supplier. Trade and other payables are initially recognized at fair value less any transaction costs and subsequently stated at amortized cost.

n) Revenue

(i) Rental income

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

(ii) Services rendered

Revenue from services rendered is recognised in profit or loss when the transaction under the service agreement has been provided on a stage of completion basis.

The Company accounts for purchased utilities (heat, water, electricity, etc.) as an expense in item service expenses. At the same time revenues from rebilling of these costs to tenants are recognized as services rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions will be complied with. In the opposite case the grant is not recognized. When the grant relates to an expense item, it is initially recorded as deferred income and subsequently recognised into profit or loss as reduction of the expense item incurred in the accounting period. Where the grant relates to an asset, the grant is recorded as a reduction in the carrying amount of the asset.

o) Expenses

(i) 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 as a reduction of rental expense.

(ii) Service costs expenses

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

(iii) Finance income and finance expenses

Finance income comprise interest receivable on funds invested and foreign exchange gains. Finance expenses comprise interest payable on borrowings and issued bonds calculated using the effective interest method, foreign exchange losses and other finance expenses.

Changes in fair value of derivatives that are not designed as hedge instruments are directly recognized in the financial income or expenses. Further, realized financial derivatives and financial derivatives which belongs to the underlying asset already recognized in the profit or loss.

Interest income is recognized as interest accrues (using the effective interest method which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

The interest expense component of finance lease payments and coupon payments from issued bonds are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income taxes levied by the same tax authority.

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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. REVENUES

Revenues comprise:

	2013 CZK'000	2012 CZK'000
Revenues from lease of investment property	2,019,849	1,905,135
Revenues from services rendered	932,883	1,017,996
Other revenues	1,571	1,221
	2,954,303	2,924,352

All revenues are realised in the Czech Republic. Revenues from services rendered include revenues of CZK 888,596 thousands (2012: CZK 967,319 thousands) from services related to the use of the residential and commercial space by tenants—water and sewage charges, heating cost, energy consumption.

The future minimum lease payments , are due to the Company under non-cancellable operating leases:

	2013 CZK'000	2012 CZK'000
Rents due within one year	519,230	510,513
Rents due between two and five years	—	—
Rents due later than five years	—	—
	519,230	510,513

The Company has several types of leasing agreements which are considered as standard according to the Civil Code. All leasing agreements are cancellable but with an agreed three-month notice period. In general, new contracts are concluded mostly for a defined period from four months to three years. The amounts stated above are calculated as three-month average rent income in accordance with contractual notice period.

4. SERVICE EXPENSES

	2013 CZK'000	2012 CZK'000
Repairs and maintenance of investment property	193,254	225,394
Consultancy	79,385	96,490
Sewerage	72,850	73,236
Services related to residential portfolio	43,198	39,230
Demolition	15,306	5,408
Other	63,242	73,096
	467,235	512,854

5. PERSONNEL EXPENSES

	2013 CZK'000	2012 CZK'000
Wages and salaries	125,219	87,400
Social insurance costs	33,077	29,778
Other payroll and social costs	2,743	2,466
	161,039	119,644

Number of employees in the period:

Managers	4	4
Staff	215	231
	219	235

The total remuneration and variable short-term benefits received by the key management personnel in 2013 were CZK 49,545 thousand (2012: CZK 9,486 thousand), out of which the social and health insurance were CZK 5,271 thousand (2012: CZK 1,953 thousand). This significant increase is primarily due to an one-off bonus payment of CZK 46,975 thousands including the social and health insurance paid to the key management and key employees. No post-employment benefits, other long-term benefits or termination benefits were received by the management.

Management comprises members of the senior management.

6. OTHER OPERATING INCOME AND EXPENSES

Other operating income comprise:

	2013 CZK'000	2012 CZK'000
Contractual penalties and penalty interest income	6,120	5,605
Easement	608	380
Insurance cover	17,263	5,650
Other operating revenues	20,998	15,325
Total other operating income	44,989	26,960

Other operating expenses comprise:

	2013 CZK'000	2012 CZK'000
Contractual penalties and penalty interest expense	45	462
Compensation of employees for injuries, loss on wages, employment related illness etc.	55	33
Donations	733	1,554
Unrecovered VAT	15,093	17,512
Property write-offs	995	758
Change in provisions (see note 19)	1,327	(413)
Insurance	8,045	7,937
Other operating expenses, net	8,433	(1,337)
Total other operating expenses	34,726	26,506

7. FINANCIAL INCOME AND EXPENSE

Financial income comprise:

	2013 CZK'000	2012 CZK'000
Bank interest received	414	273
Other interest received	2,519	14,018
Revaluation of option	2,800	—
Realized and unrealized foreign exchange gains	—	3,665
Other	134	42
Total financial income	5,867	17,998

Financial expenses comprise:

	2013 CZK'000	2012 CZK'000
Bank interest expense	80,421	38,760
Bonds interest expense	495,177	—
Other interest expense	3,752	7,082
Realized and unrealized foreign exchange losses	599,009	14,246
Settlement of interest rate swap	67,790	—
Bank fees	117,668	6,628
Total financial expenses	1,363,817	66,716

Bank interest expense is decreased by the grant for interest expenses received in 2013 in the value of CZK 9,430 thousand (2012: CZK 9,688 thousand).

Bank fees include mainly early loan repayment fee of CZK 33,427 thousands and transaction costs of CZK 77,838 thousand related to the bank syndicate loan which were recognized in the current year financial statements as the loan was early settled in 2013.

Realized and unrealized foreign exchange losses include CZK 652,000 thousand due to revaluation of Euro denominated bond principal.

8. INCOME TAX EXPENSE

The current income tax in 2013 and 2012 is calculated using the rate of 19% in accordance with tax regulations applicable in the Czech Republic.

Components of tax expense:

	2013 CZK'000	2012 CZK'000
Statement of comprehensive income:		
Current income tax charge	—	—
Deferred tax expense relating to the creation and reversal of temporary differences	25,898	258,119
Income tax expense	25,898	258,119

There are substantive differences between tax base according to Czech tax legislation and accounting profit before tax. The biggest ones are reversal of tax depreciation related to the investment property, the fair value adjustment and capital expenditures which are in line with the Czech tax legislation directly expensed.

8. INCOME TAX EXPENSE (Continued)

Reconciliation of the statutory and effective tax rates:

	2013 CZK'000	2012 CZK'000
Profit before tax	111,194	1,318,509
Tax at the applicable rate of 19%	(21,127)	(250,517)
Tax effect of expenses that are not tax deductible in determining taxable profit:		
—Non-deductible expense	(4,771)	(7,602)
Tax benefit / (expense)	(25,898)	(258,119)
Effective tax rate	23%	20%

9. RELATED PARTY DISCLOSURES

During the period the Company had transactions in the normal course of operations with related parties. These represent transactions with the parent company, entities under common control, key management personnel of the Company, and companies of which they are principal owners. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Material balances and transactions with related parties included in the statement of financial position and the statement of comprehensive income are as follows:

	31/12/2013 CZK'000	31/12/2012 CZK'000
Statement of financial position		
Receivables from related parties		
OKD, a.s.	19,042	20,488
Advanced World Transport a.s.	5,754	4,620
Rezidence Marina, s.r.o.	—	70
RPG RE Commercial, s.r.o.	1,195	1,395
RPG RE Land, s.r.o.	1,472	2,162
RPG RE Management, s.r.o.	492	688
RPG Služby, s.r.o.	992	1,423
Receivables from related parties in total	28,947	30,846
Payables to related parties		
OKD, a.s.	68	125
BXR Real Estate B.V.	144	—
AWT Rekultivace a.s.	592	1,510
RPG RE Assets, s.r.o.	—	28
Advanced World Transport a.s.	12,732	7,219
RPG RE Commercial, s.r.o.	264	1,406
RPG RE Land, s.r.o.	365	601
RPG RE Management, s.r.o.	11,121	11,608
RPG Služby, s.r.o.	41,527	17,508
Payables to related parties in total	66,813	40,005

All related parties listed above are entities under common control of BXR Group Limited.

Receivables from related parties form part of the balance of accounts receivable and prepayments shown in the statement of financial position. Similarly, payables to related parties form part of the balance of accounts payable and accruals.

9. RELATED PARTY DISCLOSURES (Continued)

Short-term loans receivable and payable from/to related parties are presented in Notes 14 and 20.

	2013 CZK'000	2012 CZK'000
Statement of comprehensive income		
Sales to related parties		
Dukla Industrial Park, s.r.o.	36	48
Jindrich Plaza Development, s.r.o.	189	76
OKD, a.s.	8	445
Advanced World Transport a.s.	120	120
AWT Rekultivace a.s.	120	120
Rezidence Marina, s.r.o.	526	716
RPG RE Assets, s.r.o.	—	2,587
RPG RE Commercial, s.r.o.	7,511	12,478
RPG RE Land, s.r.o.	10,312	11,099
RPG RE Management, s.r.o.	3,684	3,785
RPG Služby, s.r.o.	6,524	8,580
Sales to related parties in total	29,030	40,054

	2013 CZK'000	2012 CZK'000
Purchases from related parties		
BXR Real Estate B.V.	284	267
BXR Real Estate Investment B.V.	963	—
OKD, a.s.	732	796
Advanced World Transport a.s.	7,076	7,318
AWT Rekultivace a.s.	13,312	4,993
RPG Garáže, a.s.	569	571
RPG RE Commercial, s.r.o.	15,491	14,421
RPG RE Land, s.r.o.	6,216	665
RPG RE Management, s.r.o.	57,928	55,857
RPG Služby, s.r.o.	648,639	605,522
Purchases from related parties in total	751,210	690,410

Key suppliers and customers among the related parties are Advanced World Transport a.s., AWT Rekultivace a.s., RPG RE Commercial, s.r.o., RPG RE Land, s.r.o., , RPG RE Management, s.r.o. and RPG Služby, s.r.o. RPG RE Management, s.r.o. is the key supplier of advisory services for the Company (finance and cash flow consulting, strategy consulting, etc.).

RPG RE Management, s.r.o. top management was transferred to the Company as of January 1, 2014. The reason for this change is a full integration of top and corporate management functions in the Company with the aim to centralize the management and fully focus on operations and future growth of the Company. This change will have almost no impact on expenses next year, higher personnel expenses will be offset by lower consulting fees next year.

RPG RE Commercial, s.r.o., RPG RE Land, s.r.o., RPG Služby, s.r.o. and RPG RE Management, s.r.o. are key customers of the Company in the field of IT, HR and legal services.

Facility management services consisting mainly from day to day maintenance (2013: CZK 158,029 thousands, 2012: CZK 187,265 thousands) as well as significant investments in the Company's residential and non-residential portfolio (2013: CZK 490,610 thousands, 2012: CZK 418,258 thousands) are provided to the Company by RPG Služby, s.r.o. Tenders are organized for all

9. RELATED PARTY DISCLOSURES (Continued)

important investments with participation of third parties. AWT Rekultivace a.s. is key supplier for demolition works.

In 2012 a contract with Advanced World Transport a. s. came into effect. The subject of the contract was the settlement of rights and obligations of the contracting parties in relation to the proper working of the group as a group VAT payer (refer to note 25).

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013 and 31 December 2012, the Company has not recorded any impairment of receivables relating to amounts owed by related parties as it was assessed that no impairment is necessary. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel is stated in Note 5.

10. INVESTMENT PROPERTY

	2013 CZK'000	2012 CZK'000
At 1 January	23,349,718	22,612,544
Additions	1,096,783	1,052,071
Disposals	(21,797)	(11,724)
Property transfer	(12,839)	—
Spin off transaction	—	(402,103)
Fair value adjustment	98,246	98,930
At 31 December	24,510,111	23,349,718

In 2012, a number of the Company's owned land were spun out and merged with RPG RE Land, s.r.o. Land not directly connected to residential portfolio and its management and where the Company had not identified any future development potential was subject to the spin-off. The fair value of demerged land was CZK 402,103 thousand and related deferred tax liability was CZK 41,012 thousand. The total impact on the equity of the company was CZK (361,090) thousand. The transaction was for no compensation.

Investment property with a fair value of CZK 24,155,278 thousand at 31 December 2013 (2012: CZK 20,417,217 thousand) has been pledged as security for various loans, issued bonds and other liabilities.

Valuation of investment property

The fair value of investment property is determined externally and internally using recognised valuation techniques. These techniques comprise mainly the discounted cash flow method. In some cases, the fair values can be determined based on recent real estate transactions with similar characteristics and location to those of the Company's assets. The fair values of residential and non-residential portfolios are determined internally and fair value of undeveloped land plots is determined externally.

Class of property	Valuation technique		Fair value 31/12/2013 CZK'000	Fair value 31/12/2012 CZK'000
Residential and non-residential portfolio	DCF	internal valuation	24,142,111	22,981,457
Undeveloped land plots	market comparable method	external valuation	368,000	368,261
Total investment property			24,510,111	23,349,718

10. INVESTMENT PROPERTY (Continued)

Residential and non-residential portfolio

In order to increase the reliability of the fair value determination, the fair values of residential and non-residential portfolio determined internally are also compared to the values determined by independent real estate valuation experts.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, vacancy rates, future revenue streams and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the reporting date.

The Czech real estate market is considered small and transactions with real estate portfolios of the size similar to the Company are very rare. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2012 and 31 December 2013, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgement of the valuers in greater extent, there was higher degree of uncertainty than which would exist in more developed and active markets.

The discounted cash flow method used for valuation of buildings involves the projection of a series of periodic net cash flows to an operating property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses and capital expenditures. A series of periodic net operating income for a 10-year period, along with an estimate of perpetual net operating income after this period, are discounted to present value. The aggregate of the net present values determine the Company's estimate of the market value of the property.

Government-managed deregulation of rent charges in apartments owned by the Company ended as of 31 December 2010. Already during 2010 the Company prepared the strategy of increase in rent after the deregulation where it individually agreed with its tenants to increase the rent gradually over 4 to 8 years while making the increase socially acceptable. 59% of the Company's apartments were rented in this post-regulated regime as at 31 December 2013 (2012: 65.4%).The other major type of rent is market rent. Market rent is increased annually in line with signed contracts by inflation rate.

The significant assumptions made in relation to valuation of buildings are set out below:

	31/12/2013	31/12/2012
Long-term vacancy rate	10.76%	10.9%
Revenue growth rate*	1.8% - 2%	1.8% - 2%
Revenue growth rate**	2% - 6%	2% - 5%
Discount rate	7%	7.08%
Loss on receivables	2.2%	3%

* Relates only to revenues from market type of rent.

** Relates only to revenues in the post-regulated regime.

The percentage of loss on receivables was in prior years determined based on the Company's historical data and future expectations. With respect to the deregulation process, the Company expected deterioration in the percentage of bad debts. This assumption was not confirmed, therefore, the percentage of loss on receivables was reduced which reflects the current situation. The Company does not expect significant deterioration of receivables in the future.

The discount rate is calculated using the WACC method. Compared to prior year, external factors (such as risk free interest rate, market risk premium, etc.) positively affected the discount rate value in 2013, therefore, discount rate slightly decreased by 0.08% pcpt.

10. INVESTMENT PROPERTY (Continued)

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

	31/12/2013 CZK'000	31/12/2012 CZK'000
Increase in vacancy by 1% pcpt	(394,218)	(360,869)
Increase in revenue growth rate by 0.1% pcpt*	476,223	99,878
Decrease in discount rate by 0.1% pcpt	196,055	195,734
Decrease of loss on receivables by 1% pcpt	500,579	493,929

* The Company's rental revenues consist of several types of rent (market, post-regulated, regulated, etc.) affecting the revenues structure. Different sensitivity impact within the years is caused by changed rental structure compared to the prior year.

Undeveloped land plots

Undeveloped land plots in the amount of CZK 368,000 thousands at 31 December 2013 (2012: CZK 368,261 thousands) are valued using the comparative method where extensive databases of market transactions with land of similar features in given time and place have been used. Independent experts use their extensive real estate valuation experience, market knowledge and analysis of information from these databases to determine fair value. Features of the land plots reflected in the valuation include mainly type, area, cadaster, function of the plot according to the valid zoning and undermining status.

Investment property of the Company as at 31 December 2013 consists of 214 ha (2012: 216 ha) of land (including land upon which rental properties exist) and 5,039 buildings (2012: 5,163) with 43,314 residential (2012: 43,625) and 1,909 commercial (2012: 1,839) units located mainly in Moravian-Silesian Region of the Czech Republic.

In 2013, no government grants for insulation and reconstruction of investment properties were obtained by the Company (2012: CZK 34,272 thousand). In accordance with the methodology described in paragraph 2n (iii), subsequent expenditure on investment property were reduced by government grants in the previous period

Fair value hierarchy

31/12/2013	Level 1 CZK'000	Level 2 CZK'000	Level 3 CZK'000	Total fair value CZK'000
Investment property	—	—	24,510,511	24,510,511

31/12/2012	Level 1 CZK'000	Level 2 CZK'000	Level 3 CZK'000	Total fair value CZK'000
Investment property	—	—	23,349,718	23,349,718

Explanation of the fair value hierarchy:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2—use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
- Level 3—use of a model with inputs that are not based on observable market data.

11. PROPERTY, PLANT AND EQUIPMENT

The net book value of plant and equipment as of 31 December 2013 includes CZK 357 thousand (31 December 2012: CZK 1,774 thousand) in respect of assets acquired through finance leases.

	2013 CZK'000	2012 CZK'000
Cost:		
At 1 January	13,978	11,679
Additions	2,345	3,107
Disposals	(519)	(808)
At 31 December	15,804	13,978
Accumulated depreciation and impairment losses:		
At 1 January	8,563	6,446
Depreciation charge for the year	2,543	2,925
Disposals	(519)	(808)
At 31 December	10,587	8,563
Net book value at 31 December	5,217	5,415
Net book value at 1 January	5,415	5,223

12. INTANGIBLE ASSETS

	Software CZK'000	Licences CZK'000	Intangibles in progress CZK'000	Total CZK'000
Cost:				
At 1 January 2013	27,403	7,695	10,078	45,176
Additions	321	—	6,873	7,194
At 31 December 2013	27,724	7,695	16,951	52,370
Accumulated amortization:				
At 1 January 2013	21,021	4,802	—	25,823
Amortization charge for the year	4,039	1,231	—	5,270
At 31 December 2013	25,060	6,033	—	31,093
Net book value at 31 December 2013	2,664	1,662	16,951	21,277
Net book value at 1 January 2013	6,382	2,893	10,078	19,353

12. INTANGIBLE ASSETS (Continued)

	Software CZK'000	Licences CZK'000	Intangibles in progress CZK'000	Total CZK'000
Cost:				
At 1 January 2012	23,804	6,997	4,922	35,723
Additions	3,599	698	5,156	9,453
At 31 December 2012	27,403	7,695	10,078	45,176
Accumulated amortization:				
At 1 January 2012	14,488	3,628	—	18,116
Amortization charge for the year	6,533	1,174	—	7,707
At 31 December 2012	21,021	4,802	—	25,823
Net book value at 31 December 2013	6,382	2,893	10,078	19,353
Net book value at 1 January 2012	9,316	3,369	4,922	17,607

13. RESTRICTED CASH

As at 31 December 2013 the Company had cash of CZK 65,491 thousand (as at 31 December 2012: CZK 217,155 thousand), deposited for investment property repairs in line with tax regulations and in relation to the rental deposits received from apartment tenants based on rental contracts concluded between 1 April 2006 and 31 October 2011. The cash is restricted in accordance with the Act on Reserves while it can be used only for the purposes defined by the Act, and in accordance with the Civil Code while it can be used only to settle the debts of the tenants on the basis of acknowledgement of a debt or enforceable court decision. Timing of use is uncertain. Bank accounts carry variable interest rate.

14. LOANS RECEIVABLE-RELATED PARTIES

Short-term loans receivable	Currency	Effective interest rate	Maturity	31/12/2013 CZK'000	31/12/2012 CZK'000
Dukla Industrial Park, s.r.o.	CZK	1M PRIBOR+1.65%	on demand	428	157
Jindrich Plaza Development, s.r.o.	CZK	1M PRIBOR+1.65%	on demand	8,254	3,903
RPG RE Commercial, s.r.o.	CZK	1M PRIBOR+1.65%	on demand	—	43,030
RPG Správa bytů, s.r.o.	CZK	4%	31/12/2014	400	300
RPG Garáže, a.s.	CZK	1M PRIBOR+1%	31/12/2013	—	2,500
Total short-term loans receivable				**9,082**	**49,890**

All variable loans receivable are repriced at least once a year according to interest rates movements on the interbank market.

PRIBOR was 0.15% (O/N) and 0.29% (1M) at 31 December 2013.

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31/12/2013 CZK'000	31/12/2012 CZK'000
Financial assets		
Trade receivable	62,580	47,932
Accrued revenues	307,590	398,052
Other receivables	23,207	26,308
	393,377	472,292
Non-financial assets		
Other advance payments	243,316	221,027
VAT and other tax receivables	—	4,687
	243,316	225,714
Total	636,693	698,006

The Company pays advance payments for utilities such as heating consumption, electricity, water, etc.

Trade receivables are non-interest bearing and are generally on 30 days' terms.

As at 31 December 2013, the receivables in net nominal value of CZK 30,210 thousand (31 December 2012: CZK 21,997 thousand) were pledged as security for loans.

Accrued revenue includes mainly uninvoiced receivables from tenants arising from the charging of services related to the rent (energy consumption, heating cost, water and sewage charges etc.).

Trade receivables are stated net of an allowance for impairment. Allowance for impairment of overdue receivables is established according to the Company's accounting policy. impairment losses are firstly assessed individually based on expected cash flows and then collectively. Collective impairment is calculated based on historic default rates, see the following:

- more than 360 days overdue—100% of the nominal value of the receivable;
- between 180 and 360 days overdue—50% of the nominal value of the receivable.

For receivables from a single tenant with various overdue periods an allowance is established on all overdue receivables from the relevant tenant based on the receivable the longest overdue.

Movements in the allowance for impairment of trade receivables and other receivables were as follows:

	2013 CZK'000	2012 CZK'000
Financial assets, gross balance	608,141	647,225
Allowance	(214,764)	(174,933)
Financial assets, net balance	393,377	472,292
Allowance at the beginning of the period	174,933	137,894
Net charge for the year	56,671	55,823
Amounts written off	(16,840)	(18,784)
Allowance at the end of the period	214,764	174 933

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

As of 31 December 2013 and 31 December 2012, the analysis of accounts receivable that were past due but not impaired is as follows:

CZK'000	Neither overdue nor impaired	Past due but not impaired					Total
		<30 days	31 - 90 days	91 - 180 days	181 - 360days	>360 days	
31 December 2013	333,731	16,669	16,493	14,103	12,381	—	393,377
31 December 2012	421,955	15,364	9,835	8,676	16,462	—	472,292

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management and financial instruments

The Company's principal financial instruments comprise trade receivables, cash, bank loans and overdrafts, issued bonds, finance leases, financial derivatives, trade payables and leasing contracts.

The most significant risks that the Company is exposed to are interest payments tied to variable interest rates, currency risk, liquidity risk and credit risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its internal standards, management procedures and trainings, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company concludes derivative transactions, primarily interest rate swaps and cross currency swaps. The purpose is to manage interest rate and currency risks arising from the Company's financial sources.

It is, and has been throughout 2013 and 2012, the Company's policy that no speculative trading in derivatives shall be undertaken.

Risks regarding the investment property portfolio

Credit (customer) risk

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the reporting date there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Company a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Company's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Company's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Company maintains the creditor management database, creates the segmented reports and performs tenant ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents and loans receivable, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, which is stated in the table at the end of this Note. There was no impairment of financial assets other than trade receivables recognized as of 31 December 2013 and 31 December 2012.

Geographically, the credit exposure lies within the Czech Republic.

Capital risk

The Company manages its capital to ensure that the Company is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's target debt/equity ratio is 60:40 measured as from the statement of financial position. The current ratio at 31 December 2013 is 63:37 (2012: 42:58).

The Company is not subject to externally imposed capital requirements.

The financing structure of the Company consists of equity, third-party loans, loans from related parties and issued bonds.

CZK'000	31/12/2013	31/12/2012
Loans from related parties	80,983	220,363
Third-party loans and borrowings	431,423	4,902,445
Issued bonds	10,751,108	—
Equity	9,860,060	14,293,168

Market risk

Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in market prices. Market prices comprise three types of risk: currency risk, interest rates risk and other price risk.

The Company has implemented policies and methods of monitoring these risks. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company tries to mitigate currency risk by linking all activities to the same currency, which is the CZK except bonds. In 2013, the Company issued high yield bonds in total amount of EUR 400,000 thousands. Due to this fact, the Company entered into cross currency swaps used to hedge against currency risk from coupon payments for which it applied hedge accounting. Further, the Company holds long call option intended to hedge against currency risk realted to half of the value of the principal against any decrease of the exchange rate above the level of 32.3 CZK to EUR, however hedge accounting is not applied for the option.

The Company had the following EUR-denominated balances as at 31 December 2013 and 2012:

CZK'000	31/12/2013	31/12/2012
Cash and bank balances (incl. restricted cash)	2,304	(3,620)
Loans payable	—	(126,756)
Issued bonds—principal amount	(10,970,000)	—
Accrued interest	(123,413)	—
Accounts payable	(3,044)	—
Net exposure in the statement of financial position	(11,094,153)	(130,376)

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

There are no significant assets and liabilities in other currencies.

Appreciation (depreciation) of the EUR against CZK by 1% at 31 December 2013 would have (decreased) increased the Company's equity and net profit before tax by CZK 110,942 thousand primarily through the financial income and expense in the statement of comprehensive income.

Appreciation (depreciation) of the EUR against CZK by 1% at 31 December 2012 would have increased (decreased) the Company's equity and net profit before tax by CZK 1,304 thousand primarily through the financial income and expense in the statement of comprehensive income.

To mitigate the risks mentioned above, the following derivative financial instruments were used:

	31/12/2013			31/12/2012		
	Fair value		Nominal	Fair value		Nominal
CZK'000	Assets	Liabilities	value	Assets	Liabilities	value
Long call option	50,692	—	5,141,000			
Cross currency swap contracts	149,708	—	10,287,000	—	—	—
	200,400	—	15,428,000	—	—	—

The long call option is classified as non-current asset due to the defined expiration date in April 2016. The cross currency swap is divided between current part (CZK 22,918 thousands) and non-current part (CZK 126,790 thousands).

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans receivable and debt obligations with variable interest rates. Except for the fixed rate bonds, the majority of the remainder of the Company's borrowings and related party loans have floating interest rates (refer to Notes 14 and 20). The primary interest exposure is related to PRIBOR.

It is the Company policy to negotiate the terms of interest rate swaps to match the terms of the item at risk to maximize effectiveness of the derivative. The Company applies the hedge accounting for interest rate swaps used to hedge the exposure to interest rate risk in third party loans. See Note 2c) for the detailed application of the hedge accounting policies.

The following derivative financial instruments were entered into by the Company to mitigate the above risks:

	31/12/2013			31/12/2012		
	Fair value		Nominal	Fair value		Nominal
CZK'000	Assets	Liabilities	value	Assets	Liabilities	value
Interest rate swap contracts	—	16,384	360,877	—	27,776	404,912
	—	16,384	360,877	—	27,776	404,912

Each interest rate swap contract aims to cover individual interest payments under the covered loan and each of the contracts is settled on the date of the expected interest payment.

Exposure to the interest rate risk only for bank loans with floating rates is presented by way of sensitivity analysis. This sensitivity analysis shows effects of changes in market interest rates on the Company's profit after tax and equity. Interest rate increases (decreases) by 1% p.a. over the period from 1 January 2013 to 31 December 2013 would have decreased (increased) the net result after tax by CZK 16,435 thousand. Interest rate increases (decreases) by 1% p.a. over the period from 1 January 2012 to 31 December 2012 would have decreased (increased) the net result after tax by CZK 2,810 thousand.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Issued bonds with a coupon of 6.75% due in 2020 have a fixed interest rate and are presented at amortized cost. Changes in market interest rates and the subsequent changes in the fair value of bonds have no effect on the effective interest rate and the carrying value of the bonds recognized in the financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management of the Company monitors and controls liquidity risk regularly via Financial dispatch committee. The Company has available line of credit (see note 20).

Expected maturities for non-derivative financial liabilities

The following tables detail the Company's remaining expected maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Expected dates are based on estimates made by management. There are no differences between contractual and expected maturities except rental deposits presented within category Accounts payable and accruals as turnover of tenants is more than one year. The tables include both interest and principal cash flows.

31/12/2013 CZK'000	Payable in less than year	Payable in 1 - 5 years	Payable after 5 years
Accounts payable and accruals	968,557	—	—
Loans and borrowings	154,487	235,471	142,010
Issued bonds	591,480	2,850,268	11,919,862
Financial derivatives	—	—	16,384
Obligations under finance leases	839	1,088	—
Other long-term liabilities	—	263,197	9,931
Total	1,715,363	3,350,024	12,088,187

31/12/2012 CZK'000	Payable in less than year	Payable in 1 - 5 years	Payable after 5 years
Accounts payable and accruals	903,641	—	—
Loans and borrowings	430,721	4,722,544	318,825
Obligations under finance leases	859	2,126	—
Other long-term liabilities	—	222,774	—
Total	1,335,221	4,947,394	318,825

Fair value

Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to high liquidity of these financial instruments.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Receivables and payables

The carrying amount of short-term receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the floating interest rate and the short period to maturity of those instruments.

Long-term liabilities, other than issued bonds

The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values as interest reprices at a minimum each twelve months.

Issued bonds

The fair value of bonds is based on quoted prices in the Global foreign exchange market—The Irish Stock Exchange.

Derivatives

The fair value of derivatives is based on mark-to-market valuations and is estimated by discounting the expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

For option contract the fair value calculation is based on standard option closed form solutions (Black-Scholes option pricing model) with market implied volatilities for relevant option parameters. No unobservable inputs are used to calculate the fair value of derivatives.

Carrying amounts and the estimated fair values of financial assets and liabilities including the fair value hierarchy at 31 December 2013 and 31 December 2012 are as follows:

	31.12.2013			31.12.2012		
	Carrying value CZK'000	Fair value CZK'000	Fair value hierarchy level	Carrying value CZK'000	Fair value CZK'000	Fair value hierarchy level
Financial assets						
Derivative financial instruments	200,400	200,400		—	—	
Cross currency swap	149,708	149,708	2	—	—	—
Long call option	50,692	50,692	2	—	—	—
Restricted cash	65,491	65,491		217,155	217,155	
Loans receivable	9,082	9,082		49,890	49,890	
Accounts receivable	393,377	393,377		472,292	472,292	
Cash and cash equivalents	959,947	959,947		197,654	197,654	

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

	31.12.2013			31.12.2012		
	Carrying value CZK'000	Fair value CZK'000	Fair value hierarchy level	Carrying value CZK'000	Fair value CZK'000	Fair value hierarchy level
Financial liabilities						
Long-term interest-bearing loans and borrowings	365,212	365,212		4,757,738	4,757,738	
Issued bonds	10,751,108	10,860,808	1	—	—	—
Other long-term liabilities	273,128	273,128		222,774	222,774	
Derivative financial instruments (interest rate swap)	16,384	16,384	2	27,776	27,776	2
Accounts payable and accruals	968,557	968,557		903,641	903,641	
Obligations under finance leases	1,927	1,927		2,985	2,985	
Current portion of long-term loans	66,211	66,211		197,038	197,038	
Short-term loans	80,983	80,983		168,032	168,032	

Explanation of the fair value hierarchy:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2—use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
- Level 3—use of a model with inputs that are not based on observable market data.

The tables stated above do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The Company applies valuation techniques used by banks for the fair value determination in which all significant inputs are based on observable market data.

All financial derivatives used by the Company, are tools used for hedging of cash flows. The Company applies hedge accounting, except for long call option. The fair value of financial derivatives is recognized as Cash flow hedge reserve within Company's equity. The change in fair value of long call option is recognized directly in profit or loss as the long call option does not meet criteria to be classified as a hedge instrument, although it is intended to mitigate the currency risk.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following statement of financial position amounts:

	31/12/2013 CZK'000	31/12/2012 CZK'000
Cash in bank	959,660	197,331
Cash on hand and cash in transit	287	323
Cash and cash equivalents	959,947	197,654

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Certain accounts are used for cash pooling. All cash is readily available for the use by the Company.

Cash in the amount of CZK 959,947 thousand was pledged to the lending banks as at 31 December 2013 (31 December 2012: CZK 121,876 thousand).

18. SHAREHOLDERS' EQUITY

The authorized capital amounts to CZK 500,000 thousand as at 31 December 2013 (31 December 2012: CZK 500,000 thousand).

Statutory reserves are created in accordance with the Czech Commercial Code and cannot be distributed to the shareholders. The use of the reserves is restricted by the Code only to cover the accumulated losses of previous years. It is regulatory requirement to create statutory reserves in the amount of 10% of share capital. The statutory reserve amounts to CZK 50,000 thousands as at 31 December 2013 (31 December 2012: CZK 50,000 thousands).

On 29 June 2012, the shareholders of the Company passed a resolution on distribution of a dividend of CZK 588,000 thousand. The cash was distributed on 22 August 2012.

On 21 November 2012, the shareholders of the Company passed a resolution on distribution of a dividend of CZK 4,000,000 thousand. The cash was distributed on 30 November 2012.

On 27 May 2013, the shareholders of the Company passed a resolution on distribution of a dividend of CZK 4,130,288 thousand. The cash was distributed on 28 May 2013.

On 19 December 2013, the shareholders of the Company passed a resolution on distribution of a dividend of CZK 515,000 thousand. The cash was distributed on 23 December 2013.

Cash flow hedge reserve

The changes in the fair value of interest rate swaps entered into by the Company including related deferred tax effect are accounted for in the cash flow hedge reserve that forms part of equity. For a reconciliation of the cash flow hedge reserve see the following table and for more details regarding derivatives refer to Note 16.

	31/12/2013 CZK'000	31/12/2012 CZK'000
Interest rate swap (refer to note 16)	(16,384)	(27,776)
Cross currency swap (refer to note 16)	149,708	—
less derecognition of the hedged item in the profit or loss as financial income	(5,309)	—
less deferred tax effect (see note 22)	(24,323)	5,277
Cash flow hedge reserve	103,691	(22,499)

19. PROVISIONS

The provision balances are as follows:

	At 1 January 2013 CZK'000	Charged CZK'000	Utilised / released CZK'000	At 31 December 2013 CZK'000
Other	500	100	—	600
Total short-term provisions	**500**	**100**	**—**	**600**

	At 1 January 2012 CZK'000	Charged CZK'000	Utilised / released CZK'000	At 31 December 2012 CZK'000
Other	913	400	(813)	500
Total short-term provisions	**913**	**400**	**(813)**	**500**

20. INTEREST-BEARING LOANS AND BORROWINGS

	Currency	Effective interest rate	Security/ pledge	Maturity	31/12/2013 CZK'000	31/12/2012 CZK'000
Long-term bank loans						
Bank 1	CZK	6M PRIBOR+1.3%	buildings, land, receivables, cash	20/11/2016	13,932	19,212
Bank 1	CZK	6M PRIBOR+1.3%		20/03/2017	52,040	67,880
Bank 1	CZK	3M PRIBOR+2.65%		31/12/2020	210,000	240,000
Bank 2	CZK	3M PRIBOR+2.95%		30/09/2024	150,877	164,912
Bank syndicate loan	CZK	3M PRIBOR+3.10%		02/11/2017	—	4,425,000
Total long-term bank loans					426,849	4,917,004
Other long-term borrowings						
Škofin, a.s.	CZK	6.80%	subject of financing	2017	4,574	1,924
BXR Real Estate Investments B.V.**	EUR	3M EURIBOR+2%	buildings, land, receivables	30/3/2024	—	126,764
Total other long-term borrowings					4,574	128,688
Transaction costs accrual					—	(90,916)
Total					431,423	4,954,776
of which current portion					(66,211)	(197,038)
Total long-term loans					**365,212**	**4,757,738**

The total long-term loans exclude the current portion of long-term loans and the long-term loans which are intended to be repaid earlier—in the period shorter than one year. These are included in short-term loans. All interest-bearing bank loans and borrowings are repriced at least once a year.

In 2013, the Company fully repaid the outstanding amounts of Syndicated loan (CZK 4,425,000 thousands). The net proceeds from issued bonds were also used to finance this transaction. Additional expenses related to loan repayment paid by the Company were early loan repayment fee (CZK 33,427 thousands), settlement fee of interest rate swap (CZK 67,790 thousands) and transaction costs (CZK 77,838 thousands) related to the bank syndicate loan which were recognized in the current year financial statements as the loan was settled in 2013.

20. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

	Currency	Effective interest rate	Security/ pledge	Maturity	31/12/2013 CZK'000	31/12/2012 CZK'000
Short-term bank loans						
Bank 1—overdraft	CZK	O/N PRIBOR+1.40%	note of bill, buildings, land, receivables	on demand	—	74,433
Bank 3—overdraft	CZK	PRIBOR+3.60%*	buildings, land, receivables, cash	31/11/2016	—*	—
Bank 3—revolving	CZK	PRIBOR+3.35%*	buildings, land, receivables, cash	31/11/2016	—*	—
Total short-term bank loans					—	74,433
Other short-term borrowings						
RPG RE Management, s.r.o.**	CZK	O/N PRIBID-0.25%***	none	on demand	11,707	34,234
RPG RE Commercial, s.r.o.**	CZK	O/N PRIBID-0.25%***	none	on demand	18,888	—
RPG RE Assets, s.r.o.**	CZK	O/N PRIBID-0.25%***	none	on demand	—	14,223
RPG Služby, s.r.o.**	CZK	O/N PRIBID-0.25%***	none	on demand	15,874	23,009
RPG RE Land, s.r.o.**	CZK	O/N PRIBID-0.25%***	none	on demand	34,514	22,133
Total other short-term borrowings					80,983	93,599
Total short-term loans and borrowings					**80,983**	**168,032**

* As at the balance sheet date the agreed credit line of total maximum amount of CZK 550,000 thousands (overdraft maximum CZK 183,334 thousands; revolving maximum CZK 550,000 thousands if overdraft is CZK nil) is not in use. PRIBOR will be defined in line with the loan period.

** related party

*** Interest rate cannot be lower than 0%.

PRIBOR was 0.15% (O/N), 0.29% (1M) and 0.38% (3M) and 0.48% (6M) at 31 December 2013. 3M EURIBOR was 0.29% at 31 December 2013. O/N PRIBID was 0.01% at 31 December 2013.

21. OTHER LONG-TERM LIABILITIES

	31/12/2013 CZK'000	31/12/2012 CZK'000
Long-term part of unpaid option premium	37,470	—
Rental deposits	199,151	193,429
Deferred payments	36,507	29,345
Other long-term liabilities	273,128	222,774

Option premium is amount that the option buyer pays and the option seller receives for granting the specified rights for the specified period of the option. The option premium at the date of option acquisition is equal to its fair value (CZK 47,892 thousands). It is paid regularly in semi-annual payments. CZK 3,396 thousands were paid as at 31 December 2013. The total long-term part of unpaid option premium excludes the current portion which is intended to be repaid earlier—in the period shorter than one year. This is included in Accounts payable and accruals (CZK 7,026 thousands).

21. OTHER LONG-TERM LIABILITIES (Continued)

Rental deposits received from tenants are kept by the Company for the period of the lease to cover the risk of the tenants failing to pay their lease liabilities. In accordance with the applicable law the conditions for paying the rental deposits in commercial units are different from those in residential units and vary also according to the type of the lease.

