

REICO ČS LONG LEASE
2021 Annual Report

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Basic information

Basic information on the Fund as at 31 December 2021

Fund identification:	REICO ČS LONG LEASE, open-ended mutual fund
Fund manager and administrator:	REICO investiční společnost České spořitelny a.s.
Depository:	Česká spořitelna, a.s.*
Auditor:	KPMG Česká republika Audit, s.r.o.
Date of establishment of the Fund:	19 January 2021
Date of business activities start:	17 May 2021
Frequency of valuation and trading:	daily
Recommended investment horizon:	min. 5 years
First and every subsequent investment:	min. CZK 300
Fund's domicile:	Czech Republic
ISIN:	CZ0008476280
Currency of the Fund:	CZK
Sale fee:	did not exceed 1.5% in the first half of 2021
Management fee:	1.75 %

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

The following persons were authorised to manage the Fund's assets:

Tomáš Jandík, CFA, MRICS, portfolio manager of the real estate component since 19 January 2021

Education: Graduated from the Humboldt University in Berlin and from the College of Estate Management in Reading, UK.

Experience: over 16 years in the investment markets, focusing on commercial real estate.

Miloš Novák, portfolio manager of the liquid component since 19 January 2021

Education: University of Economics in Prague, postgraduate at the Masaryk University in Brno and Graduate School of Banking at Colorado University, United States.

Experience: over 26 years in the finance markets and real estate funds management.

Selected key financial information as at 31 December 2021

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

Key financial indicators for the accounting period	TCZK
Total assets	893 333
Total value of real estate (market valuation)	179 900
- owned directly by the Fund	0
- owned through a real estate company	179 900
Number of real estate	1
- owned directly by the Fund	0
- owned through a real estate company	1
Occupancy rate of real estate	100.0 %
Changes for the period	1
Changes in the real estate portfolio	1
Purchases of real estate	1
- owned directly by the Fund	0
- owned through a real estate company	1
Sales of real estate	0
- owned directly by the Fund	0
- owned through a real estate company	0
Performance of the Fund in the period from 1 January 2021 to 31 December 2021	0.23 %
Fund capital	890 906
Fund capital per unit (CZK C class)	1.0023
Fund capital per unit (CZK DPM class)	--
Revenue paid to unitholders	0¹

¹ REICO ČS LONG LEASE 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 2021 annual report for REICO ČS LONG LEASE, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. The Fund was established on 19 January 2021 and opened for distribution in the Česká spořitelna network on 17 May 2021.

The Fund's strategy is to acquire assets that are critical for their occupiers and leased for over 10 years with a high quality income covenant. The Fund aims to diversify in the Czech Republic, Poland, Germany, and other Central European markets across the segment of mostly industrial, retail, office and other commercial real estate.

The diversification of lease expiry dates represents an important aspect in creation of this new real estate portfolio. The Fund expects to use external bank financing of about 50% property value. Thus, the total yield p.a. shall be higher than that of REICO ČS NEMOVITOSTNÍ, but at the cost of a higher risk category. The Fund will remain closed for repurchase for a period of three years, i.e., until May 2024.

The first real estate purchased in the Fund on 11 May 2021 was the Elcom research centre in Ostrava for CZK 176 million. Elcom is a leading Czech company with 30 years history in testing and measurement, energy and industrial automation. The building was purchased with a leaseback for a period of fifteen years. The lease contract has a guaranteed indexation and yield guarantee for several years.

At the end of 2021, the share of liquidity in the Fund's assets was at about 80%, held in term deposits ready for new acquisitions.

Upon the completion of the acquisition in 2022, we plan to achieve a unit price growth rate of 3–5% p.a. In the initial three-year period, the investment rate can fluctuate significantly, even up to 100%. After that, liquidity will be maintained at a mandatory level of 10%. This has been the new limit since 1 January 2022, reduced from the previous 20% by a governmental regulation. This opens the opportunity for new long-term investments.

In the first three months, the unit value was frozen at the initial price of CZK 1 per unit and subsequently released for daily revaluation. The annual performance may fluctuate significantly due to the early stage and small size of the Fund and its early investment process. The minimum recommended period to hold the units is therefore five years. Besides a temporary increased concentration risk, another major risk factor of the Fund is the lessee's credit risk, the risk of real estate markets, namely investment markets, and interest rate risk. Due to the increased risk category of the Fund, we recommend it as a supplementary investment to the conservative REICO ČS NEMOVITOSTNÍ, proportionate to the current recommendations of the experienced bankers of Česká spořitelna.



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

Macroeconomic overview

In 2021, GDP growth of the Czech economy was 3.3%, supported principally by household consumption, which recovered already in the spring after the pandemic situation began to improve, and stayed strong through the rest of the year, although towards the end the growing energy prices began to have adverse effect. Household consumption was positively impacted by a strong labour market and high household savings from 2020. The Czech economy's growth in 2021 was further supported by strong investment activity of businesses due to a positive development of fixed investments and the renewal of inventories. On the other hand, foreign trade was slowing the economy down. Although the demand for Czech exports renewed significantly, in the second half of the year, many exporters faced problems with international supply chains due to the lack of material and components. The largest issues occurred in the automotive industry, where companies had to temporarily shut down part of their production due to lack of semiconductors.

Average inflation in 2021 was 3.8%. It began low at the start of 2021, reflecting subdued economic activities due to the ongoing pandemic. In the spring, with the economic renewal, inflation pressure began to grow, with the price increase being supported by several factors. On the one hand, there were demand factors, with strong domestic demand, positive labour market developments and expansive fiscal policy. On the other hand, there were several external factors, the strongest being high energy prices and issues with international supplier chains and logistics. At the end of the year, food prices grew as well, and y-o-y inflation reached 6%.

At the beginning of 2021, economic development was slow due to the pandemic, but the labour market was not affected much, and its development remained positive. Throughout the year, both domestic and foreign demand increased, and the labour market improved, with a lower unemployment rate and growing real wages. At the end of the year, the situation deteriorated a little. Although the unemployment rate further dropped due to high demand for new employees, high inflation exceeded the nominal growth of wages, leading to real wages decreasing in the fourth

quarter. The average unemployment rate was 2.9%, and real wages in 2021 increased by 2.2%.

Monetary policy in 2021 reacted to inflation developments. At the beginning of the year, with low inflation, the CNB left very low interest rates and did not tighten monetary policy. In the spring, following a renewal in demand, inflation began to grow and the CNB increased its rates in June for the first time in 2021. In the second half of the year, with inflation picking up speed, the CNB began to further increase its interest rates. At the December meeting, the main CNB interest rate reached 3.75%. Throughout the year, the CZK/EUR exchange rate was significantly impacted by the overall market sentiment, which reflected the risks relating to the coronavirus pandemic, problems with lack of semiconductors, and at the end of the year the risk of the energy crisis in Europe. Thus, the Czech crown remained rather weak during the year. Against this, in the second half of the year, the CNB began to tighten its monetary policy, with the growing interest differential towards the Eurozone either dampening down the pressure on CZK devaluation due to increasing global economy risks, or strengthening the CZK against the EUR when the market sentiment remained unchanged.

The price growth of residential real estate was markedly steeper in the second half of 2021, with the average growth of realised prices of older apartments increasing by almost 20% in 2021, and exceeding 25% in the fourth quarter. The causes of this strong growth in real estate prices in 2021 are similar to those for previous years. The main factor remains the favourable labour market situation, with low unemployment rates and real wages growth increasing household demand for residential real estate. Strong household savings also supported this trend. Low interest rates of the CNB represent another factor, which enabled the relatively cheap funding of real estate purchases. The gradual increasing of CNB interest rates further supported real estate price growth in the second half of the year, with households expecting further rate growth in the future and deciding to invest in real estate sooner rather than later. The third key factor was the relatively low supply of vacant and available apartments, which has been affecting prices in the Czech economy for some time.



