

NRE

Nova Real Estate

Annual report 2019



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Key economic indicators

8,5

billion CZK

INVESTMENT VOLUME
IN THE LAST 4 YEARS

20

NUMBER OF
TRANSACTIONS FOR
THE LAST 4 YEARS

550

billion CZK

TOTAL ANNUAL
SALES

7,39

% per annum

APPRECIATION
FOR 2019

90+

NUMBER OF
TENANTS IN 2019



Report of the statutory director



REPORT OF THE STATUTORY DIRECTOR OF NOVA REAL ESTATE, INVESTIČNÍ FOND S PROMĚNNÝM ZÁKLADNÍM KAPITÁLEM, A.S.

Dear shareholders and business partners,

The NOVA Real Estate investment fund, together with NOVA Real Estate – podfond 1 („Sub-fund“), was established in 2015 with a clearly defined investment strategy focused primarily on the real estate market in the Central and Eastern European region.

Investment property in the Sub-Fund's portfolio represents an opportunity for investors to participate in stable income from long-term leases. At a time of low interest rates this return significantly outperforms the returns of standard monetary market instruments. By their nature, investing in real estate is suitable for conservative investors. Historically, investing in real estate always has been of a medium to rather long-term nature, overcoming a sudden crisis or short-term fluctuations in the values of other types of property by its very nature. It is an indisputable fact that in the long run, the value of quality, maintained, well-located real estate is growing steadily.

As for the practice of a stable and standardly used division of classic income real estate, we are talking about four main classes of commercial real estate. These are: office buildings, retail buildings (shopping centers and small units), industrial real estate (warehouses and production) and hotels.

In this context, the first three classes of income real estate are among the target properties that the fund has purchased and manages in its portfolio. These are office buildings (so far only in Prague), regional shopping centers and major local retail units and other opportunistic occasions in the commercial real estate market, if appropriate. By this we mean that industrial real estate is an area in which we want to expand its composition in the near future as part of diversification of the fund's portfolio. The first industrial real estate will be added to the fund during the first quarter of 2020, the transaction is already in the final stages. The fund does not invest in the last class of income real estate – hotels.

The location in which the property is placed, the length of leases and finally the technical condition of buildings are taken into account when assessing and evaluating the suitability of transactions in relation to the current composition of the portfolio and the plan for its further development. All of these factors affect the liquidity of real estate and profitability at the time of a possible future sale.

In the first half of 2019, the fund's real estate was sold for the first time. We decided to sell the Avenir E building in Nové Butovice after completing the renovations of the reception and common park areas. In terms of the fund's long-term plan, the real estate was placed in a location where the fund does not want to hold office assets, because its location did not fit into our office portfolio.

At the same time, it was a good time to sell the building in terms of the value of the building for sale. From three offers to buy a 100% shareholding in NRE Avenir, which holds the building, we selected an offer from iNVEstika, investiční společnost, a.s., acting for the real estate fund INVESTIKA, an open mutual fund. The transaction was successfully completed in the first quarter of 2019.

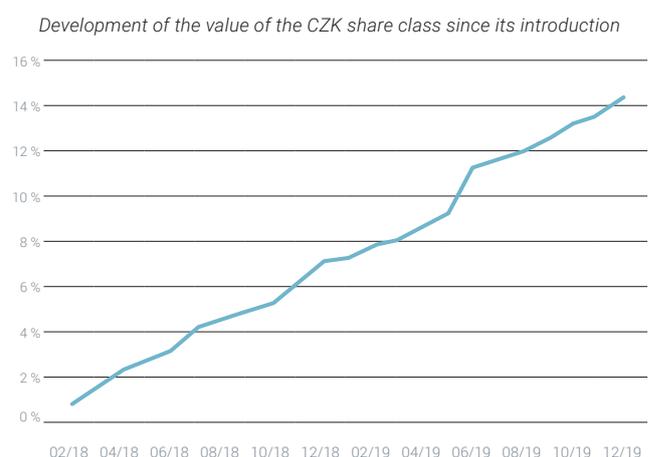
After completing the relevant due diligence inspections, the fund expanded its portfolio to include the second retail wholesale store in the third quarter. OBI, this time in Frýdek Mýstek. This transaction added another long lease to the portfolio and contributed to time, sector and local diversification of the portfolio. Thereby making the portfolio's return more stable over time and more resilient to any adverse market changes. Major tenants in our buildings include companies such as Google, Hochtief, Pfizer, CEMEX and OBI. The portfolio structure almost halved at the end of 2019, when 47% of the value of portfolio is office buildings in Prague and 53% of the portfolio are retail stores in the regions of the Czech Republic.

The portfolio structure will change in 2020 with regard to the above mentioned ongoing acquisition of the industrial building. The long-term and strategic plan of the fund is to keep the proportions of individual classes of income assets in a balanced ratio and support the diversification of the risks to which individual asset classes may be affected through the sectors of the real economy in which tenants operate.

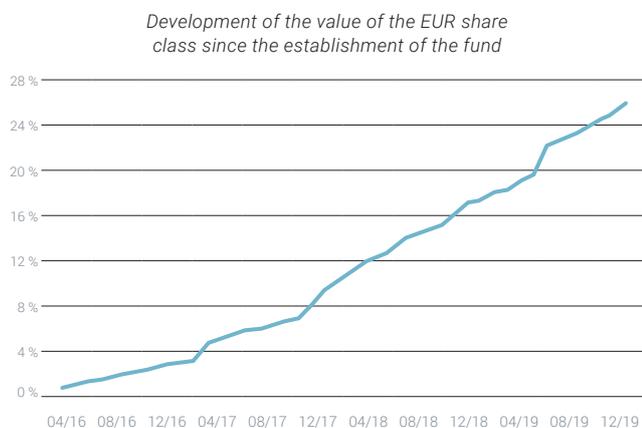
After deducting all operating and acquisition costs, we managed to increase the value of the Sub-Fund's investment shares in 2019 in total by 7.39% year-on-year, after paying a dividend of 5.18%.

As at 31 December 2018 the NAV per share of the CZK class Sub-Fund's investment shares amounted to CZK 1,277.

A graphical representation of the development of this value since the opening of this class of investment shares in February 2018 is shown in the following chart below.



As at 31 December 2019 the NAV per share of the EUR class Sub-Fund's investment shares amounted to EUR 5,6883. A graphical representation of the development of this value since the first assets were incorporated in the Sub-Fund is shown in the chart below.



Sub-Fund's economic activities in 2019

During the year, the Sub-Fund continued with activities of collective investments in the Czech Republic, specifically with activity of a fund of qualified investors under the provisions of Section 95 (1) (a) of Act No. 240/2013 Coll., On Investment Companies and Investment Funds (the „Act“).

The performance of the Sub-Fund ended in 2019 with a loss of CZK 21,645 ths. The reported loss is due to the recognition of the realized sale of a business share in the company owning the Avenir real estate in the income statement (i.e. in profit or loss). Nevertheless, in 2019 there was an overall appreciation of investors' investments, as gains resulting from the revaluation of shares held are not recognized in profit or loss, but directly in equity.

Detailed information on the economic activities of the Sub-Fund is provided in the annual financial statements for the period from 1 January 2019 to 31 December 2019

Audit of financial statements

The financial results of the Fund and the Sub-Fund were audited by PricewaterhouseCoopers Audit, s.r.o., audit license issued by KAČR (Czech Chamber of Auditors) under No. 021.

Outlook for 2020

The value of the managed portfolio reached EUR 245,5 million at the end of 2019.

The target for 2020 is to continue expansion of the Sub-Fund's portfolio in its current structure or its partial replacement towards more accurate balance between office buildings in Prague and regional retail stores and industrial real estate. The target is to keep the structure as balanced as possible.

Beyond this fact we should note, that for further growth we are currently looking on the whole CEE region for the possibility of acquiring other income assets. The fund plans to take part in tenders for sale of several industrial properties or independent properties of this type, not only in the Czech Republic. Considering the amount of related assets, the results of these tenders are likely expected in the second half of 2020.

From the REDSIDE investiční společnost, a.s. perspective and position as the manager and statutory director, after successfully completed acquisition processes in recent years, the work and effort has been focused on the long-term development of the managed investments and the market monitoring in order to maintain continual growth so the current results are achievable and sustainable for investors in the future as well.

The goal for investors is to maintain a stable and predictable cash flow by maintaining the highest possible tenancy rates of individual properties through the appropriate combination and choice of creditworthy tenants, long-term lease agreements, and active work with the rental profile of individual buildings in relation to the portfolio as a whole. This is and will be taken into account in all future acquisitions, regardless of the chosen sector of investment properties.

From a territorial point of view, the Sub-Fund will continue to invest in the Czech Republic with the possibility of occasional diversification in the Central and Eastern European region (probably Slovakia, then possibly Poland).

Subsequently, REDSIDE investiční společnost, a.s. will participate actively in offering investments in the fund exclusively to qualified investors in accordance with the principles of collective investment.

Rudolf Vřešťál
Authorized Representative



Profile of NOVA Real Estate, investment fund

Profile NOVA Real Estate, investment fund

The decisive period for the purposes of this Annual Report is the accounting period from 1 January 2019 to 31 December 2019. This section of the Annual Report contains information on the administrative center of the investment fund. The information on Sub-fund is set out in the other parts of this Annual Report.

1. Basic information on investment fund

Name:	NOVA Real Estate, investiční fond s proměnným základním kapitálem a.s. (hereinafter referred to as the „Fund“)
Short name:	NOVA Real Estate
Registered office:	V Celnici 1031/4, Prague 1, postcode 110 00, Czech Republic
Company identification No.:	04 331 869
Tax identification number:	CZ 04 331 869
Registered capital:	CZK 2,000,000 fully paid
Shares:	20 pcs founder's registered shares in paper form
Net business assets:	CZK 1,922 ths

1.1. The license to establish an investment fund with variable registered capital was granted by the ČNB's announcement dated 13 August 2015, reference No.

2015/088423/ČNB/2015, which came into force on 20.8.2015.

1.2. The fund is registered in the list of investment funds with legal personality maintained by the ČNB pursuant to Section 597 (a).

1.3. The Fund is established for an indefinite period

Business activity:

The Fund is a fund of qualified investors pursuant Section 95 (1) (a) of the Act which may create separate subfunds pursuant to Section 165 (1) of the Act. Each sub-fund collects financial resources from qualified investors by issuing sub-fund's investment shares and carries out joint investment of collected financial means or monetary-valuable items on the basis of a defined investment strategy of the Sub-Fund for the benefit of these qualified investors.

Authorities of the company (according to the Commercial Register):

Statutory director and members of the Board of Directors as at 31 December 2019

Statutory Director	REDSIDE investiční společnost, a.s.	
Authorized Representative	Rudolf Vřešťál	since 20 August 2015
Authorized Representative	Ing. Karel Krhovský	since 22 February 2018

Board of Directors

Chairman of the BoD	Ing. Šárka Burgetová	since 1 January 2018
Member of the BoD	Rudolf Vřešťál	since 20 August 2015
Member of the BoD	Ing. Jakub Trčka	since 5 January 2018

As at 28 February 2020, an extraordinary general meeting was held on which Mr. Jakub Trčka was dismissed from the position on 01 April 2020 and Mr. Karel Krhovský, who will replace the position of Jakub Trčka, was registered.

2. Information on changes in the facts recorded in the Commercial Register which took place during the decisive period

In 2019 following changes were recorded in the Commercial Register:

- change in the way of representation of the Authorized Representative of the Statutory Director for Mr. Karel Krhovský.

3. Information on the investment company managing the investment fund

Basic information: **REDSIDE investiční společnost, a.s.**, identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, postcode 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362.

Registered capital: CZK 8,400,000 (in the words: eight million four hundred thousand Czech crowns), fully paid

Date of establishment: 29 June 2012

Decision on license for operation: Decision of the ČNB ref. No. 2013/5063/570 dated 29 April 2013, which came into force on 29 April 2013.

The investment company is registered in the list of investment companies maintained by the ČNB pursuant to Section 596 (a) of the Act and is authorized to exceed the decisive limit.