22. DEFERRED TAX

Deferred tax liability:

	31/12/2013 CZK'000	31/12/2012 CZK'000
At 1 January	3,941,807	3,727,587
Deferred tax charge for the period	25,898	258,119
Spin off transaction (see note 10)	—	(41,012)
Net gain/(loss) on revaluation of cash flow hedges	29,601	(2,887)
At 31 December	3,997,306	3,941,807

Deferred tax liability relates to the following:

	31/12/2013 CZK'000	31/12/2012 CZK'000
Investment property	4,139,649	3,932,453
Allowances, adjustments and provisions	(23,669)	28,760
Tax losses carried forward	(142,997)	(14,129)
Cash flow hedges	24,323	(5,277)
	3,997,306	3,941,807

Tax losses available to be carried forward and offset against future taxable income are as follows as at 31 December 2013:

	Tax loss CZK'000	Year of expiry
Tax losses arising in 2013	675,725	2018
Tax losses arising in 2011	76,888	2016
Total available amount of tax losses carried forward	752,613	
Deferred tax asset at the applicable rate of 19%	142,997	

The Czech National Bank (CNB) announced on 7 November 2013 its decision to launch forex interventions to weaken the country's currency Czech crown, and further ease the monetary policy to stimulate consumer spending and support export. CNB governor said that the bank targets were to keep the rate near the 27 CZK/EUR benchmark for at least the next 18 months. Therefore, the Company expects that in 2015 huge financial income will be generated from foreign currency revaluation of senior secured notes principal amount. This income will be partially offset by tax losses carried forward.

23. ACCOUNTS PAYABLE AND ACCRUALS

	31/12/2013 CZK'000	31/12/2012 CZK'000
Financial liabilities		
Trade payables	169,396	101,116
Accrued expenses (see note 24)	766,753	752,824
Other payables	32,408	49,701
	968,557	903,641
Non-financial liabilities		
Wages and salaries payable	11,257	11,722
Social and health contributions payable	5,566	6,202
VAT and other tax payable	7,084	2,473
Advance payments received	2,835	1,335
	26,742	21,732
	995,299	925,373

Accrued expenses include mainly uninvoiced supplies of energy, water and sewage services and uninvoiced payables to tenants arising from the charging of services connected with the lease (energy consumption, water/sewage fees).

24. ISSUED BONDS

On 2 May 2013, the Company issued high yield bonds due in 2020 in the amount of EUR 400,000 thousands. The bonds were issued with a coupon of 6.75% and an effective interest rate of 7.142%. The net proceeds were used to finance the revitalization program for the residential portfolio of the Company, fully repay the outstanding amounts of Syndicated loan, accrued interest and fees, and pay dividends. In 2013, the Company paid transaction costs related to the bonds in the total amount of CZK 238,676 thousands. Issued bonds contain certain covenants and are secured by a pledge over all of the issued share capital in the Company, mortgages over all of the real estate properties owned by the Company (other than certain excluded properties), bank accounts and receivables under existing lease agreements relating to all of the real estate properties. The covenants were not breached at year end.

The following is a brief summary of certain terms of the issue:

Title	Senior Secured Notes
Principal Amount	EUR 400,000 thousands
Status	Listed
Market type	GEM*
Issue Date	2 May 2013
Maturity Date	1 May 2020
Interest Payment Dates	1 May and 1 November, commencing 1 November 2013
Denominations	The notes have a minimum denomination of EUR 100,000 and any integral multiple of EUR 1,000 in excess thereof.
Trustee	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland A.G.
ISIN	XS0808638539
SEDOL	B8S74B7

* GEM is a market for debt and derivative securities which is operated and regulated by the Irish Stock Exchange.

24. ISSUED BONDS (Continued)

The year-end value consists of the following:

	31/12/2013 CZK'000
Principal amount translated using the FX rate at the date of issuance	10,318,000
Unrealized exchange loss at 31 December 2013*	652,000
Transaction costs	(218,892)
	10,751,108

* principal amount has been translated at an exchange rate of CZK 27,425 per euro, the rate of the Czech National Bank as at 31 December 2013

Accrued interest of total amount of CZK 123,413 thousands is classified as accrued expenses within Accounts payable and accruals.

25. COMMITMENTS AND CONTINGENCIES

The Company has the following commitments in respect of:

	31/12/2013 CZK'000	31/12/2012 CZK'000
Non-cancellable operating leases		
Instalments due within one year	7,988	10,130
Instalments due between two and five years	29,120	18,287
Instalments due later than five years	—	—
	37,108	28,417
Subsequent expenditure		
From third parties	123,764	411,028

The majority of operating lease contracts are concluded as indefinite term and short notice period. Leased items include commercial units, IT and other equipment. Operating lease expense in 2013 amounted to CZK 7,968 thousand (2012: CZK 12,255 thousand).

Window replacements were again the most substantial item in renovations and investments in 2013. The window replacement program was completed in the current year. CZK 300,000 thousands out of total amount of commitments as at 31 December 2012 related to this program.

A number of the Company's assets have been pledged as a security for drawn bank loans. This relates mainly to investment property, trade receivables and cash. Refer to Notes 10, 15 and 17 for more detailed information.

In 2012 the Company entered into a cooperation agreement with Advanced World Transport a.s. ("AWT") to establish a group within the meaning of Czech Section 5a of Act No. 235/2004, on Valued Added Tax (as amended, the "AWT Cooperation Agreement"). Pursuant to the AWT Cooperation Agreement, AWT acts as a representative of the group and undertakes certain obligations to the Czech financial authorities in respect of Valued Added Tax as well as for the payment of fines, penalties or default interests. The Company and AWT are jointly and severally liable for fulfillment of the group's obligations arising under Czech tax law. In the event that the Company is required to meet all tax obligations of association or obligations on behalf of AWT there are recourse provisions favouring the Company provided by law. The AWT Cooperation Agreement may be terminated, with or without cause, by either party however, the deregistration of the group or withdrawal from the group can only be made up to 31 October of each year with effect from 31 December of such year. Average monthly VAT liability of the group in 2013 amounted to CZK 25.7 million. Potential risks arising from the group's obligation under Czech tax law are monitored through the membership of the AWT Supervisory Board and regularly monthly tax reports.

26. AUDITOR'S REMUNERATION

Information about the total fees payable to a statutory auditor or an audit firm for the accounting period will be disclosed in the notes to the consolidated financial statements of BXR Group Ltd., which include the Company.

27. SUBSEQUENT EVENTS

The management is not aware of any other events that took place after the date of the statement of financial position that could have a material impact on the financial position of the Company.

RPG BYTY, S.R.O.

Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

for the year ended 31 December 2012

CONTENTS

GENERAL INFORMATION

Statutory Representatives

Anton Aksic
Petr Skrla
Martin Ráž

The Company is represented by at least two Statutory Representatives acting jointly. The Company's supreme body is the General Meeting.

Supervisory Board

Supervisory Board was established as of 4 December 2008. Otakar Jelínek, Pavel Telička and Pavel Klimeš were appointed as members of the Supervisory Board as of that date. As at 2 December 2011, all members were recalled of the Supervisory Board and the Supervisory Board was terminated. The change was recorded in the Commercial Register as at 27 December 2011.

Registered Office

Gregorova 2582/3
701 97 Ostrava-Moravská Ostrava
Czech Republic

Identification Number

277 69 127

REPORT OF THE MANAGEMENT

Management of the company hereby presents its financial statements for the financial year ended on 31 December 2012.

Evaluation of the year 2012

The company RPG Byty, s.r.o. successfully managed the rent increase project the implementation of which started in the previous year, after a long and elaborate preparation. After the period of "frozen" rents which had lasted until 2006, landlords were statutorily enabled from 2007 on to increase the rent unilaterally by the amount specified by the Ministry for Regional Development. This legally regulated rent control ceased to apply for the Moravian-Silesian Region, where the real estate portfolio of the company is situated, as of the end of 2010. Since 2011 any adjustment of rent level has been only possible upon an agreement between the landlord and the tenant. Thanks to a profound preparation, a socially considerate plan and open communication with the tenants, the company RPG Byty, s.r.o. managed to agreed on a new level of uncontrolled rents with 99% of all tenants. The company offered them a gradual, socially tolerable increase of monthly rent in the period between 2011 and 2013. The plan covered almost 36 thousands tenants who now mostly have new contracts and thus the certainty of a peaceful and long-term housing together with a public promise of the company to replace old windows.

In connection to the rent increase project, the company established so-called RPG Housing Fund already in 2011 to mitigate the potential negative impacts of the end of rent control on the alone-living seniors. During the existence of the Fund, contributions were provided totalling to more than CZK 6 million from which almost CZK 4 million were directed to the respective tenants in 2012.

In 2012 the company RPG Byty, s.r.o continued the extensive renovation of its residential portfolio. In that year, approx. CZK 1,3 billion were expended for the repairs and complex renovations of buildings and apartments. A significant amount of these resources was expended within the public promise of window replacements, the investment projects Security, Exterior and the general, so-called Large Renovations.

Massive window replacements were again the most substantial item in renovations and investments in 2012. Windows were replaced in more than 9000 apartments in 628 buildings and the costs totalled to CZK 300 million. The window replacement program will be accelerated by one year, comparing to the original obligation, the windows will be replaced to those tenants who accepted the rent adjustment proposal of the company already by the end of 2013.

The category of Large Renovations, performed annually by the company, includes e.g. general renovations of water piping, sewage, wiring in common spaces of buildings, roofs and balconies.

In 2012 these repairs were done in 288 buildings, with the costs totalling to CZK 225 millions.

The project Security was initiated already in 2010. It includes replacements of entrance doors, door bells and mailboxes and a facelift of common areas in the buildings. In 2012 the Security project was extended to include also the installation of bars on the entrance to cellars in residential buildings. Thanks to successful tenders, savings were achieved within this program and 360 buildings were included in the project instead of 314 buildings in the original plan. The costs for the Security project in 2012 totalled to CZK 63 million.

The Exterior project started in the same year as the Security project. It includes window replacements, repairs of roofs and insulation of facades, repairs of wiring in the commons spaces of the buildings, replacements of entrance doors, door bells and mailboxes and a facelift of common areas in the buildings, always depending on the current condition of the particular building. In 2012, the amount of CZK 17 million was spent within this program to repair facades and perform a complex renovation of selected buildings in Moravská Ostrava.

The project of the installation of water savers was a very important one for the tenants in 2012—it was performed across the whole residential portfolio of RPG Byty, s.r.o. and cost almost CZK 9 million. Thanks to the project, the tenants should save up to 30% of water consumption.

In connection to the increasing demand for small apartments, the company decided to divide large apartments (i.e. 3+1 and 4+1) into two smaller apartments (1+ kitchen corner - 2+1). In 2012, 150 new residential units were created from the original 75 apartments.

In 2012 also the company continued the cooperation with the municipalities within so-called Integrated Development Plan of the cities. In this year, 197 apartments were renovated in Orlová, Karviná and Český Těšín. The amount invested was almost CZK 40 million.

Outside the scope of expenditures for own real estates mentioned above, the real estates underwent common maintenance as needed. In 2012, 43 150 requests from tenants were dispatched within the common maintenance, which represents the average of 118 requests dispatched per day. The annual cost for the common maintenance was CZK 118 million.

The company RPG Byty, s.r.o. made a five-year-long loan agreement with a syndicate of Czech banks for the amount of up to CZK 5,7 billion (EUR 230 million). The resources were primarily designed to finance the revitalization program for the residential portfolio of the company. The total value of the investment was CZK 6,4 billion (EUR 256 million). The revitalization program including its financing is a part of a long-term investment of the company RPG Byty to increase the quality of the residential portfolio and to help to enhance the life of the tenants.

The loan has been arranged by Česká spořitelna, UniCredit Bank Česká republika, Raiffeisenbank and Equa Bank. The banks undertook to provide a loan totalling to CZK 4,8 billion (EUR 191 million) which may be, if necessary, increased to the mentioned CZK 5,7 billion.

RPG Byty, s.r.o. makes continuous efforts to enhance its communication with tenants. The Client Centers in Ostrava, Havířov and Karviná dispatched over 83 thousand clients, with the average waiting time being 16 minutes. The Customer Line dispatched over 57 thousand calls and almost 16 500 emails. The serviceability of the Emergency Line was over 80% at clients' calls and almost 100% at recalls. The company also communicates with the tenants through its website, letters and the magazine Bydlíme which is read by 85% of tenants.

In 2012, a position of a security manager was newly established to cooperate also with the municipal police and the Police of the Czech Republic in safety prevention. Within this safety prevention, 1220 physical checks were performed in 2012, focused on the legitimacy of the apartment use, check of the number of persons in the apartment etc. Apart from that, 319 neighbor arguments were dealt with from which only 4 had to be settled by an eviction, in other cases reprehension or warning helped.

To enhance security, the company built monitoring systems to be used by the municipal police in selected locations (Karviná, Havířov, Ostrava-Kunčičky), with the total costs exceeding one million crowns.

To enhance the life in socially excluded areas where RPG Byty, s.r.o. has its residential portfolio is one of the focuses of the company's strategy. The company pays a systematic and long-term attention to this field which it supports not only by work but also financially. It initiates the involvement of as many private, state and non-profit organizations as possible. RPG Byty, s.r.o. supports and closely cooperates with more than 25 non-profit organizations in the field of education, support for young people leaving orphanages, support for seniors and handicapped persons, social integration and social housing.

Activities in the field of research and development and environmental protection

With respect to its scope of business, the company is not active in the field of research and development. By substantial costs expended for the revitalization of residential buildings, mainly for their heat insulation, window replacements etc, the company decreases energy consumption of its residential portfolio, which helps to reduce the burden on the environment and to protect the environment.

Activities in the field of labor-law relationships

In 2012 the company focused on the development of client oriented corporate culture. The activities in this field included not only continuous work to optimize internal processes but also the field of staff education and the development of the intellectual capital of the company in general.

The company slightly increased the number of employees comparing to 2011, as of December 31, 2012 it registered 235 employees.

All acts in the field of labor-law relations were performed pursuant to applicable collective agreement, as amended.

Organizational unit of the company abroad

The company has no organizational unit abroad.

Expected future development

Same as in previous years, also this year the company RPG Byty, s.r.o. will continue the extensive renovation of its residential portfolio. In 2012, the company plans to spend about CZK 1,4 billion for repairs and complex renovations of buildings and apartments.

A substantial part of these resources will be allocated to the programs Windows, Security, Exterior and Large—general renovations which will cover about 2000 buildings in 2013. The priority of 2013 is to finish the window replacements, to continue the Security program and the installation of heating indicators, facade repairs and general renovations.

Massive window replacements will be again the most substantial item within renovations and investments for 2013. It is planned in more than 9 000 apartments in 776 buildings and will require about CZK 365 million. In 2013, the window replacements will be finished in the apartments of all tenants who accepted the proposal for the gradual increase of the formerly controlled rents and to whom the company RPG Byty, s.r.o. obliged in writing to replace the windows by the end of 2014 at latest. This obligation will be thus met by a year earlier.

In 2013, the Security program will cover 148 buildings and will require the expenses about CZK 46 millions.

The general, so-called Large Renovations, of the components of residential buildings will cover 1054 buildings with expected expenses totalling to CZK 125 millions.

In 2013, also the project Exterior will be implemented. The expenses for this project totalling to almost CZK 12 million will be directed into the complex revitalization of selected residential buildings.

Apart from the projects described above, common maintenance will be performed in the apartments and buildings as currently needed.

The company will also continue in projects to reduce the energy demands for housing (e.g. to continue the installation of heating indicators in circa 36 thousand of households). Originally, the billing of heat consumption according to the indicators was planned to be provided as a paid service for interested households. However, pursuant to the new legislation applicable as of January 1, 2013 the indicators shall be installed in all households at the landlord's expense, by December 31, 2014 at latest.

Other important events

In the period between December 31, 2012, as of the date of closing of the books, and the date of the execution hereof, no other important events happened.

In Ostrava, April 5, 2013

Mr. A. Aksic Mr. M. Ráž

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Česká republika

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Independent Auditor's Report to the Member of RPG Byty, s.r.o.

We have audited the accompanying financial statements of RPG Byty, s.r.o., which comprise the statement of financial position as of 31 December 2012, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 RPG Byty, s.r.o. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ostrava
5 April 2013

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

Blanka Dvořáková
Partner
Licence number 2031

RPG Byty, s.r.o.

STATEMENT OF COMPREHENSIVE INCOME PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 CZK'000	2011 CZK'000
CONTINUING OPERATIONS			
Revenues	3	2,924,352	2,798,738
Consumption of material and energy		(932,647)	(924,650)
Services expenses	4	(512,854)	(533,613)
Personnel expenses	5	(119,644)	(118,530)
Property taxes and government fees		(24,340)	(20,465)
Depreciation and amortisation	11,12	(10,632)	(10,373)
Fair value adjustment on investment properties	10	98,930	433,305
Bad debt expense		(55,811)	(50,058)
Gain from sale of property, plant and equipment		(581)	2,937
Other operating income, net	6	26,960	38,997
Other operating expenses, net	6	(26,506)	22,714
RESULT FROM OPERATING ACTIVITIES		1,367,227	1,639,002
Financial income	7	17,998	33,474
Financial expense	7	(66,716)	(46,731)
PROFIT BEFORE INCOME TAX		1,318,509	1,625,745
Income tax expense	8	(258,119)	(314,229)
NET PROFIT FOR THE PERIOD		1,060,390	1,311,516
Other comprehensive income			
Net movement on cash flow hedges, net of tax		(12,315)	(11,264)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		(12,315)	(11,264)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		1,048,075	1,300,252
Profit attributable to:			
Equity holders of the Company		1,048,075	1,311,516
Total comprehensive income attributable to:			
Equity holders of the Company		1,048,075	1,300,252

The notes on the pages F-58 to F-87 are an integral part of these consolidated financial statements.

RPG Byty, s.r.o.

STATEMENT OF FINANCIAL POSITION PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

AS AT 31 DECEMBER 2012

	Note	31/12/2012 CZK'000	31/12/2011 CZK'000
ASSETS			
Property, plant and equipment	11	5,415	5,233
Investment property	10	23,349,718	22,612,544
Intangible assets	12	19,353	17,607
Restricted cash	13	217,155	119,875
TOTAL NON-CURRENT ASSETS		23,591,641	22,755,259
Accounts receivable and prepayments	15	698,006	615,401
Loans to related parties	14	49,890	576,796
Cash and cash equivalents	17	197,654	32,425
TOTAL CURRENT ASSETS		945,550	1,224,622
TOTAL ASSETS		24,537,191	23,979,881
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	500,000	500,000
Cash flow hedge reserve	16	(22,499)	(10,184)
Statutory reserves	18	50,000	595
Retained earnings		13,765,667	17,703,772
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		14,293,168	18,194,183
TOTAL EQUITY		14,293,168	18,194,183
LIABILITIES			
Long-term interest-bearing loans and borrowings	20	4,757,738	626,768
Deferred tax liability	22	3,941,807	3,727,587
Long-term obligations under finance leases		2,126	2,633
Other long-term liabilities	21	222,774	221,509
TOTAL NON-CURRENT LIABILITIES		8,924,445	4,578,497
Provisions	19	500	913
Accounts payable and accruals	23	925,373	938,764
Fair value of derivatives	16	27,776	12,573
Current portion of long-term loans	20	197,038	76,467
Short-term obligation under finance leases		859	728
Short-term interest-bearing loans and borrowings	20	168,032	177,756
TOTAL CURRENT LIABILITIES		1,319,578	1,207,201
TOTAL EQUITY AND LIABILITIES		24,537,191	23,979,881

The notes on the pages F-58 to F-87 are an integral part of these consolidated financial statements.

RPG Byty, s.r.o.

CASH FLOW STATEMENT PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 CZK'000	2011 CZK'000
Cash flows from operating activities			
Net profit before taxation from continuing operations		1,318,509	1,625,745
Adjustments for:			
Depreciation	11	2,925	2,757
Amortisation	12	7,707	7,616
Fair value adjustment on investment properties	10	(98,930)	(433,305)
Changes in provisions and allowances		36,625	(31,691)
(Profit) / Loss on disposal of property, plant and equipment		581	(2,936)
Interest expense / (income), net	7	31,708	14,549
Other non-cash items		23,651	11,990
Operating profit before working capital changes		1,322,776	1,194,725
(Increase) / Decrease in receivables	15	(138,060)	(167,694)
Increase / (Decrease) in payables	23	(50,910)	197,781
(Increase) / Decrease in restricted cash	13	(97,280)	(39,277)
Cash generated from operating activities		1,036,526	1,185,535
Corporate income tax (paid) / received	8	—	(243)
Net cash flows from operating activities		1,036,526	1,185,292
Cash flows from investing activities			
Interest received		13,837	11,504
(Provision) / Repayment of loans receivable	14	526,906	(210,250)
Purchase of intangible assets	12	(9,454)	(6,739)
Purchase of investment property, plant and equipment	10,11	(1,053,055)	(1,257,223)
Proceeds from sale of property, plant and equipment and investments		3,604	9,391
Net cash flows used in investing activities		(518,162)	(1,453,317)
Cash flows from financing activities			
Net proceeds from / (Repayments of) loans and borrowings	20	4,335,301	316,357
Payment of transaction costs related to loans and borrowings	20	(73,848)	—
Interest paid		(26,589)	(25,372)
Dividend paid		(4,588,000)	—
Net cash flows from / (used in) financing activities		(353,135)	290,985
Net (decrease) / increase in cash and cash equivalents		165,229	22,960
Cash and Cash Equivalents at the beginning of year		32,425	9,465
Cash and Cash Equivalents at the end of year	17	197,654	32,425

The notes on the pages F-58 to F-87 are an integral part of these consolidated financial statements.

RPG Byty, s.r.o.

STATEMENT OF CHANGES IN EQUITY PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

AS AT 31 DECEMBER 2012

	Note	Share capital CZK'000	Cash flow hedge reserve CZK'000	Statutory reserves CZK'000	Retained earnings CZK'000	Total equity CZK'000
1 January 2012		500,000	(10,184)	595	17,703,772	18,194,183
Net profit for the period		—	—	—	1,060,390	1,060,390
Net movement on cash flow hedges, net of tax	16	—	(12,315)	—	—	(12,315)
Total comprehensive income		—	(12,315)	—	1,060,390	1,048,075
Reserve fund appropriation		—	—	49,405	(49,405)	—
Dividend paid		—	—	—	(4,588,000)	(4,588,000)
Spin off transaction		—	—	—	(361,090)	(361,090)
31 December 2012		500,000	(22,499)	50,000	13,765,667	14,293,168

	Note	Share capital CZK'000	Cash flow hedge reserve CZK'000	Statutory reserves CZK'000	Retained earnings CZK'000	Total equity CZK'000
1 January 2011		500,000	1,080	248	16,392,603	16,893,931
Net profit for the period		—	—	—	1,311,516	1,311,516
Net movement on cash flow hedges, net of tax	16	—	(11,264)	—	—	(11,264)
Total comprehensive income		—	(11,264)	—	1,311,516	1,300,252
Reserve fund appropriation		—	—	347	(347)	—
31 December 2011		500,000	(10,184)	595	17,703,772	18,194,183

The notes on the pages F-58 to F-87 are an integral part of these consolidated financial statements.

RPG Byty, s.r.o.

NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

AS AT 31 DECEMBER 2012

CORPORATE INFORMATION

RPG Byty, s.r.o. (the "Company") is a limited liability company established under the laws of the Czech Republic as a result of the demerger of OKD, a.s., with the decisive date of 1 January 2006. The registered office of the Company is at Gregorova 2582/3, 701 97, Ostrava-Moravská Ostrava, the Czech Republic.

The Company's principal activities comprise the letting of real estate, apartments and non-residential premises.

In 2012, number of the company's owned land were spun out and merged with RPG RE Land, s.r.o, The fair value of demerged land was CZK 402,103 thousand and related deferred tax liability was CZK 41,012 thousand. The total impact on the equity of the company was CZK −361,090 thousand.

The parent company of the Company is RPG Property B.V., incorporated in the Netherlands, which holds 100% of the ordinary shares of the Company.

These financial statements were approved by the board of directors and authorised for issue effective on 5 April 2013.

1. GENERAL INFORMATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). For all periods up to but excluding 31 December 2011, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Czech GAAP).

Basis of preparation

The financial statements are presented in Czech Crowns (CZK), which is also a functional currency of the Company, rounded to the nearest thousand.

The financial statements are prepared on the historical cost basis with exceptions of assets and liabilities which are stated at their fair value as noted in the summary of significant accounting policies listed below.

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 10—Investment property,
- Note 11—Property, plant and equipment,
- Note 12—Intangible assets,
- Note 16—Risk management and financial instruments,
- Note 22—Deferred tax.

1. GENERAL INFORMATION (Continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Comparative information has been included for each item of statement of comprehensive income and statement of financial position.

New IFRS standards and interpretations approved by the European Union that are not yet effective

The Company is currently evaluating the potential impact of new standards, interpretations and amendments to published standards that have been issued, but are not effective as at 31 December 2012 and are relevant for the Company. The main impact of these changes are as follows:

- IFRS 11 Joint arrangements (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014);
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013);
- IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2013);
- IAS 19 (2011) Employee Benefits (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012);
- Amendments to IAS 32 Offsetting of Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014);

Management of the Company has not completed the analysis of the impact of the above mentioned standards and amendments to published standards on the company’s Financial Statements. The Company does not expect to apply these standards earlier.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles for preparation of the cash flow statement

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax. Interest received is classified as an investing activity as it mainly relates to the investments. Interest paid is classified as a financing activity.

b) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to functional currency at the foreign exchange rate ruling at that date.

c) Derivative financial instruments

The Company uses derivative financial instruments (such as interest rate swaps) to hedge its exposure to interest risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to profit and loss.

The fair value of interest rate swap contracts is the estimated amount that the Company would receive or pay to terminate the contract at the reporting date, taking into accounting interest rates and the current creditworthiness of the swap counterparties.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designed.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit and loss.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecasted sale or expenditure occurs. Where the hedged item is a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecasted transaction or firm commitment is no longer expected to occur, amount previously recognised in the other comprehensive income are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecasted transaction or firm commitments occurs.

d) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any (see accounting policy j). Cost includes expenditure that is directly attributable to the acquisition of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, and an appropriate proportion of production overheads.

Where an item of plant and equipment is comprised of major components having different useful lives, they are accounted for as separate items of plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment.

(ii) Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the policy applicable to that asset. Minimum lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit and loss.

Operating lease payments are recognised as an expense in profit and loss on a straight line basis over the lease term.

(iii) Subsequent expenditure

The Company recognises in the carrying amount the cost of replacing component of an item of plant and equipment at the time the cost is incurred if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Construction-in-progress is not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated useful lives are as follows:

- Plant and equipment . . . . 4 - 15 years
- Vehicles . . . . 3 - 8 years
- Other . . . . 4 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes. Investment property is recognised initially at cost, including transaction costs. After initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually using the discounted cash flow model and external valuations.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Rental income from investment property is accounted for as described in accounting policy n).

No assets held under finance lease have been classified as investment property.

f) Intangible assets

(i) Software and other intangible assets

Software and other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy j).

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with defined useful life are amortised from the date they are available for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimated useful lives are as follows:

- Software . . . . 3 years
- Other . . . . 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit and loss.

g) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are subsequently carried at their amortised cost using the effective interest method less any allowance for impairment (see accounting policy j).

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (with original maturity of three months and less).

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

i) Restricted cash

Restricted balances of cash, which are shown under non-current financial assets as restricted funds (see Note 13), relate to the bonds paid by the tenants of the Company's apartments and to the funds deposited for investment property repairs in line with tax regulations. The non-current classification is based on the expected timing of the release of the funds.

j) Impairment

The carrying amounts of the Company' assets, excluding deferred tax assets (see accounting policy p), are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each date of the statement of financial position.

For purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the assets or groups of assets (the "cash-generating units"). An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss.

(i) Calculation of recoverable amount

The recoverable amount of receivables is calculated as the present value of expected future cash flows, discounted to their present value using the financial asset's original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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 and amortization, if no impairment loss had been recognized.

k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in profit and loss over the period of the borrowings on an effective interest basis. Related gains and losses are recognised in profit and loss at the settlement date.

l) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event 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 of time value of money is material, provisions are determined by discounting the expected 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.

m) Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not invoiced by the supplier. Trade and other payables are stated at amortized cost.

n) Revenue

(i) Services rendered

Revenue from services rendered is recognised in profit and loss when the transaction under the service agreement has been completed.

The Company accounts for purchased media supply (heat, water, electricity, etc.) as an expenses in item service expenses. At the same time revenues from rebilling of media to tenants are recognized as services rendered.

(ii) Rental income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions will be complied with. In the opposite case the grant is not recognized. When the grant relates to an expense item, it is recognised as reduction of the expense item incurred in the accounting period. Where the grant relates to an asset, its fair value reduces the carrying amount of the asset.

o) Expenses

(i) Operating lease payments

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

(ii) Service costs and property operating expenses

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

(iii) Finance income and finance expenses

Finance income comprise interest receivable on funds invested and foreign exchange gains. Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses and other finance expenses.

Interest revenue is recognized as interest accrues (using the effective interest method which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

The interest expense component of finance lease payments is recognised in profit and loss using the effective interest rate method.

(iv) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

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 income taxes levied by the same tax authority.

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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

q) Non-current assets held for sale and discontinued operations

Non-current assets held for sale are assets classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Company's business that either has been disposed of, or meets the criteria to be classified as held for sale, and represents a separate major line of business or geographical area of operations. A disposal group that is to be abandoned may also qualify.

r) Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods provided above in the notes and/or further described in Note 16.

3. REVENUES

Revenues comprise:

	2012 CZK'000	2011 CZK'000
Revenues from lease of investment property	1,905,135	1,760,848
Revenues from services rendered	1,017,996	1,036,567
Other revenues	1,221	1,323
	2,924,352	2,798,738

All revenues are realised in the Czech Republic. Revenues from services rendered include mainly revenues from services related to the use of the residential and commercial space by tenants—water and sewage charges, heating cost, energy consumption etc.

4. SERVICE EXPENSES

	2012 CZK'000	2011 CZK'000
Repairs and maintenance of investment property	225,394	234,198
Consultancy	96,490	116,357
Other	190,970	183,058
	512,854	533,613

5. PERSONNEL EXPENSES

	2012 CZK'000	2011 CZK'000
Wages and salaries	87,400	87,453
Social insurance costs	29,778	28,825
Other payroll and social costs	2,466	2,252
	119,644	118,530

Number of employees in the period:

Managers	4	5
Staff	231	221
	235	226

The total remuneration and variable short-term benefits received by the management in 2012 were CZK 9,486 thousand (2011: CZK 14,008 thousand), out of which the social and health insurance were CZK 1,953 thousand (2011: CZK 2,845 thousand). No post-employment benefits, other long-term benefits or termination benefits were received by the management.

Management comprises members of the senior management.

6. OTHER OPERATING INCOME AND EXPENSES

Other operating income comprise:

	2012 CZK'000	2011 CZK'000
Contractual penalties and penalty interest income	5,605	6,198
Easement	380	1,317
Government grants	—	16,354
Insurance cover	5,650	3,071
Other operating revenues	15,325	12,057
Total other operating income	26,960	38,997

6. OTHER OPERATING INCOME AND EXPENSES (Continued)

Other operating expenses comprise:

	2012 CZK'000	2011 CZK'000
Contractual penalties and penalty interest expense	462	307
Compensation of employees for injuries, loss on wages, employment related illness etc.	33	33
Donations	1,554	—
Unclaimed VAT	17,512	33,667
Property write-offs	758	6,994
Change in operating provisions	(413)	(72,871)
Insurance	7,937	7,864
Other operating expenses, net	(1,337)	1,292
Total other operating expenses	26,506	(22,714)

7. FINANCIAL INCOME AND EXPENSE

Financial income comprise:

	2012 CZK'000	2011 CZK'000
Bank interest received	273	551
Other interest received	14,018	15,673
Realized and unrealized foreign exchange gains	3,665	17,224
Other	42	26
Total financial income	17,998	33,474

Financial expenses comprise:

	2012 CZK'000	2011 CZK'000
Bank interest expense	38,760	24,487
Other interest expense	7,082	6,285
Realized and unrealized foreign exchange losses	14,246	11,263
Bank fees	6,628	4,696
Total financial expenses	66,716	46,731

Bank interest expense includes grant for interest expenses acquired in 2012 in the value of CZK 9,688 thousand.

8. INCOME TAX EXPENSE

The corporate income tax in 2012 and 2011 is calculated using the rate of 19% in accordance with tax regulations applicable in the Czech Republic.

8. INCOME TAX EXPENSE (Continued)

Components of tax expense:

	2012 CZK'000	2011 CZK'000
Statement of comprehensive income:		
Corporate tax charge	—	243
Deferred tax expense/(benefit) relating to the creation and reversal of temporary differences	258,119	313,986
Income tax expense/(benefit)	258,119	314,229

Reconciliation of the statutory and effective tax rates:

	2012 CZK'000	2011 CZK'000
Profit / (Loss) before tax	1,318,509	1,625,745
Tax at the applicable rate of 19%	250,517	308,892
Tax effect of expenses that are not tax deductible in determining taxable profit:		
—Non-deductible expense and tax exempt revenue	7,602	5,855
Change in unrecognised deferred tax asset	—	(518)
Tax benefit / (expense)	258,119	314,229
Effective tax rate rounded	19%	19%

The movements in the corporate income tax liability in 2012 and 2011 is as follows:

	2012 CZK'000	2011 CZK'000
Income tax liability at 1 January	—	—
Current and supplementary tax charges	—	243
Tax paid, net	—	(243)
Income tax liability at 31 December	—	—

9. RELATED PARTY DISCLOSURES

During the period the Company had transactions in the normal course of operations with related parties. These represent transactions with the parent company, entities under common control, key management personnel of the Company, and companies of which they are principal owners. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

9. RELATED PARTY DISCLOSURES (Continued)

Material balances and transactions with related parties included in the statement of financial position and the statement of comprehensive income are as follows:

Statement of financial position

	31/12/2012 CZK'000	31/12/2011 CZK'000
Receivables from related parties		
OKD, a.s.	20,488	22,080
Advanced World Transport a.s.	4,620	12
Rezidence Marina, s.r.o.	70	166
RPG RE Commercial, s.r.o.	1,395	2,261
RPG RE Land, s.r.o.	2,162	2,883
RPG RE Management, s.r.o.	688	1,071
RPG Služby, s.r.o.	1,423	2,022
Receivables from related parties in total	30,846	30,495
Payables to related parties		
OKD, a.s.	125	125
AWT Rekultivace a.s.	1,510	1,747
RPG RE Assets, s.r.o.	28	287
Advanced World Transport a.s.	7,219	—
RPG RE Commercial, s.r.o.	1,406	1,267
RPG RE Land, s.r.o.	601	—
RPG RE Management, s.r.o.	11,608	15,876
RPG Služby, s.r.o.	17,508	55,729
Payables to related parties in total	40,005	75,031

Receivables from related parties form part of the balance of accounts receivable and prepayments shown in the statement of financial position. Similarly, payables to related parties form part of the balance of accounts payable and accruals.

Short-term loans receivable and payable from/to related parties are presented in Notes 14 and 20.

9. RELATED PARTY DISCLOSURES (Continued)

Statement of comprehensive income

	2012 CZK'000	2011 CZK'000
Sales to related parties		
Dukla Industrial Park, s.r.o.	48	63
Jindrich Plaza Development, s.r.o.	76	103
OKD, a.s.	445	450
Advanced World Transport a.s.	120	120
AWT Rekultivace a.s.	120	717
Rezidence Marina, s.r.o.	716	614
RPG RE Assets, s.r.o.	2,587	2,762
RPG RE Commercial, s.r.o.	12,478	14,636
RPG RE Land, s.r.o.	11,099	14,795
RPG RE Management, s.r.o.	3,785	4,303
RPG Služby, s.r.o.	8,580	8,076
Sales to related parties in total	40,054	46,639

	2012 CZK'000	2011 CZK'000
Purchases from related parties		
BXR Real Estate B.V.	267	127
OKD, a.s.	796	917
Advanced World Transport a.s.	7,318	120
AWT Rekultivace a.s.	4,993	4,369
RPG Garáže, a.s.	571	582
RPG RE Commercial, s.r.o.	14,421	15,248
RPG RE Land, s.r.o.	665	—
RPG RE Management, s.r.o.	55,857	72,900
RPG Služby, s.r.o.	605,522	528,752
Purchases from related parties in total	690,410	623,015

Key suppliers and customers among the related parties are OKD, a.s., RPG RE Commercial, s.r.o., RPG RE Land, s.r.o., RPG RE Assets, s.r.o., RPG RE Management, s.r.o. and RPG Služby, s.r.o. Purchases from OKD, a.s. include mainly IT services. RPG RE Management, s.r.o. is the key supplier of advisory services for the Company. RPG RE Commercial, s.r.o., RPG RE Land, s.r.o. and RPG RE Assets, s.r.o. are key customers of the Company in the field of asset and property management. Facility management services are provided to the Company by RPG Služby, s.r.o.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012 and 31 December 2011, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel is stated in Note 5.

10. INVESTMENT PROPERTY

	2012 CZK'000	2011 CZK'000
At 1 January	22,612,544	21,027,288
Additions	—	42
Capitalized subsequent expenditure	1,052,071	1,165,567
Disposals	(11,724)	(13,658)
Spin off transaction	(402,103)	—
Fair value adjustment	98,930	433,305
At 31 December	23,349,718	22,612,544

Investment property in a fair value of CZK 20,417,217 thousand (2011: 1,709,007 thousand) has been pledged as security for various loans and other liabilities.

Valuation of investment property

The fair value of investment property is determined externally and internally using recognised valuation techniques. These techniques comprise mainly the discounted cash flow method. In some cases, the fair values can be determined based on recent real estate transactions with similar characteristics and location to those of the Company assets. In order to increase the reliability of the fair value determination, the fair values of investment property determined internally are also compared to the values determined by independent real estate valuation experts.

The fair value of investment properties under construction is determined using either the discounted cash flow method or the residual method.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Czech real estate market is considered small and transactions with real estate portfolio of the size similar to the Company one are very rare. Global volatility of the financial system was reflected also in residential and commercial real estate markets when already low number of transactions in the sector further decreased after 2008. Therefore, in arriving at the estimates of market values of investment property as at 31 December 2011 and 31 December 2012, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgement of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

The discounted cash flow method used for valuation of buildings involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses and capital expenditures. A series of periodic net operating incomes for 10-year period, along with an estimate of perpetual net operating income after this period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Government-managed deregulation of rent charges in apartments of the Company ended as of 31 December 2010. Already during 2010 the Company prepared the strategy of increase in rent after the deregulation where it individually agreed with its tenants to increase the rent gradually over 4 to 8 years

10. INVESTMENT PROPERTY (Continued)

while making the increase socially acceptable. 65,4% of the Company's apartments was rented in this post-regulated regime as at 31 December 2012.

The significant assumptions made in relation to valuation of buildings are set out below:

	31/12/2012	31/12/2011
Long-term vacancy rate	10.9%	10%
Revenue growth rate*	2%	2%
Discount rate	7.08%	7.4%
Loss on receivables	3%	3%

* Relates only to revenues outside the post-regulated regime.

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

	31/12/2012 CZK'000	31/12/2011 CZK'000
Increase in vacancy by 1% pcpt	(360,869)	(351,598)
Increase in revenue growth rate by 0.1% pcpt*	99,878	27,305
Decrease in discount rate by 0.1% pcpt	195,734	182,649
Decrease of loss on receivables by 1% pcpt	493,929	453,560

* Relates only to revenues outside the post-regulated regime.

Undeveloped land plots are valued using the comparative method where extensive databases of market transaction made with land of similar features in given time and place have been used. Independent experts use their extensive real estate valuation experience, market knowledge and analysis of information from these databases to determine fair value. Features of the land plots reflected in the valuation include mainly type, area, cadaster, function of the plot according to the valid zoning and undermining status.

Investment property of the Company as at 31 December 2012 consists of 216 ha of land and 5,163 buildings with 43,625 residential and 1,839 commercial units located mainly in Moravian-Silesian Region of the Czech Republic.

In 2012, the Company obtained government grants for insulation and reconstruction of investment properties in the value of CZK 34,272 thousand (2011: CZK 40,367 thousand). In accordance with the methodology described in paragraph 2n (iii), activated subsequent expenditure on investment property were reduced by this amount.

11. PROPERTY, PLANT AND EQUIPMENT

The net book value of plant and equipment as of 31 December 2012 includes CZK 1,774 thousand (31 December 2011: CZK 2,812 thousand) in respect of assets acquired through finance leases.