Developments in real estate markets

At the end of 2021, REICO ČS LONG LEASE invested in the office and industrial segments on the Czech market. The first half of 2021 was affected by the negative impact of the COVID-19 outbreak, with extensive lockdowns, while the second half of the year brought optimism to the market, supported by extensive vaccination. Thus, the second half of the year went without further blanket lockdowns. This directly affected the retail segment, and after easing the restrictive measures and reopening, sales often exceeded the levels of 2019 before the pandemic. However, attendance remains lower despite higher turnover. Meanwhile, the office sector is still reeling from the home office regime and is looking for a balance between work from home and work in the office. Nevertheless, the first worries about surplus office space and complete transfer to home office regime have not been confirmed. The industrial real estate sector is currently experiencing a real boom. In some regions, demand has climbed to historic maximums. Although developers of new industrial projects reacted to the new development almost immediately and the volume of construction reached a new high, the vacancy rate has shown a significant decline.

At the end of the year, the real estate segment had to face fast growth of energy prices, as well as lack of building materials. High prices of new projects combined with their lack resulted in a major pressure to increase rent in the office and industrial sectors, which can be expected to continue in 2022.

Commercial real estate investment market in Central Europe

The commercial real estate investment market in Central Europe reported a decrease in investments of 1% compared to the previous year, i.e., investments totalled EUR 9.45 billion in 2021 compared to EUR 9.54 billion in 2020. However, compared to the total investment volume of 2020 net of the exceptional Czech transaction concerning the sale of the Residomo residential portfolio totalling EUR 1.3 billion, 2021 ended with y-o-y growth of almost 15%. Traditionally, the biggest market was again Poland (EUR 5.74 billion, a y-o-y growth of 9%), followed by the Czech Republic (EUR 1.88 billion, a y-o-y drop of 31%). Despite an improving environment, Hungary also reported a drop of 16% y-o-y (EUR 1.10 billion). On the other hand, Slovakia recorded significant growth y-o-y of 41% (EUR 730 million).

The largest transaction in the Czech Republic was carried out in the last quarter of 2021 by Generali Real Estate on behalf of one of its funds, which acquired into its portfolio the Prague office of Generali Česká pojišťovna in Prague – Pankrác totalling EUR 100 million from CPI Group. The sale of the Proton Centre in Prague represents another major transaction. The building, originally owned by Immorent (Erste Group), was purchased by Raifeisen Leasing for EUR 96 million. Another major transaction was the sale of the Parkview office building, purchased by Deka Immobilien from Skanska developer for EUR 77.5 million. In the second half of the year, the market was dominated by logistics sector investments, and the three largest investments of this kind were concluded in this period. These comprised the European APEX portfolio of P3 which was purchased by CNIC (CGL Investment

Holdings), in which the Czech portion of the portfolio represented about EUR 85 million, and two subsequent transactions between Consens/J&T and EQT Exeter totalling EUR 150 million. The first included the Nošovice logistics park, and the second the Ostrava Airport Multimodal Park, both in the Moravia-Silesia region. Trigea carried out a major retail transaction, purchasing two retail parks in Ostrava and Olomouc from Aberdeen/Standard Life totalling EUR 40 million.

In 2021, the Slovak market was mostly marked by investments into the retail sector which totalled to 44% of the total volume. The largest transaction was the acquisition of the Aupark shopping centre in Bratislava by WOOD & Company, which will gradually become part of its retail sub-fund portfolio. In May 2021, the first instalment of EUR 270 million was paid, i.e., a 60% share in the shopping centre. The last stage (of the four planned) of the transaction should occur in 2024 when the last portion of the total acquisition price of EUR 450 million will be paid. The major transaction in the logistics segment was the acquisition carried out by CTP, namely the purchase of the Námestovo industrial park for over EUR 100 million from Accentis. In office space, a major transaction was carried out by the new Erste Realitná Renta od Slovenské sporiteľny fund, which purchased the Zuckermandel office building in Bratislava for EUR 56 million from JTRE.

In Poland, the majority of investments went to the logistics sector (52%), with investment volumes increasing again compared to 2020 (EUR 2.965 billion, y-o-y +13%). 2021 was also marked by the sale of large international portfolios. The largest Polish transaction in 2021 was carried out by EQT Exeter, which sold its international portfolio, of which the Polish part was the largest, for EUR 3 billion. This transaction was probably among the largest European logistics transaction of the past years in terms of volume. Another major acquisition, totalling EUR 520 million, was another European logistics portfolio, sold by Macquarie Capital Principal Finance (Australia) and Elite Partners Capital (Singapore) to Blackstone. The Polish part of the portfolio comprised the Mszczonów and Gdańsk industrial parks. Another major logistics transaction was carried out by REICO, which purchased two buildings in the Tychy Industrial Park for REICO ČS NEMOVITOSTNÍ fund for the total price of EUR 97 million from Panattoni/Griffin. The main retail transaction was the acquisition of four retail parks under the name Power Parks. The acquisition was carried out by EPP and totalled EUR 106 million. The largest office space transaction represented the sale of the Metropolitan building by DWS, at EUR 240 million. The new owner of this building is Morgan Stanley.

At the end of 2021, the prime yield in the Czech Republic amounted to 4.25% in respect of offices, 5.75% in respect of retail, 4.25% in respect of Prague's main shopping streets, and 4.00% in respect of the prime logistic facilities. Yields from logistics reported a significant change in 2021, decreasing by 100 b.p., while in other segments the prime yields remained stable. The development of yields was similar in Poland, the only difference was in the office space segment, where yields decreased y-o-y from 4.60% to 4.50%. Logistics yields in Poland reported an even sharper decline than in the Czech Republic, by 115 b.p. to 4.35%. Retail yields reported stable levels of 2020, at 5.75%. The same trend was

reported for Slovak prime yields. Office yields continued their decrease from 2020 and at the end of 2021 dropped to 5.25%. Industrial premium yields decreased y-o-y by 85 b.p. to 5.30%. Retail yields remained unchanged at 6.00% throughout the year.

Commercial real estate market in the Czech Republic

In 2021, the Prague office market grew by 56 400 m² of new premises, which is an over 62% year-on-year decrease compared to the previous year and the lowest volume of newly completed premises since 2016 (58% less than the ten-year average). Net absorption in 2021 was 19 700 m², which is the lowest since 2010. As a result, the vacancy rate showed an increase and came to 7.8% in Prague at the end of 2020 (+84 bps year-on-year). As expected, prime rents in Prague grew to a new maximum, primarily due to the rising costs of new construction and low accessibility of prime office premises on the market. At the end of the year, the highest rent was between EUR 23.50 and 24.00/m²/month, which represents a 7% increase compared to the end of 2020. The largest lease transaction in 2021 was the re-negotiation of the

contract of Novartis in the Gemini B office project, totalling 14 300 m²; the largest new transaction was the pre-lease by Direct insurance company of building A in the new Port 7 project totalling 4 200 m².

The Ostrava office market remained unchanged in 2021, with the total floor area of 219 000 m². Only one office building, Organica, remains under construction, with a leaseable area of 20 600 m². The vacancy rate rose year-on-year by 40 bps and amounted to 5.9% at the end of 2021. Top rent rates in Ostrava rose slightly y-o-y to EUR 12.50–13.00/m²/month.

In 2021, almost 50 000 m² of new floor space was completed on the Czech industrial market. The total volume will soon exceed the 10 million m² threshold and the y-o-y growth is more than 5%. Currently, there is about 1.1 million m² of new industrial areas under construction, 76% of which have already been pre-leased. Net absorption remains almost unchanged compared to previous periods, at 677 000 m², which resulted in lower vacancy rate by 260 b.p. to a record 1.6%. The average rent rate rose and in Prague vicinity is up to EUR 6.00/m²/month.

Information for investors

Objective and strategy of the Fund

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

A real estate portfolio is being gradually built, which will improve the Fund's diversification in relation to investment sectors, countries and expiration periods of individual lease contracts. Part of its strategy is to hold real estate in its portfolio for extended periods of time. Hence, the Fund does not intend to sell any real estate immediately after its acquisition.