4. Information on facts with significant influence on the activity of Fund

4.1. Main factors which affected the financial result of the Fund:

- A true and fair view of the economic activities of the Fund is provided in the annual financial statements for the period from 1 January 2019 to 31 December 2019.
- The result of the Fund ended in 2019 in the amount of CZK 0 thousand

5. Information on the person who had a qualified ownership interests in the Fund

Name	Identification No.	Number of shares	Fund's share (%)
REDSIDE investiční společnost, a.s.	242 44 601	20	100
Total		20	100

There was no change during the reporting period.

6. Information on the persons in which Fund had a qualified ownership interest

In the reporting period, the Fund did not have a qualified ownership interests in any person

7. Persons acting in concert with Fund

In reporting period, the Fund did not act in concert with any person.

8. Information on the depositary

Name: UniCredit Bank Czech Republic and Slovakia,a.s

Registered office: Želetavská 1525/1, Praha 4, 140 92

Company identification No.: 64 948 242

The depositary is a company registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3608.

9. Information on all securities dealers who have acted as securities dealers

In the decisive period, a securities dealer of the Fund was Area Brokerage House, o.c.p. a.s.,(formerly SALVE INVESTMENTS, o. c. p., a.s., renamed on 18.8.2017) with the registered office at Plynárenská 7/A, Bratislava 824 63, Slovak Republic, company identification No.: 35 871 211, registered in the Commercial Register maintained by the District Court Bratislava I, Insert No.: 3228/B, pursuant to the Delegation Agreement dated 3 April 2017 in accordance with the provisions of Section 50 of the Act.

10. Information on all monetary and non-monetary considerations received during the decisive period by the members of the Statutory Body and the Board of Directors

10.1. Statutory Director

The Statutory Director did not receive any consideration from the Fund.

10.2. Board of Directors

Members of the Board of Directors did not receive any consideration from the Fund.

11. Information on the number of Fund investment shares that are owned by the members

11.1. Statutory Director

The Statutory Director does not own any investment shares of the Fund.

11.2. Board of Directors

Members of the Board of Directors do not own any investment shares of the Fund.

12. Information on litigations or arbitrations the Fund participated or participates in during the decisive period

The Fund was not involved in any litigation or arbitration during the decisive period.

13. Depository or other custodians of the Fund

Name:	Unicredit bank Czech Republic and Slovakia, a.s.
Registered office	Želetavská 1525/1, Praha 4, 140 92
Company identification No.:	64 948 242

The depository is a company registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3608.

14. Information about significant changes of Fund's statute in the relevant period

In the relevant period there were no significant changes in the Fund's statute in regard of strategy and focus of the Fund, fee structure, outsourcing matters, Fund's management and risk profile.

15. Information about salary, considerations and similar income of employees and management, paid by the managing company of the Fund to its employees and management

In thousands of CZK	2019	2018
Wages and bonuses of members of the Board of Directors of the managing company	5,317	4,822
Other wages, personnel costs and employee bonuses	11,797	10,755
Social costs and health insurance	4,940	4,335
Total personnel expenses of the managing company	22,054	19,912

In 2018 and 2019 there was no consideration paid to the members of the Supervisory Board of the managing company. Remuneration of the members of the Board of Directors consists of variable and fixed component. While the variable component depends on the profits of the managing company.

Staff statistics of managing company

	2019	2018
Average number of employees	13	12
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	3	3

16. Information about salary, considerations and similar income of employees and management, paid by managing company of Fund to those employees or management, whose activity significantly influences risk profile of the Fund

In thousands of CZK	2019	2018
Wages and bonuses of members of the Board of Directors of the managing company	5 317	4 822

17. Information on the average number of employees of the Fund

In the decisive period, the Fund did not employ any employees.

18. Investments in research and development

The Fund did not undertake any research and development activities in the past accounting period.

19. Information on environmental and labor-law activities

The Fund did not develop any activities in this area in the past accounting period.

20. Information on whether the accounting entity has an organizational unit abroad

The Fund does not have an organizational unit abroad.

21. Equity of the Fund

Fund's capital as at 31. 12. 2019:

Fund's capital	CZK 1,922 ths.
Number of issued investment shares	20 pcs.
Fund's capital per 1 share	CZK 96 ths.

In accordance with the Act on Accounting, this Annual Report also includes the financial statements, the Audit Report and the Report on Relations between Related Parties.



Profile of NOVA Real Estate - sub-fund 1

Profile NOVA Real Estate – sub-fund 1

The decisive period for the purposes of this Annual Report is the accounting period from 1 January 2019 to 31 December 2019. This part of the Annual Report contains information on the administrative center NOVA Real Estate Sub-Fund 1.

1. 1. Basic information on Sub-Fund

Name:	NOVA Real Estate – podfond 1
NID:	8085331795
Short name:	NRE – PF1
Registered office:	V Celnici 1031/4, Prague 1, postcode 110 00, Czech Republic
Shares:	registered investment shares without a nominal value
Net business assets:	CZK 3,211,187 ths.

1.1. 1.1. NOVA Real Estate Sub-Fund 1 (the „Sub-Fund“) is managed and administered by REDSIDE investiční společnost, a.s., with Sub-Fund being established on the basis of the announcement of the Czech National Bank under ref. No. 2015/094553/570 dated 28 August 2015, which came into force on same day.

1.2. 1.2. The Sub-Fund is registered in the list of investment funds without legal personality maintained by the CNB pursuant to Section 597 (b) of Act.

1.3. 1.3. The Sub-Fund is established for an indefinite period.

Business activity:

The Fund is a fund of qualified investors pursuant to Section 95 (1) (a) of the Act which may, in accordance with its Articles of Association, create separate sub-funds pursuant to Section 165 (1) of the Act. Each sub-fund collects financial means from qualified investors by issuing sub-fund's investment shares and carries out joint investment of collected financial means or monetary-valuable items on the basis of a defined investment strategy of the sub-fund for the benefit of these qualified investors.

Authorities of the company (according to the Commercial Register):

Statutory Director and the Board of Directors as at 31. 12. 2019

Statutory Director	REDSIDE investiční společnost, a.s.	
Authorized Representative	Rudolf Vřešťál	since 20 August 2015
Authorized Representative	Ing. Karel Krhovský	since 22 February 2018

Board of Directors

Chairman of the BoD	Ing. Šárka Burgetová	since 1 January 2018
Member of the BoD	Rudolf Vřešťál	since 20 August 2015
Member of the BoD	Ing. Jakub Trčka	since 5 January 2018

2. Information on changes in the facts recorded in the Commercial Register which took place during the decisive period

In 2019 following changes were recorded in the Commercial Register:

- change in the way of representation of the Authorized Representative of the Statutory Director Mr. Karel Krhovský.

3. Information on the investment company managing the Sub-Fund

Basic information:	REDSIDE investiční společnost, a.s. , identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, postcode 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362.
Registered capital:	CZK 8,400,000 (in the words: eight million four hundred thousand Czech crowns), fully paid.
Date of establishment:	29. 6. 2012
Decision to grant a license:	Decision of the ČNB ref. No. 2013/5063/570 dated 29 April 2013, which came into force on 29 April 2013. The investment company is registered in the list of investment companies maintained by the ČNB pursuant to Section 596 (a) of the Act and is authorized to exceed the decisive limit.

4. Information on facts with significant influence on the activity of Sub-Fund

4.1. Main factors which affected the financial result of the Sub-Fund:

A true and fair view of the economic activities of the Sub-Fund is provided in the annual financial statements for the period from 1 January 2019 to 31 December 2019.

The performance of the Sub-Fund ended in 2019 with a loss of CZK 21,645 ths. The reported loss is due to the recognition of the realized sale of a business share in the company owning the Avenir real estate in the income statement (i.e. in profit or loss). Nevertheless, in 2019 there was an overall appreciation of investors' investments, as gains resulting from the revaluation of shares held are not recognized in profit or loss, but directly in equity.

5. Information on the person who had a qualified ownership interests in the Sub-Fund

In the reporting period, no person had a qualified ownership interests in the Sub-Fund.

6. Information on the entities in which Sub-Fund had a qualified ownership interest (as at 31.12.2019)

Name	Identification No.	Registered capital (CZK ths.)	Fund's share (%)
NRE Jablonec s.r.o.	03 862 984	4,010	100
NRE Hradec s.r.o.	03 818 900	210	100
NRE Znojmo s.r.o.	03 815 579	210	100
NRE OFM s.r.o.	075 49 849	20	100
NRE Vyšehrad Victoria s.r.o.	04 485 980	210	100
NRE South Point 16 s.r.o.	04 486 048	210	100
NRE North Point 17 s.r.o.	04 485 874	210	100
NRE Kutil s.r.o.	046 07 155	20	100
NRE Panorama s.r.o.	054 69 091	20	100
NRE Smíchov Gate s.r.o.	054 69 228	20	100
NRE Penny 1 s.r.o.	056 28 024	30	100
CXD Czech, s.r.o.	060 24 271	10	100
NRE OCCB s.r.o.	046 07 112	10	100
Total		5,190	

7 Persons acting in concert with the Sub-Fund

In the reporting period the Sub-Fund did not act in concert with any person.

8. Information on the depositary

Name: UniCredit Bank Czech Republic and Slovakia, a.s.
 Registered office: Želetavská 1525/1, Praha 4, 140 92
 Company identification No.: 649 48 242

The depositary is a company registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3608.

9. Information on all securities dealers who have acted as securities dealers for the Sub-Fund

In the decisive period, the securities dealer of the Sub-Fund was Area Brokerage House, o.c.p., a.s., (formerly SALVE INVESTMENTS, o. c. p., a.s., renamed on 18.8.2017) with the registered office at Plynářská 7/A, Bratislava 824 63, Slovak Republic, company identification No.: 35 871 211, registered in the Commercial Register maintained by the District Court Bratislava I, Insert No.: 3228/B, pursuant to the Delegation Agreement dated 3 April 2017 in accordance with the provisions of Section 50 of the Act

10. Information on all monetary and non-monetary considerations received during the decisive period by the members of the Statutory Body and the Board of Directors

10.1. Statutory Director

In 2019, the Statutory Director received a dividend from the investment shares held in the Sub-Fund in the amount of CZK 706 thousand (in 2018 CZK 0 thousand).

10.2. Board of Directors

Members of the Board of Directors did not receive any consideration from the Sub-Fund.

11. Information on the number of Sub-Fund investment shares that are owned by the members of the Statutory Body and the Board of Directors

11.1 Statutory Director

The Statutory Director owned as at 31.12. 2019 27,896,372 pcs of investment shares of the CZK class of the Sub-Fund (as at 31 December 2018: 0 shares).

11.2. Board of Directors

Members of the Board of Directors do not own any investment shares of the Sub-Fund.

12. Information on litigations or arbitrations Sub-Fund participated or participates during the decisive period

The Sub-Fund was not involved in any litigation or arbitration during the decisive period.

13. Depositary or other custodians of the Sub-Fund

Name: UniCredit Bank Czech Republic and Slovakia,a.s.
 Registered office: Želetavská 1525/1, Praha 4, 140 92
 Company identification No.: 649 48 242

The depositary is a company registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3608.

14. Information about significant changes of the Fund's statute in the relevant period

In the relevant period there were no significant changes to the Sub-Fund's statute in regard of strategy and focus of the Sub-Fund, fee structure, outsourcing matters, the Sub-Fund's management and risk profile.

15. Information about salary, considerations and similar income of employees and management, paid by managing company of Fund to its employees and management

In thousands of CZK	2019	2018
Wages and bonuses of members of the Board of Directors of the managing company	5,317	4,822
Other wages, personnel costs and employee bonuses	11,797	10,755
Social costs and health insurance	4,940	4,335
Total personnel expenses of the managing company	22,054	19,912

In 2018 and 2019, there was no consideration paid to the members of Supervisory Board of the managing company. Remuneration of the members of the Board of Directors consists of variable and fixed component. While the variable component depends on the profits of the managing company.

Staff statistics of managing company

	2019	2018
Average number of employees	13	12
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	3	3

16. Information about salary, considerations and similar income of employees and management, paid by managing company of the Fund to those employees or management, whose activity significantly influences risk profile of the Fund

In thousands of CZK	2019	2018
Wages and bonuses of members of the Board of Directors of the managing company	5,317	4,822

17. Information on the average number of employees of the Sub-Fund

In the decisive period, the Sub-Fund did not employ any employees.