	2012 CZK'000	2011 CZK'000
Cost:		
At 1 January	11,679	8,963
Additions	3,107	3,761
Disposals	(808)	(1,045)
At 31 December	13,978	11,679
Accumulated depreciation and impairment losses:		
At 1 January	6,446	4,735
Depreciation charge for the year	2,925	2,757
Disposals	(808)	(1,046)
At 31 December	8,563	6,446
Net book value at 31 December	5,415	5,233
Net book value at 1 January	5,223	4,228

12. INTANGIBLE ASSETS

	Software CZK'000	Licences CZK'000	Intangibles in progress CZK'000	Total CZK'000
Cost:				
At 1 January 2012	23,804	6,997	4,922	35,723
Additions	3,599	698	5,156	9,453
At 31 December 2012	27,403	7,695	10,078	45,176
Accumulated amortization:				
At 1 January 2012	14,488	3,628	—	18,116
Amortization charge for the year	6,533	1,174	—	7,707
At 31 December 2012	21,021	4,802	—	25,823
Net book value at 31 December 2012	6,382	2,893	10,078	19,353
Net book value at 1 January 2012	9,316	3,369	4,922	17,607

	Software CZK'000	Licences CZK'000	Intangibles in progress CZK'000	Total CZK'000
Cost:				
At 1 January 2011	21,955	6,883	146	28,984
Additions	1,849	—	4,890	6,739
Transfers	—	114	(114)	—
At 31 December 2011	23,804	6,997	4,922	35,723
Accumulated amortization:				
At 1 January 2011	7,990	2,510	—	10,500
Amortization charge for the year	6,498	1,118	—	7,616
At 31 December 2011	14,488	3,628	—	18,116
Net book value at 31 December 2011	9,316	3,369	4,922	17,607
Net book value at 1 January 2011	13,965	4,373	146	18,484

13. RESTRICTED CASH

As at 31 December 2012 the Company had cash of CZK 217,155 thousand (as at 31 December 2011: CZK 119,875 thousand), deposited for investment property repairs in line with tax regulations and in relation to the bonds received from apartment tenants based on rental contracts concluded between 1 April 2006 and 31 October 2011. The cash is restricted in accordance with the Act on reserves while it can be used only for the purposes defined by the Act, and in accordance with the Civil Code while it can be used only to settle the debts of the tenants on the basis of acknowledgement of a debt or enforceable court decision. Timing of use is uncertain. Bank accounts carry variable interest rate that approximate the effective interest rate.

14. LOANS RECEIVABLE-RELATED PARTIES

	Currency	Effective interest rate	Maturity	31/12/2012 CZK'000	31/12/2011 CZK'000
Short-term loans receivable					
RPG RE Management, s.r.o.	CZK	1M PRIBOR + 1.65%	on demand	—	47,394
Dukla Industrial Park, s.r.o.	CZK	1M PRIBOR + 1.65%	on demand	157	—
Jindrich Plaza Development, s.r.o.	CZK	1M PRIBOR + 1.65%	on demand	3,903	41,250
RPG RE Commercial, s.r.o.	CZK	1M PRIBOR + 1.65%	on demand	43,030	—
RPG Správa bytů, s.r.o.	CZK	4%	31/12/2013	300	200
RPG Garáže, a.s.	CZK	1M PRIBOR + 1%	31/12/2013	2,500	1,500
RPG RE Land, s.r.o.	CZK	1M PRIBOR + 1.65%	on demand	—	143,312
BXR Real Estate Investments B.V.	EUR	3M EURIBOR + 2%	on demand	—	129,000
BXR Tower B.V.	EUR	3M EURIBOR + 2.95%	on demand	—	214,140
Total short-term loans receivable				**49,890**	**576,796**

The carrying value of the loan receivable approximates its amortised cost.

All variable loans receivable are repriced at least once a year according to interest rates movements on the interbank market.

PRIBOR was 0.20% (O/N), 0.33% (1M) and 0.50% (3M) and 0.67% (6M) at 31 December 2012. 3M EURIBOR was 0.187% at 31 December 2012.

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31/12/2012 CZK'000	31/12/2011 CZK'000
Trade accounts and notes receivable	47,932	60,944
Other advance payments	221,027	83,786
VAT and other tax receivables	4,687	10,020
Other receivables	26,308	26,055
Prepayments and accrued revenue	398,052	434,596
	698,006	615,401

Trade receivables are non-interest bearing and are generally on 30 days' terms.

As at 31 December 2012, the receivables in nominal value of CZK 21,997 thousand (31 December 2011: CZK 19,955 thousand) were pledged as security for loans.

Accrued revenue include mainly uninvoiced receivables from tenants arising from the recharging of services related to the rent (energy consumption, heating cost, water and sewage charges etc.).

Trade receivables are stated net of a allowance for impairment. Allowance for impairment of overdue receivables is established according to the following principles:

- more than 360 days overdue—100% of the nominal value of the receivable;

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS (Continued)

• between 180 and 360 days overdue—50% of the nominal value of the receivable.

For receivables from a single tenant with various overdue periods an allowance is established to all overdue receivables from the relevant tenant based on the receivable the longest overdue.

Movements in the allowance for impairment of trade receivables and other receivables were as follows:

	2012 CZK'000	2011 CZK'000
At the beginning of the period	137,894	96,712
Charge for the year	55,823	50,061
Amounts written off	(18,784)	(8,879)
At the end of the period	174 933	137,894

As of 31 December 2012 and 31 December 2011, the analysis of accounts receivable and prepayments that were past due but not impaired is as follows:

CZK'000	Neither overdue nor impaired	Past due but not impaired <30 days	31 - 90 days	91 - 180 days	181 - 360days	>360 days	Total
31 December 2012	647,669	15,364	9,835	8,676	16,462	—	698,006
31 December 2011	560,442	16,052	603	16,981	21,323	—	615,401

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management and financial instruments

The Company's principal financial instruments comprise trade receivables, cash, bank loans and overdrafts, finance leases, financial derivatives, trade payables and leasing contracts. The main purpose of these financial instruments is to raise finance for the Company's operations.

The most significant risks that the Company is exposed to are interest payments tied to variable interest rates, liquidity risk and credit risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its internal standards, management procedures and trainings, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

It is, and has been throughout 2012 and 2011 the Company's policy that no speculative trading in derivatives shall be undertaken.

Risks regarding the investment property portfolio

Credit (customer) risk

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The Company limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Company a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Company's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Company's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Company maintains the creditor management database, creates the segmented reports and performs tenants ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents and loan receivable, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, which is stated in the table at the end of this Note. There was no impairment of other financial assets than trade receivables recognized as of 31 December 2012 and 31 December 2011.

Geographically, the credit exposure lies within the Czech Republic (see Note 14).

Insurance

There is a risk that natural or other factors may damage the properties of the Company, which may lead to financial losses. While the Company is properly insured against risks in connection with the Company operations, there is still an uncovered, and unlikely, risk of force majeure events.

Capital risk

The Company manages its capital to ensure that the Company is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The entity assesses as part of the stakeholders' capital also loans from the related parties.

The Company is not subject to externally imposed capital requirements with the exception of the obligation to meet the debt covenants as requested by the loan-providing banks.

The capital structure of the Company consists of equity, third-party loans and loans from related parties.

CZK'000	31/12/2012	31/12/2011
Loans from related parties	220,363	253,957
Third-party loans and borrowings	4,902,445	627,034
Equity	14,293,168	18,194,183

Operational Risk

Operational risk is defined as the risk of loss arising from inappropriate set-up or functioning of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Company assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimization of these risks.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Market risk

Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in market prices. Market prices comprise three types of risk: currency risk, interest rates risk and other price risk such as equity risk.

The Company has implemented policies and methods of monitoring these risks. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company tries to mitigate currency risk by linking all activities to the same currency, which is the CZK.

The Company had the following EUR-denominated balances as at 31 December 2012 and 2011:

EUR'000	31/12/2012	31/12/2011
Cash and bank balances (incl. restricted cash)	(144)	1
Loans receivable	—	13,300
Loans payable	(5,042)	(5,371)
Accounts payable	—	—
Net exposure in the statement of financial position	(5,186)	7,930

There are no significant assets and liabilities in other currencies.

Appreciation (depreciation) of the EUR against CZK by 1% at 31 December 2012 would have increased (decreased) the company's equity and net profit before tax by CZK 1,304 thousand primarily through the financial income and expense in the statement of comprehensive income.

Appreciation (depreciation) of the EUR against CZK by 1% at 31 December 2011 would have increased (decreased) the company's equity and net profit before tax by CZK 2,046 thousand primarily through the financial income and expense in the statement of comprehensive income.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans receivable and debt obligations with variable interest rates. Majority of the related party loans have floating interest rates (refer to Note 14). The primary interest exposure is related to EURIBOR and PRIBOR.

It is the Company policy to negotiate the terms of the derivatives to match the terms of the item at risk to maximize effectiveness of the derivative. The Company applies the hedge accounting for interest rate swaps used to hedge the exposure to interest rate risk in third party loans. See Note 2c) for the detailed application of the hedge accounting policies.

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The following derivative financial instruments were entered into by the Company to mitigate the above risks:

	31/12/2012			31/12/2011		
	Fair value		Nominal value	Fair value		Nominal value
CZK'000	Assets	Liabilities		Assets	Liabilities	
Interest rate swap contracts	—	27,776	404,912	—	12,573	448,948
	—	27,776	404,912	—	12,573	448,948

Each interest rate swap contract aims to cover individual interest payments under the covered loan and each of the contracts is settled on the date of the expected interest payment.

Exposure to the interest rate risk is presented by way of sensitivity analysis. This sensitivity analysis shows effects of changes in market interest rates on Company's profit before tax. Interest rates increase (decrease) by 1% p.a. over the whole period from 1 January 2012 to 31 December 2012 would have decreased (increased) the net result before tax by CZK 2,810 thousand. Interest rates increase (decrease) by 1% p.a. over the whole period from 1 January 2011 to 31 December 2011 would have decreased (increased) the net result before tax by CZK 804 thousand.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Contractual maturities for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

31/12/2012 CZK'000	Payable in less than year	Payable in 1 - 5 years	Payable after 5 years
Accounts payable and accruals	925,373	—	—
Loans and borrowings	430,721	4,722,544	318,825
Obligations under finance leases	859	2,126	—
Other long-term liabilities	—	222,724	—
Total	1,356,953	4,947,394	318,825

31/12/2011 CZK'000	Payable in less than year	Payable in 1 - 5 years	Payable after 5 years
Accounts payable and accruals	938,764	—	—
Loans and borrowings	264,671	331,521	336,125
Obligations under finance leases	728	2,633	—
Other long-term liabilities	—	221,509	—
Total	1,204,163	555,663	336,125

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to high liquidity of these financial instruments.

Receivables and payables

The carrying amount of short-term receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the floating interest rate and the short period to maturity of those instruments.

Long-term liabilities

The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values as interest reprises at a minimum each twelve months.

Derivatives

The fair value of interest rate swap contracts is based on mark-to-market valuations and is estimated by discounting the expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2012 and 31 December 2011 are as follows:

	31/12/2012		31/12/2011	
	Carrying value CZK'000	Fair value CZK'000	Carrying value CZK'000	Fair value CZK'000
Financial assets				
Derivative financial instruments	—	—	—	—
Restricted cash	217,155	217,155	119,875	119,875
Loans receivable	49,890	49,890	576,796	576,796
Accounts receivable and prepayments	698,006	698,006	615,401	615,401
Cash and cash equivalents	197,654	197,654	32,425	32,425

16. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

	31/12/2012		31/12/2011	
	Carrying value CZK'000	Fair value CZK'000	Carrying value CZK'000	Fair value CZK'000
Financial liabilities				
Long-term interest-bearing loans and borrowings	4,757,738	4,757,738	626,768	626,768
Other long-term liabilities	222,774	222,774	221,509	221,509
Derivative financial instruments	27,776	27,776	12,573	12,573
Accounts payable and accruals	925,373	925,373	938,764	938,764
Obligations under finance leases	2,985	2,985	3,361	3,361
Current portion of long-term loans	197,140	197,140	76,467	76,467
Short-term loans	168,032	168,032	177,756	177,756

The following table shows an analysis of the fair values of financial instruments recognised in the statement of financial position by level of the fair value hierarchy:

31/12/2012	Level 1 CZK'000	Level 2 CZK'000	Level 3 CZK'000	Total fair value CZK'000
Derivatives	—	(27,776)	—	(27,776)

31/12/2011	Level 1 CZK'000	Level 2 CZK'000	Level 3 CZK'000	Total fair value CZK'000
Derivatives	—	(12,573)	—	(12,573)

Explanation of the fair value hierarchy:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2—use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
- Level 3—use of a model with inputs that are not based on observable market data.

All financial derivatives used by the company are tools used for hedging of cash flows. The company applies hedging accounting. The real value of financial derivatives which has been effectively hedged is recognized as Cash flow hedge reserve within company's own capital.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following statement of financial position amounts:

	31/12/2012 CZK'000	31/12/2011 CZK'000
Cash in bank	197,331	32,018
Cash on hand and cash in transit	323	407
Cash and cash equivalents	197,654	32,425

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Certain accounts are used for cash pooling. All cash is readily available for the use by the Company.

Cash in the amount of CZK 121,876 thousand were pledged to the lending banks as at 31 December 2012 (31 December 2011: CZK 22,377 thousand).

18. SHAREHOLDERS' EQUITY

The authorized capital amounts to CZK 500,000 thousand as at 31 December 2012 (31 December 2011: CZK 500,00 thousand).

Statutory reserves are created in accordance with the Czech Commercial Code and cannot be distributed to the shareholders. The use of the reserves is restricted by the Code only to cover the accumulated losses of previous years.

The changes in the fair value of interest rate swaps entered into by the Company incl. related deferred tax effect are accounted via the cash flow hedge reserve that forms part of equity. For more details see Note 16.

19. PROVISIONS

The provision balances are as follows:

	At 1 January 2012 CZK'000	Charged CZK'000	Utilised / released CZK'000	At 31 December 2012 CZK'000
Other	913	400	(813)	500
Total short-term provisions	**913**	**400**	**(813)**	**500**

	At 1 January 2011 CZK'000	Charged CZK'000	Utilised / released CZK'000	At 31 December 2011 CZK'000
Other	—	913	—	913
Total short-term provisions	**—**	**913**	**—**	**913**
Other	73,782	—	(73,732)	—
Total long-term provisions	**73,782**	**—**	**(73,782)**	**—**

Other long-term provisions were created in prior years to cover for the charges resulting from concluded service contracts. In 2011, the service contracts have been transferred to related party and provisions created for expected charges have been released.

20. INTEREST-BEARING LOANS AND BORROWINGS

	Currency	Effective interest rate	Security/ pledge	Maturity	31/12/2012 CZK'000	31/12/2011 CZK'000
Long-term bank loans						
Bank 1	CZK	6M PRIBOR+1.3%		20/11/2016	19,212	24,493
Bank 1	CZK	6M PRIBOR+1.3%	buildings, land,	20/03/2017	67,880	83,720
Bank 1	CZK	3M PRIBOR+2.65%	receivables, cash	31/12/2020	240,000	277,500
Bank 2	CZK	3M PRIBOR+2.95%		30/09/2024	164,912	178,947
Bank syndicate	CZK	3M PRIBOR+3.10%		02/11/2017	4,425,000	—
Total long-term bank loans					4,917,004	564,660
Other long-term borrowings						
Škofin, a.s.	CZK	6.80%	subject of financing	2017	1,924	—
BXR Real Estate Investments B.V.	EUR	3M EURIBOR+2%	buildings, land, receivables	30/3/2024	126,764	138,575
Total other long-term borrowings					128,688	138,575
Transaction costs accrual					(90,916)	—
Total					4,954,776	703,235
of which current portion					(197,038)	(76,467)
Total long-term loans					**4,757,738**	**626,768**

20. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

The total long-term loans exclude the current portion of long-term loans and the long-term loans which are intended to be repaid earlier—in the period shorter than one year. These are included in short-term loans. All interest-bearing bank loans and borrowings are repriced at least once a year.

	Currency	Effective interest rate	Security/ pledge	Maturity	31/12/2012 CZK'000	31/12/2011 CZK'000
Short-term bank loans						
Bank 1—overdraft	CZK	O/N PRIBOR+1.40%	note of bill, buildings, land, receivables	on demand	74,433	62,374
Bank 3—overdraft	CZK	O/N PRIBOR+1.80%	none	08/02/2013*	—	—
Total short-term bank loans					74,433	62,374
Other short-term borrowings						
RPG RE Management, s.r.o.	CZK	O/N PRIBID-0.25%	none	on demand	34,234	—
RPG RE Commercial, s.r.o.	CZK	O/N PRIBID-0.25%	none	on demand	—	22,158
Dukla Industrial Park, s.r.o. . . .	CZK	O/N PRIBID-0.25%	none	on demand	—	130
RPG RE Assets, s.r.o.	CZK	O/N PRIBID-0.25%	none	on demand	14,223	84,280
RPG Služby, s.r.o.	CZK	O/N PRIBID-0.25%	none	on demand	23,009	8,814
RPG RE Land, s.r.o.	CZK	O/N PRIBID-0.25%	none	on demand	22,133	—
Total other short-term borrowings					93,599	115,382
Total short-term loans and borrowings					**168,032**	**177,756**

* As at the balance sheet date the agreed credit line (CZK 95,000 thousand) is not in use. The contract was terminated on 8 February 2013.

PRIBOR was 0.20% (O/N), 0.33% (1M), 0.50% (3M) and 0.67% (6M) at 31 December 2012. 3M EURIBOR was 0.187% as at 31 December 2012.

21. OTHER LONG-TERM LIABILITIES

	31/12/2012 CZK'000	31/12/2011 CZK'000
Bonds received from investment property tenants	193,429	196,533
Deferred payments	29,345	24,976
Other long-term liabilities	222,774	221,509

Bonds received from tenants are kept by the Company for the period of the lease to cover the risk of the tenants failing to pay their lease liabilities. In accordance with the applicable law the conditions for paying the bonds in commercial units are different from those in residential units and vary also according to the type of the lease.

22. DEFERRED TAX

Deferred tax liability:

	2012 CZK'000	2011 CZK'000
At 1 January	3,727,587	3,416,242
Deferred tax charge for the period	258,119	313,986
Spin off transaction	(41,012)	—
Net gain/(loss) on revaluation of cash flow hedges	(2,887)	(2,641)
At 31 December	3,941,807	3,727,587

Deferred tax liability relates to the following:

	31/12/2012 CZK'000	31/12/2011 CZK'000
Investment property	3,929,719	3,737,454
Allowances, adjustments and provisions	28,760	16,991
Tax losses carried forward	(14,129)	(25,002)
Other	(2,543)	(1,856)
	3,941,807	3,727,587

Tax losses available to be carried forward and offset against future taxable income are as follows as at 31 December 2012:

	Tax loss CZK'000	Year of expiry
Tax losses arising in 2011	74,363	2016
Total available amount of tax losses carried forward	74,363	
Deferred tax asset at the applicable rate of 19%	14,129	

23. ACCOUNTS PAYABLE AND ACCRUALS

	31/12/2012 CZK'000	31/12/2011 CZK'000
Trade accounts and notes payable	101,116	199,408
Wages and salaries payable	11,722	10,787
Social and health contributions payable	6,202	4,936
VAT and other tax payable	2,473	2,273
Advance payments received	1,335	1,388
Other payables	49,701	35,568
Accrued expenses	752,824	684,404
	925,373	938,764

Accrued expenses include mainly uninvoiced supplies of energy, water and sewage services and uninvoiced payables to tenants arising from the recharging of services connected with the lease (energy consumption, water/sewage fees).

24. COMMITMENTS AND CONTINGENCIES

The Company has the following commitments in respect of:

	31/12/2012 CZK'000	31/12/2011 CZK'000
Non-cancellable operating leases		
Instalments due within one year	10,130	11,015
Instalments due between two and five years	18,287	11,731
Instalments due later than five years	—	—
	28,417	22,746
Acquisition of investment property		
From third parties	411,028	665,427

The majority of operating lease contracts are concluded as indefinite term and short notice period. Leased items include commercial units, IT and other equipment. Operating lease expense in 2012 amounted to CZK 12,255 thousand (2011: CZK 16,105 thousand).

A number of the Company's assets have been pledged as a security for drawn bank loans. This relates mainly to investment property, trade receivables and cash. Refer to Notes 10, 15 and 17 for more detailed information.

In 2012 a contract with Advanced World Transport a. s. came into effect. The subject of the contract is the settlement of rights and obligations of the contracting parties in relation to the proper working of the group as a group VAT payer. For the purposes of this contract, the group means as a body of related individuals, i.e. the contracting parties, which is registered for VAT payment as a group payer according to Section 95a of the VAT Act. The group members are jointly and severally liable for the obligations of the group resulting from tax laws (including reimbursement of the tax liability).

25. AUDITOR'S REMUNERATION

Information about the total fees payable to a statutory auditor or an audit firm for the accounting period will be disclosed in the notes to the consolidation financial statements of RPG Property B.V., which include the Company.

26. SUBSEQUENT EVENTS

On 14 March, 2013 the Board of Directors decided to withdraw Mr. Petr Skrla and appoint Mr. Pavel Klimeš to the position of managing director of the Company with effect from 31 March, 2013. It was also decided to establish a Supervisory board.

The management is not aware of any other events that took place after the date of the statement of financial position that could have a material impact on the financial position of the Company.

RPG BYTY, S.R.O.

Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union

for the year ended 31 December 2011

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Independent Auditor's Report to the Member of RPG Byty, s.r.o.

We have audited the accompanying financial statements of RPG Byty, s.r.o., which comprise the statement of financial position as of 31 December 2011, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of RPG Byty, s.r.o. as of 31 December 2011, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ostrava
27 April 2012

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

Blanka Dvořáková
Partner
Licence number 2031

RPG Byty, s.r.o.

STATEMENT OF COMPREHENSIVE INCOME PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 CZK'000	2010 CZK'000
CONTINUING OPERATIONS			
Revenues	4	2,798,738	2,747,195
Consumption of material and energy		(924,650)	(1,000,102)
Services expenses	5	(533,613)	(552,294)
Personnel expenses	6	(118,530)	(123,892)
Property taxes and government fees		(20,465)	(19,051)
Depreciation and amortisation	12,13	(10,373)	(7,126)
Fair value adjustment on investment properties	11	433,305	1,374,381
Bad debt expense		(50,058)	(39,758)
Gain from sale of property, plant and equipment		2,937	2,783
Other operating income	7	38,997	31,769
Other operating expenses	7	22,714	(98,345)
RESULT FROM OPERATING ACTIVITIES		1,639,002	2,315,560
Financial income	8	33,474	9,146
Financial expense	8	(46,731)	(26,563)
PROFIT BEFORE INCOME TAX		1,625,745	2,298,143
Income tax expense	9	(314,229)	(439,949)
NET PROFIT FOR THE PERIOD		1,311,516	1,858,194
Other comprehensive income			
Net movement on cash flow hedges, net of tax		(11,264)	1,080
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		(11,264)	1,080
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		1,300,252	1,859,274
Profit attributable to:			
Equity holders of the Company		1,311,516	1,858,194
Total comprehensive income attributable to:			
Equity holders of the Company		1,300,252	1,859,274

The notes on the pages F-95 to F-128 are an integral part of these financial statements.

RPG Byty, s.r.o.

STATEMENT OF FINANCIAL POSITION PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

AS AT 31 DECEMBER 2011

	Note	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
ASSETS				
Property, plant and equipment	12	5,233	4,228	2,154
Investment property	11	22,612,544	21,027,288	18,713,944
Intangible assets	13	17,607	18,484	14,417
Restricted cash	14	119,875	80,598	58,755
TOTAL NON-CURRENT ASSETS		22,755,259	21,130,598	18,789,270
Accounts receivable and prepayments	16	615,401	493,046	501,747
Fair value of derivatives	17	—	1,333	—
Loans to related parties	15	576,796	354,674	207,243
Cash and cash equivalents	18	32,425	9,465	218,364
TOTAL CURRENT ASSETS		1,224,622	858,518	927,354
TOTAL ASSETS		23,979,881	21,989,116	19,716,624
EQUITY AND LIABILITIES				
EQUITY				
Share capital	19	500,000	500,000	500,000
Cash flow hedge reserve	17	(10,184)	1,080	—
Statutory reserves	19	595	248	248
Retained earnings		17,703,772	16,392,603	14,534,409
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		18,194,183	16,893,931	15,034,657
TOTAL EQUITY		18,194,183	16,893,931	15,034,657
LIABILITIES				
Provisions	20	—	73,782	19,529
Long-term interest-bearing loans and borrowings	21	626,768	287,160	211,143
Deferred tax liability	23	3,727,587	3,416,242	2,976,040
Long-term obligations under finance leases		2,633	808	—
Other long-term liabilities	22	221,509	207,890	170,757
TOTAL NON-CURRENT LIABILITIES		4,578,497	3,985,882	3,377,469
Provisions	20	913	—	110
Accounts payable and accruals	24	938,764	841,028	917,334
Income tax payable	9	—	—	—
Fair value of derivatives	17	12,573	—	—
Current portion of long-term loans	21	76,467	35,155	24,094
Short-term obligation under finance leases		728	181	—
Short-term interest-bearing loans and borrowings	21	177,756	232,939	362,960
TOTAL CURRENT LIABILITIES		1,207,201	1,109,303	1,304,498
TOTAL EQUITY AND LIABILITIES		23,979,881	21,989,116	19,716,624

The notes on the pages F-95 to F-128 are an integral part of these financial statements.

RPG Byty, s.r.o.

CASH FLOW STATEMENT PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 CZK'000	2010 CZK'000
Cash flows from operating activities			
Net profit before taxation from continuing operations		1,625,745	2,298,143
Adjustments for:			
Depreciation	12	2,757	1,309
Amortisation	13	7,616	5,817
Fair value adjustment on investment properties	11	(433,305)	(1,374,381)
Changes in provisions and allowances		(31,691)	88,508
(Profit)/Loss on disposal of property, plant and equipment		(2,936)	(2,783)
Interest (income), net	8	14,549	6,225
Other non-cash items		11,990	—
Operating profit before working capital changes		1,194,725	1,022,838
(Increase)/Decrease in receivables	16	(167,694)	(25,454)
Increase/(Decrease) in payables	24	197,781	(225,528)
(Increase)/Decrease in restricted cash	15	(39,277)	21,843
Cash generated from operating activities		1,185,535	793,699
Corporate income tax (paid)/received	9	(243)	—
Net cash flows from operating activities		1,185,292	793,699
Cash flows from investing activities			
Interest received		11,504	5,473
(Provision)/Repayment of loans receivable	15	(210,250)	(165,696)
Purchase of intangible assets	13	(6,739)	(9,884)
Purchase of investment property, plant and equipment	11,12	(1,257,223)	(860,484)
Proceeds from sale of property, plant and equipment and investments		9,391	5,146
Net cash flows used in investing activities		(1,453,317)	(1,025,445)
Cash flows from financing activities			
Net proceeds from/(Repayments of) loans and borrowings	21	316,357	37,601
Interest paid		(25,372)	(14,754)
Net cash flows from/(used in) financing activities		290,985	22,847
Net (decrease)/increase in cash and cash equivalents		22,960	(208,899)
Cash and Cash Equivalents at the beginning of year		9,465	218,364
Cash and Cash Equivalents at the end of year	18	32,425	9,465

The notes on the pages F-95 to F-128 are an integral part of these financial statements.

RPG Byty, s.r.o.

STATEMENT OF CHANGES IN EQUITY PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

AS AT 31 DECEMBER 2011

	Note	Share capital CZK'000	Cash flow hedge reserve CZK'000	Statutory reserves CZK'000	Retained earnings CZK'000	Total equity CZK'000
1 January 2011		500,000	1,080	248	16,392,603	16,893,931
Net profit for the period		—	—	—	1,311,516	1,311,516
Net movement on cash flow hedges, net of tax	17	—	(11,264)	—	—	(11,264)
Total comprehensive income		—	(11,264)	—	1,311,516	1,300,252
Reserve fund appropriation		—	—	347	(347)	—
31 December 2011		500,000	(10,184)	595	17,703,772	18,194,183

	Note	Share capital CZK'000	Cash flow hedge reserve CZK'000	Statutory reserves CZK'000	Retained earnings CZK'000	Total equity CZK'000
1 January 2010		500,000	—	248	14,534,409	15,034,657
Net profit for the period		—	—	—	1,858,194	1,858,194
Net movement on cash flow hedges, net of tax	17	—	1,080	—	—	1,080
Total comprehensive income		—	1,080	—	1,858,194	1,859,274
31 December 2010		500,000	1,080	248	16,392,603	16,893,931

The notes on the pages F-95 to F-128 are an integral part of these financial statements.

RPG Byty, s.r.o.

NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS AS ADOPTED BY THE EUROPEAN UNION

AS AT 31 DECEMBER 2011

CORPORATE INFORMATION

RPG Byty, s.r.o. (the "Company") is a limited liability company established under the laws of the Czech Republic as a result of the demerger of OKD, a.s., with the decisive date of 1 January 2006. The registered office of the Company is at Gregorova 2582/3, 701 97, Ostrava-Moravská Ostrava, the Czech Republic.

The Company's principal activities comprise the letting of real estate, apartments and non-residential premises.

The parent company of the Company is RPG Property B.V., incorporated in the Netherlands, which holds 100% of the ordinary shares of the Company.

These financial statements were approved by the board of directors and authorised for issue effective on 27 April 2012.

1. GENERAL INFORMATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). For all periods up to and including the year ended 31 December 2010, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Czech GAAP). These are the Company's first financial statements prepared in accordance with IFRSs. IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 3 of these financial statements.

Basis of preparation

The financial statements are presented in Czech Crowns (CZK), which is also a functional currency of the Company, rounded to the nearest thousand.

The financial statements are prepared on the historical cost basis with exceptions of assets and liabilities which are stated at their fair value as noted in the summary of significant accounting policies listed below.

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 11—Investment property,
- Note 12—Plant and equipment,
- Note 13—Intangible assets,
- Note 17—Risk management and financial instruments,

1. GENERAL INFORMATION (Continued)

- Note 23—Deferred tax.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position as at 1 January 2010 for the purposes of the transition to IFRSs. Comparative information has been included for each item of statement of comprehensive income and statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles for preparation of the cash flow statement

Cash flow is presented using the indirect method. Net cash flows from operating activities are reconciled from profit before tax. Interest received is classified as an investing activity as it mainly relates to the investments. Interest paid is classified as a financing activity.

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated to functional currency at the foreign exchange rate ruling at that date.

(c) Derivative financial instruments

The Company uses derivative financial instruments (such as interest rate swaps) to hedge its exposure to interest risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to profit and loss.

The fair value of interest rate swap contracts is the estimated amount that the Company would receive or pay to terminate the contract at the reporting date, taking into accounting interest rates and the current creditworthiness of the swap counterparties.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit and loss.

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecasted sale or expenditure occurs. Where the hedged item is a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecasted transaction or firm commitment is no longer expected to occur, amount previously recognised in the other comprehensive income are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecasted transaction or firm commitments occurs.

(d) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any (see accounting policy j). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, and an appropriate proportion of production overheads.

Where an item of plant and equipment is comprised of major components having different useful lives, they are accounted for as separate items of plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment.

(ii) Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

property or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the policy applicable to that asset. Minimum lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit and loss.

Operating lease payments are recognised as an expense in profit and loss on a straight line basis over the lease term.

(iii) Subsequent expenditure

The Company recognises in the carrying amount the cost of replacing component of an item of plant and equipment at the time the cost is incurred if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Construction-in-progress is not depreciated.

The estimated useful lives are as follows:

- Plant and equipment . . . . 4 - 15 years
- Vehicles . . . . 3 - 8 years
- Other . . . . 4 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

(e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes. Investment property is recognised initially at cost, including transaction costs. After initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually using the discounted cash flow model and external valuations.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental income from investment property is accounted for as described in accounting policy n).

No assets held under finance lease have been classified as investment property.

(f) Intangible assets

(i) Software and other intangible assets

Software and other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy j).

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with defined useful life are amortised from the date they are available for use.

The estimated useful lives are as follows:

• Software	3 years
• Other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit and loss.

(g) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are subsequently carried at their amortised cost using the effective interest method less any allowance for impairment (see accounting policy j).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (with original maturity of three months and less).

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

(i) Restricted cash

Restricted balances of cash, which are shown under non-current financial assets as restricted funds (see Note 14), relate to the bonds paid by the tenants of the Company's apartments and to the funds deposited for investment property repairs in line with tax regulations. The non-current classification is based on the expected timing of the release of the funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

The carrying amounts of the Company' assets, excluding deferred tax assets (see accounting policy p), are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each date of the statement of financial position.

For purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of the assets or groups of assets (the "cash-generating units"). An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss.

(i) Calculation of recoverable amount

The recoverable amount of receivables is calculated as the present value of expected future cash flows, discounted to their present value using the financial asset's original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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 and amortization, if no impairment loss had been recognized.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs with any difference between cost and redemption value being recognised in profit and loss over the period of the borrowings on an effective interest basis. Related gains and losses are recognised in profit and loss at the settlement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event 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 of time value of money is material, provisions are determined by discounting the expected 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.

(m) Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether or not invoiced by the supplier. Trade and other payables are stated at amortized cost.

(n) Revenue

(i) Services rendered

Revenue from services rendered is recognised in profit and loss when the transaction under the service agreement has been completed.

(ii) Rental income

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

(iii) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value reduces the carrying amount of the asset.

(o) Expenses

(i) Operating lease payments

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

(ii) Service costs and property operating expenses

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

(iii) Finance income and finance expenses

Finance income comprise interest receivable on funds invested and foreign exchange gains. Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses and other finance expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest revenue is recognized as interest accrues (using the effective interest method which uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

The interest expense component of finance lease payments is recognised in profit and loss using the effective interest rate method.

(iv) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

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 income taxes levied by the same tax authority.

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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Non-current assets held for sale and discontinued operations

Non-current assets held for sale are assets classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Company's business that either has been disposed of, or meets the criteria to be classified as held for sale, and represents a separate major line of business or geographical area of operations. A disposal group that is to be abandoned may also qualify.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods provided above in the notes and/or further described in Note 17.

3. FIRST-TIME ADOPTION OF IFRS

These financial statements, for the year ended 31 December 2011, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2010, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Czech GAAP). Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2011, together with the comparative period data as at and for the year ended 31 December 2010, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2010, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Czech GAAP statement of financial position as at 1 January 2010 and its previously published Czech GAAP financial statements as at and for the year ended 31 December 2010.

(a) Exemptions

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS. No such exemptions have been applied by the Company.

(b) Estimates

The estimates at 1 January 2010 and at 31 December 2010 are consistent with those made for the same dates in accordance with Czech GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Czech GAAP did not require estimation:

- Investment property—valuation

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2010, the date of transition to IFRS and as at 31 December 2010.

3. FIRST-TIME ADOPTION OF IFRS (Continued)

(c) Reconciliation of Czech GAAP to IFRS

Reconciliation of financial position as at 1 January 2010 (date of transition to IFRS)

	Note	Czech GAAP as at 1 January 2010 CZK'000	Remeasurements CZK'000	IFRS as at 1 January 2010 CZK'000
ASSETS				
Property, plant and equipment		2,154	—	2,154
Investment property	A	4,952,300	13,761,644	18,713,944
Intangible assets		14,417	—	14,417
Restricted cash	H	—	58,755	58,755
TOTAL NON-CURRENT ASSETS		4,968,871	13,820,399	18,789,270
Accounts receivable and prepayments		501,747	—	501,747
Fair value of derivatives		—	—	—
Loans to related parties		207,243	—	207,243
Cash and cash equivalents	H	277,119	(58,755)	218,364
TOTAL CURRENT ASSETS		986,109	(58,755)	927,354
TOTAL ASSETS		5,954,980	13,761,644	19,716,624
EQUITY AND LIABILITIES				
EQUITY				
Share capital		500,000	—	500,000
Cash flow hedge reserve		—	—	—
Statutory reserves		248	—	248
Retained earnings	A,C,F,G	3,387,483	11,146,926	14,534,409
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		3,887,731	11,146,926	15,034,657
TOTAL EQUITY		3,887,731	11,146,926	15,034,657
LIABILITIES				
Provisions		19,529	—	19,529
Long-term interest-bearing loans and borrowings		211,143	—	211,143
Deferred tax liability	C	361,322	2,614,718	2,976,040
Long-term obligations under finance leases		—	—	—
Other long-term liabilities		170,757	—	170,757
TOTAL NON-CURRENT LIABILITIES		762,751	2,614,718	3,377,469
Provisions	D	512	(402)	110
Accounts payable and accruals	D	916,932	402	917,334
Income tax payable		—	—	—
Current portion of long-term loans		24,094	—	24,094
Short-term obligation under finance leases		—	—	—
Short-term interest-bearing loans and borrowings		362,960	—	362,960
TOTAL CURRENT LIABILITIES		1,304,498	—	1,304,498
TOTAL EQUITY AND LIABILITIES		5,954,980	13,761,644	19,716,624

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Reconciliation of financial position as at 31 December 2010

	Note	Czech GAAP as at 31 December 2010 CZK'000	Remeasurements CZK'000	IFRS as at 31 December 2010 CZK'000
ASSETS				
Property, plant and equipment	F	3,286	942	4,228
Investment property	A	5,004,873	16,022,415	21,027,288
Intangible assets		18,484	—	18,484
Restricted cash	H	—	80,598	80,598
TOTAL NON-CURRENT ASSETS		5,026,643	16,103,955	21,130,598
Accounts receivable and prepayments	B	492,296	750	493,046
Fair value of derivatives		1,333	—	1,333
Loans to related parties		354,674	—	354,674
Cash and cash equivalents	H	90,063	(80,598)	9,465
TOTAL CURRENT ASSETS		938,366	(79,848)	858,518
TOTAL ASSETS		5,965,009	16,024,107	21,989,116
EQUITY AND LIABILITIES				
EQUITY				
Share capital		500,000	—	500,000
Cash flow hedge reserve		1,080	—	1,080
Statutory reserves		248	—	248
Retained earnings	A,C,E,F,G	3,394,423	12,998,180	16,392,603
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY		3,895,751	12,998,180	16,893,931
TOTAL EQUITY		3,895,751	12,998,180	16,893,931
LIABILITIES				
Provisions	E	98,789	(25,007)	73,782
Long-term interest-bearing loans and borrowings		287,160	—	287,160
Deferred tax liability	C	367,047	3,049,195	3,416,242
Long-term obligations under finance leases	F	—	808	808
Other long-term liabilities		207,890	—	207,890
TOTAL NON-CURRENT LIABILITIES		960,886	3,024,996	3,985,882
Provisions	D	82	(82)	—
Accounts payable and accruals	B,D	840,196	832	841,028
Income tax payable		—	—	—
Current portion of long-term loans		35,155	—	35,155
Short-term obligation under finance leases	F	—	181	181
Short-term interest-bearing loans and borrowings		232,939	—	232,939
TOTAL CURRENT LIABILITIES		1,108,372	931	1,109,303
TOTAL EQUITY AND LIABILITIES		5,965,009	16,024,107	21,989,116

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Reconciliation of total comprehensive income for the year ended 31 December 2010

	Note	Czech GAAP 2010 CZK'000	Remeasurements CZK'000	IFRS 2010 CZK'000
CONTINUING OPERATIONS				
Revenues	G	2,750,334	(3,139)	2,747,195
Consumption of material and energy	G	(1,003,442)	3,340	(1,000,102)
Service expenses	A,G,F	(1,151,150)	598,856	(552,294)
Personnel expenses	D,G	(132,582)	8,690	(123,892)
Property taxes and government fees		(19,051)	—	(19,051)
Depreciation and amortisation	A,F	(287,028)	279,902	(7,126)
Fair value adjustment on investment properties	A	—	1,374,381	1,374,381
Bad debt expense		(39,758)	—	(39,758)
Gain/(Loss) from sale of property, plant and equipment	A	3,747	(964)	2,783
Other operating income	B	36,353	(4,584)	31,769
Other operating expenses	B,D,E,G	(127,607)	29,262	(98,345)
RESULT FROM OPERATING ACTIVITIES		29,816	2,285,744	2,315,560
Financial income		9,146	—	9,146
Financial expense	F	(26,551)	(12)	(26,563)
PROFIT BEFORE INCOME TAX		12,411	2,285,732	2,298,143
Income tax (expense)/benefit		(5,471)	(434,478)	(439,949)
NET PROFIT/(LOSS) FOR THE PERIOD		6,940	1,851,254	1,858,194
Other comprehensive income				
Net movement on cash flow hedges, net of tax		1,080	—	1,080
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		1,080	—	1,080
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		8,020	1,851,254	1,859,274
Profit attributable to:				
Equity holders of the Company		6,940	1,851,254	1,858,194
Total comprehensive income attributable to:				
Equity holders of the Company		8,020	1,851,254	1,859,274

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Reconciliation of cash flow for the year ended 31 December 2010

	Note	Czech GAAP 2010 CZK'000	Remeasurements CZK'000	IFRS 2010 CZK'000
Cash flows from operating activities				
Net profit before taxation from continuing operations		12,411	2,285,732	2,298,143
Adjustments for:				
Depreciation	A	280,525	(279,216)	1,309
Amortisation		5,817	—	5,817
Fair value adjustment on investment properties	A	—	(1,374,381)	(1,374,381)
Changes in provisions	D,E	113,195	(24,687)	88,508
(Profit)/Loss on disposal of property, plant and equipment	A	(3,747)	964	(2,783)
Interest (income), net		6,225	—	6,225
Operating profit before working capital changes		414,426	608,412	1,022,838
(Increase)/Decrease in receivables		(25,454)	—	(25,454)
Increase/(Decrease) in payables	D	(225,208)	(320)	(225,528)
(Increase)/Decrease in restricted cash		21,843	—	21,843
Cash generated from operating activities		185,607	608,092	793,699
Corporate income tax (paid)/received		—	—	—
Net cash flows from operating activities		185,607	608,092	793,699
Cash flows from investing activities				
Interest received		5,473	—	5,473
(Provision)/Repayment of loans receivable		(165,696)	—	(165,696)
Purchase of intangible assets		(9,884)	—	(9,884)
Purchase of investment property, plant and equipment	A	(252,392)	(608,092)	(860,484)
Proceeds from sale of property, plant and equipment and investments		5,146	—	5,146
Net cash flows used in investing activities		(417,353)	(608,092)	(1,025,445)
Cash flows from financing activities:				
Net proceeds from/(Repayments of) loans and borrowings		37,601	—	37,601
Interest paid		(14,754)	—	(14,754)
Net cash flows from/(used in) financing activities		22,847	—	22,847
Net (decrease)/increase in cash and cash equivalents		(208,899)	—	(208,899)
Cash and Cash Equivalents at the beginning of year		218,364	—	218,364
Cash and Cash Equivalents at the end of year		9,465	—	9,465

3. FIRST-TIME ADOPTION OF IFRS (Continued)

Notes to the reconciliation of financial position as at 1 January 2010 and 31 December 2010, total comprehensive income for the year ended 31 December 2010 and cash flow for the year ended 31 December 2010:

A Investment property

The remeasurements reflected two main differences between Czech GAAP and IFRS—differing subsequent expenditure capitalization rules and differing measurement model after initial recognition.

