



Real Estate Solutions
Service Offerings
to Our Clients



Content

A successful organization demands a successful finance function	4
Audit	5
Capital Raising	6
Czech Tax Consultancy	7
Enterprise Applications for Real Estate Development & Management	8
Euro Advisory Services	9
Fund Structuring	10
Hedging strategies	12
IFRS	13
Independent Business Review	14
Information System Strategy	16
M&A Advisory Services	17
M&A and International Tax Structuring	18
M&A Transaction Services	19
Manage performance of the Real Estate project portfolio	20
Optimising Real Estate Administration and Maintenance	21
Optimising Real Estate Financial Management	22
Optimising Real Estate Occupancy	24
Optimising Real Estate Portfolios of Financial Institutions	25
Polish liquidation step-up	27
Polish partnership structure	28
Polish Real Estate investment fund (REIT)	29
Property Transactions	30
Real Estate Portfolio Optimisation for Public Sector	31
Real Estate Portfolio Strategy	33
Real Estate Projects Portfolio Assessment	35
SPA Advisory	37



A successful organization demands a successful finance function

Finance is the lifeblood of the organization and stakeholders have high expectations of the Function's performance.

An effective Finance function, which includes all aspects of Finance, Tax, Treasury and, typically, Risk Management etc., makes a positive contribution to the achievement of the organization's strategic objectives and to its value creation goals.

To be successful, Finance must develop the capabilities that will allow it to fulfill its responsibilities to the organization, meet stakeholder expectations and to service its key business partnerships.

The modern Finance function is expected to fulfill four key roles within the organization:

- Steward: providing control over the organization's assets, ensuring it meets its compliance obligations and directing the management of risk;
- Operator: delivering efficient Finance processes to support the production of financial information and driving the cost effectiveness agenda across the organization;

- Strategist: analyzing organizational performance and interpreting financial information to support the planning and execution of strategic initiatives across the organization; and
- Catalyst: stimulating the wider organization to execute the changes necessary to support the effective performance of the Steward, Operator and Strategist role.

The challenge for the CFO is to create a Finance function that has both the capabilities and the flexibility necessary to meet the desired levels of performance in these key areas.

The nature of the demands that each of these roles places on the Finance function is very different – one could say almost diametrically opposed. Each requires differing capabilities and behaviors, and, potentially, different organizational structures to effectively support each of these roles within a single organization.

For example, the nature of the individuals in the Finance function who specialize in regulation and compliance activities will be very different to those who specialize in analyzing organizational performance. The CFO has the difficult task of bringing all of the different disciplines, people and processes together in a seamless Finance function that cannot afford to leave any capability gaps.

Our Value Added

At Deloitte, we provide the best advice to finance directors in both the private and public sectors on the complex financial and business challenges they face. We bring together an unrivalled set of services from across the firm to support finance leaders to take these decisions and to support any resulting change or transformation in their finance capability. The breadth of services combined with our ability to provide independent advice and the capability to support both strategy and delivery sets us apart in the market.

Our Team

Krzysztof Pniewski

Partner, Poland

Tel.: +48 (22) 511 0609

Email: kpniewski@deloitteCE.com

Slavomir Muturi

Partner, Bulgaria, Romania

Tel.: +40 (21) 2075 622

Email: smuturi@deloitteCE.com

Marek Kouřil

Senior Manager, Czech Republic

Tel.: +420 246 042 804

Email: mkouril@deloitteCE.com

Jaroslav Beneš

Senior Manager, Czech Republic

Tel.: +420 246 042 346

Email: jbenes@deloitteCE.com

Michael Kralert

Senior Manager, Czech Republic

Tel.: +420 246 042 610

Email: mkralert@deloitteCE.com

The financial statement audit has never been more important. In today's business environment there is more scepticism of a company's financial statements than ever before. Real estate owners, investors, lenders and users expect great reliability, oversight and clear evidence of internal controls. Meeting these expectations begins with the completeness and accuracy of information contained in a company's financial statement.

Our Real Estate professionals collaborate to provide following audit and assurance services:

- Audit - Deloitte can provide high quality audit services to organizations that require an audit for statutory or regulatory reasons associated with the filing of their annual and periodic financial information. We can also address any specific regulatory reporting requirements such as those under Sarbanes-Oxley S404 for SEC registrants, including foreign private issuers. Our audit approach is based on deep understanding of the real estate business and its specifics.

- Limited Scope Reviews - To companies that report to parent company or regulatory institutions on monthly, quarterly, half or yearly basis or where the limited assurance is sufficient for the parent company Deloitte offers limited scope review.
- Agreed upon procedures - Our term performs services such as:
 - Compliance with regulations
 - Advice on controls and processing system weaknesses
 - Confirmation of accounting treatments with respect to complex transactions
 - Monitoring of prospective accounting and regulatory changes
 - Independent review of externally reported information
- Transaction opening/closing audits aimed at ultimate purchase price establishment and dispute resolutions in real estate acquisitions.
- Assistance in Initial Public Offering and restructuring.
- Liquidations

Our Value Added

Successful track record. Deloitte has successfully performed a large number of audits and is recognized as one of the most growing auditor of real estate companies. Our international audit approach is applied consistently around the world, while providing the flexibility to serve the unique circumstances of our real estate clients.

Experienced team. Our real estate specialists offer outstanding expertise that has been gained through various real-estate transactions in Central Europe. Our deep understanding of regulation and legislation means we can also help with complex reporting issues involving Sarbanes-Oxley and International Financial Reporting Standards (IFRS).

Our Expertise – Examples

- Real Estate Funds
- Developers
- Construction Companies
- Facility Management Companies
- Home Builders
- Property Owners

Our Team

Diana Rádĭ Rogerová

Partner, Czech Republic

Tel.: +420 246 042 572

Email: drogerova@deloitteCE.com

Sylvia Peneva

Partner, Bulgaria

Tel.: +359 2 80 23 300

Email: speneva@deloitteCE.com

Zuzana Letková

Partner, Slovakia

Tel.: +421 (2) 582 49 210

Email: zletkova@deloitteCE.com

Farrukh Khan

Partner, Romania

Tel.: +40 (21) 2075 213

Email: farrukhan@deloitteCE.com

Radoslaw Kuboszek

Partner, Poland

Tel.: +48 (22) 5110761

Email: rkuboszek@deloitteCE.com

Tamas Horvath

Partner, Hungary

Tel.: +36 (1) 428-6852

Email: thorvath@deloitteCE.com

Veiko Hintsov

Partner, Estonia

Tel.: +372 640 65 12

Email: vhintsov@deloitteCE.com

Yuri Sidorovich

Partner, Slovenia

Tel.: +386 (1) 307 29 99

Email: ysidorovich@deloitteCE.com



Capital Raising

The financing of a RE developer and/or RE project is a challenging task requiring an ever increasing level of expertise and experience.

Our Services

The design of an optimal capital structure taking into consideration the clients objectives.

The preparation of a business plan, financial model and any necessary further documentation/presentations for the purpose of raising capital, through equity and/or debt.

Reviewing and assessing various equity raising alternatives including assisting the client in negotiating optimal terms and achieving an efficient close.

Advice in terms of debt optimisation, specifically:

- Assisting in defining the debt carrying capacity both for existing assets and for new build opportunities;
- Review and assessing various lending alternatives;

- Assisting the client in approaching potential lenders and creating a competitive bidding platform; and
- Assisting the client in negotiating optimal terms and achieving an efficient financial close.

Our Value Added

We are independent - Deloitte is independent and our service offering is geared towards optimising the capital structure (equity and debt) for our clients.

A successful track record - Deloitte has advised on a number of successful deals in Central Europe and is recognized as one of the most active real estate capital raising houses in the region.

Experienced team - Our real estate specialists offer unrivalled capital raising expertise that has been gained through various real estate transactions in Central Europe and elsewhere.

Relationships with potential financiers

- We have deep and long-standing relationships with many potential financiers (equity and debt) through our personal contacts and through our regional and global network.

Our Team

Kurt Werth

Partner, Central Europe

Tel.: +420 246 042 368

Email: kwerth@deloitteCE.com



Czech Tax Consultancy

Since its entry into the European Union, the real estate sector in the Czech Republic has made great progress. Recently, local and international investors have increased their activities in Prague and other large cities by constructing office buildings, multi-functional shopping malls and logistic parks. As the office market is becoming more and more saturated with each passing year, developers are starting to look for new opportunities in smaller municipalities and rural areas, focusing their attention on residential projects and high-tech logistic centres.

At Deloitte, we have created a team of dedicated real estate specialists who are ready to assist domestic and foreign investors with all issues related to the real estate business. Our aim is to allow investors to maximize the tax efficiency and minimize the tax risks that can arise from investment in real estate in the Czech Republic. Drawing on the industry expertise of a range of professionals, our tax team understands the issues related to construction, ownership and leasing as well as property sales. In this respect, Deloitte delivers comprehensive services to a wide range of property companies and property users.

Our services are always tailored to meet your precise requirements but the areas in which we particularly specialize are summarized below:

- Tax planning in the event of real estate investments, i.e. tax aspects of debt/equity financing, tax efficient financing to minimize interest charges to be capitalized, establishment of tax wise ownership structure, profit optimisation including repatriation strategies, subsequent re-structuring, maximizing corporate income tax losses utilisation.
- Proper tax treatment of infrastructure built by a developer, and optimization of the expenses incurred on various constructions.
- VAT optimization strategies during and after reconstruction, with the objective to recover the maximum amount of input VAT incurred in connection with reconstruction in the shortest possible period of time.
- Tax optimization of real estate portfolios, i.e. assistance with issues connected with the classification of real estate for tax purposes, tax depreciation charges calculations, technical improvements of the

real estate companies' assets, infrastructure, easements and other services connected with real estate business.

Our Services

Acquisition planning - Tax planning of debt/equity financing to achieve minimization of interest charges to be capitalized.

Fit outs - Tax issues related to the fit outs made to leased real estate by tenant, both VAT and corporate tax consequences of termination of lease contracts.

RE infrastructure - Optimization of the expenses incurred on infrastructure to be handed over to municipal authorities.

Preparation/review of contracts - Preparation/review of contracts such as leasing agreements, service agreements with foreign parties and related party transactions, in order to assess whether the maximum corporate deductions are achievable under the contracts as concluded.