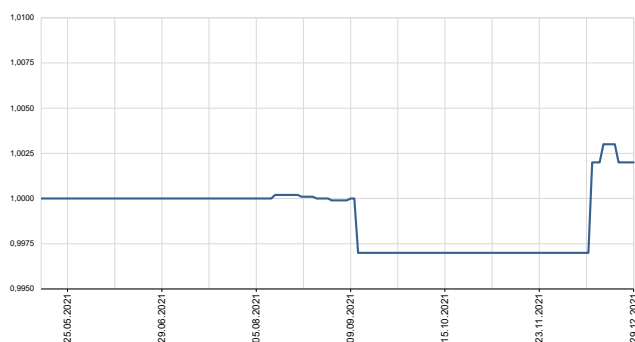
Performance of the Fund, value of its equity and the value of equity per unit

The liquid component of the Fund is valued daily. The real estate component is valued at least twice a year. 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 estate 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.

In compliance with Section 130 (2), in the first three months since the beginning of its business activities, the Fund issued units for their nominal value. The Fund started trading its units on 17 May 2021, thus, the value of a unit changed for the first time on 12 August 2021.

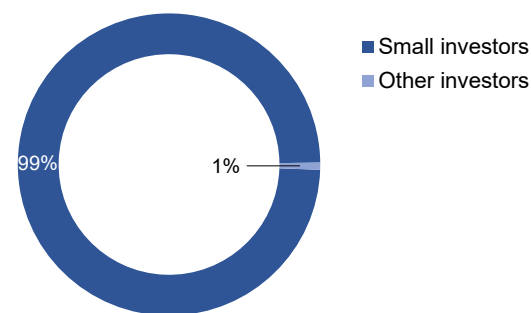
Development of the unit value

CZK, From 17 May 2021 to 31 Dec 2021



Structure of investors

In % by the ownership interest in CZK



Data on 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 2019	--	--	--
31 Dec 2020	--	--	--
31 Dec 2021	890 906	1.0023	--

Number of issued units

Number of units as 31 December 2021 was 888 936 785 (CZK C class) and 0 (DPM class).

Number of issued units in the period from 1 January 2021 to 31 December 2021

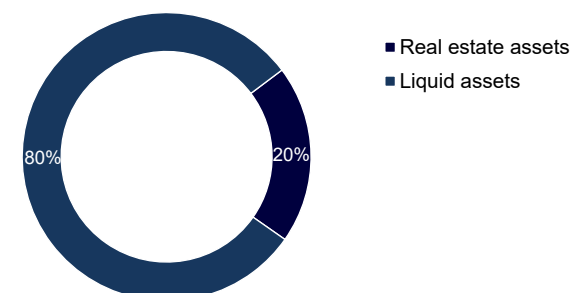
Issued and redeemed units	CZK C class	CZK DPM class
Number of units issued by OPF	889 053 575	0
Amount collected into OPF's assets for units issued in CZK	888 310 041	0
Number of units redeemed from OPF	116 790	0
Amount paid from the OPF's assets for redeemed units in CZK	116 456	0

Real estate portfolio

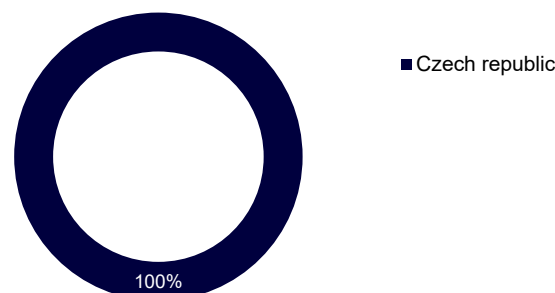
Brief overview

To minimise the risks connected with real estate portfolio management, the the Fund will diversify its portfolio 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 estate 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 estate market value since the purchase of the first real estate in May 2021.

Share of real estate assets on the Fund's total assets % share of the total value of the fund capital



Geographical diversification % share of the total market value

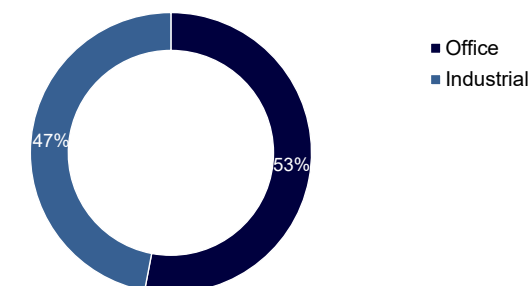


Real estate assets: values of the ownership interests in the real estate companies and values of loans provided by the Fund to the real estate companies.

Potential of portfolio utilisation

The following chart shows the utilisation of the real estate 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



Occupancy rate of the real estate portfolio

As at 31 December 2021, the average vacancy rate of the real estate included in the portfolio was 0%. The vacancy rate is determined as the percentage of the vacant (office, retail, warehouse and other leasable) areas towards the total leasable areas in REICO ČS LONG LEASE's portfolio recognised as at the relevant date. Parking spaces are not included into the vacancy rate calculation.

Financial information as at 31 December 2021

Summary of assets	Value of assets (in TCZK)
I. Real estate part of the Fund	101 561
I.I Tangible fixed assets	0
- land and buildings (directly owned real estate)	0
I.II Equity investments with controlling influence	101 561
- real estate companies in the Czech Republic (real estate held through real estate companies)	101 561
- real estate companies outside the Czech Republic (real estate held through real estate companies)	0
II. Receivables from customers	79 013
- loans granted to real estate companies	79 013
III. Liquid portion of the fund	712 404
III.I Receivables from banks	712 404
- current accounts	32 582
- fixed-term deposits	679 822
- compound margins	0
III.II Debt securities	0
- issued by government institutions	0
- issued by other entities	0
IV. Other assets	355
- other assets	0
- deferred revenues and expenses	355
TOTAL ASSETS	893 333



REAL ESTATE INDEX

as at 31 December 2021

Number	Percentage of share	Property name Property address	Country	Name of SPV Address of SPV County	Share capital, Shareholder loan	Type of property	Type of use	Date of purchase	Year of construction	Size of property (land) in sqm	Parking spaces (no.)	Legal title of ownership (land)	Rental area	Features	Market value in TCZK	Share of real estate assets in %	Outstanding Senior Loan in TCZK	Borrowing ratio as % of market value (LTV)	Vacancy rate as % based on rental area	Weighted average lease term in years	Actual Rental income 2021 in TCZK	Budgeted rental income 2021 in TCZK	Appraiser assessed rent in TCZK p.a.
1	100%	ELCOM	CR	ELCOM nemovitosti s.r.o., Antala Staška 2027/79, 140 00 Praha	Ownership interest: Shareholder loan:	Offices	W (53.9%) O (5.2%) X (0.9%)	11.5.2021	1996 (2019)	3,982	35	F	4,058	AC	179,900	100.0%	87,156	48.4%	100.0%	14.4	7,982 ^{*)}	7,982	12,528
Total real estate assets											35		4,058		179,900	100.0%	87,156	48.4%	100.0%	14.4	7,982	7,982	12,528

^{*)} Income from leases for 2021 reached 12,632 TCZK. For the purposes of the Real Estate Index was the value calculated proportionally according to the period when owned by RCSL (11.5.2021 - 31.12.2021).