18. Investments in research and development

The Sub-Fund did not undertake any research and development activities in the past accounting period.

19. Information on environmental and labour-law activities

The Sub-Fund did not develop any activities in this area in the past accounting period.

20. Information on whether the accounting entity has an organizational unit abroad

The Sub-Fund does not have an organizational unit abroad.

21. Equity of the Sub-Fund

Fund's capital as at 31. 12. 2019

Fund's capital	CZK 3,211,187 ths.
Number of issued EUR class investment shares	17,805,278 pcs
Number of issued CZK class investment shares	565,416,720 pcs
Fund's capital per 1 share /CZK class	CZK 1.1277
Fund's capital per 1 share /EUR class	CZK 144.5397

In accordance with the Act on Accounting, this Annual Report also includes the financial statements, the Audit Report and the Report on Relations between Related Parties.

In Prague 30 April 2020



Rudolf Vřešťál
Authorised Representative
REDSIDE investiční společnost, a.s.

Financial statements NOVA Real Estate, investment fund





Independent auditor's report

to the shareholder of NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.

Opinion

We have audited the accompanying financial statements of fund NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s., with its registered office at V celnici 1031/4, Nové Město, Praha 1 ("the Fund"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019, the income statement and the statement of changes in equity for the year ended 31 December 2019 and notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards 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 Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report therein. The Board of Directors of REDSIDE investiční společnost, a.s. 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 about the Fund 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 law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and

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Independent auditor's report

- The other information is prepared in compliance with applicable law and regulation.

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 of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board of REDSIDE investiční společnost, a.s. for the Financial Statements

The Board of Directors of REDSIDE investiční společnost, a.s. 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 Board of Directors 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 Board of Directors of REDSIDE investiční společnost, a.s. 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 Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of REDSIDE investiční společnost, a.s. is responsible for overseeing the Fund's financial reporting process.

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-stated requirements 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-stated requirements, we exercise professional judgment and maintain professional scepticism 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 controls.
- Obtain an understanding of internal controls 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 Fund's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of REDSIDE investiční společnost, a.s.

Independent auditor's report

- Conclude on the appropriateness of the Board of Directors' 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 notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board of REDSIDE investiční společnost, a.s. 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.

29 April 2020

Price Waterhouse Coopers Audit s.r.o.

represented by Partner

Petr Kříž

Petr Kříž

Statutory Auditor, Licence No. 1140

This report is addressed to the shareholder of NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
Financial statements for the year ended 31. prosinci 2019

Identification No.: 04331869

Business activity: The activity of qualified investors' fund pursuant to Section 95, para 1, letter (a) of the Act No. 240/2013 Coll., On Investment Companies and Investment Funds

Date of preparation of the financial statements: 30 April 2020

BALANCE SHEET

As at 31 December 2019

In thousands of CZK	Note	31. 12. 2019	31. 12. 2018
ASSETS			
3 Due from banks – repayable on demand	7	1,656	1,754
4 Due from customers – other receivables	8	385	299
Total assets		2,041	2,053
LIABILITIES			
4 Other liabilities	9	120	132
8 Share capital – fully paid	10	2,000	2,000
14 Accumulated losses		-79	-79
15 Profit or loss for the period		0	0
Total liabilities		2,041	2,053

In thousands of CZK	Bod	31. 12. 2019	31. 12. 2018
OFF-BALANCE SHEET			
Off-balance sheet assets			
15 Assets under management	11	1,921	1,921

INCOME STATEMENT

for the year ended 31 December 2019

In thousands of CZK	Note	2019	2018
1 Other operating income		159	128
5 Fee and commission expense		-9	-9
6 Gains or losses on financial activities		-8	6
9 Administrative expense – other	5	-142	-113
19 Profit/loss on ordinary activities before tax		0	0
23 Income tax		0	0
24 Net profit/loss for the accounting period		0	0

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

In thousands of CZK	Note	Registered capital	Accumulated losses	Total
Balance as at 1. 1. 2018		2,000	-79	1,921
Net profit/loss for the accounting period		0	0	0
Balance as at 31. 12. 2018		2,000	-79	1,921
Net profit/loss for the accounting period		0	0	0
Balance as at 31. 12. 2019		2,000	-79	1,921

The accompanying notes on pages 4 to 11 are an integral part of these financial statements.

1. GENERAL INFORMATION

Establishment and characteristic of the Fund

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s. (the "Investment Fund" or the "Fund") is managed and administered by REDSIDE investiční společnost, a.s. (the "Investment company"). The Fund has been established on the basis of the announcement of the Czech National Bank ref. No. 2015/088423/CNB/2015 dated 13 August 2015, which came into force on 20 August 2015.

The Fund is registered in the register of investment funds with legal subjectivity maintained by the CNB based on Section 597, letter (a) of the Act No. 240/2013 Coll., on Investment Companies and Investment Funds (the "Act").

The Fund is a fund of qualified investors following Section 95, para 1, letter (a) of the Act, which allows the Fund to create sub-funds in accordance with Section 165, para 1 of the Act. Each sub-fund collects the financial resources of qualified investors by issue of investment shares of the sub-fund and carries joint investments of the collected cash resources or at cash measurable assets based on a determined investment strategy of the sub-fund to the benefit of these qualified investors.

The Fund is established for an indefinite period.

Fund strategy

The Fund has been set-up in the form of joint stock company with variable share capital. The Fund's main activity is to provide an umbrella for its sub-funds, which invest based on their individual investment strategies defined by their own Statute.

They invest into real estates in the Czech Republic and Central Europe and represent separate accounting units.

Founder's shares

The Fund was set-up by the Investment company by 20 pcs of founder's shares at a nominal value of CZK 100,000 each. All shares are owned by the Investment company.

Established sub-funds

The Investment fund is an umbrella fund for NOVA Real Estate, Sub-Fund 1.

Organizational structure

The Fund is managed by the Investment company.

Key information on the Investment company

REDSIDE investiční společnost, a.s., identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, postcode 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362.

Share capital

CZK 8,400,000 (in the words: eight million four hundred thousand Czech crowns), fully paid.

Date of establishment

29. 6. 2012

Decision on license for operation

Decision of the CNB ref. No. 2013/5063/570 dated 29 April 2013.

The Investment company is registered in the list of investment companies maintained by the CNB.

The activities of the Investment company in relation to the Fund

- management of the Fund's assets,
- asset management of the Fund, including investing on the Fund's account,
- investment risk management;

- administration of the Fund, mainly;
- bookkeeping for the Fund;
- providing legal services;
- ensuring compliance;
- dealing with complaints from Fund investors;
- valuation of the Fund's assets and liabilities;
- ensuring compliance with duties, taxes or other similar financial obligations;
- maintaining a list of owners of investment shares issued by the Fund;
- distributing and paying out proceeds from the Fund's assets;
- ensuring the issue and repurchase of investment shares issued by the Fund;
- preparing and updating the Fund's annual report;
- preparing the Fund's promotional material;
- publishing, disclosing and supplying data and documents to Fund's shareholders and other persons;
- reporting data and providing documents to the Czech National Bank or the supervisory authority of another Member State;
- performing other activities related to the management of the Fund's assets;
- distributing and paying out cash benefits due liquidation of the Fund;
- keeping records on the issue and repurchase of investment shares issued by the Fund;
- offering investments in the Fund.

Business activity of the Investment company

Activity of an investment company pursuant to the Act, carried out pursuant to the license of the Czech National Bank dated 26 April 2013.

Members of the Board of Directors and the Supervisory Board as at 31 December 2019

Board of Directors

Rudolf Vřešťál	Chairman	since 29. June 2012
Ing. Juraj Dvořák		since 31 July 2014
Ing. Karel Krhovský		since 1 January 2018

Supervisory Board

Petra Rychnovská	Chairman	since 29 June 2013
Ing. Petr Studnička		since 10 June 2014
Ing. Šárka Burgetová		since 1 January 2018

Company representation

The Investment company is represented by the Board of Directors, through the Chairman of the Board together with another Board member.

Shareholders and Shares

As at 31 December 2019, the main shareholders of the Investment company were:

- RVR Czech, s.r.o., identification No.: 24 300 136, 90.48%
Prague 1, V Celnici 1031/4, postcode 110 00
- Arca Capital Finance Group, a.s., identification No.: 50 108 361, 9.52%
Plynárenská 7/A, postcode 821 09

Changes in the Commercial Register

In 2019, no changes were entered into the Commercial Register.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements containing the balance sheet, statement of profit and loss, statement of changes in equity and accompanying notes were prepared on the basis of the accounting records kept in accordance with Accounting Act, Decree 501/2002 Coll. issued by the Ministry of Finance of the Czech Republic and Czech Accounting Standards for financial institutions.

The financial statements have been prepared on an accrual basis of accounting and historical cost.

The financial statements of the Fund have been prepared on the going concern assumption, as there is no fact that would restrict or prevent the Fund from continuing its activities in the foreseeable future.

These financial statements are unconsolidated. All monetary amounts in the financial statements are stated in CZK thousands, unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund were prepared in accordance with the following important accounting policies:

(a) The date of transaction recognition

Depending on the type, the transactions are recorded on the date of purchase or sale of foreign currency or security, the payment date, the trade or settlement date of a transactions with securities, foreign exchange, options or other derivatives, the date of issue or acceptance of the guarantee or the loan commitment, the day of taking over of values into custody.

Financial assets and liabilities are recognized when the Fund becomes a contractual party of the transaction, thus at the trade date. The Fund derecognises a financial asset or its part in the balance sheet if it loses control of the contractual rights to that financial asset or its part. The Fund will lose that control if it exercises the rights to the benefits defined by the contract, these rights cease to exist or it waives these rights.

If a financial liability or part of it ceases to exist (e.g. by fulfilling or cancelling the obligation defined in the contract or if the obligation defined in the contract expires), the Fund ceases to recognise the financial liability or part of it in the balance sheet. The difference between the carrying amount of the financial liability, or its part, that ceased to exist or was transferred to another entity and the settlement amount is charged to the expense or income.

(b) Receivables

Receivables initially incurred by the Fund are recognized at their nominal value less allowances. Bad debts are written off when they become statute-barred, respectively at the end of the administrative proceedings.

Acquired receivables are recognized at cost, including direct transaction costs (e.g. expert opinions, legal costs).

Trade receivables

Trade receivables are reviewed for recoverability. On this basis, the Fund determines impairment loss for individual receivables. If the Fund does not directly write-off a portion of the receivable corresponding to the impairment loss, it forms an allowance for this part of the receivable. Allowances are recognized in "Depreciation/amortization, creation and use of provisions and allowances for receivables and guarantees" item in the income statement.

Write-offs of bad debts are included under "Write-offs, creation and use of allowances and provisions for receivables and guarantees" in the income statement. In the case of a write-off of a receivable for which an allowance has been set aside in full, the same amount is written-off in the same line item of the income statement. Revenues from previously written-off receivables are recognised in the income statement in the item "Release of allowances and provisions for receivables and guarantees, income from previously written-off receivables".

(c) Provisions

Provision represents probable fulfillment of an obligation, with uncertain timing and amount. The provision is charged to the expenses at the best estimate of the resource outflow necessary to settle the existing obligation.

A provision is created if the following criteria are met:

- a) There is an obligation (legal or constructive) to fulfill as a result of past events,
- b) It is probable or certain that the fulfillment will occur and that it will require an outflow of resources representing economic benefits; where "probable" means a probability of more than 50%
- c) The amount of such fulfillment can be reliably estimated.

(d) Foreign currency translation

Transactions denominated in a foreign currency are recognised in local currency, translated at the exchange rate published by the Czech National Bank on the date of the transaction or on the date of the accounting event.

Financial assets and liabilities denominated in a foreign currency are translated into the domestic currency at the rate published by the Czech National Bank as at the balance sheet date. The resulting profit or loss on the translation of assets and liabilities denominated in a foreign currency, other than equity investments in foreign currency and receivables from subordinated loans, is recognized in the profit and loss statement as "Profit or loss on financial operations".

(e) Value added tax

The Fund is not a registered Value Added Tax ("VAT") payer.