Our Team

Tomas Seidl

Partner, Czech Republic
Tel.: +420 246 042 655
Email: tseidl@deloitteCE.com

Miroslav Svoboda

Partner, Czech Republic
Tel.: +420 246 042 924
Email: msvoboda@deloitteCE.com

Andrea Hafoudh

Senior Manager, Czech Republic
Tel.: +420 (2) 246 042 631
Email: ahafoudh@deloitteCE.com

Radka Mašková

Senior Manager, Czech Republic
Tel.: +420 (2) 246 042 752
Email: rmaskova@deloitteCE.com



Enterprise Applications for Real Estate Development & Management

Deloitte combines a vast experience with projects on tax, financial and management consulting for real estate related companies in dozens of countries worldwide with extensive experience with projects on implementation of IT systems – SAP, Oracle, J.D. Edwards and PeopleSoft.

- Return on Enterprise Applications Investment.
- Enterprise Application Implementation & Integration:
 - Solution for Construction
 - Solution for Project Management
 - Solution for Project Budgeting & Costing
 - Solution for Real Estate Management
 - Solution for Real Estate Lease & Sale
- Enterprise Application Audit.

Our Value Added

Unique combination of managerial, business, financial and IT skills from project all around the world enables Deloitte's consultant to understand customers' needs & requirements, identify complexity of required solution and find the best-of -breed enterprise application solution. Deloitte uses the proprietary methodologies such as FastTrack™, IndustryPrint™, which are highly tailored to real estate development, management and construction industry. These methodologies are the excellent value-added tools that Deloitte brings to implementation projects. They incorporate best practices and help guide and speed up project implementation.

Our Team

Filip Endal

Technical Manager, Czech Republic

Tel.: +420 603 218 361

Email: fendal@deloitteCE.com



Euro Advisory Services

The introduction of Euro will be an extremely significant business change for organizations in Central Europe. As we can now learn from the experience of the “1st wave” adopters, it is definite that for organizations the change will have both strategic and operational aspects, with serious impact on the underlying information technology.

Deloitte is actively engaged with institutions in Central Europe who are seeking to leverage our experiences from initial wave of Euro conversions to ensure a successful transfer to using Euro as the base currency. Many companies have turned to Deloitte for support, understanding clearly that the underlying operational and reputation risk is significant as there is unlikely to be a safety-net available.

Our experience indicates that to be truly successful a Euro initiative for an organization should:

- Have a clearly defined Euro strategy.
- Optimize the Euro and discretionary project portfolio so that parallel initiatives can be executed to maximize shareholder value and minimize overall business risk.
- Contain a strong Programme Management function that facilitates the creation of clearly defined goals and Euro design principles, provides communication across the wide group of stakeholders and co-ordinates the execution of this critical initiative.
- Gain access to best practice/ regulatory euro knowledge which is then combined with the organization’s own experienced staff to form highly effective project teams.
- Be aware that the scale of the effort required will challenge the business and technology capabilities in similar manner to a major M&A activity.

Our Services

- Euro impact analysis
- Euro advisory services in different stages of your Euro project lifecycle:
 - Project management processes & controls
 - Planning & Initiation
 - Requirements Definition
 - Design and development
 - Testing
 - Implementation
 - Project Controlling
 - Post Implementation
 - Continuous: Process / Change management
- Euro quality Assurance review

We have developed specific tools to be used in our Euro engagements to reduce project timescale and cost.

Our Team

Marian Hudák

Partner, Slovakia

Tel.: +421 (2) 582 49 211

Email: mhudak@deloitteCE.com

Martin Váross

Senior Manager, Slovakia

Tel.: + 421 (2) 582 49 242

Email: mvaross@deloitteCE.com

Ivo Rozehnal

Senior Manager, Czech Republic

Tel.: + 421 (2) 582 49 358

Email: irozehnal@deloitteCE.com



Fund Structuring

We would welcome the opportunity to analyse the pros and cons of establishing a real estate fund in a number of different countries. Moreover, we would be pleased to examine the advantages and disadvantages of the individual forms of the investment structure from:

- an investor's point of view in order to select such a structure which will attract the required range of investors;
- a tax point of view in order to allow you to select the most suitable solution given the particularities of the investment project and the profile of the investors;
- a legal point of view to ensure that regulatory requirements are properly fulfilled; and
- an accounting point of view to ensure that all accounting aspects are well-known at the beginning.

The advisory services and assistance of Deloitte in connection with the implementation of a fund structure within a company normally includes the following activities:

- Phase I - Analysis of options for the fund structure
 - Tax and accounting and investors analysis of the options for the fund structure in respect of its feasibility, and its advantages and disadvantages of the location of the fund
 - List of pros and cons compared to other locations
 - Assessment of the tax impact of the quotation of the fund on a stock exchange in selected countries or other jurisdiction, and a summary of legal requirements of the quotation on the particular stock exchange
 - Analysis of group consolidation and potential problems with the control of the fund by the respective company which might result from its holding of a minority share
 - Analysis of the most feasible investment vehicles

The output of Phase I should enable companies to choose the most feasible place and type of investment vehicle.

- Phase II - Preparation of a step-by-step plan of the chosen fund structure
 - Preparation of a step-by-step plan
 - Determination of responsibilities of the parties involved in the project
- Phase III - Assistance with the implementation of the chosen fund structure
 - Preparation or review of a prospectus which must be filed with a financial market regulatory body or articles of the investment vehicle (as appropriate for the chosen structure)
 - Coordination with the financial market regulatory body to obtain its authorisation for the investment vehicle
 - Review of the legal documents related to the establishment of the FUND/HOLDING from the tax, accounting, regulatory and risk management perspective

- Preparation and filing of an Advance Tax Clearance letter (if needed)
- Analysis of the current situation (from the point of view of corporate documents, links to third parties, etc.) and a suggestion of necessary changes
- Support in fulfilling publication and registration requirements after the establishment of the FUND/HOLDING
- Cooperation on the fulfilment of tax notification requirements within the establishment of the FUND/HOLDING
- Assistance with the financing structure before and during the transaction
- Assistance with regulatory requirements under local legislation

Our Value Added

We have grown our practice through our commitment to our clients. We demonstrate this through knowledge-sharing, using forums such as our global real estate leadership meetings and our annual real estate conference. In order to better serve our real estate clients we are "hard coding" this know-how by developing several tools and methodologies, which are also being deployed globally so as to always provide our clients with consistent quality.

Our team is multidisciplinary and has industry-specific expertise, which means we can embed experts within our teams to provide clients with the latest best practice, identify issues early, and deliver value. Our clients include many of the leading real estate groups and funds operating internationally. We are trusted in the real estate community which means you will be in good company if you choose Deloitte.

Our firm - We are the most client-focused, industry-specialised, profitable, fastest growing accountancy and professional services firm in the industry. Our relentless pursuit of the highest

quality in our professional work and our passion for client focus and service remain the cornerstones of our success.

Our industry expertise - We are the leading firm of advisors to the real estate industry in Europe.

Our team - We foster a collaborative and partnership culture where talented individuals can produce their best work. Our style is to be direct, open and forthright. But we also listen to our clients and respond accordingly. Our open structure with tight lines of communication means you have direct access to all team members.

Global experience - Deloitte's global structure includes industry groups specialized in problem solving for different areas of a client's activity. When faced with a specific problem, we can always rely on the expertise of our colleagues around the world.

Our Team

Diana Rádl Rogerová

Partner, Czech Republic
Tel.: +420 246 042 572
Email: drogerova@deloitteCE.com

Garret Byrne

Partner, Czech Republic
Tel.: +420 246 042 339
Email: gbyrne@deloitteCE.com

Tomas Seidl

Partner, Czech Republic
Tel.: +420 246 042 655
Email: tseidl@deloitteCE.com

Miroslav Svoboda

Partner, Czech Republic
Tel.: +420 246 042 924
Email: msvoboda@deloitteCE.com

Stephen Gawronski

Partner, Slovakia
Tel.: +421 (2) 582 49 167
Email: sgawronski@deloitteCE.com

Capocci David

Partner, Luxembourg
Tel: +352 451 452 437
Email: dcapocci@deloitte.lu

Paul Meulenberg

Partner, Netherlands
Tel.: +31 (20) 582 5060
Email:pmeulenberg@deloitte.nl

Jean-Paul Loozen

Partner, Belgium
Tel.: +32 2 639 4940
Email:jloozen@deloitte.com

David Brown

Partner, United Kingdom
Tel.: +44 (20) 7007 2954
Email:debrown@deloitte.co.uk

Laure Silvestre-Siaz

Partner, France
Tel.: +33 (1) 5561 2171
Email: lsilvestresiaz@deloitte.fr

Hedging strategies

We understand that very often companies receive long-term floating credit or loans denominated in one currency that are used to finance project developments or business operations. In addition, we are aware that these same companies have and will have regular cash-flow from leases and rentals or from project sales and that this cash-flow is normally denominated in the same currency since the repayments of the credit or loans follow the income from the leases and rentals. On the CEE market, however, the standard practice is that loans are denominated in euros even though most expenses connected with project developments and business operations are denominated in local currency.

Situations such as this lead to an open foreign exchange and interest rate position, which needs to be properly managed. The application of effective market risk management is a prerequisite for reducing profit volatility and, subsequently, increasing value for shareholders.

High volatility in FX markets exposes companies to numerous questions on how to measure and manage market risk

and how to select an appropriate hedging strategy that would optimise the value of the foreign currency inflows or enable the budgeted results to be achieved.

Deloitte offers a number of solutions that can be applied independent of one another or combined with the goal to improve market risk management.

- We can help management to identify and quantify their company's exposure to key market risks.
- We can review existing and alternative hedging strategies in the context of daily practice in the industry. We are able to determine the effect of negative movements and identify strategies and volume needed to minimise undesirable price risks. At the same time we are able to achieve optimal accounting treatment for hedging transactions.
- We conduct an independent valuation of derivatives in the company portfolio and provide advisory services concerning mark to market and fair value measurement methodologies.

Our Value Added

These services will enable your company to profit from better risk analysis, reporting, management of operating results, and compliance with accounting standards.

Companies that require higher returns will benefit from the support and confidence provided by effective risk management tools.

These services lead to higher confidence when reporting profits and losses from financial instruments.

These services will enable the company's management to trust and clearly obtain a defined approach to risk modelling and risk assessment.