Explanation of the terms relating to the real estate index:

7	Type of use	The allocation of the type of use is calculated according to the rental value (notwithstanding the current rental income) as at the date of the latest valuation of the property prepared by an independent valuer and agreed by the Committee of Experts; Abbreviations: O ... Office; C ... Commercial (retail); W ... Warehouse (logistics), R... Residence; X ... Other;
8	Date of purchase	MM/YYYY ... Closing date of transaction;
9	Year of construction	YYYY ... Original date of completion or latest refurbishment date;
10	Land plot area	Area according to the Land Register;
12	Legal title of ownership (land)	Abbreviations: F ... Freehold/Title in fee; L ... Leasehold/Title in lease; RPU ... Right of perpetual usufruct;
13	Rental area	The leasable area in a commercial property designed for the exclusive use of a tenant in sq m;
14	Features	Abbreviations: AC ... Air conditioning; SL ... Service lift; PL ... Passenger lift; E ... Escalator; D ... District heating;
15	Market value in TCZK	Market value as of the date of the last expert opinion prepared by independent expert and approved by the Committee of Experts (in thousands of CZK);
19	Vacancy rate as % based on rental area	Percentage of vacancy by gross leasable area;
20	Weighted average lease term in years	It is given in years and is calculated according to the current rental value. The leases contracted for indefinite term are counted for a period of two years;
21	Actual Rental income 2021 in TCZK	Actual income for the year (excluding VAT and service charges);
22	Budgeted rental income 2021 in TCZK	Budgeted annual rental income (excluding VAT and service charges) ;
23	Appraiser assessed rent in TCZK p.a.	Annual rental income assuming full occupancy as of the date of the last valuation of the property prepared by an approved independent valuer and agreed by the Committee of Experts; Foreign currency exchange rates are calculated at the exchange rate as of the date determined by the Committee of Experts.



Information on real estate portfolio

All real estate included in REICO ČS LONG LEASE's portfolio are owned in form of a 100% ownership interest in real estate companies holding one or more real estate.

ELCOM nemovitosti s.r.o., a real estate company

On 17 May 2021, REICO ČS LONG LEASE Fund acquired a 100% ownership interest in ELCOM nemovitosti 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 accordance with Government Regulation No. 243/2013 Coll.

ELCOM research and development centre

Identification of the real estate

The real estate is located at Technologická 374/6, Pustkovec, 708 00 Ostrava. Cadastral area code: 715301 Pustkovec; CZ0806 Ostrava-město; Municipality: 554821 Ostrava; Ownership certificate: 928. 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 comprises two commercial real estates with relevant land located in the vicinity of the VSB – Technical University of Ostrava. The real estate is located 11 minutes from the core D1 motorway connecting Ostrava with Brno and Prague, and

near the Slovak and Polish borders. It has 35 parking places. The sole lessee of both buildings is ELCOM, a Czech company, one of the top providers of complex products and services in measurement and testing, machine vision, industrial automation, and intelligent network systems. Its major clients include ABB, E.ON, Kimberly-Clark, Microsoft, and Siemens. Cash flows connected with the real estate are stable and no significant changes are expected.

REICO ČS LONG LEASE fund has acquired the building to operate it. The purpose of the acquisition has not changed.

Real estate administration

The real estate administration is provided by Active Retail Asset Management s.r.o. Identification No.: 024 85 575, Laubova 1729/8 Vinohrady, 130 00 Praha 3 based on a contract for administration.

Rights encumbering the building (excluding lease relations)

Easements

- ČEZ Distribuce – cable lines

Pledges

- Real estate pledged in favour of Komerční banka, a.s.

Information on the real estate's valuation

The real estate was valued by Knight Frank, spol. 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 14 December 2021. The market value of the real estate is stated in the real estate index which is part of the annual report.



ELCOM R&D centre, Ostrava, Czech Republic, part of the REICO ČS LONG LEASE Fund portfolio since 17 May

Other mandatory essentials of the annual report

Data on the investment company managing the Fund

The Fund is managed by REICO investiční společnost České spořitelny, a.s., with its registered office st Praha 4, Antala Staška 2027/79, post 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

Česká spořitelna, a.s. carries 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 2021.

Title	Type of asset	Acquisition price (TCZK)	Market (fair) value (in TCZK)
ELCOM nemovitosti s.r.o.	Equity investment	97 730	101 561

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 2021, 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

For a period of three years from its foundation, a newly established fund need not observe the mandatory investment limits.

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

In the decisive period, REICO ČS LONG LEASE Fund acquired a research and development centre of ELCOM, Ostrava.

Information on derivatives acquired into the Fund's assets

The Fund does not own any derivatives.

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

In the decisive period, a fee of TCZK 6 092 was paid to the investment company for the management and administration of the Fund's assets. In the decisive period, a fee of TCZK 525 was paid to the depository for the performance of its function. In the decisive period, a fee of TCZK 182 was paid to the Fund's auditor.

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

Information about quantitative limitations and methods chosen to assess risks related to the techniques and tools to effectively manage an investment fund are presented in Note 4.17 Risk management.

Information about significant changes in the data stated in the investment fund's statutes in 2021

In March 2021, requirements of Article 3 of the SFDR were implemented. In November 2021, the wording of the status related to the transfer from the DON business system to CTS was amended, and information on meeting the ESG requirements was added.

Information about remuneration for the manager's employees for 2021

The average number of the Fund manager's employees in 2021 was 18 (among them, three directors)

The total fixed remuneration component of all employees was: TCZK 25 630.

Social security and health insurance expenses were: TCZK 7 686, other social expenses were TCZK 1 224.

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 2021 was 10-30%, 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

The Fund's depository is Česká spořitelna, a.s., with its registered office at Praha 4, Olbrachtova 1929/62, post code 140 00, identification number: 45244782, 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 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 Centrálního depozitáře cenných papírů, a. s. (Central Securities Depository Prague, CSD Prague) to settle and clear exchange trades with securities traded on the Prague Stock Exchange (Burza cenných papírů Praha, a.s.) as well as local custodians in respect of the Polish, Slovak, Hungarian, Russian, Romanian and Turkish markets. The cooperating entities can change over time primarily in connection with entries to new markets.

The unit fund does not have a main custodian.

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 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 2021

After the decisive date, new members of the expert committee were appointed due to end of the term of office of the current members as at 17 February 2022.

In April 2022, REICO ČS LONG LEASE acquired a development and research centre in Krakow, Poland. It is a fully leased real estate with a long-term lease to BWI, a multinational operating in the development, production and sale of spring-mounted systems and other specific components for the automotive industry.

The Russian invasion of Ukraine

The Fund does not own any assets in markets affected by the war in Ukraine (Ukraine, Russia, Belarus), and does not plan to invest in those markets in the future. The lease relations in the real estate owned by the Fund also have a very low exposure to those markets, and their lessees are stable multinationals, exposed at a minimum to the impact of the sanctions imposed against Russia and Belarus. As a result, considering the potential impact of the conflict in Ukraine on its activities and business, management has concluded that the current situation does not have a material impact on the Fund's ability to meet its obligations to shareholders, or its ability to continue as a going concern.

List of members of the Expert Committee as at 31 December 2021

Richard Hogg

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, he became the manager of a three-member team in the R&D department of Cushman & Wakefield.

Petr Urbánek

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.

Dušan Šťastník

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 board of directors in the decisive period

Tomáš Jandík, CFA, MRICS

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

He graduated from the Humboldt University in Berlin and from the College of Estate Management in Reading, UK. He has held several advisory positions in financial audit, real estate valuation, investment advisory, transaction management, and asset

management. Since 2010, he worked in the capital market department of the Prague branch of CBRE. He holds the CFA title, is a member of the Czech CFA Society and the Royal Institution of Chartered Surveyors (MRICS). He has been a member of the board of directors of REICO investiční společnost České spořitelny, a.s. since May 2016, and in 2020 was appointed chairman of the Board of Directors.

Miloš Novák

Vice-chairman of the board of directors

Portfolio manager of the liquidity component since 1 January 2020

Graduated from the University of Economics and Business in Prague and the Graduate School of Banking at Colorado, University of Colorado. He started his career as analyst in the Economics Institute of the Academy of Sciences of the Czech Republic, and then lectured at the Faculty of Finance and Accounting of the University of Economics and Business in Prague. He has been a member of the Česká spořitelna Financial Group since 1994, heading Financial Planning and Strategy, Cost Control, Operating Control, and since 2014 Equity Investments

and Investor Relations, where he was responsible for the management of subsidiaries and other equity investments, real estate funds management, and investor relations. In January 2020, he became a new member of the board of directors of REICO investiční společnosti, a.s., and in September 2020, he became vice-chairman of the board of directors.