Under Czech GAAP, the capitalization of subsequent expenditures on investment property (windows replacement, major repairs of roofs, facades, electricity, gas and water distribution etc.) was strictly driven by Czech tax rules. Under IFRS, the subsequent expenditures were capitalized when fulfilled the recognition criteria as stipulated in IAS 40 Investment Property. While some expenditures were recognised as service expenses in the statement of comprehensive income under Czech GAAP, the same expenditures would be capitalized into the value of Investment property, if the recognition criteria of IAS 40 were met.

Under Czech GAAP, the investment property was initially measured at its cost. After initial recognition, items of investment property were carried at its cost less any accumulated depreciation and any accumulated impairment losses. Under IFRS, after initial recognition the investment property was measured at fair value. Any gain or loss arising from a change in the fair value of investment property was recognised in profit and loss for the period in which it arose.

The effects of the investment property remeasurements on earnings as at 1 January 2010 were recognised against retained earnings. The effects of the remeasurements for the year ended 31 December 2010 were recognised in profit and loss for the year.

B Reclassifications

Other taxes between assets and liabilities within the statement of financial position and other operating items between expenses and income within the statement of comprehensive income were reclassified to reflect the differing nature of these items under Czech GAAP and IFRS. Such reclassification did not affect the profit and loss or equity.

C Deferred tax

Various transitional adjustments led to different temporary differences. According to the accounting policies as described in Note 2, the Company had to account for such differences. Deferred tax adjustments were recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

D Provision for unused holiday entitlements

Under Czech GAAP, the provision for unused employee holiday entitlements was recorded. The provision was reclassified to liabilities without impacting profit and loss or equity under IFRS. While under Czech GAAP the creation of provision was recorded in other operating expenses, the expense was reclassified to personnel expenses under IFRS.

E Provisions for repairs

In line with Czech GAAP and Czech tax regulations, the provision for intended repairs of residential buildings was recorded. This amount did not qualify for recognition as a liability according to IAS 37, and was derecognised against other operating expenses.

3. FIRST-TIME ADOPTION OF IFRS (Continued)

F Finance lease

Under Czech GAAP, the items of property, plant and equipment acquired under finance lease contracts were not recognised in the statement of financial position and all relating expenditure paid was recognised when incurred as service expense in the statement of comprehensive income. Under IFRS, such leased asset items were initially recognised as assets (plant and equipment) and liabilities (obligations under finance leases) in the statement of financial position at amounts equal to the fair value of leased items or, if lower, the present value of minimum lease payments. Subsequently, minimum lease payments were apportioned between the finance charge and reduction of outstanding liability. The finance charge was 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. Recognised items of plant and equipment were subject to depreciation charge recognised in profit and loss over the shorter of the asset lease term and its useful life.

G Capitalized internal expenses

Under Czech GAAP, capitalized expenses incurred during internal activities relating to subsequent expenditures on investment property (salaries of responsible employees, consumption of material, services expenses, other operating expenses) were recognised as part of revenue. To reflect the capitalization of these internally incurred expenses under IFRS, the Company decreased relevant expense accounts. Due to the difference in capitalization of subsequent expenditures on investment property between Czech GAAP and IFRS as described under A above also the capitalization rate of relating internally incurred expenses differs.

H Restricted cash

IFRS require to classify the cash restricted on free use by company separately in the statement of financial position (see the accounting policy in note 2 j). Therefore, the reclassifications were made between cash and cash equivalents caption and restricted cash caption without affecting the profit and loss or equity.

4. REVENUES

Revenues comprise:

	2011 CZK'000	2010 CZK'000
Revenues from lease of investment property	1,760,848	1,594,900
Revenues from services rendered	1,036,567	1,150,554
Other revenues	1,323	1,741
	2,798,738	2,747,195

All revenues are realised in the Czech Republic. Revenues from services rendered include mainly revenues from services related to the use of the residential and commercial space by tenants—water and sewage charges, heating cost, energy consumption etc.

5. SERVICE EXPENSES

	2011 CZK'000	2010 CZK'000
Repairs and maintenance of investment property	234,198	264,541
Consultancy	116,357	100,545
Other	183,058	187,208
	533,613	552,294

6. PERSONNEL EXPENSES

	2011 CZK'000	2010 CZK'000
Wages and salaries	87,453	91,024
Social insurance costs	28,825	30,272
Other payroll and social costs	2,252	2,596
	118,530	123,892
Number of employees in the period:	5	5
Managers	221	231
Staff	226	236

The total remuneration and variable short-term benefits received by the management in 2011 were CZK 14,008 thousand (2010: CZK 14,866 thousand), out of which the social and health insurance were CZK 2,845 thousand (2010: CZK 3,312 thousand). No post-employment benefits, other long-term benefits or termination benefits were received by the management.

Management comprises members of the senior management.

7. OTHER OPERATING INCOME AND EXPENSES

Other operating income comprise:

	2011 CZK'000	2010 CZK'000
Contractual penalties and penalty interest income	6,198	3,327
Easement	1,317	97
Government grants	16,354	12,644
Insurance cover	3,071	4,222
Other operating revenues	12,057	11,479
Total other operating income	38,997	31,769

Other operating expenses comprise:

	2011 CZK'000	2010 CZK'000
Contractual penalties and penalty interest expense	307	68
Compensation of employees for injuries, loss on wages, employment related illness etc.	33	7
Donations	—	45
Unclaimed VAT	33,667	34,170
Property write-offs	6,994	3,179
Change in operating provisions	(72,871)	54,144
Insurance	7,864	7,472
Other operating expenses, net	1,292	(740)
Total other operating expenses	(22,714)	98,345

8. FINANCIAL INCOME AND EXPENSE

Financial income comprise:

	2011 CZK'000	2010 CZK'000
Bank interest received	551	318
Other interest received	15,673	8,211
Realized and unrealized foreign exchange gains	17,224	538
Other	26	79
Total financial income	33,474	9,146

Financial expenses comprise:

	2011 CZK'000	2010 CZK'000
Bank interest expense	24,487	13,334
Other interest expense	6,285	1,432
Realized and unrealized foreign exchange losses	11,263	6,233
Bank fees	4,696	5,564
Total financial expenses	46,731	26,563

9. INCOME TAX EXPENSE

The corporate income tax in 2011 and 2010 is calculated using the rate of 19% in accordance with tax regulations applicable in the Czech Republic.

Components of tax expense:

	2011 CZK'000	2010 CZK'000
Statement of comprehensive income:		
Corporate tax charge	243	—
Deferred tax expense/(benefit) relating to the creation and reversal of temporary differences	313,986	439,949
Income tax expense/(benefit)	314,229	439,949

Reconciliation of the statutory and effective tax rates:

	2011 CZK'000	2010 CZK'000
Profit/(Loss) before tax	1,625,745	2,298,143
Tax at the applicable rate	308,892	436,647
Tax effect of expenses that are not tax deductible in determining taxable profit:		
—Non-deductible expense and tax exempt revenue	5,855	2,784
Change in unrecognised deferred tax asset	(518)	518
Tax benefit/(expense)	314,229	439,949
Effective tax rate	19%	19%

9. INCOME TAX EXPENSE (Continued)

The movements in the corporate income tax liability in 2011 and 2010 is as follows:

	2011 CZK'000	2010 CZK'000
Income tax liability at 1 January	—	—
Current and supplementary tax charges	243	—
Tax paid, net	(243)	—
Income tax liability at 31 December	—	—

10. RELATED PARTY DISCLOSURES

During the period the Company had transactions in the normal course of operations with related parties. These represent transactions with the parent company, entities under common control, key management personnel of the Company, and companies of which they are principal owners. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Material balances and transactions with related parties included in the statement of financial position and the statement of comprehensive income are as follows:

Statement of financial position	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Receivables from related parties			
Green Gas DPB, a.s.	—	205	259
OKD, a.s.	22,080	22,749	21,618
Advanced World Transport a.s.	12	1,138	1,406
Rezidence Marina, s r.o.	166	150	—
RPG RE Commercial, s.r.o.	2,261	3,348	7,075
RPG RE Land, s.r.o.	2,883	1,223	1,627
RPG RE Management, s.r.o.	1,071	1,917	2,481
RPG Služby, s.r.o.	2,022	2,303	286
Receivables from related parties in total	30,495	33,033	34,752
Payables to related parties			
OKD, a.s.	125	2,596	160
AWT Rekultivace a.s.	1,747	2,404	—
RPG RE Assets, s.r.o.	287	364	—
RPG RE Commercial, s.r.o.	1,267	1,704	1,654
RPG RE Management, s.r.o.	15,876	22,811	26,449
RPG Služby, s.r.o.	55,729	51,269	103,023
Payables to related parties in total	75,031	81,148	132,286

Receivables from related parties form part of the balance of accounts receivable and prepayments shown in the statement of financial position. Similarly, payables to related parties form part of the balance of accounts payable and accruals.

10. RELATED PARTY DISCLOSURES (Continued)

Short-term loans receivable and payable from/to related parties are presented in Notes 15 and 21.

Statement of comprehensive income	2011 CZK'000	2010 CZK'000
Sales to related parties		
Dukla Industrial Park, s.r.o.	63	551
Jindrich Plaza Development, s.r.o.	103	114
Dalkia Industry CZ, a.s.*	—	3,063
OKD, a.s.	450	1,180
Advanced World Transport a.s.	120	140
AWT Rekultivace a.s.	717	142
Rezidence Marina, s.r.o.	614	352
RPG RE Assets, s.r.o.	2,762	2,513
RPG RE Commercial, s.r.o.	14,636	23,647
RPG RE Land, s.r.o.	14,795	7,759
RPG RE Management, s.r.o.	4,303	2,846
RPG Služby, s.r.o.	8,076	3,202
Sales to related parties in total	46,639	45,509

* The company was related party only until 21 June 2010.

	2011 CZK'000	2010 CZK'000
Purchases from related parties		
BXR Real Estate B.V.	127	227
Dalkia Industry CZ, a.s.*	—	330,929
OKD, a.s.	917	7,010
Advanced World Transport a.s.	120	120
AWT Rekultivace a.s.	4,369	3,949
RPG Garáže, a.s.	582	591
RPG RE Commercial, s.r.o.	15,248	15,157
RPG RE Management, s.r.o.	72,900	73,130
RPG Služby, s.r.o.	528,752	384,910
Purchases from related parties in total	623,015	816,023

* The company was related party only until 21 June 2010.

Key suppliers and customers among the related parties are OKD, a.s., RPG RE Commercial, s.r.o., RPG RE Land, s.r.o., RPG RE Assets, s.r.o., RPG RE Management, s.r.o. and RPG Služby, s.r.o. Purchases from OKD, a.s. include mainly IT services. RPG RE Management, s.r.o. is the key supplier of advisory services for the Company. RPG RE Commercial, s.r.o., RPG RE Land, s.r.o. and RPG RE Assets, s.r.o. are key customers of the Company in the field of asset and property management. Facility management services are provided to the Company by RPG Služby, s.r.o.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2010: CZK nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel is stated in Note 6.

11. INVESTMENT PROPERTY

	2011 CZK'000	2010 CZK'000
At 1 January	21,027,288	18,713,944
Additions	42	461
Capitalized subsequent expenditure	1,165,567	941,017
Disposals	(13,658)	(2,515)
Fair value adjustment	433,305	1,374,381
At 31 December	22,612,544	21,027,288

Investment property in a fair value of CZK 1,709,007 thousand has been pledged as security for various loans and other liabilities.

Valuation of investment property

The fair value of investment property is determined externally and internally using recognised valuation techniques. These techniques comprise mainly the discounted cash flow method. In some cases, the fair values can be determined based on recent real estate transactions with similar characteristics and location to those of the Company assets. In order to increase the reliability of the fair value determination, the fair values of investment property determined internally are also compared to the values determined by independent real estate valuation experts.

The fair value of investment properties under construction is determined using either the discounted cash flow method or the residual method.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Czech real estate market is considered small and transactions with real estate portfolio of the size similar to the Company one are very rare. Global volatility of the financial system was reflected also in residential and commercial real estate markets when already low number of transactions in the sector further decreased after 2008. Therefore, in arriving at the estimates of market values of investment property as at 1 January 2010, 31 December 2010 and 31 December 2011, the reliance placed on comparable historical transactions was limited. Due to the need to use the market knowledge and professional judgement of the valuers in greater extent, there was higher degree of uncertainty than which would exist in a more developed and active markets.

The discounted cash flow method used for valuation of buildings involves the projection of a series of periodic cash flows to an operating property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses and capital expenditures. A series of periodic net operating incomes for 10-year period, along with an estimate of perpetual net operating income after this period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Government-managed deregulation of rent charges in apartments of the Company ended as of 31 December 2010. Already during 2010 the Company prepared the strategy of increase in rent after the deregulation where it individually agreed with its tenants to increase the rent gradually over 4 to 8 years

11. INVESTMENT PROPERTY (Continued)

while making the increase socially acceptable. 76% of the Company's apartments was rented in this post-regulated regime as at 31 December 2011.

The significant assumptions made in relation to valuation of buildings are set out below:

	31/12/2011	31/12/2010	1/1/2010
Long-term vacancy rate	10%	5.6%	5.3%
Revenue growth rate*	2%	2%	3%
Discount rate	7.4%	7.7%	8.5%
Loss on receivables	3%	3%	3%

* Relates only to revenues outside the post-regulated regime.

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

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Increase in vacancy by 1%	(351,598)	(346,326)	(386,303)
Increase in revenue growth rate by 0.1%*	27,305	304,208	453,296
Decrease in discount rate by 0.1%	182,649	164,168	174,032
Decrease of loss on receivables by 1%	453,560	385,286	400,579

* Relates only to revenues outside the post-regulated regime.

Undeveloped land plots are valued using the comparative method where extensive databases of market transaction made with land of similar features in given time and place have been used. Independent experts use their extensive real estate valuation experience, market knowledge and analysis of information from these databases to determine fair value. Features of the land plots reflected in the valuation include mainly type, area, cadaster, function of the plot according to the valid zoning and undermining status.

Investment property of the Company as at 31 December 2011 consists of 321 ha of land and 5,228 buildings with 43,745 residential and 1,819 commercial units located mainly in Moravian-Silesian Region of the Czech Republic.

In 2011, the Company obtained government grants for insulation and reconstruction of investment properties in the value of CZK 40,367 thousand (2010: CZK 22,142 thousand).

12. PROPERTY, PLANT AND EQUIPMENT

The net book value of plant and equipment as of 31 December 2011 includes CZK 2,812 thousand (31 December 2010: CZK 952 thousand, 1 January 2010: nil) in respect of assets acquired through finance leases.

	2011 CZK'000	2010 CZK'000
Cost:		
At 1 January	8,963	5,907
Additions	3,761	3,502
Disposals	(1,045)	(446)
At 31 December	11,679	8,963
Accumulated depreciation and impairment losses:		
At 1 January	4,735	3,753
Depreciation charge for the year	2,757	1,309
Disposals	(1,046)	(327)
At 31 December	6,446	4,735
Net book value at 31 December	5,233	4,228
Net book value at 1 January	4,228	2,154

13. INTANGIBLE ASSETS

	Software CZK'000	Licences CZK'000	Intangibles in progress CZK'000	Total CZK'000
Cost:				
At 1 January 2011	21,955	6,883	146	28,984
Additions	1,849	—	4,890	6,739
Transfers	—	114	(114)	—
At 31 December 2011	23,804	6,997	4,922	35,723
Accumulated amortization:				
At 1 January 2011	7,990	2,510	—	10,500
Amortization charge for the year	6,498	1,118	—	7,616
At 31 December 2011	14,488	3,628	—	18,116
Net book value at 31 December 2011	9,316	3,369	4,922	17,607
Net book value at 1 January 2011	13,965	4,373	146	18,484

13. INTANGIBLE ASSETS (Continued)

	Software CZK'000	Licences CZK'000	Intangibles in progress CZK'000	Total CZK'000
Cost:				
At 1 January 2010	8,670	6,490	3,940	19,100
Additions	9,345	393	146	9,884
Transfers	3,940	—	(3,940)	—
At 31 December 2010	21,955	6,883	146	28,984
Accumulated amortization:				
At 1 January 2010	3,222	1,461	—	4,683
Amortization charge for the year	4,768	1,049	—	5,817
At 31 December 2010	7,990	2,510	—	10,500
Net book value at 31 December 2010	13,965	4,373	146	18,484
Net book value at 1 January 2010	5,448	5,029	3,940	14,417

14. RESTRICTED CASH

As at 31 December 2011, 31 December 2010 and 1 January 2010, the Company had cash of CZK 119,875 thousand, CZK 80,598 thousand and CZK 58,755 thousand, respectively, deposited for investment property repairs in line with tax regulations and in relation to the bonds received from apartment tenants based on rental contracts concluded between 1 April 2006 and 31 October 2011. The cash is restricted in accordance with the Act on reserves while it can be used only for the purposes defined by the Act, and in accordance with the Civil Code while it can be used only to settle the debts of the tenants on the basis of acknowledgement of a debt or enforceable court decision. Timing of use is uncertain. Bank accounts carry variable interest rate that approximate the effective interest rate.

15. LOANS RECEIVABLE—RELATED PARTIES

Short-term loans receivable	Currency	Effective interest rate	Maturity	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
RPG RE Management, s.r.o.	CZK	1M PRIBOR+1.3%	on demand	47,394	21,657	47,007
Dukla Industrial Park, s.r.o.	CZK	1M PRIBOR+1.3%	on demand	—	21,750	15,035
Jindrich Plaza Development, s.r.o.	CZK	1M PRIBOR+1.3%	on demand	41,250	33,379	—
RPG Služby, s.r.o.	CZK	1M PRIBOR+1.3%	on demand	—	15,647	—
RPG Správa bytů, s.r.o.	CZK	4%	31/12/2011	200	100	—
RPG Garáže, a.s.	CZK	1M PRIBOR+1%	31/12/2011	1,500	1,000	800
RPG RE Land, s.r.o.	CZK	1M PRIBOR+1.3%	on demand	143,312	95,745	144,401
BXR Real Estate Investments B.V.	EUR	3M EURIBOR+2%	on demand	129,000	125,300	—
BXR Tower B.V.	EUR	3M EURIBOR+2.95%	on demand	214,140	40,096	—
Total short-term loans receivable				**576,796**	**354,674**	**207,243**

The carrying value of the loan receivable approximates its amortised cost.

All variable loans receivable are repriced at least once a year.

PRIBOR was 0.94% (1M) and 1.17% (3M) at 31 December 2011. 3M EURIBOR was 1.343% at 31 December 2011.

16. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Trade accounts and notes receivable	60,944	72,176	62,955
Other advance payments	83,786	67,993	64,549
VAT and other tax receivables	10,020	11,668	11,315
Other receivables	26,055	2,001	3,368
Prepayments and accrued revenue	434,596	339,208	359,560
	615,401	493,046	501,747

Trade receivables are non-interest bearing and are generally on 30 days' terms.

As at 31 December 2011, the receivables in nominal value of CZK 19,955 thousand (31 December 2010: CZK 14,137 thousand, 1 January 2010: CZK 10,827 thousand) were pledged as security for loans.

Accrued revenue include mainly uninvoiced receivables from tenants arising from the recharging of services related to the rent (energy consumption, heating cost, water and sewage charges etc.).

Trade receivables are stated net of a allowance for impairment. Allowance for impairment of overdue receivables is established according to the following principles:

- more than 360 days overdue—100% of the nominal value of the receivable;
- between 180 and 360 days overdue—50% of the nominal value of the receivable.

For receivables from a single tenant with various overdue periods an allowance is established to all overdue receivables from the relevant tenant based on the receivable the longest overdue.

Movements in the allowance for impairment of trade receivables and other receivables were as follows:

	2011 CZK'000	2010 CZK'000
At the beginning of the period	96,712	62,328
Charge for the year	50,061	39,763
Amounts written off	(8,879)	(5,379)
At the end of the period	137,894	96,712

As of 31 December 2011, 31 December 2010 and 1 January 2010, the analysis of accounts receivable and prepayments that were past due but not impaired is as follows:

	Neither overdue nor impaired CZK'000	Past due but not impaired					Total CZK'000
		<30 days CZK'000	31 - 90 days CZK'000	91 - 180 days CZK'000	181 - 360 days CZK'000	>360 days CZK'000	
31 December 2011	560,442	16,052	603	16,981	21,323	—	615,401
31 December 2010	469,060	12,225	—	11,761	—	—	493,046
1 January 2010	486,997	14,310	440	—	—	—	501,747

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk management and financial instruments

The Company's principal financial instruments comprise trade receivables, cash, bank loans and overdrafts, finance leases, financial derivatives, trade payables and leasing contracts. The main purpose of these financial instruments is to raise finance for the Company's operations.

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The most significant risks that the Company is exposed to are interest payments tied to variable interest rates, liquidity risk and credit risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its internal standards, management procedures and trainings, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

It is, and has been throughout 2011 and 2010 the Company's policy that no speculative trading in derivatives shall be undertaken.

Risks regarding the investment property portfolio

Credit (customer) risk

Credit risk arises from the potential inability of debtors to meet their obligations as they fall due. Credit risks are addressed by top management through efficient operation of the sales, collection, legal and related departments to prevent excessive increase of bad debts. At the date of the statement of financial position there are no significant concentrations of credit risk to any single customer or group of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company limits the risk of rent receivables becoming doubtful by requesting the tenants to pay deposits before moving in, which gives the Company a chance to set off any possible debts from tenants against these deposits if the tenant is unable to settle the debts himself. If the rent is not paid by the tenant, the receivable is collected internally. If unsuccessful, the case is handed over to external attorney in order to establish the legal basis and make the tenant move out of the apartment. The Company's tenants are subject to credit verification procedures before signing the rent contract. Receivable balances are monitored on an ongoing basis in order to significantly decrease the Company's exposure to bad debts. A deterioration of regional economic conditions, including but not limited to an increase in unemployment and a fall in wages and salaries, may decrease the ability or willingness of tenants to pay the rent regularly. The Company maintains the creditor management database, creates the segmented reports and performs tenants ratings to identify the risk factors and apply suitable measures to eliminate corresponding risks immediately.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents and loan receivable, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, which is stated in the table at the end of this Note. There was no impairment of other financial assets than trade receivables recognized as of 31 December 2011, 31 December 2010 and 1 January 2010.

Geographically, the credit exposure lies within the Czech Republic with the exception of the loans provided to BXR Real Estate Investments B.V. and BXR Tower B.V. domiciled in the Netherlands (see Note 15).

Insurance

There is a risk that natural or other factors may damage the properties of the Company, which may lead to financial losses. While the Company is properly insured against risks in connection with the Company operations, there is still an uncovered, and unlikely, risk of force majeure events.

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Capital risk

The Company manages its capital to ensure that the Company is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The entity assesses as part of the stakeholders' capital also loans from the related parties.

The Company is not subject to externally imposed capital requirements with the exception of the obligation to meet the debt covenants as requested by the loan-providing banks.

The capital structure of the Company consists of equity, third-party loans and loans from related parties.

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Loans from related parties	253,957	47,622	91,032
Third-party loans and borrowings	627,034	507,632	507,165
Equity	18,194,183	16,893,931	15,034,657

Operational Risk

Operational risk is defined as the risk of loss arising from inappropriate set-up or functioning of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Company assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimization of these risks.

Market risk

Market risk arises from the possible variations in the value of assets and liabilities due to fluctuations in market prices. Market prices comprise three types of risk: currency risk, interest rates risk and other price risk such as equity risk.

The Company has implemented policies and methods of monitoring these risks. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company tries to mitigate currency risk by linking all activities to the same currency, which is the CZK.

The Company had the following EUR-denominated balances as at 31 December 2011 and 2010:

	31/12/2011 CZK'000	31/12/2010 CZK'000
Cash and bank balances (incl. restricted cash)	1	2
Loans receivable	13,300	6,600
Loans payable	(5,371)	—
Accounts payable	—	−36
Net exposure in the statement of financial position	7,930	6,562

There are no significant assets and liabilities in other currencies. There were no foreign currency denominated balances in the Company companies as at 1 January 2010.

Appreciation (depreciation) of the EUR against CZK by 1% at 31 December 2011 would have increased (decreased) the company's equity and net profit before tax by CZK 2,046 thousand and CZK

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

2,046 thousand, respectively, primarily through the financial income and expense in the statement of comprehensive income.

Appreciation (depreciation) of the EUR against CZK by 1% at 31 December 2010 would have increased (decreased) the company's equity and net profit before tax by CZK 1,645 thousand and CZK 1,645 thousand, respectively, primarily through the financial income and expense in the statement of comprehensive income.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans receivable and debt obligations with variable interest rates. Majority of the related party loans have floating interest rates (refer to Note 15). The primary interest exposure is related to EURIBOR and PRIBOR.

It is the Company policy to negotiate the terms of the derivatives to match the terms of the item at risk to maximize effectiveness of the derivative. The Company applies the hedge accounting for interest rate swaps used to hedge the exposure to interest rate risk in third party loans. See Note 2c) for the detailed application of the hedge accounting policies.

The following derivative financial instruments were entered into by the Company to mitigate the above risks:

	31/12/2011			31/12/2010		
	Fair value		Nominal value	Fair value		Nominal value
	Assets CZK'000	Liabilities CZK'000	CZK'000	Assets CZK'000	Liabilities CZK'000	CZK'000
Interest rate swap contracts	—	12,573	448,948	1,333	—	192,982
	—	12,573	448,948	1,333	—	192,982

There were no derivative financial instruments entered into as of 1 January 2010.

Each interest rate swap contract aims to cover individual interest payments under the covered loan and each of the contracts is settled on the date of the expected interest payment.

Exposure to the interest rate risk is presented by way of sensitivity analysis. This sensitivity analysis shows effects of changes in market interest rates on Company's profit before tax. Interest rates increase (decrease) by 1% p.a. over the whole period from 1 January 2011 to 31 December 2011 would have decreased (increased) the net result before tax by CZK 804 thousand. Interest rates increase (decrease) by 1% p.a. over the whole period from 1 January 2010 to 31 December 2010 would have decreased (increased) the net result before tax by CZK 1,011 thousand.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Contractual maturities for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	31/12/2011		
	Payable in less than year CZK'000	Payable in 1 - 5 years CZK'000	Payable after 5 years CZK'000
Accounts payable and accruals	938,764	—	—
Loans and borrowings	264,671	331,521	336,125
Obligations under finance leases	728	2,633	—
Other long-term liabilities	—	221,509	—
Total	1,204,163	555,663	336,125

	31/12/2010		
	Payable in less than year CZK'000	Payable in 1 - 5 years CZK'000	Payable after 5 years CZK'000
Accounts payable and accruals	841,028	—	—
Loans and borrowings	274,549	156,755	154,655
Obligations under finance leases	181	808	—
Other long-term liabilities	—	207,890	—
Total	1,115,758	365,453	154,655

	1/1/2010		
	Payable in less than year CZK'000	Payable in 1 - 5 years CZK'000	Payable after 5 years CZK'000
Accounts payable and accruals	917,334	—	—
Loans and borrowings	392,431	123,488	108,775
Other long-term liabilities	—	170,757	—
Total	1,309,765	294,245	108,775

Fair value

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to high liquidity of these financial instruments.

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Receivables and payables

The carrying amount of short-term receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Short-term loans

The carrying amount approximates fair value because of the floating interest rate and the short period to maturity of those instruments.

Long-term liabilities

The carrying amount of long-term debt and other payables with variable interest rates approximates their fair values as interest reprises at a minimum each twelve months.

Derivatives

The fair value of interest rate swap contracts is based on mark-to-market valuations and is estimated by discounting the expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

Carrying amounts and the estimated fair values of financial assets and liabilities at 31 December 2011, 31 December 2010 and 1 January 2010 are as follows:

	31/12/2011		31/12/2010		1/1/2010	
	Carrying value CZK'000	Fair value CZK'000	Carrying value CZK'000	Fair value CZK'000	Carrying value CZK'000	Fair value CZK'000
Financial assets						
Derivative financial instruments	—	—	1,333	1,333	—	—
Restricted cash	119,875	119,875	80,598	80,598	58,755	58,755
Loans receivable	576,796	576,796	354,674	354,674	207,243	207,243
Accounts receivable and prepayments	615,401	615,401	493,046	493,046	501,747	501,747
Cash and cash equivalents	32,425	32,425	9,465	9,465	218,364	218,364

	31/12/2011		31/12/2010		1/1/2010	
	Carrying value CZK'000	Fair value CZK'000	Carrying value CZK'000	Fair value CZK'000	Carrying value CZK'000	Fair value CZK'000
Financial liabilities						
Long-term interest-bearing loans and borrowings	626,768	626,768	287,160	287,160	211,143	211,143
Other long-term liabilities	221,509	221,509	207,890	207,890	170,757	170,757
Derivative financial instruments	12,573	12,573	—	—	—	—
Accounts payable and accruals	938,764	938,764	841,028	841,028	917,334	917,334
Obligations under finance leases	3,361	3,361	989	989	—	—
Current portion of long-term loans	76,467	76,467	35,155	35,155	24,094	24,094
Short-term loans	177,756	177,756	232,939	232,939	362,960	362,960

17. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

The following table shows an analysis of the fair values of financial instruments recognised in the statement of financial position by level of the fair value hierarchy:

	31/12/2011			
	Level 1 CZK'000	Level 2 CZK'000	Level 3 CZK'000	Total fair value CZK'000
Derivatives	—	(12,573)	—	(12,573)

	31/12/2010			
	Level 1 CZK'000	Level 2 CZK'000	Level 3 CZK'000	Total fair value CZK'000
Derivatives	—	1,333	—	1,333

There were no financial instruments recognised at fair value in the statement of financial position prepared as at 1 January 2010.

Explanation of the fair value hierarchy:

- Level 1—quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2—use of a model with inputs (other than quoted prices included in Level 1) that are directly or indirectly observable market data.
- Level 3—use of a model with inputs that are not based on observable market data.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following statement of financial position amounts:

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Cash in bank	32,018	9,078	217,885
Cash on hand and cash in transit	407	387	479
Cash and cash equivalents	32,425	9,465	218,364

Cash at the bank earns interest at floating rates based on daily bank deposit rates. Certain accounts are used for cash pooling. All cash is readily available for the use by the Company.

19. SHAREHOLDERS' EQUITY

The authorized capital amounts to CZK 500,000 thousand as at 31 December 2011 (31 December 2010: CZK 500,000 thousand, 1 January 2010: CZK 500,000 thousand).

Statutory reserves are created in accordance with the Czech Commercial Code and cannot be distributed to the shareholders. The use of the reserves is restricted by the Code only to cover the accumulated losses of previous years.

The changes in the fair value of interest rate swaps entered into by the Company incl. related deferred tax effect are accounted via the cash flow hedge reserve that forms part of equity. For more details see Note 17.

20. PROVISIONS

The provision balances are as follows:

	At 1 January 2011 CZK'000	Charged CZK'000	Utilised/ released CZK'000	At 31 December 2011 CZK'000
Other	—	913	—	913
Total short-term provisions	**—**	**913**	**—**	**913**
Other	73,782	—	(73,782)	—
Total long-term provisions	**73,782**	**—**	**(73,782)**	**—**

	At 1 January 2010 CZK'000	Charged CZK'000	Utilised/ released CZK'000	At 31 December 2010 CZK'000
Other	110	—	(110)	—
Total short-term provisions	**110**	**—**	**(110)**	**—**
Other	19,529	54,253	—	73,782
Total long-term provisions	**19,529**	**54,253**	**—**	**73,782**

Other long-term provisions were created in prior years to cover for the charges resulting from concluded service contracts. In 2011, the service contracts have been transferred to related party and provisions created for expected charges have been released.

21. INTEREST-BEARING LOANS AND BORROWINGS

Long-term bank loans	Currency	Effective interest rate	Security/ pledge	Maturity	31/12/2011 CZK'000	31/12/2010 CZK '000	1/1/2010 CZK'000
Bank 1	CZK	6M PRIBOR+1.3%	buildings, land, receivables, cash	20/11/2016	24,493	29,772	35,052
Bank 1	CZK	6M PRIBOR+1.3%		20/03/2017	83,720	99,560	115,400
Bank 1	CZK	3M PRIBOR+2.65%		31/12/2020	277,500	—	—
Bank 2	CZK	3M PRIBOR+2.95%		30/09/2024	178,947	192,983	84,785
Total long-term bank loans					564,660	322,315	235,237
Other long-term borrowings							
BXR Real Estate Investments B.V.	EUR	3M EURIBOR+2%	buildings, land, receivables	30/3/2024	138,575	—	—
Total other long-term borrowings					138,575	—	—
Total					703,235	322,315	235,237
of which current portion					(76,467)	(35,155)	(24,094)
Total long-term loans					**626,768**	**287,160**	**211,143**

21. INTEREST-BEARING LOANS AND BORROWINGS (Continued)

The total long-term loans exclude the current portion of long-term loans and the long-term loans which are intended to be repaid earlier—in the period shorter than one year. These are included in short-term loans. All interest-bearing bank loans and borrowings are repriced at least once a year.

Short-term bank loans	Currency	Effective interest rate	Security/ pledge	Maturity	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Bank 1—overdraft	CZK	O/N PRIBOR+1.05%	note of bill, buildings, land, receivables	31/01/2012	62,374	106,975	207,499
Bank 3—overdraft	CZK	O/N PRIBOR+1.8%	none	on demand	—	78,342	64,429
Total short-term bank loans					62,374	185,317	271,928
Other short-term borrowings							
RPG RE Commercial, s.r.o.	CZK	1M PRIBOR+1.3%	none	on demand	22,158	8,947	26,601
RPG RE Assets, s.r.o.	CZK	1M PRIBOR+1.3%	none	on demand	84,280	38,675	64,431
RPG Služby, s.r.o.	CZK	1M PRIBOR+1.3%	none	on demand	8,814	—	—
Dukla Industrial Park, s.r.o.	CZK	1M PRIBOR+1.3%	none	on demand	130	—	—
Total other short-term borrowings					115,382	47,622	91,032
Total short-term loans and borrowings					**177,756**	**232,939**	**362,960**

PRIBOR was 0.50% (O/N), 0.94% (1M), 1.17% (3M) and 1.45% (6M) at 31 December 2011. 3M EURIBOR was 1.343% as at 31 December 2011.

22. OTHER LONG-TERM LIABILITIES

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Bonds received from investment property tenants	196,533	192,943	170,757
Deferred payments	24,976	14,947	—
Other long-term liabilities	221,509	207,890	170,757

Bonds received from tenants are kept by the Company for the period of the lease to cover the risk of the tenants failing to pay their lease liabilities. In accordance with the applicable law the conditions for paying the bonds in commercial units are different from those in residential units and vary also according to the type of the lease.

23. DEFERRED TAX

Deferred tax liability:

	2011 CZK'000	2010 CZK'000
At 1 January	3,416,242	2,976,040
Deferred tax charge for the period	313,986	439,949
Net gain/(loss) on revaluation of cash flow hedges	(2,641)	253
At 31 December	3,727,587	3,416,242

23. DEFERRED TAX (Continued)

Deferred tax liability relates to the following:

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Fixed assets	3,737,454	3,439,546	3,023,763
Allowances, adjustments and provisions	16,991	(23,723)	(13,362)
Tax losses carried forward	(25,002)	—	(34,339)
Other	(1,856)	419	(22)
	3,727,587	3,416,242	2,976,040

Tax losses available to be carried forward and offset against future taxable income are as follows as at 31 December 2011:

	Tax loss CZK'000	Year of expiry
Tax losses arising in 2008	524	2013
Tax losses arising in 2011	131,066	2016
Total available amount of tax losses carried forward	131,590	
Deferred tax asset at the applicable rate of 19%	25,002	

24. ACCOUNTS PAYABLE AND ACCRUALS

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Trade accounts and notes payable	199,408	264,620	231,227
Wages and salaries payable	10,787	11,621	10,658
Social and health contributions payable	4,936	6,171	4,209
VAT and other tax payable	2,273	2,471	2,457
Advance payments received	1,388	1,686	1,196
Other payables	35,568	47,928	362
Accrued expenses	684,404	506,531	667,225
	938,764	841,028	917,334

Accrued expenses include mainly uninvoiced supplies of energy, water and sewage services and uninvoiced payables to tenants arising from the recharging of services connected with the lease (energy consumption, water/sewage fees).

25. COMMITMENTS AND CONTINGENCIES

The Company has the following commitments in respect of:

	31/12/2011 CZK'000	31/12/2010 CZK'000	1/1/2010 CZK'000
Non-cancellable operating leases			
Instalments due within one year	11,015	8,130	7,856
Instalments due between two and five years	11,731	8,167	9,093
Instalments due later than five years	—	—	—
	22,746	16,297	16,949
Acquisition of investment property			
From third parties	665,427	1,055,910	18,111

25. COMMITMENTS AND CONTINGENCIES (Continued)

The majority of operating lease contracts are concluded as indefinite term and short notice period. Leased items include commercial units, IT and other equipment. Operating lease expense in 2011 amounted to CZK 16,105 thousand (2010: CZK 18,192 thousand).