Using appropriate risk management tools, which leads to optimal accounting treatment, will reduce the volatility of your company's net profit.

In today's climate where we see a concurrent decrease of the corporate income tax rate and the appreciation of local currencies against the euro,

the application of appropriate accounting treatment may lead to tax savings.

Our Expertise – Examples

- Real Estate Funds
- Developers
- Construction Companies
- Facility Management Companies
- Home Builders
- Property Owners

Our Team

Diana Rádl Rogerová
Partner, Czech Republic
Tel.: +420 246 042 572
Email: drogerova@deloitteCE.com

David Jurčík
Director, Czech Republic
Tel.: +420 246 042 485
Email: djurcik@deloitteCE.com

David Ondroušek
Senior Manager, Czech Republic
Tel.: +420 246 042 856
Email: dondrousek@deloitteCE.com

IFRS

During the last few months the term “IFRS” has dramatically increased in use throughout Central Europe. Since 2005 IFRS (International Financial Reporting Standards) have become obligatory for companies listed on European Union regulated markets and since the number of listed companies operating in the area of real estate is increasing, knowledge of IFRS is becoming more and more important.

Some of the key business issues that will need to be addressed if implementation is to be successful are outlined below:

Treasury Management

Certain financing and hedging policies will no longer achieve the desired accounting effect and will instead create volatility in reported profits. The challenge will be to find good economic strategies that will produce the right accounting treatment.

Distributions

Distributable reserves will change; hence the current dividend policy may no longer be sustainable. Such a change in policy will directly impact the share price.

Debt Covenants and Financing

Where debt covenants do not provide for changes in accounting regulations, changes to the balance sheet may cause these covenants to be breached, which will impact the company’s ability to ensure the continuity of financing arrangements. Financing strategies may no longer achieve the desired accounting effect.

Management Compensation

Changes may cause share option performance targets to be met immediately, even when the underlying performance has not changed. Alternatively, share options and other incentive plans could become unachievable. Any adjustment to a director’s remuneration scheme is a sensitive issue; thus, it is essential to carefully manage investor relations.

Product Development

The accounting outcome for some revenue generating activities under IFRS will be very different. With certain financial products the business objective will no longer be achievable under the new treatment and the product may need to be abandoned. Conversely, new business opportunities may arise from the new treatment.

Management Information

Forecasts and internal performance measurements will no longer be comparable with the results reported in the statutory accounts. Increased volatility of earnings, e.g. through fair value adjustments, will make forecasting more difficult. Also, internal performance measurements will have to be structured in a way that avoids penalties for fluctuations outside the direct control of management. Subsidiary companies are likely to experience changes in group reporting schedules.

Our Value Added

To deal with the transition from local accounting standards to IFRS successfully, we suggest taking the following steps:

- Identify the relevant International Financial Reporting Standards applicable to your company.
- Train staff that will gather data.
- Convert financial statements into a format compliant with IFRS, which involves:
 - Defining the format of the financial statements - balance sheet, income statement, statement of changes in equity and cash flow statement;

- Calculating required adjustments to the collected data - adjustments can be reflected in the financial statements within the relevant accounting software or outside the system.
- Perform internal quality controls.
- Gain approval of the financial statements by management.

Deloitte can assist in the transition to IFRS in each stage listed above.

Our Team

Martin Tesař

Partner, Czech Republic
Tel.: + 420 246 042 525
Email: mtesar@deloitteCE.com

Wolda Grant

Partner, Central Europe
Tel.: +421 (2) 582 49 184
Email: wogrant@deloitteCE.com

Tamas Horvath

Partner, Hungary
Tel.: +36 (1) 428 68 52
Email: thorvath@deloitteCE.com

Zbigniew Adamkiewicz

Partner, Poland
Tel.: +48 (22) 511 09 31
Email: zadamkiewicz@deloitteCE.com

Yuri Sidorovich

Partner, Slovenia
Tel.: +386 (1) 307 29 99
Email: ysidorovich@deloitteCE.com

Natalia Cierna

Director, Romania
Tel.: +40 (21) 2075 493
Email: ncierna@deloitteCE.com

Independent Business Review

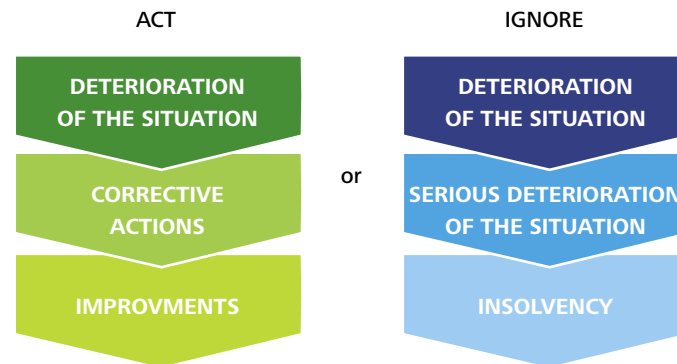
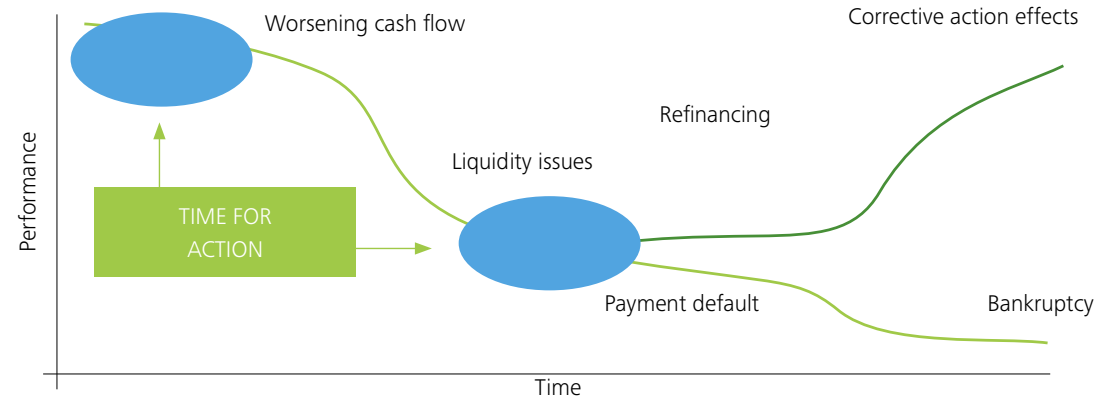
Are you prepared to overcome hard times?

Due to the current financial market situation there will be an increasing number of companies facing financing issues as well as more serious issues such as going concern problems. One of the main drivers for these issues will be the liquidity of the company. Liquidity issues will often require obtaining new financing or restructuring the current financing. But banks and other financial providers are less willing to provide additional resources and have tightened conditions for such a financing. They seek credible counterparties who are able to provide them with reliable information.

How to survive difficulties?

Do not ignore them and take corrective action. Ignoring initial problems and slight deterioration of results can only lead to significant worsening of the situation.

A company in trouble requiring refinancing or additional financing should focus on the following: reliable information, feasible plans, careful cash flow planning and monitoring, optimisation of collateral, analysis of current strategy and current results. The reliability of information provided to banks can be increased further if a third, independent party is involved. Therefore, we have developed our product – Independent Business Review.



Our Services

The Independent Business Review is an independent review using the experience, knowledge and capacity of our professional firm and is focused on companies requiring additional financing or refinancing. The aim is to increase the reliability of the company's data and help to improve the effectiveness of cash flow management, collateral, strategy and cost cutting.

The Independent Business Review consists of the following phases:

1. Understanding the Client

- Review of vision, strategy, history and structure
- Basic SWOT analyses

2. Market

- Current market situation and potential
- Benchmarking

3. Financial Analyses

- Profitability
- Income and expenses review

4. Planning and Budgeting

- Review of plans
- Plan to actual comparison
- Feasibility of plans

5. Cash Flow Analyses

- Detail CF review
- Preparation of CF projection
- CF monitoring

6. Cash Flow Testing

- Sensitivity analyses
- Identification of CF strengths and weaknesses
- Efficiency improvements

7. Collateral Analyses

- Collateral review
- Legal structure review
- Identification of collateral improvements

However, each Independent Business Review is an individually tailored operation focused on the most important needs of the client.

Our Experience

We are one of the first firms on the regional market offering this type of service. We have significant experience with successful Independent Business Reviews performed in Western Europe, mainly the UK and Spain, and are currently involved in extending this service to companies in Central Europe.

Our Team

Diana RádĹ Rogerov

Partner, Czech Republic
Tel.: +420 246 042 572
Email: drogerova@deloitteCE.com

Bronislav Pnek

Partner, Czech Republic
Tel.: +420 246 042 264
Email: bpanek@deloitteCE.com

Martin Suřil

Assistant Director, Czech Republic
Tel.: +420 246 042 506
Email: msuřil@deloitteCE.com

Information System Strategy

Elaborating an information system strategy is essential if the demands placed on the information system diverge significantly from its functional possibilities.

The IS strategy contains the foundation for setting IS direction and priorities (IS Strategic Plan), prioritizing and approving projects, establishing sponsorship and responsibilities for project success, monitoring performance against plan, and resetting direction as necessary. It addresses all strategic planning elements including market and geography, business strategic and operational intentions or needs, operations structure, information access, all levels of technology, and requirements from IT organization, processes or resources. Elaborating an information system strategy gives company's management an objective view of how the information system should be introduced, developed and operated in the company.

The information system must provide the greatest level of support in those areas where it is of most benefit to the company. If the present or anticipated demands on the information system diverge significantly from its functional possibilities,

the elaboration of an information system strategy is a precondition for a successful solution.

The main reasons for developing an information system strategy are to assure that:

- The information system will be designed so that it supports those areas which are most important for the company's business.
- There will be realistic plans for the development of the information system, with estimated costs, benefits and a time schedule.
- The company will sustain the competitive advantage through usage of IS, especially in the age of internet.

The major benefits of setting out an information system strategy are:

- Clearly formulated company's objectives for information technologies that link together information technologies and business objectives.
- Funds and sources only released for projects which are truly needed, those which contribute to strategic targets.

- The planning process stipulates priorities, links and procedures for all sub-projects in relation to the resources available. In addition to that, projects are described so that they can serve as the basis for tendering for the selection and implementation of the information system.
- Design of the information system architecture is the basis for qualified planning and development of the information system as well as for a transparent and proper documented information system.
- The shareholder value of the company can increase.

