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Nova Real Estate



# Annual Report 2018

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# Key economics indicators

6,5

**mln. CZK**

INVESTMENT  
VOLUME IN PAST  
3 YEARS

18

NUMBER OF  
TRANSACTIONS  
IN PAST 3 YEARS

450

**mil. CZK**

NET OPERATING  
INCOME PER  
YEAR

8,65

**% p.a.**

NET FUND  
RETURN  
IN 2018

90+

NUMBER OF  
TENANTS  
IN 2018





# 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 – sub-fund 1 („Subfund“), 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 properties in the portfolio of the Sub-Fund represent a stable return resulting from long lease agreements which, at a time of low interest rates, significantly outperforms the returns of standard monetary market instruments, and to a large extent remain, by nature, suitable for conservative investors. Investment properties always have had a medium or rather long-term character, and it still does.

The target properties include regional shopping centres, major retail units, office buildings, or other opportunities related to the real estate market, such as industrial real estate. While preparing an assessment and evaluating the appropriateness of transactions in relation to the existing portfolio composition and its further development plan, the main consideration is the location, the duration of the lease agreement, and last but not least, a technical condition of the buildings. All those factors impact the properties liquidity and the profitability of future sales.

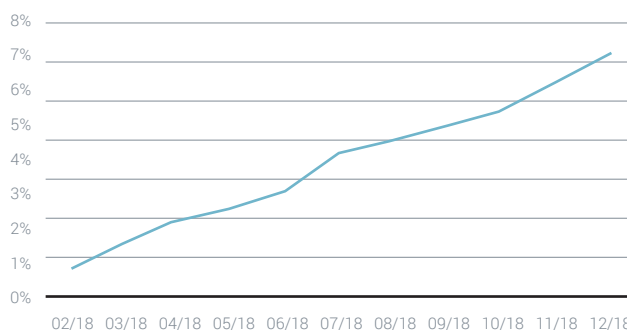
In first half of 2018, after due diligence procedures completed by the the Sub-Fund, the acquisition of regionally significant TESCO retail store in České Budějovice took place.



This transaction added new long-term lease agreement to the portfolio, contributing to time, industry and geographical diversification of the lease portfolio, making the portfolio return more stable over time and more resilient to potential adverse

market changes. Major leaseholders in our buildings include companies such as Google, Hochtief, Pfizer, Porsche, CEMEX and OBI.

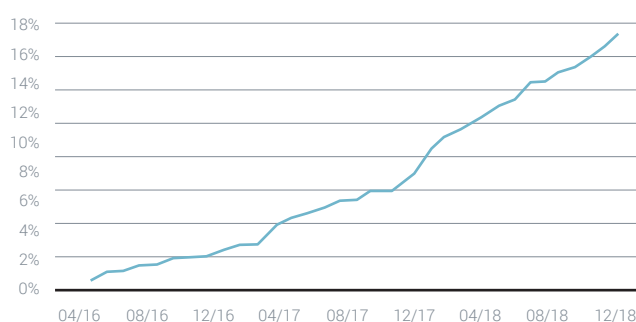
As at 31 December 2018 the NAV per one share of the CZK class Sub-Fund's investment shares amounted to CZK 1.0722. A graphical representation of the development of this value since the first assets were incorporated in the Sub-Fund is shown in the next chart.



In 2018, after deducting all operating and acquisition costs, we managed to increase the value of Sub-fund's shares by 8.65% year-on-year.

During 2018 (since 1 February 2018) also a CZK class of investment shares were introduced; In this way, investors can choose in which currency they want to enter the fund.

As at 31 December 2018 the NAV per one share of the EUR class Sub-Fund's investment shares amounted to EUR 5.4084. 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.



### Company's economic activities in 2018

During the year, the Sub-Fund continued with activities of collective investments in the Czech Republic, especially 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 Sub-Fund's economic activities closed in 2018 with a profit of CZK 44,355 ths. Profit was realized primarily in connection with investments in the real estate market.

Detailed information on the economic activities of the Sub-Fund is provided in the annual financial statements for the period from 1 January 2018 to 31 December 2018.

#### Audit of financial statements

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

#### Outlook for 2019

The value of the managed portfolio reached EUR 247 million at the end of 2018.

The target for 2019 is a modest 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. Targeted acquisitions of carefully selected commercial real estate will continue to diversify the portfolio within the selected investment strategy and further strengthen its return.

Currently there is ongoing due diligence procedure for one larger regional unit with supplies for handymen, with a long-term lease agreement. This acquisition should essentially replace the Avenir E office building sold in March 2019, which was located in Prague in Nové Butovice and its location was the only one that did not fit into our office portfolio. The sale was successful thanks to the appropriate market situation, efforts and investments in development that we have devoted to the building during its tenure.



These two steps will mean that the fund's portfolio will reach almost exactly the structure intended from the very beginning (50:50) of Prague offices and retail stores in the regions.

Beyond this fact we should note, that for further growth we are currently looking in whole CEE region for other types of investment assets as well. 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. In case of successful transactions, the volume of assets managed by the fund and its further diversification in relation to tenants would increase, as well as wider diversification of risk from a geographical market perspective. The results of these tenders are likely expected in the second half of 2019 considering the amount of related assets.

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 continue growth so that 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 or 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  
Authorised Representative





# Profile of NOVA Real Estate, investment fund

# Profile of NOVA Real Estate, investment fund

The decisive period for the purposes of this Annual Report is the accounting period from 1 January 2018 to 31 December 2018. This section of the Annual Report contains information on the administrative centre 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.
Short name:	NOVA Real Estate
Registered office:	V Celnici 1031/4, Prague 1, 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.

