

REICO ČS LONG LEASE  
**2022 Annual Report**

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## Basic information

### Basic information on the Fund as at 31 December 2022

<b>Fund identification:</b>	REICO ČS LONG LEASE, open-ended mutual fund of
<b>Fund manager and administrator:</b>	REICO investiční společnost České spořitelny, a.s. *
<b>Depository:</b>	Česká spořitelna, a.s.*
<b>Auditor:</b>	KPMG Česká republika Audit, s.r.o.
<b>Date of establishment of the Fund:</b>	19 January 2021
<b>Date of business activities start:</b>	17 May 2021
<b>Frequency of valuation and trading:</b>	daily
<b>Recommended investment horizon:</b>	min. 5 years
<b>First and every subsequent investment:</b>	min. CZK 300
<b>Fund's domicile:</b>	Czech Republic
<b>ISIN:</b>	CZ0008476280
<b>Fund currency:</b>	CZK
<b>Sale fee:</b>	did not exceed 1.5% in the first half of 2022
<b>Management fee:</b>	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.

#### Ing. 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 2022

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

Key financial indicators for the accounting period	TCZK
<b>Total assets</b>	<b>1 299 896</b>
<b>Total value of real estate (market valuation)</b>	<b>1 523 527</b>
- owned directly by the Fund	0
- owned through a real estate company	1 523 527
<b>Number of real estate units</b>	<b>4</b>
- owned directly by the Fund	0
- owned through a real estate company	4
<b>Occupancy rate of real estate</b>	<b>100.0%</b>
<b>Changes for the period</b>	<b>3</b>
<b>Changes in the real estate portfolio</b>	<b>3</b>
<b>Purchases of real estate</b>	<b>3</b>
- owned directly by the Fund	0
- owned through a real estate company	3
<b>Sales of real estate</b>	<b>0</b>
- owned directly by the Fund	0
- owned through a real estate company	0
<b>Performance of the Fund in the period from 1 January 2022 to 31 December 2022</b>	<b>5.94%</b>
<b>Fund capital</b>	<b>1 256 543</b>
<b>Fund capital per unit (CZK C class)</b>	<b>1.0614</b>
<b>Fund capital per unit (CZK DPM class)</b>	<b>--</b>
<b>Revenue paid to unitholders</b>	<b>0<sup>1</sup></b>

<sup>1</sup> 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 2022 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 investment strategy is to gradually build up a portfolio of assets with minimum lease length of over 10 years diversified across sectors, countries, and lease expiry periods. When making acquisitions, we scrutinise creditworthiness of the tenant, parent company guarantees, and the relationship of the tenant to the building. Strategy of the Fund relies on bank financing at approximately 50% loan-to-value ratio. The target yield is thus above the level of REICO ČS NEMOVITOSTNÍ at the cost of higher risk.

Last year, we added three buildings to the Fund's portfolio and thus came significantly closer to our investment strategy. In April 2022, the Fund acquired BWI's research and development centre in Krakow, Poland, for approximately CZK 651 million. BWI focuses on the development, production and sale of suspension systems and other selected parts and components for the automotive industry. In August, we completed the acquisition of the battery production centre of APS in Hnězdno, Poland, for approximately CZK 503 million. The building is one of the largest monocell battery manufacturing facilities in the world with a multinational revenue guarantee. Finally in November, we completed our latest acquisition, purchasing the consumer plastics manufacturing centre of Vyva Plast for CZK 161 million. At the end of the year, the real estate portfolio included four industrial and office properties in four cities in Poland and the Czech Republic, with an aggregate value of over CZK 1.5 billion and an average lease term of 15.8 years.

We completed these acquisitions in a period of turbulent geopolitical and macroeconomic changes. The biggest impact was

the increase in the cost of euro financing, which made it difficult to fully implement the Fund's financing strategy. Despite this, we managed to achieve a loan-to-value ratio of 42%. The high cost of financing for new transactions also puts upward pressure on the required yields, but these have so far shown great stability especially in case of long-term leased properties. On the other hand, the high interest rate differential between the Czech crown and the euro led to extraordinary gains from holding currency derivatives. Soaring Eurozone inflation of 8.4% in 2022 will contribute significantly to the Fund's appreciation in the coming years, mainly due to the very long horizon of the Fund's lease contracts. During the year, we also worked on reduction of energy consumption across our portfolio in compliance with Article 8 of the SFDR, thereby qualifying the funds under our management as "light green" financial products with effect from 1 January 2023.

Despite the challenging macroeconomic environment, the Fund managed to achieve an annual performance of 5.9%. The average credit risk, already partially diversified, will continue to decline significantly with each new acquisition. The Fund will open for redemptions from January 2024 onwards, which will significantly improve liquidity of the Fund as an investment. Additionally, long-term nature of the lease contracts together with inflation clauses provide good inflation hedge. We believe these are all attractive features of a complementary real estate strategy that has so far appealed to more than 6 000 unitholders. We are thankful for their trust which for us represents an ongoing commitment in the coming years.



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

## Macroeconomic overview

In 2022, the Czech economy's GDP grew by 2.4%, showing a more favourable development than initially expected. The economy was significantly affected by Russia's invasion of Ukraine in February and its negative effects on inflation, foreign trade, and interest rates. Overall, GDP growth was expected to be lower than what the Czech economy eventually achieved. Developments in the individual quarters varied during the year. At the beginning of 2022, the economy was undergoing a recovery, with GDP growth driven mainly by domestic demand, all this after the low household consumption figures for 2021 influenced by the pandemic. Foreign trade had the opposite effect, with imports for consumption and investment purposes rising strongly and net exports contributing to GDP growth negatively in the first half of 2022. In the second half of the year, the situation reversed, with household consumption undergoing a significant decline while foreign trade became the most important driver of GDP growth.

Average inflation reached 15.1% last year, as inflationary pressures gradually intensified during the year, driven mainly by two main factors: first, the war in Ukraine and the associated rise in energy prices, which in addition to its direct impact on consumer inflation also increased costs for firms and businesses, translating in turn into rising prices of goods and services. Second, domestic factors, i.e., the overheated labour market and strong household demand from 2021 and early 2022 also significantly contributed to the further intensification of inflationary pressures. In the second half of the year, these domestic factors gradually began to weaken, but this was offset by further increases in energy prices. Inflation thus decreased only in October when its year-on-year rate slowed from 18% to 15.1%. However, this was mainly due to the Czech Statistical Office's accounting for the impact of the savings tariff in price developments. Without this, year-on-year inflation would have been 18.6% in October alone. The effect of the savings tariff was then present in the data throughout the entire fourth quarter.

The labour market deteriorated in 2022 but remained strong. The average unemployment rate reached 2.4%, remaining significantly low. This consequently contributed to strong anti-inflationary pressures, especially in the first half of the year. On the other hand,

however, real wage developments worsened over the past year, even though nominal wage growth remained solid. This was due to high inflation, which caused average real wages to fall by around 8% in 2022. Falling wages then gradually translated into a slowdown in household consumption and into a weakening of domestic inflationary pressures in the second half of the year.

With inflation strengthening and heightened concerns about a possible longer-term increase in inflation, the Czech National Bank continued to gradually raise interest rates during the first half of 2022. The main rate, standing at 3.75% at the start of 2022, was raised to 7.0% in June and remained stable until the end of the year. Market sentiment, influenced by the war in Ukraine and its impact on the European economy, had a significant impact on the development of the Czech crown during 2022. Especially in the first half of the year, the Czech crown briefly weakened against the euro, twice above the level of CZK 25 to the euro. On the one hand this was due to market fears of a possible major escalation of the war and, on the other hand, to concerns about the Czech (and European) economy due to possible problems with gas shortages. These tendencies were dampened by the CNB's raising of interest rates and its foreign exchange interventions to defend the exchange rate. In the second half of 2022, sentiment in the markets calmed and improved significantly towards the end of the year. This was boosted by favourable weather, as well as rapidly progressing work on European LNG terminals.

Residential property price growth in 2022 remained very high and became even stronger compared to 2021. This was mainly a response to strong household demand on the one hand and the continued overhang of demand for residential property over supply on the other. In addition, rising CNB rates and fears of further property price growth played the same role during the first half of the year, as households sought to buy property on mortgage before further rate increases and before further housing price growth. Then, in the second half of the year, purchases of real estate began to gradually weaken with high CNB rates and a slowdown in consumer demand, resulting in a slowdown in year-on-year price growth.



