

ČS nemovitostní fond  
**Annual report for 2019**



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## Basic information

### General information on the fund as at 31 December 2019

<b>Fund identification:</b>	ČS nemovitostní fond, open-ended mutual fund
<b>Fund manager and administrator:</b>	REICO investiční společnost České spořitelny a.s. *
<b>Depository:</b>	Česká spořitelna, a.s.*
<b>Auditor:</b>	KPMG Česká republika Audit, s.r.o.
<b>Date of establishment of the Fund:</b>	9 February 2007
<b>Frequency of valuation and trading:</b>	daily
<b>Recommended investment horizon:</b>	min. 5 years
<b>First and every subsequent investment:</b>	min. CZK 300
<b>Fund bank account number:</b>	35-2001349369/0800
<b>ISIN:</b>	CZ0008472545
<b>Fund currency:</b>	CZK
<b>Sale fee:</b>	did not exceed 1.5% in 2019
<b>Management fee:</b>	1.75 %

(\*over the entire period of the Fund's existence)

### Selected key financial information as at 31 December 2019

ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. (ČS real estate fund, open-ended mutual fund of REICO investment company of Česká spořitelna)

Key financial indicators for the accounting period	TCZK
<b>Total assets</b>	<b>26 127 744</b>
<b>Total value of real estate (market valuation)</b>	<b>30 813 475</b>
- owned directly by the Fund	0
- owned through a real estate company	30 813 475
<b>Number of real properties</b>	<b>17</b>
- owned directly by the Fund	0
- owned through a real estate company	17
<b>Occupancy rate of real properties</b>	<b>95.7 %</b>
<b>Changes in the real estate portfolio in 2019:</b>	
<b>Purchases of real properties</b>	<b>1</b>
- owned directly by the Fund	0
- owned through a real estate company	1
<b>Sales of real properties</b>	<b>0</b>
- owned directly by the Fund	0
- owned through a real estate company	0
<b>Performance of the Fund in the period from 1 January 2019 to 31 December 2019</b>	<b>4.2 %</b>
<b>Equity</b>	<b>25 796 366</b>
<b>Equity per unit (CZK C class)</b>	<b>1.2414</b>
<b>Equity per unit (CZK DPM class)</b>	<b>1.1205</b>
<b>Revenue paid to unitholders</b>	<b>0<sup>1</sup></b>

<sup>1</sup> ČS nemovitostní fond is a growth fund and does not pay any revenue to its unitholders



## Introduction by the chairman of the board of directors



**Tomáš Jandík, CFA, MRICS**  
**Chairman of the Board of Directors**  
**REICO investiční společnost České spořitelny, a.s.**

Ladies and gentlemen, dear unitholders

I would like to present to you the annual report of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. for 2019. This year, due to a favourable macro-economic environment, a strong commercial real estate market, and the intensive work of our professional team in previous years, we achieved an extraordinary appreciation of 4.2% p.a.

In 2019, the Czech economy achieved 2.4% GDP growth, mainly due to strong household consumption and investments. Similarly, the Slovak economy grew as well. However, all Central European economies were surpassed by Poland with 4.1% growth. The commercial property market continued with record growth, and in the four Central European countries achieved growth of EUR 13.1 billion, which represents a 6% growth against 2018. Due to high real estate demand and lower opportunities, revenues decreased across segments and countries, which had a positive impact on real estate prices growth.

Apart from the above external factors, we also utilised the intensive work of our administrative team. While 2018 was the year for acquisitions, 2019 was marked by significant investment projects into our property. Firstly, we managed to complete the reconstruction of the Čtyři Dvory shopping centre in České Budějovice, totalling CZK 72 million and to open it for new lessees. In the Prague Melantrich building, we carried out a conversion of office space to apartments totalling CZK 80 million, with long-term liability towards Euroagentur Hotels. Last but not least, we managed to extend the contract with Slovak Telecom, the majority lessee in the Forum Business Centrum in Bratislava.

Apart from the above asset management jobs, we also managed to ensure the second stage of the Dubnica Industrial Park in Western Slovakia, which comprises a logistics building of 16 629 m<sup>2</sup> rented to Lidl, AAF and Leoni. This acquisition follows the purchase of the first stage of the Industrial Park which serves as a distribution centre of Continental. This way, we were able to consolidate the ownership of this important industrial zone offering future expansion opportunities.

Last year, the Company managed to defend its position of the largest mutual fund in the Czech Republic and is the oldest real estate fund in the country at the same time. At the end of the year, its real estate portfolio totalled the market value of CZK 30.8 billion, enabling large diversification among three countries (the Czech Republic, Slovakia, Poland) and four sectors (office space, retail logistics, and main shopping streets). The share of premium real estate in the portfolio is 97% and the proven historical performance in the last 10 years reached 3.14% p.a. This encompasses the attributes of a conservative investment strategy offering a corner stone of the real estate section of investment portfolios.

A handwritten signature in blue ink, appearing to read 'Jandík'.

Tomáš Jandík, CFA, MRICS  
Chairman of the Board of Directors  
REICO investiční společnost České spořitelny, a.s.

## Macroeconomic overview

In 2019, the Czech economy experienced a slight slowdown, but the overall development remained positive. GDP growth was 2.4% throughout the year, supported by domestic demand which in turn was supported by positive labour market developments. Growth was also supported by government spending based on expansive fiscal policy. Despite economic slowdown abroad, the foreign trade development in last year was relatively good and only slowed down in the last quarter. This was mainly due to a strong household consumption which led to the growth of imports. Due to uncertain situation abroad, investment growth was rather poor but picked up towards the end of the year, helping the overall positive performance of the economy.

Average inflation in 2019 reached 2.8% and therefore was close to the upper limit of the tolerance area around the inflation objective of 3%. Strong household demand, higher corporate wage costs and higher price of food, namely fruit, vegetables and meat led to an increase in consumer prices. At the end of the year, the price growth further accelerated and exceeded the tolerance area limit and in December was at 3.2%. On the other hand, core inflation net of the volatile components of foodstuffs and energy slowed at the end of the year but remained above the inflation objective.

In 2019, labour market remained strong. General unemployment rate reached average of 2% and was accompanied by a 7.1%

wage growth. Favourable labour market situation helped domestic demand and supported higher household consumption. Last year, the labour market was characterised by lack of free labour and this represented one of the biggest business obstacles across all sectors.

With regard to the pro-inflation development of the Czech economy and prevailing strong economic fundamentals, the Czech National Bank increased the interest rates in May. The decision on the change of the monetary policy direction was not easy. Against the higher inflation values there were the risks caused by uncertainty resulting from trade wars and Brexit. The CZK exchange rate also supported the increase of interest rates. The exchange rate remained rather low last year, and only strengthened towards the end of the year.

Residential property prices increased throughout last year, although the growth was lower. The reasons for real estate prices growth remain the same; the most significant include accessible housing financing, low interest rates and insufficient real estate offer; all caused by positive development of the Czech economy. However, the price development weakened in the second half of the year reflecting macroprudential measures of the CNB and the fact that many households met their financial limits in real estate purchase.





## Development in real estate markets

At the end of 2019, the Company had invested into the office space segment in the Czech, Slovak and Polish markets, in retail segment on the Czech and Polish markets, and in logistics in the Slovak market. The development in the above markets copied the trends in Central and Western Europe in the past years, both in terms of capital markets and more significantly in terms of leases. The growth factors comprise the improving economic situation and growing purchasing power of the citizens combined with the volume of capital exceeding the relatively small number of premium investment opportunities. On the other hand, the biggest obstacle for higher growth of office and logistics markets in 2019 was lack of labour.

### Commercial real estate investment market in Central Europe

The commercial real estate market in Central Europe reported another successful year, with the overall investment volume growing year on year by 5.6%, i.e. to EUR 13.13 billion in 2019 against EUR 12.43 billion in 2018. Traditionally, the biggest market was again Poland (EUR 7.71 billion, y-o-y growth of +7.1%), followed by the Czech Republic (EUR 3.05 billion, y-o-y growth of +12.1%). Hungary reported a moderate increase in the investment volume (EUR 1.72 billion; a year-on-year increase of 2.4%), however, Slovakia reported a decrease of investments in 2019 (MEUR 641; a year-on-year decrease of 22.3%).

In 2019, the major real estate transaction in the Czech Republic was realised by South Korean investor Hanwha Investment & Securities, purchasing through investment company GLL the Waltrovka administrative complex in Prague 5 from the developer Penta Real Estate for MEUR 250. Another significant office transaction was the sale of the Rustonka complex in Prague 8 to another South Korean investor, Hana Financial Group, through the administrator White Star from the developer J&T for the price of MEUR 165. In the logistics sector, the most significant investment was made by another South Korean investor Samsung Securities who purchased the Amazon warehouse in Prague for MEUR 135 from AEW. The retail sector was dominated by the Czech real-estate fund Investika which purchased the Galerie Nové Butovice from Cromwell. In the hotel sector, all transactions were surpassed by the purchase of the Intercontinental Hotel by Czech investors from the R2G Group for MEUR 225.

The Slovakia market was mostly marked by investments into the office sector, totalling 40% of the total volume, similar to the Czech Republic. The most significant investment represents the purchase of the Twin City Tower office building in Bratislava, bought by another South Korean investor Valesco Group for MEUR 120 from developer HB Reavis. The sale of the Vector park portfolio comprising four logistics parks with a total area of 120 000 m<sup>2</sup> (two in Bratislava and one in Eastern Slovakia and in the Czech Republic each), to the US company TPG represented another significant logistics transaction.

In Poland, the majority of investments went to the office sector (49%) with the volume growing significantly against 2018 (EUR 3.83 billion, y-o-y +39%). Among the most significant transactions

was the completion of the purchase of the Warsaw Spire Tower by Immofinanz for MEUR 386, and the purchase of the Warsaw Financial Center (WFC) and Eurocentrum buildings by Czech investor CPI. In retail, a significant transaction was the purchase of the portfolio of two shopping centres Atrium Felicity in Lublin and Atrium Koszalin by ECE Fund for MEUR 298. In the industrial sector, the main transaction comprised two Amazon distribution centres in Łódź and Bolesławiec.

The fact that the available capital outweighed the number of available premium investment opportunities led to a decrease in the required revenues in most markets. At the end of 2019, the prime yield in the Czech Republic amounted to 4.25% in respect of offices, 5% in respect of retail, 3.50% in respect of the main Prague shopping streets, and 5% in respect of the prime logistic facilities. Industrial sector revenues recorded the biggest decrease, by 50 bps against the end of 2018. On the other hand, retail revenues for 2019 increased by 50 bps due to the transfer of concerns about future retail market development from Western Europe. However, the retail market's fundamentals remained strong which means dominant shopping centres should not be at risk. Revenue compression was most visible in Poland where the prime yield from offices decreased to 4.25% in 2019 from the original 4.75%. Slovakia has been keeping a relatively high margin for lower liquidity, the final prime yield from offices amounting to around 5.6%, which nevertheless represents a 40 bps decrease, similarly to Hungary where, however, the prime yield in 2019 decreased even more, by 50 bps to 5.25% due to a lack of good-quality office buildings and strong demand by both lessees and investors. We can expect a further decrease in the prime yield from offices in both the Slovak and Hungarian markets. The prime yield from logistic facilities in Slovakia amounts to 6.25%.

### Commercial real estate market in the Czech Republic

In 2019, the Prague office market grew by 203 000 m<sup>2</sup> of new areas to a total of 3.67 million m<sup>2</sup>, which is a 5.6% year-on-year increase in the overall office area in Prague. In 2019, a lower number of new office areas was completed in Prague, amounting to 166 000 m<sup>2</sup>. Net absorption amounted to 173 200 m<sup>2</sup> in 2019, exceeded by the area of newly built premises. As a result, the vacancy rate showed a slight increase and came to 5.5% in Prague at the end of 2019 (+40 bps year-on-year). Top rent rates in Prague rose year-on-year by EUR 0.50, currently amounting to EUR 22.50-23.00/m<sup>2</sup>/month. The major lease transaction in 2019 was the renegotiated lease agreement of the PricewaterhouseCoopers City Green Court office building project of 13 400 m<sup>2</sup>; the major new transaction was an advance lease to Fortuna in the Churchill II building of 8 400 m<sup>2</sup>.

The Brno office market grew by 42 000 m<sup>2</sup> to a total of 625 000 m<sup>2</sup> in 2019. The vacancy rate rose year-on-year by 70 bps and amounted to 10.3% at the end of 2019. Top rent rates in Brno increased by EUR 1.00/m<sup>2</sup>/month amounting to EUR 16.00/m<sup>2</sup>/month.

Significant economic growth, an ever-decreasing unemployment rate and intense pressure on wage increases were reflected in a positive consumer mood in 2019. Retail revenues grew year-on-year by 4.7% in 2019. Two new shopping galleries opened in 2019 – Galerie Stromovka in Prague, with an area of 15 700 m<sup>2</sup>, and Galerie Na Smetánce in Vsetín, with an area of 6 500 m<sup>2</sup>. The total retail area in the Czech Republic was 2.44 million m<sup>2</sup>, increasing only slightly compared to 2018. 19 new brands entered the Czech market, including & Other Stories, Comma, and Zocha, and Boss returned. Top rent rates in Prague shopping centres rose year-on-year by EUR 10/m<sup>2</sup>/month to EUR 150/m<sup>2</sup>/month and rent rates in the shopping streets rose by EUR 5/m<sup>2</sup>/month to EUR 235/m<sup>2</sup>/month. Top rent rates outside of Prague remained stable and rent rates in the business centres in the other regions of the Czech Republic were around EUR 65/m<sup>2</sup>/month.

## Commercial real estate market in Poland

In 2019, 162 000 m<sup>2</sup> (decrease by 71 000 m<sup>2</sup> year-on-year) of new office areas were completed in Warsaw, and the overall size of office areas reached 5.6 million m<sup>2</sup>. Net absorption reached 200 000 m<sup>2</sup> (decrease by 46.7% year-on-year), again exceeding the number of newly completed offices. As a result, the vacancy rate showed a significant year-on-year decrease by 90 bps to 7.8%. At the end of the monitored period, more than 800 000 m<sup>2</sup> of new office areas were under construction, most of which are to be completed towards the end of 2020. Due to a big number of planned newly finished premises, an increase in the vacancy rate back to more than 10% is expected at the end of 2020. The top rent rates in the city centre amount to EUR 20.50-24.00/m<sup>2</sup>/month and to EUR 13.50-16.00/m<sup>2</sup>/month outside the city centre. In 2019, the lease market in Warsaw was at a record high, with 12 lease transactions signed for area exceeding 10 000 m<sup>2</sup>; two transactions even exceeded 40 000 m<sup>2</sup>. These were the advance lease to mBank of 45 600 m<sup>2</sup> in Mennica Legacy Tower, and the renegotiation of Orange Polska for 44 800 m<sup>2</sup>.

In 2019, a total of 284 000 m<sup>2</sup> new retail spaces in shopping centres were completed. Due to the increasing market saturation that increased year-on-year from 262 to 266 m<sup>2</sup>/1 000 people, new construction of retail space has begun to slow down. A further 217 000 m<sup>2</sup> of business centres are under construction, to be completed in 2020-2021. The major projects which are to be

opened in 2020 include Galeria Karuzela Kołobrzeg in Kołobrzeg (30 000 m<sup>2</sup>), Color Park in Nowy Targ (27 000 m<sup>2</sup>), and Galeria Podhalanska (21 000 m<sup>2</sup>). Top rent rates increased compared to 2018 by EUR 5/m<sup>2</sup>/month and amounted to EUR 135/m<sup>2</sup>/month in Warsaw and EUR 45-60/m<sup>2</sup>/month in regional cities.

## Commercial real estate market in Slovakia

The office building market in Bratislava consists of approx. 1.86 million m<sup>2</sup> of modern office areas. In 2019, 61 700 m<sup>2</sup> of new office areas were completed; the overall area of office premises thus increasing year-on-year by 3.4%. The net market absorption reached negative values of -10 000 m<sup>2</sup>. As a result, the average vacancy rate in the Bratislava market increased to 8.7% at the end of 2019 (+274 bps y-o-y). More than 130 000 m<sup>2</sup> of new office areas are under construction in Bratislava, which will result in further increase in the vacancy rate after completion due to limited demand. The rent rates in prime office buildings in Bratislava remain stable at EUR 17/m<sup>2</sup>/month.

At the end of 2019, the size of the business centre market in Slovakia was approx. 2 million m<sup>2</sup>, with the Bratislava market with its 19 shopping centres accounting for approx. 0.6 million m<sup>2</sup>. The relatively high saturation of the business centres in the Slovak capital (over 1 200 m<sup>2</sup> of areas per 1 000 citizens) is expected to further grow after the announced completion of Stanica Nivy by HB Reavis (70 000 m<sup>2</sup>), and the extension of the Eurovea shopping centre (+25 000 m<sup>2</sup>). Another planned project is the extension of the Aupark business centre in Bratislava (+7 000 m<sup>2</sup>), owned by Unibail-Rodamco. Top rent rates remained unchanged year-on-year and amounted to EUR 50-95/m<sup>2</sup>/month in the prime Bratislava shopping centres.

The size of the Slovak leasable logistic facilities market is approx. 2.77 million m<sup>2</sup> and year-on-year, its overall area rose by 10%, which represents almost 95 000 m<sup>2</sup> of newly completed area in 2019. Net absorption almost doubled y-o-y to 135 000 m<sup>2</sup>, resulting in the vacancy rate decreasing again after high growth in 2018, from 9.5% to 6.0% in 2019. Currently, more than 11 projects are under construction, offering over 249 000 m<sup>2</sup> of new industrial areas, 59% of which have already been pre-leased. The average rent rate is EUR 3.45-4.90/m<sup>2</sup>/month.





## Information for investors

### Objective and strategy of the Fund

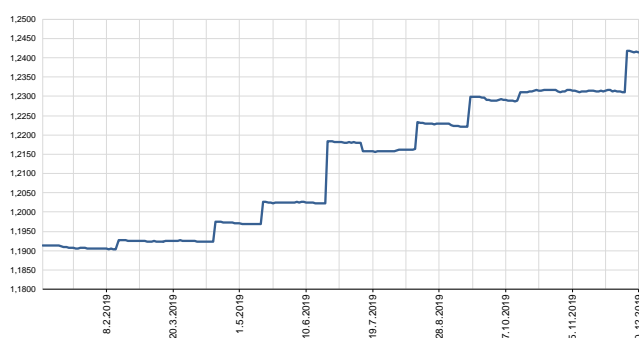
The Fund's objective is to achieve the stable long-term appreciation of the funds invested in by the unitholders. The Fund primarily focuses on investments in commercial real estate (administrative buildings, shopping centres and logistic parks), selecting those which generate or have the potential to generate revenues in form of income from leases. The Fund does not pay out any dividends and all revenues are reinvested.

The real estate portfolio is being gradually extended and renewed. Apart from acquisitions of attractive commercial real properties, the extension and renewal of the portfolio also includes the sale of real properties from the portfolio. The Fund is currently not planning to change its strategy. Part of its strategy is to hold real properties in its portfolio for extended periods of time. Hence, the Fund usually does not sell any real estate within two years from acquisition.