A number of the Company's assets have been pledged as a security for drawn bank loans. This relates mainly to investment property, trade receivables and cash. Refer to Notes 11, 16 and 18 for more detailed information.

26. AUDITOR'S REMUNERATION

Information about the total fees payable to a statutory auditor or an audit firm for the accounting period will be disclosed in the notes to the consolidation financial statements of RPG Property B. V., which include the Company.

27. SUBSEQUENT EVENTS

In 2012, the Company intends to spin out number of owned land and merge it with RPG RE Land, s. r. o, The management is not aware of any other events that took place after the date of the statement of financial position that could have a material impact on the financial position of the Company.

VALUATION REPORT

RPG Byty Portfolio
Moravia-Silesia Region
Czech Republic

RPG Byty s.r.o.

Valuation Date: 31st December 2013

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Properties

Address: RPG Byty Portfolio
Moravia-Silesia and Central Bohemia regions
Czech Republic

Main Use: Residential

Tenure

We understand the Properties are held Freehold.

Tenancies

The Properties are let to 38,652 individual residential occupiers with further occupation by commercial users.

Fair Value on the Assumption of a Share Transaction

We are of the opinion that the Fair Value of the freehold interest in the RPG Byty Portfolio as at 31st December 2013 is:

CZK 24,628,000,000

(TWENTY-FOUR BILLION, SIX HUNDRED AND TWENTY-EIGHT MILLION CZECH CROWNS).

In accordance with market practice in the Czech Republic our valuation is gross of purchaser's costs.

The Fair Value of each cluster is given in the Schedule of Fair Values in the Valuation Report section.

Fair Value on the Assumption of a Share Transaction – Standing Assets

We are of the opinion that the Fair Value of the freehold interest in the standing assets of the RPG Byty Portfolio as at 31st December 2013 is:

CZK 24,260,000,000

(TWENTY FOUR BILLION, TWO HUNDRED AND SIXTY MILLION CZECH CROWNS).

The Fair Value of each cluster is given in the Schedule of Fair Values in the Valuation Report section.

Fair Value on the Assumption of a Share Transaction – Land

We are of the opinion that the Fair Value of the freehold interest in the land included in the RPG Byty Portfolio as at 31st December 2013 is:

CZK 368,000,000

(THREE HUNDRED AND SIXTY EIGHT MILLION CZECH CROWNS).

The Fair Value of each cluster is given in the Schedule of Fair Values in the Valuation Report section.

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VALUATION REPORT

VALUATION REPORT

CBRE

CBRE s.r.o.

Palladium
Nam. Republiky 1a
Prague 1
Czech Republic

Switchboard +420 224 814 060
Fax + 420 224 814 111

Report Date	23rd April 2014
Addressee	RPG Byty, s.r.o. Gregorova 2582/3 Ostrava – Moravska 701 97 Czech Republic FAO: Mr. Martin Raz and JP Morgan Securities plc 25 Bank Street, Canary Wharf E14 5JP London United Kingdom (referred to as “the Bank”) in their capacity as Representative of the Underwriters
The Properties	RPG Byty Portfolio Moravia-Silesia and Central Bohemia regions Czech Republic
Property Description	The Portfolio consists of 5,039 standing assets and 1,744 land plots. For the purpose of this valuation we have split the standing assets into 57 clusters grouped by location and specification and the land plots into 35 clusters based on the cadastral territory in which they

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are located. Please refer to the Schedule of Fair Values.

Ownership Purpose

Investment

Instruction

To value on the basis of Fair Value the freehold interest in the Property as at the Valuation Date in accordance with your letter of instruction 11th April 2014.

Valuation Date

31st December 2013

Capacity of Valuer

External

Purpose

The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Professional Standards March 2012 ("Red Book"). We understand that our valuation report and the Appendices to it (together the "Valuation Report") is required for inclusion in a Prospectus (the "Prospectus") which is to be published by Domus NV, the sole shareholder of RPG Byty s.r.o., pursuant to an Initial Public Offering on the Euronext Amsterdam ("Amsterdam Stock Exchange"), as a result of which the shares of Domus NV will be admitted to and traded on the Euronext in Amsterdam ("Amsterdam Stock Exchange").

The effective date of valuation is 31st December 2013.

In accordance with the RICS Valuation – Professional Standards March 2012 ("Red Book") we have made certain disclosures in connection with this valuation instruction and our relationship with RPG Byty s.r.o.

Fair Value on the Assumption of a Share Transaction

CZK 24,628,000,000 (TWENTY FOUR BILLION, SIX HUNDRED AND TWENTY EIGHT MILLION CZECH CROWNS) exclusive of VAT.

In accordance with market practice in the Czech Republic our valuation is gross of purchaser's costs.

As agreed, we have valued the property under the following assumption:

that the property will be transferred in a company transaction and as such will not incur real estate transfer tax,

that the subject properties are the company's sole asset,

that the sale of the property within the company

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structure will not trigger any latent capital gains tax liabilities,

that the company being purchased has no extraordinary responsibilities and is free of any other liabilities,

that the company has no employees, and

that no discount to the purchase price is agreed to reflect any latent capital gains tax liability in the event of a future real estate transaction.

We confirm that the "**Fair Value**" reported above, for the purpose of financial reporting under International Financial Reporting Standard 13, is effectively the same as "Market Value."

It is normal practice in the Czech republic to sell investment property through a share transaction.

In the event of an asset transaction, the purchaser would be liable for real estate transfer tax (currently 4%); there could be a latent capital gains tax liability.

Our opinion of Fair Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

ESMA 130(vi)

ESMA 130 (vi) requires an explanation of any differences between the valuation figure reported here and the equivalent figure in the issuer's latest published accounts.

Our valuation figure is in line with the equivalent figure in the issuer's latest published accounts.

Compliance with Valuation Standards

The valuation has been prepared in accordance with The RICS Valuation – Professional Standards (2012) ("the Red Book").

The valuations are compliant with the International Valuation Standards, and are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of the European Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive and the Euronext Amsterdam Stock Exchange requirements.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Special Assumptions

None.

Assumptions

The property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

Market Conditions

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Going forward, we would draw your attention to the fact that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. We would therefore recommend that the situation and the valuations are kept under regular review, and that specific marketing advice is obtained should you wish to effect a disposal.

Verification

We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of the information contained within our report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

Valuer

The Property has been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards (The Red Book).

Independence

The total fees, including the fee for this assignment, earned by CBRE s.r.o. (or other companies forming part of the same group of companies within the Czech Republic) from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total Czech revenues.

Disclosure

To the extent required by the Prospectus Directive and the regulations of the Euronext Amsterdam Stock Exchange, we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Save for any responsibility arising under the Prospectus Directive and the regulations of the Euronext Amsterdam Stock Exchange to any person as and to the

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extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Conflicts of Interest

We confirm that we have had material involvement with the property, and that copies of our conflict of interest checks have been retained within the working papers.

Reliance

Save as set out in "Responsibility" above this report is for the use only of the parties to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

Publication

Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

It is understood that the report will be used as part of a prospectus for an intended IPO of the RPG Byty Portfolio which will be listed on the Amsterdam stock exchange.

As part of this engagement CBRE must review the initial draft and any subsequent drafts which substantially alter the layout and presentation of the findings of the valuation report, and they must review the final draft of the prospectus before the final prospectus is issued. CBRE must provide written confirmation that they have read and give permission for the final prospectus to be issued.

Yours faithfully

Clare Sheils MRICS

Director, Head of Valuation

For and on behalf of

CBRE

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Yours faithfully

Graham MacMillan MRICS

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Head of Valuation CEE

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Project Reference: RPG/ Czech Residential Portfolio/ Dec 2013

SCHEDULE OF FAIR VALUES

Properties Held for Investment (Standing Assets split by Cluster)

Address	Freehold (CZK)
Albrechtice	250,400,000
Bohumin	13,300,000
Cesky Tesin	278,400,000
Doubrava	57,500,000
Frenstat p. Radhostem	39,500,000
Frydek Mistek	1,383,200,000
Frydlant n. Ostravi	12,600,000
Havirov – Bludovice	13,800,000
Havirov – DolniSucha	5,700,000
Havirov – Mesto	5,058,800,000
Havirov – Podlesi	295,400,000
Havirov – Prostr. Sucha	412,400,000
Havirov Sumbark	1,122,500,000
Hlucin	262,100,000
Horni Sucha	227,700,000
Karvina Doly	11,200,000
Karvina – Frystat	12,500,000
Karvina – Hranice	405,600,000

Address	Freehold (CZK)
Karvina – Mizerov	246,400,000
Karvina – Nove Mesto	2,849,000,000
Karvina – Raj	495,800,000
Kladno – Svermov	800,000
Koprivnice	46,800,000
Opava Katerinky	39,300,000
Opava Kylesovice	115,600,000
Opava Mesto	48,000,000
Opava Predmesti	81,700,000
Orlova Lazy	550,000
Orlova Lutyne	626,700,000
Orlova Mesto	61,200,000
Orlova Poruba	368,700,000
Ostrava Bartovice	6,200,000
Ostrava Hermanice	53,800,000
Ostrava Hrabuvka	437,100,000
Ostrava Hrusov	139,300,000
Ostrava Kuncicky	220,700,000
Ostrava Mar.Hory	324,500,000
Ostrava Michalkovice	200,100,000
Ostrava Mor. Ostrava	1,798,000,000
Ostrava Muglinov	93,500,000

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Address	Freehold (CZK)
Ostrava Petrkovice	20,500,000
Ostrava Poruba	4,259,400,000
Ostrava Radvanice	203,500,000
Ostrava Slez. Ostrava	231,500,000
Ostrava Vitkovice	113,800,000
Ostrava Vyskovice	247,800,000
Ostrava Zabreh	526,600,000
Paskov	51,300,000
Petrvald	246,600,000
Pribor	28,200,000
Rychvald	16,500,000
Staric	30,000,000
Stonava	113,200,000
Sviadnov	17,300,000
Senov	20,100,000
Terlicko	8,300,000
Vratimov	14,200,000
TOTAL	24,260,000,000

Properties Held for Development/ Land Bank (Land Plots split by Cadastral Territory)

Address	Freehold (CZK)
Albrechtice	157,770
Doubrava	5,739,045
Frydek Mistek	361,675
Havirov – Bludovice	2,782,475
Havirov – DolniSucha	3,063,000
Havirov – Mesto	8,075
Havirov – Prostr. Sucha	9,119,540
Havirov Sumbark	6,999,750
Hlucin	0
Horni Sucha	50,442,190
Karvina Doly	325,595
Karvina – Raj	817,600
Opava Mesto	6,800
Opava Predmesti	156,900
Orlova Lazy	138,600
Ostrava Bartovice	57,125
Ostrava Hermanice	23,990,575
Ostrava Hrusov	73,343,400
Ostrava Kuncicky	10,703,810
Ostrava Michalkovice	18,716,400
Ostrava Mor. Ostrava	7,017,000
Ostrava Muglinov	23,906,310
Ostrava Petrkovice	103,800
Orlava Poruba	18,749,125
Ostrava Radvanice	15,857,450
Ostrava Slez. Ostrava	33,415,070
Ostrava Vitkovice	20,312,100

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Address	Freehold (CZK)
Ostrava Zabreh	605,375
Petrvald	26,054,100
Rychvald	1,735,225
Staric	1,190,700
Stonava	765,840
Horni Lutyne	162,800
Karvina Mesto	967,575
Olrava	10,479,360
TOTAL	**368,252,155**
ROUNDED TOTAL (nearest CZK 1M)	**368,000,000 CZK**

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SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

We have carried out our work based upon information supplied to us by RPG Byty, s.r.o. which we have assumed to be correct and comprehensive.

The Property

Our report contains a brief summary of the property details on which our valuation has been based.

Inspection

A sample of properties from each cluster has been inspected as part of this valuation. Each sample property has been inspected externally and at least one property in each cluster has been inspected internally.

We inspected the sample properties during the month of January 2014.

The inspections were undertaken by Jakub Stepan.

Areas

We have not measured the Properties but have relied upon the floor areas provided.

The RICS Code of Measuring Practice does not apply to the Czech Republic. Unless advised specifically to the contrary, we have made the Assumption that the floor areas supplied to us have been calculated in accordance with local practice as appropriate. All areas quoted in this Valuation Report are approximate.

Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigation into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

Town Planning

We have not made any Planning enquiries and have assumed that the Properties are constructed in line with the local master plans.

Titles, Tenures and Lettings

Details of title/tenure under which the Properties are held and of lettings to which it they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Introduction

An Assumption is defined in the Red Book Glossary and Appendix 3 to be a "supposition taken to be true" (an "Assumption").

Assumptions are facts, conditions or situations affecting the subject of, or approach to a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

RPG Byty s.r.o. has confirmed and we confirm that our Assumptions are correct as far as RPG Byty s.r.o. and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Fair Value under the Red Book.

Capital Values

Each valuation has been prepared on the basis of "Fair Value" which is defined as:

"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."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standard 13, is effectively the same as "Market Value," which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been

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included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

Taxation, Costs and Realisation Costs

As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

VAT

We have not been advised whether the properties are elected for VAT.

All rents and capital values stated in this report are exclusive of VAT.

Passing Rent

Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rent exclude service charges and VAT and are prior to deduction of any non-recoverable costs. Passing rents exclude turnover rents, mall incomes and other miscellaneous incomes.

Net Annual Rent

Net annual rent is defined for the purposes of this transaction as "the current income or income estimated by the valuer:

(i) ignoring any special receipts or deduction arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

Estimated Net Annual Rental Value

The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects

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the rent we consider would be obtainable on an open market letting as at the date of valuation.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

The Property

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

(a) the Properties are not contaminated and is not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

(c) the Properties possess current energy performance certificates as required under Czech Law.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the properties;

(b) the Properties are free from rot, infestation, structural

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or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Properties; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Properties are not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

3

PROPERTY REPORT

PROPERTY DETAILS – STANDING ASSETS

Location

The Properties are located in the Moravia-Silesia and Central Bohemia regions of the Czech Republic. The majority of the Properties are located in the Moravia-Silesia region.

Description

The Portfolio consists of 5,039 properties located in the regions Moravia-Silesia region and Central Bohemia region in the Czech Republic. We have split this portfolio into 57 clusters depending upon location and specification. Note that the portfolio is located mainly over the Moravia-Silesia Region.

The table below represents where the properties fall in terms of city location, number and floor area of residential units within the cluster in comparison to the other properties in the portfolio.

Breakdown by Cluster

Property Number	Cluster	Number of Residential Units	Residential Floor Area (sq m)	% of Total Portfolio (% of area)
1	Albrechtice	503	35,128	1.16%
2	Bohumin	24	1,490	0.06%
3	Cesky Tesin	520	31,805	1.20%
4	Doubrava	194	12,016	0.45%
5	Frenstat p. Radhostem	71	4,195	0.16%
6	Frydek-Mistek	2,369	142,512	5.47%
7	Frydlant n. Ostravici	24	1,407	0.06%
8	Havirov – Bludovice	18	1,444	0.04%
9	Havirov – Dolni Sucha	6	601	0.01%
10	Havirov – Mesto	7,898	473,465	18.23%
11	Havirov – Podlesi	466	31,520	1.08%
12	Havirov – Prostr. Sucha	973	61,835	2.25%
13	Havirov Sumbark	2,642	149,399	6.10%
14	Hlucin	571	28,647	1.32%
15	Horni Sucha	616	40,380	1.42%
16	Karvina Doly	49	4,381	0.11%
17	Karvina – Frystat	24	1,393	0.06%
18	Karvina – Hranice	749	43,154	1.73%
19	Karvina – Mizerov	420	23,797	0.97%
20	Karvina – Nove Mesto	5,572	310,794	12.86%

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Property Number	Cluster	Number of Residential Units	Residential Floor Area (sq m)	% of Total Portfolio (% of area)
21	Karvina – Raj	831	46,417	1.92%
22	Kladno – Svermov	5	421	0.01%
23	Koprivnice	96	6,640	0.22%
24	Opava Katerinky	62	3,593	0.14%
25	Opava Kylesovice	178	11,948	0.41%
26	Opava Mesto	38	2,751	0.09%
27	Opava Predmesti	149	8,218	0.34%
28	Orlova Lazy	2	161	0.00%
29	Orlova Lutyne	1,131	69,649	2.61%
30	Orlova Mesto	220	14,245	0.51%
31	Orlova Poruba	777	50,845	1.79%
32	Ostrava Bartovice	19	1,229	0.04%
33	Ostrava Hermanice	124	6,765	0.29%
34	Ostrava Hrabuvka	715	44,807	1.65%
35	Ostrava Hrusov	309	18,948	0.71%
36	Ostrava Kuncicky	501	30,018	1.16%
37	Ostrava Mar. Hory	560	33,341	1.29%
38	Ostrava Michalkovice	458	27,237	1.06%
39	Ostrava Mor. Ostrava	2,810	173,789	6.49%
40	Ostrava Muglinov	188	11,427	0.43%
41	Ostrava Petrkovice	36	2,317	0.08%
42	Ostrava Poruba	6,511	392,079	15.03%
43	Ostrava Radvanice	467	28,534	1.08%
44	Ostrava Slez. Ostrava	498	29,312	1.15%
45	Ostrava Vitkovice	196	14,640	0.45%
46	Ostrava Vyskovice	427	24,346	0.99%
47	Ostrava Zabreh	910	49,162	2.10%
48	Paskov	142	7,900	0.33%
49	Petrvald	746	50,928	1.72%
50	Pribor	64	4,456	0.15%
51	Rychvald	37	2,558	0.09%
52	Staric	64	4,477	0.15%
53	Stonava	215	21,323	0.50%
54	Sviadnov	36	2,513	0.08%
55	Senov	45	2,862	0.10%
56	Terlicko	6	639	0.01%

Property Number	Cluster	Number of Residential Units	Residential Floor Area (sq m)	% of Total Portfolio (% of area)
57	Vratimov	32	2,241	0.07%
TOTAL		43,314	2,602,104	100.00%

In addition to the residential income achieved on the buildings there is a further income from Commercial units and other income. This income totals 129,308,627 CZK per annum (following a 1.40% inflation increase for 2014), and includes income from retail, garage, antennas and short term income. The total floor area of the commercial premises is 124,517 sq m.

Below is a breakdown of the main elements of the overall portfolio:

Portfolio Overview

Data Type	Data
Residential GLA Total	2,602,104 sq m
Number of Residential Units	43,314 units
Commercial GLA Total	124,517 sq m
% of Residential Vacancy	10.8%
Residential Current Rent Total	1,933,801,882 CZK per annum
Commercial Current Rent Total	129,308,627 CZK per annum

Accommodation

We have been provided with information on the construction type of the buildings. The construction types are as follows:

B	brick
P	pre-fabricated with pre-carved concrete panels (panelak)
W	timber
O	other

Below is a breakdown of the construction type for each of these categories for each cluster in terms of number of buildings and unit numbers:

Breakdown by Cluster and Accommodation Type

	Cluster	Brick		Panelak		Timber		Other	
		No. Buildings	No. Units	No. Buildings	No. Units	No. Buildings	No. Units	No. Buildings	No. Units
1	Albrechtice	41	199	20	300	2	4	0	0
2	Bohumin	4	24	0	0	0	0	0	0
3	Cesky Tesin	21	216	11	304	0	0	0	0
4	Doubrava	24	53	0	0	73	141	0	0
5	Frenstat p. Radhostem	0	0	4	71	0	0	0	0

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	Cluster	Brick		Panelak		Timber		Other	
		No. Buildings	No. Units	No. Buildings	No. Units	No. Buildings	No. Units	No. Buildings	No. Units
6	Frydek-Mistek	0	0	111	2369	0	0	0	0
7	Frydlant n. Ostravici	0	0	1	24	0	0	0	0
8	Havirov – Bludovice	0	0	0	0	18	18	0	0
9	Havirov – Dolni Sucha	4	6	0	0	0	0	0	0
10	Havirov – Mesto	473	5417	197	2481	0	0	0	0
11	Havirov – Podlesi	0	0	14	466	0	0	0	0
12	Havirov – Prostr. Sucha	120	744	7	144	49	49	6	36
13	Havirov Sumbark	303	2346	12	276	2	2	0	0
14	Hlucin	53	525	2	46	0	0	0	0
15	Horni Sucha	22	100	19	226	151	290	0	0
16	Karvina Doly	6	9	0	0	40	40	0	0
17	Karvina – Frystat	2	24	0	0	0	0	0	0
18	Karvina – Hranice	0	0	34	749	0	0	0	0
19	Karvina – Mizerov	30	228	9	192	0	0	0	0
20	Karvina – Nove Mesto	449	4404	72	1168	0	0	0	0
21	Karvina – Raj	1	1	86	830	0	0	0	0
22	Kladno – Svermov	1	5	0	0	0	0	0	0
23	Koprivnice	0	0	3	96	0	0	0	0
24	Opava Katerinky	0	0	3	62	0	0	0	0
25	Opava Kylesovice	0	0	9	178	0	0	0	0
26	Opava Mesto	4	38	0	0	0	0	0	0
27	Opava Predmesti	5	65	7	84	0	0	0	0
28	Orlova Lazy	2	2	0	0	0	0	0	0
29	Orlova Lutyne	0	0	39	1131	3	3	0	0
30	Orlova Mesto	42	136	0	0	44	84	0	0
31	Orlova Poruba	154	695	0	0	44	82	0	0
32	Ostrava Bartovice	4	19	0	0	0	0	0	0
33	Ostrava Hermanice	2	9	0	0	115	115	0	0
34	Ostrava Hrabuvka	9	48	26	667	0	0	0	0

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	Cluster	Brick		Panelak		Timber		Other	
		No. Buildings	No. Units	No. Buildings	No. Units	No. Buildings	No. Units	No. Buildings	No. Units
35	Ostrava Hrusov	38	154	0	0	127	155	0	0
36	Ostrava Kuncicky	79	501	0	0	0	0	0	0
37	Ostrava Mar. Hory	53	526	3	34	0	0	0	0
38	Ostrava Michalkovice	113	454	0	0	4	4	0	0
39	Ostrava Mor. Ostrava	252	2402	20	408	0	0	0	0
40	Ostrava Muglinov	11	91	0	0	97	97	0	0
41	Ostrava Petrkovice	8	36	0	0	0	0	0	0
42	Ostrava Poruba	372	5,693	34	818	0	0	0	0
43	Ostrava Radvanice	90	401	0	0	60	66	0	0
44	Ostrava Slez. Ostrava	90	417	0	0	81	81	0	0
45	Ostrava Vitkovice	70	189	0	0	7	7	0	0
46	Ostrava Vyskovice	0	0	13	427	0	0	0	0
47	Ostrava Zabreh	46	483	22	427	0	0	0	0
48	Paskov	14	84	11	58	0	0	0	0
49	Petrvald	147	541	15	142	33	63	0	0
50	Pribor	0	0	2	64	0	0	0	0
51	Rychvald	5	10	3	26	1	1	0	0
52	Staric	0	0	0	0	32	64	0	0
53	Stonava	54	211	0	0	1	4	0	0
54	Sviadnov	0	0	0	0	18	36	0	0
55	Senov	5	45	0	0	0	0	0	0
56	Terlicko	1	6	0	0	0	0	0	0
57	Vratimov	0	0	1	32	0	0	0	0
	TOTAL	3,224	27,575	807	14,297	1,002	1,406	6	36

RPG Byty s.r.o. classify their residential property units into four classifications. Properties classified as 'Superior' are the highest quality city centre units and classification 'A' are units located in a prime city centre location or in the close vicinity of city centres. For the purposes of our analysis we have counted these two classifications together as we feel they represent a similar place in the market. Classification 'B' refers to highly rated suburban locations and classification 'C' applies to units located in smaller towns and outer suburbs.

The table below shows a breakdown of the quality type by cluster.

Breakdown by Cluster and Property Classifications

	Cluster	Share of Flats According to Property Classifications					
		A/ S		B		C	
		Sq m	Share	Sq m	Share	Sq m	Share
1	Albrechtice	13,802.37	39.29%	20,877.37	59.46%	438.09	1.25%
2	Bohumin	1,490.34	100.00%	0.00	0.00%	0.00	0.00%
3	Cesky Tesin	13,858.38	43.57%	17,946.79	56.43%	0.00	0.00%
4	Doubrava	0.00	0.00%	0.00	0.00%	12,061.61	100.00%
5	Frenstat p. Radhostem	0.00	0.00%	4,195.15	100.00%	0.00	0.00%
6	Frydek-Mistek	0.00	0.00%	142,511.87	100.00%	0.00	0.00%
7	Frydlant n. Ostravici	0.00	0.00%	1,407.45	100.00%	0.00	0.00%
8	Havirov – Bludovice	0.00	0.00%	0.00	0.00%	1,444.34	100.00%
9	Havirov – Dolni Sucha	0.00	0.00%	0.00	0.00%	601.34	100.00%
10	Havirov – Mesto	339,321.14	71.67%	134,143.44	28.33%	0.00	0.00%
11	Havirov – Podlesi	0.00	0.00%	31,519.54	100.00%	0.00	0.00%
12	Havirov–Prostr. Sucha	7,258.81	11.74%	50,315.36	81.37%	4,261.12	6.89%
13	Havirov Sumbark	101,429.36	67.89%	47,842.30	32.02%	127.40	0.09%
14	Hlucin	28,647.04	100.00%	0.00	0.00%	0.00	0.00%
15	Horni Sucha	1,847.30	4.57%	15,948.65	39.50%	22,585.01	55.93%
16	Karvina Doly	0.00	0.00%	0.00	0.00%	4,381.85	100.00%
17	Karvina – Frystat	1,393.16	100.00%	0.00	0.00%	0.00	0.00%
18	Karvina – Hranice	0.00	0.00%	43,154.38	100.00%	0.00	0.00%
19	Karvina – Mizerov	8,801.46	36.99%	10,942.37	45.98%	4,053.23	17.03%
20	Karvina – Nove Mesto	180,590.77	58.11%	61,044.41	19.64%	69,159.08	22.25%
21	Karvina – Raj	0.00	0.00%	46,244.18	99.63%	173.09	0.37%
22	Kladno – Svermov	0.00	0.00%	0.00	0.00%	421.05	100.00%
23	Koprivnice	0.00	0.00%	6,640.33	100.00%	0.00	0.00%
24	Opava Katerinky	0.00	0.00%	3,592.57	100.00%	0.00	0.00%
25	Opava Kylesovice	0.00	0.00%	11,948.41	100.00%	0.00	0.00%

	Cluster	Share of Flats According to Property Classifications					
		A		B		C	
		Sq m	Share	Sq m	Share	Sq m	Share
26	Opava Mesto	2,750.80	100.00%	0.00	0.00%	0.00	0.00%
27	Opava Predmesti	3,486.56	42.42%	4,731.82	57.58%	0.00	0.00%
28	Orlova Lazy	0.00	0.00%	0.00	0.00%	160.55	100.00%
29	Orlova Lutyne	2,849.06	4.09%	66,233.53	95.10%	565.98	0.81%
30	Orlova Mesto	0.00	0.00%	0.00	0.00%	14,245.16	100.00%
31	Orlova Poruba	8,571.85	16.86%	25,572.42	50.29%	16,700.74	32.85%
32	Ostrava Bartovice	0.00	0.00%	0.00	0.00%	1,229.38	100.00%
33	Ostrava Hermanice	0.00	0.00%	0.00	0.00%	6,764.83	100.00%
34	Ostrava Hrabuvka	2,908.38	6.49%	41,898.75	93.51%	0.00	0.00%
35	Ostrava Hrusov	0.00	0.00%	0.00	0.00%	18,947.78	100.00%
36	Ostrava Kuncicky	0.00	0.00%	0.00	0.00%	30,017.73	100.00%
37	Ostrava Mar. Hory	31,192.02	93.55%	2,149.13	6.45%	0.00	0.00%
38	Ostrava Michalkovice	10,754.57	39.49%	4,063.58	15.92%	12,418.85	45.60%
39	Ostrava Mor. Ostrava	142,766.59	82.15%	30,722.60	17.71%	249.7	0.14%
40	Ostrava Muglinov	0.00	0.00%	0.00	0.00%	11,426.58	100.00%
41	Ostrava Petrkovice	2,317.00	100.00%	0.00	0.00%	0.00	0.00%
42	Ostrava Poruba	332,223.99	84.73%	59,854.59	15.27%	0.00	0.00%
43	Ostrava Radvanice	5,179.12	18.15%	0.00	0.00%	23,355.22	81.85%
44	Ostrava Slez. Ostrava	5,160.25	17.60%	8,673.73	29.59%	15,477.76	52.80%
45	Ostrava Vitkovice	0.00	0.00%	0.00	0.00%	14,639.61	100.00%
46	Ostrava Vyskovice	0.00	0.00%	24,346.42	100.00%	0.00	0.00%
47	Ostrava Zabreh	16,886.19	34.35%	32,275.40	65.65%	0.00	0.00%
48	Paskov	0.00	0.00%	7,900.96	100.00%	0.00	0.00%
49	Petrvald	5,526.19	10.85%	4,755.56	9.34%	40,646.67	79.81%
50	Pribor	0.00	0.00%	4,456.34	100.00%	0.00	0.00%
51	Rychvald	0.00	0.00%	1,383.94	54.10%	1,174.21	45.90%
52	Staric	0.00	0.00%	0.00	0.00%	4,476.95	100.00%
53	Stonava	20,420.69	94.92%	0.00	0.00%	1,082.70	5.08%

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	Cluster	Share of Flats According to Property Classifications					
		A		B		C	
		Sq m	Share	Sq m	Share	Sq m	Share
54	Sviadnov	0.00	0.00%	2,512.71	100.00%	0.00	0.00%
55	Senov	2861.88	100.00%	0.00	0.00%	0.00	0.00%
56	Terlicko	638.90	100.00%	0.00	0.00%	0.00	0.00%
57	Vratimov	2,240.88	100.00%	0.00	0.00%	0.00	0.00%
	Total	1,296,995	49.7%	971,866	37.4%	333,243	12.9%

CBRE

We have taken a general analytical approach in describing the individual clusters. In each case we have considered the predominant specification of the buildings inspected in each cluster and have made the assumption that the buildings within this cluster are similar. Based our inspection we believe this to be a realistic assumption. This is also confirmed when looking at the rental levels achieved in the individual buildings in each cluster.

State of Repair

CBRE have not undertaken a structural survey, nor tested the services. We have not been supplied with a survey report prepared by any other firm. We have undertaken only a limited inspection for valuation purposes.

Environmental Considerations

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings or the potential presence of other environmental risk factors and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value.

We have not carried out investigation into past uses, either of the properties or of any adjacent lands, to establish whether there is any potential for contamination from such uses or sites, or other environmental risk factors and have therefore assumed that none exists.

Town Planning

We have not been provided with all Use and Build permits and have therefore assumed that, where we have not reviewed the permits, the current use is in line with permitting.

We have not reviewed the various zoning and master plans which cover the areas in which the Properties are located. We have assumed the current use is in line with zoning.

We have not made any further enquiries to the planning department and have assumed that the current use of the Properties does not contravene any town planning regulations.

VAT

The Properties are subject to the standard taxation regime of the Czech Republic.

All rents and rates are calculated excluding VAT.

LEGAL CONSIDERATIONS

Tenure

We have been provided with set of cadastral extracts for each cluster and relied upon them for the basis of our comments below.

In general, the cadastral extracts are recent and we understand that the properties (plots and buildings) are held freehold by RPG Byty, s.r.o. with the registered address Gregorova 3/2582, 701 97 Ostrava - Moravská Ostrava. There are several standard easements e.g. right of access by car and entry, right to place infrastructure and utility connections or right to place a structure for third parties.

Where we have not reviewed the cadastral extracts we have assumed the Properties are held freehold and that there are no restrictions which affect the Fair Value.

Tenancies

We have been provided with codes depending upon the level of the rental type. These codes are as follows:

D, E	post-regulated rent
F, R	regulated rent
G, I, N, P, T, V, X, Z	market rent

Below is a breakdown of the percentage of the rents for each of these categories.

Breakdown by Rental Type

Type of rents	No of residential units	% of total portfolio
D, E	25,555	58.99%
F, R	346	0.79%
G, I, N, P, T, V, X, Z	12,751	29.43%
Total	**38,652**	**89.21%**

We have used this as benchmark to see the progress already achieved by RPG Byty.

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PROPERTY DETAILS – LAND PLOTS

Location

The Properties are located in the Moravia-Silesia region of the Czech Republic.

Description

The land parcels in the RPG Byty s.r.o. portfolio comprise undeveloped land including access roads, gardens, green spaces, agricultural land and the site of cleared buildings. Due to the size, layout, zoning and lack of planning permission in place we have assumed the land plots cannot be developed.

The table below represents where the land plots fall in terms of city location and the number of land plots split by use type in each cluster in comparison to the other properties in the portfolio.

Plots and Area Breakdown by Cluster

	Cluster	Agricultural		Built Up		Garden		Greenery		Other	
		No. of Plots	Area sq m	No. of Plots	Area sq m	No. of Plots	Area sq m	No. of Plots	Area sq m	No. of plots	Area sq m
1	Albrechtice	0	0	3	1,262	2	651	0	0	3	127
4	Doubrava	1	228	0	0	171	53,775	1	101	4	1,469
6	Frydek-Mistek	0	0	0	0	0	0	4	454	11	1,713
8	Havirov-Bludovice	0	0	0	0	30	7,941	0	0	2	25
9	Havirov - Dolni Sucha	0	0	0	0	6	6,126	0	0	0	0
10	Havirov - Mesto	0	0	0	0	0	0	0	0	1	323
12	Havirov Prostr. Sucha	0	0	2	91	50	21,237	0	0	8	556
13	Havirov Sumbark	0	0	0	0	41	14,271	1	421	0	0
14	Hlucin	0	0	0	0	1	0	1	0	0	0
15	Horni Sucha	0	0	1	38	64	201,565	0	0	7	528
16	Karvina Doly	0	0	0	0	2	1,132	0	0	2	6,877
21	Karvina - Raj	0	0	0	0	1	1,334	0	0	2	1,004
26	Opava Mesto	0	0	0	0	0	0	0	0	2	68
27	Opava Predmesti	0	0	0	0	0	0	0	0	1	1,569
28	Orlova Lazy	0	0	0	0	1	924	0	0	0	0
32	Ostrava Bartovice	0	0	0	0	0	0	0	0	1	457
33	Ostrava Hermanice	0	0	9	439	121	45,530	0	0	1	60
35	Ostrava Hrusov	3	345	10	700	36	101,405	1	1,655	5	5,468
36	Ostrava Kuncicky	0	0	8	169	40	23,051	13	2,072	1	14

	Cluster	Agricultural		Built Up		Garden		Greenery		Other	
		No. of Plots	Area sq m	No. of Plots	Area sq m	No. of Plots	Area sq m	No. of Plots	Area sq m	No. of plots	Area sq m
38	Ostrava Michalkovice	0	0	2	43	210	35,276	1	155	4	792
39	Ostrava Mor. Ostrava	0	0	1	479	0	0	6	9,357	4	1,597
40	Ostrava Muglinov	0	0	10	279	11	41,484	0	0	0	0
41	Ostrava Petrkovice	0	0	3	1,038	0	0	0	0	0	0
42	Ostrava Poruba	3	1,292	11	1,114	124	54,829	5	8,896	33	9,743
43	Ostrava Radvanice	0	0	7	167	55	26,870	0	0	8	9,837
44	Ostrava Slez. Ostrava	1	394	5	91	111	43,543	5	795	10	10,681
46	Ostrava Vitkovice	1	6,796	20	656	51	34,203	0	0	6	183
47	Ostrava Zabreh	0	0	0	0	2	835	0	0	0	0
49	Petrvald	0	0	10	424	188	91,001	1	1,171	8	5,274
51	Rychvald	4	1,445	2	966	5	3,374	0	0	0	0
52	Staric	0	0	0	0	0	0	0	0	1	15,876
53	Stonava	0	0	4	497	7	5,659	0	0	2	566
*	Horni Lutyne	0	0	0	0	0	0	0	0	6	1,628
*	Karvina Mesto	0	0	0	0	0	0	3	364	67	3,855
*	Orlova	0	0	2	52	48	34,913	0	0	0	0
Total		13	10,500	110	8,505	1,378	850,929	42	25,441	201	80,290

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MARKET COMMENTARY

Czech Economic Overview

	Moody's	S&P	Fitch
Long-term Foreign Currency Credit Rating	A1	AA-	A+

Czech Republic has a stable high credit rating, which is the highest of any country in the CE region. Czech Republic has deserved this favourable rating due to strict fiscal policy application and low level of government debt.

The table below shows recent development and the last updated economic forecast of macroeconomic variables for Czech Republic.

ITEM	2008	2009	2010	2011	2012	2013f	2014f	2015f
GDP Growth (real y/y change, %)	2,9	-4,4	2,3	1,8	-0,9	-1,4	2,2	2,9
Consumption, private (real y/y change, %)	2,7	0,3	0,8	0,5	-2,1	-0,4	0,5	2,0
Unemployment rate (end of period, %)	4,1	6,2	7,0	6,7	6,8	7,7	7,7	7,3
Inflation rate (CPI y/y change, end of period, %)	6,3	1,0	1,5	1,9	3,3	1,4	1,7	1,9
Average wages (nominal y/y change, %)	7,5	-2,1	0,8	2,2	1,8	-0,3	3,0	5,3
Interest rate, short term (3 month, %)	4,0	2,2	1,3	1,2	1,0	0,5	0,5	0,8
EUR/CZK Exchange rate (end of period)	25,0	26,5	25,3	24,6	25,1	26,0	27,0	26,3

Source: Oxford Economics, January 2014

Q3 2013 GDP has been recently reviewed from the previous announced drop of 0.5% to growth of 0.2% q-o-q. It was the second growth in a row after 0.3% q-o-q growth in Q2. In a y-o-y comparison the decline continued with GDP decreasing by 1.2% y-o-y. The GDP prediction for 2013 was reviewed downwards to -1.4%. Czech GDP is forecast to increase again in 2014 by 2.2% and 2.9% in 2015. GDP in the Eurozone as a whole is forecast to decrease by 0.5% in 2013 and to increase by 0.9% in 2014 and by 1.4% in 2015.

The Czech Republic has the lowest unemployment rate within the Central European countries and has remained the economy with the lowest levels of unemployment within the EU-27 countries even though we witnessed a slight increase. Despite weak activity in the industrial sector, the unemployment rate experienced only a small increase and ended up at the level of 6.8% in 2012. We expect the unemployment rate to continue to increase in the upcoming months and reach 7.7% in 2013 and in 2014 too, before the expected drop in 2015 to 7.3%.

The national debt of the Czech Republic increased during one year from 45.8% of GDP to 46.8%. In a two-year horizon the debt grew by 6.0%. However, the CR's debt level of 46.8% of GDP is still among the lowest of the EU's 27 members. The Eurozone average exceeded 90% at the end of 2012. The 2013 budget deficit was the lowest from 2009.

According to the CNB, inward Foreign Direct Investment (FDI) in 2012 was almost 5 times that recorded in 2011. FDI totalled EUR 8.3 billion in 2012 and this was the third highest since 1993. Almost EUR 84 billion in FDI has been recorded since 1993. The Czech Republic consistently attracts the highest rate of FDI per capita in the CE region. Germany, the United States, Austria, Japan and the United Kingdom are the most important investors in the country in the long-term. The most frequented sectors were Financial intermediation, Transport & Storage and communications, Trade & Hotels and restaurants and Machinery and equipment in 2012.

According to the Czech Statistical Office, the consumer price index (CPI) growth for the year 2012 was 3.3%; however, it is expected to decrease to 1.4% in 2013. In November 2013 the inflation rate stood at 1.5%. The total consumer price level decreased by 0.3% in Q3 2013 compared to the previous quarter. Last q-o-q decrease occurred in Q4 2010. A decrease was recorded in the communication sector due to mobile operator discounts, in clothing and footwear sectors due to summer sales and in food and non-alcoholic beverages sector due to seasonal prices of fruits and vegetables. The growth came from a rise in recreation and culture sector. Due to the threat of deflation the Czech National Bank weakened the Czech crown in November 2013.