## Developments in real estate markets

At the end of 2022, REICO ČS LONG LEASE was involved in investment in the industrial and office segment in the Czech and Polish markets. In February 2021, the coronavirus restrictions were eased but the optimism at the beginning of the year was quickly dampened by the Russian invasion of Ukraine at the end of February. Uncertainty in the market again increased significantly and the commercial real estate investment market stagnated. Given Europe's heavy dependence on energy supplies from Russia, the prices of all energy products started to rise rapidly. Gas, electricity, and oil prices peaked in the summer, reaching record highs. In addition to energy, food prices also rose sharply, and high energy prices gradually began to penetrate all other areas of the economy. The outcome was double-digit inflation and a reduction in household purchasing power, with negative effects particularly in the retail sector. While sales growth was evident at the beginning of the year and was enhanced in the second quarter by the arrival of refugees from Ukraine and their purchases of basic goods, the second half of the year saw a downturn. Attempting to tame inflation, the central banks relatively quickly began to raise interest rates. This led to increases in debt servicing costs and made new property acquisitions much more difficult. Increased interest rates resulted in higher yields in all real estate segments. Revenue growth was partially offset by rental growth. This was particularly evident in the logistics sector, where, e.g., rents in the Prague area increased by more than 30% year-on-year. However, this increase was mainly due to a critical lack of available space, with warehouse occupancy rates in the Prague area reaching 100%. Due to inflation clauses, rent increases will not reflect current levels of inflation until 2023. New construction will also have an impact on rent increases due to high construction costs and declining yields, as developers of new projects are forced to enter into increased rents if their projects are to remain profitable. However, high inflation also brings with it rising service charges. This, together with the already strong pressure to promote ESG principles, increases the requirements for energy efficiency in buildings.

### Commercial real estate investment market in Central Europe

The commercial real estate investment market in Central Europe reported an increase of 4.2% compared to the previous year, i.e., EUR 9.87 billion in 2022 compared to EUR 9.47 billion in 2021. Traditionally, the biggest market in 2022 was again Poland (EUR 5.81 billion, y-o-y growth of 2%), followed by the Czech Republic (EUR 1.58 billion, y-o-y drop of 18%). Like last year, Hungary came a little closer to the annual investment volumes achieved before the pandemic (EUR 1.35 billion, 21% year-on-year growth). Slovakia even witnessed very strong year-on-year growth of 55% and almost doubled the total annual investment volume (EUR 1.13 billion) compared to the pre-pandemic 2019 result.

The largest Czech transaction of the year was made by REICO ČS NEMOVITOSTNÍ when in January 2022, the Fund expanded its real estate portfolio with the Bořislavka multifunctional centre, which it bought from developer KKCG for more than EUR 200 million. Other significant transactions were the sale of two regional shopping centres - IGY Centre in České Budějovice and CityPark

in Jihlava. Both centres, formerly owned by CPI, were purchased by 365.invest for a total of approximately EUR 215 million. An equally important transaction was the sale of the BB Centrum Gamma office building in which O2 has been located since 2006 back to its original owner and developer, Passerinvest. Immofinanz sold this project for almost EUR 100 million. It was the office sector that dominated the market in the Czech Republic in 2022, accounting for almost 36% of the total investment volume. The second strongest sector was the logistics sector with a share of almost 22%. The largest transaction in this sector was the sale of CPI's industrial portfolio, consisting of properties in Brandýs nad Labem, Vestec u Prahy and Jažlovice. This portfolio was bought by Hines for EUR 110 million. A second interesting transaction was the sale of the Ostrava Multimodal Logistics Park, owned by J&T and Cencus, and bought by Exeter for approximately EUR 60 million.

In 2022, the Slovak market was predominantly driven by investments in the office sector, accounting for 54% of the total volume. However, the investment market volume was distorted by the transfer of part of assets totalling EUR 340 million and consisting mainly of office buildings from Penta Real Estate to Alto Real Estate, when one of the partners, Jozef Oravkin, became independent. This transaction alone represented 29% of the total investment volume for 2022. Another transaction involving the office sector was the sale of the Blumental Offices building, becoming a new addition to the ZFP real estate fund. The fund acquired the building from Corwin for approximately EUR 80 million. The largest retail transaction was again the acquisition of the Aupark shopping centre in Bratislava, which started in May 2021. The retail sub-fund of WOOD & Company acquired another 27% stake during the second phase of the transaction for EUR 121.5 million. The final phase of the acquisition is expected to take place in 2024 when the last part of the total purchase price of EUR 450 million will be paid. Among the most significant transactions in the logistics sector was the sale of a logistics park near Dunajská Streda during the fourth quarter of the year. The ARETE INDUSTRIAL fund bought the site from GENA LOGISTIK for EUR 20 million.

In Poland, 2022 saw five large portfolio transactions accounting for approximately 40% of the total investment volume. Most of the investments were directed at the office sector (35%) and their volume increased by 19% compared to 2021 (EUR 2.04 billion). The largest Polish transaction of the year was made by Google with the purchase of The Warsaw HUB complex from Ghelamco for EUR 583 million. This transaction became the largest ever out-of-portfolio transaction in the Polish market and all of Central and Eastern Europe. Another significant acquisition, this time amounting to EUR 285 million, was the Generation Park Y office tower fully leased to PZU for 10 years. The property was sold by property developer Skanska to a new owner, Hansa Invest. Together, the above two transactions accounted for 80% of the capital invested in the office sector during the year. The sale of the Danica portfolio, with a value of approximately EUR 524 million, was an exceptional transaction in the logistics sector and the second largest transaction of the year. CBRE IM acquired this portfolio from developer Hillwood. In the retail sector, NEPI Rockcastle was very active, acquiring two Polish shopping centres



to its portfolio during the last quarter. It managed to acquire the Forum Gdańsk shopping centre from Blackstone for approximately EUR 250 million, making this acquisition one of the largest European retail transactions of the year. It also acquired the Atrium Copernicus shopping centre in Toruń from Atrium for EUR 127 million.

As the central banks were raising interest rates, yields were growing especially in the second half of 2022, with prime yields increasing across all sectors. In the Czech Republic, they were 4.80% for offices, 6.25% for retail, and 4.75% for both Prague's shopping streets and prime logistics properties at the end of 2022. It is the logistics sector that saw the most significant change, with yields growing by 75 bps in 2022 compared to 55 bps in the office sector. Since yields for retail and prime shopping streets had already gone through a surge during the COVID-19 pandemic, this time they saw the mildest correction (+50 bps). Slightly stronger growth in prime yields took place in Poland where office yields rose year-on-year from an initial 4.50% to 5.25%. Logistics yields again saw the biggest change over the year, rising by as much as 90 bps to 5.25%. Retail yields for 2022 climbed to 6.25% (+50 bps). The same trend but at a more modest increase was seen in Slovak prime yields, with office yields reaching 5.50% (+25 bps) at the end of 2022. Industrial prime yields increased by 45 bps year-on-year to 5.75% and retail yields by 25 bps to 6.25%.

## Commercial real estate market in the Czech Republic

In 2022, the Prague office market grew by 74 400 m<sup>2</sup> of new premises, which is an over 32% year-on-year increase compared to the previous year. Net absorption for 2022 increased significantly year on year, reaching 73 060 m<sup>2</sup>, which is a year-on-year increase of 270%. In contrast, the vacancy rate slightly decreased in Prague, reaching 7.7% (-12 bps y-o-y). As expected, prime rents in Prague grew to a new maximum. At the end of the year, the highest rent was around EUR 26.5/m<sup>2</sup>/month, which represents a 10% increase compared to the end of 2021. The largest lease transaction in 2022 was the re-negotiation of the contract of O2 in the Brumlovka office complex (Gamma), totalling 29 000 m<sup>2</sup>, the largest new transaction was the pre-lease by SCS Software of the new Roztyly Plaza building with an area of 9 700 m<sup>2</sup>.

The Ostrava office market in 2021 remained without an increase in office space, with a total area of 217 000 m<sup>2</sup>. The only office building under construction is Organica with 20 600 m<sup>2</sup> of leasable

area and scheduled for completion in 2023. Vacancy increased by 340 bps year-on-year and reached 9.3% at the end of 2022. The highest achievable rent in Ostrava increased by EUR 1.50/m<sup>2</sup>/month to EUR 10.00-14.50/m<sup>2</sup>/month.

During 2021, nearly 1.1 million m<sup>2</sup> of new space was completed in the Czech industrial market. The total floorspace volume quickly surpassed the 10 million m<sup>2</sup> mark and grew by more than 12% year on year. Approximately 1.2 million m<sup>2</sup> of new industrial space is currently under construction, of which 62% has already been pre-leased. Net absorption more than doubled from the previous year, exceeding 1.1 million m<sup>2</sup>, resulting in a 70 bps drop in the vacancy rate to a record 1%. The highest achieved rent level increased by 32% and is up to EUR 7.90/m<sup>2</sup>/month in the vicinity of Prague.