### Performance of the Fund, value of its equity and the value of equity per unit

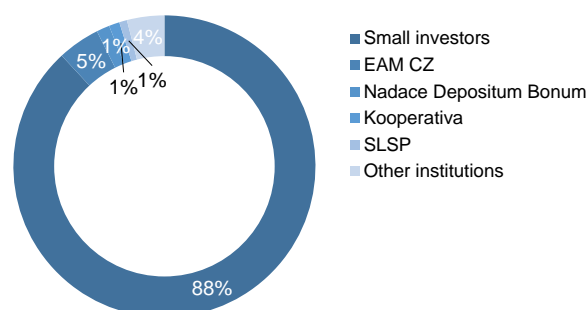
The liquid component of the Fund is valued on a daily basis. The real estate component is valued at least twice a year. The visible steps on the chart of the Fund's performance have been caused by reflecting the valuation of the real estate component in the Fund's assets. Once a month, the Fund accounts for an estimated item for the valuation of the real estate companies based on the value of the current assets and liabilities of the real estate companies owned by the Fund. As a result, the Fund obtains a truer view of the collected lease payments for the lease of the real properties held by the real estate companies on the Fund level in time. The estimated item is subsequently replaced by its actual value based on the value of the real estate determined by the Expert Committee within the ordinary valuation of the Fund's ownership interest in the real estate company carried out at least twice a year in compliance with the law.

#### Development of the unit value CZK, 1 Jan 2019 – 31 Dec 2019



#### Structure of investors

In % by the ownership interest in CZK



#### Data on development of fund capital

Date	Fund capital of the mutual fund (in TCZK)	Fund capital per CZK C class unit (in CZK)	Fund capital per CZK DPM class unit (in CZK)
31 Dec 2017	17 240 255	1.1524	1.0230
31 Dec 2018	21 594 803	1.1914	1.0662
31 Dec 2019	25 796 366	1.2414	1.1205

#### Number of issued units

As at 31 December 2019, the number of units was 18 893 872 328 in the CZK C class, and 2 089 259 529 in the CZK DPM class.

#### Number of issued units in the period from 1 January 2019 to 31 December 2019

Issued and redeemed units	CZK C class	CZK DPM class
Number of units issued by the Fund	3 988 617 578	214 577 343
Amount collected into the Fund's assets for issued units in CZK	4 825 879 051	233 865 489
Number of units redeemed by the Fund	1 490 520 888	57 640 372
Amount paid from the Fund's assets for redeemed units in CZK	1 804 912 136	62 958 914

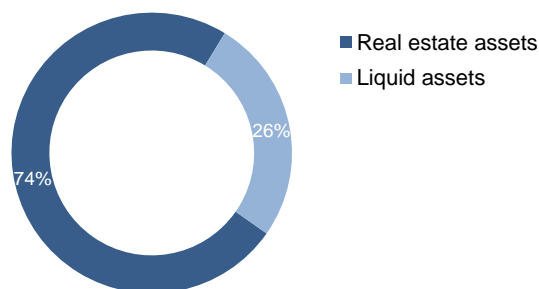
## Real estate portfolio

### Brief overview

To minimise the risks connected with real estate portfolio management, the portfolio is diversified both in terms of geography and the size and type of real estate. The size of the real estate and its market value are important parameters. Larger real properties usually offer a higher utilisation flexibility, generate more stable lease income, and their value can be maintained on a high level over a long period of time. The charts show the geographic structure of the portfolio and the structure of the real properties' market value.

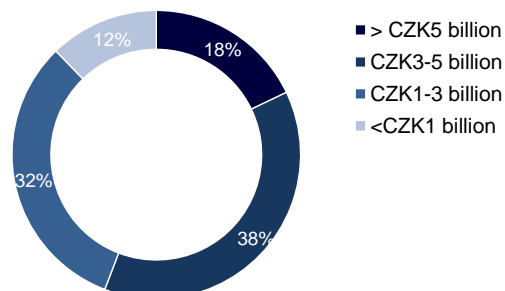
#### Share of real estate assets on the Fund's total assets

% share of the total value of the fund capital



#### Market value of buildings

% share of the total market value



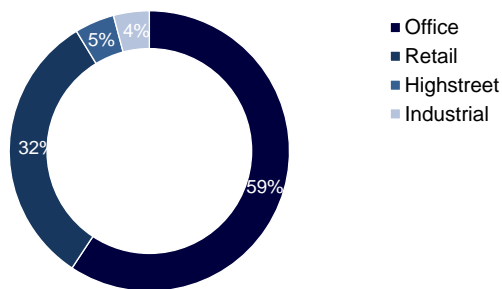
Real estate assets: values of the ownership interests in the real estate companies and values of loans provided by the Fund to the real estate companies.

### Potential of portfolio utilisation

The following chart shows the utilisation of the real properties in the Fund's portfolio based on the type of the premises. A suitable combination of various types and utilisation of the premises in the portfolio contributes to its stability.

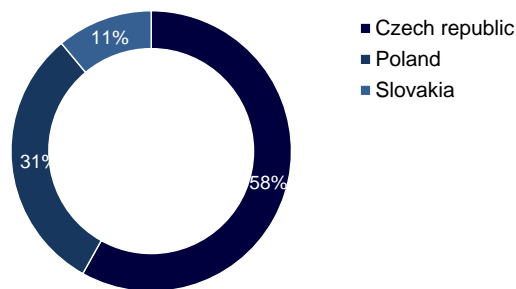
#### Sector diversification

% share of the total market value



#### Geographical diversification

% share of the total market value



### Occupancy rate of the real estate portfolio

As at 31 December 2019, the average vacancy rate of the real properties included in the portfolio was 4.3%. The vacancy rate is determined as the percentage of the vacant (office, retail, warehouse and other leasable) areas towards the total leasable areas in the Fund's portfolio recognised as at the relevant date. Parking spaces are not included into the vacancy rate calculation.



## Financial information as at 31 December 2019

Summary of assets	Value of assets (in TCZK)
<b>I. Real estate part of the Fund</b>	<b>17 564 957</b>
<b>I.I Tangible fixed assets</b>	<b>0</b>
- land and buildings (directly owned real estate)	0
<b>I.II Equity investments with controlling influence</b>	<b>17 564 957</b>
- real estate companies in the Czech Republic (real properties held through real estate companies)	10 871 344
- real estate companies outside the Czech Republic (real properties held through real estate companies)	6 693 613
<b>II. Receivables from non-banking institutions</b>	<b>1 763 485</b>
- loans granted to real estate companies	1 763 485
<b>III. Liquid portion of the fund</b>	<b>6 666 103</b>
<b>III.I Receivables from banks</b>	<b>6 666 103</b>
- current accounts	5 643 111
- fixed-term deposits	1 019 242
- compound margins	3 750
<b>III.II Debt securities</b>	<b>0</b>
- issued by government institutions	0
- issued by other entities	0
<b>IV. Other assets</b>	<b>133 199</b>
- other assets	133 199
<b>TOTAL ASSETS</b>	<b>26 127 744</b>

## Bank loans and overdrafts

As at 31 December 2019, the Fund recognised indirect liabilities of approx. CZK 12.9 billion from loans to the financing banks, arising from funding of the real estate companies, and liabilities from issued bonds in the nominal amount of MCZK 600. All 17 real properties were owned through 17 real estate companies in 2019.

- |                                   |  |
|-----------------------------------|--|
| - REICO Investment ALFA, a.s.     | - Park One Bratislava, s.r.o.                      |
| - REICO Investment BETA, s.r.o.   | - Sloneczna Radom sp. z.o.o.                       |
| - REICO Investment GAMA, a.s.     | - Proximo One, sp. z.o.o.                          |
| - JRA, s.r.o.                     | - Proximo Two, sp.z.o.o.                           |
| - Trianon Building Prague, s.r.o. | - Industrial Park Dubnica I, s. r. o.              |
| - Qubix Building Prague s.r.o.    | - METRONOM BC s.r.o.                               |
| - FORUM BC I s.r.o.               | - New Karolina Shopping Center Development, s.r.o. |
| - Topas REAL spol. s r.o.         | - SEE RE Two s. r. o                               |
| - CITY TOWER, a.s.                |  |

Some real estate companies are financed through bank loans provided by various banks and having various maturity dates. As at 31 December 2019, the ratio of the value of the loans to the market values of the financed real properties was 46.46%.

## Overview of bank loans

Bank loans	Overall loans (directly owned real properties) in TCZK	Overall loans (indirectly owned real properties) in TCZK	Remaining period of duration of the loan agreement In % of the total volume of loans			
			Under 1 year	1-2 years	2-5 years	5+ years
CZK-denominated loans in the Czech Republic	0	325 911	0.42%	0.00%	2.11%	0.00%
EUR-denominated loans in the Czech Republic	0	5 883 218	0.00%	0.00%	45.73%	0.00%
EUR-denominated loans outside the Czech Republic	0	6 655 584	0.00%	0.00%	48.39%	3.34%
<b>Total</b>	<b>0</b>	<b>12 864 713</b>	<b>0.42%</b>	<b>0.00%</b>	<b>96.24%</b>	<b>3.34%</b>

In 2019, the real estate company Trianon Building Prague s.r.o. was funded through an issue of hedged bonds in the nominal value of MCZK 600 with a 5-year maturity, issued in December 2018. As at 31 December 2019, this represents a 33.59% ratio of the bonds to the value of the Trianon real estate.

As at 31 December 2019, the total ratio of all external funding of the real estate companies (i.e. bank loans and issued bonds) to the market value of all real properties in the Fund's portfolio was 43.70%.







**REAL ESTATE INDEX**  
as at 31 December 2019

Order	Equity investment	Name of the real estate	Country	Name of the real estate company, address, country	Value of the ownership interest and value of the shareholder loan	Type of real estate	Purpose of lease	Date of real estate acquisition	Date of issue of the use permit for the real estate	Size of the lot of land in m <sup>2</sup>	No. of parking spaces	Legal title to land	Leasable area in m <sup>2</sup>	Equipment of real estate	Market value in TCZK	Share of the total portfolio value	Bank loan in TCZK	Ratio of the bank loan to the real estate's market value	Vacancy rate of the premises by floor space	Average period remaining until the termination of the lease agreements, in years	Income from leases for 2019 in TCZK	Planned income from leases for 2019 in TCZK	Income from leases determined by expert in TCZK per year
1	100%	Platinum	CZ	JRA s.r.o. Antala Staška 2027/79 140 00 Praha 4 Czech Republic	Ownership interest: 540 mil. CZK Shareholder loan: 77 mil. CZK	Offices	O (88.5%) C ( 5.0%) X ( 6.5%)	1.8.2007	2005	4 371	165	F	9 340	AC, SL PL	582 300	1,9%	53 961	9,3%	96,3%	2,9	36 041	35 634	42 171
2	100%	Čtyři Dvory	CZ	REICO investment ALFA a.s. Antala Staška 2027/79 140 00 Praha 4 Czech Republic	Ownership interest: 176 mil. CZK Shareholder loan: 112 mil. CZK	Shopping centres	C (99.5%) X ( 0.5%)	7.12.2007	2002	22 437	300	F	10 542	AC, D PL	266 000	0,9%	0	0,0%	87,2%	2,9	15 385	16 704	25 384
3	100%	Office Box	SK	REICO investment BETA s.r.o. Laurinská 18 811 01 Bratislava Slovak Republic	Ownership interest: 78 mil. CZK Shareholder loan: 38 mil. CZK	Offices	O (86.0%) C ( 2.8%) X (11.2%)	1.6.2008	2008 2016 2)	3 566	103	F	4 281	AC, PL	107 163	0,3%	0	0,0%	67,2%	2,3	7 077	7 479	11 206
4	100%	Melantrich	CZ	REICO investment GAMA a.s. Antala Staška 2027/79 140 00 Praha 4 Czech Republic	Ownership interest: 1126 mil. CZK Shareholder loan: 79 mil. CZK	Main shopping streets	C (48.9%) R (43.0%) X ( 8.1%)	1.11.2010	1913 20042 <sup>3</sup>	1 838	36	F	11 199	AC, E SL, PL	1 433 000	4,7%	271 950	19,0%	93,6%	6,7	55 026	59 679	67 887
5	100%	Trianon	CZ	Trianon Building Prague, s.r.o. Antala Staška 2027/79 140 00 Praha 4 Czech Republic	Ownership interest: 1410 mil. CZK Shareholder loan: 0 mil. CZK <sup>2)</sup>	Offices	O (86.2%) C ( 5.3%) X ( 8.5%)	2.3.2013	2009	7 581	298	F	20 805	AC, SL PL	1 786 000	5,8%	600 000	33,6%	100,0%	1,4	116 638	117 313	107 827
6	100%	Qubix	CZ	Qubix Building Prague s.r.o. Antala Staška 2027/79 140 00 Praha 4 Czech Republic	Ownership interest: 396 mil. CZK Shareholder loan: 242 mil. CZK	Offices	O (81.8%) C (14.1%) X ( 4.1%)	2.3.2014	2012	3 185	108	F	13 914	AC, SL PL	977 225	3,2%	376 132	38,5%	86,2%	3,3	46 813	45 854	60 034
7	100%	Forum BC	SK	FORUM BC I s.r.o. Laurinská 18 811 01 Bratislava Slovak Republic	Ownership interest: 307 mil. CZK Shareholder loan: 312 mil. CZK	Offices	O (84.7%) C ( 3.4%) X (11.9%)	2.12.2015	2013	5 992	391	F	19 356	AC, SL PL	1 252 787	4,1%	726 599	58,0%	86,9%	10,1	74 242	82 395	89 811
8	100%	Rohan BC	CZ	Topas REAL spol. s r.o. Antala Staška 2027/79 140 00 Praha 4 Czech Republic	Ownership interest: 454 mil. CZK Shareholder loan: 326 mil. CZK	Offices	O (85.0%) C ( 8.3%) X ( 6.7%)	28.4.2016	2012	4 135	100	F	9 436	AC, PL	722 075	2,3%	0	0,0%	100,0%	2,4	40 837	40 026	44 337
9	100%	City Tower	CZ	CITY TOWER, a.s. Antala Staška 2027/79 140 00 Praha 4 Czech Republic	Ownership interest: 3297 mil. CZK Shareholder loan: 0 mil. CZK	Offices	O (89.8%) C ( 5.5%) X ( 4.7%)	27.9.2016	1993 20072)	9 691	793	F	48 673	AC, SL PL, D	4 337 550	14,1%	1 311 577	30,2%	98,4%	3,9	217 849	216 966	247 491
10	100%	Park One	SK	Park One Bratislava, s.r.o. Laurinská 18 811 01 Bratislava Slovak Republic	Ownership interest: 462 mil. CZK Shareholder loan: 0 mil. CZK	Offices	O (89.8%) C ( 8.0%) X ( 2.2%)	3.2.2017	2007	1 800	167	F	12 999	AC, PL D	864 959	2,8%	430 064	49,7%	81,9%	1,0	54 417	57 671	62 922
11	100%	Proximo One	PL	Proximo One sp. z o.o. ul. Przyokopowa 33, 01-208 Warszawa Republic of Poland	Ownership interest: 1804 mil. CZK Shareholder loan: 0 mil. CZK	Offices	O (92.7%) C ( 4.6%) X ( 2.7%)	9.8.2017	2016	8 394	428	RPU	29 194	AC, D SL, PL	3 202 133	10,4%	1 639 326	51,2%	99,1%	3,4	173 653	173 933	181 961
12	100%	Galeria Słoneczna	PL	Słoneczna Radom sp. z o.o. ul. Zajęcza 2B 00-351 Warsaw Republic of Poland	Ownership interest: 2276 mil. CZK Shareholder loan: 0 mil. CZK	Shopping centres	O (1.5%) C (97.0%) X (1.5%)	26.9.2017	2011	49 778	1 161	RPU	42 730	AC, E, D SL, PL	4 166 600	13,5%	2 261 490	54,3%	91,0%	2,0	247 737	236 738	266 533
13	100%	Industrial Park Dubnica	SK	Industrial Park Dubnica I, s.r.o. Laurinská 18 811 01 Bratislava Slovak Republic	Ownership interest: 471 mil. CZK Shareholder loan: 95 mil. CZK	Logistics	W (95.7%) O (2.2%) X (2.1%)	17.3.2018	2016	152 790	29	F	89 259	AC	1 030 806	3,3%	516 401	50,1%	100,0%	5,5	74 446	74 473	87 891
14	100%	Metronom BC	CZ	METRONOM BC s.r.o. Antala Staška 2027/79, 140 00 Praha 4 Czech Republic	Ownership interest: 842 mil. CZK Shareholder loan: 361 mil. CZK	Offices	O (90.0%) C (8.3%) X (1.7%)	14.6.2018	2015	11 553	528	F	35 649	AC, PL, D	2 360 138	7,7%	1 235 244	52,3%	99,3%	4,3	140 846	143 392	152 597
15	100%	Proximo Two	PL	Proximo Two sp. z o.o. ul. Przyokopowa 33, 01-208 Warszawa Republic of Poland	Ownership interest: 1166 mil. CZK Shareholder loan: 0 mil. CZK	Offices	O (96.4%) C (3.4%) X (0.2%)	12.9.2018	2018	4 917	219	RPU	20 703	AC, D, SL, PL	2 145 812	7,0%	1 081 704	50,4%	99,6%	3,9	66 288	65 591	123 478



**REAL ESTATE INDEX**  
 as at 31 December 2019

Order	Equity investment	Name of the real estate	Country	Name of the real estate company, address, country	Value of the ownership interest and value of the shareholder loan	Type of real estate	Purpose of lease	Date of real estate acquisition	Date of issue of the use permit for the real estate	Size of the lot of land in m <sup>2</sup>	No. of parking spaces	Legal title to land	Leasable area in m <sup>2</sup>	Equipment of real estate	Market value in TCZK	Share of the total portfolio value	Bank loan in TCZK	Ratio of the bank loan to the real estate's market value	Vacancy rate of the premises by floor space	Average period remaining until the termination of the lease agreements, in years	Income from leases for 2019 in TCZK	Planned income from leases for 2019 in TCZK	Income from leases determined by expert in TCZK per year
16	100%	Forum Nová Karolina	CZ	New Karolina Shopping Center Development, s.r.o., Antala Staška 2027/79, Krč, 140 00 Praha 4, Czech Republic	Ownership interest: 2629 mil. CZK Shareholder loan: 0 mil. CZK	Shopping centres	O (0.37%) C (96.5%) X (3.1%)	5.12.2018	2012	29 377	1 500	F	58 520	SL, PL, E, D	5 337 738	17,3%	2 960 265	55,5%	94,1%	2,8	359 759	362 507	386 685
17	100%	Industrial Park Dubnica 2	SK	SEE RE Two s.r.o., Hodžovo nám. 2A, Bratislava - městská část Staré Mesto 811 06 Slovak Republic	Ownership interest: 129 mil. CZK Shareholder loan: 120 mil. CZK	Logistics	W (93.9%) O (5.2%) X (0.9%)	27.11.2019	2018	39 678	0	F	16 629	AC	241 193 <sup>4)</sup>	0,8%	0	0,0%	99,5%	3,2	1 610	1 632	19 405
<b>Total real estate assets</b>											<b>6 326</b>		<b>453 228</b>		<b>30 813 475</b>	<b>100,0%</b>	<b>13 464 712</b>	<b>43,7%</b>	<b>95,7%</b>	<b>3,55</b>	<b>1 728 666</b>	<b>1 737 987</b>	<b>1 977 618</b>

<sup>1)</sup> Melantrich – January 2020 the new apartments on second and third floor (R) were issued a use permit, conversion of offices (O).

<sup>2)</sup> Date of real estate renovation

<sup>3)</sup> Tranon – this amount refers to a bond issue; this real estate does not have a bank loan.

<sup>4)</sup> Industrial Park Dubnica 2 – the preliminary purchase price of EUR 9 453 002 is stated in the table as the market value. The final purchase price was reconciled in March 2020 to the final market price of EUR 9 422 840.

Note: The values for real properties valued in EUR are translated using the exchange rate valid as at 29 November 2019 reflecting the value of the unit as at 31 December 2019.