Our approach to IT strategy and planning reflects a new breed of thought about the role and value of information and technology in business today. It helps organizations to assess their IT capabilities, reset the role and direction of IT, and improve IT alignment and business contribution.

Our Team

Maciej Wisniewski

Partner, Poland

Tel.: +48 (22) 511 0625

Email: mawisniewski@deloitteCE.com

Bronislav Pánek

Partner, Czech Republic

Tel.: +420 246 042 264

Email: bpanek@deloitteCE.com

Vladimír Vlachovský

Partner, Czech Republic

Tel.: +420 246 042 218

Email: vvlachovsky@deloitteCE.com



M&A Advisory Services

Our Real Estate M&A Advisory Services group focuses exclusively on delivering innovative ideas, customised solutions and financial advisory services to our local or international clients.

The Deloitte Real Estate M&A Advisory Services group provides advisory services ranging from strategic idea development to the execution of transactions, but specifically focuses on:

- Sales & Divestitures
- Acquisitions
- Spin-offs
- Mergers
- Joint Ventures

Our Value Added

We are independent - Deloitte is independent and our service offering is geared towards maximising shareholder value for our clients.

A successful track record - Deloitte has advised on a number of successful deals in Central Europe and is recognized as one of the most active M&A houses in the region.

Experienced team - Our real estate specialists offer unrivalled expertise that has been gained through various real estate transactions in Central Europe and elsewhere.

Our commitment - We have unrivalled record of delivering on our commitments – we are responsive, adhere to deadlines and provide real time solutions catered to your needs.

Our Team

Kurt Werth

Partner, Central Europe
Tel.: +420 246 042 368
Email: kwerth@deloitteCE.com

Gavin Hill

Partner, Poland
Tel.: +48 (22) 511 0786
Email: gahill@deloitteCE.com

Vladimir Poznanic

Chairman, Serbia and Montenegro
Tel.: +381 (11) 3613457
Email: vpoznanic@deloitteCE.com

Hein van Dam

Partner, Romania
Tel.: +40 (21) 2075 230
Email: hvandam@deloitteCE.com

Balazs Csuros

Director, Hungary
Tel.: +36 (1) 428 6935
Email: bcsuros@deloitteCE.com

Vladimir Milosevic

Partner, Croatia and Slovenia
Tel.: +385 (1) 2351 934
Email: vmilosevic@deloitteCE.com

M&A and International Tax Structuring

Local and international developers are investing across borders to take advantage of the growing real estate market.

But even if the investment is not tax motivated, the return on the investment is always determined by tax burden which is borne by the operations or repatriation of cash back to the investors. Especially in cross-border situations, the appropriate tax structure planning could prove essential for the investment decision.

Our M&A and International Tax specialists will assist you to develop the most efficient tax and corporate structures for making the investment or restructuring of your existing investment vehicles in order to maximise distributable funds or to prepare you for an exit. In all cases, our advice is focused on the primary objective to get maximum tax relief available on costs relating to the investment and financing, to minimize withholding and other taxes on repatriation of interests, dividends or principal amounts and to allow tax free exit from the structure in the way of the sale, IPO or refinancing of the investment.

Through its wide network, Deloitte is able to deliver multi-jurisdictional tax structuring services and to find and recommend suitable and most practical solutions developed by our experts worldwide, not being limited to the expertise and possibilities of one country or jurisdiction.

In short, Deloitte assists you and guides you through:

- Design of an acquisition structure for either asset or share deals;
- Domicile of the acquisition vehicle, holding or financing vehicles if appropriate for the structure;
- Analysis and design of the funds flow from investors to the acquisition vehicle;
- Post-acquisition restructuring and steps necessary for obtaining tax relief or benefits envisaged by the structure; and
- Implementation of the structure and post-acquisition steps.

Our Services

Acquisition structuring - Development of the acquisition structures for RE projects including off-shore, Luxembourg holding companies and local acquisition vehicles.

IPO exit support - Tax analysis and structuring of inter-company relationships in connection with IPO exit.

Partial exit from RE projects - Reorganizations via a de-merger allowing tax free disposal of shares for partial exit from the development project.

Fund and holding structures - Development of fund and holding structures for RE investments including tax strategies for exit or long-term holding.

Our Team

Miroslav Svoboda

Partner, Czech Republic

Tel.: +420 246 042 924

Email: msvoboda@deloitteCE.com

Steve Gawronski

Partner, Slovakia

Tel.: +421 (2) 582 49 167

Email: sgawronski@deloitteCE.com

Krzysztof Moczulski

Partner, Poland

Tel.: +48 (22) 511 0504

Email: kmoczulski@deloitteCE.com

Attila Kovesdy

Partner, Hungary

Tel.: +36 (1) 428 6728

Email: akovesdy@deloitteCE.com



M&A Transaction Services

We assist you during a real estate transaction through the provision of Due Diligence Services, consisting of the financial, tax and operational investigation of a business or venture. These due diligences are generally regarded as an essential part of the process of making an investment or financing decision.

The Deloitte M&A-Transaction Services team specialises in helping investors to achieve the best value out of a real estate transaction: Both the investigation and the report will be tailored to meet your needs and with our help, you will obtain an in-depth understanding of the real estate asset of the target, key items to consider for the determination of its value for your purpose, the key risk areas to consider, and the quality of the real estate assets. In particular, our due diligences usually strongly focuses on the quality of the real estate assets through a thorough review of the profitability (i.e. yield) of the cash generating asset.

In addition to the above, Deloitte provides advice on the transaction structuring from a financial, tax and legal perspective, as well as in other areas you may require.

Deloitte also can advise you in the post transaction completion period, supporting better utilisation of the opportunities offered by your new acquisition.

Our Value Added

Our real estate due diligence team includes a balanced mix of professionals, experts in transaction support, real estate specialists, experts in local accounting, tax and legal matters.

Our report will assist you to substantiate your investment decision, and assist you identifying and negotiating the best terms and condition of the transaction.

In particular, our report would encompass matters such as:

- Review of the lease conditions, quality of tenants and related receivable, and analysis of property service charges;
- Construction and development costs and review of projected cash flows of projects under developments, past revaluations, capitalisation and amortisation;
- Debt structure of the target company and analysis of the existing financing terms and conditions; and

- Quality of earnings, normalisation of income and expenses and key performance indicators such as occupancy rates, rents and yields.

Unrivalled track record of delivering on our commitments; quick responsiveness, adherence to tight deadlines, and real-time solutions tailored to your needs.

Our Expertise – Examples

- Real Estate Funds
- Developers
- Construction Companies
- Facility Management Companies
- Home Builders
- Property Owners
- Real Estate Consultancy and Valuation

Our Team

Garret Byrne

Partner, Czech Republic
Tel.: +420 246 042 339
Email gbyrne@deloitteCE.com

Gavin Hill

Partner, Poland
Tel.: +48 (22) 511 0786
Email gahill@deloitteCE.com

Vladimir Poznanic

Partner, Serbia
Tel.: +381 (11) 3613457
Email vpoznanic@deloitteCE.com

Hein van Dam

Partner, Romania
Tel.: +40 (21) 2075 230
Email hvandam@deloitteCE.com

Balazs Csuros

Director, Hungary
Tel.: +36 (1) 428 6935
Email bcsuros@deloitteCE.com

Vladimir Milosevic

Charmain, Croatia - Slovenia
Tel.: +385 (1) 2351 934
Email vmilosevic@deloitteCE.com

Manage performance of the Real Estate project portfolio

Many real estate companies continue to struggle with gaining insights and decision making information about their real estate project portfolios to be able to respond to challenges in a changing economic environment. Often, these organisations:

- Rely on the month-end close process, lagging financial indicators, and shadow reporting systems that lack sufficient insight to the business;
- Treat planning and budgeting as an annual and strictly financial exercise, handicapping their ability to respond to sudden shifts in the marketplace;
- Lack a consistent process to translate corporate strategy into operational objectives and then measure whether the strategy was successfully executed; and
- Tie incentive compensation to the annual plan despite a significant portion of shareholder value created by multi-year investments.

To remain their portfolios competitive and profitable, companies must align, integrate, and streamline each of its core management activities. Our framework for Integrated Performance Management (IPM), which we use, consists of three primary components: Organizational Alignment and Accountability; Planning, Budgeting and Forecasting; and Reporting and Performance Management.

Integrated Performance Management (IPM) introduces a new way to integrate planning with a comprehensive management framework.

It links strategic plan to budget and forecast, plans remain relevant, aligned with changing environment; gains support and commitment from all functions and key personnel; links compensations to budget performance and forecast accuracy; and creates link between budget, forecast and performance management.



Our Team

Bronislav Pánek

Partner, Czech Republic
Tel.: +420 246 042 264
Email: bpanek@deloitteCE.com

Krzysztof Pniewski

Partner, Poland
Tel.: +48 (22) 511 0609
Email: kpniewski@deloitteCE.com

Slavomír Muturi

Partner, Bulgaria, Romania
Tel.: +40 (21) 2075 622
Email: smuturi@deloitteCE.com

Marek Kouřil

Senior Manager, Czech Republic
Tel.: +420 246 042 804
Email: mkouril@deloitteCE.com

Jaroslav Beneš

Senior Manager, Czech Republic
Tel.: +420 246 042 346
Email: jbenes@deloitteCE.com

Optimising Real Estate Administration and Maintenance

Are your real estate administration and maintenance expenses in compliance with the best practice in the field?

Do you have a strategy for administration and maintenance of real estate?

Do you have enough qualified human resources for real estate administration and maintenance?

Are your IS/ICT tools set to automate routine activities?

Current Challenges for Real Estate Owners

Costs related to property administration and maintenance represent a significant item within corporate budgets. Proper setting of management and control mechanisms can facilitate significant savings. Given that costs of energy and other media keep growing and a change in this trend cannot be expected in the future, the initiative to decrease costs and optimise future consumption in the investment decision-making phase (selection of suitable materials and technologies – the TCO concept) is becoming more important.