## Commercial real estate market in Poland

In 2022, 236 800 m<sup>2</sup> (a year-on-year decrease of -27%) of new office space was completed in Warsaw, with the overall size of office space thus exceeding 6.5 million m<sup>2</sup>. The slowdown in construction was most noticeable at the end of the year when less than 9 000 m<sup>2</sup> of new space was completed during the quarter. Combined with continued overall demand for office space, which in turn increased by 33.6% y-o-y, this development led to a decline in the vacancy rate to 11.6% (107 bps y-o-y). A further decline in vacancy is expected in 2023 when the area of newly completed construction should reach a historic low of around 60 000 m<sup>2</sup>. At the end of 2022, only 180 000 m<sup>2</sup> instead of the usual 700 000–800 000 m<sup>2</sup> was under development. Like other Central European countries, Poland saw a further increase in the highest rent achieved, which in the centre of Warsaw is already 26.0 EUR/m<sup>2</sup>/month, i.e., 0.5 EUR/m<sup>2</sup>/month more than the previous year. The largest new lease transaction of 2022 was Bank Pekao's pre-lease of the new 30 000 m<sup>2</sup> Forest Tower skyscraper in Warsaw.

The Polish logistics real estate market for lease comprised almost 27.7 million m<sup>2</sup> and in the prior year grew by more than 4 million m<sup>2</sup>, representing a year-on-year increase in total space of an incredible 33% and the highest ever amount of newly completed space. A further 3.4 million m<sup>2</sup> of new industrial space is currently under construction, of which 53% is already pre-leased. Net absorption compared to last year increased by 30% to nearly 4 million m<sup>2</sup>. As a result of strong absorption, vacancy rates remained very low despite record additions of new space, rising by 20 bps to 3.9% compared to 2021. The average rent increased by 35.7% y-o-y and at the end of 2022 reached EUR 5.7/m<sup>2</sup>/month.

## 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 focuses 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.

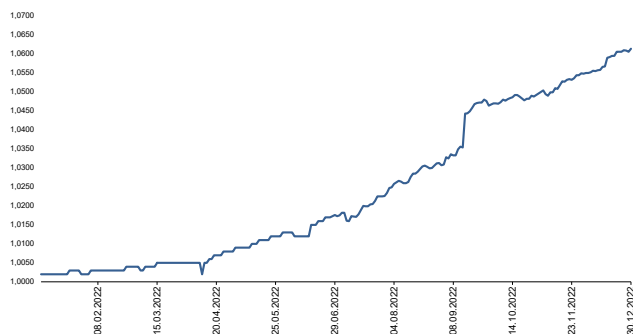
A real estate portfolio is being gradually built, which will improve the Fund's diversification in relation to investment sectors, countries and expiration periods of individual lease contracts. Part of its strategy is to hold real estate in its portfolio for extended periods of time. Hence, the Fund 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, 1 Jan 2022 – 31 Dec 2022



### 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 2020	--	--	--
31 Dec 2021	890 906	1.0023	--
31 Dec 2022	1 256 543	1.0614	--

### Number of issued units

Number of units as 31 December 2022 was 1 183 874 596 (CZK C class) and 0 (DPM class).



### Number of issued units in the period from 1 January 2022 to 31 December 2022

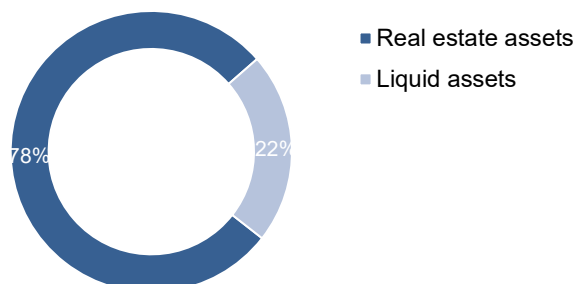
Issued and redeemed units	CZK C class	CZK DPM class
Number of units issued by OPF	295 139 706	0
Amount collected into OPF's assets for units issued in CZK	300 853 816	0
Number of units redeemed from OPF	201 895	0
Amount paid from the OPF's assets for redeemed units in CZK	205 273	0

## Real estate portfolio

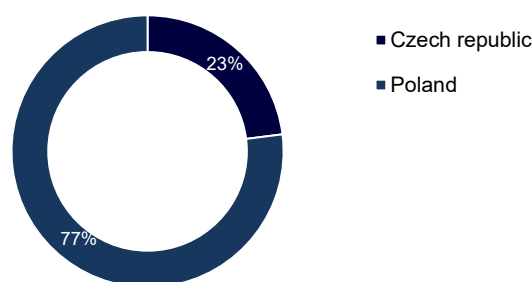
### Brief overview

To minimise the risks connected with real estate portfolio management, 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 offers 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

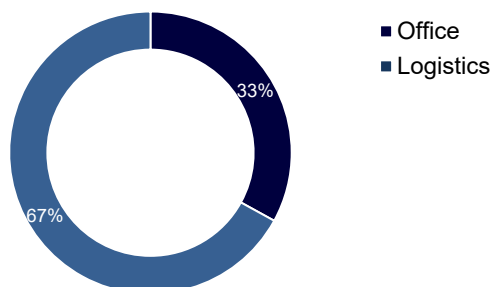


Real estate assets: values of the ownership interests in the real estate companies and values of loans provided by the Fund to the real estate companies.

### 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 2022, 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 2022

Summary of assets	Value of assets (in TCZK)
<b>I. Real estate part of the Fund</b>	<b>874 513</b>
<b>I.I Tangible fixed assets</b>	<b>0</b>
- land and buildings (directly owned real estate)	0
<b>I.II Ownership interests with controlling influence</b>	<b>874 513</b>
- real estate companies in the Czech Republic (real estate held through real estate companies)	135 567
- real estate companies outside the Czech Republic (real estate held through real estate companies)	738 946
<b>II. Receivables from non-banking entities</b>	<b>144 913</b>
- loans granted to real estate companies	144 913
<b>III. Liquid portion of the fund</b>	<b>248 733</b>
<b>III.I Receivables from banks</b>	<b>248 733</b>
- current accounts	93 709
- fixed-term deposits	155 024
- compound margins	0
<b>III.II Debt securities</b>	<b>0</b>
- issued by government institutions	0
- issued by other entities	0
<b>IV. Other assets</b>	<b>31 536</b>
- derivatives	31 536
<b>V. Prepaid expenses and accrued income</b>	<b>201</b>
<b>TOTAL ASSETS</b>	<b>1 299 896</b>



## REAL ESTATE INDEX

as at 31 December 2022

	Number	Ownership of share	Property name Property address	Country	Name of SPV Address of SPV Country	Share capital, Shareholder loan	Type of property	Type of use	Date of purchase	Year of construction	Landplot area in (sq m)	Parking spaces (no.)	Legal title of ownership (land)	Gross Lettable Area (sq m)	Features	Market value in TCZK	Share on portfolio market value in %	External financing in TCZK	Loan-to-value ratio in % (LTV)	Vacancy rate as % of Gross Lettable Area	Weighted-average unexpired lease term in years	Actual rental income 2022 in TCZK	Budgeted rental income 2022 in TCZK	Estimated Rental Value in TCZK p.a.
	1	2	3		4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
	1	100%	ELCOM	CR	ELCOM nemovitosti s.r.o., Antala Staška 2027/79, 140 00 Praha	Share capital: 67 mil. CZK Shareholder loan: 50 mil. CZK	Office	W (53.9%) O (5.2%) X (0.9%)	11.5.2021	1996 (2019)	3 982	35	F	4 058	AC	183 200	12,0%	87 156	47,6%	100,0%	13,4	12 904	12 904	12 660
	2	100%	BALICE	PL	BALICE R&D Sp.z.o.o. Towarowa 2 01-839 Warszawa Poland	Share capital: 388 mil. CZK Shareholder loan: 0 mil. CZK	Office/Warehouse	W (53.7%) O (46.3%)	6.4.2022	2020	40 806	435	F	11 037	AC	660 269	43,3%	314 310	47,6%	100,0%	17,6	17 398 <sup>1)</sup>	17 398 <sup>1)</sup>	38 601
	3	100%	NEGAZOLLI	PL	NEGAZOLLI INVESTMENTS Sp.z.o.o. Przyokopowa 33 01-208 Warszawa Poland	Share capital: 351 mil. CZK Shareholder loan: 0 mil. CZK	Warehouse	W (85.1%) O (12.8%) X (2.1%)	2.8.2022	1995 (2018)	83 700	203	RPU	24 233	AC	519 196	34,1%	240 934	46,4%	100,0%	14,6	12 744 <sup>1)</sup>	12 744 <sup>1)</sup>	33 597
	4	100%	VYVA PLAST	CZ	VYVA REAL ESTATE s.r.o., Antala Staška 2027/79, 140 00 Praha	Share capital: 69 mil. CZK Shareholder loan: 95 mil. CZK	Warehouse	W (100,0%)	9.11.2022	1960/2013 (2020)	9 260	0	F	5 812	AC	160 862	10,6%	0	0,0%	100,0%	14,9	1 706 <sup>1)</sup>	1 706 <sup>1)</sup>	12 047
Total RE assets												673		45 140		1 523 527	100,0%	642 400	42,2%	100,0%	15,8	44 752	44 752	96 904

1) For the newly acquired properties Balice, APS and VYVA PLAST, the rental income for 2022 is calculated proportionally since the closing date.