(f) Taxation

Current tax

The tax base for income tax is calculated from the profit before tax by adding non-deductible expenses, deducting tax-free income and adjusting for tax rebates and possible credits.

Deferred tax

Deferred tax is based on all temporary differences between the carrying amount and the tax value of assets and obligations using the expected tax rate applicable for the subsequent period. Deferred tax from revaluation reserve in equity is recognised also directly in equity. A deferred tax asset is recognised only if there is a probability to use it in subsequent accounting periods

(g) Related parties

A party is related to the Fund

- a) the party
 - (i) controls or jointly controls the Fund;
 - (ii) has significant influence in the Fund; or
 - (iii) is a member of the key management of the Fund.
- b) the party is an affiliate company of Fund.
- c) the party is a joint venture in which the Fund is a joint venturer
- d) the party is a member of the key management of Fund or its parent company
- e) the party is a close member of the family of an individual defined under a) or d)
- f) the party is an accounting entity that is controlled, jointly controlled or it is under a direct or indirect significant influence of any individual under d) or e) or such an individual has significant voting rights in that party, directly or indirectly; or
- g) the party is a post-employment benefit plan for employees of the accounting entity that is related to the Fund

Related party transactions mean the transfer of resources, services or obligations between the Fund and the related party, regardless of whether any price is charged.

(h) Cash and cash equivalents

Cash consists exclusively of current accounts with banks.

The Fund does not have any cash equivalents.

(i) Items from a different accounting period and changes in accounting policies

Items from a different accounting period than that for which they are attributable and changes in accounting methods are recognized as income or expense in the income statement of the current period, except for correction of fundamental errors in the income and expenses of previous periods that are recognized in the item "Retained earnings from previous periods" in the Fund's balance sheet.

4. CHANGES IN ACCOUNTING POLICIES

There have been no changes in the accounting policies in the current accounting period.

5. ADMINISTRATIVE EXPENSES

In thousands of CZK	2019	2018
Audit fee	142	78
Other administrative expenses	–	35
Total	142	113

The Fund didn't pay any administrative fee to the managing Investment company. Fees for management and other administrative expenses are charged directly to sub-funds.

6. RELATED PARTY TRANSACTIONS

In thousands of CZK	2019	2018
Assets		
Receivables due from customers - other	385	299
Income		
Other operating income	159	128

7. DUE FROM BANKS

In thousands of CZK	31. 12. 2019	31. 12. 2018
Current accounts (nostro accounts)	1,656	1
Net receivables from banks	1,656	1

8. DUE FROM CUSTOMERS

In thousands of CZK	31. 12. 2019	31. 12. 2018
Receivables from related parties	385	299
Net receivables from customers	385	299

9. OTHER LIABILITIES

In thousands of CZK	31. 12. 2019	31. 12. 2018
Trade payables and other creditors	40	54
Estimated payables	80	78
Total	120	132

10. EQUITY

Registered share capital of the Fund is CZK 2,000,000. The Fond issued 20 pcs of registered common shares in paper form. The sole shareholder is REDSIDE investiční společnost, a.s.

11. ASSETS UNDER MANAGEMENT

In thousands of CZK	31. 12. 2019	31. 12. 2018
Cash	1,656	1,754
Due from customers	385	299
Other liabilities	-120	-132
Total	1,921	1,921

12. FINANCIAL INSTRUMENTS

(a) Market risk

The Fund is exposed to market risk as a result of its general investment strategy in accordance with its statute. The main purpose of the Fund is to provide an umbrella to its sub-funds.

The value of the assets to which the Fund invests may rise or fall depending on changes in the economic conditions, interest rates, and the way the assets are perceived and evaluated by the market.

(b) Liquidity risk

The liquidity risk arises from the way the Fund finances its activities and manages its positions. Considering the assessment of the degree of this risk and the overall financial position of the Fund during 2019 and 2018, the liquidity risk was not assessed as material and no extraordinary measures were taken.

Residual maturity of the Fund's assets and liabilities

In thousands of CZK	Within 3 months	From 3 months to 1 year	Over 1 year	Not specified	Total
As at 31 December 2019					
Due from banks	1,656	-	-	-	1,656
Due from customers	385	-	-	-	385
Total	2,041	-	-	-	2,041
Other liabilities	120	-	-	-	120
Equity	-	-	-	1,921	1,921
Total	120	-	-	1,921	2,041
Gap	1,921	-	-	-1,921	-
Cumulative gap	1,921	1,921	1,921	-	-
As at 31 December 2018					
Due from banks	1,754	-	-	-	1,754
Due from customers	299	-	-	-	299
Total	2,053	-	-	-	2,053
Other liabilities	132	-	-	-	132
Equity	-	-	-	1,921	1,921
Total	132	-	-	1,921	2,053
Gap	1,921	-	-	(1,921)	-
Cumulative gap	1,921	1,921	1,921	-	-

The above tables represent the residual maturity of the carrying amounts of individual financial instruments, not all gross cash flows arising from these instruments.

(c) Interest rate risk

The Fund does not face any interest rate risk as it has no interest-sensitive receivables.

(d) Currency risk

The Fund is not exposed to any currency risk. All assets and liabilities are denominated in CZK.

(e) Credit risk

The Fund is exposed to credit risk due to its business transactions and investment activities. Credit risk associated with the Fund's trading and investment activities are managed through the Fund's market risk management methods and instruments. No assets of the fund have been collateralized.

(f) Operational, legal and other risks

The management of operational, legal and other risks is regulated by the Fund's Statute and internal regulations. All Fund's investments must be realised in accordance with the applicable Fund's Statute and subject to the control of the depositary of the Fund, which was over the whole year 2018 UniCredit Bank Czech Republic and Slovakia, a.s.

13. SUBSEQUENT EVENTS

In December 2019, a new coronavirus (SARS-CoV-2) was detected in Wuhan, China. By the end of February 2020, there had been confirmed local transmission of the disease in several countries, including Europe. After the balance sheet date, which is after 31 December 2019, many business and economic activities were disrupted due to the global spread of coronavirus causing the respiratory infection COVID-19. Due to the restriction of economic activity worldwide, there was also a slowdown in financial markets and thus a potential impact on the performance of funds managed by REDSIDE investiční společnost, a.s. The Company considers the outbreak of the global coronavirus pandemic to follow. So far, it is not possible to estimate well the extent of the global recession and economic downturn, because various restrictions are constantly changing, and their duration is prolonging. Among other things, economic policy is trying to respond to negative developments. Representatives of European countries have declared their determination to coordinate steps to mitigate the negative effects of coronavirus infection on the economy. The International Monetary Fund announced the activation of up to USD 1 trillion. It is clear that not only governments but also supranational institutions are preparing to provide the necessary support. In addition to fiscal support, central banks also contributed to the rescue. They seek to prevent a liquidity crisis that arises in similarly tense situations. At the same time, they create room for support from fiscal policy. It is also likely that in this extraordinary situation, banks will allow companies to defer interest and principal payments.

However, due to the fact that the coronavirus situation is unstable and is evolving very dynamically worldwide, it is not possible to estimate the potential impact on the Company and its managed funds.

Real estate within the NOVA Real Estate fund's portfolio is leased on the basis of long-term leases. From the fund's point of view, the situation is legally relatively clear. In the case of the general closure of offices or retail space by a decision of the administrative body, it will be a breach of the landlord's obligation to allow tenants to use the premises, but for reasons beyond the landlord's control. It is therefore not a defect of the subject of the lease; the tenant cannot claim a discount on rent. On the contrary, tenant will be obliged to continue to pay the rent. If there are delays in the payment of rents, then in the short or medium term it is not a big risk, because all leases are secured either in the form of a cash deposit or a bank guarantee for the lease, always in the amount of 3 months' rents.

The financial statements
were prepared on:

30 April 2020

Stamp and signature
of Statutory Body:



Rudolf Vřešťál
Authorized representative



Karel Krhovský
Authorized representative

Person responsible
for accounting

Name and signature:



Karel Krhovský
Authorized representative

phone no.: 222 500 758

Person responsible
for the financial statements

Name and signature:



Šárka Burgetová
Head of Finance

phone no.: 222 500 757

Financial statements NOVA Real Estate – sub-fund 1





Independent auditor's report

to the shareholders of NOVA Real Estate – sub-fund 1 of fund NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.

Opinion

We have audited the accompanying financial statements of NOVA Real Estate – sub-fund 1 (“the Sub-fund”) of the fund NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s., with its registered office at V celnici 1031/4, Nové Město, Praha 1 (“the Fund”), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019, the income statement and statement of changes in equity for the year ended 31 December 2019 and notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Sub-fund in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report therein. The Board of Directors of REDSIDE investiční společnost, a.s. 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 about the Sub-fund 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 law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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:



Independent auditor's report

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

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

Responsibilities of the Board of Directors and Supervisory Board of REDSIDE investiční společnost, a.s. for the Financial Statements

The Board of Directors of REDSIDE investiční společnost, a.s. 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 Board of Directors 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 Board of Directors of REDSIDE investiční společnost, a.s. is responsible for assessing the Sub-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 Board of Directors either intends to liquidate the Sub-fund or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of REDSIDE investiční společnost, a.s. is responsible for overseeing the Sub-fund's financial reporting process.

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-stated requirements 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-stated requirements, we exercise professional judgment and maintain professional scepticism 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 controls.
- Obtain an understanding of internal controls 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 Sub-fund's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of REDSIDE investiční společnost, a.s.



Independent auditor's report

- Conclude on the appropriateness of the Board of Directors' 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 Sub-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 Sub-fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board of REDSIDE investiční společnost, a.s. 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.

29 April 2020

Price Waterhouse Coopers Audit s.r.o.

represented by Partner

Petr Kříž

Petr Kříž

Statutory Auditor, Licence No. 1140

This report is addressed to the shareholders of NOVA Real Estate – sub-fund 1 of fund NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
NOVA Real Estate – podfond 1
Financial statements for the period ended 31 December 2019

Identification no.: 71508651

Business activity: The activity of an investment fund

Date of preparation of the financial statements: 30 April 2020

BALANCE SHEET

As at 31 December 2019

In thousands of CZK	Note	31. 12. 2019	31. 12. 2018
ASSETS			
3 Due from banks – repayable on demand	10	116,731	33,865
4 Due from customers – other receivables	11	2,152,718	1,575,814
8 Equity interests with controlling influence	12	1,077,947	912,098
Total assets		3,347,396	2,521,777
LIABILITIES			
2 Due to customers – other		31,301	-
4 Other liabilities	13	103,545	47,156
6 Provisions for taxes	14	1,363	742
12 Capital funds	15,16	2,745,231	2,155,511
13 Revaluation reserve		444,230	207,478
14 Retained earnings from previous periods		43,371	66,535
15 Profit for the accounting period		-21,645	44,355
Total liabilities		3,347,396	2,521,777
OFF-BALANCE SHEET			
Off-balance sheet liabilities			
15 Assets under management	18	3,211,187	2,473,879

INCOME STATEMENT

for the year ended 31 December 2019

In thousands of CZK	Note	2019	2018
1 Interest income and similar income	5	133,296	108,578
2 Interest and similar expense	6	-1 302	-
5 Fee and commission expenses		-56	-24
6 Gains or losses on financial operations	7	8,073	-4,603
9 Administrative expenses – other	8	-62,370	-57,112
15 Losses from the transfer of participations		-95,541	-
19 Profit (loss) before tax		-17,899	46,839
23 Income tax	17	- 3,746	-2,483
24 Net profit (loss) for the accounting period		-21,645	44,356

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

In thousands of CZK	Capital funds	Revaluation reserve	Retained earnings	Total
Balance as at 1. 1. 2018	1,790,909	67,040	66,534	1,924,483
Revaluation differences not included in net profit	-	140,438	-	140,438
Net profit for the period	-	-	44,356	44,356
Shareholders contributions	364,602	-	-	364,602
Balance as at 31. 12. 2018	2,155,911	207,478	110,890	2,473,879
Revaluation differences not included in net profit	-	236,752	-	236,752
Net loss for the period	-	-	-21,645	-21,645
Dividends paid	-	-	-67,519	-67,519
Shareholders contributions	589,720	-	-	589,720
Balance as at 31. 12. 2019	2,745,231	444,230	21,726	3,211,187

The notes on pages 4 to 17 are an integral part of these financial statements.