Explanation of the terms relating to the real estate index:

7	<b>Purpose of lease</b>	The structure of the type of utilisation is calculated according to the usual value of rent (irrespective of the current income from lease) as at the date of the last real estate valuation prepared by an approved independent expert and approved by the Expert Committee  Abbreviations: O ... Office; C ... Commercial; W ... Warehouse, R... Residential; X ... Other;
8	<b>Date of real estate acquisition</b>	MM/YYYY ... Date of conclusion of the transaction;
8	<b>Date of issue of the use permit for the real estate</b>	YYYY ... The year of issue of the original use permit; in the event of an annex/renovation the year in which the use permit was issued after having finished the annex/renovation;
10	<b>Size of the lot of land</b>	Area according to the Land Register;
12	<b>Legal title to land</b>	Abbreviations: Abbreviations: F ... Freehold / Ownership title; L ... Leasehold/Lease title; RPU ... Right of Perpetual Usufruct
13	<b>Leasable area</b>	In 2019, the methodology changed so the square meters correspond to the sum of the actual leased area and the free areas. Free areas are listed in accordance with the latest expert opinion;
14	<b>Equipment of real estate</b>	Abbreviations: Abbreviations: AC ... Air conditioning; SL ... Service lift; PL ... Passenger lift; E ... Escalator; D ... District heating;
15	<b>Market value</b>	Market value as at the date of the last expert report prepared by an approved independent expert and approved by the Expert Committee;
19	<b>Occupancy rate by floor area</b>	Percentage of occupancy of leasable area;
20	<b>Average period remaining until the termination of the lease agreements, in years</b>	Stated in years and calculated according to current value of rent (before discount on rent). Lease agreements with no fixed expiry date are included for the one year period;
21	<b>Income from leases for 2019</b>	Current income from leases in 2019, in case of acquisition or sale only for the period of ownership of the real estate (irrespective of VAT and service fees);
22	<b>Planned income from leases for 2019</b>	Planned income from leases (irrespective of VAT and service fees)
23	<b>Income from leases at full-occupancy determined by expert</b>	Annual income from leases based on full-occupancy assumption as at the date of the last real estate valuation prepared by approved independent expert and approved by the Expert Committee (in case of acquisition or sale only for the period of ownership of the real estate); foreign currency exchange rates calculated based on the exchange rate valid as at the date determined by decision of the Expert Committee.







## Information on real estate portfolio

All real properties included in the Fund's portfolio are owned in form of a 100% ownership interest in real estate companies holding one or more real properties.

### JRA, s.r.o., a real estate company

On 31 August 2007, the Fund acquired a 100% ownership interest in JRA, s.r.o., with its registered office at Antala Staška 2027/79, Krč, 140 00 Praha 4.

The real estate company's assets include one real estate as defined in Government Regulation No. 243/2013 Coll.



Platinum administrative building, Brno, Czech Republic

### Platinum

#### Identification of the real estate

The real estate is located at Veveří 3163/111, Žabovřesky, 616 00 Brno 16. Cadastral area code: 610470 Žabovřesky; District: CZ0642 Brno Město; Municipality: 582786 Brno; Ownership certificate: 1751.

Cadastral area code: 610470 Žabovřesky; District: CZ0642 Brno Město; Municipality: 582786 Brno; Ownership certificate: 1751. Type of real estate under Act No. 256/2013 Coll.: land in the form of plots a part of which are buildings connected with land through a solid foundation.

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

The real estate consists of one commercial real estate together with the relevant land located at an attractive place in Brno, well accessible via both public and individual transport. The building was officially approved for use and put into operation in 2005 as a modern office centre meeting top standards. The building is in very good technical condition and is leased primarily for office purposes. A small portion of premises is leased for retail purposes. The major lessees are ČSOB, Cyrrus, Gardner Denver International, and KPMG. Cash flows connected with the real estate are stable and no significant changes are expected.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by Savills CZ s.r.o., ID No.: 055 61 281, Praha 1, Na Florenci 2116/15, post code 110 00, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

- T-Mobile Czech Republic – telecommunication networks
- Masaryk university – communications wiring
- E. ON distribuce - transformer station
- Česká telekomunikační infrastruktura a.s. – telecommunications network

##### Pledges

- Real properties pledged in favour of Raiffeisenlandesbank Oberösterreich AG (first pledge in order)
- Real properties pledged in favour of REICO investiční společnost České spořitelny, a.s. (second pledge in order), acting on the account of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.

#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate APM CR s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### REICO Investment ALFA, a. s., a real estate company

On 7 December 2007, the Fund acquired a 100% ownership interest in REICO Investment ALFA, s.r.o. In 2016, the company was transformed into a joint stock company. The registered office of the company is located at Praha 4, Antala Staška 2027/79, postal code 140 00, ID No.: 271 08 619.

### Čtyři Dvory shopping centre

#### Identification of the real estate

The real estate is located at Milady Horákové 1498, České Budějovice 2.

Cadastral area code and name: 621943 České Budějovice 2; District: CZ0311 České Budějovice; Code and name of municipality: 544256 České Budějovice; Ownership certificate 1861.

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

The property is a retail centre complex consisting of two connected buildings. The shopping part of the building was built in 2001 and the leisure part in 2002. In 2018/2019, the property

underwent an extensive reconstruction of all common areas (new arcade, unified design of shop fronts, completion of the main entrance to the shopping centre, new food-court), the layout of some leased premises changed, building technologies were completed and improved (cooling system, air-conditioning, electric systems, data network (new public WIFI)), new layout of stalls, revitalisation of the building façade. The non-residential premises are leased for retail, catering, and entertainment purposes. The major lessees are Ahold and Cinestar.



Čtyři Dvory shopping centre, České Budějovice, Czech Republic

The Fund has acquired the real estate to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by Savills CZ s.r.o., ID No.: 055 61 281, Praha 1, Na Florenci 2116/15, postal code 110 00, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Technické služby města České Budějovice (Technical services of České Budějovice) – above ground networks
- Dopravní podnik města České Budějovice (Public Transport Company of České Budějovice) – placement of overhead traction trolley and cable lines
- CETIN a.s. (underground services)
- České Budějovice heating plant (heat line)

##### Pledges

- Real properties pledged in favour of REICO investiční společnost České spořitelny, a.s., acting on the account of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.

#### Information on the real estate's valuation

The real estate was valued by Colliers International, s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

## REICO Investment BETA, s. r. o., a real estate company

On 12 May 2008, the Fund acquired a 100% ownership interest in REICO Investment BETA, s. r. o., with its registered office at

Laurinská 18, Bratislava 811 03, Slovakia, identification number: 36 856 711.

## Office Box building

#### Identification of the real estate

The real estate is located at Mokráň Záhon 2, Trnávka, Bratislava II, Slovakia. Cadastral area name: Trnávka; Municipality name: BA-city quarter RUŽINOV, District: Bratislava II, Slovakia; Ownership certificate: 3716. Type of real estate under Act No. 256/2013 Coll.: land in the form of plots a part of which are buildings connected with land through a solid foundation.

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

The Office Box building was finished at the end of 2007. It is a standard office building located close to the Milan Rastislav Štefánik Airport in Bratislava. The renovation of the real estate was commenced in the second half of 2015. The building was fenced in, the façade was repaired and painted, air conditioning was installed and the unused ground floor parterre was utilised to create additional parking spaces. Starting from March 2016, the building was again ready for lease under its new name Office Box. The major lessees are TERNO Real Estate and Celltex.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.



Office Box administrative building, Bratislava, Slovakia

#### Real estate administration

The administration of the real estate is carried out by Cushman & Wakefield Property Services Slovakia, s.r.o., ID No.: 35 963 981, Pribinova 10, 811 09 Bratislava, Slovakia, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Easement - suffering the placement of utilities network for Kristián Lauko and František Žáček
- Easement - suffering the placement of utilities network for BLUE BOX s.r.o

##### Pledges

Real properties pledged in favour of REICO investiční společnost České spořitelny, a.s., acting on the account of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.



#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate APM CR s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### REICO Investment GAMA, a.s., a real estate company

On 11 November 2010, the Fund acquired a 100% ownership interest in La Salle, a.s., which was subsequently renamed to REICO Investment GAMA, a.s., ID No.: 261 92 896, with its registered office in Praha 4, Antala Staška 2027/79, postal code 140 00. The real estate company's assets include one real estate as defined in Government Regulation No. 243/2013 Coll. It is the multifunctional building Melantrich, a highly attractive commercial real estate located in a prestigious location. It presents a significant stable and sustainable value in the real estate fund's portfolio.

#### Melantrich

##### Identification of the real estate

The real estate is located at Václavské náměstí 793, Praha 1. Cadastral area code and name: 727181 Nové Město; code and name of municipality: 554782 Prague; District: CZ 0100 Capital of Prague; Ownership certificate: 582.

##### Description, age, utilisation and purpose of acquisition of the real estate and other information

The building was built in 1913 for the needs of Česká strana národně sociální (Czech National Socialist Party). Over most of the 20<sup>th</sup> century, publishing houses and a printing office were seated in the building. In the period from 2003 to 2004, the building underwent complete renovation and an annex was added to the rear wing. The building is in good technical condition. Repairs and maintenance are carried out with due care. The whole real estate represents a significant investment value in the Fund's portfolio. Due to the nature of this real estate, its size, and the attractiveness of the location, low volatility of the building's market value and its long-term sustainability can be expected.

The Fund has acquired the building in order to operate it. This purpose has not changed.

In December 2018, a lease agreement was underwritten, unifying the operator of the apartments. At the same time, a conversion of all office premises to flats is continuing. The major lessees are Marks & Spencer and EuroAgentur Hotels & Travel.

##### Real estate administration

The administration of the real estate is carried out by Savills CZ s.r.o., ID No.: 055 61 281, Praha 1, Na Florenci 2116/15, postal code 110 00, based on a contract for administration.

##### Rights encumbering the building (excluding lease relations)

###### Easement

- PRE distribuce, a.s. – transformer station

#### Pledges

- Real properties pledged in favour of Česká spořitelna, a.s.
- Real properties pledged in favour of REICO investiční společnost České spořitelny, a.s. (second pledge in order), acting on the account of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.

#### Information on the real estate's valuation

The real estate was valued by Colliers International, s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.



Melantrich multifunctional building, Prague, Czech Republic

### Trianon Building Prague, s.r.o., a real estate company

On 27 March 2013, the Fund acquired a 100% ownership interest in Trianon Building Prague s.r.o., with its registered office at Antala Staška 2027/79, Praha 4 - Krč, postal code 140 00, ID No.: 265 04 006. The real estate company's assets include one real estate as defined in Government Regulation No. 243/2013 Coll.

#### Trianon

##### Identification of the real estate

The real estate is located at Budějovická 1518/13a, Praha 4 - Michle, post code 140 00, on the corner of the Budějovická and Vyskočilova Streets. Cadastral area code: 727750 Michle; District: CZ0100 Capital of Prague; Municipality: 554782 Prague; Ownership certificate: 438.

##### Description, age, utilisation and purpose of acquisition of the real estate and other information

The Trianon administrative building is located in city quarter Praha 4 – Michle/Budějovická. One of the main characteristics of the real estate is its strategic position within the Capital of Prague very close to the Budějovická station of the metro C line. Its excellent accessibility by transport is further supported by access to several bus lines and the proximity of the Prague Ring ("Jižní spojka") in the south and the 5. května street (the "Arterial Road") in the north as a slip road from the city centre in the direction to Brno.

The building constructed by the renowned property development company Hochtief was officially approved for use and put into

operation in 2009. It consists of three underground and eight above ground floors. In the three underground floors, 298 parking spaces are available to the lessees of the building. Except for the ground floor where retail premises are located, the remaining part of the building consists exclusively of office premises. Trianon offers its lessees above-standard premises, with the option to flexibly arrange the interior. The major lessee is Česká spořitelna. Cash flows connected with the real estate are stable and no changes are expected.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by Savills CZ s.r.o., ID No.: 055 61 281, Praha 1, Na Florenci 2116/15, postal code 110 00, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Capital City of Prague – position of the construction, entry and entryway
- Pražská plynárenská Distribuce, a.s. – gasworks equipment
- Česká telekomunikační infrastruktura a.s. – communication networks
- PREdistribuce, a.s. – cable lines
- Pražská teplárenská, a.s. – hot water pipe
- GTS Czech s.r.o. – communication networks
- T-Systems Czech Republic – optical fibre connection
- GTS Novera – communications network / wiring

##### Pledges

- Real properties pledged in favour of Česká spořitelna, a. s.

#### Information on the real estate's valuation

The real estate was valued by Colliers International, s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.



Trianon administrative building, Prague, Czech Republic

### Qubix Building Prague s.r.o., a real estate company

On 27 March 2014, the Fund acquired a 100% ownership interest in Stavební a inženýrská společnost, spol. s r.o. On 12 September 2014, the company was renamed Qubix Building Prague s.r.o.,

with its registered office at Antala Staška 2027/79, Praha 4 - Krč, postal code 140 00, ID No.: 457 95 223.

#### Qubix

##### Identification of the real estate

The real estate is located at Štětkova 18, Praha 4 Nusle, postal code 140 00. Cadastral area code: 728161 Nusle; District: CZ0100 Capital of Prague; Municipality: 554782 Prague; Ownership certificate: 549.



Qubix administrative building, Prague, Czech Republic

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

Qubix is an office building located in Praha 4 close to the metro station Vyšehrad. It is in a very good location is close to the city centre, with a great accessibility by transport. In 2010-2012, the building was completely renovated by S+B Plan & Bau ČR based on a contract for the general supply of the construction. The prestigious architecture office of the renowned Viennese architect Professor Ernst Hoffmann participated in the renovation of the building. It is a multifunctional real estate, consisting primarily of office premises and holding the top level of the LEED Platinum certification. Major lessees of Qubix include Corpus Solution, CRIF, and Adecco.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by CBRE s.r.o. ID No.: 257 59 604, with its registered office at nám. Republiky 1a, postal code 110 00, Praha 1, Czech Republic, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Capital of Prague – public lighting administration
- PRE distribuce, a.s. – electric line
- In favour of the real estate – STL gas pipeline connections

##### Pledges

- Real properties pledged in favour of Raiffeisenlandesbank Oberösterreich AG
- Real properties pledged in favour of ČS nemovitostní fond (second pledge in order), acting on the account of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.







#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate APM CR s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### Forum BC I s. r. o., a real estate company

On 29 December 2015, the Fund acquired a 100% ownership interest in Forum BC I s. r. o., with its registered office at Laurinská 18, Bratislava, postal code 811 01, Slovakia, ID No.: 36 796 743.

#### Forum Business Centre

##### Identification of the real estate

The real estate is located at Bajkalská 28, Bratislava II, Ružinov, postal code 817 62. Cadastral area name: Nivy; District: Bratislava II; Municipality: Bratislava; Ownership certificate: 4521.

##### Description, age, utilisation and purpose of acquisition of the real estate and other information

Forum Business Centre is an office building located in Bratislava, Slovakia. It is in a very good location in the extended city centre on the Bajkalská Street that is part of the main commercial part of the city, Bratislava-Ružinov. The area has great accessibility for transport, the D1/E58 motorway being only 700 m from the building and the international M.R.Štefánik Airport being 10 minutes away from the building by car. The real estate was built in 2013 by HB Reavis Management, s.r.o. It is a multifunctional real estate, consisting primarily of office premises and holding the top level of the BREEAM Excellent certification. The main lessee of Forum Business Centre is Slovak Telekom, a.s., the major Slovak telecommunications company owned by the German-based company Deutsche Telekom. At present, Slovak Telekom, a.s. leases approximately 87% of the leasable area and the remaining portion has been leased to some smaller lessees, among them the Sodexo cafeteria chain. Cash flows connected with the real estate are stable and no changes are expected. The real estate suffers neither any legal mistakes nor any significant technical defects.



Forum BC I administrative building, Bratislava, Slovakia

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by CBRE s.r.o. ID No.: 35 819 804, with its registered office at Staromestská 3, Bratislava 811 03, Slovakia, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

Towards the land/building owner:

- STL Gas pipeline
- Infiltration system
- Optical fibre cable
- Sewerage connection

##### Pledges

- Real properties pledged in favour of Československá obchodná banka, a.s.

#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate APM CR s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### Topas REAL spol. s r.o., a real estate company

On 28 April 2016, the Fund acquired a 100% ownership interest in Topas REAL spol. s r.o., with its registered office at Antala Staška 2027/79, Praha 4 - Krč, postal code 140 00, Czech Republic, ID No.: 602 02 653.

#### Rohan Business Center

##### Identification of the real estate

The real estate is located at Rohanské nábřeží 671/15, post code 186 00, Praha 8. Cadastral area code: Cadastral area code: 730 955 Karlín; District: CZ0100 Capital of Prague; Municipality: 554782 Prague; Ownership certificate: 2317.

##### Description, age, utilisation and purpose of acquisition of the real estate and other information

Rohan Business Center is an office building located at Rohanské nábřeží in Praha-Karlín, one of the main office areas (the so-called office hubs) in Prague. The building has great accessibility by transport both in terms of city public transport and personal transport, primarily thanks to its proximity to metro B line station Křižíkova, tram stops in the Sokolovská Street, and junction streets to the Prague main thoroughfares. The real estate is a 10-story administrative building, consisting mainly of office premises (eight above ground floors and two underground floors). The real estate was built in 2012 under the architectonic design of the architecture studio Architekti Hrůša & Spol., Ateliér Brno. Rohan Business Center has 100 parking spaces in 2 underground floors and is almost fully leased. The real estate suffers neither any legal mistakes nor any significant technical defects.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

### Real estate administration

The administration of the real estate is carried out by Savills CZ s.r.o., ID No.: 055 61 281, Praha 1, Na Florenci 2116/15, postal code 110 00, based on a contract for administration.



Rohan Business Center administrative building, Prague, Czech Republic

### Rights encumbering the building (excluding lease relations)

#### Easements

- ČSAD Praha Holding – hot-water pipeline and communication cable
- ČSAD Praha Holding – public lighting, cable line
- Pražská plynárenská distribuce – gas pipeline connection
- GTS Czech – communication networks
- ČSAD Praha Holding – light-alarm device
- ČSAD Praha Holding – sewerage
- ČSAD Praha Holding – water main
- PRE distribuce a.s. – transformer station, cable lines
- T-Mobile Czech Republic a.s. – utilities network
- Dial Telecom a.s. (underground services)
- Pražská teplárenská – lines in the pavement

#### Pledges

None

### Information on the real estate's valuation

The real estate was valued by Colliers International, s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

## CITY TOWER, a.s. a real estate company

On 27 September 2016, the Fund acquired a 100% ownership interest in the real estate company CITY TOWER, a.s., with its registered office at Antala Staška 2027/79, Krč, Praha 4, postal code 140 00, Czech Republic, ID No.: 271 03 251.

### City Tower

#### Identification of the real estate

The real estate is located at Hvězdova 1716/2b, postal code 140 78, Praha 4. Cadastral area code: 728161 Nusle; District: CZ0100 Capital of Prague; Municipality: 554782 Prague; Ownership certificate: 6635.

### Description, age, utilisation and purpose of acquisition of the real estate and other information

City Tower is situated in the exclusive location of the extended city centre at Pankrác, together with the neighbouring area around Budějovická Street belonging to the main office areas (the so-called office hubs) in Prague. Many important multinational companies have their registered offices here. The building has great accessibility by transport both in terms of city public transport and personal transport, primarily thanks to its proximity to metro C line station Pankrác, access to several bus lines, tram stops at Pražského Povstání and the nearby D1 motorway.

City Tower is a 30-story administrative building, consisting mainly of office premises (27 above ground floors and three underground floors), offering 781 parking spaces in three underground floors.

The major lessee of City Tower is Raiffeisen Bank. Other lessees include for example the international consultancy firm AC Nielsen and law firms Císař, Češka, Smutný and KŠD Legal.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

### Real estate administration

The administration of the real estate is carried out by CBRE s.r.o. ID No.: 257 59 604, with its registered office at nám. Republiky 1a, postal code 110 00, Praha 1, Czech Republic, based on a contract for administration.