Note: For properties valued in EUR, the values are converted at the exchange rate as of 31.12.2022.



Explanation of the terms relating to the real estate index:

7	<b>Purpose of lease</b>	The structure of the type of utilisation is calculated according to the usual value of rent (irrespective of the current income from lease) as at the date of the last real estate valuation prepared by an approved independent expert and approved by the Expert Committee  Abbreviations: O ... Office; C ... Commercial; W ... Warehouse, R... Residential; X ... Other;
8	<b>Date of real estate acquisition</b>	MM/YYYY ... Date of conclusion of the transaction;
10	<b>Date of issue of the use permit for the real estate</b>	YYYY ... The year of issue of the original use permit; in the event of an annex/renovation the year in which the use permit was issued after having finished the annex/renovation;
11	<b>Size of the lot of land</b>	Area according to the Land Register;
12	<b>Legal title to land</b>	Abbreviations: F ... Freehold / Ownership title; L ... Leasehold/Lease title; □ RPU ... Right of Perpetual Usufruct
13	<b>Lettable area</b>	In 2019, the methodology changed so the square meters correspond to the sum of the actual leased area and the free areas.
14	<b>Equipment of real estate</b>	Abbreviations: AC ... Air conditioning; SL ... Service lift; PL ... Passenger lift; E ... Escalator; D ... District heating;
15	<b>Market value</b>	Market value as at the date of the last expert report prepared by an approved independent expert and approved by the Expert Committee;
19	<b>Occupancy rate by floor area</b>	Percentage of occupancy of leasable area;
20	<b>Weighted-average remaining lease term in years</b>	Stated in years and calculated according to current value of rent (before discount on rent). Lease agreements with no fixed expiry date are included for the one year period;
21	<b>Rental income for 2022</b>	Current income from leases in 2022, in case of acquisition or sale only for the period of ownership of the real estate (irrespective of VAT and service fees);
22	<b>Budgeted rental income for 2022</b>	Budgeted income from leases, in case of acquisition or sale only for the period of ownership of the real estate (irrespective of VAT and service fees);
23	<b>Estimated rental value at full-occupancy determined by expert</b>	Annual income from leases based on full-occupancy assumption as at the date of the last real estate valuation prepared by approved independent expert and approved by the Expert Committee.







## 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 units.

### 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.



Research and development centre of ELCOM, Ostrava, Czech Republic

##### 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 13 December 2022. The market value of the real estate is stated in the real estate index which is part of the annual report.

### Balice R&D sp. z o.o., a real estate company

On 6 April 2022, REICO ČS LONG LEASE acquired a 100% ownership interest in real estate company Balice R&D sp. z o.o., with its registered office at Towarowa 28, 00-839 Warsaw.

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

#### BWI research and development centre

##### Identification of the real estate

The property is located at Kapitana Mieczysława Medweckiego 2, 32-083 Balice, Poland, Lesser Poland Voivodeship, Kraków County, Zabierzów Municipality. Cadastral area code: Nr 0002, KW číslo KR2K/00056101/2, KR2K/00017708/2, KR2K/00017627/0, KR2K/00052499/0, KR2K/00017871/5, KR2K/00017872/2, KR2K/00040650/0.



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

The BWI research and development centre consists of two interconnected buildings built in 2020, featuring an environmentally friendly design. They include mainly laboratory and office premises but also, e.g., 365 parking spaces. The total leasable area of the building is nearly 11 000 m<sup>2</sup> and is fully occupied. The property is located in an attractive location in the Lesser Poland region in the immediate vicinity of Kraków airport, which is the second busiest in Poland. The property is located approximately 1 kilometre from the A4 motorway linking the country with Germany to the west and Ukraine to the east. The centre of the city of Krakow is approximately 20 kilometres away and is easily accessible by all means of transport. The building was newly built to meet the specific needs of BWI, which had been operating for many years in another location in Krakow. The only tenant is BWI, a multinational operating in the development, production and sale of spring-mounted systems and other specific components for the automotive industry. BWI's clients include BMW, Ford, Porsche, Audi, Ferrari, and Land Rover.

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

#### Real estate administration

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

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

##### Easements

- There are no pledges related to the building

##### Pledges

- Real estate pledged in favour of Santander Bank Polska S.A.

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

The real estate was valued by Knight Frank Sp. z o.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 13 December 2022. The market value of the real estate is stated in the real estate index which is part of the annual report.



Research and development centre of BWI, Krakov, Poland

## Negazolli Investments sp. z o.o., a real estate company

On 2 August 2022, REICO ČS LONG LEASE acquired a 100% ownership interest in real estate company Negazolli Investments sp. z o.o., with its registered office at Przyokopowa 33, 01-208 Warsaw.

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

#### APS's battery manufacturing centre

##### Identification of the real estate

The property is located at Słoneczna 42, 62-200 Hnezdno, Poland, Greater Poland Voivodeship, Kraków County, Hnezdno municipality. Cadastral area code: Nr 300301\_1.0001, KW číslo PO1G/00028976/9, PO1G/00032150/4, PO1G/00032151/1, PO1G/00032152/8.

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

APS's battery manufacturing centre consists of two production halls and two warehouses that are interconnected. The property also includes two maintenance buildings and more than 200 parking spaces. The entire complex was built in three phases, the last of which was completed in 2018. The total leasable area of the building is over 24 000 m<sup>2</sup> and is fully occupied. The property is located in an industrial zone near the historic town of Hnezdno in the Greater Poland Voivodeship. The site is located near the A2 motorway linking Warsaw with Lodz in central Poland and Poznan with Germany in the west of the country. The exclusive long-term tenant of the entire building is Belgian company Advanced Power Solution (APS), a leader in the production of carbon zinc and alkaline batteries. APS has been operating in more than 50 world countries including Europe, Northern America, and Asia.

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

#### Real estate administration

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

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

##### Easements

- No easements relate to the building.

##### Pledges

- This real estate has been pledged in favour of Santander Bank Polska S.A.

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

The real estate was valued by Knight Frank Sp. z o.o. using the income valuation method. The value of the real estate held by the real estate company was determined by the Expert Committee as at 11 September 2022. The market value of the real estate is stated in the real estate index which is part of the annual report.



Battery manufacturing centre, APS, Hnězdno, Poland

## VYVA REAL ESTATE, s.r.o., a real estate company

On 9 November 2022, REICO ČS LONG LEASE acquired a 100% ownership interest in VYVA REAL ESTATE, s.r.o., with its registered office at Sobotecká 836, 511 01 Turnov.

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

### VYVA PLAST's plastic packaging production centre

#### Identification of the real estate

The property is located at Sobotecká 836, 511 01 Turnov, Cadastral code: 771601 Turnov; CZ0514 Semily; Municipality: 577626 Turnov; Ownership certificate: 4555.

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

VYVA PLAST's plastic packaging production centre consists of two industrial buildings and one administrative building, which are interconnected. Apart from the original industrial building, the entire complex was built gradually between 2013 and 2020. The total leasable area of the building is over 5 830 m<sup>2</sup> and is fully occupied. The property is located on the outskirts of Turnov. It is located right at the exit from a four-lane road which continues as the D10 motorway through Mladá Boleslav to Prague, and at the same time not far from the I35 road connecting the town with Hradec Králové. The sole tenant is Czech VYVA PLAST, a

leading manufacturer of plastic packaging offering comprehensive services in solving processing requirements in vacuum forming. VYVA PLAST's clients include multinational groups such as Bosch, Škoda Auto, Foxconn, Velux, Panasonic, SOR, and other.

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

#### Real estate administration

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

- Water supply lines
- Gas equipment lines (GasNet)

##### Pledges

- No pledges relate to the building.

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

As this real estate was acquired in the second half of 2022, it was not measured for fair market value in the Fund's assets.



Plastic packaging production centre in VYVA PLAST, Turnov, Czech Republic

## 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 in 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 2022.

Title	Type of asset	Acquisition price (TCZK)	Market (fair) value (in TCZK)
ELCOM nemovitosti s.r.o.	Equity investment	55 818	66 713
Balice R&D Sp. z o.o.	Equity investment	390 237	387 891
Negazolli Investments sp.z o. o. (APS)	Equity investment	343 889	351 055
VYVA REAL ESTATE, s.r.o.	Equity investment	68 854	68 854

### 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 2022, 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 relevant period, the Fund acquired the research and development centre of BWI in Krakow, the battery manufacturing centre of APS in Hnězdno, and the plastic packaging production centre of VYVA PLAST in Turnov.