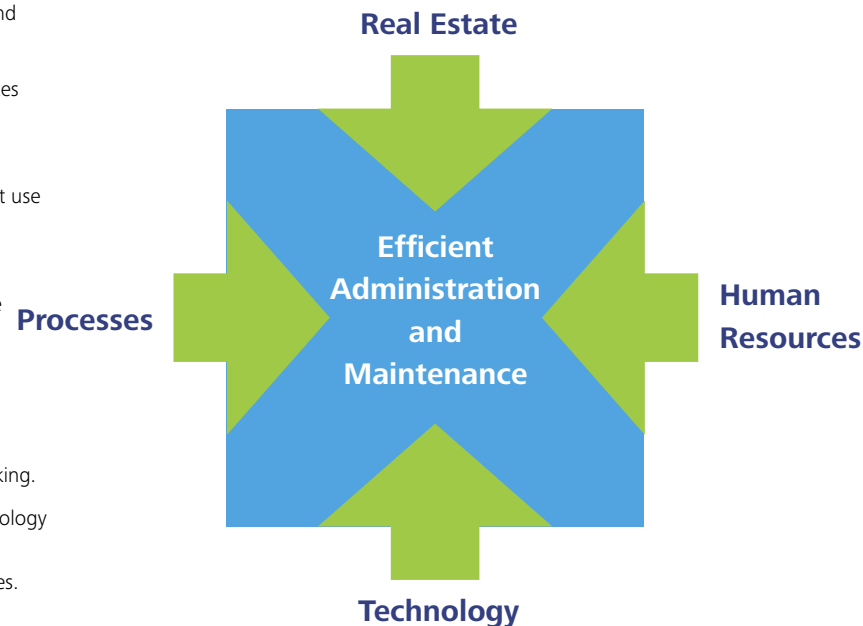
Deficiencies in the Area of Real Estate Administration and Management

- Lack of a strategy for real estate administration and management.
- Lack of a concept for cost indicators.
- Insufficient documentation to provide a unified and detailed overview of the managed real estate portfolio (information retrieval).
- Non-compliance of the guidelines and the methodology with practice and branch standards.
- High costs of maintenance, services and media consumption.
- Insufficient administration and maintenance resources, inefficient use of the given resources.
- Missing IS/ICT tools for Property Management focusing on routine activities automation, insufficient integration into ERP.

Our Services

- Crash analysis, branch benchmarking.
- Proposing a strategy and methodology for real estate administration and maintenance, proposing guidelines.

- Optimising operating costs: media consumption, services consumption (inspection of service contracts, supplier selection procedures, outsourcing/ insourcing strategies in the area of Facility Management).
- Proposing an optimum organisational structure, technology and processes for real estate administration and maintenance.
- The "intelligent buildings" concept.
- Supporting IS/ICT for real estate administration and maintenance in the area of product identification, identification of the IS/ICT critical functionality, facilitating and assisting selection procedures, and project management upon implementation.



Our Team

Bronislav Panek

Partner, Czech Republic

Tel.: +420 737 235 509

Email: bpanek@deloitteCE.com

Michael Kralert

Senior Manager, Czech Republic

Tel.: +420 737 235 504

Email: mkralert@deloitteCE.com

Filip Endal

Technical Manager, Czech Republic

Tel.: +420 603 218 361

Email: fendal@deloitteCE.com

Optimising Real Estate Financial Management

Are you using your real estate efficiently?

Do you keep track of your immovable assets and the related expenses?

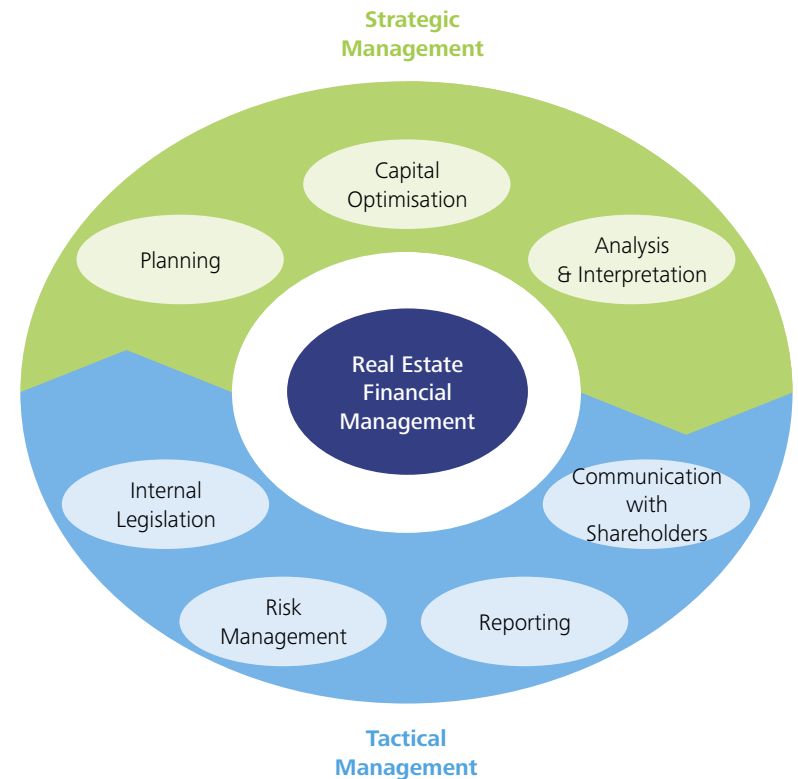
Can you take advantage of the opportunity presented by the development of your immovable assets portfolio?

Current Challenges for Real Estate Owners

Immovable assets represent one of the most significant assets in corporate accounting. Their correct recognition in accounting, amortisation and allocation of costs facilitate the efficient financial management of the immovable assets portfolio. Financial managers are challenged to increase the efficiency of the fixed capital bound to the immovable assets portfolio and efficiently manage investment opportunities/projects (e.g. development, re-development, increasing standards), which consequently leads to increasing the value for corporate owners.

Deficiencies in the Area of Real Estate Financial Management

- Incorrect allocation of costs and errors in accounting for buildings.
- Incorrect/inaccurate recognition of assets in accounting.
- Difficulties in reviewing of costs in the course of a project.
- Using a large volume of asset classes.
- Different inventory of assets in different localities/sections.
- Incomplete data, duplicate documentation.
- High rate of manual preparation and data manipulation, non-reliability of data/reports, high error rate.
- Low IS/ICT use, using inadequate IS/ICT solutions which do not cover the project controlling functionality.
- Difficult identification of depreciated assets.
- Insufficient cash flow management.
- Lack of monitoring of critical contract deadlines.
- High taxation costs.
- Insufficient leveraging (optimum use of foreign and own resources).
- Unfamiliarity with/non-usage of resources from funds and subsidies.
- Reactive financial management.



Our Services

- Creating a trustworthy and updated information basis to decrease costs and increase the activities' efficiency, identifying weak points and wastefulness, eliminating information redundancy.
- Creating a well-arranged system of reporting.
- Transparent project costs management (identification of the causes of incurring costs), correct allocation of costs to projects.
- Creating a basis for measuring the operating and economic efficiency of projects, perceiving efficiency indicators in causal circumstances.
- Creating a link between efficiency indicators (financial and non-financial) and the remuneration system, increasing the personal responsibility of all employees involved for the whole project portfolio.
- Identifying and managing key value generators, analysing activities with regard to the added value.
- Increasing the efficiency of planning, eliminating reactive financial management, predicting the cash flow project development, and considering the real estate market development and demand.
- Increasing the accuracy of calculations; accurate data for the determination of project budgets in the opportunities selection phase.
- Identifying the causes of deviations from the planned development, adequate response, and eliminating contract risks.
- Use and development of experience acquired in the course of preceding projects.

Our Team

Bronislav Pánek

Partner, Czech Republic

Tel.: +420 737 235 509

Email: bpanek@deloitteCE.com

Michael Kralert

Senior Manager, Czech Republic

Tel.: +420 737 235 504

Email: mkralert@deloitteCE.com

Filip Endal

Technical Manager, Czech Republic

Tel.: +420 603 218 361

Email: fendal@deloitteCE.com

Optimising Real Estate Occupancy

Do you feel the need to increase the efficiency of your existing real estate occupancy?

How much space do you really need? What about its type and costs?

Is the ratio of used space per employee in compliance with best practice?

Does your real estate utilisation and disposition solution support the required process as well as a functional organisation?

Current Challenges for Real Estate Owners

The impulse to decrease operating costs leads many companies to review their own space standards of real estate through comparing common market practice with individual branch standards. Having suitable real estate standards and a matching disposition solution can impact the formation of an optimum working environment, as well as the implementation of organisational measures and control mechanisms.

Deficiencies in the Area of Real Estate Utilisation

- Increasing corporate value often fails to be in compliance with established real estate utilisation standards;

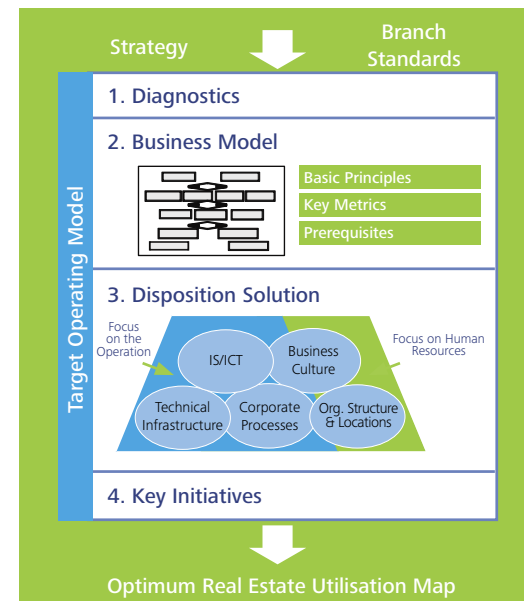
the premises are not presentable and perceived to be such by both clients and employees.

- Failed attempts at the optimum usage of the complete real estate portfolio and elimination of empty or unused premises.
- A working environment of poor quality may demotivate employees and decrease employee efficiency.
- The operations are often spread over multiple locations.
- Ecological initiatives such as low-energy operations and the development of green space are difficult to realise.
- Real estate utilisation often fails to be in compliance with the implemented organisational and operating changes.
- The company has a disposition solution that does not allow the implementation of efficient management and elimination of some forms of non-standard employee behaviour (Fraud Risks); it can also represent an obstacle for required changes in the organisational culture and the method of work.

Our Services

- Identification and monitoring of the real estate occupancy, and a comparison with common market practice (benchmarking).
- Space planning and rationalisation – rationalisation and optimisation of the use of space in accordance with corporate organisational changes and operations efficiency.