City Tower administrative building, Prague, Czech Republic

### Rights encumbering the building (excluding lease relations)

#### Easements

##### To City Point

- Transformer station
- Distribution station
- Fire extinguishing equipment distribution system
- Main water feed
- Light current and optical fibre connection
- Air conditioning engine room and diesel
- Sewerage connection
- Emergency escape route from underground parking
- Parking entry and exit, warehouses and parking spaces
- Storm-water drainage
- Air conditioning inlet/outlet for parking
- Fire emergency system
- EPS system for parking



- Use of earthing by City Point
- Pražská teplotní a.s. – heat pipeline
- Česká telekomunikační infrastruktura a.s. – communication networks

#### Pledges

- Real properties pledged in favour of Raiffeisenbank a.s.

#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate APM CR s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### Park One Bratislava, s. r. o., a real estate company

On 3 February 2017, the Fund acquired a 100% ownership interest in Park One Bratislava, s. r. o., with its registered office at Laurinská 18, Bratislava, postal code 811 01, Slovakia, ID No.: 36 796 298.

The real estate company's assets include one real estate as defined in Government Regulation No. 243/2013 Coll.

#### Park One

##### Identification of the real estate

The real estate is located at Náměstí 1. Mája 18, post code 811 06, Bratislava. Ownership certificate: 7777 KN: Bratislava I; Name of municipality: BA-m.č. Staré Mesto; District: Staré Mesto, Slovakia.



Park One administrative building, Bratislava, Slovakia

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

Park One is situated in an exclusive location in the centre of the Old Town in Bratislava (Staré mesto) at Náměstí 1. Mája, one of the main office hubs of Bratislava. The building has great accessibility by transport both in terms of city public transport and personal transport, primarily thanks to the close access to several bus and trolleybus lines and the D1 motorway that runs ca. 3 kilometres from the building. The real estate is a 13-story administrative building, consisting mainly of office premises (nine above ground floors and four underground floors). Park One has 167 parking places on four underground floors. The main lessee is the Slovak branch of Amazon.

The real estate was built in 2007 under the design of the renowned Czech architecture studio SIAL established in 1968 by architect Karel Hubáček. Its projects include e.g. the hotel and television transmitter situated on the Ještěd Mountain, the head office of Hypobanka at náměstí Republiky in Prague and the administrative centre at Karlovo náměstí in Prague.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by Cushman & Wakefield Property Services Slovakia, s.r.o., identification number 35 963 981, Pribinova 10, 811 09 Bratislava, Slovakia, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

In favour of the land/construction/building owner:

- Overlap of the building and related construction works
- Water main and sewerage connection

##### Pledges

- Real properties pledged in favour of Všeobecná úverová Banka a.s.

#### Information on the real estate's valuation

The real estate was valued by Colliers International, s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### Proximo One sp. z o. o., a real estate company

On 9 August 2017, the Fund acquired a 100% ownership interest in the legal title to the real estate Proximo One. The registered office of the real estate company is located at Przyokopowa 33, 01-208 Warsaw, Poland.

#### Proximo I

##### Identification of the real estate

The real estate is located at Prosta 68, 00-838 Warsaw, Poland, Mazovian Voivodeship, district Warsaw, municipality Warsaw. Cadastral area code 6-04-06. The land is administered by the city of Warsaw, KW number WA4M/00437480/5.

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

The Proximo I office building is located in Warsaw, Poland. It is situated in the Wola city quarter, the main and rapidly developing business district in the city centre. The real estate is a 16-story administrative building, consisting mainly of office premises (13 above ground floors and three underground floors). The total leasable area of the real estate is approximately 29 200 m<sup>2</sup>. It has 428 parking places in three underground floors. Proximo I has great accessibility by transport both in terms of city public transport and personal transport, primarily thanks to its proximity to metro station Rondo Daszynskiego and to several tram and bus lines. The international Frederyk Chopin Airport is about 20

minutes away from the building by car. The major lessees of the building include multinational Stanley Black & Decker and Takeda and the local Grupa Pracuj.

The real estate was built in 2016 under the design of the British architecture office Rolfe Judd. The developer of the building was Hines and the general supplier of the construction was Hochtief Polska S.A. The lobby and the interior vestibule were designed by Italian-based Pininfarina. The building will probably receive a BREEAM 'Very Good' certification. The real estate suffers neither any legal mistakes nor any significant technical defects.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by Cushman & Wakefield Trading Polska sp. z o. o., Ul. Złota 59, 00-120 Warsaw, Poland, based on a contract for administration.



Administrative building Proximo I, Warsaw, Poland

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Land servitude of entry and entryway for any perpetual user of land No. 40.
- Easement – the right of use for Stołeczny Zakład Energetyczny S.A.
- Land servitude of entry and entryway in favour of every owner or perpetual user of land lots No. 35 and 36.
- Land servitude of entry and entryway, including the entryway for fire brigades, in favour of every owner or perpetual user of land lot No. 40/2.
- Land servitude of entry and entryway in favour of every owner or perpetual user of land lots No. 39, 40/1 and 37/3.
- Land servitude of access to technical equipment for the purpose of operation, repairs, maintenance, modernisation and extension of existing technical equipment in favour of every owner or perpetual user of land lots No. 39, 40/1, and 37/3.
- The right to lease the existing, temporary and target parking places in favour of Bank BPH S.A.
- Servitude of transmission, entry for the purpose of establishing and operating energy equipment lines and all-day entry of maintenance services in favour of RWE Stoen Operator Sp. z o.o.
- Land servitude of entry and entryway in favour of every owner or perpetual user of land lots No. 35 and 36 as well

as unlimited entry from the Warsaw Uprising Museum (Muzeum Powstania Warszawskiego)

- Servitude of transmission, installation, operation, control, maintenance and repairs of the hot water service pipe and the right of access and entryway to the service pipe in favour of Veolia Energia Warszawa S.A.
- Servitude of transmission, entry for the purpose of establishing and operating energy equipment lines and using a room to install energy equipment of the electricity supply system and all-day entry of maintenance services in favour of RWE Stoen Operator Sp. z o.o.
- The right to lease office premises in favour of Black & Decker S. à r. l. Sp. z o.o.
- Land servitude of entry and common use of the real estate, maintenance and repairs, in favour of every owner or perpetual user of the real estate located on land lots No. 37/4 and 47.
- Land servitude – the right to establish equipment, network and infrastructure on the encumbered real estate (above it and below it) and to use this equipment, network and infrastructure necessary for the functioning of the real estate located on land lot No. 47 in favour of Proximo II Sp. z o.o. Sp.k.
- Land servitude of entry, entryway, parking and maintenance and repairs of the internal road and parking place in favour of every owner or perpetual user of the real estate located on land lots No. 37/4 and 47.
- Land servitude - the right to establish a wall between Proximo I and Proximo II in favour of every owner or perpetual user of the real estate located on land lots No. 37/4 and 47.
- Land servitude of entry and use of the real estate for the purpose of construction of Proximo II in favour of every owner or perpetual user of the real estate located on land lots No. 37/4 and 47.

#### Pledges

Real properties pledged in favour of Deutsche Pfandbriefbank AG

#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate Poland Sp. z o.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### Słoneczna Radom sp. z o. o., a real estate company

On 26 September 2017, the Fund acquired a 100% ownership interest in Słoneczna Radom sp. z o. o., with its registered office at ul. Zajecza 2B, 00-351, Warsaw, Poland.

#### Galeria Słoneczna shopping centre

##### Identification of the real estate

The real estate is located at Bolesława Chrobrego 1, 26 – 600, Radom, Poland. Land lot No. 25/16, KW No. RA1R/00140304/8 and 25/14, RA1R/00144453/5, Mazovian Voivodeship, district Radom, municipality Radom, cadastre Obozisko.







#### Description, age, utilisation and purpose of acquisition of the real estate and other information

Galeria Sloneczna is a shopping centre located in Radom, Poland. The real estate is situated in the city centre, on the crossroad of B.Chrobrego and A.Struga streets, thus benefiting from very good visibility. Galeria Sloneczna is a two-story shopping centre with 164 retail units. It has 1180 parking places located on the underground floor of the shopping centre and in a separate four-story parking house. The building has great accessibility by transport both in terms of city public transport and personal transport, primarily thanks to access to eleven bus lines and easy access by car from all catchment areas of the Mazovian region. The shopping centre is also an 8-minute walk from the Radom main square. The real estate was built by Porr in 2011. The developer was the local branch of American-based AIG/Lincoln (the name was later changed to White Star) which is known in the Czech Republic primarily for the development of The Park in Praha-Chodov, a large administrative complex, and Campus Square in Brno. The real estate suffers neither any legal mistakes nor any significant technical defects.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by White Star Real Estate sp. z o.o., ul. Zajecza 2B, 00-351 Warsaw, Poland, based on a contract for administration.



Galeria Sloneczna shopping centre, Radom, Poland

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Servitude of transfer – the right to use the real estate and to place gasworks equipment there with the right of entry for the purpose of operation, repairs, maintenance, renovation and inspection in favour of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. w Warszawie, Oddział Zakład Gazowniczy Radom.
- Servitude of transfer – the right to use the real estate for the purpose of operation, inspection, maintenance and repairs of the hot water service pipe and the right of access to the service pipe in favour of Radomskie Przedsiębiorstwo Energetyki Ciepłej S. A. "RADPEC".
- Land servitude of entry and entryway for the purpose of establishing and operating energy equipment lines of the electricity supply system in favour of Zakłady Energetyczne Okręgu Radomsko-Kieleckiego Dystrybucja Sp. z o.o.

- Land servitude of entry and the right to use a part of the land lot for the purpose of establishment and placement, operation, maintenance and repairs of telecommunications installation in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00144454/2.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishing and operating energy equipment lines of the electricity supply system in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00156128/5.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishing and operating energy equipment lines of the electricity supply system in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00123379/9.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishment and placement, operation, maintenance and repairs of telecommunications installation in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00156128/5.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishment and placement, operation, maintenance and repairs of telecommunications installation in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00123379/9.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishment and placement, operation, maintenance and repairs of telecommunications installation in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00117535/6.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishment and placement, operation, maintenance and repairs of telecommunications installation in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00156128/5.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishment and placement, operation, maintenance and repairs of telecommunications installation in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00123379/9.
- Land servitude of entry and the right to use a part of the land lot for the purpose of establishment and placement, operation, maintenance and repairs of telecommunications installation in favour of every owner or perpetual user of the real estate located on land lot entered in the land register under No. KW RA1R/00156130/2.

##### Pledges

- Real properties pledged in favour of Landesbank Hessen-Thüringen Girozentrale

#### Information on the real estate's valuation

The real estate was valued by Colliers International Poland Sp. z o.o., using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of



the real estate is stated in the real estate index which is part of the annual report.

## Industrial Park Dubnica I, s. r. o., a real estate company

On 20 March 2018, the Fund acquired a 100% ownership interest in Industrial Park Dubnica I, s. r. o., with its registered office at Laurinská 18, Bratislava, postal code 811 01, Slovakia, ID No.: 50 038 907.

### Dubnica Industrial Park

#### Identification of the real estate

The real estate is located at Dubnica nad Váhom, Slovakia, post code 018 41. Cadastral area name: Dubnica nad Váhom; District: Ilava; Municipality Dubnica nad Váhom; Trenčín Region; Ownership certificate: 6670.



Dubnica industrial park, Dubnica/Váhom, Slovakia

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

Industrial Park Dubnica is located in Western Slovakia region, which, together with the Bratislava region, comprises 86% of all industrial areas in the country and is established as the most significant logistic centre in Slovakia. It is situated next to an exit from the D1 motorway, the major thoroughfare in Slovakia, connecting the two largest cities in the country, Bratislava and Košice.

The major lessee is German-based Continental, a renowned global tire manufacturer and supplier of technical solutions for the automotive industry. Continental has been leasing approximately three-fourths of the leasable area. Other important lessees are the Swiss transportation and logistics company Kuehne+Nagel, the food chain Lidl and the Dutch brewery group Heineken.

It has 29 parking places. The real estate was built in 2016 by Goldbeck and it was developed by SEE RE One s.r.o.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by CBRE s.r.o. ID No.: 35 819 804, with its registered office at Staromestská 3, Bratislava 811-03, Slovakia, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

- HTMAS – electrical energy equipment and high-voltage switchboard
- Považská vodárenská spoločnosť – water conduit

##### Pledges

- Real properties pledged in favour of Raiffeisen Bank International AG

#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate APM CR s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

## Metronom BC s.r.o., a real estate company

On 14 June 2018, the Fund acquired a 100% ownership interest in METRONOM BC s.r.o., with its registered office at Antala Staška 2027/79, Krč, 140 00 Praha 4, ID No.: 289 39 794.

### Metronom

#### Identification of the real estate

The real estate is located at Bucharova 2817/9-13, Nové Butovice, Prague, postal code 158 00. Cadastral area code: 755 541 Stodůlky; District: CZ0100 Capital of Prague; Municipality: 554782 Prague; Ownership certificate: 2080.

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

The Metronom Business Center administrative building is located in the Prague office quarter Nové Butovice, next to the metro A line station and very close to a bus station and a local shopping centre. The Prague Ring is a 5-minute ride by car from the real estate, with international Václav Havel Airport a 15-minute car ride away.

The main lessee of the building is German-based SAP operating in the field of information systems. Other lessees include BMW, Abbvie, DAZ Group and Rossmann.



Metronom Business Center administrative building, Prague, Czech Republic

Metronom Business Center is a modern 10-story office building built in 2015 by the Slovak development company HB Reavis. With its total area of almost 34 000 m<sup>2</sup> and 528 parking places, it

is one of the largest buildings in the Nové Butovice office quarter. The real estate was awarded with an 'Excellent' BREEAM environmental certification.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by White Star Real Estate s.r.o., Identification Number: 251 49 521, Praha 4 Chodov, V parku 2343/24, Postal code 148 00, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Capital of Prague – light-alarm device including cable distribution systems
- Capital of Prague – collector
- Česká telekomunikační infrastruktura a.s. – underground communication lines
- Dial Telecom – cable lines
- T-Mobile – utilities network
- PRE distribuce – high-voltage switchboard

##### Pledges

- Real properties pledged in favour of Berlin Hyp AG

Real properties pledged in favour of REICO investiční společnost České spořitelny, a.s. (second pledge in order).

#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate APM CR s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

## Proximo Two sp. z o. o., a real estate company

On 31 May 2018, the Fund acquired a 100% ownership interest in the legal title to the real estate Proximo Two. The registered office of the real estate company is located at Przyokopowa 33, 01-208 Warsaw, Poland.

### Proximo II

#### Identification of the real estate

The real estate is located at Przyokopowa 26, 00-838 Warsaw, Poland, Mazovian Voivodeship, district Warsaw, municipality Warsaw. Cadastral area code 6-04-06. The land is administered by the city of Warsaw, KW number WA4M/00450423/5.

#### Description, age, utilisation and purpose of acquisition of the real estate and other information

Proximo II is located immediately next to Proximo I in the Western part of Warsaw's central business district. The Spire, the tallest building in Warsaw, is also located in this quarter, which is one of the most dynamic office districts in Central Europe.

Proximo II is a modern 10-story building, consisting mainly of office premises. The total leasable area of the real estate is more

than 20 000 m<sup>2</sup>. It has 207 parking places on two underground floors and 12 parking places in an above ground parking structure.

The key lessees of Proximo II are global advisory companies Accenture, Ernst & Young, and Six, which have leased most of the leasable areas. Other significant lessees are for example Storck and IT Kontrakt.

The real estate was built in 2016 under the design of the British architecture office Rolfe Judd. The building will probably receive a BREEAM Very Good certification.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### Real estate administration

The administration of the real estate is carried out by Cushman & Wakefield Trading Polska sp. z o. o., Ul. Złota 59, 00-120 Warsaw, Poland, based on a contract for administration.



Proximo II administrative building, Warsaw, Poland

#### Rights encumbering the building (excluding lease relations)

##### Easements

- Land servitude of entry and entryway for any perpetual user of land No. 40.
- Land servitude of entry and entryway in favour of every owner or perpetual user of land lots No. 35 and 36.
- Land servitude of entry and entryway in favour of every owner or perpetual user of land lot No. 40/2.
- Land servitude of entry and entryway, including the entryway for fire brigades, in favour of every owner or perpetual user of land lot No. 40/2.
- Land servitude of entry and entryway in favour of every owner or perpetual user of land lots No. 39, 40/1 and 37/3.
- Land servitude of access to technical equipment for the purpose of operation, repairs, maintenance, modernisation and extension of existing technical equipment in favour of every owner or perpetual user of land lots No. 39, 40/1, and 37/3.
- Land servitude of entry and entryway in favour of every owner or perpetual user of land lots No. 35 and 36 as well as unlimited entry from the Warsaw Uprising Museum (Muzeum Powstania Warszawskiego)
- Servitude of transmission, installation, operation, control, maintenance and repairs of the hot water service pipe and the right of access and entryway to the service pipe in favour of Veolia Energia Warszawa S.A.



- Servitude of transmission, entry for the purpose of establishing and operating energy equipment lines and all-day entry of maintenance services in favour of RWE Stoen Operator Sp. z o.o.
- Servitude of transmission, entry for the purpose of establishing and operating energy equipment lines and using a room to install energy equipment of the electricity supply system and all-day entry of maintenance services in favour of RWE Stoen Operator Sp. z o.o.
- The right to lease offices in favour of Accenture Services Sp. z o.o.
- Land servitude of entry and common use of the real estate, maintenance and repairs, in favour of every owner or perpetual user of the real estate located on land lot No. 46.
- Land servitude – the right of common use of water main connections, sewerage, maintenance and repairs of the water supply and sewerage systems and the right of unlimited entry in favour of every owner or perpetual user of the real estate located on land lot No. 46.
- Land servitude of entry, entryway, parking and maintenance and repairs of the internal road and parking place in favour of every owner or perpetual user of the real estate located on land lot No. 46.
- Land servitude - the right to establish a wall between Proximo I and Proximo II in favour of every owner or perpetual user of the real estate located on land lot No. 46.
- The right to lease offices and parking places in favour of EY GTH Poland Sp. z o.o.

#### Pledges

- Real properties pledged in favour of Deutsche Pfandbriefbank AG

#### Information on the real estate's valuation

The real estate was valued by BNP Paribas Real Estate Poland Sp. z o.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

### New Karolina Shopping Center Development, s.r.o., a real estate company.

On 5 December 2018, the Fund acquired a 100% ownership interest in New Karolina Shopping Center Development, s.r.o., with its registered office at Antala Staška 2027/79, 140 00 Praha 4, identification number: 281 83 011.

#### Forum Nová Karolina shopping centre

##### Identification of the real estate

The real estate is located at Jantarová 4, 702 00 Moravská Ostrava. Cadastral area code: 713 520 Moravská Ostrava; District: CZ0806 Ostrava - city; Municipality: 1 Ostrava; Ownership certificate: 11312.

##### Description, age, utilisation and purpose of acquisition of the real estate and other information

Forum Nová Karolina is a shopping and entertainment centre in Ostrava, attracting customers from the entire Moravian-Silesian Region. Thanks to its position in the city centre it offers

comfortable access to both pedestrians and car passengers. Pedestrian access is provided via a modern footbridge leading from the bus station and crossing Místecká Street and the railway corridor.

The real estate comprises 276 retail units and more than 58 000 m<sup>2</sup> of leasable areas. It offers a broad range of shops, such as C&A, Albert hypermarket, Marks & Spencer, Peek & Cloppenburg, Cinema City, H&M, Intersport and others. 1500 parking places are available for the visitors of the shopping centre.