The Czech National Bank (CNB) holds its interest rates steadily at a low level. CNB lowered them to the record low 0.05%. The two-week repo rate was cut by 0.2 p.p. to 0.05% at the beginning of November 2012 in order to stabilize the Czech economy. No change was made with national bank interest rates during 2013 and no changes are predicted for the future until the Czech economic performance improves.

EUR/CZK exchange rate is currently hovering around 27.50 CZK/EUR. The National Bank drop its currency lower with an aggressive foreign-exchange intervention strategy on 7th November 2013. This was first central bank intervention after 11 years. The Central bank did this step to avoid deflation and encourage the economy by supporting the country's exports. CNB aims to target an exchange rate of around 27.00 CZK/EUR in the long term.

Moravia-Silesia Region Overview

Demographics

The region is divided into 6 districts: Bruntal, Frydek-Mistek, Karvina, Novy Jicin, Opava and Ostrava-mesto, which are subdivided into 22 municipalities and 299 towns (obec). The region as a whole is relatively densely populated, with 226 inhabitants per sq km, significantly exceeding the Czech Republic average of 133 inhabitants per sq km. The majority of local population lives in cities above 20 thousand inhabitants, which is unique in the Czech Republic. There is a great variation in population density, which divides the region into two main areas:

- The very densely populated Ostrava-Karvina agglomeration, with densities varying between 800-1,500 inhabitants per sq km;
- The mainly agricultural and mountainous areas in the west and south-east in Bruntal, Opava, Novy Jicin and Frydek-Mistek districts, with densities in the range of 60 to 180 inhabitants per sq km.

The total population of the region currently stands at 1,223,112 inhabitants after slowly decreasing since the early nineties. We expect the total number of inhabitants to continuously decrease in the upcoming years following the historical trend. Although, the Moravia-Silesia region lost 2.8% of its population during the past ten years, it has the highest level of people who live in the same town as they were born which indicates that people born in Moravia-Silesia region have a low willingness to move outside the region. The local population´s desire to stay within the region may be explained by the relative attractiveness of new job opportunities, the lifestyle of a regional hub coupled with a wide range of leisure activities. The Ostrava agglomeration is surrounded by two mountains and natural parks (Beskydy on the south and Jeseniky on the west).

The long-term forecast of the population development by the Czech Statistical Office predicts a slow decline of the Czech population. On the other hand, the Czech Statistical Office expects steady growth by 0.40% per year of the total number of households until 2030. It is expected that the total number of Czech households will not be affected by negative demographic trend and will remain stable for the next 20 years. Based on the demographic forecasts by the Czech Statistical Office, the total number of households will also increase by approximately 6.1% in the Moravia-Silesia region until 2030 (excluding migration).

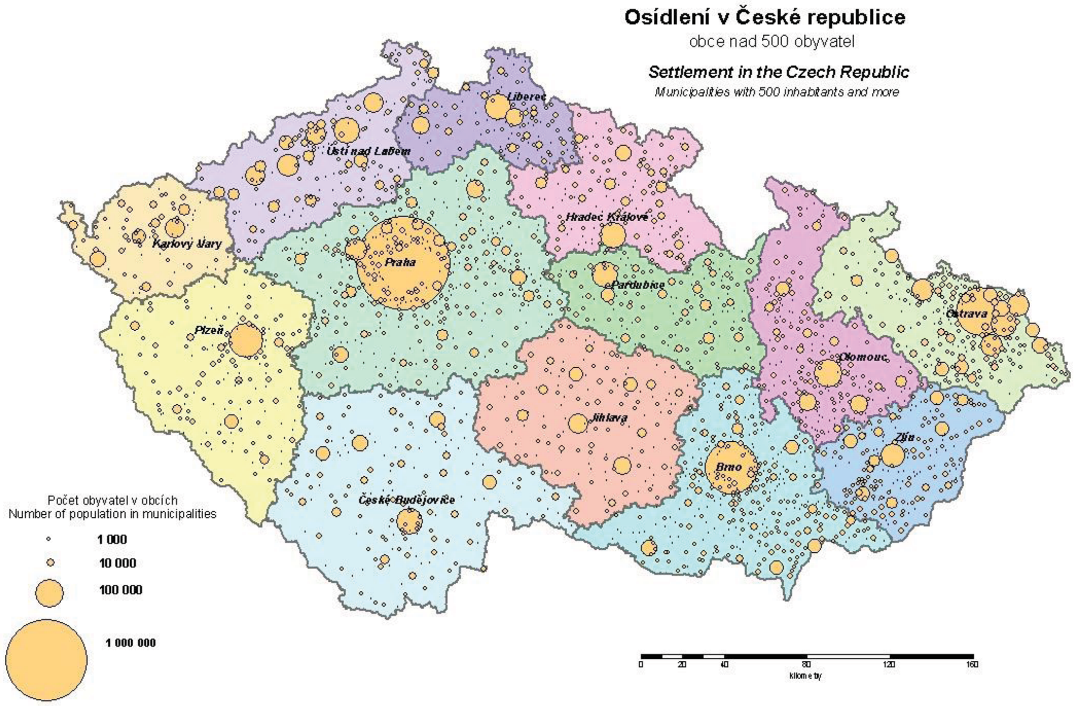
The average age of local citizens is 41.2 years, compared to the Czech average of 41.1 years. Moravia-Silesia has 14.5% of its population under the age of 15 years old, 69.7% of its population is in the productive age of 15 to 64 and 15.8% is older than 65 years. Birth rates were decreasing during the nineties before a light increase and then stabilising in recent years.

Around 19% of the region´s population has gained only elementary education, 38.4% has gained secondary education without obtaining a GCE, 30.6% has obtained a secondary education finishing with a GCE and just above 12% are university educated.

Characteristics of the Agglomeration

Ostrava is the second largest urban agglomeration in the Czech Republic after the capital Prague. Although the city of Brno has a larger population than Ostrava, its urban area does not extend outside the municipal boundaries as in Ostrava. This is illustrated on the map below.

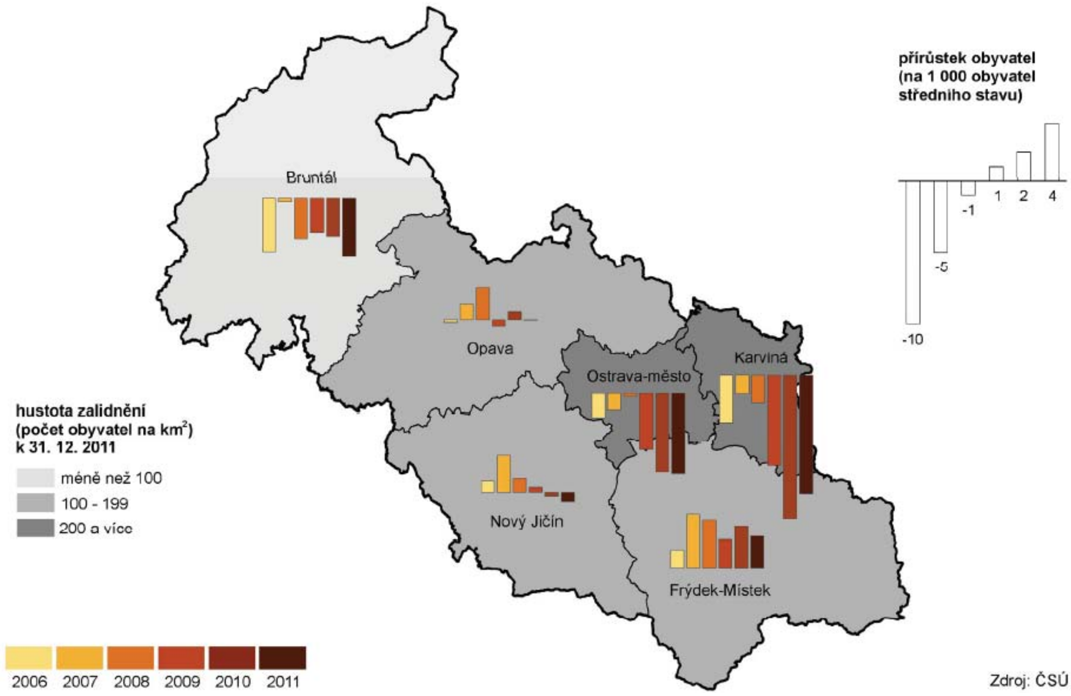
Urban Settlement Pattern in the Czech Republic



The Ostrava agglomeration, including districts of Ostrava mesto, Karvina, Frydek-Mistek and Novy Jicin, harbours almost 970,000 inhabitants. The district of Ostrava-mesto has a total population of 328,323 inhabitants, Novy Jicin 151,960, Karvina 260,919 and Frydek-Mistek 212,448 inhabitants.

Frydek-Mistek has seen the most significant population increase between 2005 and 2010, as indicated on the map below. On the contrary, the Karvina district has seen the largest drop of total population per 1,000 inhabitants in the given period. There are two main demographic reasons for such development: negative natural increases in population (similar to the Pilsen region, Karlovy Vary region, Ústí nad Labem region, Pardubice region, Olomouc region and Zlín region), and an insufficient amount of new immigrants to the Moravia-Silesia region. People who move to the Moravia-Silesia region tend to come from Zlin and the northern part of Olomouc.

Population change in the districts of Moravia-Silesia between 2006 and 2011



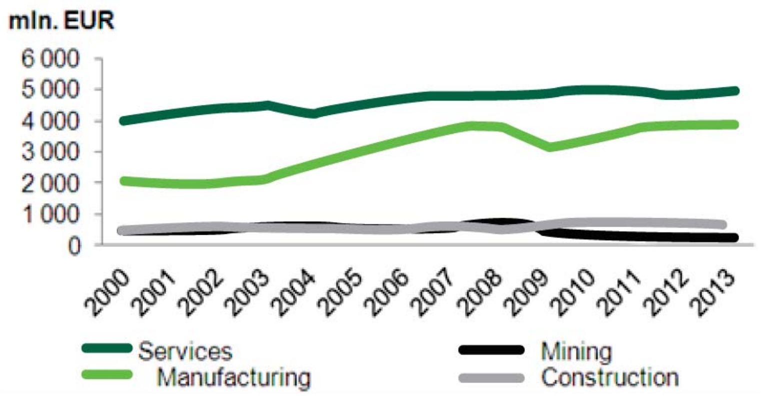
Economy

Since the early 19th century, the region's economic structure has been dominated by heavy industry such as coal mining, metallurgy and heavy engineering. Thanks to its rich natural deposits of black coal and other minerals such as granite and slate, as well as natural gas resources, the region became one of Central Europe's most industrialised areas, further to intensify between 1950-1980.

Following the collapse of the Communist regime in the Czech Republic in 1989, the Ostrava agglomeration has been hit by a political and economic transformation. As the country's traditional industrial heartland, dominated by large companies in mining and heavy industry, exposure to international markets has caused many of these companies to suffer great losses in terms of turnover and employees.

Until 2003, the percentage of mining and manufacturing in total gross value added (GVA) declined and unemployment grew. However, since then the industry restructuring has started attracting domestic and international investments and creating jobs in new industrial sectors and services. On one hand, new owners of the traditional employers' (for example New World Resources for the mining industry, Arcelor Mittal and Evraz for the steel industry) heavily invested into new technologies and thus stabilized the employment situation and offered new longer term prospects for the legacy industries. On the other hand, the region has attracted numerous investments in new sectors (for example Hyundai in automotive, GE Money Bank in financial services, TietoEnator in IT, Briggs & Stratton in precise manufacturing) which explains the job creation seen in the last ten years. The unemployment rate in Ostrava decreased from a peak of 18.0% in 2003 to 10.5% in the end of 2013 with a low point of 8.4% in 2008. Coupled with this, the structure of the labour market is now much more diversified and skewed towards higher value added positions than it was in 2000.

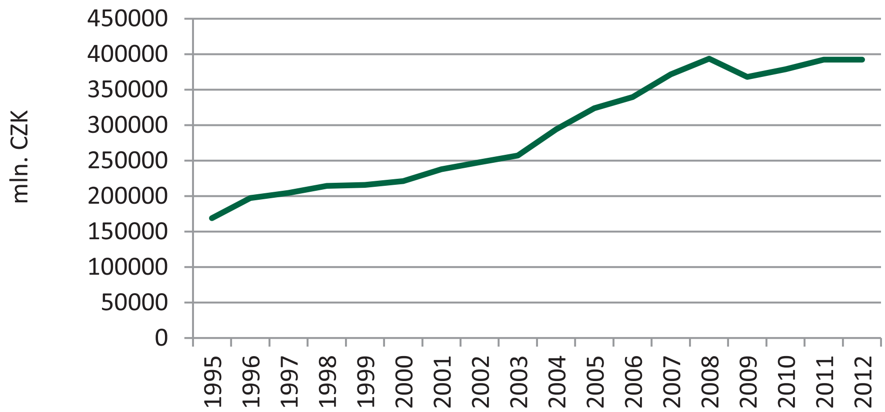
GVA per sector in Moravia-Silesia including forecasts



Source: Oxford Economics

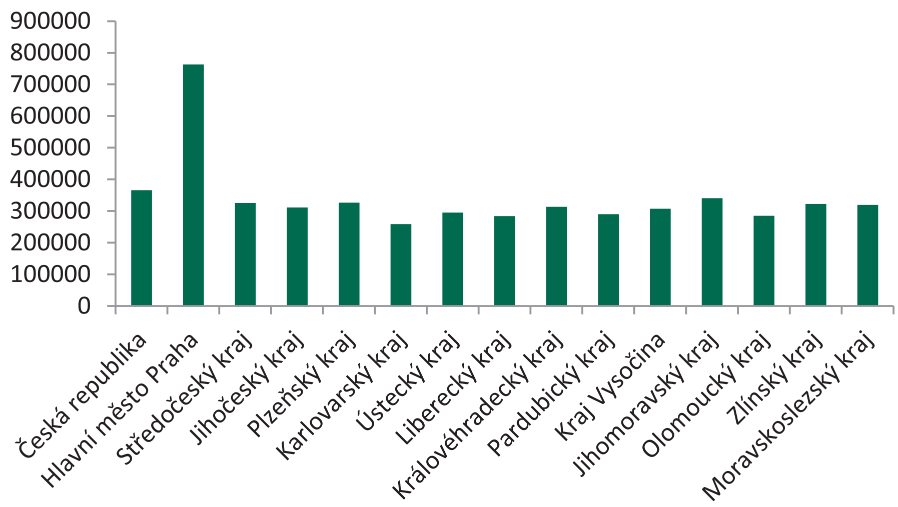
The Ostrava agglomeration has seen significant inflows of foreign direct investment (FDI) in the manufacturing sector and particularly the automotive sector, since Hyundai decided to start operations in Nosovice, just south of Frydek-Mistek. The city of Ostrava has been ranked 3rd among CEE cities in the FDI Strategy rankings (based on the ability to attract investors), despite the downturn in real estate development, the city remains attractive for foreign investors.

GDP in Moravia-Silesia



Source: CSO

GDP decreased by 0.7% in 2012 after an increase of 3.4% recorded in 2011. On a per capita basis, GDP achieved 319,314 CZK as per data from 2012, compared to 365,955 CZK in the Czech Republic. It is the sixth highest regional level, 87.3% of the Czech average.



Source: CSO

Net disposable income in the Moravia-Silesia region was 127,195 CZK per capita in 2012. The highest disposable income is achievable in Prague (195,769 CZK) and in Central Bohemia (158,657 CZK).

The average gross monthly wage in the Moravia-Silesia region reached 22,671 CZK as at Q1-Q3 2013, according to the statistics of the Czech Statistical Office, this is the fifth highest average salary in the Czech Republic, with Prague, Central Bohemia, South Moravia and Pilsen exceeding the level achieved in the Moravia-Silesia region.

Average monthly wages in the business sector - comparison

	Average Monthly Gross Salary (in CZK)								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Ostrava	20,382	20,276	21,455	22,717	21,421	23,735	24,134	-	-
Moravian-Silesian Region	17,481	18,502	19,826	21,166	21,756	22,316	22,907	22,919	22,671*
Prague	24,364	26,064	27,722	30,234	31,265	31,066	31,109	31,214	32,362*
Czech Republic	18,344	19,546	20,957	22,592	23,344	23,797	24,319	24,262	24,836**

Source: Ostrava municipality, CSO

** Q1-Q3 2013, ** Q3 2013*

Average exchange rates: CZK/EUR: 31.9 (2004), 29.8 (2005), 28.3 (2006), 27.8 (2007), 25.0 (2008), 26.5 (2009), 25.3 (2010), 24.6 (2011), 25.1 (2012), 26.0 (2013)

Ostrava figures have not been published since 2011.

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Population based consumer spending reached 6,239 million EUR according to Oxford Economics in the Moravia-Silesia region in 2013. It has represented the lowest amount since 2008. The population based consumer spending is predicted to increase slightly in 2014 (to 6,252 million EUR) and since then increase should further continue.

As per data by Oxford Economics, the total number of employees in the Moravia-Silesia region reached 532,000 in 2013. Approximately 30% of the total volume is employed in the manufacturing sector.

In its peak year (1996) the total number of employed persons was almost 602,000; after a period of continuous decline it started to grow in 2004, but failed to reach the former levels achieved in 1996. Since the outbreak of the crisis in 2008 it declined again to the current level. The highest unemployment rate is currently in the Bruntal district ca. 14.3%, followed by Karvina 12.5%. Frydek-Mistek had the lowest unemployment rate at the end of December 2013 at 7.6%, the unemployment rate in Ostrava city reached 11.6%.

Unemployment statistics as of 3nd February 2014

District	Job Seekers	Unemployment Rate	Vacancies
Bruntál	9,741	14.3%	146
Frýdek-Místek	11,345	7.6%	501
Karviná	22,811	12.5%	282
Nový Jičín	8,672	8.1%	415
Opava	11,214	9.0%	307
Ostrava-mesto	26,193	11.6%	629

Source: MPSV

Oxford Economics predicts that the unemployment rate will start to decrease slowly from 2014 onwards. Some current employers have announced new investments and the region is also expected to benefit from its natural advantages (geography, local sources of energy) and the new momentum created by the municipalities and investors in the last ten years.

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Residential Market Overview

Legal Overview: Rental Deregulation, State Subsidies & VAT

From the early 1990s the process of privatisation of municipal (state owned) flats was launched. This process was also inherently connected with rental regulation of a large amount of flats (formerly under municipal ownership).

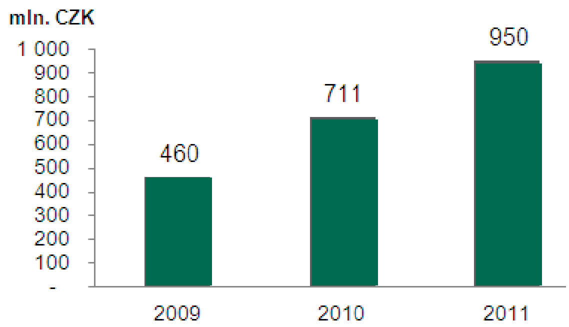
The rental regulation strictly fixed rental levels only for current tenants and consequently it distorted the residential market in the Czech Republic. The estimation of the total number of dwellings under rental regulation was approximately 1,500,000 units. The rental regulation also affected property restitution dwellings (circa 400,000 units). There were a few waves of privatisation where the new owners could buy, for example, an apartment building with two groups of dwellings. On the one hand, the first group of dwellings had rental regulation forced by local authority and on the other hand, the rest of the dwellings could be rented at a market rent. Therefore, such market deformation was criticized by the Czech Organization of Property Owners, European Court for Human Rights and The Constitutional Court of the Czech Republic allowed a future step by step deregulation described in the Law 107/2006.

The rental deregulation for the vast majority of municipalities in the Czech Republic ended as at 31st December 2010 and for the entire country as at 31st December 2012. Hand in hand with rental deregulation and property privatisation there are two main drivers of the residential market; housing subsidies for individuals and a change of VAT rates.

Housing subsidy is one of the most important instruments for improving the economic situation of the low-income social groups. This support is primarily focused on the low-income tenants to cover part of their cost of living related to the housing expenses.
Due to the economic and demographic profile of the Moravia-Silesian Region and current regional economic condition associated with the rental deregulation process, there was a significant increase in the total amount spent on housing subsidies. It increased by 55% y-o-y in 2010. The sum reached more than 711 million CZK at the end of 2010. This increase continued in 2011 and the total amount of housing subsidies spent in Moravia-Silesian Region reached 950 million (34% y-o-y increase). It is expected that the total amount spent on housing subsidies will exceed 1000 million CZK in 2012, as state authorities announced increased support of this subsidy from January 2012. As at the valuation date these figures were not confirmed.

CBRE

Total amount of housing subsidies 2009 – 2011

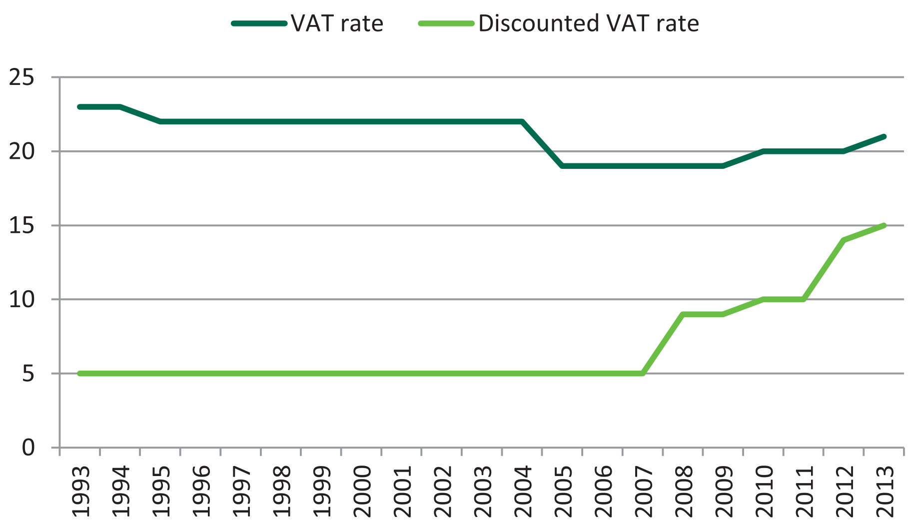


Source: MPSV

An ongoing change of VAT rates in the Czech Republic is the second important factor affecting the residential market. As of 1st January 2013, VAT was increased by 1 p.p. to 21%/ 15%.

It is an imposed tax with a reduced rate (in 2012 – 14%, in 2013 – 15%) on newly built apartments, houses or other residential property with a valid occupation permit. If the newly built flat remain unoccupied after 3 years from its construction, than there is no VAT on such property. Building materials for the construction of new properties or reconstruction of older ones will be at reduced tax rate as well. The willingness to buy a new dwelling or finish reconstruction of an older apartment is largely affected by any change in VAT rates as it represents an increase in expenditures.

VAT rates in Czech Republic 1993 – 2013



Source: Ministry of Finance of the Czech Republic

Existing Stock and New Supply

According to the data from the latest census in 2011, there were 195,670 apartment buildings registered in Moravia-Silesia. Out of that 175,601 were occupied as at the Census date. Out of the permanently occupied houses 85% were family houses and 11% apartment houses.

In total, 480,158 dwellings were occupied in the Moravia-Silesia region. Out of the occupied dwellings, the largest share had privately owned dwellings (43%) and rental dwellings (27%).

A large portion of the apartment stock was built between 1950 and 1970s under a state-controlled construction program, targeted to provide an efficient accommodation for inhabitants in panel house type buildings. The construction activity accelerated after the 1990s. Until the census in 2001 ca. 8,500 houses were added to the stock, but a real construction boom started in the second half of the last decade; between 2001 and 2011 ca. 13,500 houses were added to the stock.

There were 34,428 houses registered in Ostrava-mesto, out of which 6.5% were not occupied. The district of Frydek-Mistek had the highest housing stock, followed by Ostrava-mesto. As for apartments, there were 150,042 flats as at 2011 out of which 7.4% were not occupied. The number of unoccupied dwellings was relatively low when compared to the Czech average of 14.6% this indicates a tightness of the residential market.

Housing stock in the Ostrava Agglomeration (2011)

District	Total Houses	Permanently Occupied	% Unoccupied
Ostrava Agglomeration	138,828	126,281	9.0%
Frydek-Mistek	43,308	38,361	11.4%
Karvina	30,878	28,891	6.4%
Novy Jicin	30,214	26,816	11.2%
Ostrava-mesto	34,428	32,213	6.5%

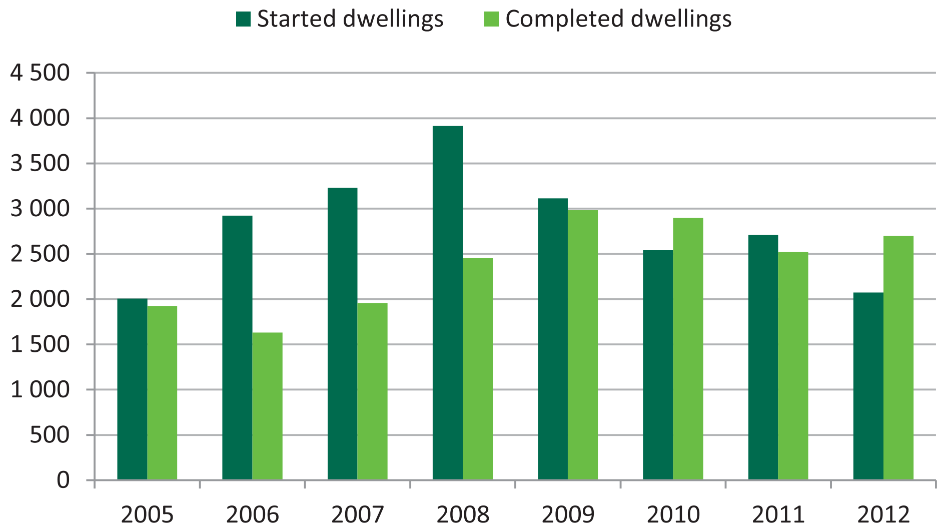
Source: CSO

Dwelling stock in the Ostrava Agglomeration (2011)

District	Total Houses	Permanently Occupied	% Unoccupied
Ostrava Agglomeration	396,812	369,903	6.8%
Frydek-Mistek	88,297	79,383	10.1%
Karvina	109,848	105,167	4.3%
Novy Jicin	62,755	56,965	9.2%
Ostrava-mesto	135,912	128,388	5.5%

Source: CSO

In 2012, 2,074 dwellings commenced construction in Moravia-Silesia region, this represents a decrease of almost 25% compared to the same period in 2011. The completion of 2,701 dwellings represented an annual increase of ca. 7%. A vast majority of dwellings under construction are single family houses or apartments for sale.

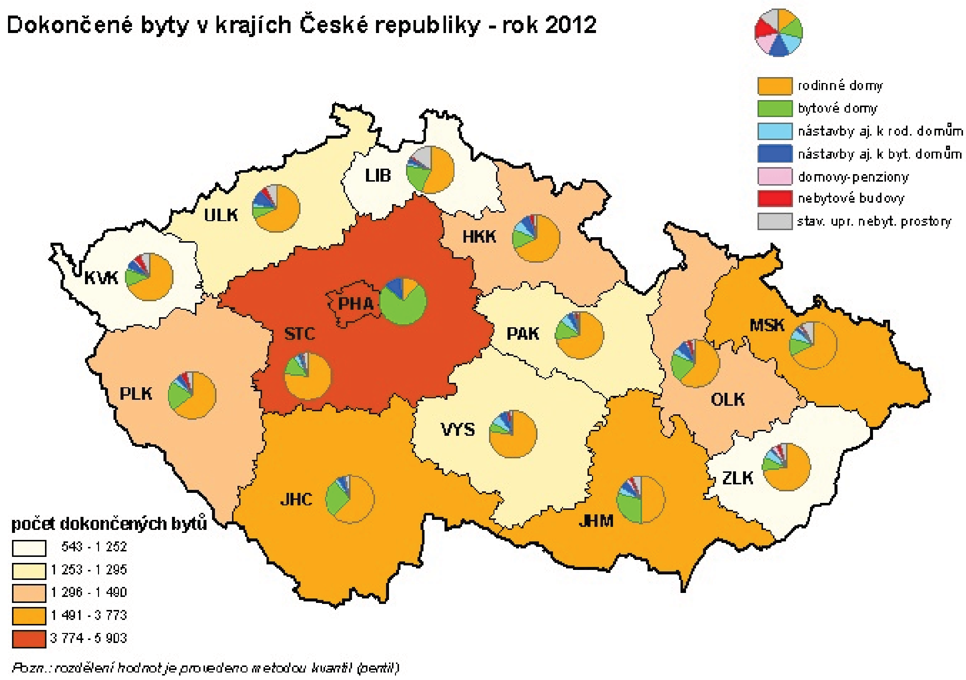


Started and completed dwellings in Moravia – Silesia

Source: CSO

Residential development activity was one of the highest in the country in 2012. If we compare the number of started dwellings per 1,000 inhabitants, Moravia-Silesia ranked among four regions with most of dwellings completed in 2012.

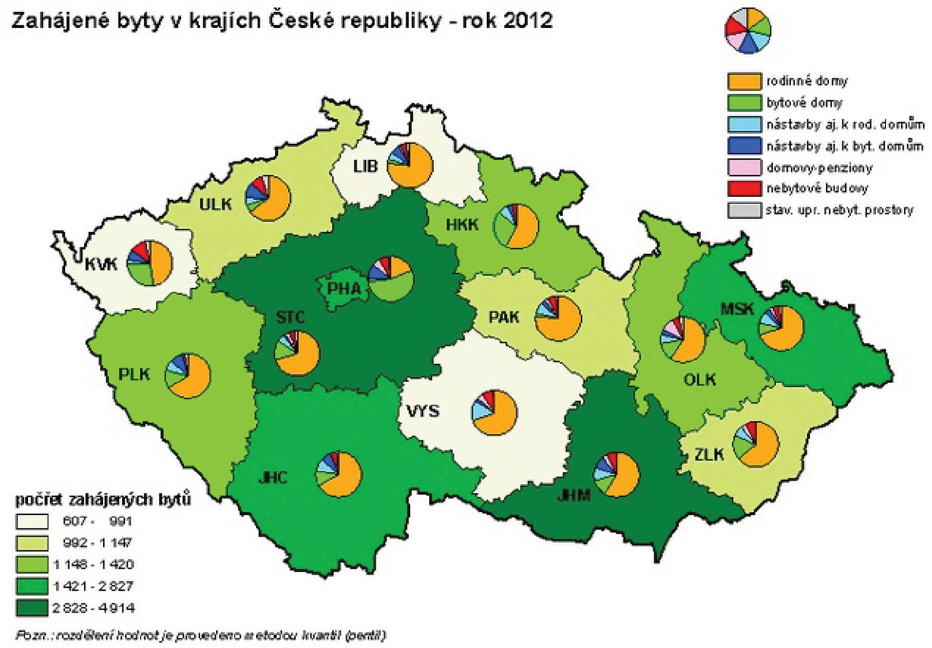
Completed dwellings in the Czech Republic in 2012



Source: CSO

Similarly to the previous statistics, the Moravia-Silesia region was among four regions were the majority of commenced construction was in 2012. In every region except Prague, the largest share of new dwellings under construction had detached houses.

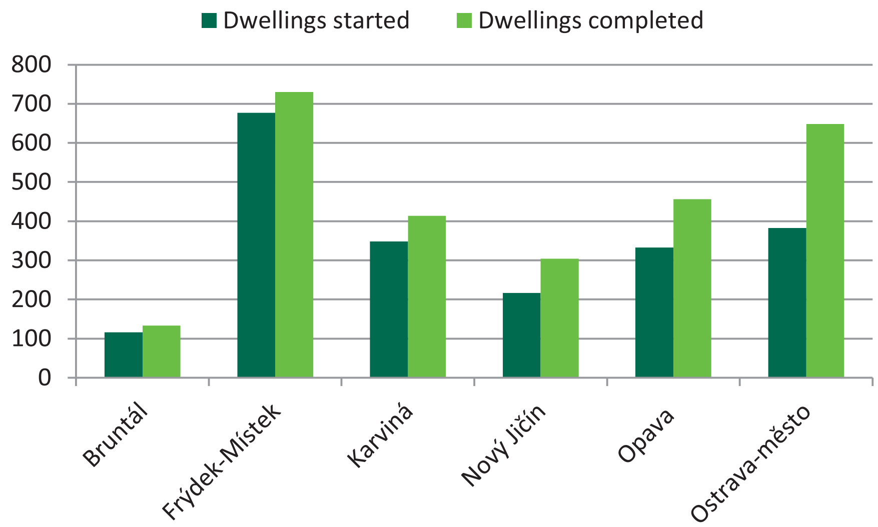
Dwellings started in the Czech Republic



Source: CSO

Within the Ostrava agglomeration, there is a marked difference in the intensity of housing construction. Both Ostrava and Frydek-Mistek districts have experienced the highest levels of construction activity in 2012. In 2012, ca. 383 dwellings commenced construction in Ostrava-mesto and 648 dwellings were completed in the same year. The highest number of completed dwellings was monitored in Frydek-Mistek district (730 units).

Dwellings started and completed in 2012 in the districts of the MS region

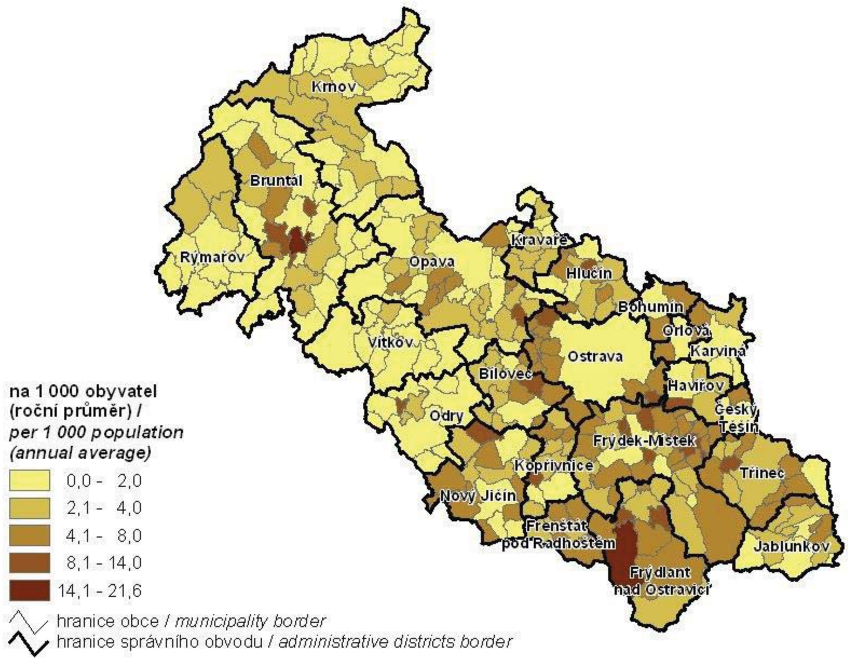


Source: CSO

The map below shows the intensity of residential development activity in the region on the number of completed apartments per 1,000 inhabitants during the years 2008 to 2012. Opava, Vitkov Rymarov and Krnov ditricts saw very low residential development activity. On the contrary, Ostrava, Frydek-Mistek and Frydlant nad Ostravici saw rather high number of completions.

Residential construction in municipalities of the Moravia-Silesia region between 2008 and 2012

2. Dokončené byty na 1 000 obyvatel podle obcí v Moravskoslezském kraji v letech 2008–2012
Completed dwellings per 1 000 population by municipality in the Moravskoslezský *Region in 2008–2012*



Source: CSO

As mentioned before, the privatisation of municipal dwellings started in early 1990s. The existing stock owned by the municipality still remains an important part of the residential market. The chart below shows the process of reducing the total number of dwellings owned by the municipality of Ostrava, as the process of privatisation continues. In the middle of 2012, when Ostrava owned 15,090 dwellings, the municipality suddenly decided to stop privatisation and make its own study on residential market. Currently, the Ostrava municipality is not expected to continue housing privatization.

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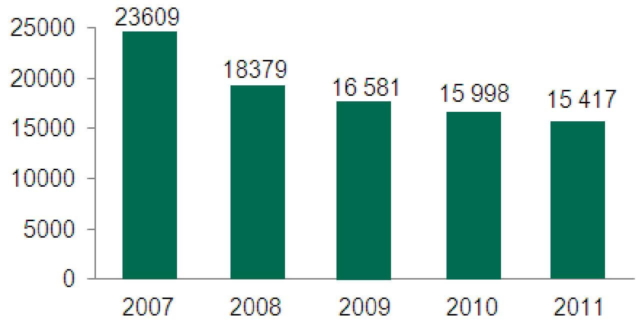
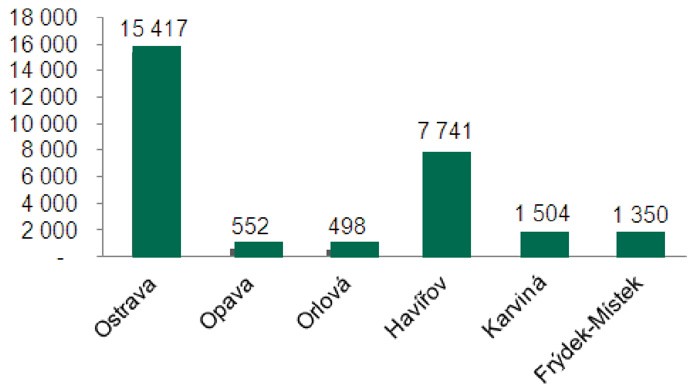
Existing stock owned by Ostrava municipality (including unoccupied)



Source: Ostrava municipality

According to the latest census in 2011 there are 135,912 dwellings occupied in Ostrava, followed by Karvina (109,848) and Frydek-Mistek with 88,297 dwellings. The chart below shows the total existing stock owned by municipalities. In Opava, Karvina and Frydek-Mistek the vast majority of dwellings have already been privatized and these cities own only a minor part of the existing stock. Ostrava and Havirov still provide relatively large groups of rental flats.

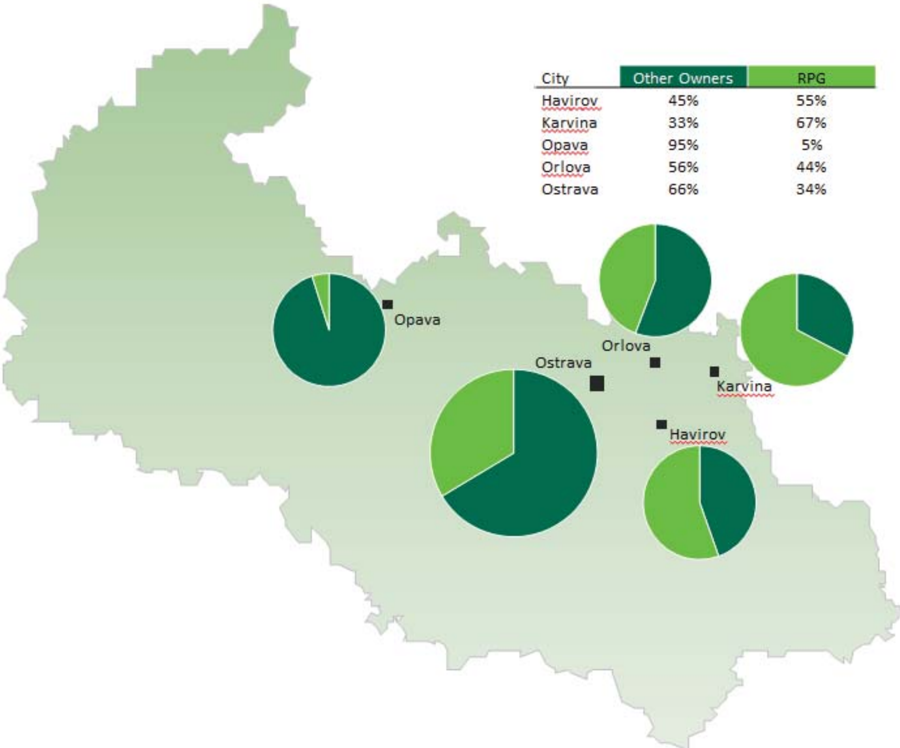
Existing dwelling stock owned by selected municipalities as at January 2011; including unoccupied dwellings



Source: UUR, Various municipalities

The map below shows the share of the rental market held by RPG in key towns in the Moravia-Silesia region.