- Integrating operations and activities.
- Proposing real estate standards including a sustainable development initiative.
- Proposing a corporate outsourcing strategy such as identifying services (e.g. back-office) which can be easily outsourced, such as canteen, archives, bookkeeping sections, etc.



Our Team

Bronislav Pánek

Partner, Czech Republic
Tel.: +420 737 235 509
Email: bpanek@deloitteCE.com

Michael Kralert

Senior Manager, Czech Republic
Tel.: +420 737 235 504
Email: mkralert@deloitteCE.com

Filip Endal

Technical Manager, Czech Republic
Tel.: +420 603 218 361
Email: fendal@deloitteCE.com

Juraj Páleš

Manager, Slovakia
Tel.: +421 918 642 216
Email: jpales@deloitteCE.com



Optimising Real Estate Portfolios of Financial Institutions

Do you have sufficient knowledge of your real estate and its efficiency? How much space do you really need? What type of space is it and what about the costs? Where do you need your real estate? Does the location of your real estate support the strategic goals of your company?

The current turbulent times and the related economic situation significantly impact banks and other financial institutions management. The banking sector is currently undergoing a phase of consolidation of financial assets and it keeps searching for ways to further decrease operating costs in the future. Real estate holding (ownership or lease) and administration create material costs for financial institutions, i.e. represent 7.5-10 percent of operating costs. Real estate owned by banks represents additional assets from which additional financial funds can be acquired through sale or leases.

Current Challenges for Financial Institutions in the Area of Real Estate Portfolio Optimisation

- Real estate does not represent the banks' key assets. This is why real

estate owned by banks is being sold. The trend is to use leased premises more efficiently.

- A significant portion of premises used by financial institutions are situated in the A zone of metropolitan areas and cities. But placing the headquarters and main branches of the bank in the centre of the metropolis is not a comparative advantage.
- The location of the branches' real estate can significantly influence the efficiency of the bank's distribution network.
- Modern communication means used within internal processes allow the transfer of back-office banking activities to locations with a lower cost gradient of real estate leasing and administration, or lower payroll costs and better accessibility to labour.
- Premises of financial institutions located in historical buildings are often suitable only for performing a limited number of business activities. They require higher operating and administration costs and fail to fulfil workplace quality requirements. Restructuring and modernisation of

these premises is complicated with regard to the preservation of historical buildings. The mentioned aspects often cause decreases in saleability, i.e. lower productivity.

Deficiencies in Optimising the Real Estate Portfolios of Financial Institutions

- Real estate ownership does not have to be the best solution for financial institutions.
- Lack of/insufficient portfolio performance metrics.
- Lack of an awareness of market possibilities and comparison with the competition.
- Insufficient use of the portfolio, empty or unsuitably used premises.
- Low workplace quality, insufficient representativeness, high investment costs for increasing standards.
- Lack of the portfolio's compliance with the implemented technical, organisational and operating changes.
- Geographical distribution of the branch network not aligned with the bank's established business model.

Our Services

- Providing a comprehensive summary of the current state of the real estate portfolio utilisation.
- Realising internal and external market benchmarking of the real estate portfolio.
- Proposing and recommending a set of improvements regarding the possibilities of real estate sales, leases, development and purchases.
- Assessment of a preferred alternative for qualified decision-making.
- Preparing a detailed implementation plan for the selected optimisation alternative.

Our Value Added

- Saving operating costs related to real estate and Facility Management services by 10-20 percent.
- Using the market potential of the real estate portfolio.
- Determining required and inefficiently used capacities.
- Determining the real estate prepared for sale or leasing.

- Selecting an optimum scenario for further immovable assets management on the basis of a multi-criterion assessment, in compliance with the bank's business strategy.
- Defining standards for selected types of real estate, improving the working environment.
- More efficient immovable assets management.
- Ensuring flawless implementation of the selected scenario by specialists in the given field.

Project Phases

Phase 1 'As-is' State Analysis and Proposal of Preferred Implementation Scenarios 6 weeks	Phase 2 Detailed Assessment of Preferred Alternatives and the Best Scenario Selection 8 weeks	Phase 3 Implementation Plan and Assistance upon Project Initiation 2 weeks
<ul style="list-style-type: none"> • Providing a detailed summary of the real estate portfolio. • Defining internal and external standards. • Describing and determining priorities of the corporate real estate strategy (CRE). • Assessment of the real estate list and prerequisites classification. • Analyses of operating expenses and Facility Management services. • GAP analyses – capacity, market, and region. • Defining real estate optimisation/long list of development scenarios. • Selecting a short list of preferred scenarios. 	<ul style="list-style-type: none"> • Providing a detailed analysis of preferred optimisation and real estate development scenarios. • Analysis of the real estate holding method (e.g. ownership, sales and leases, securitisation). • Preparing a study of the feasibility of individual preferred scenarios. • Creating a multi-criterion evaluation instrument. • Selection of the most suitable scenario using structured parameters. 	<ul style="list-style-type: none"> • Proposal of an implementation plan. • Defining project management principles. • Assistance in the project team selection. • Introducing efficient project reporting and assessing project efficiency. • Initiating the best scenario implementation.
Outputs	Outputs	Outputs
<ul style="list-style-type: none"> • CRE strategic principles interpretation. • List of available/required space capacities identified on the basis of current standards. • Internal benchmarking report. • An overview of proposed real estate optimisation scenarios. • A short list of real estate optimisation scenarios. 	<ul style="list-style-type: none"> • Detailed proposal of preferred scenarios. • A study of the feasibility of preferred scenarios. • Selection of the most suitable scenario (construction, purchase, lease). 	<ul style="list-style-type: none"> • Implementation plan concerning: <ul style="list-style-type: none"> • Investments and sales plan. • Proposal of an action plan for project implementation. • Requirements for financial and human resources. • Proposal of change management activities (impacts on organisation and operation).

Our Team

Bronislav Pánek
 Partner, Czech Republic
 Tel.: +420 737 235 509
 Email: bpanek@deloitteCE.com

Michael Kralert
 Senior Manager, Czech Republic
 Tel.: +420 737 235 504
 Email: mkralert@deloitteCE.com

Filip Endal
 Technical Manager, Czech Republic
 Tel.: +420 603 218 361
 Email: fendal@deloitteCE.com

David Marek
 Senior Consultant, Czech Republic
 Tel.: +420 737 235 598
 Email: dmarek@deloitteCE.com

Juraj Páleš
 Tel.: +421 918 642 216
 Manager, Slovakia
 Email: jpales@deloitteCE.com

Polish liquidation step-up

Nowadays, as the real estate market cooled off and the prices stabilize, it might be a good moment for the investors to take the opportunity and step up the value of their Polish assets (especially in the light of the strong depreciation of the Polish zloty resulting in the increase of the value of assets for Polish tax and Polish GAAP purposes). Despite the fact that we do not deal anymore with the breathlessly dashing situation on real estate market there is still the place to benefit from the tax planning opportunities.

As one of the most bothering tax issue facing real estate investors should be considered the difference between the property acquisition / construction cost and its actual market value. The income streams generated by the property (either through its sale or operations) are immensely higher than the costs suffered for acquisition or development of RE property. Thus, the taxable revenues exceed allowed tax deductible costs, as generally, only the historical acquisition / construction cost is allowed to be set-off against taxable revenue.

The problem emphasizes in case of property acquired in a share deal, as usually the price paid for the shares

exceeds the tax book value of assets in the acquired company and only the latter value may be used as depreciation basis (or capital gains reduction in case of direct sale of property) to decrease the taxable income. Considering the high values of properties in real estate transactions the CIT burden is usually a significant amount counted often in millions of Euros, thus significant tax leakage on the local level occurs.

However, the discrepancy between the tax book value and the market price may be reduced as the liquidation step-up is possible. The fixed or intangible assets obtained from the liquidation proceeds of a legal entity may be presented in the tax books in their market value. Thus, the depreciation cost basis for operations or capital gains reduction basis for disposals in the company which received assets may be materially increased. Consequently, without incurring cash expenses, this would allow for the acceleration of the depreciation write-offs as well as minimization or elimination of taxable income of the future disposal of the assets

Our Experience

Taking into account our broad experience, Deloitte is ready to provide you with a complex scope of services required to pass smoothly through liquidation step-up process.

Our Team

Dominik Stojek

Director, Poland

Tel.: +48 (22) 511 0854

Email: dstojek@deloitteCE.com

Aleksander Kot

Manager, Poland

Tel.: +48 (22) 511 0421

Email: alkot@deloitteCE.com

Michał Siekierzyński

Manager, Poland

Tel.: +48 (22) 511 0763

Email: msiekierzynski@deloitteCE.com

Polish partnership structure

The most sore tax issue facing real estate investors is the difference between the property acquisition/construction cost and its actual market value. The income streams generated by the property (either through its sale or operations) are immensely higher than the costs suffered for acquisition or development of real estate property. Thus, the taxable revenues exceed allowed tax deductible costs, as generally, only the historical acquisition/construction cost is allowed to be set-off against taxable revenue.

The problem compounds in case of property acquired in a share deal, as usually the price paid for the shares is much higher than the tax book value of assets in the acquired company, and only the latter value may be used as depreciation basis (or capital gains reduction in case of direct sale of property) to decrease the taxable income. Considering the high values of properties in real estate transactions the CIT burden is usually a significant amount counted often in millions of Euro, thus significant tax leakage on the local level occurs. However, Polish tax law allows for several tax optimization solutions which, if applied

correctly, may reduce or eliminate income taxation through increase of cost basis for operations or disposal of property.

Nowadays, one of the most worth considering solutions is application of the partnership structure being the step-up of tax value of the property through contribution in kind of assets. The confirmed practice of tax authorities indicates that through the contribution the tax book value of contributed assets may be established at their market value. Thus, the depreciation cost basis for operations or capital gains reduction basis for disposals may significantly increased, leading to elimination or limitation of taxable income without incurring cash expenses.

Our Experience

Taking into account our broad experience, Deloitte is ready to provide you with a complex scope of services required to pass smoothly through partnership structure implementation process.