### Information on derivatives acquired into the Fund's assets

The mutual fund uses derivative instruments exclusively to hedge against currency risk. Exposure from these derivatives must always be fully covered by the Fund's assets so that the liabilities arising from these derivatives can always be met. As at 31 December 2022, the Fund had a total of 2 swaps open with Česká spořitelna, a.s. with a total underlying asset value of EUR 39.7 million. As at 31 December 2022, these derivatives were measured at positive fair value of TCZK 31 536 and no negative value. At the end of the reporting period, the counterparty's risk

was TCZK 31 536. Risk management methods are described in the notes to the financial statements which are an integral part of the annual report. Other information is presented in note 4.19. Risk management.

### 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 relevant period, a fee of TCZK 20 146 was paid to the investment company for the management and administration of the Fund's assets. In the relevant period, a fee of TCZK 1 915 was paid to the depository for the performance of its function. In the relevant period, a fee of TCZK 237 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 4.19. Risk management.

### Information about significant changes in the data stated in the investment fund's statutes in 2022

In December 2022, requirements of Article 8 of the SFDR were implemented. In the same month, the wording of the statutes was amended and Annex 3 supplemented using the prescribed RTS SFDR template.

### Information about remuneration for the manager's employees for 2022

The average number of the Fund manager's employees in 2022 was 15 (among them, three directors).

The total fixed remuneration component of all employees was: TCZK 21 645.

Social security and health insurance expenses were: TCZK 8 813, other social expenses were TCZK 1 168.

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 2022 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 S.A. Luxembourg and Erste Group Bank AG to settle and clear foreign securities and the services of Centrální depozitář cenných papírů, a.s. (Central Securities Depository Prague, CSD Prague) to settle and clear exchange trades with securities traded on the Prague Stock Exchange, the CNB Short-Term Bond System for holding and settling transactions with book-entry securities with a maturity of up to 1 year issued, for example, by the Czech Republic or the CNB, as well as local custodians in respect of the Polish, Slovak, Hungarian, Romanian, Croatian, 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 2022

No significant events occurred after the decisive date.

### 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 2022

#### Otakar Langer

Position held from 18 February 2022. A graduate of the Czech Technical University, Faculty of Civil Engineering, and the Faculty of Science of Charles University. He has been working in real estate since 1995. In 2001-2004, he was the head of ING Real Estate Investment Management branch in Poland, then until 2007 he was a manager of the Central European portfolio at GE Real Estate Central & Eastern Europe, and since 2009 he has been the statutory representative of Artiga REIM. He has been a member of RICS since 2007.

#### Michal Naskos

Position held from 18 February 2022; studied the Faculty of Education of Charles University. He has more than 20 years of experience in real estate valuation. He has been with Cushman & Wakefield since 2001. has been a member of the Royal Institution of Chartered Surveyors (RICS) since 2011 and a member of the Value Registration Scheme (VRS) since 2014.

#### Jaromír Smetana

Position held from 22 March 2022. He graduated from the Faculty of Electrical Engineering of the Czech Technical University, completed postgraduate studies in English at Charles University and the Institute of Property Valuation at the University of Economics. He has been involved in commercial real estate for 29 years. In 2007– 2016, member of the Royal Institution of Chartered Surveyors (RICS). From 1994 to 2015, he held a number of executive and management positions at international consulting company DTZ, which he left after the global merger with Cushman & Wakefield in 2015. Since then, he has remained in the sector as a member and statutory representative of RealAd s.r.o.



## Information about the mutual fund's portfolio managers and members of the's 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 charter, 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.

### Ing. Miloš Novák, CSc.

Vice-chairman of the board of directors

Portfolio manager of the liquid 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 Controlling, Operating Controlling, 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.

### JUDr. 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, 28 April 2023



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



Ing. Miloš Novák, CSc.  
Vice-chairman of the board of directors



JUDr. Darina Vaněčková  
Member of the Board of Directors

**Appendix No. 1**  
**Template for the regular publishing of information on financial products as stipulated in Article 8**  
**(1, 2 and 2a) of Regulation (EU) 2019/2088 and Article 6 (1) of Regulation (EU) 2020/852**

Name of the product: REICO ČS LONG LEASE (RCSLL)

## Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> <b>Yes</b></p> <p><input type="checkbox"/> It carried out ___% of <b>sustainable investments with an environmental objective</b></p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</p> <p><input type="checkbox"/> It carried out ___% of <b>sustainable investments with a social objective</b></p>	<p><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></p> <p><input type="checkbox"/> It promoted <b>environmental/social (E/S) characteristics</b>, and although it did not observe a sustainable investment objective, it made ___% of sustainable investments consisting of</p> <p><input type="checkbox"/> investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU taxonomy</p> <p><input type="checkbox"/> investments with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU taxonomy</p> <p><input type="checkbox"/> investments with a social objective.</p> <p><input checked="" type="checkbox"/> It promoted E/S characteristics but <b>did not carry out any sustainable investments</b></p>

An ‘**environmentally sustainable investment**’ means an investment in economic activities that contribute to an environmental or social objective while not significantly harming any environmental or social objective. Its investees adhere to due corporate governance rules.

**EU taxonomy** is a classification system stipulated in Regulation (EU) 2020/852, which determines the list of **environmentally sustainable economic activities**. This regulation does not stipulate a list of socially sustainable economic activities. Sustainable investments with an environmental objective can be in accord with the EU taxonomy but do not have to.



**Up to what degree were the environmental and/or social characteristics promoted by this financial product fulfilled?**

The Fund has been promoting a gradual reduction of the energy consumption of the real properties in its portfolio and the achievement of PENB C and better levels of energy-saving buildings. For this purpose, the Fund has been actively using the potential for reducing energy consumption, primarily in terms of the structure of the buildings and savings in its operation. Furthermore, in accordance with the due care policy of REICO IS, the Fund has considered the adverse impact on the other sustainability factors while trying to prevent or mitigate them. A referential value to achieve the environmental characteristics promoted by the financial product has not been determined.



● **What were the results of the sustainability indicators?**

**The sustainability indicators** measure how environmental or social characteristics promoted by the financial product are achieved.

KPI		2022
Energy consumption of buildings (class according to PENB), share in the market value of the portfolio (average of monthly values)	A	45.6%
	B	0.0%
	C	52.7%
	D	1.8%
	E	0.0%
	F	0.0%
	G	0.0%
Share of investments in energy-inefficient real properties	Share of market value of real properties on level PENB D or worse (average of monthly values for the whole year)	1.8%



## How did this financial product reflect the main adverse effects on the sustainability factors?

**Main adverse effects** are the major adverse effects of the investment decisions on the sustainability factors concerning environmental, social and employment issues, adherence to human rights, and the fight against corruption and bribery.

This financial product reflects the main adverse effects on the sustainability factors. The major adverse effects of the Fund include the energy consumption of the real properties and consumption of energy connected with management of real properties. The following indicators concerning investment properties are monitored to reflect the main adverse effects of the Fund:

- Share of investments in assets having the form of real properties, which participate in mining, storage, transportation, or manufacture of fossil fuels – 0%
- Share of investments in energy-inefficient assets in the form of real properties (on level PENB D or worse) – 12.4%

A declaration on due care policy, which comprises an overview of all monitored PAI indicators, and an explanation of how the main adverse effects are assessed will be available on the web as at 30 June 2023.

[https://cdn0.erstegroup.com/content/dam/cz/csas/www\\_reico\\_cz/dokumenty/21222\\_politika\\_nalezite\\_pece.pdf](https://cdn0.erstegroup.com/content/dam/cz/csas/www_reico_cz/dokumenty/21222_politika_nalezite_pece.pdf)

*The EU taxonomy stipulates the do-no-significant-harm principle according to which investments which are in accord with the taxonomy should not significantly harm the taxonomy's objectives. The EU taxonomy is accompanied by specific EU criteria.*

The do-no-significant-harm principle only applies to those underlying investments of the financial product which meet the EU criteria for environmentally sustainable economic activities. The underlying investments of the remaining portion of this financial product do not adhere to the EU criteria for environmentally sustainable economic activities.