% Share of Residential Rental Market (Selected Towns)

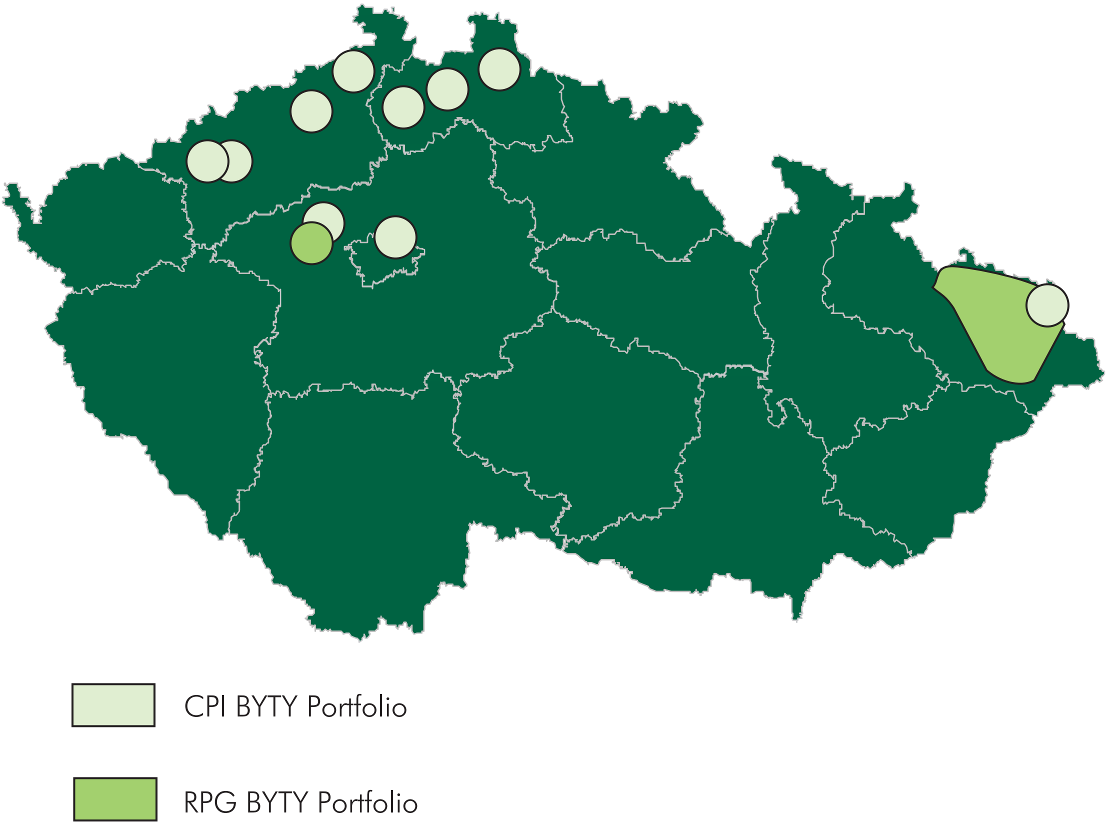


City	Other Owners	RPG
Havirov	45%	55%
Karvina	33%	67%
Opava	95%	5%
Orlova	56%	44%
Ostrava	66%	34%

Source: CSU

The two main private owners of rented residential units in the Czech Republic are RPG and CPI. We note that these two portfolios are positioned in the different locations and therefore do not present direct competiton to each other.

We provide the lacational distribution of the main residential hubs in the map below:



The overview of CPI BYTY Portfolio

City	No. of apartments	Cluster
Ceska Lipa	1,693	Ceska Lipa
Litvinov	612	Janov
Jablonec nad Nisou	66	Liberec
Liberec	51	Liberec
Nove Mesto pod Smrkem	195	Liberec
Litvinov	2,074	Litvinov
Most	72	Litvinov
Prague	652	Praha
Trinec	4,021	Trinec
Cesky Tesin	368	Trinec
Usti nad Labem	2,496	Usti nad Labem
Teplice	22	Usti nad Labem
Chlumec	32	Usti nad Labem
Decin	194	Usti nad Labem
Slany	77	Usti nad Labem

Source: CPI BYTY Half-Year Report 2013

Demand

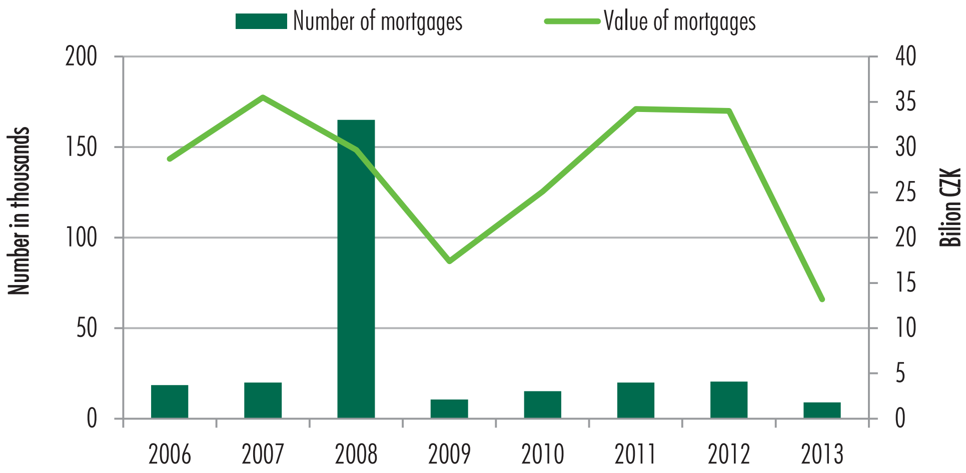
Demand on the residential real estate market is determined by the interplay of a number of factors, such as the development of total population, development of birth rates, development of households and their sizes, development of disposable income and in particular the development of mortgage lending and interest rates.

Demographic development mainly determines the volume of developments on the housing market in the long term. Birth rates and changes in household size play an important role in the long term demand for respective housing types. Besides that, increases in disposable income and mortgage lending are strong determinants for short to medium term demand development.

Rising birth rates, which have been recorded throughout the whole of the Czech Republic since mid 2000's are contributing to an increase in household size and demand on the housing market through an increased average size of dwellings.

The most significant demand factor on the Czech residential real estate market today is the mortgage lending market. Before the completion of the bank privatisation in 2000-2001, acquiring a mortgage loan with good conditions was impossible for the majority of Czech households. Together with improved product and conditions provided by Czech banks, curbed inflation and low interest rates, the Czech mortgage market was booming until the outset of the global financial crisis in 2008/2009, when volumes of mortgages fell dramatically. The mortgage market revived in 2011 fuelled by favourable interest rates and the anticipation of the increase of the VAT on residential construction in 2012. In the medium-term following the recent financial crisis the mortgage approval rates are expected to remain relatively flat due to more stringent eligibility conditions by the mortgage providers as well as due to a change in risk perception by the population.

Development of mortgage loans to private individuals in Moravia-Silesia region

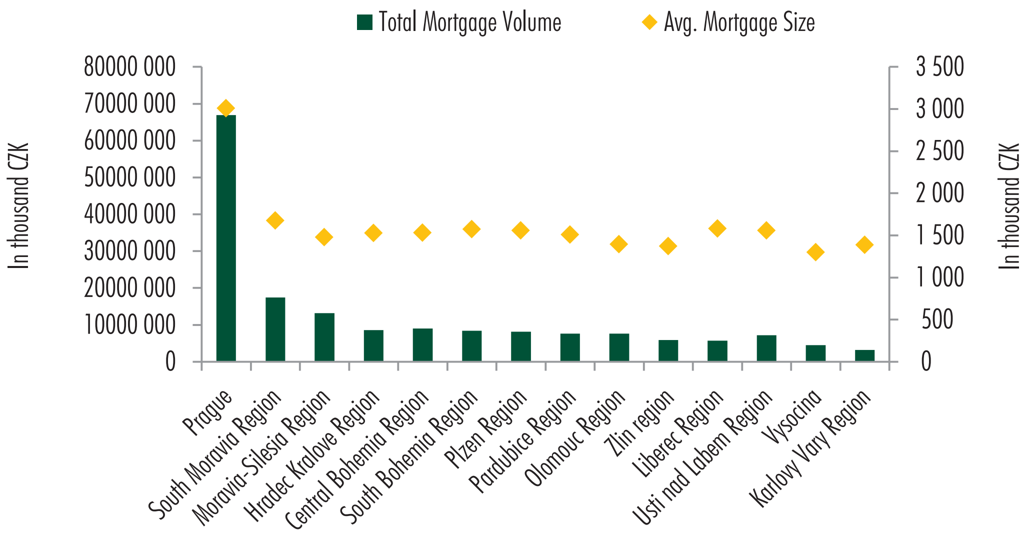


Source: MMR

In 2013, a total of 94,396 individual mortgage loans were concluded in the Czech Republic, with a total contractual value of CZK 177 billion. The data also reveals that the average value of a mortgage loan increased, from CZK 1.072 million in 2000, to over CZK 1.870 million in 2013.

Data from the Ministry of Regional Development shows that total volume of mortgages in Moravia-Silesia reached 13.2 billion CZK in an average size of 1.48 million CZK. The total volume is the third highest after Prague and the South Moravia region.

Regional differentiation in mortgage lending (2013)



Source: MMR

Rents and Residential sale prices

Analysing the average apartment prices in districts, the Karvina district shows the lowest average prices of 3+1 apartments of around 630,000 CZK, whereas the Frydek-Mistek shows sale prices of around 1.1 million CZK.

The current market rents in the municipalities in the agglomeration range from ca. 105 CZK per sq m on average in Ostrava, Frydek-Mistek and Novy Jicin, to ca. 90 CZK per sq m in Karvina. In comparison to the rental levels of municipal dwellings it is significantly higher.

Development of the rental levels in dwellings owned by Karvina municipality

Year	Rent (sq m/ month/ CZK
2007	18.90
2008	23.21
2009	31.08
2010	37.39
2011	43.70
2012	50.20

Source: Karvina municipality

Based on the information from the price map by the Ministry of Regional Development Czech Republic we have prepared a rental overview of all 57 clusters of the residential RPG Byty Portfolio.

Rental Levels

	Cluster	Market Rent*	Average Market Rent Achieved (CZK/ sq m/ month)	Portfolio Average Rent 2013	Portfolio Average Rent 2014	Portfolio Average Rent 2015	Portfolio Average Rent 2016
1	Albrechtice	67 – 81	65	51	52	55	58
2	Bohumin	-	73	65	66	70	73
3	Cesky Tesin	71 – 78	80	63	64	68	71
4	Doubrava	-	69	39	39	42	44
5	Frenstat p. Radhostem	76 – 84	80	67	68	72	75
6	Frydek-Mistek	85 – 90	81	71	72	77	80
7	Frydlant n. Ostravici	92 – 106	73	62	63	67	70
8	Havirov – Bludovice	73 – 78	74	62	63	65	67
9	Havirov – Dolni Sucha	73 – 78	75	65	66	70	73
10	Havirov – mesto	73 – 78	83	71	72	76	80
11	Havirov – Podlesi	73 – 78	79	70	71	75	79
12	Havirov – Prostr. Sucha	73 – 78	72	66	67	71	75
13	Havirov - Sumbark	73 – 78	79	69	70	74	78
14	Hlucin	82 – 91	82	65	65	69	73
15	Horni Sucha	60 – 74	57	44	44	47	49
16	Karvina - Doly	88 – 94	50	49	49	52	55
17	Karvina – Frystat	88 – 94	82	69	70	72	74
18	Karvina – Hranice	88 – 94	83	71	72	76	79
19	Karvina – Mizerov	88 – 94	84	71	72	77	81
20	Karvina – Nove Mesto	88 – 94	80	71	72	76	80
21	Karvina – Raj	88 – 94	85	73	74	78	82

	Cluster	Market Rent*	Average Market Rent Achieved	Portfolio Average Rent 2013	Portfolio Average Rent 2014	Portfolio Average Rent 2015	Portfolio Average Rent 2016
			(CZK/ sq m/ month)				
22	Kladno – Svermov	94 – 99	-	58	59	62	65
23	Koprivnice	76 – 84	68	61	62	66	69
24	Opava Katerinky	81-90	84	74	75	80	84
25	Opava Kylesovice	81-90	76	71	72	76	80
26	Opava Mesto	81 – 90	75	70	71	75	79
27	Opava Predmesti	81 – 90	86	75	76	80	84
28	Orlova Lazy	69 – 76	-	28	29	31	32
29	Orlova Lutyne	69 – 76	81	64	65	69	72
30	Orlova Mesto	69 – 76	54	45	46	48	51
31	Orlova Poruba	69 – 76	64	56	57	61	63
32	Ostrava Bartovice	76 – 84	67	59	60	62	63
33	Ostrava Hermanice	70 – 90	71	62	63	65	67
34	Ostrava Hrabuvka	84 – 105	80	72	73	77	80
35	Ostrava Hrusov	70 – 90	71	63	64	66	68
36	Ostrava Kuncicky	70 – 90	73	67	68	72	75
37	Ostrava Mar. Hory	91 – 101	82	73	74	78	82
38	Ostrava Michalkovice	91 – 101	67	64	65	68	70
39	Ostrava Mor. Ostrava	89 – 99	87	73	74	79	83
40	Ostrava Muglinov	70 – 90	74	64	65	69	72
41	Ostrava Petrkovice	-	71	69	70	72	74
42	Ostrava Poruba	104 – 115	83	72	73	78	81
43	Ostrava Radvanice	-	67	63	64	68	71

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	Cluster	Market Rent*	Average Market Rent Achieved (CZK/ sq m/ month)	Portfolio Average Rent 2013	Portfolio Average Rent 2014	Portfolio Average Rent 2015	Portfolio Average Rent 2016
44	Ostrava Slez. Ostrava	70 – 90	72	65	66	70	73
45	Ostrava Vitkovice	80 – 87	64	65	66	68	70
46	Ostrava Vyskovice	84 – 105	85	73	74	78	82
47	Ostrava Zabreh	-	87	75	76	80	84
48	Paskov	63 – 77	73	53	54	57	60
49	Petrvald	63 – 72	56	44	45	48	50
50	Pribor	75 – 86	67	51	52	55	57
51	Rychvald	64 – 74	63	53	54	57	60
52	Staric	-	65	46	47	49	52
53	Stonava	-	54	41	42	44	46
54	Sviadnov	-	64	45	46	48	51
55	Senov	78 – 90	68	52	53	57	59
56	Terlicko	68 – 83	76	80	81	83	86
57	Vratimov	86 – 99	47	47	48	51	53

**The rental price map of the municipality was unavailable at the time of our valuation. Market rental data is from 2012 year end.*

Major Residential Market Trends

In the long-term, socio-demographic changes such as increases in single households or higher labour mobility in cities, should result in rental apartments becoming a preferred option in the future. The ageing of the population will provide opportunities for rental apartments with associated services for the elderly.

In terms of construction activity, a major new trend in the last couple of years, which is likely to intensify in the future is the development of low energy and passive houses. The first model of a passive house in northern Moravia was opened in 2011 in Detmarovice, existing passive houses are family houses only. Low energy apartment development is mainly constrained to Prague and its surroundings.

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Commercial Market

Retail Market in the Moravia-Silesia Region

The retail market in the cities of the Moravia-Silesia region is mainly constrained to stand alone super-, hypermarkets, big boxes, or shopping centres and to a lesser extent retail parks. All the major super- and hypermarket retailers are well established in the area.

In Ostrava, high street retail is concentrated around Masarykovo namesti and Jiraskovo namesti; less spread on 28. rijna and Postovni street; and comprises an estimated 25,000 sq m. After opening of Forum Nova Karolina a lot of tenants moved from high street over there. Key anchor store remains Bata next to the Laso shopping centre, other retail stock is mostly occupied by smaller fashion and local retailers.

The retail market in Ostrava is currently dominated by a few large concentrations that attract most customers. The largest of these are Forum Nova Karolina, Shopping Park Avion Shopping Park at Zabreh, the retail concentration at Marianske Hory (Sconto, Kaufland, Baumax), Futurum and the Tesco-Makro at Dubina/Hrabova.

The total shopping centre and retail park supply in Ostrava consists of 244,700 sq m, which results in 825 sq m per 1,000 inhabitants.

The total shopping centre and retail park stock in the region amounts to ca. 385,800 sq m, which results in 314 sq m per 1,000 inhabitants. Other major shopping centres are located in Opava or Karvina (see table below).

Existing shopping centres and retail parks above sq m in the region

Shopping centre	Type	City	Address	Total GLA (sq m)	Date of opening	Anchor tenants	Developer
Intercora Český Tešín	Retail Park	Český Tešín	Ostravská	6,296	2006	Kaufland	Intercora
Galeria Shopping	Retail Park	Frydek-Mistek	Hlavni trida	9,200	2009	InterSpar, Okay, Sportisimo, Kik	Manhattan Development s.r.o.
Paráda shopping	Retail Park	Frydek-Mistek	Dobrovskeho	5,342	2012	Hervis, Euronics, Takko	Lordship
Obchodní centrum Intercora	Retail Park	Havirov	Pred Trati	2,180	2007	New Yorker, Takko	Intercora
Retail park Saller	Retail Park	Havirov	Pred Trati	16,976	1999; 2000	OBI, JYSK, Okay	Sallerova výstavba
Nákupní park Karviná	Retail Park	Karviná	Nádražní	10,200	2008; 2011	DM drogerie, Okay, Kik, Humanic	Sallerova výstavba
Obchodní Centrum Karviná	Shopping Centre	Karviná	Nádražní	13,348	2003	Albert, Orsay, New Yorker	Centrum Karviná a.s.
Breda & Weinstein	Shopping Centre	Opava	U fortny	26,100	2012	InterSpar, H&M, Datart, Luxor	Develon
Nákupní park Opava	Retail Park	Opava	Hlučínská	24,259	2008; 2010	OBI, Kaufland, Hervis, Deichmann, New Yorker, Kik	Sallerova výstavba
Obchodní centrum Silesia	Shopping Centre	Opava	Tešínská	14,000	2004	Tesco, Sportisimo, Pompo, CCC	Tesco Stores
Avion Shopping Park	Shopping Centre & Retail Park	Ostrava	Rudná	105,800	2001 - 2012	Ikea, Baumax, Albert, McDonalds	Inter Ikea Centre Group
Centro Ostrava retail park	Retail Park	Ostrava	Třebovice	7,500	2011		Discovery group
Forum Nova Karolina	Shopping Centre	Ostrava	Jantarova	57,800	2012	Hyparmarket Albert; C&A; Euronics; New Yorker; Marks&Spencer; Humanic	Multi development

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Shopping centre	Type	City	Address	Total GLA (sq m)	Date of opening	Anchor tenants	Developer
Futurum Ostrava	Shopping Centre	Ostrava	Novinárská	12,620	2000; 2007	Tesco, Stival, Kenvelo	TK Development Czech
Intercora Ostrava	Retail Park	Ostrava	Místecká/Vítkovická	12,324	2005	Kaufland	Intercora
Laso	Shopping Centre	Ostrava	Masarykovo nám.	11,000	2006	Billa, Fann, Euronics	Laso
OC Galerie Ostrava	Shopping Centre	Ostrava	Sjízdná	21,000	2001	Tesco, Bata	Tesco Stores
OC Ostrava	Retail Park	Ostrava	Výškovická	16,695	2002	OBI, Paul nábytek, Svet kobercu, JYSK, Okay elektro	Sallerova výstavba
CPI Retail Park	Retail Park	Trinec	Frydecka	13,200	2007; 2012	JYSK, dm, Planeo, CCC	CPI

Source: CBRE

For the upcoming two years ca. 71,000 sq m could be completed in the region, out of which ca. 17,000 sq m in Ostrava and 18,000 sq m in Opava. TK Development plans the completion of the first outlet centre in the region in Hladke Zivotice (11,500 sq m) by the end of 2014, as well as completion of a shopping centre in Frydek-Mistek (14,800 sq m). Reflecta Development considers development of shopping centre Gecko next to Globus in Poruba. Another scheme is planned by Crestyl in Opava, namely Central Opava with 18,000 sq m.

The largest shopping centre in Ostrava - Forum Nova Karolina (57,800 sq m) by Multi Development was opened in 2012. It represents a major addition to the current retail stock and is unique not only in the region, but in some aspects also in the whole Czech market. With over 240 units the main anchor tenants include C&A, Marks & Spencer, Intersport, Lindex, KappAhl, New Yorker, Datart, H&M, Nike and Esprit. The project also includes tenants, which are not yet present in the regional retail market. Shortly after completion, the shopping centre has been sold to a consortium of Meyer Bergman and The Healthcare of Ontario Pension Plan.

Prime rental levels in shopping centres in the region range from 45-65 EUR/ sq m per month for a 50 to 100 sq m unit. For larger units of around 1,000 sq m the rents range around 10-12 EUR/ sq m. The level of prime high street rents stands at around 15-20 EUR/ sq m for small units. Non-prime space in the centre of Ostrava is marketed for a significantly lower rent of ca. 10-15 EUR/sq m/month. In other areas of Ostrava retail rents reach 5 - 10 EUR/sq m/month.

Other cities in the region achieved prime rental level for shopping centres at around 20-25 EUR/ sq m/ month for a 100 sq m unit. The prime rental level for larger units of around 1,000 sq m is 7-10 EUR/ sq m/ month.

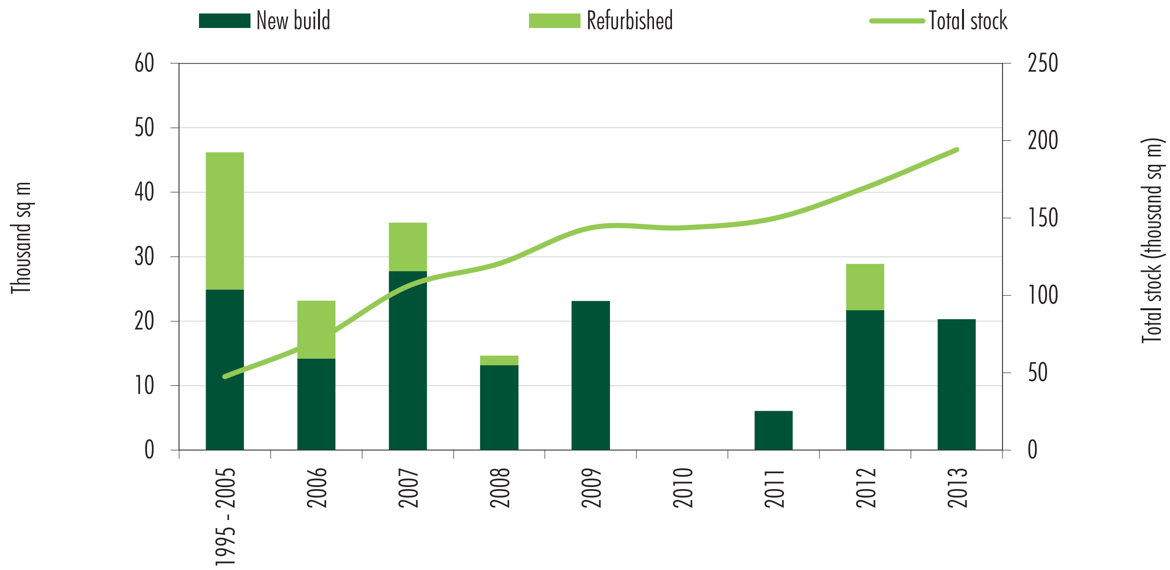
Office Market Overview Ostrava

Total office stock in Ostrava still remains small in comparison to Prague or Brno. In between 2006 – 2013 the local office market grew thanks to increased demand from occupiers. The main drivers behind this interest were predominantly cheap but qualified labour power and various investment incentives provided by the government.

According to preliminary data, in 2013, the stock reached 141,100 sq m of class A offices and approximately 53,200 sq m of class B office space. The economic downturn affected construction activity after 2009 with no project completed in 2010 and only two projects completed in 2011. In 2012 there were three projects delivered to the market

(Tieto Towers 21,700 sq m; Gong Business Center 2,400 sq m and Nadrazni 93 with 4,700 sq m) and one more large project was completed in 2013 (Nova Karolina Office Park 20,400 sq m).

Ostrava office stock – Annual supply and market growth



Source: CBRE Research, RRF

Major existing offices in Ostrava

Nordica Ostrava with total GLA of 11,700 sq m and completion date of Q1 2009 represents the first green commercial building not only in Ostrava but also in the whole Czech market. It is situated on the Ceskobratrska Street in the very centre of Ostrava. Okin Group, one of the major tenants, signed its lease agreement for almost 5,000 sq m in Q3 2009 and further expanded in Q4 2012. Other major tenants include UniCredit Leasing CZ, Sanaplasma and Skanska Construction. Currently, the building has 1,800 sq m of available space with asking rents ranging between €11.00-13.50 per sq m per month.

The Orchard office complex was developed by Red Group in between 2007 – 2009 and comprises three buildings. The Orchard benefits from the excellent visibility being positioned close to Hornopolni Street in the district of of Moravska Ostrava. It is accessible from the 2 key arterial routes which bisect the city. Major tenants include Home Credit, Immorent, Komercni Banka, Ceska Sporitelna and Advanced World Transport. The total office area within the project is 27,300 sq m, of which there approximately 6,500 sq m is currently vacant. Asking rents range between 250-310 CZK

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per sq m per month.

Axis Office Park developed by CTP Invest comprises 6 buildings of which 3 were completed in 2005 (Buildings A, B and C with 5,700 sq m, 6,200 sq m and 5,100 sq m respectively), one in 2007 (Building D with 4,800 sq m) and two are planned (E, F in total 11,000 sq m). Currently, ca. 3,200 sq m in Bldg. B, C and D are vacant with asking rents at the level of €11.00 per sq m per month. Axis is occupied by tenants such as ABB, AWD, Panalpina, Coca-Cola or GE Money.

Varenska Office Centre represents a refurbished office building extending to ca. 7,500 sq m. The refurbishment was completed in 2007. The project was 100% vacant after TietoEnator moved out in 2013. The current vacancy is around 75%.

One of the latest office additions to the local stock is Tieto Towers (21,700 sq m) by CTP invest completed in 2013 and occupied by TietoEnator (16,500 sq m). The lease to TietoEnator was the largest recorded lease transaction in the past few years.

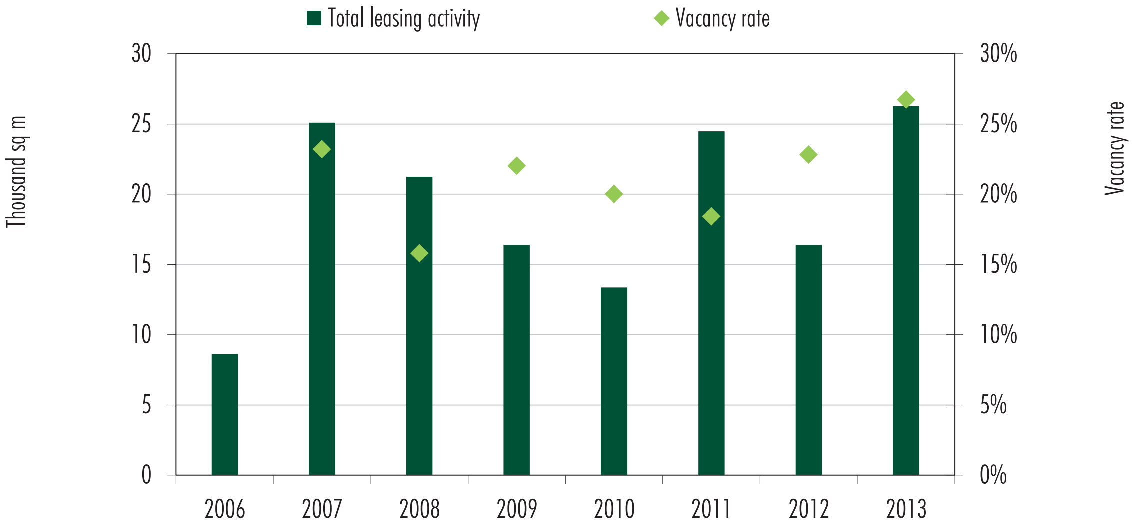
Nova Karolina office building was completed in 2013. It is a part of larger Nova Karolina project which is scheduled for construction in four phases with estimated total extension of 240,000 sq m of mixed-use development including retail part (86,000 sq m), residential part (ca. 1,200 flats), office part (24,900 sq m), as well as leisure, entertainment and sport functions with associated parking and green areas. The first phase of the project includes Forum Karolina (shopping mall over 50,000 sq m) which was opened in 2012 and the aforementioned office project is subject to the second phase.

Total leasing activity

Total leasing activity was steadily increasing until the economic downturn in 2009. Despite the less active current market, renowned international corporations such as KPMG, PwC, E&Y, PEMIC, etc. are present here and pose a potential for further expansion or relocation.

According to preliminary numbers, in 2013, the total leasing activity increased by 60% y-o-y and stood at 26,300 sq m which was roughly in line with 2011. However, this was mainly caused by one extraordinary transaction - TietoEnator, ca. 16,500 sq m relocating to Tieto Towers. The largest transaction in 2013 was the new lease of Samsung (4,100 sq m) at The Orchard Bldg. B. The IT sector currently dominates the tenant side of the market closely followed by tenants from banking and finance segments.

Ostrava office market: Total leasing activity and vacancy



Source: CBRE Research, RRF

List of the 5 largest transactions in Ostrava in 2013

Quarter	Building	Tenant	Size (sq m)	Sector
2	The Orchard	Siemens	4,100	Manufacturing
4	Nová Karolina Park	Česká Sporitelna	3,600	Banking
1	Tieto Towers	Tieto Czech s.r.o.	2,700	IT
3	The Orchard	OKIN Group	2,600	Prof. Services
4	The Orchard	Česká Sporitelna	2,600	Banking

Source: CBRE Research, RRF

Vacancy rates and Rents

According to preliminary numbers, in 2013, Ostrava market experienced an increase of the overall vacancy level. Out of 194,200 sq m there was approximately 51,900 sq m of vacant space which represented a vacancy rate of 26.7% (3.9 p.p. increase y-o-y). Prime class A office rents in Ostrava remained relatively stable in the last two years ranging between €10.00 and €12.00 per sq m per month, while asking rents were slightly higher ranging between €12.00 and €13.50. Out of town office parks quote asking rents of €8.00-10.00 per sq m. Class B offices achieve rental levels range between €5.00 and €7.00 per sq m per month.

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Investment activity in Ostrava in 2013

Ostrava has a very good position within the Czech Republic as it represents the third biggest commercial property market right after Prague and Brno. However, factors like current demand, available stock, vacancy and also the relative absence of transactional evidence need to be reflected when arriving at potential pricing.

These factors shifted Ostrava´s prime yield by additional 225 basis points up from the Prague prime office yield. Local prime office yield therefore stands at around 8.50%. There were two investment transactions recorded in Ostrava in 2013. The portfolio of Pradera retail parks was purchased by Standard Life Investment for EUR 30 mil. and industrial park Tulipan Park Ostrava was purchased by IAD Investments from Segro for EUR 11 mil.

VALUATION CONSIDERATIONS

Valuation Methodology – Standing Assets

We have assessed the value of the residential portfolio of RPG Byty by adopting the income approach to valuation in particular the discounted cash flow technique (DCF).

To determine the estimated rental value at the property, we have considered the current achievable rents, the lack of regulated rents due to a change in the law governing these rents and RPG's strategy to increase these rents to full market rents over an 8-10 year period. In addition we have looked at the market levels that have been achieved in each cluster where there have been units let at market level, as this is our best evidence to see the growth potential in each location.

However, due to the staged plan and agreements with tenants, we have based our calculations on the stepped levels agreed with tenants in order to reach the estimated rental levels over a 10 year cash flow.

We have increased the rental levels according to the rental contracts reached between RPG Byty, s.r.o. and the tenants at the property. We have been provided with current rents as at December 2013 and have applied these rents from 01/01/2014 (the start of the cash flow) with an additional 1.40% for inflation. We have not taken into consideration any natural increases due to new tenants who will pay market levels to maintain a more conservative approach for 2014.

The rent is then stepped for each cluster. The agreements with the tenants are as follows:

2014 – 1.40% inflation from 2013 rental levels.

2015 to 2018 – we have increased in line with projections for increases from RPG Byty s.r.o. which we believe are realistic as they can increase by 7% year on year to market level.

2019 to 2021 – the increase drops down to 2.00% in these years to account for the slowdown in increases as the rents approach market levels. Hence we have increased below future predictions for inflation levels of 3.0%. However, we are aware that RPG can increase rents by 7% until they reach market rental levels which may be the case after 2018 in locations such as Moravska Ostrava, Ostrava-Poruba etc.

In some instances when the cluster is small/ large or the location is strong/weak we have adjusted the steps in rent up to the year 2018 based on the levels of market rent achieved by RPG currently. For the comparison between the rents

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currently achieved and those achieved up to 2016 please see the table beginning on page 61.

With regard to the commercial and other income we have applied the income provided to us from actual rent in December 2013 and increased the rent by 1.40% until 2017 (conservative view due to current fiscal policy) and 2.00% thereafter.

The vacancy within the whole residential portfolio is 10.8% (as at December 2013), a reduction on the previous year of 10.98%. Whilst we have split the portfolio into separate clusters we have kept the permanent void at 9.0% over all clusters. This is because the vacancy rate over the portfolio previously increased as regulated tenants left or houses/apartments were refurbished, resulting in the increased vacancy. However, as we have seen over the previous 12 months this vacancy is reducing and we anticipate that this void will stabilise at 9%.

We have deducted operating costs based on a percentage of income. These costs include property management fees (6.5%), taxes and charge (1.1%), repairs and maintenance (10.0%), other services and other costs (1.0%), loss from utilities recharge (2.8%) and insurance costs (0.5%). We have also deducted VAT (2.5%) as a percentage of capital expenditure rather than income. We have increased these costs by 1.40% per annum in line with inflation until 2017 and then 2.0% thereafter, where the costs are influenced by inflation. For taxes and charges and loss from utilities recharge we have kept the costs stable as these are not increased by inflation.

These are all benchmarks which we have from similar portfolios and are in line with the costs provided by RPG Byty s.r.o. The table below shows the actual operating expenses from RPG Byty s.r.o. in 2013 compared with the operating expenses applied to the DCF in the year 2014:

Operating Expenses	Actual 2013	CBRE OPEX 2014
Property Management	131,492,000	134,102,183
Repairs and Maintenance	202,975,000	206,311,051
Other services and costs	19,583,000	20,631,105
Taxes and charges	23,258,000	22,694,216
VAT	19,395,000	15,112,500
Loss from utilities	58,366,735	57,767,094
Insurance	10,108,293	10,315,553
Total Operating Expenses	**465,178,028**	**466,933,702**

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As can be seen from the table above the operating expenses applied in 2014 are more conservative than the actual operating expenses incurred in 2013.

RPG Byty s.r.o. has provided us with capital expenditure costs which they plan for the next 6 years and which have been applied to the valuation. They are as follows:

Year 1 – 604,500,000 CZK

Year 2 – 465,000,000 CZK

Year 3 – 431,000,000 CZK

Year 4 – 415,000,000 CZK

Year 5 – 407,000,000 CZK

Year 6 – 402,300,000 CZK (applied until the end of the DCF)

The first year of capital expenditure is particularly high as this is the last year of a large capex program including façade, security and common area upgrades to properties.

We have considered the German benchmark within the Regulation on Housing Act (published November 23, 2007, paragraph 2 of Article 78). Within this Act, maintenance costs required in order to maintain residential portfolios are within a range of 7.10 EUR per sq m per annum to 11.50 EUR per sq m per annum depending on the age of the property.

The range for the RPG Byty portfolio is in the higher range level for properties older than 32 years at 11.50 EUR per sq m per annum. The costs stated within the German regulation are maximum costs.

We have applied 10.0% of rental income for repairs and maintenance which equates to 206,311,051 CZK per annum (2014) for the whole portfolio, as well as an ongoing amount of 402,300,000 CZK per annum which begins in 2018 and continues into perpetuity following the immediate capital expenditure costs of years 1-5. This amount for ongoing costs totals 608,611,051 CZK, which equates to a cost of 234 CZK (8.50 EUR) per sq m per annum.

In addition to the benchmarks from the Regulation on Housing Act, CBRE currently value ca. 800,000 residential units in Germany. The range of costs per sq m including ongoing maintenance, capital expenditure and tenant´s improvements is between 10 to 16 EUR per sq m per annum.

Considering the differences in the Czech and German markets due to lower labour cost, as well as the fact that the regulation quotes the maximum levels of expenditure, we believe the costs applied to the RPG Byty portfolio are realistic and sufficient to maintain this portfolio. CBRE understand that the ongoing capex will be used to upgrade 8% of apartments per annum.

In addition to the capex and value enhancing maintenance expenditure that will be spent, over the past 8 years a total of circa 7.6 bln.CZK has been spent on the portfolio.

We have applied an exit yield of 6.75% and a discount rate of 8.75% due to the location, quality of the buildings, covenant strength and current vacancy levels. However, we also use the rate per sq m of the capital value as a benchmark in such portfolios.

The values we have supplied are totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

Valuation Methodology – Land Plots

The portfolio of land represents a number of land plots comprising, access roads, gardens, greenery, agricultural and other uses.

We understand from the Addressee that none of the land plots have the benefit of planning or building permits.

For the purpose of this valuation we have assumed that the land plots do not have the capacity to be developed.

We have valued the land plots using a comparable approach. The Czech land suffers from a lack of transparency leading to limited information being available on completed transactions. Additionally, the Czech land market appears to be largely illiquid at the current time meaning there have been a limited number of transactions in recent years.

We have based our comparable evidence on asking prices for agricultural, greenery and garden space currently being marketed in the Moravia-Silesia region. We have made allowances for asking prices generally being higher than achieved sales prices.

We have grouped the land plots into 'clusters' based on the cadastral territory in which they are located. We have then applied Market Rents per sq m according to each use type.

Land used for access roads and rights of way is rarely traded at market levels. In coming to our opinion on the Fair Value of such land we have discounted agricultural land in similar locations at 60%.

OPINION OF VALUE

Fair Value on the Assumption of a Share Transaction

We are of the opinion that the Fair Value of the freehold interest in the RPG Byty Portfolio as at 31st December 2013 is:

CZK 24,628,000,000

(TWENTY FOUR BILLION, SIX HUNDRED AND TWENTY EIGHT MILLION CZECH CROWNS).

In accordance with market practice in the Czech Republic our valuation is gross of purchaser's costs.

The Fair Value of each cluster is given in the Schedule of Fair Values in the Valuation Report section.

Fair Value on the Assumption of a Share Transaction – Standing Assets

We are of the opinion that the Fair Value of the freehold interest in the standing assets of the RPG Byty Portfolio as at 31st December 2013 is:

CZK 24,260,000,000

(TWENTY FOUR BILLION, TWO HUNDRED AND SIXTY MILLION CZECH CROWNS).

Our valuation is gross of purchaser's costs.

The Fair Value of each cluster is given in the Schedule of Fair Values in the Valuation Report section.

Fair Value on the Assumption of a Share Transaction– Land

We are of the opinion that the Fair Value of the freehold interest in the land included in the RPG Byty Portfolio as at 31st December 2013 is:

CZK 368,000,000

(THREE HUNDRED AND SIXTY EIGHT MILLION CZECH CROWNS).

Our valuation is gross of purchaser's costs.

The Fair Value of each cluster is given in the Schedule of Fair Values in the Valuation Report section.