Darina Vaněčková

Member of the Board of Directors

Responsible for risk management and compliance since 22 September 2020.

Graduated from the Faculty of Law of the Charles University. Started working in finance in the Czech National Bank, then moved to the internal audit of Komerční banka, and worked in compliance and risk management in Credit Suisse Asset Management or in ING Investment Management. Started in REICO investiční společnost České spořitelny a.s. in 2015 as head of Legal & Compliance, and in September 2020 became member of the board of Directors of REICO.

Prague, 4 May 2022



Tomáš Jandík, CFA, MRICS
Chairman of the board of directors



Miloš Novák
Vice-chairman of the board of directors



Darina Vaněčková
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
REICO ČS LONG LEASE, otevřený podílový fond REICO
investiční společnosti České spořitelny, a.s.**

Opinion

We have audited the accompanying financial statements of REICO ČS LONG LEASE, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. ("the Fund"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2021, and the income statement for the period from 19 January 2021 to 31 December 2021, 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 2021, and of its financial performance for the period from 19 January 2021 to 31 December 2021 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), which may be supplemented and 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 Fund'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 REICO ČS LONG LEASE, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague
4 May 2022

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

Veronika Strolená
Partner
Registration number 2195

Financial statements as at 31 December 2021

Balance sheet

Income statement

Notes to the financial statements

Balance sheet

Ministry of Finance
of the Czech Republic
decree No. 501/2002 Coll.
of 6 November 2002

REICO ČS LONG LEASE, otevřený podílový fond REICO
investiční společnosti České spořitelny, a.s.
sidlo: Antala Staška 2027/79
140 00 Praha 4

BALANCE SHEET **as at 31.12.2021** (translated from the Czech original)

Ident.	TEXT	NOTE	Current period
			31.12.2021
3	Receivables from banks and credit institutions	4.1	712,404
	of which: a/ repayables on demand: aa/current accounts		32,582
	b/ other receivables: ba/ term deposits		679,822
4	Receivables from customers	4.2	79,013
	of which: b/ other receivables: bb/ loans/credits		79,013
8	Ownership interests with controlling influence	4.3	101,561
13	Prepaid expenses and accrued income		355
	TOTAL ASSETS		893,333
4	Other liabilities	4.5	1,010
	d/ Other liabilities		1,010
5	Deferred income and accrued expenses	4.6	1,417
9	Share premium	4.7	-743
12	Capital funds	4.7	888,937
13	Revaluation gains/losses	4.8	3,639
	of which: c/ on revaluation of ownership interests		3,639
15	Profit/loss for the accounting period		-927
	TOTAL LIABILITIES AND EQUITY		893,333
	of which: Equi		890,906
	OFF-BALANCE SHEET ITEMS		
8	Values placed under management	4.20	893,333

Prepared on:

4. May 2022

Signature of the
authorised representative:



Tomáš Jandík, CFA, MRICS



Ing. Miloš Novák, CSc

Person responsible for
accounting (name and signature):

Gabriela Klimtová

Person responsible for the financial
statements (name and signature):

Karolína Pavelcová

Income statement

Ministry of Finance
of the Czech Republic
decree No. 501/2002 Coll.
of 6 November 2002

REICO ČS LONG LEASE, otevřený podílový fond REICO investiční
společnosti České spořitelny, a.s.
sídlo: Antala Staška 2027/79
140 00 Praha 4

INCOME STATEMENT for the period from 19 January 2021 to 31 December 2021 (translated from the Czech original)

Ident.	TEXT	NOTE	Current period
			1
1	Interest income and similar income	4.9	6,225
5	Fee and commission expense	4.10	6,767
	b/ management fee		6,092
	c/ depository fee		525
	d/ other financial expenses		150
6	Gain or loss from financial operations	4.11	-206
	b/ gain or loss from foreign exchange differences		-206
7	Other operating incomes		3
9	Administrative expenses	4.13	182
	of which: b/ other administrative expenses: ba/ audit		182
19	Current year profit/loss from ordinary activities before tax		-927
24	Net profit/loss for the period		-927

Prepared on:

4. May 2022

Signature of the
authorised representative:



Tomáš Jandík, CFA, MRICS



Ing. Miloš Novák, CSc

Person responsible for
accounting (name and signature):

Gabriela Klimtová

Person responsible for the financial
statements (name and signature):

Karolína Pavelcová

Notes to the financial statements

as at 31 December 2021

1. Description and principal activities

Establishment and description of the Fund

REICO ČS LONG LEASE, 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. 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 REICO ČS LONG LEASE, otevřený podílový fond REICO investiční společnosti České spořitelny, a.s. on 19 January 2021. The Fund started its operations on 19 January 2021.

All units have the nominal value of CZK 1.

Three classes of the Fund's units were established:

Class indication	Class description	Class code	ISIN
CZK RETAIL	CZK, retail-type of investors, reinvestment	CZKC	CZ0008476280
CZK INSTITUCE	CZK, institutional investors, reinvestment	CZKDPMC	CZ0008476298
CZK CS	CZK, institution-type of investors – shareholder of the manager	CZKCSC	CZ0008476306

The board of directors of the Investment Company 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 CZK RETAIL class units, unless the distributor decides otherwise.

Only investors that have concluded a contract for management of the customer's assets, which include an investment instrument, on a discretionary basis within the framework of a contractual arrangement with Česká spořitelna, a.s. ("the Contract for management of investment instruments") and only in frame of this contract, and further the Erste Asset Management GmbH investment company as well as the investment funds managed by this investment company or by other investment companies from the Erste Group Bank AG financial group may become owners of the CZK INSTITUCE class units.

Only a shareholder of the fund's manager who meets the definition of professional clients according to Sections 2a and 2b of Act No.

Based on a concluded contract, Česká spořitelna, a.s. ("ČS, a.s."), with its registered office at Praha 4, Olbrachtova 1929/62, is the Fund's depositary.

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 of the Investment Company

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.

256/2004 on Capital Market Undertakings may become the owner of the CZK CS class units. The minimum amount of the investment of a unit holder investing in the CZK CS class units corresponds to the amount of CZK 100 000 000. The total amount of the investment resulting from the conduct of the owner of the CZK CS class units must not decrease below the minimum amount of the investment stipulated in the above sentence; the option of the owner of the CZK CS class units to stop being a unit holder of the Mutual fund is not influenced by this fact.

Focus of Fund

In compliance with the Act and within the limits stipulated by the Act, the Fund primarily invests in real estate and real estate companies.

The objective of the Fund's investment policy is the appreciation of funds invested by unit holders 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 the loan granted to a real estate subsidiary to purchase real estate. Profits from the Fund's portfolio are reinvested according to the investment objectives so that neither the yield potential nor the Fund's level of security are reduced.

The Fund's intention is to invest in buildings with a positive environmental and/or social impact mainly with regard to the building's construction, its operation, or the type of activities of the main tenant. The criteria for assessing an investment thus include among others the potential for:

- mitigation of the climate change and adjusting to the climate change,
- sustainable utilisation and protection of water and sea sources,
- transition to circular economy,
- prevention and reduction of environmental pollution, and
- protection and renewal of biological diversity and ecosystems.

These criteria include for example the energy performance of the building, monitoring the internationally acknowledged certificates for assessing real properties, selection of property and facility managers focusing on energy savings (in form of recycling of waste, service water, reduction of electricity consumption, etc.).

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 can invest in supplementary liquid assets (deposits, fixed-term deposits), treasury bills, bonds and similar securities, and securities issued by a collective investment fund while meeting the determined conditions and limits. The Fund may use financial derivatives for effective management of assets in a mutual fund.

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.