*The other sustainable investments also must not do any significant harm to any environmental or social objectives.*



## What were the major investments of this financial product?

The list comprises investments, which represent **the major share of investments** of the relevant financial product over the referential period, i.e.:

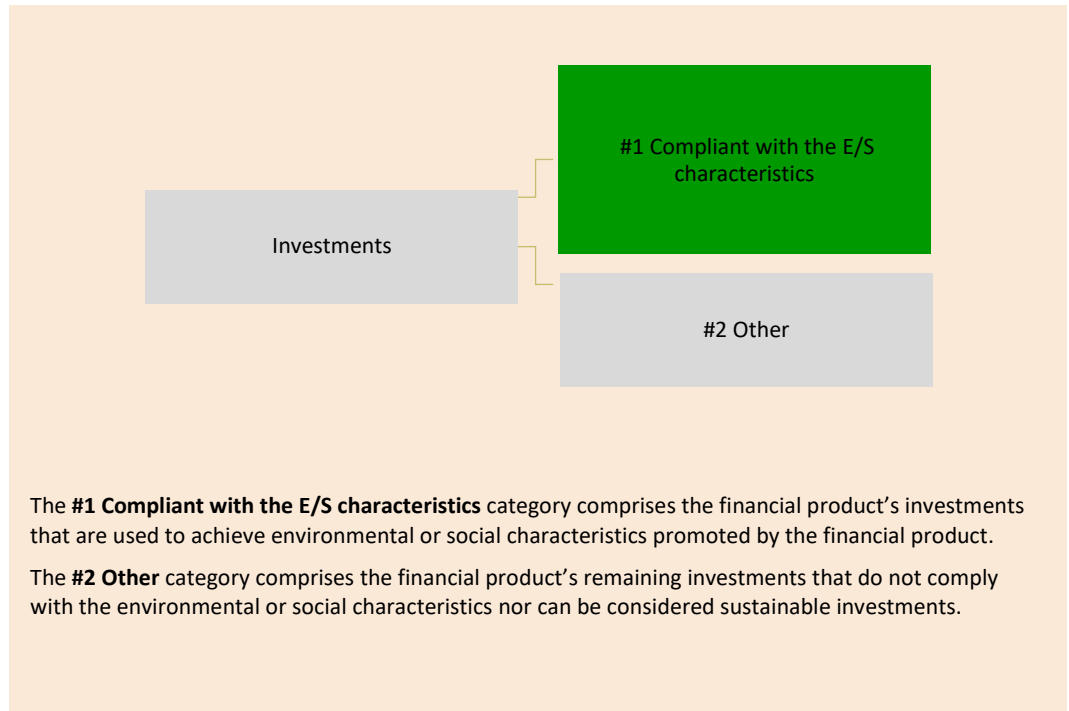
1/1/2022-  
31/12/2022

Major investments	Sector	Share of total assets in %	Country
BWI BALICE	CZ-NACE: L68	43.3 %	PL
APS GNIEZNO	CZ-NACE: L68	34.1 %	PL
ELCOM OSTRAVA	CZ-NACE: L68	12 %	CZ
VYVA PLAST	CZ-NACE: L68	10.6 %	CZ



## What was the share of sustainability-related investments?

- *Which was the allocation of assets?*



**Allocation of assets** describes the share of investments in specific assets.

- *Which sectors does the Fund invest in?*

In compliance with its investment policy, the RCSLL fund only invests in real properties which it leases to lessees or resells. It invests into real properties from the following sectors

- 100% of the real estate component is invested in the CZ-NACE: L68 sector
- The financial product does not invest in real properties which participate in the mining, storage, transportation, or manufacture of fossil fuels.



## Which investments were included in the Other item, what was their purpose, and did they bear any minimum environmental or social guarantees?

At least 10% of the Fund's funds are held in fast liquid financial assets to ensure the pay-out of the Fund's unitholders seeking redemption of their units. 100% of the Fund's liquid assets consist of receivables from banks (cash).

Investments in units and bonds of other companies form a minor portion of RCSLL's assets.



**What measures have been adopted to fulfil the environmental and/or social characteristics over the referential period?**

- The Fund has implemented the REICO IS CS Due care policy (available under [https://cdn0.erstegroup.com/content/dam/cz/csas/www\\_reico\\_cz/dokumenty/221222\\_politika\\_nalezite\\_pece.pdf](https://cdn0.erstegroup.com/content/dam/cz/csas/www_reico_cz/dokumenty/221222_politika_nalezite_pece.pdf)) based on which it identifies and assesses the main adverse effects on sustainability, which the RCSLL fund has been facing.
- In respect of more than 75% of the Fund's portfolio value, the lease agreements include an appendix stipulating the rules of mutual cooperation of the lessor and lessee in terms of sustainability (the green clause).



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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 Unitholders 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 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Fund is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), 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 2022, based on which this independent auditor's report has been prepared.

Prague  
28 April 2023

*Signed by*

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

*Signed by*

Veronika Strolená  
Partner  
Registration number 2195

## Financial statements as at 31 December 2022

Balance sheet

Income statement

Notes to the financial statements

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

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

**BALANCE SHEET**  
**as at 31.12.2022**  
(translated from the Czech original)

Ident.	TEXT	Row	Current	Prior
		number	period	period
<i>a</i>	<i>b</i>	<i>c</i>	<i>1</i>	<i>2</i>
3	Receivables from banks and credit unions	01	248 733	712 404
	of which: a) repayable on demand	02	93 709	32 582
	b) other receivables	03	155 024	679 822
4	Receivables from non-banking entities	07	144 913	79 013
	of which: b) other receivables	09	144 913	79 013
8	Ownership interests with controlling influence	14	874 513	101 561
11	Other assets	15	31 536	0
13	Prepaid expenses and accrued income	21	201	355
	TOTAL ASSETS	22	1 299 896	893 333
1	Payables to banks and credit unions	23	27 800	0
	of which: b) other payables	26	27 800	0
4	Other liabilities	29	13 535	1 010
5	Deferred income and accrued expenses	34	2 018	1 417
9	Share premium	39	-8 312	-743
12	Capital funds	41	1 182 948	888 937
13	Revaluation gains (losses)	42	14 929	3 639
15	Profit (loss) for the accounting period	47	66 978	-927
	TOTAL LIABILITIES AND EQUITY	48	1 299 896	893 333
	of which: Equity	49	1 256 543	890 906
	OFF-BALANCE SHEET ITEMS	50		
4	Receivables from fixed term transactions	52	1 048 569	0
	b/ with currency instruments	54	1 048 569	0
8	Values placed under management		1 299 896	893 333
12	Liabilities from fixed term transactions	64	1 017 033	0
	b/ with currency instruments	66	1 017 033	0

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

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

**INCOME STATEMENT**  
**for the year ended 31 December 2022**  
(translated from the Czech original)

Ident.	TEXT	Row	Current	Prior
		number	period	period
<i>a</i>	<i>b</i>	<i>c</i>	<i>1</i>	<i>2</i>
1	Interest income and similar income	01	34 185	6 225
2	Interest expense and similar expense	06	817	0
5	Fee and commission expense	10	23 356	6 767
6	Gain or loss from financial operations	15	60 657	-206
7	Other operating income	19	22	3
9	Administrative expenses	21	237	182
	of which: b) other administrative expenses	22	237	182
19	Current year profit (loss) from ordinary activities before tax	26	70 454	-927
23	Income tax	30	3 476	0
24	Net profit (loss) for the period	31	66 978	-927

# Notes to the financial statements

as at 31 December 2022

## 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.

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.

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 INSTITUTE	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 INSTITUTE 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. 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. In addition to the Fund's income from interest on loans granted to real estate companies to fund real properties, in 2022 a significant source of income was also the income from financial operations. 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 90% 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 including the related charges 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 a regulated or a similar market 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 (Over The Counter) 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.

### Change in the Fund's statutes in 2022

4 January 2022

- Change in the maximum limit amount under Section 70(4) of Government regulation No. 243/2013 Coll. By having changed the regulation, the limit for the minimum ratio of the liquidity and real estate components of the Fund's portfolio was reduced. The Fund is newly obliged to keep only 10% of its assets in liquid assets.

1 March 2022

- Change in the name of the Fund and adding information on the Fund's performance and cost ratio for 2021 to the notes to the financial statements

4 April 2022

- Change in the composition of the Expert Committee

1 January 2023

- Adding the sustainability-related requirements in accordance with SFDR to the Fund's statutes
- Adding the performance scenarios of the Fund to the statutes

## 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 and Czech Accounting Standards for financial institutions, stipulating basic accounting policies, in the extent stipulated by Decree of the Czech Ministry of Finance No. 501/2002 Coll., as amended, as of 6 November 2002, which regulates the layout and definition of the individual items of financial statements and the extent of disclosures for banks and certain financial institutions.

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. As the Fund was incorporated only in 2021, it has been acting in compliance with these international standards since the very beginning of the launch of its operations.

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 2022.

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.



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

#### 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 and credit unions" 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 fair value.

### 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 2022 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 fund capital (equity)

As the Fund had only one existing class of units issued at the end of 2022, these units can be classified as equity as they meet the criteria stipulated in Article 16 of IAS 32. Units of the CSC class were also issued and redeemed over the year.

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 as well as 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

	31/12/2022	31/12/2021
Current accounts	82 725	27 029
Fixed-term deposits	155 024	679 822
Escrow accounts	10 984	5 553
<b>Total</b>	<b>248 733</b>	<b>712 404</b>

Receivables from banks comprise receivables from Česká spořitelna, a.s. and Santander Bank Polska S.A.