Address	Freehold (CZK)
Albrechtice	250,400,000
Bohumin	13,300,000
Cesky Tesin	278,400,000
Doubrava	57,500,000
Frenstat p. Radhostem	39,500,000
FrydekMistek	1,383,200,000
Frydlant n. Ostravici	12,600,000
Havirov – Bludovice	13,800,000
Havirov – Dolni Sucha	5,700,000
Havirov – Mesto	5,058,800,000
Havirov – Podlesi	295,400,000
Havirov – Prostr. Sucha	412,400,000
Havirov - Sumbark	1,122,500,000
Hlucin	262,100,000
Horni Sucha	227,700,000
Karvina - Doly	11,200,000
Karvina – Frystat	12,500,000
Karvina – Hranice	405,600,000
Karvina – Mizerov	246,400,000
Karvina – Nove Mesto	2,849,000,000
Karvina – Raj	495,800,000
Kladno – Svermov	800,000
Koprivnice	46,800,000
Opava Katerinky	39,300,000
Opava Kylesovice	115,600,000
Opava Mesto	48,000,000
Opava Predmesti	81,700,000
Orlova Lazy	550,000
Orlova Lutyne	626,700,000
Orlova Mesto	61,200,000
Orlova Poruba	368,700,000
Ostrava Bartovice	6,200,000
Ostrava Hermanice	53,800,000
Ostrava Hrabuvka	437,100,000
Ostrava Hrusov	139,300,000
Ostrava Kuncicky	220,700,000
Ostrava Mar.Hory	324,500,000
Ostrava Michalkovice	200,100,000

Address	Freehold (CZK)
Ostrava Mor. Ostrava	1,798,000,000
Ostrava Muglinov	93,500,000
Ostrava Petrkovice	20,500,000
Ostrava Poruba	4,259,400,000
Ostrava Radvanice	203,500,000
Ostrava Slez. Ostrava	231,500,000
Ostrava Vitkovice	113,800,000
Ostrava Vyskovice	247,800,000
Ostrava Zabreh	526,600,000
Paskov	51,300,000
Petrvald	246,600,000
Pribor	28,200,000
Rychvald	16,500,000
Staric	30,000,000
Stonava	113,200,000
Sviadnov	17,300,000
Senov	20,100,000
Terlicko	8,300,000
Vratimov	14,200,000
TOTAL	24,260,000,000

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Fair Value Breakdown by Cluster – Land Plots

	Cluster	No. of Plots	Area sq m	Fair Value CZK	Average Fair Value CZK per sq m
1	Albrechtice	8	2,040	157,770	77
4	Doubrava	177	55,573	5,739,045	103
6	Frydek-Mistek	15	2,167	361,675	167
8	Havirov - Bludovice	32	7,966	2,782,475	349
9	Havirov - Dolni Sucha	6	6,126	3,063,000	500
10	Havirov - Mesto	1	323	8,075	25
12	Havirov Prostr. Sucha	60	21,884	9,119,540	417
13	Havirov Sumbark	42	14,692	6,999,750	476
14	Hlucin	2	0	0	0
15	Horni Sucha	72	202,131	50,442,190	250
16	Karvina Doly	4	8,009	325,595	41
21	Karvina - Raj	3	2,338	817,600	350
26	Opava Mesto	2	68	6,800	100
27	Opava Predmesti	1	1,569	156,900	100
28	Orlova Lazy	1	924	138,600	150
32	Ostrava Bartovice	1	457	57,125	125
33	Ostrava Hermanice	131	46,029	23,990,575	521
35	Ostrava Hrusov	55	109,573	73,178,200	668
36	Ostrava Kuncicky	62	25,306	10,703,810	423
38	Ostrava Michalkovice	217	36,266	18,716,400	516
39	Ostrava Mor. Ostrava	11	11,433	7,017,000	614
40	Ostrava Muglinov	21	41,763	23,906,310	572
41	Ostrava Petrkovice	3	1,038	103,800	100
42	Ostrava Poruba	177	75,874	18,749,125	245
43	Ostrava Radvanice	70	36,874	15,857,450	430
44	Ostrava Slez. Ostrava	132	55,504	33,415,070	602
46	Ostrava Vitkovice	78	41,838	20,312,100	485

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	Cluster	No. of Plots	Area sq m	Fair Value CZK	Average Fair Value CZK per sq m
47	Ostrava Zabreh	2	835	605,375	725
49	Petrvald	207	97,870	25,054,100	266
51	Rychvald	11	5,785	1,735,225	300
52	Staric	1	15,876	1,190,700	75
53	Stonava	13	6,722	765,840	114
*	Horni Lutyne	6	1,628	162,800	100
*	Karvina Mesto	70	4,219	967,575	156
*	Orlova	50	34,965	10,479,360	300
	Total	1,744	975,665	368,252,155	377

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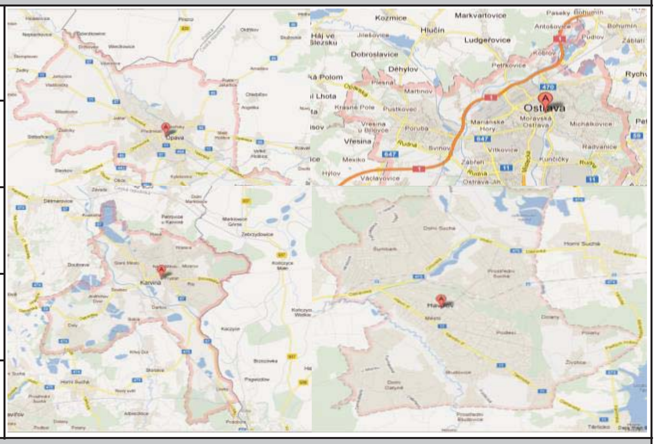
APPENDICES

A

PORTFOLIO DESCRIPTION

CBRE Individual Property Valuation Report



Property No.	0
Property Code	RPG Byty
City	Portfolio
Address	Portfolio
Fair Value (CZK)	**24,260,000,000**

Property Description

The portfolio consists of 43,314 residential units over 2,602,104 sq m in the Moravia-Silesia region and Central Bohemia region in the Czech Republic. We have split this portfolio into 57 clusters depending upon location and specification. The residential properties provide an income of 1,933,801,882 per annum.

In addition to the residential income achieved on the buildings there is a further income from commercial units and other income. This income totals 129,308,627 CZK per annum, and includes income from retail, garage, antennas and short term income. The total floor area from the commercial and other uses is 124,517 sq m.

Valuation Methodology

This properties have been valued using the Discounted cash flow (DCF) method of valuation. DCF analysis uses future free cash flow projections and discounts them using the weighted average cost of capital to arrive at a Market value. We have undertaken 10-year cash flow where we have considered annual changes in income flow and deducted operational as well as capital costs related to the property. We have assumed that the property will be sold on the market after 10 years at an appropriate yield. It should be noted that small changes in inputs into the DCF model can result in large changes in the value of the portfolio.

Valuation

Total GLA	2,726,621	**Costs (CZK)**	
Number of residential units	43,314	Property management	6.50%
Current Rent Residential (CZK)	1,933,801,882	Taxes/Charges	1.10%
Current Rent Commercial/other (CZK)	129,308,627	VAT	2.50%
Current Vacancy of residential	10.76%	Repairs and Maintenance	10.00%
Permanent Void	9.00%	Other services and other costs	1.00%
Exit Yield	6.75%	Loss from Utilities Recharged	2.80%
Discount Rate	8.75%	Insurance	0.50%
Fair Value per sq m (CZK)	**8,894**	Enhancement Projects 2014-2016	1,500,500,000

Sub-Portfolio or Property	Description, Age and Tenure	Tenancy	Passing Rent Per Annum (CZK)	Market Value (100%) (CZK)
Albrechtice	Albrechtice with over 4,000 inhabitants is located close to Polish border ca. 25 km east of the main regional city of Ostrava. Karvina and Havirov cities are in the distance of ca. 10 km. Albrechtice is located at the northern edge of the Tesinska pahorkatina in the valley of Stonavka river. The subject properties are located in the residential zone of Albrechtice and Bazantnice. The properties are accessible by car and by foot. The subject properties are of two-storey houses splitted into individual apartments and of panelak construction providing residential accommodation. There are 503 apartment units within this cluster over a floor area of 35,128 sq m with further 978 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	21,961,156	250,400,000
Bohumin	Bohumin with over 20,000 inhabitants borders Poland located in the Karvina Region ca. 12 km north-east of Ostrava. It is located on a junction of rail lines, at the confluence of the Odra and Olse Rivers. Bohumin lies in the historical region of Cieszyn Silesia and consits of old historical part and new industrial part. The subject properties are located in the residential zone of Bohumin and are accessible by car and by foot. The properties are of two-storey building splitted into individual apartment units and provide residential accommodation on upper ground levels. There are 24 apartment units within this cluster over a floor area of 1,490 sq m. The Properties are held freehold.	The Properties are let to a number of residential tenants.	1,126,355	13,300,000

Cesky Tesin	Cesky Tesin is a town located on the Polish border in the Karvina District ca. 15 km south of the Karvina city. It lies on the west bank of the Olse River, in the heart of the historical region of Cieszyn Silesia. The subject properties are located in the residential zone of Cesky Tesin and are accessible by car and by foot. The properties are of a four-storey buildings splietted into individual apartment units and of panelak construction and provide residential accommodation on upper ground levels. There are 520 apartment units within this cluster over a floor area of 31,805 sq m and further 5,651 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	23,700,416	278,400,000
Doubrava	Doubrava with its 1,300 inhabitants is located in the Karvina District between Orlova and Karvina cities. The area has been affected by mining. The subject properties are located in the residential zone of Doubrava and are accessible by car and by foot. The properties are of two and one-storey buildings with individual apartment units providing residential accommodation on upper ground levels. There are 194 apartment units within this cluster over a floor area of 12,017 sq m and further 20 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	5,383,914	57,400,000

Frenstat p. Radhostem	Frenstat pod Radhostem is a town in Moravia-Silesia Region located ca. 20 km south-east from the regional city of Novy Jicin. It lies under the Moravian-Silesian Beskydy Range, in a region rich in history and the town is an important holiday resort in both summer and winter season. The subject properties are located in the residential zone of Frenstat and are accessible by car and by foot. The properties are of a panelak construction and provide residential accommodation on upper ground levels. There are 71 apartment units within this cluster over a floor area of 4,195 sq m and further 57 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	3,330,596	39,500,000
Frydek Mistek	Frydek-Mistek with over 60,000 inhabitants is located ca. 20 km south of Ostrava city along the Ostravice River. Balanced by recration sport water basin Olesna and the Beskydy foothill the engineering industry plays the leading role in this region. The subject properties are located in the residential zone of Frydek-Mistek and are accessible by car and by foot. The properties are of a rectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 2,369 apartment units within this cluster over a floor area of 142,512 sq m and further 3,137 sq of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	116,484,810	1,383,200,000

Frydlant n. Ostravici	Frydlant nad Ostravici is a town in the Frydek-Mistek Region located ca. 13 km south of the city of Frydek-Mistek. Frydlant lies on the Ostravice River at the foot of Lysa hora, the highest mountain of the Moravian-Silesian Beskydy Mountains. The city was an important ironworks centre in the past and is a holiday resort today. The subject properties are located in the residential zone of Frydlant and are accessible by car and by foot. The properties are of a rectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 24 apartment units within this cluster over a floor area of 1,407 sq m. The Properties are held freehold.	The Properties are let to a number of residential tenants.	1,062,522	12,600,000
Havirov – Bludovice	Havirov with over 80,000 inhabitants is located on the outskirts of Ostrava-Karvina industrial site ca. 16 km south-east of the city of Ostrava. The main Road 11 provides connection with Ostrava and Cesky Tesin. Havirov within the Ostrava agglomeration borders represents a town with extensive housing and good recreational hinterland. The subject properties are located in the residential zone of Havirov-Bludovice close to recreational area of Terlicko and are accessible by car and by foot. The properties are of small two-storey buildings with residential accommodation and gardens. There are 18 residential units within this cluster over a floor area of 1,444 sq m and further 228 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	1,227,914	13,800,000

Havirov – DolniSucha	Havirov with over 80,000 inhabitants is located on the outskirts of Ostrava-Karvina industrial site ca. 16 km south-east of the city of Ostrava. The main Road 11 provides connection with Ostrava and Cesky Tesin. Havirov within the Ostrava agglomeration borders represents a town with extensive housing and good recreational hinterland. The subject properties are located in the residential zone of Dolni Sucha and are accessible by car and by foot. The properties are of two-storey buildings with residential accommodation and garden. There are 6 residential units within this cluster over a floor area of 601 sq. The Properties are held freehold.	The Properties are let to a number of residential tenants.	475,939	5,700,000
Havirov – Mesto	Havirov with over 80,000 inhabitants is located on the outskirts of Ostrava-Karvina industrial site ca. 16 km south-east of the city of Ostrava. The main Road 11 provides connection with Ostrava and Cesky Tesin. Havirov within the Ostrava agglomeration borders represents a town with extensive housing and good recreational hinterland. The subject properties are located in the residential zone of Havirov and are accessible by car and by foot. The properties are of protected houses built in the style of the socialist realism and called according to the style Sorela. The properties are mainly of three or four-storey buildings providing residential accommodation. There are 7,898 residential units within this cluster over a floor area of 473,465 sq m and further 40,341 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	425,845,031	5,058,800,000

Havirov – Podlesi	Havirov with over 80,000 inhabitants is located on the outskirts of Ostrava-Karvina industrial site ca. 16 km south-east of the city of Ostrava. The main Road 11 provides connection with Ostrava and Cesky Tesin. Havirov within the Ostrava agglomeration borders represents a town with extensive housing and good recreational hinterland. The subject properties are located in the residential zone of Podlesi and are accessible by car and by foot. The properties are of panelak construction and provide residential accommodation. There are 466 residential units within this cluster over a floor area of 31,520 sq m and further 290 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	24,937,255	295,400,000
Havirov – Prostr. Sucha	Havirov with over 80,000 inhabitants is located on the outskirts of Ostrava-Karvina industrial site ca. 16 km south-east of the city of Ostrava. The main Road 11 provides connection with Ostrava and Cesky Tesin. Havirov within the Ostrava agglomeration borders represents a town with extensive housing and good recreational hinterland. The subject properties are located in the residential zone of Prostredni Sucha and are acessible by car and by foot. The properties are of two or three-storey buildings splitted into individual apartment units and of panelak construction and provide residential accommodation. There are 973 residential units within this cluster over a floor area of 61,835 sq m and further 574 sq m of commercial and other space.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	36,441,935	412,400,000

Havirov Sumbark	Havirov with over 80,000 inhabitants is located on the outskirts of Ostrava-Karvina industrial site ca. 16 km south-east of the city of Ostrava. The main Road 11 provides connection with Ostrava and Cesky Tesin. Havirov within the Ostrava agglomeration borders represents a town with extensive housing and good recreational hinterland. The subject properties are located in the residential zone of Sumbark and are accessible by car and by foot. The properties are of three or four-storey buildings with individual apartment units and of panelak construction and provide residential accommodation. There are 2,642 residential units within this cluster over a floor area of 149,399 sq m and further 7,146 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	97,479,360	1,122,500,000
Hlucin	Hlucin with its 15,000 inhabitants is located in the district of Opava and is ca. 10 km north-west of the city of Ostrava. Located between Opava and Ostrava cities and close to Polish border the city benefits from an easy communication both with the neighboring regions and countries. The subject properties are located in the residential zone of Hlucin and are accessible by car and by foot. The properties are of three or four-storey buildings with individual apartment units and of panelak construction with residential accommodation. There are 571 residential units within this cluster over a floor area of 28,647 sq m and further 838 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	22,225,824	262,100,000

Horni Sucha	Horni Sucha is a district located in the Karvina Region between Karvina, Havirov and Cesky Tesin cities. The area has been affected by coal mining and related industries. The subject properties are located in the residential zone of Karvina-Doly and are accessible by car and by foot. The properties are of a mixed character including residential houses, two-storey buildings with individual apartment units and of panelak construction with residential accommodation. There are 615 residential units within this cluster over a floor area of 40,253 sq m and further 1,294 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	20,759,149	227,700,000
Karvina Doly	The town of Karvina with the population over 62,000 inhabitants is situated 18 km east of Ostrava at the norther periphery of the foothills of the Beskydy Mountains in the Olse River valley. A part of the northern border of the city represents the border with Poland. For decades the city with its surroundings was an area with high concentration of coal mining and related industries. Recently Karvina has become a town with commercial activities and dynamic development. The subject properties are located in area of Doly ca. 6 km south-west of Karvina and are accessible by car and by foot. The properties are of a two-storey houses with residential accommodation and gardens. There are 47 residential units within this cluster over a floor area of 4,187 sq m. The Properties are held freehold.	The Properties are let to a number of residential tenants.	1,212,006	11,200,000

Karvina – Frystat	The town of Karvina with the population over 62,000 inhabitants is situated 18 km east of Ostrava at the norther periphery of the foothills of the Beskydy Mountains in the Olse River valley. A part of the northern border of the city represents the border with Poland. For decades the city with its surroundings was an area with high concentration of coal mining and related industries. Recently Karvina has become a town with commercial activities and dynamic development. The subject properties are located in the residential zone of Karvina and are accessible by car and by foot. The properties are of a four-storey building with residential accommodation. There are 24 residential units within this cluster over a floor area of 1,393 sq m. The Properties are held freehold.	The Properties are let to a number of residential tenants	1,122,924	12,500,000
Karvina – Hranice	The town of Karvina with the population over 62,000 inhabitants is situated 18 km east of Ostrava at the norther periphery of the foothills of the Beskydy Mountains in the Olse River valley. A part of the northern border of the city represents the border with Poland. For decades the city with its surroundings was an area with high concentration of coal mining and related industries. Recently Karvina has become a town with commercial activities and dynamic development. The subject properties are located in the residential zone of Karvina and are accessible by car and by foot. The properties are of panelak construction and provide residential accommodation on upper ground levels. There are 749 residential units within this cluster over a floor area of 43,154 sq m and further 433 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	34,257,315	405,600,000

Karvina – Mizerov	The town of Karvina with the population over 62,000 inhabitants is situated 18 km east of Ostrava at the norther periphery of the foothills of the Beskydy Mountains in the Olse River valley. A part of the northern border of the city represents the border with Poland. For decades the city with its surroundings was an area with high concentration of coal mining and related industries. Recently Karvina has become a town with commercial activities and dynamic development. The subject properties are located in the residential zone of Karvina and are accessible by car and by foot. The properties are of panelak construction with residential accommodation. There are 420 residential units within this cluster over a floor area of 23,979 sq m and further 459 sq m of commercial and other space. The Properties are held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	20,617,551	246,400,000
Karvina – Nove Mesto	The town of Karvina with the population over 62,000 inhabitants is situated 18 km east of Ostrava at the norther periphery of the foothills of the Beskydy Mountains in the Olse River valley. A part of the northern border of the city represents the border with Poland. For decades the city with its surroundings was an area with high concentration of coal mining and related industries. Recently Karvina has become a town with commercial activities and dynamic development. The subject properties are located in the residential zone of Karvina and are accessible by car and by foot. The properties are of three or four-storey buildings splitted into individual apartment units and of panelak construction with residential accommodation on upper ground levels. There are 5,572 residential units within this cluster over a floor area of 310,794 sq m and further 13,422 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	242,557,616	2,849,000,000

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Karvina – Raj	The town of Karvina with the population over 62,000 inhabitants is situated 18 km east of Ostrava at the norther periphery of the foothills of the Beskydy Mountains in the Olse River valley. A part of the northern border of the city represents the border with Poland. For decades the city with its surroundings was an area with high concentration of coal mining and related industries. Recently Karvina has become a town with commercial activities and dynamic development. The subject properties are located in the residential zone of Karvina and are accessible by car and by foot. The properties are of two-storey buildings with individual apartment units and of panelak construction with residential accommodation. There are 833 residential units within this cluster over a floor area of 46,612 sq m and further 847 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	41,318,919	495,800,000
Kladno – Svermov	Kladno is the largest city of the Central Bohemia Region, together with its adjacent suburban areas forming an agglomeration of more than 110,000 inhabitants, situated ca. 30 km north-west of Prague. Kladno was the historical birthplace of Bohemian heavy duties industries in the past and now represents the city of advanced technologies and lifestyle. The subject properties are located in the residential zone of Svermov and are accessible by car and by foot. The properties are of villa houses and provide residential accommodation with gardens. There are 5 residenital units within this cluster over a floor area of 421 sq m. The property is held freehold.	The Properties are let to a number of residential tenants.	91,722	800,000

Koprivnice	Koprivnice is located in Novy Jicin Region ca. 13 km east of Novy Jicin and ca. 28 km south of Ostrava cities. Spreading along the River Koprivnice the city has a strong engineering and automotive industries where the Tatra truck company is based here. The subject properties are located in the residential zone of Novy Jicin and are accessible by car and by foot. The properties are of a rectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 96 residential units within this cluster over a floor area of 6,640 sq m. The property is held freehold.	The Properties are let to a number of residential tenants.	4,082,948	46,600,000
Opava Katerinky	Opava is the regional city located ca. 35 km west of Ostrava. The historical capital of Czech Silesia is located on the Opava Hilly Land and on the Rivers Opava and Moravice. The city is an important business and cultural centre with several cultural institutions serving the entire region. The subject properties are located in the residential zone of Opava-Katerinky and are accessible by car and by foot. The properties are of a rectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 62 residential units within this cluster over a floor area of 3,593 sq m and 127 q m of commerical and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	3,265,225	39,300,000

Opava Kylesovice	Opava is the regional city located ca. 35 km west of Ostrava. The historical capital of Czech Silesia is located on the Opava Hilly Land and on the Rivers Opava and Moravice. The city is an important business and cultural centre with several cultural institutions serving the entire region. The subject properties are located in the residential zone of Opava-Kylesovice and are accessible by car and by foot. The properties are of a rectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 178 residential units within this cluster over a floor area of 11,948 sq m and further 102 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	9,706,677	115,600,000
Opava Mesto	Opava is the regional city located ca. 35 km west of Ostrava. The historical capital of Czech Silesia is located on the Opava Hilly Land and on the Rivers Opava and Moravice. The city is an important business and cultural centre with several cultural institutions serving the entire region. The subject properties are located in the centre of Opava and are accessible by car and by foot. The properties are of a three-storey buildings splitted into individual apartment units on the upper ground levels. There are 38 residential units within this cluster over a floor area of 2,751 sq m with a further 840 sq m of commerical and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	4,011,019	48,000,000

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Opava Predmesti	Opava is the regional city located ca. 35 km west of Ostrava. The historical capital of Czech Silesia is located on the Opava Hilly Land and on the Rivers Opava and Moravice. The city is an important business and cultural centre with several cultural institutions serving the entire region. The subject properties are located in the residential zone of Opava and are accessible by car and by foot. The properties are of a four-storey buildings splitted into individual apartment units. There are 149 residential units within this cluster over a floor area of 8,218 sq m and 11 sq m of commerical and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	6,841,385	81,700,000
Orlova Lazy	Orlova with its 31,000 inhabitants is the town in the Karvina District and is located between the Ostrava and Karvina cities. The city lies in the historical region of Cieszyn Silesia. The area with its surroundings is affected by the concentration of coal mining and related industries. The subject properties are located in area of Lazy ca. 3 km south of the Orlova city centre. The properties are accessible by car and by foot. The properties are of two-storey houses with residential accommodation and gardens. There are 2 residential units within this cluster over a floor area of 161 sq m. The property is held freehold.	The Properties are let to a number of residential tenants	55,681	550,000

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Orlova Lutyne	Orlova with its 31,000 inhabitants is the town in the Karvina District and is located between the Ostrava and Karvina cities. The city lies in the historical region of Cieszyn Silesia. The area with its surroundings is affected by the concentration of coal mining and related industries. The subject properties are located in area of Lutyne ca. 3 km north of the Orlova city centre. The properties are accessible by car and by foot. The properties are of a rectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 1,131 residential units within this cluster over a floor area of 69,649 sq m and further 914 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	53,176,570	626,700,000
Orlova Mesto	Orlova with its 31,000 inhabitants is the town in the Karvina District and is located between the Ostrava and Karvina cities. The city lies in the historical region of Cieszyn Silesia. The area with its surroundings is affected by the concentration of coal mining and related industries. The subject properties are located in the residential zone of Orlova. The properties are accessible by car and by foot. The properties are of derelict houses and of one and two-storey houses with residential accommodation and gardens. There are 220 residential units within this cluster over a floor area of 14,245 sq m and further 52 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	5,866,181	61,200,000

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Orlova Poruba	Poruba represents one of the Orlova urban neighbourhoods both located in Karvina Region. The district is located ca. 15 km west of Ostrava and just 2 km north-west of the Orlova city centre. Poruba with over 6,000 inhabitants represents a district with an extensive housing development which was reformed from the original mining settlements. The subject properties are located in the residential zone of Poruba and are accessible by car and by foot. The properties are of two or three-storey buildings split into an individual apartment units. There are 777 residential units within this cluster over a floor area of 50,845 sq m and further 335 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses	32,153,739	368,700,000
Ostrava Bartovice	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Bartovice. The properties are accessible by car and by foot. The properties are of two-storey buildings split into individual apartment units. There are 19 residential units within this cluster over a floor area of 1,229 sq m. The property is held freehold.	The Properties are let to a number of residential tenants	602,693	6,200,000

Ostrava Hermanice	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Hermanice. The properties are accessible by car and by foot. The properties are of two-storey buildings split into individual apartment units. There are 124 residential units within this cluster over a floor area of 6,765 sq m. The property is held freehold.	The Properties are let to a number of residential tenants	4,882,240	53,800,000
Ostrava Hrabuvka	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Hrabuvka. The properties are accessible by car and by foot. The properties are ofrectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 715 residential units within this cluster over a floor area of 44,807 sq m and a further 161 sq m of commercial and other use. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	36,752,660	437,100,000

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Ostrava Hrusov	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Hrusov. The properties are accessible by car and by foot. The properties are of two-storey buildings splitted into individual apartment units. There are 309 residential units within this cluster over a floor area of 18,948 sq m. The property is held freehold.	The Properties are let to a number of residential tenants.	12,681,076	139,300,000
Ostrava Kuncicky	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Kuncicky. The properties are accessible by car and by foot. The properties are of two or three-storey buildings split into an individual apartment units. There are 501 residential units within this cluster over a floor area of 30,018 sq m and further 533 sq m of commerical and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	19,206,331	220,700,000

Ostrava Mar.Hory	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Marianske Hory. The properties are accessible by car and by foot. The properties are of four or five-storey buildings split into an individual apartment units. There are 560 residential units within this cluster over a floor area of 33,341 sq m and further 556 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	27,310,749	324,500,000
Ostrava Michalkovice	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Michalkovice. The properties are accessible by car and by foot. The properties are of two or three-storey buildings split into an individual apartment units. There are 458 residential units within this cluster over a floor area of 27,237 sq m anf further 349 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	18,231,786	200,100,000

Ostrava Mor. Ostrava	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Moravska Ostrava. The properties are accessible by car and by foot. The properties are of three or four-storey buildings split into an individual apartment units and of panelak construction with residential accommodation. There are 2,810 residential units within this cluster over a floor area of 173,789 sq m and further 7,005 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	150,724,645	1,798,000,000
Ostrava Muglinov	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Muglinov. The properties are accessible by car and by foot. The properties are of three-storey buildings split into an individual apartment units. The property is held freehold.	The Properties are let to a number of residential tenants.	8,019,174	93,500,000

Ostrava Petrkovice	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Petrkovice. The properties are accessible by car and by foot. The properties are of three-storey buildings split into an individual apartment units. There are 36 residential units within this cluster over a floor area of 2,317 sq m. The property is held freehold.	The Properties are let to a number of residential tenants.	1,835,494	20,500,000
Ostrava Poruba	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the housing development of Poruba. The properties are accessible by car and by foot. The properties are mainly of protected houses built in the style of the socialst realism and called according to the style Sorela. The properties are mainly of five-stories buildings split into an individual apartment units and of panelek construction. There are 6,511 residential units within this cluster over a floor area of 392,079 sq m and further 30,599 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	357,382,958	4,259,400,000

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Ostrava Radvanice	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Radvanice. The properties are accessible by car and by foot. The properties are of two or three-storey buildings split into an individual apartment units. There are 467 residential units within this cluster over a floor area of 28,534 sq m and further 506 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	17,813,696	203,500,000
Ostrava Slez. Ostrava	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Slezska Ostrava and are accessible by car and by foot. The properties are of two or three-storey buildings split into an individual apartment units. There are 498 residential units within this cluster over a floor area of 29,312 sq m and further 1,136 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	20,001,204	231,500,000

Ostrava Vitkovice	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Vitkovice and are accessible by car and by foot. The properties are of two-storey buildings split into an individual apartment units. There are 196 residential units within this cluster over a floor area of 14,640 sq m. The property is held freehold.	The Properties are let to a number of residential tenants.	10,279,867	113,800,000
Ostrava Vyskovice	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Vyskovice and are accessible by car and by foot. The properties are of a rectangular shape and of panelak construction and provide residential accommodation on upper ground levels. There are 427 residential units within this cluster over a floor area of 24,346 sq m and further 500 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	20,738,888	247,800,000

Ostrava Zabreh	The regional city of Moravian-Silesian Region Ostrava is the 3rd largest city in the Czech Republic with over 300,000 inhabitants. Located in a traditionally industrial region the city confirms its position also as the economic, business and cultural centre for the entire Region. The subject properties are located in the residential zone of Ostrava-Zabreh and are accessible by car and by foot. The properties are of three or four-storey buildings split into an individual apartment units and of panelak construction with residential accommodation on upper ground levels. There are 910 residential units within this cluster over a floor area of 49,162 sq m and further 1,587 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	43,894,736	526,600,000
Paskov	Paskov with over 3,900 inhabitants is the city located in the Frydek-Mistek Region. Paskov is situated between Ostrava and Frydek-Mistek along the River Ostravice. The surrounding area represents the borderline of the Ostrava industrial agglomeration and the Beskydy Mountains. The subject properties are located in the residential zone of Paskov and are accessible by car and by foot. The properties are of three-storey buildings split into an individual apartment units. There are 143 residential units within this cluster over a floor area of 8,029 sq m and further 600 sq m of other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	4,557,232	51,300,000

Petrvald	Petrvald is a city located in the Karvina Region and for decades represented an area with high concentration of coal mining and related industries. The city is located ca. 10 km east of the Ostrava city. The subject properties are located in the residential zone of Pertvald and are accessible by car and by foot. The properties are of residential houses with gardens and of two or three-storey buildings split into individual apartment units. There are 746 residential units within this cluster over a floor area of 50,928 sq m and further 812 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	23,104,452	246,600,000
Pribor	Pribor is the city located in Novy Jicin Region ca. 10 km east of Novy Jicin and 16 km west of Frydek-Mistek. The city stretching along the River Lubina benefits from the good transport connectison (E 462) and the hilly surrounding of Beskydy Mountains and Stramberk. The subject properties are located in the residential zone of Pribor and are accessible by car and by foot. The properties are of rectangular shape and of panelak construction and provide residential accommodation. There are 64 residential units within this cluster over a floor area of 4,456 sq m. The property is held freehold	The Properties are let to a number of residential tenants.	2,530,255	28,200,000

Rychvald	Rychvald with over 7,000 inhabitants is located in the Karvina Region ca. 10 east of Ostrava. The city is located in the historical region of Cieszyn Silesia. The area with its surroundings is affected by the concentration of coal mining and related industries. The subject properties are located in the residential zone of Rychvald and are accessible by car and by foot. The properties are of residential houses with gardens and two or three-storey buildings split into an individual apartment units. There are 37 residential units within this cluster over a floor area of 2,558 sq m and further 139 sq m of other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	1,462,959	16,500,000
Staric	Staric with almost 2,000 inhabitants is the city located in the Frydek-Mistek Region ca. 7 km west of the city of Frydek-Mistek. The area with its surroundings is affected by the concentration of coal mining and related industries. The subject properties are located in the residential zone of Staric and are accessible by car and by foot. The properties are of wooden houses with the brick foundations split into an individual residential units. There are 64 residential units within this cluster over a floor area of 4,477 sq m and further 418 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	2,667,693	30,000,000

Stonava	Stonava is a district in the Karvina Region located ca. 8 km south of Karvina. The city with its 1,800 inhabitants is situated on Stonavka River in the historical region of Cieszyn Silesia. The subject properties are located in the residential zone of Stonava and are accessible by car and by foot. The properties are of two-storey buildings split into an individual apartment units. There are 215 residential units within this cluster over a floor area of 21,323 sq m and further 58 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	10,395,870	113,200,000
Sviadnov	Sviadnov is the district in Frydek-Mistek Region. The district is located ca. 20 km south of Ostrava city along the Ostravice River. Balanced by recration sport water basin Olesna and the Beskydy foothill the engineering industry plays the leading role in this region. The subject properties are located in the residential zone of Sviadnov and are accessible by car and by foot. The properties are of wooden houses with the brick foundations split into an individual residential units. There are 36 residential units within this cluster over a floor area of 2,513 sq m and further 234 sq m of other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	1,532,870	17,300,000

Senov	Senov is situated in the Region of Ostrava-mesto with over 6,000 inhabitants. The area is part of the historical Silesia Region and Ostrava industrial agglomeration. The subject properties are located in the residential zone of Senov and are accessible by car and by foot. The properties are of three-storey buildings split into an individual apartment units. There are 45 residential units within this cluster over a floor area of 2,862 sq m. The property is held freehold.	The Properties are let to a number of residential tenants.	1,755,161	20,100,000
Terlicko	Located between the cities Ostrava, Havirov and Cesky Tesin and proximity of Polish border the area of Terlicko represents hilly country with recreation character. The city with over 4,000 inhabitants is situated in the Region of Karvina along the Terlicka dam which allows to do water sports. The subject property is located close to Terlicka dam and is accessible by car and by foot. The property is of three-storey building split into individual apartment units with balconies and garages. There are 6 residential units within this cluster over a floor area of 639 sq m and further 118 sq m of commercial and other space. The property is held freehold.	The Properties are let to a number of residential tenants with a small amount of commercial premises let to local businesses.	708,433	8,300,000

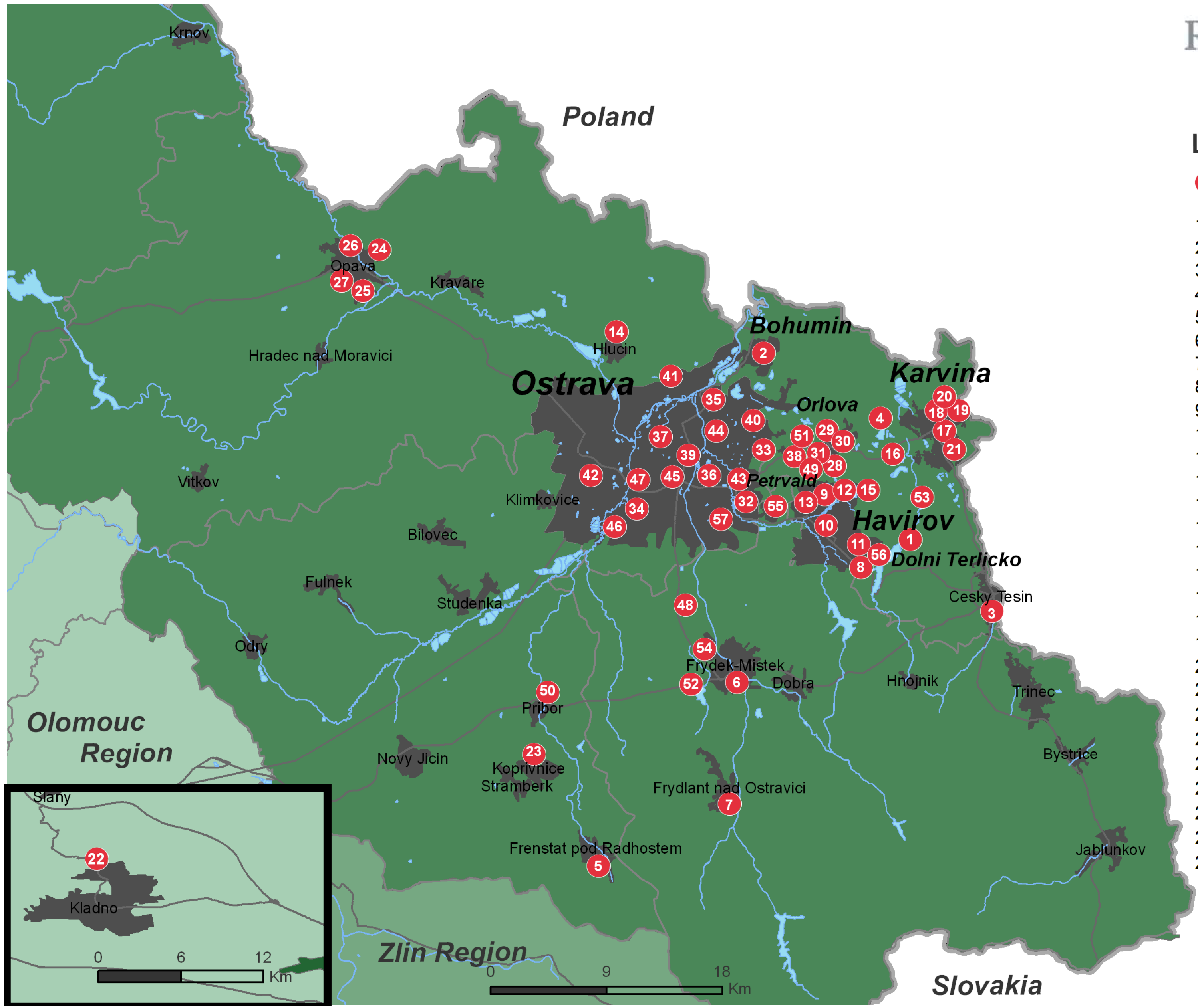
Vratimov	Vratimov is situated on the historical border of Moravia and Silesia and together with Horni Datyne forms a part of the district of Ostrava-mesto. Vratimov with almost 6,000 inhabitants belongs to Ostrava industrial agglomeration and is affected by coal mining and related industries. The subject property is located in the residential zone of Vratimov and is accessible by car and by foot. The property is of a rectangular shape and of panelak construction and provides residential accommodation on upper ground levels. There are 32 residential units within this cluster over a floor area of 2,241 sq m. The property is held freehold.	The Properties are let to a number of residential tenants.	1,257,733	14,200,000

B

PORTFOLIO MAP

CBRE

RPG | BYTY



Legend - Residential

Residential properties by cluster

1 Albrechtice
2 Bohumin
3 Cesky Tesin
4 Doubrava
5 Frenstat p. Radhostem
6 Frydek-Mistek
7 Frydlant n. Ostravici
8 Havirov – Bludovice
9 Havirov – Dolni Sucha
10 Havirov – Mesto
11 Havirov – Podlesi
12 Havirov – Prostr. Sucha
13 Havirov Sumbark
14 Hlucin
15 Horni Sucha
16 Karvina Doly
17 Karvina – Frystat
18 Karvina – Hranice
19 Karvina – Mizerov
20 Karvina – Nove Mesto
21 Karvina – Raj
22 Kladno – Svernov
23 Koprivnice
24 Opava Katerinky
25 Opava Kylesovice
26 Opava Mesto
27 Opava Predmesti
28 Orlova Lazy
29 Orlova Lutyne
30 Orlova Mesto
31 Orlova Poruba
32 Ostrava Bartovice
33 Ostrava Hermanice
34 Ostrava Hrabuvka
35 Ostrava Hrusov
36 Ostrava Kuncicky
37 Ostrava Mar. Hory
38 Ostrava Michalkovice
39 Ostrava Mor. Ostrava
40 Ostrava Muglinov
41 Ostrava Petrkovice
42 Ostrava Poruba
43 Ostrava Radvanice
44 Ostrava - Slez. Ostrava
45 Ostrava Vitkovice
46 Ostrava Vyskovice
47 Ostrava Zabreh
48 Paskov
49 Petrvald
50 Pribor
51 Rychvald
52 Staric
53 Stonava
54 Sviadnov
55 Senov
56 Terlicko
57 Vratimov

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