1. GENERAL INFORMATION

Establishment and characteristics of the Sub-Fund

NOVA Real Estate – Sub-Fund 1 (hereinafter „Sub-Fund“) is managed and administered by REDSIDE investiční společnost, a.s. (hereinafter “Investment Company”). The Sub-Fund has been established on the basis of the announcement of the Czech National Bank (hereinafter „ČNB“) ref. No. 2015/094553/570 dated 28 August 2015, which came into force on the same date.

The Sub-Fund was set-up in accordance with Act No. 240/2013 Coll. (the “Act”), on Investment Companies and Investment Funds. In particular, sub-funds are covered by Section 165 of the Act, where the investment fund - NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s. - may create sub-funds provided that the Articles of Association allow this. The Sub-Fund has its own investment strategy.

The Sub-Fund has no legal personality, has no employees and is established for an indefinite period. The depositary of the Sub-Fund is UniCredit Bank Czech Republic and Slovakia, a.s.

Sub-Fund strategy

The investment objective of the Sub-Fund is to achieve a stable asset appreciation above the long-term interest rate yield through long-term investments in real estate companies. If short-term investments are economically viable for the Sub-Fund, the Sub-Fund is also authorized to make such short-term investments.

Investment shares

Issue of Sub-Fund’s investment shares commenced on 18 December 2015, with ISIN CZ0008041845 at a nominal value of EUR 1. Issue of Sub-Fund’s investment shares in CZK commenced on 16 February 2018 with ISIN CZ0008043049 at a nominal value of CZK 1. As at 31 December 2019 17,805,278 pcs (2018: 15,183,088) of investment shares in book-entry form with a nominal value of EUR 1 and 565,416,720 pcs (2018: 337,099,427) of investment shares in book-entry form with a nominal value of CZK 1.

Organizational structure

The Sub-fund is managed by the Investment Company.

Key information on the Investment Company

REDSIDE investiční společnost, a.s., identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, postcode 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362. Its business activity is activity of investment company under the Act.

Registered capital

CZK 8,400,000, fully paid.

Date of establishment

29.6.2012

Decision on licence for operations

Decision of the CNB ref. No. 2013/5063/570 dated 29 April 2013.

The Investment Company is registered in the list of investment companies maintained by the ČNB pursuant to Section 596 (a) of the Act.

The activities of the Investment Company in relation to the Sub-Fund:

- Asset management of the Sub-Fund,
- Asset administration of the Sub-Fund, including investment on behalf of the Sub-Fund,
- Managing the risks associated with investing,
- Administration of the Sub-Fund, in particular
- The Sub-Fund’s bookkeeping
- Providing legal services,
- Compliance,

- Handling complaints from investors of the Sub-Fund,
- Valuation of assets and liabilities of the Sub-Fund,
- Calculation of the current value of the Sub-Fund's investment share
- Ensuring compliance with obligations relating to taxes, fees or other similar cash consideration,
- Maintaining a list of owners of investment shares issued by the Sub-Fund,
- Distribution and payment of the return from the Sub-Fund's assets,
- Ensuring the issue and redemption of investment shares issued by the Sub-Fund,
- Preparing, updating and issuing the Annual Report of the Sub-Fund,
- Preparing and issuing the Sub-Fund's promotional communication,
- Publishing, making available and providing data and documents to the Sub-Fund's shareholders and other persons,
- Reporting information and providing documents to the CNB or the supervisory authority of another Member State,
- Performance of other activities related to the management of the assets in the Sub-Fund
- Distribution and payment of cash consideration in connection with the dissolution of the Sub-Fund,
- Keeping records on the issue and redemption of investment shares issued by the Sub-Fund,
- Offering investments in the Sub-Fund.

Members of Investment Company bodies as at 31 December 2019

Board of Directors

Rudolf Vřešťál	Chairman of the Board of Directors	from 29 June 2012
Karel Krhovský		since 1 January 2018
Juraj Dvořák		since 31 July 2014

Supervisory Board

Petra Rychnovská	Chairman of the Supervisory Board	from 29 June 2013
Petr Studnička		since 10 June 2014
Šárka Burgetová		since 1 January 2018

Company representation

The Investment Company is represented by the Board of Directors, through the Chairman of the Board together with another Board member.

Shareholders and Shares

As at 31 December 2019, the main shareholders were:

- RVR Czech, s.r.o., identification No.: 24 300 136, Prague 1, V Celnici 1031/4, 110 00 90.48%
- Arca Capital Finance Group, a.s., Identification No.: 50 108 361, SK - Bratislava, Plynárenská 7/A, 821 09 9.52%

Changes in the Commercial Register

In 2019 no changes were entered into the Commercial Register.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comprising of the balance sheet, income statement, statement of changes in equity and accompanying notes were prepared on the basis of the accounting records kept in accordance with Accounting act, Decree 501/2002 Coll. issued by the Ministry of Finance of the Czech Republic and Czech Accounting Standards for Financial Institutions.

The financial statements were prepared on an accrual basis of accounting and historical cost, except for selected financial instruments measured at fair value. The financial statements are based on the going concern assumption since there is no fact that would restrict it or prevent it from continuing its activities in the foreseeable future.

These financial statements are not consolidated. All figures are in thousands of CZK unless otherwise stated.

3. SIGNIFICANT ACCOUNTING METHODS

The financial statements of the Sub-Fund have been prepared in accordance with the following significant accounting methods:

(a) The date of transaction recognition

Depending on the type of transaction, they are recorded on the date of purchase or sale of foreign currency or securities, the payment date, the trade or settlement date of a transactions with securities, foreign exchange, options or other derivatives, the date of issue or acceptance of the guarantee or the loan commitment, the day of taking over the values into custody.

Financial assets and liabilities are recognized when the Sub-Fund becomes a contractual party of the transaction, thus at the trade date.

The Sub-Fund shall derecognize a financial asset or part thereof in the balance sheet if it loses control of the contractual rights to that financial asset or part thereof. The Sub-Fund will lose that control if it exercises the rights to the benefits defined by the contract, these rights cease to exist or it waives these rights.

If a financial liability or part thereof ceases to exist (e.g. by fulfilling or cancelling the obligation defined in the contract or if the obligation defined in the contract expires), the accounting entity will no longer recognize the financial liability or part thereof in the balance sheet. The difference between the carrying amount of the financial liability, or part thereof, that has ceased to exist or has been transferred to another entity and the amount of the relevant debt repaid is charged to the expense or income.

Fair values

Fair value used for the measurement of securities is determined as the market price announced at the measurement date, provided that the accounting entity demonstrates that the security can be sold at the market price.

In the case of publicly traded debt and equity securities, the fair values are equal to the prices observed in the OECD public market, provided the liquidity requirements of the securities are met.

If it is not possible to determine the fair value as the market price (for example, an accounting entity cannot demonstrate that the security can be sold at the market price), the fair value is determined as the adjusted value of the security.

The adjusted value of the security may be equal to:

- The ownership share on the equity of a public limited company, in the case of shares,
- The ownership share on the equity of a mutual fund, in the case of fund units,
- The present value of the future cash flows arising from the security, in the case of debt securities.

(b) Equity interests with controlling and significant influence

Equity interests with controlling influence

Equity interests with controlling influence mean interests in a subsidiary in which the Sub-Fund, de facto or legally, directly or indirectly exercises controlling influence over its management or operations.

Controlling influence is the ability of the Sub-Fund to manage the financial and operational policies of another company, thereby benefiting from its activities.

The Sub-Fund exercises controlling influence whenever it meets at least one of the following conditions:

- a) It is a majority shareholder, or
- b) it has a majority of voting rights on the basis of an agreement entered into with another shareholder or shareholders, or
- c) it may enforce the appointment, election or dismissal of a majority of persons who are a statutory body or a member thereof or a majority of the persons who are members of the supervisory body of the legal entity of which it is a shareholder.

Equity interests with significant influence

Equity interests with significant influence mean interests in an affiliate company that is not a subsidiary and in which the Sub-Fund exercises significant influence.

Significant influence is the ability of the Sub-Fund to participate in the financial and operational policies of another company, but without the ability to exercise controlling influence.

The Sub-Fund exercises significant influence when it has a direct or indirect share of at least 20% of the registered capital or voting rights in another company, and if it does not exercise controlling influence in that company or does not clearly demonstrate that it is not capable of exercising the significant influence.

Under a share of less than 20%, no significant influence is assumed unless it factually exists.

Valuation of equity interests

Equity interests with controlling and significant influence are recognised at acquisition cost, which includes costs associated with the acquisition (e.g. expert opinions, legal services). At the balance sheet date, equity interests with controlling and significant influence are measured at fair value based on an expert opinion. Gains and losses from this valuation are recognized directly in the equity within "Revaluation reserve".

(c) Receivables

Receivables initially incurred by the accounting entity are recognized at their nominal value less allowances. Bad debts are written off when they become barred by the statute of limitation, respectively at the end of the administrative proceedings. Acquired receivables are recognized at cost, including direct transaction costs (e.g. expert opinions, legal costs).

Trade receivables

Trade receivables are reviewed based on recoverability. On this basis, the Sub-Fund determines impairment loss for individual receivables. If the Sub-Fund does not directly write-off a portion of the receivable corresponding to the impairment loss, it forms an allowance for this part of the receivable. Allowances are recognized in "Depreciation/amortization, creation and use of provisions and allowances for receivables and guarantees" item in the income statement.

The tax-deductible part of the total allowances for loss on receivables for the accounting period is calculated according to the Act No. 593/1992 Coll., On Provisions for Determining the Income Tax Base, as amended.

Write-offs of bad debts are included under "Write-offs, creation and use of allowances and provisions for receivables and guarantees" in the income statement. In the case of a write-off of a receivable for which an allowance has been set aside in full, the same amount is written-off in the same line item of the income statement. Revenues from previously written-off receivables are recognised in the income statement in the item "Release of allowances and provisions for receivables and guarantees, income from previously written-off receivables".

Receivables from loans

Receivables from provided loans not held for trading are measured at fair value.

Changes in fair value are recognized in "Revaluation reserve" in equity and are recycled to "Profit or loss on financial operations" in the income statement on the settlement date.

(d) Creation of provisions

Provision represents probable fulfilment of an obligation, with uncertain timing and amount. The provision is charged to the expenses at the best estimate of the resource outflow necessary to settle the existing obligation.

A provision is created if the following criteria are met:

- a) There is an obligation (legal or constructive) to fulfil as a result of past events,
- b) It is probable or certain that the fulfilment will occur and that it will require an outflow of resources representing economic benefits; where "probable" means a probability of more than 50%,
- c) The amount of such fulfilment can be reliably estimated.

(e) Foreign currency translation

Transactions denominated in foreign currency are recognised in local currency, translated at the exchange rate announced by the Czech National Bank on the date of the transaction or on the date of the accounting event.

Assets and liabilities denominated in foreign currency are translated to the domestic currency at the rate announced by the Czech National Bank as at the balance sheet date. The resulting profit or loss on the translation of assets and liabilities denominated in foreign currency, other than equity interests in foreign currency and receivables from subordinated loans, is recognized in the income statement as "Profit or loss on financial operations".

(f) Value added tax

The Sub-Fund is not a registered Value Added Tax ("VAT") payer.

(g) Taxation

Current tax

The tax base for income tax is calculated from the profit before tax for the current period by adding non-deductible expenses, deducting tax-free income and adjusting for tax rebates and possible credits.

Deferred tax

Deferred tax is calculated from all temporary differences between the carrying amount and the tax value of assets and liabilities using the expected tax rate applicable for the subsequent period. Deferred tax on revaluation reserve in equity is also recognized as part of the revaluation reserve in equity. A deferred tax asset is recognised only if there is a probability to use it in subsequent accounting periods

(h) Leasing

The Sub-Fund does not use any assets acquired by financial or operating leases.