Our Team

Dominik Stojek

Director, Poland

Tel.: +48 (22) 511 0854

Email: dstojek@deloitteCE.com

Aleksander Kot

Manager, Poland

Tel.: +48 (22) 511 0421

Email: alkot@deloitteCE.com

Michał Siekierzyński

Manager, Poland

Tel.: +48 (22) 511 0763

Email: msiekierzynski@deloitteCE.com

Polish Real Estate investment fund (REIT)

Recently, a new strategic tax optimisation method is growing in popularity. It is based on establishing and operating through REIT being a "real estate investment fund" allowed under the Act on Investment Funds.

The main advantage of a REIT structure is that, under the Polish CIT Act, any profit achieved by the investment fund is exempt from income tax as long as it is not distributed to the participants. By implementation of the appropriate structure with respect to the cross border legislation, taxation on profit distribution may also be fully or partially excluded or deferred. This is one of the most effective solution available in Poland in terms of reducing the potential tax leakage scenario.

The Polish law foresees three main types of investment funds but for the structure we are detailing herein, the closed-end fund is applicable as the restrictions and regulations are most relaxed for this type of fund and it may remain under the sole control of the investor. Assets can be located directly in "closed investment fund" or a tax transparent partnership subsidiary thereof.

It is worth noting that the establishment of the closed real estate investment fund does not necessarily involve a significant capital injection, since for closed (private) funds which are not publicly available for participation the capital requirements are relaxed in comparison to the publicly quoted funds and the minimum amount of payments to the fund may be defined by the participants in the articles of association of the fund. Thus, even in the case of medium-scaled projects with a modest capital involvement it is possible to receive substantial tax savings resulting from CIT exemption.

Our services

- design of REIT structure with respect to the individual conditions and requirements;
- tax efficient transfer of already existing assets or companies to the REIT structure;
- the work out of tax effective exit scenarios and profit distribution;
- general assistance concerning negotiations with Investment Fund Society and operational establishment of REIT.

Our Team

Dominik Stojek

Director, Poland

Tel.: +48 (22) 511 0854

Email: dstojek@deloitteCE.com

Aleksander Kot

Manager, Poland

Tel.: +48 (22) 511 0421

Email: alkot@deloitteCE.com

Michał Siekierzyński

Manager, Poland

Tel.: +48 (22) 511 0763

Email: msiekierzynski@deloitteCE.com

Property Transactions Financing options

The property funding market has developed significantly over recent years.

We have seen increased demand from investors, primarily institutions, pension funds and private equity houses.

We have been approached by investors for contacts as they continue to Experience difficulty in sourcing high quality assets, and diversify into new markets, particularly Central and Eastern Europe.

The increased demand and lack of assets has driven more flexibility to the market and attractive pricing for owner occupiers looking to restructure their property portfolios.

The main drivers for the occupiers to seek to restructure their real estate portfolio are:

- Release of capital for core business
- Transfer property risk to third party
- Control significant property related costs

Fund under investment in real estate and ccess specialist property expertise

Investors overview:

- Excess capital is flowing into real estate in Europe and globally
- Cross border capital flows are also increasing
- Institutions, who suffered from poor equity performance, are now focusing on:
 - Diversification across asset classes to reduce its volatility
 - Higher income yields providing better match to its liabilities

At Deloitte we are prepared to help you with traditional approaches to financing, like dent financing and Sale&Leaseback, but as well with alternative approaches, with key drivers:

- Raise capital to fund expansion programme/from freehold portfolio
- Concentration on core business
- Provide flexibility
- Increase transparency of costs for shareholders/investors
- Limit rent increases to manage volatility
- Increase financial certainty and transparency
- Simplicity – easy and cheap to achieve

Our Value Added

Our team is multi-disciplinary with industry-specific expertise. This means we can embed experts within our teams to bring you the latest best practice, identify issues early and deliver value. We are trusted in the real estate community.

Our firm - we are the most client focused, industry specialised, profitable, fastest growing accountancy and professional services firm. The relentless pursuit of the highest quality in our professional work and passion for client focus and service remain the cornerstones of our success.

Our industry expertise - we are the leading firm of advisors to the real estate industry in Europe.

Our team - we foster a collaborative and partnership culture where talented individuals can produce their best work. Our style is to be direct, open, forthright and proven. But we also listen to our clients and respond accordingly. Our open structure with tight lines of communication means you have direct access to all team members.

Global experience - Deloitte's global structure includes industry groups specialized in problem solving for different areas of client's activity. When faced with a specific problem, we can always rely on the expertise of our colleagues around the world.

We advise clients on the use, management and costs of their property assets including defining property strategies, identifying business loacations and outsourcing services.

We advise occupiers on the delivery of complex, high value capital projects as well as consulting advice to construction and property companies.

We speciliase in developing and implementing strategies creating value through international capital markets, innovative financial structuring of real estate portfolios and company transactions.

Our Team

Kurt Werth

Partner, Central Europe
Tel.: +420 246 042 368
Email: kwerth@deloitteCE.com

Bronislav Pánek

Partner, Czech Republic
Tel.: +420 246 042 264
Email: bpanek@deloitteCE.com

Tomas Seidl

Partner, Czech Republic
Tel.: +420 246 042 655
Email: tseidl@deloitteCE.com

Andrew Rothery

Partner, UK
Tel.: +44 207 007 1847
Email: arothery@deloitteCE.com



Optimising Real Estate Portfolios for Public Sector

Establishing of optimum real estate portfolio of municipalities and districts is one of the key factors determining overall cost effectiveness. The goal of a real estate portfolio optimisation is to achieve an ideal status under which the real estate is used efficiently and to create value for public – and it can be continuously improved and appreciated based on targeted investments.

Current Challenges Facing Public Real Estate

- Split up asset portfolio and inefficient use of municipal and district real estate operation driven by historically decentralised asset management and limited resources.
- Not setting proper metrics, which would enable real estate portfolio performance to be continuously tracked and subsequently allow timely responses to occurrences.
- Owners currently lacking efficient tools which would help them effectively manage the real estate portfolio which they are in charge of. This deficiency concerns mostly the tools to monitor and measure performance, prioritisation models and it also reflects

in lack of clear criteria decision-making processes, and optimisation tools.

- The impulse to decrease operating costs leads many municipalities and regions to review their own space standards of real estate through comparing common practice with individual improving solutions.
- Having suitable real estate standards and a matching disposition solution can impact the formation of an optimum working environment, as well as the implementation of organisational structure, performance measures and control mechanisms.
- Missing appropriate IT/ICT support.

Services Offering

Module (Scale/Phase) 1: Real estate portfolio analysis and possible solutions of optimisation

- Real estate portfolio Due Diligence, passportisation (inventory) and portfolio catalogue development.
- Monitoring and setting the real estate occupancy, identification of real estate suitability for the actual use, technical conditions and comparison with common market conditions.
- Crash analysis of the current real estate assets including suggestion of applicable solutions concerning optimisation of RE portfolio management (e.g.: central real estate department establishment, sale of obsolete, unused assets, possible long term land developments eventually long lease models or PPPs, etc.).
- Summarization of real estate strategy and mid-term plans development.
- Decision making document including business case to choose final solution for optimisation of real estate portfolio management.

Module (Scale/Phase) 2: Final solution realization regarding optimisation of real estate portfolio management

- Structured project plan and timeline required for application of final solution for RE optimisation.
- Identification of all legal, economic, operational and organizational steps necessary for the final solution implementation/ execution.
- Design and implement reorganization/ centralization plan, reengineering and maintenance changes according to the chosen final solution.
- Design asset and property management workflows including optimal organizational and functional structure, set responsibilities, control mechanisms and proper decision-making processes.
- Space planning and rationalisation – rationalisation and optimisation of the use of space in accordance with public organisational changes and operations efficiency.
- Collective lease contract preparation, rental and service level agreement determination, inter-department agreements and transaction documents

for potential assets transferring and other legal documents required for realization of final solution.

- Overall project management and project governance.

Module (Scale/Phase) 3: Setting tools and standards for real estate portfolio performance management

- Proposing real estate standards including a sustainable development initiative.
- Proposal and implementation of efficient tools for effective management and tracking real estate portfolio performance.
- Setting investment planning, budgeting and controlling mechanisms including investment project financing.
- Operational cost control model and reporting system implementation.
- Setting and design proper IT/ICT programs for effective management of real estate portfolio performance.

The lengths of module II and module III are dependent on the final solution regarding optimisation of real estate management and are usually realized at the same time.

Benefits Obtained

- Real estate strategy introduction, development, communication and deployment.
- Improvement efficiency and transparency of municipality and district real estate portfolio, efficient use of space by harmonisation of previously decentralised and distressed assets.
- Proactive harmonisation between the market, portfolio and municipal/ district policies.
- Effective management and monitoring of the real estate portfolio performance resulting in operational cost decrease.
- Optimisation of the real estate portfolio investments, assistance and support by inter-department asset transfer.
- Incremental budget income based on unutilised or unused asset disposal.

Our Team

Martin Buranský

Partner, Czech Republic

Tel.: +420 737 235 519

Email: mburansky@deloitteCE.com

Bronislav Pánek

Partner, Czech Republic

Tel.: +420 737 235 509

Email: bpanek@deloitteCE.com

Tomáš Kubíček

Senior Manager, Czech Republic

Tel.: +420 737 210 682

Email: tkubicek@deloitteCE.com

Michael Kralert

Senior Manager, Czech Republic

Tel.: +420 737 235 504

Email: mkralert@deloitteCE.com



Real Estate Portfolio Strategy

Does your real estate portfolio support the strategic goals of your company?
Do you know what risks are associated with real estate ownership?
Do you have a complete overview of your real estate and its individual performances?

Establishing the optimum portfolio of your real estate is one of the key factors in determining your company's performance and market potential. The goal of a real estate portfolio is to achieve an ideal status under which the real estate is used efficiently and to create value for its owner – and it can be continuously improved and appreciated based on targeted investments.

Current Challenges Facing Real Estate Owners

- Growing market pressure on real estate owners to implement optimum real estate strategies with a more distinct focus on setting long-term and primarily strategic goals which would lead to creating corporate value.
- Not setting proper metrics, which would enable real estate portfolio performance to be continuously tracked and subsequently allow timely responses to occurrences.