The Fund may acquire real estate in the Czech Republic, Slovakia, Poland, Hungary, Germany, and Austria and possibly in the other OECD member states ("other states").

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% of the average price of the experts' appraisals, or sell the real estate for a price that is lower by more than 10% of the average price of 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 real estate company's memorandum of association. 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 can accept a loan secured by a pledge only for the purpose of acquiring real estate into its assets or maintaining or improving its condition. The total amount of such loan must not exceed 70% of the acquired real estate's value. The maturity of such loans may exceed one year. The sum of all loans and borrowings received by the Fund must not exceed 100% 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, including the value of acquired real properties. The sum of all loans granted from the mutual fund's assets to real estate companies must not exceed 55% 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 in accordance with the Fund's risk profile. 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.

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 derivative has been concluded with the relevant counterparty which is subject to supervision by the Czech National

Bank, the supervisory authority of another member state or another country,

- c) the OTC financial derivative must be measured in a reliable and verifiable manner on a daily basis and the Fund has the option to cede the OTC financial derivative or cancel it at any time for an amount that can be achieved between the contractual parties on balanced conditions or it can conclude a new derivative for this amount, compensating the underlying assets of this derivative in compliance with the approach stipulated in government resolution No. 243/2013 Coll., on Investments Made by Investment Funds and Ways of their Management.

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.

In Section 4a (1), the Decree stipulates that for the purposes of financial instruments recognition, measurement and disclosures on them in the notes to the financial statements the entities shall proceed in accordance with the International Financial Reporting Standards stipulated by directly applicable regulations of the European Union on applying the international accounting standards ("IFRS"). This obligation under Decree No. 442/2017 Coll. arose on 1 January 2021 and is reflected in the Fund's accounting records.

It mainly concerns the following international standards:

- IFRS 7 (Financial Instruments: Disclosures)
- IFRS 9 (Financial Instruments: Recognition and Measurement)
- IFRS 13 (Fair value measurement)
- IAS 32 (Financial Instruments: Disclosure and Presentation)
- IAS 39 (Financial Instruments: Recognition and Measurement)

IFRS 7 applies the new requirements following from IFRS 9 on their adequate presentation in annual reports and similar documents.

IFRS 9 stipulates the principles of recognition and measurement of financial assets and financial liabilities. Financial assets are classified according to their determination specified in the investment companies' business models for the funds managed by them. Financial assets are divided into three categories (formerly four categories): they are measured at amortised cost (AC), at fair value through profit or loss (FVPL), or at fair value through other comprehensive income (FVOCI). In relation to impairment of financial assets, the expected credit loss model (ECL) model is applied since the initial recognition. This model has replaced the

incurred loss model under IAS 39, determining the creation of loss allowances.

IFRS 13 stipulates the fair value hierarchy according to the approach to prices used in measuring the individual financial instruments. It enables entities to continue using MID prices to measure financial instruments and stipulates the relation between the transaction costs and fair value. The transaction costs connected with the purchase of a financial instrument remain to be a part of the acquisition cost only in the event of the AC and FVOCI portfolios. As for financial instruments at FVPL, these costs are recorded directly to the profit and loss account.

IAS 32 stipulates the rules for differentiating between equity and a financial liability. These rules require a reclassification to be carried out in respect of those mutual funds the units issued by which meet the key characteristics of financial liabilities. If the units do not meet the definition of an equity instrument and the exceptions applicable to specific instruments under parts 16A-16B and 16C-16D cannot be applied to them, then these instruments are considered financial liabilities.

IAS 39 was replaced by IFRS 9 but it can still be used in respect of hedge accounting which is based on different principles under IFRS 9.

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 2021.

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 under IFRS as adopted by the EU. The methods of determining the fair value of the fund's assets and debts are also stipulated by Decree No. 244/2013 Coll., Detailing Certain Rules of the Act on Management Companies and Investment Funds, and by Commission Delegated

Regulation (EU) No. 231/2013, supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

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 and in the extent necessary for determining the value of the fund capital attributable to the individual classes of mutual funds. The balances of specific accounts recognised directly in the relevant class are considered the class's assets. The Fund's common assets and result of operations are divided among the individual classes using an allocation ratio which is defined in the Fund's statutes (part X., paragraph 8).

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.

Impact of the COVID-19 pandemic

Similarly as 2020, 2021 was also adversely affected by the COVID-19 pandemic, which caused a significant decrease in the global economy.

The investment company's management regularly evaluated the effects of the COVID-19 pandemic 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 as a result of the Fund's strong liquidity and investments made exclusively within the segment of real estate with very long lease agreements and very solvent lessees.

The impact of the pandemic on the measurement of the real estate companies is at the same time a standard part of a detailed review by the Expert Committee at their ordinary or extraordinary meetings.

The operations of REICO investiční společnost České spořitelny, a.s. as the Fund's manager has not been disturbed by the impact of the COVID-19 pandemic, NAV continues to be calculated and disclosed on the standard dates and the management of the Fund's assets has not been disturbed, either.

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.

Financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at:

- amortised cost (AC)
- fair value through other comprehensive income (FVOCI)
- fair value through profit and loss (FVPL); the transaction costs, which relate to the acquisition of this asset, do not represent a part of the acquisition cost and they are directly expensed.

A financial asset is measured at amortised cost (AC) if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the so-called „SPPI test“ - single payment of principal and interest).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the so-called „SPPI test“).

At initial recognition of an equity investment that is not held for trading, the entity may irrevocably elect to present subsequent changes in fair value in FVOCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVPL. Financial assets that are held for trading and financial assets whose performance is evaluated on a fair value basis are

measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

In addition, the entity may, at initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVPL if doing so eliminates or significantly reduces a measurement or accounting mismatch that would otherwise arise.

The entity has assessed that it has only one business model which comprises all assets including receivables from banks and ownership interests in unlisted companies. Financial assets are managed and assessed based on fair values. The Fund's manager makes decisions based on the fair value of assets and manages these assets with the objective to realise the fair value. It further monitors primarily the development of the fair values of the Fund's assets and liabilities because of the daily calculation and disclosure of the net asset value per unit. As for this reason, such financial assets are measured at fair value through profit or loss (FVPL) except for the ownership interests in unlisted companies, which are irrevocably classified as measured at fair value through other comprehensive income (FVOCI) based on the entity's decision.

Fair value measurement

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the entity has access at that date ("the exit price").

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the entity on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments (e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure) are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a liability reflects its non-performance risk. Non-performance risk includes, but may not be limited to, an entity's own credit risk. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

For details see note 4.16 (Risk management - Fair value).

Securities

Financial instruments at FVPL are initially recognised at fair value. At initial recognition, the fair value is best proven by the transaction price. Profit or loss on initial recognition is recognised only if there is a difference between the fair value and the transaction price.

Equity securities

Equity securities recognised in the balance sheet item “Shares, units and other investments” include equity securities mandatorily measured at fair value through profit or loss (FVPL). A change in fair value is immediately recognised in profit or loss.

Debt securities

Debt securities recognised in the balance sheet item “Debt securities” include debt securities mandatorily measured at fair value through profit or loss (FVPL). A change in fair value is immediately recognised in profit or loss.

Gains and losses which are presented in the income statement are recognised in “Gain or loss from financial operations”.

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, primarily Act No. 240/2013 Coll., on Management Companies and Investment Funds, and Government regulation No. 243/2013 Coll., on Investments Made by Investment Funds and Ways of their Management.

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, the Fund may be exposed to higher risk, primarily in relation to 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

Initially, ownership interests in a real estate company are recognised at the acquisition cost, which represents the fair value.

Ownership interests in real estate companies are subsequently recognised at fair value. Remeasurement of ownership interests including foreign currency translation is recognised under revaluation gains (losses) in Net asset value attributable to unitholders in the Fund's liabilities, net of the relevant value of deferred tax.

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.

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. Loans are granted solely to the controlled companies and their terms and conditions are set in such manner that they fully meet the requirements to be classified as at FVPL and it is not necessary to establish loss allowances under IFRS 9 (the expected credit loss model - ECL).