Forum Nová Karolina was finished in March 2012 under the design of the renowned Dutch architect Remo Koolhaas. The building was developed by Dutch-based Multi. Forum Nová Karolina holds the BREEAM 'Very Good' environmental certification.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.



Forum Nová Karolina shopping centre, Ostrava, Czech Republic

#### Real estate administration

The administration of the real estate is carried out by Active Retail Asset Management s.r.o. ID No.: 024 85 575, Praha 3, Laubova 1729/8, postal code 130 00, Czech Republic, based on a contract for administration.

#### Rights encumbering the building (excluding lease relations)

##### Easements

In favour of Stavba: Moravská Ostrava:

- Placement of an underground construction
- Placement of an above ground construction
- Storm-water drainage
- Placement of a construction with the right of entry
- Water main connections
- Placement of underground and above ground construction of the northern entry ramp
- Storm-water drainage connections
- Establishment and operation of light current mains
- Waste-water drainage connections
- Placement of underground and above ground construction of the southern entry ramp
- Light current mains

In favour of the Statutory City of Ostrava:

- Use of the building's structure
- Use of the building's communications corridor

In favour of Veolia Energie ČR, a.s.:

- Placement and operation of the distribution system – delivery station and connections for distribution of coolness
- Distribution and operation of the distribution system - distribution of coolness
- Placement and operation of the hot water service pipe and the technological equipment of the delivery station
- Distribution and operation of the hot water service pipe for the purpose of distribution

#### **Pledges**

- Real properties pledged in favour of Landesbank Hessen-Thüringen Girozentrale

#### **Information on the real estate's valuation**

The real estate was valued by Colliers International, s.r.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 17 December 2019. The market value of the real estate is stated in the real estate index which is part of the annual report.

## **SEE RE Two s. r. o., a real estate company**

On 27 November 2019, the Fund acquired a 100% ownership interest in real estate company SEE RE Two s. r. o. with its registered office at Hodžovo nám. 2A, Bratislava, postal code 811 06, Slovakia, ID No.: 50 175 149.

### **Industrial Park Dubnica II**

#### **Identification of the real estate**

The real estate is located at Dubnica nad Váhom, Slovakia, post code 018 41. Cadastral area name: Dubnica nad Váhom; District: Ilava; Municipality Dubnica nad Váhom; Trenčín Region; Ownership certificate: 6631.

#### **Description, age, utilisation and purpose of acquisition of the real estate and other information**

Industrial Park Dubnica II is located in Western Slovakia region, which, together with the Bratislava region, comprises 86% of all industrial areas in the country and is established as the most significant logistic centre in Slovakia. It is a second part of a complex; the first part has been in the Fund's portfolio since March 2018. Industrial Park Dubnica II is close to an exit on the D1 highway which is the arterial highway in Slovakia, connecting the two largest cities: Bratislava and Košice.

The building comprises warehousing, technical and administrative spaces with the total leasable area of 16 600 m<sup>2</sup> and is fully leased. Its lessees include the German discount grocery store Lidl and two subcontractors for the automotive industry: AAF and LEONI. AAF focuses on air-filtration equipment manufacturing, and LEONI provides energy solutions for the automotive industry.

The real estate was constructed in 2018 by Goldbeck, the development of the building was carried out by SEE RE Two, which belongs in the Invest4SEE Investment Holding GmbH.

The Fund has acquired the building to operate it. The purpose of the acquisition has not changed.

#### **Real estate administration**

The administration of the real estate is carried out by CBRE s.r.o. ID No.: 35 819 804, with its registered office at Staromestská 3, Bratislava 811-03, Slovakia, based on a contract for administration.



Dubnica industrial park, Dubnica/Váhom, Slovakia

#### **Rights encumbering the building (excluding lease relations)**

##### **Easements**

- Považská vodárenská spoločnosť – water conduit

##### **Pledges**

- Real properties pledged in favour of REICO investiční společnost České spořitelny, a.s., acting on the account of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.

#### **Information on the real estate's valuation**

As the real estate was acquired in the second half of 2019, it was not measured for fair market value in the Fund's assets.







## Other mandatory essentials of the annual report

### Data on the investment company managing and at the same time administering the mutual fund

Over its entire existence, the Fund was only managed/administered by REICO investiční společnost České spořitelny, a.s., with its registered office in Praha 4, Antala Staška 2027/79, postal code 140 00, identification number: 275 67 117

### Data on all traders in securities carrying out trading in securities in relation to the mutual fund's assets

Over the entire existence of the Fund, only Česká spořitelna, a.s. carried out trading in securities for the Fund.

### Identification of assets if their value exceeds 1% of the value of the Fund's assets as at the date of valuation for the purpose of this report, stating the total acquisition cost and fair value at the end of the decisive period

The table shows the Fund's assets held in investment instruments and ownership interests in real estate companies as at 31 December 2019.

Name	Type of asset	Number of shares held (in respect of a joint-stock company)	Acquisition price TCZK	Market (fair) value TCZK
JRA, s.r.o.	Equity investment	1	403 010	539 964
REICO Investment ALFA, a.s.	Equity investment	20	329 491	176 377
REICO Investment BETA, s. r. o.	Equity investment	1	184 387	77 856
REICO Investment GAMA, a.s.	Equity investment	24	439 779	1 126 021
Trianon Building Prague s.r.o.	Equity investment	1	555 670	1 409 795
Qubix Building Prague s.r.o.	Equity investment	1	208 637	396 485
Forum BC I s.r.o.	Equity investment	1	70 650	306 655
Topas REAL spol. s r.o.	Equity investment	1	343 705	454 423
CITY TOWER, a.s.	Equity investment	910	2 702 542	3 296 581
Park One Bratislava, s.r.o.	Equity investment	1	267 937	462 136
PROXIMO ONE, sp. z o. o.	Equity investment	1	1 409 780	1 803 702
Słoneczna Radom sp. z o. o.	Equity investment	1	2 009 035	2 276 489
Industrial Park Dubnica I, s. r. o.	Equity investment	1	328 373	471 004
METRONOM BC s.r.o.	Equity investment	1	572 994	842 222
PROXIMO Two sp. z o.o.	Equity investment	1	993 983	1 166 481
New Karolina Shopping Center Development, s.r.o.	Equity investment	1 000	2 080 134	2 629 476
SEE RE Two s.r.o.	Equity investment	1	130 072	129 290

Other assets of the Fund are stated in the financial statements which are an integral part of the annual report.

### Information on litigations and arbitration proceedings concerning the Fund's assets or the claims of the Fund's unitholders where the value of the subject to the litigation or proceedings exceeds 5% of the value of the mutual fund's assets in the decisive period.

In 2019, the Fund was not involved in any litigations or arbitration proceedings the value of the subject of which would exceed 5% of the Fund's assets.

### Information on breaching loan or investment limits

At the beginning of 2019, the Fund was in breach of the 20% liquidity limit, as due to the acquisition of real estate of New Karolina Shopping Center Development, s.r.o., the value of the liquid component decreased to 18.78% in December 2018. On 15 January 2019, the limit was put into accord with the regulations.

### Information about the structure of and changes in the assets included in the Fund's portfolio

In the decisive period, one Slovak real estate company SEE RE Two s. r. o., was acquired. The structure of the assets is stated in the Fund's balance sheet as well as in other parts of the annual report.



### **Information about consideration provided to the investment company for management and administration of the Fund's assets and consideration for the depository for the performance of the depository function**

In 2019, a fee of TCZK 395 582 was paid to the investment company for the management and administration of the Fund's assets. In 2019, a depository fee of TCZK 30 766 was paid to the depository for the performance of its function. Other expenses of the Fund are stated in the financial statements which form an integral part of the annual report.

### **Information about quantitative limitations and methods chosen to assess risks related to the techniques and tools to effectively manage an investment fund**

The mutual fund uses derivative instruments exclusively to hedge against currency risk. As at 31 December 2019, the Fund held forward exchange contracts and currency swaps with the total value of underlying assets of MEUR 274. Risk management methods are described in the notes to the financial statements which are an integral part of the annual report.

### **Information about significant changes in the data stated in the investment fund's statutes in 2019**

In March 2019, the list of members of the Expert Committee was updated. Subsequently, a new managed fund was added to the list of managed funds in August – REICO nemovitostní fond SICAV a.s. Part IX now includes a provision on other assets and liabilities valuation in the mutual fund, which is performed daily. In justified cases, the deadline for measurement may be longer but not exceeding 2 weeks. The settlement of the applications for redemption of the units was amended so that redemptions of MCZK 0 – 5 are settled without undue delay, at the latest within one month. This applies unless the redemption of the units has been suspended. At the same time, the following paragraph was added to this section, stating that the investment company can decide on the suspension of the issue or the redemption of units for a necessary period or on determining the current value of the unit valid over several days for operational reasons, primarily in respect of activities relating to the preparation of the statutory financial statements and related activities at year end. There were no changes in investment strategy.

### **Information about remuneration for the manager's employees for 2019**

The average number of the Fund manager's employees in 2019 was 13 (among them, three directors)

The total fixed remuneration component of all employees was: CZK 21 831 472

The total variable remuneration component of all employees was: CZK 4 376 625

As the model of the investment company is based on the extensive outsourcing of services, all employees can be considered persons whose activity has a significant impact on the Fund's risk profile.

Bonuses for capital appreciation were not paid. Bonuses are paid based on having evaluated a number of criteria. The weight of the Fund's capital appreciation in the total bonus paid in 2019 was 15-30%, depending on the position of the employee within the management structure of the company.

### **Information about all mutual fund's depositories in the decisive period**

Over the entire existence of the fund, its depository has been Česká spořitelna, a.s., with its registered office in Praha 4, Olbrachtova 1929/62, post code 140 00, identification number: 452 44 782, registered in the Commercial Register maintained by the Municipal Court in Prague, section B, Insert 1171.

### **Information about the entity charged with custody or another type of administration of the mutual fund's assets if this entity has been ensuring custody of or otherwise administering more than 1% of the mutual fund's assets**

Česká spořitelna, a.s., the Fund's depository, has been ensuring the custodianship and other types of administration of the investment fund's assets. A custodian to which the depository can delegate the custody of investment instruments belonging to the mutual fund's assets can be a bank or a securities trader which adheres to prudence rules, including minimum capital requirements, and is subject to supervision by the authority of the country in which its registered office is located as well as to regular external audits that review whether the relevant investment instruments fall within its powers.

The depository currently uses the services of Clearstream Banking Luxembourg to settle and clear foreign securities and the services of Central Securities Depository Prague (Centrální depozitář cenných papírů, CSD Prague) to settle and clear exchange trades with securities traded on the Prague Stock Exchange as well as local custodians in respect of the Polish, Slovak, Hungarian, Romanian and Turkish markets. The cooperating entities can change over time, primarily in connection with entries to new markets.

### **Information about Securities Financing Transactions (SFT) and swaps of all revenues as required under Regulation (EU) 2015/2365 of the European Parliament and of the Council, Article No. 13**

In the accounting period, the Fund did not carry out any Securities Financing Transactions (SFT) or swaps of all revenues.

### **Information about significant facts that have occurred after 31 December 2019**

As at 31 December 2019, Ing. Filip Kubricht resigned as the chairman of the board of directors of REICO investiční společnost České spořitelny, a.s. From 1 January 2020, Tomáš Jandík, CFA, MRICS became the chairman of the board of directors, and Ing. Miloš Novák, CSc., became the new member of the board of directors responsible for financing and controlling.

On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic, and the Czech government declared a state of emergency on 12 March 2020. In response to

the potential threat represented by COVID-19 to public health, the administrative bodies of the Czech Republic adopted measures to stop the spread of the pandemic. The Company's management has considered the potential effects of COVID-19 on its activities and business, and concluded that they do not have a material impact on the Company's ability to continue as a going concern. This conclusion was adopted principally with regard to the strong liquid position of the fund, its high resistance to risk due to the sectoral and geographical diversification of the portfolio, and due to investments almost solely in the premium real estate segment with quality lessees.

In April, the Fund acquired the first two stages of a logistics project PNK Park Sereď (buildings DC31 and DC32) in Slovakia. The value of the Fund's new acquisition is about MCZK 835 (EUR 30.6). The Fund thus increased the number of owned real estate to 19 and extended its sectoral and regional diversification of its prime real estate portfolio.

## List of members of the Expert Committee

From 18 February 2019, the members of the Expert Committee are:

### Petr Urbánek

Date of birth 18 June 1963; member of the Committee since 18 February 2019; studied at the Secondary School of Civil Engineering, and has 28 years of experience with real estate markets. Since 2010 provides expert advisory services to clients in this area. In 2001 became one of the founding members of the Real Estate Market Development Association (ARTN); member of the Urban Land Institute since 2005. In 2006-2013, member of the Royal Institution of Chartered Surveyors.

### Richard Hogg

Date of birth 27 December 1977; member of the Committee since 18 February 2019; studied at the Real Estate Management at the Nottingham Trent University; since 1999 works in real estate in the Czech Republic and the UK. Between 2006-2010, member of the board of directors of the Royal Institution of Chartered Surveyors (RICS) Czech Republic; since 2012 member of the RICS European Valuation Network. In 2018 became the manager of a three-member team in the Research department of Cushman & Wakefield.

### Dušan Šťastník

Date of birth 19 December 1980; member of the Committee since 18 February 2019; studied at the Faculty of Economics and Management in CZU Prague and at the University of Reading – College of Estate Management; works in real estate since 2004 in

Prague and in London. Member of the RICS since 2008; works for RICS as a trainer and examiner at entrance interviews. He is also an external lecturer in the MBA Real Estate programme at the University of Economics in Prague, external lecturer in business techniques, financial modelling, property valuation; and also provides external trainings in real estate valuation in the Czech Republic and abroad.

## Information about the mutual fund's portfolio managers and members of the investment company's board of directors in the decisive period

### Ing. Filip Kubricht

Chairman of the board of directors  
Portfolio manager of the liquid component from 1 December 2006 to 31 December 2019

He graduated from the Faculty of Economics of the Technical University of Liberec. He started his career in the second half of the 1990s with German Aareal Bank AG in Wiesbaden. In 2002, he accepted the offer of BAWAG Bank CZ in Prague where within four years he established the department of commercial real estate financing which he managed as well.

### Ing. Jaromír Kohout, MBA

Vice-chairman of the board of directors since 3 May 2016

He graduated from the University of Economics in Prague and from 2007 to 2008 he studied at the University of Pittsburgh, obtaining the Executive MBA degree. He started his career in the financial sector in Česká pojišťovna and then worked from 2009 to 2010 for PPF Group in Moscow. Since 2010, he has been working for the group of Česká spořitelna, a.s.

### Tomáš Jandík, CFA, MRICS

Member of the board of directors  
Portfolio manager of the real estate component since 1 May 2016

He graduated from Humboldt University in Berlin and from the College of Estate Management in Reading, UK. He has held several managerial positions in companies operating in the commercial real estate market, inter alia being responsible for valuation, investment advisory, transaction management, and asset management. From 2010, he worked in the capital market department of the Prague branch of CBRE. He is a member of the Czech CFA Society and the Royal Institution of Chartered Surveyors (RICS). He has been a member of the board of directors of REICO investiční společnost České spořitelny, a.s. since May 2016.

Prague, on 11 May 2020



Tomáš Jandík, CFA, MRICS  
Chairman of the Board of Directors



Ing. Jaromír Kohout, MBA  
Vice-chairman of the board of directors



Ing. Miloš Novák  
Member of the board of directors





**KPMG Česká republika Audit, s.r.o.**

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This document is an unsigned English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

**Independent Auditor's Report to the Shareholders of ČS  
nemovitostní fond, otevřený podílový fond REICO  
investiční společnost České spořitelny, a.s.**

***Opinion***

We have audited the accompanying financial statements of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnost České spořitelny, a.s. ("the Fund"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Fund is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2019, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other Information***

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body of REICO investiční společnost České spořitelny, a.s. ("the Company") is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In



connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

#### ***Responsibilities of the Statutory Body for the Financial Statements***

The statutory body of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to





those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### ***Statutory Auditor Responsible for the Engagement***

Veronika Strolená is the statutory auditor responsible for the audit of the financial statements of ČS nemovitostní fond, otevřený podílový fond REICO investiční společnost České spořitelny, a.s. as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague  
11 May 2020

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

Veronika Strolená  
Partner  
Registration number 2195

# Financial statements as at 31 December 2019

Balance Sheet

Income statement

Notes to the financial statements









# Balance sheet

ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.  
Register office: Antala Staška 2027/79  
140 00 Praha 4

## BALANCE SHEET as at 31 December 2019 (translated from the Czech original)

Ident.	TEXT	NOTE	Current period 31.12.2019	Prior period 31.12.2018
3	Receivables from banks and credit unions	4.1	6 666 103	4 282 184
	of which: a/ repayables on demand : aa/ current accounts		5 643 111	3 121 434
	b/ other receivables: ba/ term deposits bd/margins posted		1 022 992	1 160 750
4	Receivables from customers	4.2	1 763 485	1 926 213
	of which: b/ other receivables		1 763 485	1 926 213
8	Ownership interests with significant influence	4.3	17 564 957	15 646 287
11	Other assets	4.4	132 763	38 393
13	Prepaid expenses and accrued income		436	0
	<b>TOTAL ASSETS</b>		<b>26 127 744</b>	<b>21 893 077</b>
1	Payables to banks and credit unions		66 769	14 000
	of which: b/ other payables: bc/ margins received		66 769	14 000
4	Other liabilities	4.5	225 525	251 498
5	Deferred income and accrued expenses	4.6	39 084	32 776
	<b>Total liabilities</b>		<b>331 378</b>	<b>298 274</b>
9	Share premium	4.7	2 063 034	1 526 195
10	Reserve funds and other funds from profit		0	562
12	Capital funds	4.7	20 114 771	17 744 480
13	Revaluation gains/losses	4.8	3 639 773	2 608 871
	of which :c/ on translation of ownership interests		3 639 773	2 608 871
15	Profit/loss for the accounting period		-21 212	-285 305
	<b>Total equity</b>		<b>25 796 366</b>	<b>21 594 803</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>26 127 744</b>	<b>21 893 077</b>
	<b>OFF-BALANCE SHEET ITEMS</b>			
4	Receivables from fixed term transactions		7 409 836	6 641 058
	b/ with currency instruments		7 409 836	6 641 058
8	Values placed under management		26 127 744	21 893 077
10	Collaterals and pledges received	4.17	864 861	967 450
12	Liabilities from fixed term transactions		7 277 073	6 627 374
	b/ with currency instruments		7 277 073	6 627 374





Prepared on: 11 May 2020	Signature of the statutory body	Person responsible for the accounting (name and signature)	Person responsible for the financial statements (name and signature)
	Tomáš Jandík, CFA, MRICS  Ing. Jaromír Kohout, MBA 	Jana Potočková 	Jana Potočková 

# Income Statement

ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s.  
 Register office: Āntala Staška 2027/79  
 140 00 Praha 4

## INCOME STATEMENT for the year ended 31 December 2019 (translated from the Czech original)

Ident.	TEXT	NOTE	Balances in the	
			current period	prior period
			1	2
1	Interest income and similar income	4.9	233 410	158 805
2	Interest expense and similar expense		335	76
5	ommission and fee expense	4.10	425 688	353 367
	a/ commissions and fees from transactions with securities and investments		-660	0
	b/ management fee		395 582	320 468
	c/ depository fee		30 766	24 928
	d/ other financial expenses		0	7 971
6	Gain or loss from financial operations	4.11	171 831	-92 256
	a/ gain or loss from transactions with securities and investments		0	-40 020
	b/ gain or loss from foreign exchange differences		-10 323	5 073
	c/ gain or loss from fixed term transactions and options		182 154	-57 309
7	Other operating income		265	1 985
9	Administrative expenses	4.13	695	396
19	Current year profit/loss from ordinary activities before tax		-21 212	-285 305
24	Net profit/loss for the period		-21 212	-285 305

Prepared on: 11 May 2020	Signature of the statutory body	Person responsible for the accounting (name and signature)	Person responsible for the financial statements (name and signature)
	Tomáš Jandík, CFA, MRICS  Ing. Jaromír Kohout, MBA 	Jana Potočková 	Jana Potočková 



# Notes to the financial statements

as at 31 December 2019

## 1. Description and principal activities

### Establishment and description of the Fund

ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. (the "Fund") is an entity without legal personality, established by REICO investiční společnost České spořitelny, a.s. (the "Investment Company") in accordance with Act No. 189/2004 Coll., on Collective Investment, which in 2013 was replaced by Act No. 240/2013 Coll., on Management Companies and Investment Funds (the "Act").