(i) Related parties

A party is related to the Sub-Fund when the following conditions are met:

- a) The party
 - (i) controls or jointly controls the Sub-Fund;
 - (ii) has significant influence in the Sub-Fund; or
 - (iii) is a member of the key management of the Sub-Fund.
- b) the party is an affiliate company of the Sub-Fund.
- c) the party is a joint venture in which the Sub-Fund is a joint venture
- d) the party is a member of the key management of the Sub-Fund or its Investment Company
- e) the party is a close member of the family of an individual defined under a) or d)
- f) the party is an accounting entity that is controlled, jointly controlled or it is under a direct or indirect significant influence of any individual under d) or e) or such an individual has significant voting rights in that party, directly or indirectly; or
- g) the party is a post-employment benefit plan for employees of the accounting entity that is related to the Sub-Fund.

Related party transactions mean the transfer of resources, services or obligations between the Sub-Fund and the related party, regardless of whether any price is charged.

(j) Cash and cash equivalent

Cash consists exclusively of current accounts with banks. The Sub-Fund does not have any cash equivalents.

(k) Items from a different accounting period and changes in accounting methods

Items from a different accounting period than that for which they are attributable for accounting purposes and changes in accounting methods are recognized as income or expense in the income statement of the current period, except for correction of fundamental errors in the income and expenses of previous periods that are recognized in the item "Retained earnings from previous periods" in the Sub-Fund's balance sheet.

4. CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies in the accounting period.

5. INTEREST INCOME

In thousands of CZK	2019	2018
Interest income and similar income from loans	133,296	108,578
Net interest income	133,296	108,578

6. INTEREST EXPENSE

In thousands of CZK	2019	2018
Interest and similar expense	1,302	-
Net interest expense	1,302	-

7. GAINS OR LOSSES ON FINANCIAL OPERATIONS

In thousands of CZK	2019	2018
Gains on foreign exchange operations	143,555	85,826
Loss on foreign exchange operations	-135,482	-90,429
Total	8,073	-4,603

8. ADMINISTRATIVE EXPENSES

In thousands of CZK	2019	2018
Management fees	59,627	54,497
Depositary and custody fees	1,183	921
Audit, legal and tax advice fees	655	421
Other (expert opinions, translations, marketing)	905	1,273
Total	62,370	57,112

The Sub-Fund pays management fees to the Investment Company, which are calculated in accordance with the contract on the

performance of the function of the statutory body. The fee is set at 1.6% p.a. of the Sub-Fund's equity annually plus 30% of the achieved appreciation in excess of 6%. The minimum monthly management fee is CZK 300 thousand.

The Sub-Fund pays the depositary fees for the performance of the depositary's function in the amount of CZK 653 thousand (2018: CZK 653 thousand).

9. RELATED PARTY TRANSACTIONS

In thousands of CZK	2019	2018
Assets		
Due from customers – receivables from controlled parties	1,636,593	1,569,831
Equity interests with controlling influence	1,077,947	912,098
Liabilities		
Due to customers – other payables	-	-
Other liabilities	10	2,775
Other liabilities – estimated payables	24,222	28,218
Income		
Interest and similar income from loans granted to entities with controlling influence	133,001	108,511
Expenses		
Administrative expenses – management fees	59,866	55,628

10. DUE FROM BANKS

In thousands of CZK	31. 12. 2019	31. 12. 2018
Current accounts (nostro accounts)	116,731	33,865
Net receivables from banks	116,731	33,865

11. DUE FROM CUSTOMERS

In thousands of CZK	31. 12. 2019	31. 12. 2018
Receivables from loans granted (including interest and exchange rate revaluation)	2,152,715	1,575,814
Net receivables due from customers	2,152,718	1,575,814

Loans are granted to subsidiaries at interest rate of 6-9% p.a. and are due between 2019-2024. Loans are granted to other companies at interest rate of 5-8% p.a. The Company's management believes that the principal and accrued interest will be paid-out from the cash flows generated in the ordinary course of business of the subsidiaries in accordance with the loan agreements. Accrued interest is also due on the maturity date of the loans. According to the Act and the Statute, the Sub-Fund is required to perform revaluation of the Sub-Fund's assets and debts to fair value on an annual basis. Receivables are recognised at fair value at the balance sheet date.

12. EQUITY INTERESTS WITH CONTROLLING INFLUENCE

As at 31 December 2018

Company name	Share in equity	Acquisition cost	Fair Value
NRE Znojmo s.r.o. (původně OPX Czech, s.r.o.)	100 %	5,131	60,638
NRE Jablonec s.r.o. (původně OUA Czech, s.r.o.)	100 %	65,331	159,514
NRE Hradec s.r.o. (původně OQT Czech, s.r.o.)	100 %	101,331	224,409
NRE Avenir s.r.o. (viz. pozn. 19)	100 %	83,230	10,014
NRE North Point 17 s.r.o.	100 %	50,578	53,613
NRE South Point 16 s.r.o.	100 %	74,029	32,637
NRE Vyšehrad Victoria s.r.o.	100 %	64,663	37,099
CXD Czech, s.r.o.	100 %	25,055	13,601
NRE Smíchov Gate s.r.o.	100 %	25,715	64,199
NRE Panorama s.r.o.	100 %	26,486	77,770
NRE Penny 1 s.r.o.	100 %	40,294	37,258
NRE OCCB s.r.o.	100 %	105,434	98,747
NRE Kutil s.r.o.	100 %	25,595	42,599
Total		692,872	912,098

As at 31 December 2019

Company name	Share in equity	Acquisition cost	Fair Value
NRE Znojmo s.r.o. (původně OPX Czech, s.r.o.)	100 %	5,131	56,369
NRE Jablonec s.r.o. (původně OUA Czech, s.r.o.)	100 %	65,331	184,190
NRE Hradec s.r.o. (původně OQT Czech, s.r.o.)	100 %	101,331	303,963
NRE North Point 17 s.r.o.	100 %	50,578	52,234
NRE South Point 16 s.r.o.	100 %	74,029	34,049
NRE Vyšehrad Victoria s.r.o.	100 %	64,663	21,441
CXD Czech, s.r.o.	100 %	25,055	14,612
NRE Smíchov Gate s.r.o.	100 %	25,715	110,274
NRE Panorama s.r.o.	100 %	26,486	74,735
NRE Penny 1 s.r.o.	100 %	40,294	49,483
NRE Kutil s.r.o.	100 %	25,595	33,854
NRE OCCB s.r.o.	100 %	105,434	133,055
NRE OFM s.r.o.	100 %	65	9,688
Total		609,707	1,077,947

On 6 March 2019, the fund sold a 100% business share in NRE Avenir s.r.o., which owns an office building in Prague - Nové Butovice. As this location is not in the forefront of its interest in terms of the fund's long-term strategy and given the current favourable situation on the investment real estate market, the fund decided to exclude this project from its portfolio.

All equity interests with controlling influence have their registered office in the Czech Republic.

Under the Act and Statute, the Sub-Fund is required to revalue the Sub-Fund's assets at fair value on an annual basis.

During 2015 and 2016, the Sub-Fund purchased 100% of shares in companies owning and operating large-scale shopping malls in the district towns of the Czech Republic. In 2018 and 2017, there were further successful acquisitions and the Sub-Fund became the owner of 100% of the shares in companies owning and operating both administrative buildings in Prague and regional retail outlets. In all cases, the purchases of these companies were wholly financed by external funds and therefore the equity of the Sub-Fund's subsidiaries is very low.

The fair value of equity interest with a controlling influence as at balance sheet day was determined on the basis of an expert valuation. This valuation was based on discounted cash flow projections, which were based on estimates of future cash flows based on existing lease and service contracts. Consideration was given to independent external data from the rental market in the Czech Republic, which mainly assesses historical and current market rentals for similar or type-comparable properties in a given location, condition and as close as possible to the rental profile. The valuation also considers discount rates that reflect current market assessment of the uncertainties of the amount and timing of cash flows. The main assumptions on which the fair value is based are:

- currently contracted rent;
- expected future market rents;
- vacancies;
- technical condition of the building and location;
- and corresponding discount rates.

These valuations are regularly compared to actual market yield data and actual market transactions for the period. Estimated fair value is sensitive to the main assumptions underlying the estimate, namely the discount factor used in the range of 5.00% to 6.83% for individual real estates. The increase of the discount factor in the future would mean a significant reduction in fair value.

The revaluation reserve of CZK 468,241 thousand, which is the difference between the fair value at balance sheet day and the cost (as at 31 December 2018: CZK 219,226 thousand) represents, in particular, the difference between the fair value of individual shopping and administrative buildings according to the valuation and the price at which these commercial and administrative buildings were acquired (including related acquisition costs) and is caused mainly by the difference between the input parameters of the valuation models used by the expert and the parameters used in the calculation of the acquisition cost for these business and administrative buildings in the environment of free market competition (e.g. discount rates, average expected future annual revenues) and the development of market property prices since the acquisition. The investment in NRE Avenir s.r.o. has been sold on 6 March 2019. Its valuation reflects the selling price.

13. OTHER LIABILITIES

In thousands of CZK	31. 12. 2019	31. 12. 2018
Trade payables and other creditors	55,938	7,556
Estimated payables	24,223	28,675
Deferred tax liability	23,384	10,925
Total	103,545	47,156

14. INCOME TAX PROVISIONS

In thousands of CZK	2019	2018
Opening balance as at 1.1	742	2,285
Additions to provision in the amount of expected tax	3,140	205
Utilisation of tax provision	-2,519	-1,748
Closing balance as at 31.12.	1,363	742

15. EQUITY

In thousands of CZK	31. 12. 2019	31. 12. 2018
Equity in CZK class (in thousands of CZK)	637,619	361,439
Equity in EUR class (in thousands of CZK)	2,573,568	2,112,440
Equity in total (in thousands of CZK)	3,211,187	2,473,879
Number of issued investment shares CZK (pcs)	565,416,720	337,099,427
Number of issued investment shares EUR (pcs)	17,805,278	15,183,088
NAV per share (CZK)	1.1277	1.0722
NAV per share (EUR)	144,5397	139,1311

The Sub-Fund's capital fund consists of investment shares. The Sub-Fund issued 230,939,483 pcs (2018: 337,145,015 pcs) of investment shares during the accounting period.

The current value of the Sub-Fund's investment share is derived from the equity of the Sub-Fund for the relevant calendar month, as of the last day of the previous calendar month.

The revaluation reserve recognized in equity can be analysed as follows:

In thousands of CZK	31. 12. 2019	31. 12. 2018
Revaluation of equity interest	467,614	218,403
Revaluation of receivables	-	-
Deferred tax liability from revaluations	-23,384	-10,925
Total	444,230	207,478

16. RETAINED EARNINGS

The distribution of the profit earned in 2018 is presented in the Statement of Changes in Equity.

Loss for 2019 of CZK 21,645 thousand is proposed to be transferred to retained earnings.

17. INCOME TAX AND DEFERRED TAX LIABILITY

(a) Current income tax

In thousands of CZK	2019	2018
Profit before taxation	-17,899	46,839
Tax base	77,652	46,839
Tax calculated at the rate of 5%	3,883	2,483

(b) Deferred tax

The deferred tax liability of CZK thousand as at 31 December 2019 (as at 31 December 2018: CZK 10,925 thousand) represents 5% of the revaluation reserve recognized in the Sub-Fund's equity.

18. ASSETS UNDER MANAGEMENT

In thousands of CZK	31. 12. 2019	31. 12. 2018
Cash	116,731	33,865
Equity interests with controlling influence	1,077,947	912,098
Due from customers	2,152,718	1,575,814
Due to customers	-31,301	-
Provision for income tax	-1,363	-742
Other liabilities	-103,545	-47,156
Total	3,211,187	2,473,879

19. FINANCIAL INSTRUMENTS

(a) Market risk

The Sub-Fund is exposed to market risk as a result of its general investment strategy in accordance with its statute. The Sub-Fund acquires resources from the shareholders and invests them through direct or indirect investments in premium class real estate projects in major cities in the Czech Republic and Central Europe.

The value of the assets to which the Sub-Fund invests may rise or fall depending on changes in the economic conditions, interest rates, and the way the assets are perceived and evaluated by the market.

(b) Liquidity risk

The liquidity risk arises from the way the Sub-Fund finances its activities and manages its positions. In view of the assessment of the degree of this risk and the overall financial position of the Sub-Fund during the 2019 and 2018 period, the liquidity risk was not assessed as material and no extraordinary measures were taken.