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". The nominal value of derivatives is recognised off-balance sheet.

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 loss allowances, which are established according to the prudence principle based on the ageing structure of receivables. Loss allowances have to be established to receivables relating to financial instruments under IFRS 9. However, a simplified model can be applied to their

establishment, mainly in respect of assets without a significant funding component (e.g. coupons, dividends, tax arrears, etc.).

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 2021 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. A deferred tax asset is recognised only if there are no doubts that it will be utilised in future accounting periods.

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

Units issued by the Fund are classified as equity under IAS 32.

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

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 selling price and the nominal value of all units as at the date of their issuance, subsequently reduced by the amounts of the difference between the redemption price and the nominal value attributable to redeemed units.

Capital funds

The balance of capital funds represents the nominal values of issued units, reduced by the nominal value attributable to redeemed units. The nominal value of one unit is CZK 1.

4. Additional information on the financial statements

4.1. Receivables from banks

	31/12/2021
Current accounts	27 029
Fixed-term deposits	679 822
Escrow accounts	5 553
Total	712 404

Receivables from banks are from Česká spořitelna, 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 customers

Receivables from customers are loans granted to real estate companies controlled by the Fund.

31/12/2020

Receivables from customers denominated in CZK		31/12/2021
Company	Interest rate	Amount in CZK
ELCOM nemovitosti s.r.o.	7.50%	79,013
Total		79,013

Receivables from customers represent the loan (principal + outstanding interest) granted to the real estate company ELCOM nemovitosti s.r.o., fully owned by the Fund. As at 31 December 2021, the fair value of the receivable was TCZK 79 013. The loan is due within 30 years since the date of signature of the loan agreement (i.e. since 11 May 2021).

4.3. Ownership interests with controlling influence

Company name	Registered office	Ownership in %	Registered capital recorded in the Commercial Register	Other components of equity*	Acquisition date
ELCOM nemovitosti s.r.o.	Antala Staška 2027/79, 140 00, Praha 4	100%	TCZK 100	TCZK 50 648	11/5/2021

* information based on unaudited financial statements as at 31 December 2021

As at 31 December 2021, the Fund held a 100% ownership interest in the real estate company ELCOM nemovitosti s.r.o., with its registered office in Prague. The acquisition cost of the ownership interest as at the acquisition date of 11 May 2021 was TCZK 98 423. As at 31 December 2021, the cost was adjusted by undrawn acquisition costs of TCZK 693 to TCZK 97 730. The market value was TCZK 101 561 as at 31 December 2021 (the last remeasurement of the market value was carried out by the Expert Committee on 15 December 2021). As the ownership interests are classified to the FVOCI portfolio, the change in the measurement at fair value represents an increase in capital funds of TCZK 3 831. Voting rights in % correspond with ownership interests.

4.4. Securities

As at 31 December 2021, the Fund did not have any securities in its portfolio.

4.5. Other liabilities

Other liabilities	31/12/2021
Deferred tax liability	192
Liabilities from unitholders' contributions	115
Other liabilities	703
Total	1 010

Other liabilities include remuneration for the sale of units of TCZK 514.

4.6. Deferred income and accrued expenses

Accrued expenses represent an uninvoiced depositary fee of TCZK 117 and a management fee of TCZK 1 300.

4.7. Capital funds and share premium

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.

The value of the unit for the CZK RETAIL class amounts to CZK 1.0023 as at 31 December 2021. No units were classified to the CZK INSTITUCE and CZK CS classes at year-end.

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 2021 of TCZK 927 will be transferred to capital funds. Overview of changes in the capital fund for the CZK C class

Overview of changes in the capital funds and share premium for the CZK RETAIL class

	Number of units (in pieces)	Nominal value of units	Share premium	Capital funds incl. share premium
Units sold	889 053 575	889 053	-743	888 310
Units redeemed	-116 790	-116	-	-116
Balance at 31/12/2021	888 936 785	888 937	-743	888 194

Overview of changes in the capital fund for the CZK CS class

	Number of units (in pieces)	Nominal value of units	Share premium	Capital funds incl. share premium
Units sold	180 000 000	180 000	0	180 000
Units redeemed	-180 000 000	-180 000	0	-180 000
Balance at 31/12/2021	-	-	-	-

The transactions relate to one-off drawing of the funds of Česká spořitelna, a.s. ("seed money") for the purpose of acquiring the first real property into the Fund's portfolio and their subsequent repayment from the funds continuously raised within the CZK RETAIL class.

4.8. Revaluation gains (losses)

	31/12/2021
On translation of ownership interests	3 831
Deferred tax liability	-192
Total	3 639

Revaluation gains (losses) on translation of ownership interests carried out in 2021 (i.e. the difference between the acquisition cost of the ownership interest in the real estate company and the last measurement result of this ownership interest) of TCZK 3 639 fully belong to the only class existing as at 31 December 2021 after having reflected the deferred tax.

4.9. Interest income and similar income

	2021
Interest on deposits with banks	2 384
Interest on loans granted to real estate companies	3 841
Total	6 225

4.10. Fee and commission expense

	2021
Management fee	6 092
Depositary fee	525
Other commissions and fees	150
Total	6 767

The fee for managing the Fund's assets is 1.75% for the CZK RETAIL class and 0.85% for the CZK CS and CZK INSTITUCE classes of the average annual value of the fund capital.

The payment for discharging the duties of a depositary is 0.13% (the rate is identical for all classes) from the average annual value of the Fund's fund capital.

Other commissions and fees mainly include bank fees.

4.11. Gain or loss from financial operations

	2021	2019
Gain (loss) from transactions with securities and ownership interests	-206	
Total	-206	

4.12. Breakdown of income and expense items by geographical area

All income and expenses were generated in the Czech Republic.

4.13. Administrative expenses

	2021
Audit costs	182
Total administrative expenses	182

4.14. Income tax

Current tax - tax analysis

	2021
Profit (loss) before tax	-927
Non-deductible items	-
Tax-deductible items	-
Tax base	-927
Tax (5%) from tax base	-
Total tax	-

Recognised deferred tax asset/liability

Recognised deferred tax asset/liability

	31/12/2021
Deferred tax assets	
Tax loss carried forward	-
Total	-
Deferred tax liabilities	
Unrealised gains from the remeasurement of ownership interests with controlling influence	3 831
Total	3 831
Total balance of temporary differences	-3 831
Tax rate	5%
Net deferred tax asset (+)/liability (-)	-192

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

4.15. 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.

Receivables from related parties	31/12/2021
Current accounts - Česká spořitelna, a.s.	27 029
Loans granted to real estate companies:	679 822
Elcom nemovitosti s.r.o.	79 013
Total receivables from related parties	785 864

Payables to related parties	31/12/2021
Uninvoiced depositary fee - Česká spořitelna, a.s.	117
Uninvoiced management fee - the Investment Company	1 300
Fees for the sale of units for December - Česká spořitelna, a.s.	514
Other payables - Česká spořitelna, a.s.	6
Total payables to related parties	1 937

Expenses charged to the Fund by related parties	2021
Depositary fee - Česká spořitelna, a.s.	525
Fee for maintaining asset accounts of securities, ownership interests and custody of securities - Česká spořitelna, a.s.	11
Fee for maintaining short-term bonds - Česká spořitelna, a.s.	-
Fee - central depositary - Česká spořitelna, a.s.	-
Bank fees - Česká spořitelna, a.s.	139
Total expenses charged to the Fund by Česká spořitelna, a.s.	675
Management fee - the Investment Company	6 092
Total expenses charged to the Fund by related parties	6 767

Revenues from related parties recognised by the Fund	2021
Interest on deposits with banks - Česká spořitelna, a.s.	2 384
Interest on loan - Elcom nemovitosti s.r.o. (owned by a real estate company)	3 841
Total revenues from related parties recognised by the Fund	6 225

4.16. 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.