Based on a request of REICO investiční společnost České spořitelny, a.s., the Czech National Bank approved the establishment of a fund named ČS nemovitostní fond, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. on 7 February 2007, with effect from 9 February 2007. The Fund started its operations on 27 February 2007.

Based on a concluded contract, Česká spořitelna, a.s. is the Fund's depositary.

The following two classes of Fund units are offered from 2 November 2017:

Class indication	Class description	Class code	ISIN
CZK C	CZK, retail-type of investors, reinvestment	CZKC	CZ0008472545
CZK DPM C	CZK, for selected types of investors, reinvestment	CZKDPMC	CZ0008475373

The board of directors of REICO investiční společnost České spořitelny, a.s. decides on the commencement or termination of the issuance of units of a particular unit class.

Any investor that meets the general conditions for investing in mutual funds may become the owner of the RETAIL class units, unless the distributor decides otherwise. Only investors corresponding to the definition of professional clients according to Sections 2a and 2b of Act No. 256/2004 on Capital Market Undertakings or clients of Česká spořitelna in the ERSTE Premier, ERSTE Private Banking and ERSTE Corporate Banking segment, complying with the conditions of Sections 2a and 2b of the Act on Capital Market Undertakings, may become owners of the INSTITUTION class units.

### Focus of Fund

The objective of the Fund's investment policy is the appreciation of funds invested by unitholders in a conservative manner, with the proceeds from the operation of real estate forming the heart of the Fund's appreciation. The Fund's investments in real estate companies owning real estate are acquired and held specifically in order to achieve this objective. At present, the principal source of the Fund's income is income from interest on loans granted to real estate subsidiaries to purchase real estate. Profits from the Fund's portfolio are reinvested according to the investment objectives so

The Fund is managed by the Investment Company. In compliance with the Act, the Investment Company is responsible for managing the assets in the Fund. Asset management means asset administration and disposal.

According to the Act, the Fund is a special fund investing into real estate.

### Registered office

Praha 4 - Krč, Antala Staška 2027/79, post code 140 00

### Principal activities

The Investment Company collects funds by issuing units for the purpose of their collective investment on domestic and foreign financial markets. The number of issued units and the period for which the mutual fund is established are not limited.

that neither the yield potential nor the Fund's level of security are reduced.

In compliance with the Act, the Fund primarily invests in real estate and real estate companies. The Fund may also invest in residential projects, office buildings and centres, hotel complexes, multi-purpose centres, etc. In connection with the nature of the real estate assets it is necessary to note that they are not "quick" liquid assets when managed professionally. The acquisition of investments in real estate companies is usually financed through the Fund's own resources.

Within the authorised limits, the Fund may finance the purchase of investments in real estate companies or the purchase and development of real estate also by a loan, but only provided that such financing will increase the economic effect of the entire transaction.

In accordance with the Act, the Fund invests in ancillary liquid assets (deposits, fixed term deposits), treasury bills, bonds and similar securities. The Fund may use financial derivatives for effective asset management.

Based on a classification that is binding for the members of the Czech Capital Market Association ("Czech AKAT") as at the date

of statutes approval, the term 'special real estate fund' may be used for the Fund.

The Fund's limits are complied with based on the Act, or they are set in the Fund's statutes in accordance with the Act.

### Rules of acquiring real estate and ownership interests in real estate companies

A real estate company is a joint stock company, a limited liability company or a comparable legal entity under foreign law, whose business activities primarily comprise the acquisition of real estate including its appurtenances, the administration of real estate, the transfer of ownership titles to real estate for consideration, to pursue financial gain. Adequately, property development companies are also considered real estate companies.

Real estate acquired into the assets of the mutual fund or into the assets of real estate companies in which the mutual fund has an ownership interest are used on a commercial basis, primarily in line with the purpose for which the real estate is used. The objective of acquiring real estate into assets is primarily long-term holding to generate regular revenue and subsequent adequate reinvestment of these revenues. A mutual fund may also purchase real estate for resale and undertake development real estate projects.

The Fund may acquire real estate in the Czech Republic, OECD member countries and countries where Erste Bank der oesterreichischen Sparkassen AG Group ("Erste") is represented. OECD member countries and countries where Erste Group is represented are further collectively designated as "Other Countries".

The total limit for investments in real estate in Other Countries is 80% of the value of assets in the mutual fund.

The Fund always acquires and sells real estate and investments in real estate companies based on the appraisals of two independent experts in real estate measurement; the subject of the appraisal must also include third party encumbrances. It is possible to acquire real estate encumbered with the rights of third parties if such an encumbrance demonstrably brings an economic benefit for the real estate (in particular this concerns the venality of this encumbrance, such as lease, payment for enjoying the rights of users, etc.). Specialised lawyers must assess the relevant legal documentation.

In case independent experts provide varying appraisals, the mutual fund must not acquire the real estate into its assets for a price that is higher by more than 10% than the lower of the prices based on the experts' appraisals, or sell the real estate for a price that is lower by more than 10% than the higher price based on the experts' appraisals, unless it presents to the depositary economic justification of such acquisition or such sale and the depositary agrees to this.

The real estate owned by the mutual fund may be encumbered with the rights of third parties if the economic benefit of establishing these rights proves that such step is advantageous (this primarily

concerns venality of this encumbrance, such as leases, payments for enjoying the rights of users, etc.).

The Fund may acquire and hold an ownership interest only in a real estate company that allows only cash contributions of shareholders or members, whose shareholders or members have fully paid their contributions, which invests only in real estate in the country of its registered office, which complies with the conditions of the Act and which invests exclusively in real estate or, apart from investment in real estate, invests in assets stipulated by the Act or by Government Decree No. 243/2013 Coll. for the purposes of ensuring liquidity of the mutual fund.

The Fund may acquire and hold an ownership interest in a real estate company if such ownership interest represents a majority of votes or capital necessary to change the statutes. Real estate that the real estate company acquires into its assets or sells from its assets is measured using the method stipulated by the Act for determining the value of assets of a special real estate fund and acquired and sold for a price determined based on the Act.

### Expert Committee

The Expert Committee is a special body established by the Investment Company.

The Expert Committee is obligated to determine the value of the following at least twice per year:

- real estate in the mutual fund's assets
- real estate in the assets of a real estate company in which the mutual fund has an ownership interest

and ensure the determination of the value of the mutual fund's ownership interest in the real estate company.

### Rules for indebteding the Fund

The Fund may receive a loan or a borrowing that is due within one year under standard terms, up to the amount of 20% of the value of the Fund's assets. The Fund may receive a mortgage only for the purpose of acquiring real estate into the Fund's assets or maintaining or enhancing its condition. Mortgages received by the Fund or real estate companies, in which this Fund has an ownership interest, must not exceed 70% of the value of this real estate. The sum of all loans and borrowings received by the Fund must not exceed 50% of the value of the Fund's assets.

### Rules for granting loans from the Fund's assets

The mutual fund may grant a loan from its assets only to a real estate company in which it has an ownership interest. The loan must be secured and the loan agreement must stipulate that in case the ownership interest in the real estate company is disposed of, the loan is due within six months of the date the ownership interest is disposed of. The sum of all loans granted from the mutual fund's assets to one real estate company must not exceed 50% of the value of all real properties in the assets of this real estate company. The sum of all loans granted from the assets of the mutual fund to real estate companies must not exceed 25% of the value of the mutual fund's assets.





### Rules for acquiring derivatives into the Fund's assets

The special fund may enter into contracts whose subject is a derivative, only for the purpose of effective asset management.

This comprises conducting transactions to mitigate the risk, reduce costs or generate sufficient revenue for the mutual fund, provided that the risk incurred is found to be low. The exposures from these transactions must always be fully covered by the Fund's assets so that it is always possible to meet the liabilities arising from these transactions.

Financial derivative transactions may be carried out on the following markets: BSE (Budapest Stock Exchange), Eurex, Euronext, CME (Chicago Mercantile Exchange), LIFFE (London International Financial Futures Exchange), NYMEX (New York Mercantile Exchange), OSE (Osaka Securities Exchange), ÖTOB (Austrian Futures and Options Exchange) and WSE (Warsaw Stock Exchange).

The special fund may invest in financial derivatives that are not received for trading on the markets above, provided that:

- a) The underlying asset represents only assets permissible under the Act and the statutes.
- b) The other contractual party to the transaction is an institution that is subject to supervision and belongs to one of the categories of institutions approved by the Czech National Bank and entered in the Czech National Bank's list.
- c) An OTC financial derivative must be measured daily using a reliable and verifiable method and the Fund has an option to sell or conclude the OTC derivative for its market value.
- d) The counterparty has a registered capital in the amount of or in the currency equivalent of at least MEUR 40, it must be subject to supervision and its rating of long-term debt ratio performed by at least one reputable rating agency must be of investment grade.

### Change in the Fund's statutes in 2019

Overview of significant changes in the Fund's statutes in 2019

16 January 2019

Appendix No. 1, letter a) - the total cost ratio of 'maximum 1.91% (for 2017)' was replaced by the ratio of 'maximum 1.92% (for 2018)'.

Appendix No. 1, letter b) - the total cost ratio of 'maximum 1.01% (a qualified estimate)' was replaced by the ratio of '1.1% (for 2018)'.

Furthermore, the following text was deleted from Appendix No. 1: "The total cost ratio cannot yet be calculated for the new class of units because it is calculated based on the data for the preceding accounting period. For this reason, it has been determined using a qualified estimate. Investors will have the possibility to obtain the actual amount of the total cost ratio in respect of the new class of units on the web site at <http://www.reico.cz> or on the distributor's

web site at <http://www.investicnicentrum.cz> after the audited data for the 2017 financial statements have been processed." New wording: "The total cost ratio equals the ratio of the mutual fund's total costs to the average monthly value of the mutual fund's fund capital for the previous accounting period while reflecting the specific costs of the relevant class. Total costs represent the sum total of the commission and fee expense, administrative expenses and other operating expenses presented in the statement of costs, revenues and profit or loss in accordance with the Czech National Bank Reporting Decree (see the Definition of Terms) after having deducted the fees and commissions on investment instrument transactions. The total cost ratio thus indicates the level of the mutual fund's assets being burdened by the total fund's costs, not only the management fee."

Appendix No. 2, letter b) - the following text was deleted: "In respect of the newly established class of CZK DPM C units, the data on the historical performance of this class of units cannot yet be disclosed in these statutes. The performance value for the current (incomplete) calendar year of existence of the relevant class of units is not disclosed." and the following sentence was added on the end of the paragraph: "As a result, the diagram stated below has a very limited explanatory power regarding the future performance of the mutual fund."

5 March 2019

Part IX, volume D, section 6 - the list of members of the Expert Committee, the date of arisal of their function and information on their qualification and experience in valuing real estate were updated.

9 August 2019

Part II, section 10 - the list of investment funds managed by the Investment Company was extended to include REICO nemovitostní fond SICAV a.s.

Part IX, volume A, section 3 - a second sentence was added to the section. New wording: "The other assets and liabilities of the mutual fund are valued on every working day."

Another sentence was added behind this sentence: "In justified cases, the measurement of the other assets and liabilities can be determined within a longer period, however, at least once every two weeks."

Part X, section 12, table No. 1 - the deadlines for settlement of the applications for redemption of the units have changed. New wording of the table:

Table No. 1

Volume of funds within the testing period of 6 months	The settlement of the applications for redemption of the units will be carried out within the following period
MCZK 0 – 5	without undue delay, however, at the latest within one month



over MCZK 5 but at maximum MCZK 10	within 3 months
over MCZK 10 but at maximum MCZK 50	within 6 months
over MCZK 50	within 12 months

Part X, section 13 - the following second paragraph was added to this section: "The investment company can decide on a suspension of the issue or redemption of units for a necessary period or on determining the current value of the unit valid over several days and a temporary change in determining the decisive date also for operational reasons, primarily in respect of the activities relating to the preparation of the statutory financial statements and the relating activities at year end; in this case, the investment company does not calculate the current value of the units over the suspension period, and over this period, the last known current value before the suspension is considered the current value."

## 2. Basis of preparation

The financial statements have been prepared on the basis of accounts maintained in accordance with Act No. 563/1991 Coll, on Accounting, relevant effective regulations, decrees and internal standards in compliance with and in the extent stipulated by Decree of the Czech Ministry of Finance No. 500/2002 Coll., as amended, which regulates the layout and definition of the individual items of financial statements and the extent of disclosures for banks and certain financial institutions, and Czech Accounting Standards for financial institutions, stipulating basic accounting policies.

The Fund is obligated to comply with the regulatory requirements set by the Act.

The financial statements are based on general accounting principles, in particular the accrual and matching principle, the prudence principle, and the going concern principle. Revenue and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing.

The financial statements comprise the balance sheet including off-balance sheet items, the income statement and the notes to the financial statements. The financial statements have been prepared as at 31 December 2019.

The Investment Company's financial statements cannot be prepared without using assumptions and estimates that may affect the reported amounts of assets and liabilities at the date of preparation of the financial statements and the recognised amounts of revenue and expenses for the relevant period. The Investment Company's management believes that the assumptions and estimates used will not differ significantly from the actual amounts in the following accounting periods. For more information, see note 3 of these notes to the financial statements.

These financial statements are non-consolidated.

All amounts in these financial statements and the related notes are reported in thousands of Czech crowns (TCZK), unless stated otherwise.

Assets and liabilities from the collective investment fund's investment activities are measured at fair value. To determine the fair value of assets and liabilities from the collective investment fund's investment activities, IFRS as adopted by the EU are applied. The method of determining the fair value of the collective investment fund's assets and liabilities in cases that are not provided for by specific accounting legislation (Act No. 563/1991 Coll, on Accounting, as amended, including implementing provisions, in particular Decree No. 501/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for business entities that are banks and other financial institutions) and the method of determining the current value of the collective investment fund's unit are established by the implementing legislation relating to the Act, which is Decree No. 244/2013 Coll., Detailing Certain Rules of the Act on Management Companies and Investment Funds.

The Investment Company accounts for the balance and movement of assets and other assets, liabilities and other liabilities, expenses and revenue and the asset management results in the mutual fund separately from its object of accounting and other mutual funds' object of accounting. In compliance with the accounting policies that are based on specific accounting legislation, the Investment Company accounts for the object of accounting in account books that are maintained separately for individual mutual funds whose assets it manages; it thus allows the Investment Company to prepare financial statements for each mutual fund. The mutual fund's financial statements must be audited.

The measurement of assets in the mutual fund for the purposes of determining the current value of the fund's unit is carried out on a daily basis. The measurement is performed in compliance with the legislation.

## 3. Significant accounting policies

### Transaction date

The transaction date is the date a receivable or liability arises, changes or extinguishes, and other events arise that form the object of accounting and have occurred.

The Fund accounts for the sale and purchase of securities at the moment a contract is concluded (the "Trade Date") in case the period between the contract conclusion and its settlement is not longer than normal period. Otherwise, such contract is accounted for as a derivative until the time the liability is performed.

In respect of derivative contracts, the transaction date is:

- a) the moment the relevant contract was concluded
- b) the moment the fair value of a derivative changed
- c) the moment when fulfilment of a relevant contract occurred.

## Securities

In accordance with the Fund's strategy, all securities are classified as securities measured at fair value through profit or loss.

At initial recognition, securities are measured at cost, which includes direct transaction costs and expenses incurred in connection with the acquisition of securities. Securities are subsequently remeasured at fair value.

The remeasurement at fair value is carried out daily based on Decree of the Czech Ministry of Finance No. 244/2013 Coll., as amended, Detailing Certain Rules of the Act on Management Companies and Investment Funds (the "Decree").

According to the Decree, securities are measured at price indicated on the public market that is adjusted based on the rules stipulated in the Decree, if necessary. If the market price is not available, the Fund uses the value calculated using valuation models that are based on discounted future cash flows and using the respective yield curve established from available market parameters.

Realised capital gains and losses, including foreign exchange gains and losses, are recognised in "Gain or loss from financial operations" in the income statement.

In respect of debt securities, the purchased accrued interest income in the amount determined in the issuing conditions is recognised on a special sub-ledger asset account. The accrued interest income for the holding period is then part of security measurement and is recognised on a special sub-ledger asset account with a corresponding double entry on the interest income account. The accrued interest income includes accrued coupons.

The accrued interest income is part of the fair value of securities and is presented in the statements on the same line.

## Ownership interests in real estate companies

Measurement of real estate in the assets of real estate companies controlled by the Fund

To monitor and determine the value of real estate in the assets of real estate companies, the Expert Committee uses the acquisition cost of the real estate or the latest expert's appraisal. The methods for determining the values that the Expert Committee will use must be based on relevant legislation, in particular the Czech National Bank's decrees.

Real estate held for the purpose of its operation is measured using the revenue method. The fair value of real estate ascertained using the revenue method represents the net present value of sustainable lease income less costs of real estate management and considered risk of rental loss. The discount factor is the market required rate of return.

Real estate held for the purpose of its resale is measured using the method of comparison.

Measurement of ownership interests in real estate companies

The Expert Committee determines the fair value of ownership interests in real estate companies at least twice per year, or it ensures its determination otherwise.

At initial measurement, the acquisition cost of real estate is used as a basis for determining the fair value of ownership interests in real estate companies. The subsequent measurement of ownership interests in real estate companies is carried out based on the measurement of real estate using an expert's appraisal. Before the initial determination of fair value of ownership interests in real estate companies, the fair value is the acquisition cost of ownership interests.

When measuring ownership interests, the so called net asset value method is used, i.e. fair values of other assets and liabilities of these companies that are recognised as at the measurement date are added to or subtracted from the fair value of real estate in the assets of the real estate company.

## Use of estimates

Assumptions and estimates used in measuring real estate in the assets of real estate companies controlled by the Fund and in measuring the Fund's ownership interests in these real estate companies are based on information available as at the measurement date. The estimated parameters entering the measurement include the estimated future cash flows arising from real estate, i.e. in particular the estimated sustainable lease income and the related expenses, the estimated risk of rental loss or the estimated market required rate of return, i.e. the discount factor entering the revenue measurement method.

As a result of the increased volatility from the beginning of the global financial crisis, the Fund may be exposed to higher risk, primarily in relation to an uncertainty connected with possible asset impairment and future market development. The financial statements have been prepared based on current best estimates using all information relevant and available as at the date of preparation of the financial statements.

Recognition of ownership interests in real estate companies

At initial recognition, ownership interests in a real estate company are recognised at cost, which includes the purchase price and expenses related to the acquisition. Ownership interests in real estate companies are subsequently recognised at fair value.

Ownership interests in real estate companies are recognised at fair value on a special line "Ownership interests with controlling influence" in the balance sheet.

The remeasurement of ownership interests in real estate companies including foreign currency translation is recognised in "Revaluation gains (losses)" in the Fund's liabilities in an amount reduced by a relevant deferred tax liability.



If the ownership interests in real estate companies are permanently impaired, the reduction including foreign currency translation is recognised on line "Gain (loss) from transactions with securities and ownership interests" in the Fund's income statement.