- Not having a clear definition of a real estate owner's business priorities, which would enable a focus on increasing the portfolio's performance.
- Real estate owners not having a sufficient overview of market opportunities and not having an opportunity to benchmark competitive companies.
- Owners currently lacking efficient tools which would help them effectively manage the real estate portfolio which they are in charge of. This deficiency concerns mostly the tools to monitor and measure performance, prioritisation models and it also reflects in multiple criteria decision-making processes, and optimisation tools.
- Real estate owners recording/maintaining only the book value of their property in most cases, though the market value provides a more objective overview of the actual portfolio value.

Our Services

- Analysis of the current real estate strategy and mid-term business plans for your corporate real estate.
- Proposal of KPIs which provide for monitoring the real estate portfolio's efficiency and KPIs' link to the compensation system.
- Review and proposal of business priorities aligned with the corporate value creation strategy.
- Identification of market opportunities and decision-making support (benchmarking by line of business, decision on property purchase versus rent, investment versus reconstruction, premises to rent or sale, identification of opportunities for development or re-development).
- Proposal of efficient tools for effective management and tracking real estate portfolio performance (investment controlling, feasibility study, budgeting, investment project financing).
- Implementation of optimisation tools for the real estate area (Value Analytics, Value Map, Portfolio Landscape, multi-criteria selection).
- Real estate portfolio passportisation.

- Real estate portfolio market valuation.
- Consolidation or relocation of operations within the real estate portfolio (geographic strategy) and geographic benchmarking.
- Organising and proposing the sale of obsolete, unused and surplus assets.
- Proposal of a real estate strategy and mid-term business plans for real estate management - real estate portfolio prioritisation, investment categorisation, and decision-making support.

Benefits of Our Services for Your Company

- Implementation of an efficient real estate strategy.
- Optimum and efficient use of real estate portfolio leading to the creation of corporate value.
- Setting of efficient tools for effective management and monitoring of the real estate portfolio performance.
- Introduction of a market benchmarking system.
- Optimisation of investment opportunities leading to the improvement and appreciation of the real estate portfolio.



Our Team

Bronislav Pánek

Partner, Czech Republic
 Tel.: +420 737 235 509
 Email: bpanek@deloitteCE.com

Michael Kralert

Senior Manager, Czech Republic
 Tel.: +420 737 235 504
 Email: mkralert@deloitteCE.com

Filip Endal

Technical Manager, Czech Republic
 Tel.: +420 603 218 361
 Email: fendal@deloitteCE.com



Real Estate Projects Portfolio Assessment

Do you have sufficient knowledge of the dynamic developments on the real estate market and the related impact on the real estate projects portfolio? Would you appreciate our Real Estate experts' independent point of view on your current projects portfolio? Do you know which projects are losing value and represent potential risks?

Current Challenges for Financial Institutions in the Area of the Real Estate Projects Portfolio Assessment

- The real estate market is one of the markets most affected by the current economic crisis.
- The dramatically decreasing demand and difficult approach to financing impair the running projects' prospects.
- Excess of supply over demand, which is at least short-term, in certain market segments, e.g. residential development.
- Other segments, e.g. hotel or commercial development segments, will be impacted by a significant slowdown in the local and global economic growth.
- In this context, Deloitte's expert group offers a review of the exposure of

the banking portfolio in the real estate sector.

- The objectives of the product are to:
 - Provide a quick second opinion to the bank management with regard to the bank's exposure in the banking sector.
 - Recommend and propose a set of measures with projects that require high supervision and projects that should be transferred to the workout process.

Deficiencies in This Area

- Limited access to information from the real estate market on the part of financial institutions.

Our Services

Deloitte Approach for Module I

Phase 1 – Criteria setting and an analysis with the objective to describe and document the 'as-is' state of the portfolio of developer projects.

In this phase of the project, individual developer projects within the bank's portfolio are analysed. Data are collected from the bank's loan

documentation and external sources for this purpose. Projects are classified into individual groups according to the real estate market segments. Market trends and their impacts can be better considered as part of an analysis. Criteria for assessment of the successfulness of developer projects are also determined. The determined projects portfolio is then analysed based on the above-mentioned criteria.

Phase 2 – Assessing the projects portfolio with the goal of providing a fast assessment of the developer projects portfolio and the related loan receivables.

In this phase, individual groups of developer projects are assessed with regard to the future risk exposure related to the coverage of the bank's loan receivables. A precondition for the assessment is determining the acceptable risk rate for the bank, e.g. covering debt from future developer projects cash flows. Based on the risk potential, the assessed projects and loan receivables pertaining to them are classified into three prioritisation model risk groups: Projects without problems, Projects requiring supervision, Problem (Workout) projects.

Phase 3 – Recommendations with the objective of finding a solution for decreasing the bank's loan risk for all the three risk degree developer projects groups and pointing out projects with especially severe problems.

In the last phase of the first module of the project, a prioritisation model for the preparation of a proposal regarding the developer projects portfolio diversification is used. Based on this model, recommendations for loan risk decreases are presented for individual portfolio groups. A recommendation usually concerns the preparation of an updated developer projects portfolio. From the group of projects with the highest risk rate, projects with a high level of risks can be selected for further in-depth review.

Deloitte Approach for Module II

Phase 4 – Reassessment of the feasibility of projects with the objective of documenting the projects in detail including descriptions of the market situation, as well as technical and legal aspects.

Based on the bank's developer projects portfolio assessed and classified earlier, a detailed market analysis is prepared for

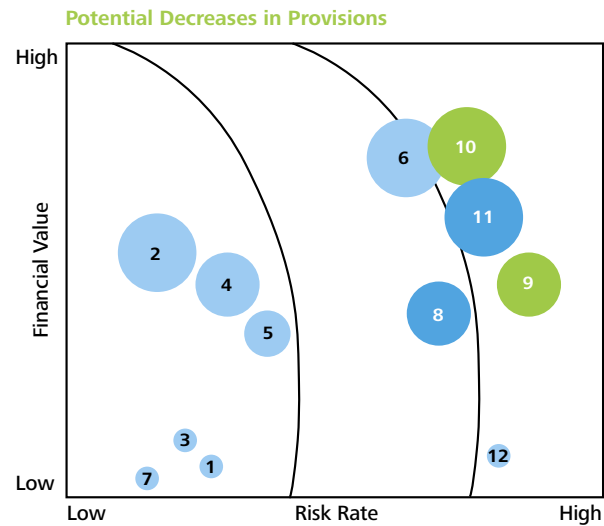
selected problem projects. For a more comprehensive perspective of the selected projects, technical and legal assessments of the current state are also prepared. Based on these inputs, an in-depth assessment of potential project risks can be performed and the contingent success/failure at the time of the global economic crisis can be estimated.

Phase 5 – Second opinion on the assessment of selected projects with the objective of preparing a financial assessment of problem projects and document the findings in a detailed report.

In this phase, the financial assessment of selected problem projects is developed in detail. The financial assessment can lead to re-evaluation considering the global economic crisis's impacts. The resulting in-depth assessment of individual projects including other than financial findings is documented in a detailed report on the actual state of selected developer projects.

Phase 6 – Recommendation of corrective solutions with the objective of presenting a corrective steps proposal for improving the state of the loan receivables related to developer problem projects.

The last phase focuses on the solution of loan receivables related to developer problem projects. The solution can consist of the termination of the project providing lower anticipated income, initiation of a repurchase of the project or project restructuring. The proposal of a solution always depends on more determinants, already analysed in the previous phases. After approving the solution of loan receivables related to developer problem projects, an action plan for the implement



Residential Projects

- A – project 1
- B – project 2
- C – project 3
- D – project 4
- E – project 5

Commercial Projects

- F – project 6
- G – project 7
- H – project 8

Other Projects

- I – project 9
- J – project 10
- K – project 11
- L – project 12

Our Team

Bronislav Pánek

Partner, Czech Republic
 Tel.: +420 737 235 509
 Email: bpanek@deloitteCE.com

Michael Kralert

Senior Manager, Czech Republic
 Tel.: +420 737 235 504
 Email: mkralert@deloitteCE.com

Filip Endal

Technical Manager, Czech Republic
 Tel.: +420 603 218 361
 Email: fendal@deloitteCE.com

Juraj Páles

Manager, Slovakia
 Tel.: +421 918 642 216
 Email: jpales@deloitteCE.com

SPA Advisory

Usually, the sale/purchase of a company is a carefully planned process supported by financial, accounting, tax advisors and legal firms. The results of negotiations between the vendor and the investor need to be included in a share purchase agreement (SPA). It is essential to precisely address all the agreed aspects of the transaction, not only from a legal point of view but also from a financial, tax and accounting perspective.

Although lawyers are ultimately responsible for SPA wording, professional advisors review SPAs to protect client's interest with respect to financial, accounting and tax implications, and potential consequences of the particular paragraphs (e.g. warranties, representations, adjustments to purchase price, cash flows relating to the transaction, foreign exchange rates used, tax impact of the transaction etc.). Professional advisors also work together with the parties on constructing the purchase price mechanism and closing procedures. A simple purchase price mechanism usually refers to the adjusted historical net asset value of a company and the more sophisticated to forecasted normalised NOI of the building.

Usually the agreement between the parties is easier to be achieved before the check needs to be signed, therefore being as specific as possible when designing the purchase price mechanism and closing procedures allows surprises and unnecessary disputes after signing the SPA to be avoided. Although trivial the following are often forgotten and not stated in the SPA:

- Who (the investor or the vendor) will prepare the closing balance sheet
- Who will calculate the final purchase price
- Who will check the final figures
- What will the process of checking the final figures be (e.g. audited, reviewed, checked selectively)

Our Value Added

Our real estate team includes a balanced mix of professionals, experts in transaction, real estate specialists, experts in local accounting, finance, tax and legal matters, who act as the client's advisors.

We cooperate closely with the financial and tax due diligence team to address all applicable findings in the SPA.

We have an unrivalled track record of delivering on our commitments, quick responsiveness, adherence to tight deadlines, and real-time solutions tailored to fit your needs. We have reviewed a number of SPAs during advising on successful deals in the real estate sector in Central Europe.

Our Team

Dominik Stojek

Director, Poland

Tel.: +48 22 511 0854

Email: dstojek@deloitteCE.com

Dorota Wierzbicka-Kot

Assistant Director, Poland

Tel.: +48 22 511 0160

Email: dwierzbicka@deloitteCE.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see http://deloittece.bingodisk.com/public/ce/about_deloitte.pdf for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

Member of Deloitte Touche Tohmatsu

© 2009 Deloitte Central Europe