Receivables from banks and credit unions

The Fund keeps cash and establishes fixed-term deposits at renowned banking institutions in the Czech Republic and abroad. All these institutions have an investment grade rating and therefore the credit risk resulting from these receivables is low. These institutions are Česká spořitelna, a.s. and Santander Bank Polska S.A.

Receivables from customers

The Fund has granted a loan to the real estate company in which it holds a 100% ownership interest. The credit ability depends on the financial performance of the subsidiary. The Fund monitors the financial performance and financial position of the subsidiary on a monthly basis. It actively participates in the strategic, financial and operational management of its subsidiary and where necessary flexibly responds to both external and internal events, which influence the financial performance.

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:

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

	31/12/2021	Average VaR
Global VaR	0.04%	0.04%
FX VaR	0.04%	0.00%
Interest rate VaR	0.03%	0.04%

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.

Concentration by location

31 December 2021	Czech Republic	Poland	Total
Receivables from banks	706 851	5 553	712 404
Receivables from customers	79 013	-	79 013
Ownership interests with controlling influence	101 561	-	101 561
Total	887 425	5 553	892 978

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. The liabilities presented below represent contractual undiscounted cash flows

As at 31 December 2021	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Not specified	Total
Receivables from banks	712 404	-	-	-	-	712 404
Receivables from customers	-	-	-	78 200	813	79 013
Ownership interests with controlling influence	-	-	-	-	101 561	101 561
Prepaid expenses and accrued income	-	355	-	-	-	355
Total assets	712 404	355	-	78 200	102 374	893 333
Other liabilities	-745	-73	-	-	-192	-1 010
Deferred income and accrued expenses	-1 417	-	-	-	-	-1 417
Net balance of assets/equity	710 242	282	-	78 200	102 182	890 906
Cumulative difference	710 242	710 524	710 524	788 724	890 906	-

Fair value

Valuation techniques

When one is available, the entity determines the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The entity measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices) for the asset or liability. This category includes instruments valued using:

- quoted market prices in active markets for similar instruments;
- quoted prices for identical or similar instruments in markets that are considered less than active;
- or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Level 3 inputs are unobservable inputs. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Every type of measurement used for the daily recalculation of the fair value of the individual financial instruments is allocated to the relevant level in accordance with the above definition.

31 December 2021	Total	Level 1	Level 2	Level 3
Financial assets				
Receivables from banks	712 404	-	712 404	-
Receivables from customers	79 013	-	79 013	-
Ownership interests with controlling influence	101 561	-	-	101 561
Other financial assets	355	-	355	-
TOTAL ASSETS	893 333	-	791 772	101 561

The Fund uses the following measurement techniques and inputs to determine the fair value:

Receivables from banks

Due to the short maturity of these receivables, the carrying amount approximates their fair value. These financial assets have been categorised as Level 2 in the fair value hierarchy. In the current accounting period, the measurement techniques and inputs used did not change.

Receivables from customers

The estimated fair value of granted loans is based on discounted expected future cash flows, using an interest rate as a discount rate valid for loans connected with similar credit risk, interest rate risk, and similar maturity. In respect of impaired credits, the estimated fair value is based on the present value of expected future cash flows, including the expected income from the potential realisation of the collateral.

In determining the estimated cash flows used for discounting, assumptions are used and the expected repayment course of a particular loan or loan group is considered.

These financial assets have been categorised as Level 2 in the fair value hierarchy. In the current accounting period, the measurement techniques and inputs used did not change.

Ownership interests with controlling influence

As the company in which the Fund holds a 100% ownership interest is not listed on any market, this ownership interest is allocated to Level 3 of the fair value hierarchy. The measurement of the company prepared by the Expert Committee at least twice a year is updated always at the 15th day of every month by the authorised company (see the Fund's statutes). This approach enables the Fund to reflect the current value of the companies in its portfolio (accounting data as at the end of the preceding month) in the real estate companies' fair value recorded in the Fund's accounting records, thus eliminating the impact of other possible inputs (unobservable inputs) on this fair value.

As the Fund holds an ownership interest in a real estate company, the so called net asset value method was used to determine the fair value of the ownership interest, 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 the real estate owned by the real estate company. In the current accounting period, the measurement techniques and inputs used did not change.

The following table illustrates the sensitivity of the market value of real properties held in the Fund's portfolio to changes in income from lease determined by the appointed appraiser and in the rate of return of the real property. In the event of a constant rate of return and an increase in income from lease of 2.5%, or if appropriate 5.0%, the market value of the portfolio will increase by MCZK 4.5 to MCZK 184.4, or if appropriate by MCZK 9 to MCZK 188.9. Upon decrease in income, the value of assets would decrease by the same amount. In the event of an increase in the rate of return of 0.25%, or if appropriate 0.50%, and a constant level of income from lease, the market value of the portfolio will decrease by MCZK 6.2 to MCZK 173.7, or if appropriate by MCZK 12.1 to MCZK 167.8. A decrease in the rate of return would have the opposite effect in accordance with a higher value of assets.

A combination of changes in income from lease and changes in the rate of return is presented in the table below:

Portfolio sensitivity analysis (market value in TCZK)					
	Income from lease determined by expert in TCZK p.a.				
	11 902	12 215	12 528	12 841	13 154
Change in the rate of return	-5.00%	-2.50%	0.00%	2.50%	5.00%
-0.50%	184 125	188 970	193 816	198 661	203 507
-0.25%	177 269	181 934	186 599	191 264	195 929
0.00%	170 905	175 403	179 900	184 398	188 895
0.25%	164 982	169 324	173 665	178 007	182 349
0.50%	159 456	163 652	167 849	172 045	176 241

Fund's liabilities

We do not report the level of fair value in respect of liabilities as more than 99% of all liabilities represent the Fund's equity. These liabilities are reported in their carrying amount, which best reflects their fair value.

4.17. Received commitments and guarantees recognised in off-balance sheet accounts

As at 31 December 2021, no commitments and guarantees received are recognised in the Fund's off-balance sheet accounts.

4.18. Received collaterals and pledges recognised in off-balance sheet accounts

As at 31 December 2021, no collaterals and pledges received are recognised in the Fund's off-balance sheet accounts.

4.19. Receivables and liabilities recognised in off-balance sheet accounts

Receivables and liabilities from fixed-term transactions are recognised in the Fund's off-balance sheet accounts.

4.20. 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 2021, total assets managed by the Investment Company amounted to TCZK 893 333.

4.21. Contingencies and commitments

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

4.22. Subsequent events

After the date of the financial statements, new members of the Expert Committee were appointed as at 17 February 2022 due to the expiry of the functional period of its current members.

In April 2022, the Fund purchased a research and development centre located in Kraków, Poland. It is a fully occupied real property, which has been leased for a long term to the multinational company BWI, focusing on development, production and sale of springing systems and other parts and components for the automotive industry.

Russian invasion in Ukraine

The Fund does not hold any assets on the markets affected by the war in Ukraine (Ukraine, Russia, Belarus) and at the same time it does not plan to invest on these markets in future. The lease relations within the real estate owned by the Fund have a very low exposure towards these markets and their key tenants are stable multinational companies which are only slightly hit by the sanctions. With regard to these events and having thoroughly assessed their potential impact on the Fund's operations and functioning, the Investment Company's management has come to the conclusion that the ongoing conflict in Ukraine and the related sanctions have no material impact on meeting all liabilities to the holders of the Fund's units and on the ability of the Fund to continue as a going concern.

The Investment Company's management is not aware of any other material subsequent events that would require adjustments to the Fund's financial statements as at 31 December 2021.

Prepared on:

4/5/2022

Signature of the authorised representative:



Tomáš Jandík
Chairman of the board of directors



Miloš Novák
Vice-chair of the board of directors



Darina Vaněčková
Member of the board of directors

Gabriela Klimtová

Karolína Pavelcová



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Annual report 2021

Material for the public