Residual maturity of the Sub-Fund's assets and liabilities

In thousands of CZK	Within 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No specification	Total
As at 31 December 2019						
Due from banks	116,731	-	-	-	-	116,731
Due from customers	20,183	138,757	1,993,778	-	-	2,152,718
Equity interests with controlling influence	-	-	-	-	1,077,947	1,077,947
Total	136,914	138,757	1,993,778	-	1,077,947	3,347,396
Other liabilities	80,160	-	-	-	23,385	103,545
Due to customers	-	-	31,301	-	-	31,301
Provisions	-	1,363	-	-	-	1,363
Equity	-	-	-	-	3,211,187	3,211,187
Total	80,160	1,363	31,301	-	3,234,572	3,347,396
Gap	56,754	137,394	1,962,477	-	-2,156,625	-
Cumulative gap	56,754	194,148	2,156,625	2,156,625	-	-

In thousands of CZK	Within 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No specification	Total
As at 31 December 2018						
Due from banks	33,865	-	-	-	-	33,865
Due from customers	-	19,314	753,376	803,124	-	1,575,814
Equity interests with controlling influence	-	-	-	-	912,098	912,098
Total	33,865	19,314	753,376	803,124	912,098	2,521,777
Other liabilities	36,013	218	-	-	10,925	47,156
Provisions	-	742	-	-	-	742
Equity	-	-	-	-	2,473,879	2,473,879
Total	36,013	960	-	-	2,484,804	2,521,777
Gap	-2,148	18,354	753,376	803,124	-1,572,706	-
Cumulative gap	-2,148	16,206	769,582	1,572,706	-	-

The above tables represent the residual maturity of the carrying amounts of individual financial instruments, not all the cash flows arising from these instruments.

(c) Interest rate risk

The sub-fund recognised in its assets fixed interest receivables from non-bank entities of CZK 2,153 million (31 December 2018: CZK 1,576 million). The interest rates on these receivables are significantly above the two-week repo rate set by the Czech National Bank. In the near future, a significant increase in the interest rates that would mean an increase in potential opportunity cost, is not expected. Interest rate risk is considered insignificant.

(d) Currency risk

The currency risk means that the value of monetary assets and liabilities could be affected by a change in the exchange rate. Mismatch on the asset and liability sides may affect cash flows.

Foreign currency position of the Sub-Fund

In thousands of CZK	EUR	CZK	Total
As at 31 December 2019			
Due from banks	1,931	114,800	116,731
Due from customers	1,499,945	652,773	2,152,718
Total	1,501,876	767,573	2,269,449
Provisions	-	1,363	1,363
Due to customers	-	31,302	31,302
Other liabilities	-	103,545	103,545
Equity	2,573,568	637,619	3,211,187
Total	2,573,568	773,828	3,347,396
Net currency position	-1,071,692	-6,255	-1,077,947

In thousands of CZK	EUR	CZK	Total
As at 31 December 2018			
Due from banks	15,082	18,783	33,865
Due from customers	1,175,636	400,178	1,575,814
Total	1,190,718	418,961	1,609,679
Other liabilities	-	742	742
Provisions	55	47,101	47,156
Equity	2,112,440	361,439	2,473,879
Total	2,112,495	409,282	2,521,777
Net currency position	-921,777	9,679	-912,098

(e) Credit risk

The Sub-Fund is exposed to credit risk due to its business activity, lending, hedging and investment activities. Credit risks associated with the Sub-Fund's trading and investment activities are managed through the Sub-Fund's market risk management methods and instruments.

Collateral assessment

For collateralization of its credit claims, the Sub-Fund considers as an acceptable collateral the following: cash; securities; creditworthy receivables; bank guarantee; third-party creditworthy guarantee; real estate; machinery and equipment.

The existing receivables arising from loans granted to non-bank entities are not secured by any of the above types of collateral, due to the fact that the borrower is 100 % owned by the lender, which as a controlling entity controls all risks, if any, which might occur on the side of the borrower and lead to impairment of receivables.

(f) Operational, legal and other risks

Management of operational, legal and other risks is regulated by the Sub-Fund's Statute and internal regulations. All Sub-Fund's investments are executed in accordance with the applicable Sub-Fund's Statute and subject to the control by the depositary, which was for the whole period of 2019 and 2018 UniCredit Bank Czech Republic and Slovakia, a. s.

20. SUBSEQUENT EVENTS

In December 2019, a new coronavirus (SARS-CoV-2) was detected in Wuhan, China. By the end of February 2020, there had been confirmed local transmission of the disease in several countries, including Europe. After the balance sheet date, i.e. after 31 December 2019, many business and economic activities were disrupted due to the global spread of coronavirus causing the respiratory disease COVID-19. Due to the reduction of economic activity worldwide, there was also a slowdown in the financial markets and thus a potential impact on the performance of funds managed by REDSIDE investiční společnost, a.s. The Company considers the outbreak of a global coronavirus pandemic to be a subsequent event after the balance sheet date that does not result in an adjustment to the financial statements. The extent of the global recession and economic downturn cannot yet be well estimated, as the various constraints are constantly changing and their duration is prolonging.

Among others, economic policy seeks to respond to negative developments. Representatives of European countries have declared their determination to coordinate steps to mitigate the negative effects of coronavirus infection on the economy. The International Monetary Fund announced the activation of up to USD 1 trillion. It is clear that not only governments, but also supranational institutions are preparing to provide the necessary support. In addition to fiscal support, central banks also contributed to the rescue. They seek to prevent a liquidity crisis that arises in similarly tense situations. At the same time, they create room for support from fiscal policy. It is also likely that in this extraordinary situation, banks will allow companies to defer interest and principal payments.

However, due to the fact that the coronavirus situation is unstable and is evolving very dynamically worldwide, it is not possible to estimate the potential impact on the Company and the funds it manages.

Real estate within the NOVA Real Estate fund's portfolio is leased on the basis of long-term leases. From the fund's point of view, the situation is legally relatively clear. In the case of the general closure of offices or commercial premises by a decision of the administrative body, it will be a breach of the landlord's obligation to allow tenants to use the premises, but for reasons beyond the landlord's control. It is therefore not a defect of the subject of the lease; the tenant cannot claim a discount on rent. On the contrary, he will be obliged to continue to pay the rent if there are delays in the payment of rents, then in the short or medium term it is not a big risk, as all leases are secured either in the form of a cash advance or a bank guarantee for the lease, always in the amount of 3 monthly rents.

The financial statements
were prepared on:

30 April 2020

Stamp
and signature:



Rudolf Vřešťál
Authorised representative

Person responsible
for accounting

Name and signature



Karel Krhovský
Authorised representative

Phone no.: 222 500 758

Person responsible
for accounting

Name and signature



Šárka Burgetová
Head of Finance

Phone no.: 222 500 757



Karel Krhovský
Authorised representative



Report on relations

Report on relations

between the Controlling Party and the Controlled Party and between the Controlled Party and the Parties Controlled by the same Controlling Party pursuant to Section 82 of Act No. 90/2012 Coll., the Business Corporations Act, as amended.

I. Introductory provisions

1. The relevant period

This report is prepared for the accounting period from 1 January 2019 to 31 December 2019 (hereinafter referred to as „the reporting period“ or „reference period“).

2. Company name and registered office

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s., with its registered office at Prague 1 - Nové Město, V Celnici 1031/4, Postcode 110 00, Company ID: 043 31 869, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 20886 (hereinafter referred to as „NOVA Real Estate“ or „Controlled Party“).

3. Statutory body

The statutory body of the Company at the end of the reporting period was statutory director:

REDSIDE investiční společnost, a.s., with its registered office at Prague 1 - Nové Město, V Celnici 1031/4, Postcode 110 00, Company ID: 242 44 601, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362 (hereinafter referred to as „REDSIDE investiční společnost, a.s.“ or „Controlling party“).

In the exercise of the functions represented by the authorized representatives:

Rudolf Vřešťál, born 22.2.1977, Prague 3, Žižkov, Prokopova 2849 / 2a, Postcode 130 00;

and

Ing. Karel Krhovský, born 25 July 1987, No. 265, 687 64 Slavkov,

whereas each of the authorized representative is authorized to act for the statutory director separately.

4. Shareholders and shares

At the end of the reporting period, the only shareholder owning 100% of the founding shares was:

REDSIDE investiční společnost, a.s. - a shareholder owning 20 pieces of ordinary registered shares in paper form.

II. Related parties

1. Controlling Parties

REDSIDE investiční společnost, a.s.

This relationship is considered as a relationship between the Controlling and the Controlled Party, as REDSIDE investiční společnost, a.s. was the sole shareholder of NOVA Real Estate in the reporting period.

RVR Czech, s.r.o., with its registered office in Prague 1, V Celnici 1031/4, Postcode 110 00, Company ID: 243 00 136, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 194393 (hereinafter referred to as „RVR Czech, s.r.o.“)

The legal reason for considering the relationship as a relationship between the Controlling and the Controlled Party is that RVR Czech, s.r.o. was the majority shareholder of REDSIDE investiční společnost, a.s. in the reference period and could through REDSIDE investiční společnost, a.s. exercise an indirect influence on the Controlling Party.

Rudolf Vřešťál, born 22.2.1977, Prague 3, Žižkov, Prokopova 2849/2a, Postcode 130 00

This relationship is considered as a relationship between the Controlling and the Controlled Party, given that Rudolf Vřešťál was the sole shareholder of RVR Czech, s.r.o. in the reporting period and through RVR Czech, s.r.o. and REDSIDE investiční společnost, a.s. could have an indirect influence on the Controlled Party

(REDSIDE investiční společnost, a.s., RVR Czech, s.r.o. a Rudolf Vřešťál also as „Controlling entities“).

2. Parties Controlled by the same Controlling Party (also referred to as „Related Parties“)

Related parties in the reporting period were:

BAZ Czech, a.s., with its registered office in Prague 1, V Celnici 1031/4, Postcode 110 00, Company ID: 282 04 298, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 13047 (hereinafter „BAZ Czech, a.s.“).

The relationship between the Controlled Party and BAZ Czech, a.s. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period

ASB Prague, s.r.o., the company was dissolved as a result of a merger with ASB Accounting, s.r.o. (after the merger, newly ASB Czech Republic, s.r.o.), with its registered office in Prague 1, V Celnici 1031/4, Postcode 110 00, Company ID: 272 15 849 as the successor company. ASB Prague, s.r.o. (hereinafter referred to as „ASB Prague“) was deleted from the Commercial Register as of the date of entry of the merger in the Commercial Register as at 1.10.2019.

The relationship between the Controlled Party and ASB Prague was considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period the only shareholder of ASB Prague was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Prague.

ASB Czech Republic, s.r.o., with its registered office at V Celnici 1031/4, Prague 1, Postcode 110 00, Company ID: 272 15 849, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 105100 (hereinafter „ASB Czech Republic“).

The relationship between the Controlled Party and ASB Czech Republic is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period the only shareholder of ASB Czech Republic was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Czech Republic.

ASB Czech SC, s.r.o., with its registered office at V Celnici 1031/4, Prague 1, Postcode 110 00, Company ID: 242 01 235, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 188113 (hereinafter referred to as „ASB Czech“).

The relationship between the Controlled Party and ASB Czech is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period the only shareholder of ASB Czech was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Czech.

ASB HR Services Sp. z o.o., with its registered office at Zlota 59, 00-120 Warsaw, Republic of Poland, KRS: 0000414060 (hereinafter referred to as „ASB HR“).

The relationship between the Controlled Party and ASB HR is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB HR, whose majority shareholder was ASB Poland Sp. z o.o., whose majority shareholder was BAZ Czech, in the reference period.

ASB Hungary Kft, with its registered office at Andrásy út 100. 3. em. 1062, Budapest, Hungary, CA: 26369420242 (hereinafter referred to as „ASB Hungary“).

The relationship between the Controlled Party and ASB Hungary is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period the only shareholder of ASB Hungary was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Hungary.

ASB Poland Sp. z o.o., with its registered office at Zlota 59, Warsaw, Republic of Poland, KRS number: 0000296560 (hereinafter referred to as "ASB Poland Sp. z o.o.")

The relationship between the Controlled Party and ASB Poland Sp. z o.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Poland Sp. z o.o., whose majority shareholder was BAZ Czech, in the reference period.