#### Escrow accounts

A portion of the purchase price of real estate companies is usually deposited on an escrow account until suspensive conditions are fulfilled. If an escrow account is held in the mutual fund's name, the account balance is accounted for as cash on the fund's accounts and recognised in "Receivables from banks" with the account balance recognised separately in the notes to the financial statements. In case an escrow account is held in a third party's name or located at third parties (a bank different from the bank in which the Fund's accounts are held; notarial custody), this account balance is accounted for as a receivable and recorded in "Other assets". In the notes to the financial statements it is recognised separately.

At the same time, the Fund accounts for a liability to pay the entire purchase price to a real estate company, i.e. for a liability in the amount equal to the escrow account balance, until the moment the original purchase price of the real estate company is reduced based on an agreement with the buyer, or the suspensive conditions are fulfilled and the cash is paid out from the escrow account, i.e. the original purchase price of the real estate company is paid.

#### Contributions in the registered capital of real estate companies

The contribution in the registered capital of a real estate company increases the net fair value of the real estate company's assets. This increase is recognised directly if the contribution is carried out within six months of the acquisition date or the last remeasurement of the real estate company. If this condition is not met, the Fund will remeasure the ownership interest in the real estate company as approved by the Expert Committee. This remeasurement will take into account the contribution made in the registered capital.

#### Expenses relating to the acquisition of real estate companies

Expenses directly related to the acquisition of real estate companies include expenses incurred on legal, tax and technical due diligence, legal and tax advisory in structuring acquisition transaction, bank fees connected with the acquisition debt financing, expenses incurred on real estate measurement and the audit of financial statements of real estate companies.

The amount and allocation of expenses related to the acquisition of real estate companies is approved by the board of directors at initial recognition of the real estate company in the Fund's accounts at cost with the Expert Committee acknowledging this decision.

#### Other receivables

The Fund accounts for receivables incurred in trading with securities and other operating receivables and these receivables are recognised at nominal value reduced by adjustments.

#### Loans, borrowings and interest income

At initial recognition, loans and borrowings are recognised at nominal value and subsequently, they are remeasured at fair value. Deferred/accrued interest relating to the loans and borrowings granted is included in total balances of these assets.

#### Other liabilities

Trade payables are recognised at nominal value that presents their fair value due to the maturity of these payables. The Fund accounts for liabilities that arise in trading with securities and for other liabilities.

#### Income tax

##### Current tax

The tax base for income tax is calculated from the profit/loss for the current period before tax by adding non-tax deductible expenses and subtracting revenues that are not subject to income tax, and other items adjusting the tax base. Current tax liability is calculated at the end of the taxable period in accordance with Act No. 586/1992 Coll., on Income Taxes, as amended. The tax rate for 2019 is 5%.

##### Deferred tax

A deferred tax liability or asset is calculated from all temporary differences between the recognised carrying amount of assets and liabilities and their measurement for taxation purposes and from tax losses. Deferred tax is calculated based on the liability method using the balance sheet approach.

Deferred tax is ascertained from all temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. A deferred tax asset or a deferred tax liability is ascertained as a product of the resulting difference and the rate valid for the period in which the tax asset will be realised or the deferred tax liability settled.

Deferred tax is recorded in the income statement, except where it relates to items reported directly in equity. In such cases, the related deferred tax is included in equity.

Deferred tax assets and liabilities are mutually offset and are reported in the balance sheet in their net amount, except where certain partial deferred tax assets cannot be offset against certain partial deferred tax liabilities.

#### Foreign currency translation

Transactions denominated in foreign currencies are translated based on the Czech National Bank official rate prevailing on the transaction date. As at the balance sheet date, assets and liabilities of monetary value denominated in foreign currency are translated at the exchange rate valid as at the balance sheet date.

Foreign exchange differences arising on the remeasurement of assets and liabilities recognised in foreign currencies are recorded in expenses or revenues, except for foreign exchange differences that arose from the translation of foreign currency ownership interests in real estate companies, which are recognised together

with the remeasurement of these ownership interests on-balance-sheet in “Revaluation gains (losses)”.

### Fund's equity

The current value of a unit of each class on day D is determined on day D+1 as a proportion of the fund capital value of each class as at day D and the sum of all nominal values of issued units of each class in circulation as at day D, rounded to four decimal places.

The current value of a unit of each class is determined daily.

In justified cases, the Investment Company may determine the current value of a unit that is valid for more days.

### Share premium

A share premium is the difference between the nominal value of all units and their current value as at the date of their issuance or redemption.

### Derivatives

From an accounting perspective, derivatives may be classified as trading or hedging derivatives.

The fair value of financial derivatives is the present value of expected cash flows from these transactions. To determine the fair value, common models accepted on the market are used. These valuation models are subsequently supplied with parameters ascertained on the active market, such as foreign exchange rates, yield curves, volatilities of relevant financial instruments, etc. All financial derivatives are recognised as assets in “Other assets” in case of positive fair value, and as liabilities in “Other liabilities” in case of negative fair value.

A change in the fair value of trading derivatives is recognised as expense or income in “Gain or loss from financial operations”.





## 4. Additional information on the financial statements

### 4.1. Receivables from banks

Receivables from banks	31/12/2019	31/12/2018
Current accounts	5 643 111	3 121 434
Fixed term deposits and margin posted	1 022 992	1 160 750
<b>Total</b>	<b>6 666 103</b>	<b>4 282 184</b>

Receivables from banks are from Česká spořitelna, a.s., Expobank CZ a.s., Raiffeisenbank a.s., UniCredit Bank Czech Republic and Slovakia, a.s., PPF banka a.s., and Komerční banka, a.s.

### 4.2. Receivables from non-banking institutions

Receivables from non-banking institutions are loans granted to real estate companies controlled by the Fund.

31/12/2019

Receivables from non-banking institutions denominated in CZK		31/12/2019
Company	Interest rate	Amount in CZK
JRA, s.r.o.	7.72%	77 421
REICO Investment ALFA, a.s.	9.90%	112 000
REICO Investment GAMA, a.s.	8.50%	78 767
REICO Investment GAMA, a.s. – interest*	-	1 711
Qubix Building Prague s.r.o.	7.00%	237 868
Qubix Building Prague s.r.o. - interest*	-	4 255
Topas REAL spol. s r.o.	7.00%	164 500
METRONOM BC s.r.o.	7.00%	360 839
<b>Total</b>		<b>1 037 361</b>

\* interest from 1 October 2019 to 31 December 2019 paid in January 2020

A loan provided to METRONOM BC s.r.o. was paid up in part on 29 January 2019 with an instalment of TCZK 95 000, and on 9 April 2019 with an instalment of TCZK 20 000.

Due to unpaid interest on the loan granted to Qubix Building Prague s.r.o. for January to September 2019, the loan was capitalised to the principal by the total amount of TCZK 12 193 during the year, based on a decision of ČS nemovitostní fond.

In January 2020, the loan was capitalised to the principal by TCZK 4 255, i.e. the unpaid interest for October to December 2019 on the granted loan.

Receivables from non-banking institutions denominated in EUR		31/12/2019	
Company	Interest rate	Amount in EUR	Amount in CZK
REICO Investment BETA, s. r. o.	9.00%	1 470	37 356
REICO Investment BETA, s. r. o. - interest**	-	11	290
FORUM BC I, s. r. o.	8.00%	12 286	312 196
Topas REAL spol. s r.o.	7.00%	6 355	161 480
Industrial Park Dubnica I, s.r.o.	7.00%	3 723	94 609
SEE RE Two s. r. o.	7.00%	4 700	119 427
SEE RE Two s. r. o. - interest***	-	30	766
<b>Total</b>			<b>726 124</b>

\*\* interest from 1 December 2019 to 31 December 2019 (of TEUR 11) - since January 2020 the interest has been capitalised to the principal

\*\*\* interest from 29 November 2019 to 31 December 2019 (of TEUR 30) - paid in January 2020

On 28 June 2019, the loan granted to Park One Bratislava, s. r. o. was raised by TEUR 200 in accordance with appendix No. 2 to the loan agreement dated 27 June 2019.

In accordance with the decision of the sole member of Park One Bratislava, s.r.o. dated 13 December 2019, the loan was repaid upon a mutual offset of the receivables from the outstanding principal including accrued interest and the liability from a contribution paid outside the registered capital on 14 November 2019. Due to unpaid interest on the loan granted to REICO Investment BETA, s.r.o. for January to November 2019, the loan was capitalised to the principal by the total amount of TEUR 128 during the year, based on a decision of ČS

nemovitostní fond. In January 2020, the loan provided to REICO Investment BETA, s.r.o. was capitalised to the principal by TEUR 11, i.e. the unpaid interest for December 2019 on the granted loan.

### 31/12/2018

Receivables from non-banking institutions denominated in CZK		31/12/2018
Company	Interest rate	Amount
JRA, s.r.o.	7.72%	77 421
REICO Investment ALFA, a.s.	9.90%	112 000
REICO Investment GAMA, a.s.	8.50%	78 767
REICO Investment GAMA, a.s. - interest*	-	1 711
Qubix Building Prague s.r.o.	7.00%	225 675
Qubix Building Prague s.r.o. - interest*	-	4 037
Topas REAL spol. s r.o.	7.00%	164 500
METRONOM BC s.r.o.	7.00%	475 839
<b>Total</b>		<b>1 139 950</b>

\* interest from 1 October 2018 to 31 December 2018 paid in January 2019

Based on a sale of an ownership interest in the Tábořská 31 a.s. real estate company, a loan provided to Tábořská 31 a.s. of TCZK 110 000 was also paid up on 16 February 2018. A loan provided to REICO Investment ALFA, a.s. was paid up in part on 21 June 2018 with an instalment of TCZK 8 000, and on 13 December 2018 with an instalment of TCZK 5 000. Due to unpaid interest on the loan granted to Qubix Building Prague s.r.o. for April to June 2018, the loan was capitalised by the total amount of TCZK 3 924 during the year, based on a decision of ČS nemovitostní fond. Based on a loan contract dated 14 June 2018, a loan of TCZK 475 838 was granted to METRONOM BC s.r.o.

Receivables from non-banking institutions denominated in EUR			31/12/2018
Company	Interest rate	Amount in EUR	Amount in CZK
REICO Investment BETA, s. r. o.	9.00%	1 343	34 533
REICO Investment BETA, s. r. o. - interest**	-	10	267
FORUM BC I, s. r. o.	8.00%	12 286	316 066
Topas REAL spol. s r.o.	7.00%	6 355	163 482
Park One Bratislava, s.r.o.	8.00%	6 847	176 133
Industrial Park Dubnica I, s. r. o.	7.00%	3 723	95 782
<b>Total</b>			<b>786 263</b>

\*\* interest from 1 December 2018 to 31 December 2018 (of TEUR 10)

Based on a loan agreement dated 20 March 2018 and subsequent amendments to the loan agreement, a loan totalling TEUR 3 723 was granted to Industrial Park Dubnica I, s. r. o. Due to unpaid interest on the loan granted to REICO Investment BETA, s.r.o. for January to November 2018, the loan was capitalised by the total amount of TEUR 117 during the year, based on a decision of ČS nemovitostní fond. In January 2019, the loan provided to REICO Investment BETA, s.r.o. will be capitalised by TEUR 10, i.e. the unpaid interest for December 2018 on the granted loan.

### 4.3. Ownership interests with controlling influence

As at 31 December 2019, the Fund owned investments in seventeen real estate companies. Nine of them operate in the Czech Republic, five in Slovakia and three in Poland.

Company name	Registered office	Ownership in %	Registered capital recorded in the Commercial Register	Other components of equity*	Acquisition date
REICO Investment ALFA, a.s.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 2 000	TCZK 154 046	7/12/2007
JRA, s.r.o.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 100	TCZK 136 752	31/8/2007
REICO Investment BETA, s. r. o.	Laurinská 18, 811 01, Bratislava	100%	TEUR 1 978	TEUR -317	12/5/2008
REICO Investment GAMA, a.s.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 1 000	TCZK 123 711	11/11/2010
Trianon Building Prague s.r.o.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 150 000	TCZK 1 064 027	27/3/2013
Qubix Building Prague s.r.o.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 270	TCZK 42 369	27/3/2014



Company name	Registered office	Ownership in %	Registered capital recorded in the Commercial Register	Other components of equity*	Acquisition date
FORUM BC I s. r. o.	Laurinská 18, 811 01, Bratislava	100%	TEUR 5	TEUR 413	15/12/2015
Topas REAL spol. s r.o.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 100	TCZK 93 992	28/4/2016
CITY TOWER, a.s.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 637 000	TCZK 812 679	27/9/2016
Park One Bratislava s.r.o.	Laurinská 18, 811 01, Bratislava	100%	TEUR 16 513	TEUR -2 776	3/2/2017
PROXIMO ONE, Sp. z o. o.	ul. Przyokopowa 33, 01-208 Warsaw	100%	TPLN 2 305	TPLN 248 752	25/4/2017
Słoneczna Radom sp. z o. o.	ul. Grzybowska 5A 00-132 Warsaw	100%	TPLN 15 300	TPLN -39 208	26/9/2017
Industrial Park Dubnica I, s.r.o.	Laurinska 18 Bratislava 811 01	100%	TEUR 5	TEUR 3 136	20/3/2018
PROXIMO TWO Sp.z o.o.,	ul.Przyokopowa 33, 01-208 Warsaw	100%	TPLN 7 813	TPLN 164 909	29/5/2018
METRONOM BC s.r.o.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 300	TCZK 125 134	14/6/2018
New Karolina Shopping Center Development,s.r.o	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 50 000	TCZK 647 713	5/12/2018
SEE RE Two s. r. o.	Hodžovo nám. 2A, 811 06 Bratislava – Staré Mesto	100%	TEUR 5	TEUR 2 164	28/11/2019

\*information based on unaudited financial statements as at 31 December 2019  
Voting rights in % correspond with ownership interests.

#### Market value of ownership interests

Company name	Market value of ownership interests at 31/12/2018	Change due to the acquisition of real estate companies	Increase in the company's equity	Permanent impairment	Change in market valuation	Market value of ownership interests at 31/12/2019
<b>Domestic ownership interests:</b>						
JRA, s.r.o.	509 875	-	-	-	30 089	539 964
Trianon Building Prague, s.r.o.	1 323 039	-	-	-	86 756	1 409 795
Qubix Building Prague s.r.o.	372 267	-	10 000	-	14 218	396 485
Topas REAL spol. s r.o.	435 533	-	-	-	18 890	454 423
REICO Investment ALFA, a.s.	144 646	-	55 000	-	-23 269	176 377
REICO Investment GAMA, a.s.	1 112 285	-	-	-	13 736	1 126 021
CITY TOWER, a.s.	3 167 562	-	-	-	129 019	3 296 581
METRONOM BC s.r.o.	667 647	-	115 000	-	59 575	842 222
New Karolina Shopping Center Development, s.r.o	2 080 134	6 750	332 625	-	209 967	2 629 476
<b>Total domestic ownership interests</b>	<b>9 812 988</b>	<b>6 750</b>	<b>512 625</b>	-	<b>538 981</b>	<b>10 871 344</b>
<b>Foreign ownership interests:</b>						
REICO Investment BETA, s. r. o.	80 783	-	-	-	-2 927	77 856
FORUM BC I, s. r. o.	257 653	-	-	-	49 022	306 655
Park One Bratislava, s.r.o.	330 252	-	183 993	-	-52 109	462 136
PROXIMO ONE, sp. z o. o.	1 621 603	-	-	-	182 099	1 803 702
Słoneczna Radom sp. z o. o.	2 128 770	-	-	-	147 719	2 276 489
Industrial Park Dubnica I, s.r.o	395 164	-	-	-	75 840	471 004
PROXIMO TWO Sp.z o.o	1 019 074	71	-	-	147 336	1 166 481
SEE RE Two s.r.o.	-	32 403	97 669	-	-782	129 290
<b>Total foreign ownership interests</b>	<b>5 833 299</b>	<b>32 474</b>	<b>281 662</b>	-	<b>546 178</b>	<b>6 693 613</b>
<b>Total:</b>	<b>15 646 287</b>	<b>39 224</b>	<b>794 287</b>	-	<b>1 085 159</b>	<b>17 564 957</b>

On 29 January 2019, METRONOM BC s.r.o. was provided with a contribution outside the registered capital of TCZK 95 000 and on 9 April 2019 a contribution outside the registered capital of TCZK 20 000.

On 15 April 2019, the purchase price of New Karolina Shopping Center Development, s.r.o. was increased by TCZK 6 750 based on the establishment of the final purchase price under the purchase contract. The final purchase price totals TCZK 2 086 884.

On 29 April 2019, REICO Investment ALFA, a.s. was provided with a contribution outside the registered capital of TCZK 55 000.

On 27 June 2019, Qubix Building Prague s.r.o. was provided with a contribution outside the registered capital of TCZK 10 000.

On 30 September 2019, New Karolina Shopping Center Development, s.r.o. was provided with a contribution outside the registered capital of TCZK 332 625.

On 28 November 2019, SEE RE Two s.r.o. was acquired for TCZK 32 403 (EUR 1 267).

On 28 November 2019, SEE RE Two s.r.o. was provided with a contribution outside the registered capital of TCZK 84 939 (EUR 3 321) and on 30 December 2019 with a contribution of TCZK 12 730 (EUR 500).

On 14 December 2019, Park One Bratislava, s.r.o. was provided with a contribution outside the registered capital of TCZK 183 993 (EUR 7 213).

#### 4.4. Other assets

Other assets	31/12/2019	31/12/2018
Positive fair value of derivatives	132 763	38 393
<b>Total</b>	<b>132 763</b>	<b>38 393</b>

#### 4.5. Other liabilities

Other liabilities	31/12/2019	31/12/2018
Deferred tax liability	191 567	137 309
Liabilities from unitholders' contributions	27 152	70 532
Negative fair value of derivatives	-	24 709
Other liabilities	6 806	18 948
<b>Total</b>	<b>225 525</b>	<b>251 498</b>

In 2019, other liabilities represented in particular unpaid invoices for the activities of the Expert Committee for the second half of 2019, an unpaid invoice for the administration and safekeeping of investment instruments for November 2019, an unpaid fee for ČS, a.s. for the sale of units for December 2019, uninvoked estimated accounts, an unpaid amount for securing tax from redemptions, and retention of the preliminary purchase price for SEE RE Two s.r.o.

In 2018, other liabilities represented in particular an unpaid invoice for a depositary fee for November 2018, an unpaid invoice for the administration and safekeeping of investment instruments for November 2018, an unpaid fee for ČS, a.s. for the sale of units for December 2018, uninvoked estimated accounts, and an unpaid amount for securing tax from redemptions.

#### 4.6. Deferred income and accrued expenses

Accrued expenses represent an uninvoked depositary fee for December 2019 of TCZK 2 819 (2018: TCZK 2 363 for December 2018) and an uninvoked management fee for December 2019 of TCZK 36 265 (2018: TCZK 30 413 for December 2018).

#### 4.7. Equity

The Fund does not report any registered capital. The nominal value of one unit is CZK 1. The total nominal value of all units is recorded in "Capital funds".

The share premium of each class from the difference between the nominal and the sales value of units of each class is recognised separately. The Fund accounts for the share premium in each class on the sale of units as well as on their redemption.

The sales price of a unit of each class is determined as a proportion of the fund capital value of each class and the sum of all nominal values of issued units of each class in circulation, rounded to four decimal places.



As at 31 December 2019, the value of a unit for the CZK C class was CZK 1.2414 (2018: CZK 1.1914) and CZK 1.1205 (2018: CZK 1.0662) for the CZK DPM C class.

The mutual fund is a growth fund, i.e. it does not use its profit to pay profit shares to unitholders, but the entire profit is reinvested as part of the mutual fund's management.