### 4.2. Receivables from non-banking entities

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

31/12/2022

Receivables from non-banking entities denominated in CZK		31/12/2022
Company	Interest rate	Amount in CZK
ELCOM nemovitosti s.r.o.	7.50%	50 045
VYVA REAL ESTATE, s.r.o.	9%	94 868
<b>Total</b>		<b>144 913</b>

Receivables from non-banking entities are loans granted to real estate companies ELCOM nemovitosti s.r.o. and VYVA REAL ESTATE, s.r.o., which are controlled by the Fund. As at 31 December 2022, the fair value of the receivables was TCZK 144 913. (ELCOM nemovitosti s.r.o. TCZK 50 045; VYVA REAL ESTATE, s.r.o.: TCZK 94 868). The loans are due within 30 years since the date of signature of the loan agreement (i.e. since 11 May 2021 for ELCOM nemovitosti s.r.o. and since 9 November 2022 for VYVA REAL ESTATE, s.r.o.).

31/12/2021

Receivables from non-banking entities denominated in CZK		31/12/2021
Company	Interest rate	Amount in CZK
ELCOM nemovitosti s.r.o.	7.50%	79 013
<b>Total</b>		<b>79 013</b>

Receivables from non-banking entities represent the loan granted to real estate company ELCOM nemovitosti s.r.o., which is controlled 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 9 828	11/5/2021
VYVA REAL ESTATE, s.r.o.	Antala Staška 2027/79, 140 00, Praha 4	100	TCZK 9	TCZK 59 022	9/11/2022
Balice R&D Sp. z o.o.	Towarowa 28, 00-839 Warszawa, Poland	100	TPLN 3 091	TPLN 29 475	6/4/2022
Negazolli Investments Sp. z o.o.	Przyokopowa 33, 01-208 Warszawa, Poland	100	TPLN 674	TPLN 62 268	19/7/2022

\* information based on unaudited financial statements as at 31 December 2022

As at 31 December 2022, the Fund held ownership interests in four real estate companies, of which two operate in the Czech Republic and two in Poland. Voting rights in % correspond with ownership interests.

## Market value of ownership interests

Company name	Market value of ownership interests at 31/12/2021	Change due to the acquisition of a real estate company	Increase/decrease in the company's equity	Change in market valuation	Market value of ownership interests at 31/12/2022
ELCOM nemovitosti s.r.o.	101 561	-	-41 912	7 064	66 713
VYVA REAL ESTATE, s.r.o.	-	68 854	-	-	68 854
<b>Total domestic ownership interests</b>	<b>101 561</b>	<b>68 854</b>	<b>-41 912</b>	<b>7 064</b>	<b>135 567</b>
Balice R&D Sp. z o.o.	-	342 212	48 025	-2 346	387 891
Negazolli Investments Sp. z o.o.	-	82	343 807	7 166	351 055
<b>Total foreign ownership interests</b>	<b>-</b>	<b>342 294</b>	<b>391 832</b>	<b>4 820</b>	<b>738 946</b>
<b>Total</b>	<b>101 561</b>	<b>411 148</b>	<b>349 920</b>	<b>11 884</b>	<b>874 513</b>

## 4.4. Securities

As at 31 December 2022 and 31 December 2021, the Fund did not have any securities in its portfolio.

## 4.5. Other assets

Other assets	31/12/2022	31/12/2021
Positive fair value of derivatives	31 536	-
<b>Total</b>	<b>31 536</b>	<b>-</b>

## 4.6. Prepaid expenses and accrued income

	31/12/2022	31/12/2021
Prepaid expenses and accrued income	201	355
<b>Total</b>	<b>201</b>	<b>355</b>

## 4.7. Payables to banks and credit unions

Payables to banks and credit unions	31/12/2022	31/12/2021
Margins received	27 800	-
<b>Total</b>	<b>27 800</b>	<b>-</b>

## 4.8. Other liabilities

Other liabilities	31/12/2022	31/12/2021
Deferred tax liability	786	192
Income tax	3 476	-
Liabilities from unitholders' contributions	68	115
Other liabilities	9 205	703
<b>Total</b>	<b>13 535</b>	<b>1 010</b>

In 2022, other liabilities mainly represented unpaid invoices for 2022 audit, uninvoiced estimated items and retention of a portion of the preliminary purchase price of Balice R&D Sp. z o.o.

#### 4.9. Deferred income and accrued expenses

Accrued expenses of TCZK 2 018 as at 31 December 2022 (as at 31 December 2021: TCZK 1 417) represent an uninvoiced depositary fee of TCZK 167 (as at 31 December 2021: TCZK 117) and an uninvoiced management fee of TCZK 1 851 (as at 31 December 2021: TCZK 1 300).

#### 4.10. 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 as at 31 December 2022 amounts to CZK 1.0614 (as at 31 December 2021: CZK 1.0023). No units were classified to the CZK INSTITUCE and CZK CS classes at the end of 2022 and 2021.

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

Based on the Fund's statutes, the profit for 2022 of TCZK 66 978 will be transferred to capital funds. Based on the Fund's statutes, the loss for 2021 of TCZK 927 was transferred to capital funds.

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

	Number of units (in pieces)	Nominal value of units	Use of capital fund	Share premium	Capital funds incl. share premium
Units sold	889 053 575	889 053	-	-743	888 310
Units redeemed	-116 790	-116	-	-	-116
<b>Balance at 31/12/2021</b>	<b>888 936 785</b>	<b>888 937</b>	<b>-</b>	<b>-743</b>	<b>888 194</b>
Units sold	295 139 706	295 140	-	5 714	300 854
Units redeemed	-201 895	-202	-	-3	-205
Use of capital fund	-	-	-927	-	-927
<b>Balance at 31/12/2022</b>	<b>1 183 874 596</b>	<b>1 183 875</b>	<b>-927</b>	<b>4 968</b>	<b>1 187 916</b>

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	-	180 000
Units redeemed	-180 000 000	-180 000	-	-180 000
<b>Balance at 31/12/2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Units sold	400 000 000	400 000	-	400 000
Units redeemed	-400 000 000	-400 000	-13 280	-413 280
<b>Balance at 31/12/2022</b>	<b>-</b>	<b>-</b>	<b>-13 280</b>	<b>-13 280</b>

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 ongoingly secured within the CZK RETAIL class.

#### 4.11. Revaluation gains (losses)

	31/12/2022	31/12/2021
On translation of ownership interests	15 715	3 831
Deferred tax liability	-786	-192
<b>Total</b>	<b>14 929</b>	<b>3 639</b>

Revaluation gains (losses) on translation of ownership interests carried out in 2022 (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 14 929 fully belong to the only class existing as at 31 December 2022 after having reflected the deferred tax.

#### 4.12. Interest income and similar income

	2022	2021
Interest on deposits with banks	9 293	2 384
Interest on loans granted to real estate companies	24 892	3 841
<b>Total</b>	<b>34 185</b>	<b>6 225</b>

#### 4.13. Fee and commission expense

	2022	2021
Management fee	20 146	6 092
Depositary fee	1 915	525
Other commissions and fees	1 295	150
<b>Total</b>	<b>23 356</b>	<b>6 767</b>

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 INSTITUTE 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.

#### 4.14. Gain or loss from financial transactions

	2022	2021
Gain/loss from foreign exchange differences	-40 074	-206
Gain/loss from fixed term transactions and options	100 731	-
<b>Total</b>	<b>60 657</b>	<b>-206</b>

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

Geographical area

2022	Interest income and similar income	Fee and commission expense	Gain or loss from financial transactions
Czech Republic	14 525	23 242	60 657
European Union excl. Czech Republic	19 660	114	-
<b>Total</b>	<b>34 185</b>	<b>23 356</b>	<b>60 657</b>

2021	Interest income and similar income	Fee and commission expense	Gain or loss from financial transactions
Czech Republic	6 225	6 767	-206
<b>Total</b>	<b>6 225</b>	<b>6 767</b>	<b>-206</b>

**4.16. Administrative expenses**

	2022	2021
Audit costs	237	182
<b>Total administrative expenses</b>	<b>237</b>	<b>182</b>

**4.17. Income tax**

## Current tax - tax analysis

	2022	2021
Profit (loss) before tax	70 454	-927
Non-deductible items	-	-
Tax-deductible items	-	-
Tax base	70 454	-927
Utilisation of tax loss	927	-
Tax based after adjustment	69 527	-
Tax (5%) from tax base	3 476	-
<b>Total tax</b>	<b>3 476</b>	<b>-</b>

## Recognised deferred tax asset/liability

	31/12/2022	31/12/2021
<u>Deferred tax liabilities</u>		
Unrealised gains from the remeasurement of ownership interests with controlling influence	15 715	3 831
<b>Total balance of temporary differences</b>	<b>-15 715</b>	<b>-3 831</b>
Tax rate	5%	5%
<b>Net deferred tax asset (+)/liability (-)</b>	<b>-786</b>	<b>-192</b>

In accordance with the prudence principle, the Fund does not account for a deferred tax asset in respect of tax losses. As at 31 December 2022, the Fund has no unutilised tax losses (as at 31 December 2021: TCZK 927).