ASB Poland SC Sp. z o.o., with its registered office at Zlota 59, Warsaw, Republic of Poland, KRS number: 0000300061 (hereinafter referred to as "ASB Poland SC").

The relationship between the Controlled Party and ASB Poland SC is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Poland SC, whose majority shareholder was BAZ Czech, a.s. in the reference period.

ASB Slovakia, s.r.o., with its registered office in Laurinská 18, 811 01 Bratislava, Company ID: 366 65 061, registered in the Commercial Register maintained by the District Court Bratislava I, Section Sro, Insert 41924 / B (hereinafter referred to as "ASB Slovakia").

The relationship between the Controlled Party and ASB Slovakia is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that BAZ Czech, a.s. was a majority shareholder of ASB Slovakia, s.r.o. in the reference period, whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Slovakia.

ASB Slovakia Tax, k.s., with its registered office in Laurinská 18, 811 01 Bratislava, Company ID: 502 83 596, registered in the Commercial Register maintained by the District Court Bratislava I, Insert 1608/B (hereinafter referred to as "ASB Slovakia Tax").

The relationship between the Controlled Party and ASB Slovakia Tax is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Slovakia Tax, whose general partner in the reference period was ASB Slovakia, whose majority shareholder was BAZ Czech, a.s. in the reference period.

ASB Tax Sp. z o.o., with its registered office at Zlota 59, 00-120 Warsaw, Republic of Poland, KRS number: 0000423733 (hereinafter referred to as "ASB Tax").

The relationship between the Controlled Party and ASB Tax is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Tax, whose majority shareholder in the reference period was ASB Poland Sp. z o.o., whose sole shareholder was BAZ Czech, a.s. in the reference period.

Hunter ASB s.r.o., dissolution of a company with liquidation effective as at 13.2.2019 on the basis of the decision of the General Meeting as at 13.2.2019. The Company Hunter ASB s.r.o. in liquidation was deleted from the Commercial Register on 20.12.2019 due to the completion of the liquidation of the company (hereinafter referred to as "Hunter ASB").

The relationship between the Controlled Party and Hunter ASB is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on Hunter ASB, whose shareholder was BAZ Czech, a.s. with a business share of 50% in the reference period.

Hunter ASB Sp. z o.o., with its registered office at Zlota 59, 00-120 Warsaw, Republic of Poland, KRS number: 0000378002 (hereinafter referred to as „Hunter Poland”).

The relationship between the Controlled Party and Hunter Poland is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on Hunter Poland, whose shareholder with a business share of 50% in the reference period was ASB Poland Sp. z o.o., whose sole shareholder was BAZ Czech, a.s. in the reference period.

MXD Czech, s.r.o., with its registered office at V Celnici 1031/4, Nové Město, Postcode 110 00, Prague 1, Company ID: 035 20 005, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 232923 (hereinafter referred to as “MXD”).

The relationship between the Controlled Party and MXD is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on MXD, whose sole shareholder in the reference period was ASB Czech SC, s.r.o., whose sole shareholder was BAZ Czech, a.s. in the reference period.

Paříkova Property, s.r.o., with its registered office at V Celnici 1031/4, Nové Město, Postcode: 110 00 Prague 1, Company ID: 054 81 953, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 264411 (hereinafter referred to as “Paříkova Property”).

The relationship between the Controlled Party and Paříkova Property is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on Paříkova Property, whose sole shareholder was BAZ Czech, a.s. in the reference period.

REDSIDE Investments a.s., with its registered office at V Celnici 1031/4, Nové Město, Postcode: 110 00 Prague, Company ID: 071 87 939, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 23499 (hereinafter referred to as “REDSIDE Investments”).

The relationship between the Controlled Party and REDSIDE Investments is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that the sole shareholder of REDSIDE Investments in the reference period was RVR Czech, whereas Rudolf Vřešťál, as a Controlling Party, was a sole shareholder of RVR Czech, s.r.o. and as a Controlling Party could also exercise indirect influence on REDSIDE Investments.

RSFA, a.s., with its registered office at V Celnici 1031/4, Nové Město, Postcode: 110 00 Prague 1, Company ID: 085 79 440, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 24759 (hereinafter referred to as “RSFA”).

The relationship between the Controlled Party and RSFA is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that 45% of the shareholder of RSFA in the reference period was RVR Czech, s.r.o., whereas Rudolf Vřešťál, as a Controlling Party, was a sole shareholder of RVR Czech, s.r.o. and as a Controlling Party could also exercise indirect influence on RSFA.

Taxplan Fiscal Representation Sp. z o.o., with its registered office at Zlota 59, 00-120 Warsaw, Republic of Poland, KRS number: 0000319538 (hereinafter referred to as „Taxplan”).

The relationship between the Controlled Party and Taxplan is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on Taxplan, whose sole shareholder in the reference period was ASB Poland Sp. z o.o., whose sole shareholder was BAZ Czech, a.s. in the reference period.

TC VENTURES, s.r.o. with its registered office at Krásova 1027, Postcode: 130 00 Prague 3, Company ID: 257 77 581, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 69330 (hereinafter referred to as "TC VENTURES").

The relationship between the Controlled Party and TC VENTURES, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the company in the reference period.

UnitedData a.s., with its registered office at V Celnici 1031/4, Nové Město, Postcode: 110 00 Prague 1, Company ID: 042 01 094, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 20769 (hereinafter referred to as "UnitedData").

The relationship between the Controlled Party and UnitedData is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on UnitedData, whose shareholder on 44% was BAZ Czech, a.s in the reference period.

White Express s.r.o., with its registered office at V Celnici 1031/4, Nové Město, Postcode: 110 00 Prague 1, Company ID: 043 78 059, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 246673 (hereinafter referred to as "White Express").

The relationship between the Controlled Party and White Express, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 100% business share in the company in the reference period.

NOVA Money Market, investiční fond s proměnným základním kapitálem, a.s., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 046 99 017, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 21276 (hereinafter referred to as „NOVA Money Market“).

The relationship between the Controlled Party and NOVA Money Market is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that the Controlling Party is a shareholder owning 100% of the founding shares of NOVA Money Market. Rudolf Vřešťál and the Company RVR Czech, s.r.o could also through the Controlled Party exercise indirect influence on NOVA Money Market.

ARCA OPPORTUNITY, SICAV, a.s., with its registered office at V Celnici 1031/4, Nové Město, Postcode: 110 00 Prague 1, Company ID: 241 99 591, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 17785 (hereinafter referred to "ARCA OPPORTUNITY")

The relationship between the Controlled Party and ARCA OPPORTUNITY is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that the Controlling Party is a shareholder owning 100% of the founding shares of ARCA OPPORTUNITY. Rudolf Vřešťál and the Company RVR Czech, s.r.o could also through the Controlling Party exercise indirect influence on ARCA OPPORTUNITY.

The Controlling Party also performed the function of administrator and manager of the following funds in the reference period:

- NOVA Hotels open-ended investment fund, with its registered office at V Celnici 1031/4, Prague 1, Postcode: 110 00; and
- NOVA Green Energy open-ended investment fund, with its registered office at V Celnici 1031/4, Prague 1, Postcode: 110 00. NOVA Green Energy open-ended investment fund was transformed into a newly emerging fund NOVA Green Energy SICAV, a.s. in the reference period. With effect from 1.1.2020 according to the project of transformation of 12.12.2019 prepared by the administrator and manager of the mutual fund of the Company REDSIDE investiční společnost, a.s. within the meaning of § 414 et seq. Act No. 240/2013 Coll., on investment companies and investment funds, as amended.

After the accounting period ending on 31 December 2019, the Controlling Party Rudolf Vřešťál became the Controlling Party of SWISS FUNDS, a.s., with its registered office in Prague 1 - Nové Město, V Celnici 1031/4, Postcode: 110 00, Company ID: 054 21 721, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 21887, due to the fact that the sole shareholder of SWISS FUNDS, a.s. became the company RVR Czech, s.r.o.

3. Relationship between the Controlling Parties and the Controlled Party

a) Capital connection

The Controlling Party REDSIDE investiční společnost, a.s. owns 100% of the Controlled Party shares, RVR Czech, s.r.o. owns 90.48% of the REDSIDE investiční společnost, a.s. shares and Rudolf Vřešťál owns 100% of the shares in RVR Czech, s.r.o.

b) Personal connection

The Controlled Party and the Controlling Party are also connected personally, whereas Rudolf Vřešťál is an Authorised Representative of the statutory director REDSIDE investiční společnost, a.s in the Controlled Party, Chairman of the Board of Directors of REDSIDE investiční společnost, a.s and an Executive and the sole shareholder in RVR Czech, s.r.o.

III. The role of the Controlled party, methods and means of control

The Controlled party was in the reporting period the object of direct control of the Controlling party REDSIDE investiční společnost, a.s., whereas the Controlled Party carries out the activities of the fund of qualified investors according to the provisions § 95 paragraph. 1 a) of a Law no. 240/2013 Coll., on investment companies and investment funds, as amended. The Controlling Party also performs the function of the Administrator and Manager of the Controlled Party.

The Controlling Party REDSIDE investiční společnost, a.s. owned 100% of the Controlled Party shares in the reporting period. The Controlling Party RVR Czech, s.r.o. was a major shareholder of the REDSIDE investiční společnost, a.s. in the reporting period and through REDSIDE investiční společnost, a.s could have an indirect influence on the Controlled Party. The Controlling Party Rudolf Vřešťál in the reporting period owned 100% of the RVR Czech, s.r.o. shares and through RVR Czech, s.r.o. and REDSIDE investiční společnost, a.s. could have an indirect influence on the Controlled Party.

In addition to the above exercise of voting rights associated with the shares of the Controlling Party in the Controlled Party, the Controlling Party acted as the Statutory Director of the Controlled Party, whereas Rudolf Vřešťál acted as an Authorized Representative of the Statutory Director of the Controlled Party.

IV. Contracts and Agreements concluded between the Controlled Party and the Controlling Parties or the Related Parties, and provided performance

In the reporting period, the following contracts were effective between the Controlling Parties and the Controlled Party or between the Controlled Party and the Related Parties:

- Agreement on the performance of the function of the statutory director of NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s. of 20.8.2015 between the Controlling Party as the Statutory Director and NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.;
- Amendment #1 dated 29.3.2019 to the agreement on the performance of the function of the Statutory Director of NOVA Real Estate, investiční fond s proměnným základním kapitálem, concluded on 20.8.2015;
- Agreement on entrusting another with the performance of an individual activity, which includes the administration of an investment fund between the Controlling Party as an administrator and ASB Accounting, s.r.o as provider of 1.1.2015.

V. Legal acts made in the reporting period that were made at the instigation of or in the interest of the Controlling Parties or the Related Parties, if such an act concerned assets exceeding 10% of the company's equity of Controlled Parties ascertained according to the latest financial statements

In the reference period, the Controlled Party did not, at the instigation or in the interest of the Controlling Parties or the Related Parties, carry out any transactions in respect of assets that exceed 10% of the Company's Controlled capital, as determined by the latest financial statements.

VI. Conclusion

1. In the reference period the Controlled Party has not been subjected to any material or financial detriment by the Controlling Parties or the Related Parties as a result of contractual relations with the Controlling Parties or the Related Parties or any other legal acts or other actions taken or received in the interest or at the instigation of the Controlling Parties or the Related Parties.

2. The advantage of including the Controlled Entity in the described business group is the benefit from the synergies of the group's activities and the use of the activities of other companies within the group. Possible disadvantage is the more demanding administrative and organizational structure of the group. After an overall assessment of the impact of the company's inclusion in the business group, the benefits prevail. The described potential risks and disadvantages are addressed at the level of control elements of individual group entities.

3. The Statutory Director of the Controlled Party declares that (i) it prepared this Report on relation based on all information available to it on the relations between the Controlling Party and the Controlled Party and between Controlled Party and Party Controlled by the same Controlling Party according to § 82 of the Commercial Corporations Act, (ii) this Report on relation is true according to the information available to it and (iii) it did not conceal any substantial facts which are known and which by law are to be the content of this report.

Prague, 31.3.2020



REDSIDE investiční společnost, a.s.,
Statutory Director
Rudolf Vřešťál, Authorized Representative