Based on the Fund's statutes, the loss for 2019 of TCZK 21 212 will be covered as follows:

- a loss of TCZK 36 318 for the CZK C class was covered by decreasing the capital fund;
- a profit of TCZK 15 106 for the CZK DPM C class will be transferred to the reinvestment fund, which is a part of other funds from profit.

Based on the Fund's statutes, the loss for 2018 of TCZK 285 305 will be covered as follows:

- a loss of TCZK 269 376 for the CZK C class will be covered by decreasing the capital fund;
- a loss of TCZK 15 929 for the CZK DPM C class will be covered in part by decreasing the reinvestment fund, which is part of other funds from profit, and in part by decreasing the capital fund.

#### Overview of changes in the capital fund for the CZK C class

	Number of units (in pieces)	Nominal value of units	Use of the capital fund to cover the loss	Total capital funds
<b>Balance at 31/12/2017</b>	<b>14 250 945 279</b>	<b>14 250 946</b>	<b>-395 976</b>	<b>13 854 970</b>
Units sold	4 150 908 492	4 150 908	-	4 150 908
Units redeemed	-2 006 078 133	-2 006 078	-	-2 006 078
Use of capital fund	-	-	-187 643	-187 643
<b>Balance at 31/12/2018</b>	<b>16 395 775 638</b>	<b>16 395 776</b>	<b>-583 619</b>	<b>15 812 157</b>
Units sold	3 988 617 578	3 988 617	-	3 988 617
Units redeemed	-1 490 520 888	-1 490 521	-	-
Use of capital fund	-	-	-269 375	-269 375
<b>Balance at 31/12/2019</b>	<b>18 893 872 328</b>	<b>18 893 872</b>	<b>-852 994</b>	<b>18 040 878</b>

#### Overview of changes in the capital fund for the CZK DPM C class

	Number of units (in pieces)	Nominal value of units	Use of the capital fund to cover the loss	Total capital funds
<b>Balance at 31/12/2017</b>	<b>799 383 188</b>	<b>799 383</b>	<b>-</b>	<b>799 383</b>
Units sold	1 266 277 475	1 266 278	-	1 266 278
Units redeemed	-133 338 105	-133 338	-	-133 338
<b>Balance at 31/12/2018</b>	<b>1 932 322 558</b>	<b>1 932 323</b>	<b>-</b>	<b>1 932 323</b>
Units sold	214 577 343	214 577	-	214 577
Units redeemed	-57 640 372	-57 640	-	-57 640
Use of capital fund	-	-	-15 367	-15 367
<b>Balance at 31/12/2019</b>	<b>2 089 259 529</b>	<b>2 089 260</b>	<b>-15 367</b>	<b>2 073 893</b>

#### 4.8. Revaluation gains (losses)

Revaluation gains (losses)	31/12/2019	31/12/2018
On translation of ownership interests	3 626 682	2 641 247
Deferred tax liability	-181 334	-132 062
<b>Total</b>	<b>3 445 348</b>	<b>2 509 185</b>

Revaluation gains (losses) for the DPM C class	31/12/2019	31/12/2018
On translation of ownership interests	204 658	104 933
Deferred tax liability	-10 233	-5 247
<b>Total</b>	<b>194 425</b>	<b>99 686</b>

The revaluation gains (losses) on translation of ownership interests in 2019 (or 2018) represented the difference between the acquisition cost of ownership interests in real estate companies and the last measurement of ownership interests in real estate companies at fair value







determined by ASB Czech Republic, s.r.o., an external company, and approved by the Expert Committee on 17 December 2019 (or on 13 December 2018).

The value of ownership interests in respect of foreign ownership interests includes also the foreign exchange difference.

#### 4.9. Interest income and similar income

	2019	2018
Interest on deposits with banks	92 560	27 538
Interest on loans granted to real estate companies	140 585	131 167
Interest on debt securities	265	100
<b>Total</b>	<b>233 410</b>	<b>158 805</b>

#### 4.10. Commission and fee expense

	2019	2018
Management fee	395 582	264 970
Depository fee	30 766	19 701
Other commissions and fees	-660	7 858
<b>Total</b>	<b>425 688</b>	<b>353 367</b>

The fee for managing the Fund's assets is 1.75% for the CZK C class and 0.90 % for the CZK DPM C class of the average annual value of equity.

The payment for discharging the duties of a depository is 0.13% (the rate is identical for both classes, CZK C and CZK DPM C) from the average annual value of the Fund's equity. The other commissions and fees primarily include bank fees and settlement of the commissions incurred in purchasing ownership interests in real estate companies New Karolina Shopping Center Development, s.r.o. and METRONOM BC s.r.o.

#### 4.11. Gain or loss from financial operations

	2019	2018
Gain (loss) from transactions with securities and ownership interests	-	-40 020
Gain (loss) from foreign exchange differences	-10 323	5 073
Gain (loss) from fixed term transactions and options	182 154	-57 309
<b>Total</b>	<b>171 831</b>	<b>-92 256</b>

In 2018, the loss from transactions with securities and ownership interests included a loss from the sale of Táborská 31 a.s.

#### 4.12. Breakdown of income and expense items by geographical area

Geographical area

	Czech Republic		Slovakia		Poland		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Interest income and similar income	171 573	99 928	61 837	58 877	-	-	233 410	158 805
Commission and fee expense	425 688	355 988	-	-2 490	-	-131	425 688	353 367
Gain or loss from financial operations	171 831	- 92 256	-	-	-	-	171 831	-92 256

#### 4.13. Administrative expenses

	2019	2018
Audit costs	695	396
<b>Total administrative expenses</b>	<b>695</b>	<b>396</b>

#### 4.14. Income tax

Current tax - tax analysis

	2019	2018
Profit (loss) before tax	-21 212	-285 305
Non-deductible items	-	-
Tax-deductible items	-	-
Tax base	-21 212	-285 305
Tax (5%) from tax base	-	-
<b>Total tax</b>	<b>-</b>	<b>-</b>

#### 4.15 Recognised deferred tax asset/liability

	31/12/2019	31/12/2018
<u>Deferred tax assets</u>		
Tax loss carried forward	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<u>Deferred tax liabilities</u>		
Unrealised gains from the remeasurement of ownership interests with controlling influence	3 831 340	2 746 180
<b>Total</b>	<b>3 831 340</b>	<b>2 746 180</b>
<b>Total balance of temporary differences</b>	<b>-3 831 340</b>	<b>-2 746 180</b>
Tax rate	5%	5%
<b>Net deferred tax asset (+)/liability (-)</b>	<b>-191 567</b>	<b>-137 309</b>

In accordance with the prudence principle, the Fund does not account for a deferred tax asset in respect of tax losses.

#### 4.16. Related party relations

Erste Group Bank AG, Česká spořitelna, a.s., REICO investiční společnost České spořitelny, a.s., and real estate companies in which the Fund holds an ownership interest are considered related parties.

<b>Receivables from related parties</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Current accounts - Česká spořitelna, a.s.	4 723 877	2 671 175
Loans granted to real estate companies:	-	-
JRA, s.r.o.	77 421	77 421
REICO Investment ALFA, a.s.	112 000	125 000
REICO Investment GAMA, a.s.	78 767	78 767
Qubix Building Prague s.r.o.	237 868	225 675
Topas Real spol. s r.o.	164 500	164 500
METRONOM BC s.r.o.	360 839	475 839
REICO Investment BETA, s. r. o.	37 356	34 533
FORUM BC I, s. r. o.	312 196	316 066
Topas Real spol. s r.o.	161 480	163 482
Park One Bratislava, s.r.o.	-	176 133
Industrial Park Dubnica I, s.r.o.	94 609	95 782
SEE RE Two s. r. o.	119 427	-
Interest on loan – SEE TE Two s. r. o.	766	-
Interest on loan – REICO Investment GAMA, a.s.	1 711	1 711
Interest on loan – Qubix Building Prague s.r.o.	4 255	4 037
Interest on loan – REICO Investment BETA, s. r. o.	290	267
<b>Total receivables from related parties</b>	<b>6 487 362</b>	<b>4 597 388</b>

<b>Payables to related parties</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Uninvoiced depositary fee - Česká spořitelna, a.s.	2 819	2 363
Uninvoiced management fee - the Investment Company	36 265	30 413
Fees for the sale of units for December - Česká spořitelna, a.s.	4 159	3 572
Other payables - Česká spořitelna, a.s.	12	2 242
<b>Total payables to related parties</b>	<b>43 255</b>	<b>38 590</b>



Expenses charged to the Fund by related parties	2019	2018
Depository fee - Česká spořitelna, a.s.	30 766	24 928
Fee for maintaining asset accounts of securities, ownership interests and custody of securities - Česká spořitelna, a.s.	135	120
Fee for maintaining short-term bonds - Česká spořitelna, a.s.	6	6
Fee - central depository - Česká spořitelna, a.s.	1	1
Bank fees - Česká spořitelna, a.s.	4 190	3 948
<b>Total expenses charged to the Fund by Česká spořitelna, a.s.</b>	<b>36 098</b>	<b>30 783</b>
Management fee - the Investment Company	395 582	320 468
<b>Total expenses charged to the Fund by related parties</b>	<b>431 680</b>	<b>351 251</b>

Revenues from related parties recognised by the Fund	2019	2018
Interest on deposits with banks - Česká spořitelna, a.s.	64 150	17 746
<i>Revenues from Česká spořitelna, a.s. recognised by the Fund</i>	<i>64 150</i>	<i>17 746</i>
Interest on loan JRA, s.r.o.	6 060	6 060
Interest on loan REICO Investment ALFA, a.s.	11 242	12 098
Interest on loan REICO Investment BETA, s. r. o.	3 303	3 018
Interest on loan REICO Investment GAMA, a.s.	6 792	6 788
Interest on loan Tábořská 31 a.s.	-	1 422
Interest on loan Qubix Building Prague s.r.o.	16 448	15 743
Interest on loan FORUM BC I, s. r. o.	25 583	25 588
Interest on loan Topas REAL spol. s r.o.	23 254	23 242
Interest on loan Park One Bratislava, s.r.o.	13 824	13 660
Interest on loan Industrial Park Dubnica I, s.r.o.	6 781	5 043
Interest on loan METRONOM BC s.r.o.	26 531	18 505
Interest on loan SEE RE TWO s.r.o.	767	-
<i>Revenues from real estate companies recognised by the Fund</i>	<i>140 585</i>	<i>131 167</i>
<b>Total revenues from related parties recognised by the Fund</b>	<b>204 735</b>	<b>148 913</b>

#### 4.17. Risk management

##### Credit risk

In compliance with the statutes and its investment strategy, the Investment Company sets the rules and procedures to select investment instruments so that the total credit profile of allocated investments corresponds with the Fund's nature. New types of instruments are assessed individually and if considered appropriate, they are approved by the risk management department, which also specifies limits for positions in such instruments. Emphasis is put on an appropriate rating structure and portfolio diversification, in particular for interest rate portfolios, or the interest rate portion of the Fund's portfolio.

##### Market risk

The most significant risk the Fund is exposed to is the fluctuation in the fair value of investments in real estate companies, see note 3 "Ownership interests in real estate companies". Risk management is described in note 1 "Rules of acquiring real estate and ownership interests in real estate companies".

The Fund uses a number of instruments to mitigate the portfolio's risk exposure and considerable attention is given to market risks. Apart from statutory limitations, the Fund is subject to a set of internal limits that directly impact foreign currency risk exposure, interest rate risk exposure (modified duration zone in which the Fund moves), or allocation of shares on individual markets based on their volatility, portfolio rating structure (see above), or other features of the Fund.

When instruments of a new type are purchased, they are analysed in advance not only in terms of the above credit risk, but also in terms of market risk they can bring to the portfolio, or help eliminate from the portfolio; based on this their appropriateness, or a reasonable share in the portfolio, is assessed.

Market risks related to the Fund's security portfolio is measured using value at risk (VaR). The VaR indicator is calculated using the historical simulation method in the KVaR system. VaR is a value calculated for one day period at a confidence level of 99% based on a 500 day history. VaR for a one month holding period is recalculated using the following approximation:

$$\text{VaR (1 month)} = \sqrt{22} * \text{VaR (1 day)}$$

	31/12/2019	Average VaR
Global VaR	0.08%	0.16%
FX VaR	0.03%	0.02%
Interest rate VaR	0.07%	0.16%

	31/12/2018	Average VaR
Global VaR	0.11%	0.18%
FX VaR	0.01%	0.02%
Interest rate VaR	0.11%	0.18%

The VaR value is the ratio of the VaR absolute value to the Fund's portfolio value.

The global risk exposure and the risk exposure broken down to the FX, interest rate and equity VaR is monitored. Based on this breakdown, it is possible to identify critical risk segments and this identification then in return affects the reinvestment process. Limits determine the maximum permitted value of VaR for the Fund.

Complying with all the above limits is monitored on an ongoing basis. At the same time, the efficiency of their set-up is evaluated and in case of need, the limits are revised.

The risk in the development of foreign exchange rates, interest rates, or other market variables that could be unfavourable for the portfolio is hedged through financial derivatives to an appropriate extent. Financial derivatives are traded on the OTC market, because contracts and parameters corresponding exactly with the hedging needs can be traded there.

#### Liquidity risk

Another risk that is monitored is liquidity risk. It is the risk that the Fund will not have enough emergency resources to fulfil its liabilities that arise from financial contracts. Liquidity is monitored and managed based on the expected cash flows and in connection with this the portfolio structure of securities and fixed term deposits is adjusted.

In accordance with the Act, the Fund is obligated to redeem a unit without undue delay, however at the latest within one month of the date on which a request for redemption is received through an administrator, unless the redemption of units has been suspended.

The mutual fund may suspend the issuance or redemption of units for a period of up to two years, if it is necessary in order to safeguard the rights or legally protected interests of unitholders.

The board of directors of the Investment Company decides about suspending the issuance or redemption of units; it is obligated to prepare a written report on its decision. The report includes the date and exact time of the decision on suspension, the reasons for suspension and the period for which the issuance or redemption of units is suspended. More detailed conditions are provided for by the Act. In such case, the Investment Company will immediately deliver the written report on suspending the issuance and redemption of units of an open mutual fund to the Czech National Bank.

The table below shows the residual maturity of assets and liabilities broken down according to the most significant types. As all securities are traded on public markets, it is possible to carry out the sales of these securities within three months.

As at 31 December 2019	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Receivables from banks	6 156 576	509 527	-	-	-	6 666 103
Receivables from non-banking institutions	6 686	-	-	1 727 856	28 943	1 763 485
Ownership interests with controlling influence	-	-	-	-	17 564 957	17 564 957
Prepaid expenses and accrued income	-	436	-	-	-	436
Other assets	3 027	62 678	67 058	-	-	132 763
<b>Total assets</b>	<b>6 166 289</b>	<b>572 641</b>	<b>67 058</b>	<b>1 727 856</b>	<b>17 593 900</b>	<b>26 127 744</b>
Other liabilities	-31 689	-2 269	-12 886	-	-191 567	-225 525
Deferred income and accrued expenses	-39 084	-	-	-	-	-39 084
Payables to banks	-66 769	-	-	-	-	- 66 769
<b>Net balance of assets/equity</b>	<b>6 028 747</b>	<b>570 372</b>	<b>67 058</b>	<b>1 727 856</b>	<b>17 402 333</b>	<b>25 796 366</b>
<b>Cumulative difference</b>	<b>6 028 747</b>	<b>6 599 119</b>	<b>6 666 177</b>	<b>8 394 033</b>	<b>25 796 366</b>	<b>-</b>



As at 31 December 2018	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Receivables from banks	3 659 795	622 389	-	-	-	4 282 184
Receivables from non-banking institutions	5 748	-	-	1 906 111	14 354	1 926 213
Ownership interests with controlling influence	-	-	-	-	15 646 287	15 646 287
Prepaid expenses and accrued income	-	-	-	-	-	-
Other assets	34 472	-	3 921	-	-	38 393
<b>Total assets</b>	<b>3 700 015</b>	<b>622 389</b>	<b>3 921</b>	<b>1 906 111</b>	<b>15 660 641</b>	<b>21 893 077</b>
Other liabilities	-86 493	-14 810	-12 886	-	-137 309	-251 498
Deferred income and accrued expenses	- 32 776	-	-	-	-	-32 776
Payables to banks	-14 000	-	-	-	-	-14 000
<b>Net balance of assets/equity</b>	<b>3 566 746</b>	<b>607 579</b>	<b>-8 965</b>	<b>1 906 111</b>	<b>15 523 332</b>	<b>21 594 803</b>
<b>Cumulative difference</b>	<b>3 566 746</b>	<b>4 174 325</b>	<b>4 165 360</b>	<b>6 071 471</b>	<b>21 594 803</b>	<b>-</b>

#### 4.17. Assets and liabilities recognised in off-balance sheet accounts

As at 31 December 2019, collaterals and pledges received of TCZK 864 861 (2018: TCZK 967 450) are recognised in the Fund's off-balance sheet accounts.

The collaterals and pledges received include mortgage over real estate to secure loans granted to real estate companies.

#### 4.18. Values handed over to be managed by the Fund

The Fund's assets as at the reporting date were managed by the Investment Company. As at 31 December 2019, the total assets of TCZK 26 127 744 (2018: TCZK 21 893 007) were managed by the Investment Company.

#### 4.19. Contingencies and commitments

The Fund has no assets and liabilities that are not recognised in the balance sheet or in off-balance sheet accounts.

#### 4.20. Subsequent events

In January 2020, the following changes were made in the Fund's board of directors:

chairman of the Board of Directors	Tomáš Jandík	effective from 1 January 2020
member of the Board of Directors	Miloš Novák	effective from 1 January 2020


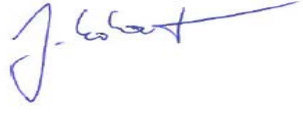


Filip Kubricht held the position of the chairman of the board of directors until 31 December 2019.

On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic, and the Czech government declared a state of emergency on 12 March 2020. Responding to the potentially serious threat COVID-19 presents to public health, the Czech government took measures to contain the outbreak. The Fund's management has considered the potential effects of COVID-19 on its activities and business, and concluded that they do not have a material impact on the Fund's ability to continue as a going concern. This conclusion has been reached primarily due to the Fund's strong liquidity, high resilience to risks with regard to the sector and geographic diversification of the Fund's portfolio and investments made almost exclusively in the prime real estate segment with very solvent lessees.

The operations of REICO investiční společnost České spořitelny, a.s. as the manager of ČS nemovitostní fond have not been disturbed by the impact of the COVID-19 pandemic; NAV is further calculated and disclosed on the standard dates; and the investment management operations have not been disturbed in any of the countries in which the Fund has been managing assets (the Czech Republic, Slovakia, Poland).

Any possible impact of the pandemic on the measurement of the real estate companies will be reviewed in detail by the Expert Committee at their ordinary or extraordinary meetings. The possible amount and timing of the corrections of the market values will depend on several factors, such as the development on the investment, lease and financial markets. However, with regard to the broad regional and sector diversification of the Fund's portfolio, the high quality of the Fund's assets and the high creditworthiness and duration of the secured income of most real estate companies, we do not expect any significant changes in their values.

In April, ČS nemovitostní fond purchased the first two phases of the logistic project PNK Park Sereď (the DC31 and DC32 buildings) in Slovakia. The value of the new acquisition is approx. MCZK 835 (MEUR 30.6). The Fund thus increased the number of the real properties it owns to 19 and has extended the sector and regional diversification of its prime real estate portfolio.

Prepared on:	Signature of the authorised representative:	Person responsible for bookkeeping (name, signature):	Person responsible for the financial statements (name, signature):
11 May 2020	 Tomáš Jandík  Jaromír Kohout	 Jana Potočková	 Jana Potočková



**ČS nemovitostní fond, otevřený podílový fond  
REICO investiční společnost  
České spořitelny, a.s.**

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**Annual report 2019**

**Material for the public**