#### 4.18. 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	31/12/2022	31/12/2021
Current accounts - Česká spořitelna, a.s.	82 725	27 029
Fixed-term deposits – Česká spořitelna, a.s.	155 024	679 822
Loans granted to real estate companies:		
Elcom nemovitosti s.r.o.	50 045	79 013
VYVA REAL ESTATE, s.r.o.	94 868	-
<b>Total receivables from related parties</b>	<b>382 662</b>	<b>785 864</b>

Payables to related parties	31/12/2022	31/12/2021
Uninvoiced depositary fee - Česká spořitelna, a.s.	167	117
Uninvoiced management fee - the Investment Company	1 851	1 300
Fees for the sale of units for December - Česká spořitelna, a.s.	-	514
Other payables - custody of securities - Česká spořitelna, a.s.	-	6
Other payables - received collaterals - Česká spořitelna, a.s.	27 800	-
Other payables - REICO investiční společnost České spořitelny	182	109
<b>Total payables to related parties</b>	<b>30 000</b>	<b>2 046</b>

Expenses charged to the Fund by related parties	2022	2021
Depositary fee - Česká spořitelna, a.s.	1 915	525
Fee for maintaining asset accounts of securities, ownership interests and custody of securities - Česká spořitelna, a.s.	39	11
Interest on received collaterals - Česká spořitelna, a.s.	817	-
Fee - central depositary - Česká spořitelna, a.s.	1	-
Bank fees - Česká spořitelna, a.s.	902	139
<b>Total expenses charged to the Fund by Česká spořitelna, a.s.</b>	<b>3 674</b>	<b>675</b>
Management fee - the Investment Company	20 146	6 092
<b>Total expenses charged to the Fund by related parties</b>	<b>23 820</b>	<b>6 767</b>

Revenues from related parties recognised by the Fund	2022	2021
Interest on deposits with banks - Česká spořitelna, a.s.	9 293	2 384
Interest on loan - Balice R&D Sp. z o.o.	12 564	-
Interest on loan - Negazolli Investments Sp. z o.o.	7 096	-
Interest on loan - VYVA REAL ESTATE s.r.o.	1 233	-
Interest on loan - Elcom nemovitosti s.r.o.	3 999	3 841
<b>Total revenues from related parties recognised by the Fund</b>	<b>34 185</b>	<b>6 225</b>

#### 4.19. 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 non-banking entities

The Fund grants loans to the real estate companies 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.

#### Concentration by geographical location

31/12/2022	Czech Republic	Poland	Total
Receivables from banks	237 749	10 984	248 733
Receivables from non-banking entities	144 913	-	144 913
Ownership interests with controlling influence	135 567	738 946	874 513
Financial derivatives - positive fair value	31 536	-	31 536
Prepaid expenses and accrued income	-	201	201
<b>Total</b>	<b>549 765</b>	<b>750 131</b>	<b>1 299 896</b>

#### Concentration by geographical location

31/12/2021	Czech Republic	Poland	Total
Receivables from banks	706 851	5 553	712 404
Receivables from non-banking entities	79 013	-	79 013
Ownership interests with controlling influence	101 561	-	101 561
Prepaid expenses and accrued income	-	355	355
<b>Total</b>	<b>887 425</b>	<b>5 608</b>	<b>893 333</b>

#### 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:

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

	31/12/2022	Average VaR
Global VaR	0.88%	0.46%
FX VaR	0.88%	0.50%
Interest rate VaR	0.03%	0.05%

	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.

### 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 unit holders.

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 2022	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Not specified	Total
Receivables from banks	248 733	-	-	-	-	248 733
Receivables from non-banking entities	-	-	-	144 101	812	144 913
Ownership interests with controlling influence	-	-	-	-	874 513	874 513
Prepaid expenses and accrued income	-	201	-	-	-	201
Other financial assets - derivatives	-	8 686	22 850	-	-	31 536
<b>Total assets</b>	<b>248 733</b>	<b>8 887</b>	<b>22 850</b>	<b>144 101</b>	<b>875 325</b>	<b>1 299 896</b>
Other liabilities	-3 725	- 9 025	-	-	-785	-13 535
Deferred income and accrued expenses	- 2 018	-	-	-	-	-2 018
Payables to banks	-27 800	-	-	-	-	-27 800
<b>Net balance of assets/equity</b>	<b>215 190</b>	<b>-138</b>	<b>22 850</b>	<b>144 101</b>	<b>874 540</b>	<b>1 256 543</b>
<b>Cumulative difference</b>	<b>215 190</b>	<b>215 052</b>	<b>237 902</b>	<b>382 003</b>	<b>1 256 543</b>	<b>-</b>

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

## 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 measurement technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's measurement. This category includes instruments that are measured 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.

31/12/2022	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Receivables from banks	248 733	-	248 733	-
Receivables from non-banking entities	144 913	-	144 913	-
Ownership interests with controlling influence	874 513	-	-	874 513
Other financial assets - derivatives	31 536	-	31 536	-
Prepaid expenses and accrued income	201	-	201	-
<b>TOTAL ASSETS</b>	<b>1 299 896</b>	<b>-</b>	<b>425 383</b>	<b>874 513</b>

31/12/2021	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Receivables from banks	712 404	-	712 404	-
Receivables from non-banking entities	79 013	-	79 013	-
Ownership interests with controlling influence	101 561	-	-	101 561
Prepaid expenses and accrued income	355	-	355	-
<b>TOTAL ASSETS</b>	<b>893 333</b>	<b>-</b>	<b>791 772</b>	<b>101 561</b>

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 non-banking entities

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 companies in which the Fund holds a 100% ownership interest are not listed in any market, these ownership interests are 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.

To determine the fair value of the ownership interest, the net asset value method was 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 the real estate owned by the real estate company. In the current accounting period, the measurement techniques and inputs used did not change.

#### Sensitivity analysis - 2022

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 38 to MCZK 1 562, or if appropriate by MCZK 76 to MCZK 1 600. 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 58 to MCZK 1 466, or if appropriate by MCZK 111 to MCZK 1 412. 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 as at 31 December 2022 is presented in the table below.

Portfolio sensitivity analysis (market value in TCZK)					
	Income from lease determined by an appraiser in TCZK p.a.				
Income	92 059 -5.00%	94 481 -2.50%	96 904 0.00%	99 327 2.50%	101 749 5.00%
-0.50%	1 570 834	1 612 172	1 653 510	1 694 847	1 736 185
-0.25%	1 506 566	1 546 213	1 585 859	1 625 506	1 665 152
0.00%	1 447 351	1 485 439	1 523 527	1 561 615	1 599 703
0.25%	1 392 614	1 429 262	1 465 909	1 502 557	1 539 205
0.50%	1 341 866	1 377 179	1 412 491	1 447 803	1 483 115

- Note: Market value = Income from lease determined by an appraiser / Rate of return of real estate

#### Sensitivity analysis - 2021

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 9.0 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 as at 31 December 2021 is presented in the table below.

Portfolio sensitivity analysis (market value in TCZK)					
	Income from lease determined by an appraiser in TCZK p.a.				
Change in the rate of return	11 902 -5.00%	12 215 -2.50%	12 528 0.00%	12 841 2.50%	13 154 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

- Note: Market value = Income from lease determined by an appraiser / Rate of return of real estate

#### Fund's liabilities

We do not report the level of fair value in respect of liabilities as almost 97% of all liabilities represent the Fund's fund capital. These liabilities are reported in their carrying amount, which best reflects their fair value.

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

As at 31 December 2022 and 31 December 2021, no commitments and guarantees received are recognised in the Fund's off-balance sheet accounts.

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

As at 31 December 2022 and 31 December 2021, no collaterals and pledges received are recognised in the Fund's off-balance sheet accounts.

#### 4.22. 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. The difference between them is recognised in assets in case of positive fair value and in liabilities in case of negative fair value.

Off-balance sheet accounts	31/12/2022	31/12/2021
Receivables from fixed-term transactions with foreign exchange instruments	1 048 569	-
Payables from fixed-term transactions with foreign exchange instruments	1 017 033	-

Balance sheet	31/12/2022	31/12/2021
Positive fair value of derivatives	31 536	-
Negative fair value of derivatives	-	-
<b>Result</b>	<b>31 536</b>	<b>-</b>

#### 4.23. Values placed under management

The Fund's assets as at the reporting date were managed by the Investment Company. As at 31 December 2022, the total assets of TCZK 1 299 896 (as at 31 December 2021: TCZK 893 333) were managed by the Investment Company.

#### 4.24. Contingencies and commitments

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

#### 4.25. Subsequent events

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 2022.

Prepared on:

28 April 2023

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



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

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**Annual report 2022**

**Material for the public**