The license to establish an investment fund with variable registered capital was granted by the CNB's announcement dated 13 August 2015, reference No. 2015/088423/CNB/2015, which came into force on 20 August 2015.

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

The Fund is established for an indefinite period.

### Business activity:

The Fund is a fund of qualified investors pursuant the 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 2018

<b>Statutory Director</b>	<b>REDSIDE investiční společnost, a.s.</b>	
Authorized Representative	Rudolf Vřešťál	since 20 August 2015
Authorized Representative	Ing. Karel Krhovský	since 22 February 2018
<b>Board of Directors</b>		
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 2018 following changes were recorded in the Commercial Register:

- change on the positions of Member of the Board of Directors
- change on the position of Chairman of the Board of Directors
- change on the position of Authorized Representative of Statutory director.



### 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, 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 CNB 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 CNB 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

#### Main factors which affected the financial result of the Fund:

A true and comprehensive picture of the economic activities of the Fund is provided in the annual financial statements for the period from 1 January 2018 to 31 December 2018.

The result of Fund ended in 2018 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
<b>Total</b>		<b>20</b>	<b>100</b>

There was no change during the reporting period.

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

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

### 7. Persons acting in concert with Fund

In the 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, Prague 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 for Fund

In the decisive period, a securities dealer of the Fund was Arca Brokerage House, o.c.p. a.s., 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

### Statutory Director

Member of the Statutory Body did not received any consideration from the Fund.

### 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

### Statutory Director

The Statutory Body do not own any founder's shares of the Fund.

### Board of Directors

Members of the Board of Directors do not own any founder's 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, Prague 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 orientation 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	2018	2017
Wages and bonuses of members of the Board of Directors of the managing company	4,822	1,920
Other wages, personnel costs and employee bonuses	10,755	7,809
Social costs and health insurance	4,335	3,090
<b>Total personnel expenses of managing company</b>	<b>19,912</b>	<b>12,819</b>



In 2017 and 2018 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

	2018	2017
Average number of employees	12	11
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	2018	2017
Wages and bonuses of members of the Board of Directors of the managing company	4,822	1,920

### 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 31.12.2018:

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 of NOVA Real Estate, sub-fund 1

The decisive period for the purposes of this Annual Report is the accounting period from 1 January 2018 to 31 December 2018. This part of the Annual Report contains information on the administrative centre NOVA Real Estate Sub-Fund 1.

## 1. Basic information on Sub-Fund 1

Name:	NOVA Real Estate – podfond 1
NID:	8085331795
Short name:	NRE – PF1
Registered office:	V Celnici 1031/4, Prague 1, 110 00, Czech Republic
Shares:	registered investment shares in book-entry form without a nominal value
Net business assets:	CZK 2,473,879 ths.

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.

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.

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 December 2018

<b>Statutory Director</b>		<b>REDSIDE investiční společnost, a.s.</b>
Authorized Representative	Rudolf Vřešťál	since 20 August 2015
Authorized Representative	Ing. Karel Krhovský	since 22 February 2018
<b>Board of Directors</b>		
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 2018 following changes were recorded in the Commercial Register:

- change on the positions of Member of the Board of Directors
- change on the position of Chairman of the Board of Directors
- change on the position of Authorized Representative of Statutory director.

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

Basic information:	<b>REDSIDE investiční společnost, a.s.</b> , 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 to grant a licence:	Decision of the CNB 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 CNB 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

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

A true and comprehensive picture of the economic activities of the Sub-Fund is provided in the annual financial statements for the period from 1 January 2018 to 31 December 2018.

Profit of the Sub-Fund for the year 2018 is CZK 44,355 ths. The profit of the Sub-Fund consists of accrued interest on subordinated loans to controlled parties. Furthermore, the equity was positively affected by the valuation gain on equity investments in controlled parties.

### 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 persons in which Sub-Fund had a qualified ownership interest

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 Avenir s.r.o.	04 485 751	210	100
NRE Vyšehrad Victoria s.r.o.	04 485T 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
<b>Total</b>		<b>5,380</b>	

## 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, Prague 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 Arca Brokerage House, o.c.p., a.s., 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

### Statutory Director

The Statutory Body did not received any consideration from the Sub-Fund.

### 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

### Statutory Director

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

### 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, Prague 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 orientation 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	2018	2017
Wages and bonuses of members of the Board of Directors of the managing company	4,822	1,920
Other wages, personnel costs and employee bonuses	10,755	7,809
Social costs and health insurance	4,335	3,090
<b>Total personnel expenses of the managing company</b>	<b>19,912</b>	<b>12,819</b>

In 2017 and 2018, 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

	2018	2017
Average number of employees	12	11
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	2018	2017
Wages and bonuses of members of the Board of Directors of managing company	4,822	1,920

#### 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.

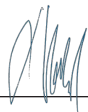
## 21. Equity of the Sub-Fund

### Fund's capital as at 31. 12. 2018

Fund's capital	CZK 2,473,879 ths.
Number of issued investment shares EUR class	15,183,088 pcs
Number of issued investment shares CZK class	337,099,427 pcs
Fund's capital per 1 share /CZK class	CZK 1.0722
Fund's capital per 1 share /EUR class	CZK 139.1311

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 15 April 2019



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



## ***Independent auditor's report***

**to the shareholders of fund 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 Standards, which comprise the statement of financial position as at 31 December 2018, the statements of income and changes in equity for the year then ended, 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 2018, of its financial performance for the year then ended in accordance with Czech Accounting Standards.

### ***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 Company 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 thereon. 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
- 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 International Financial Reporting Standards as adopted by the European Union 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.

*PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic  
T: +420 251 151 111, F: +420 251 156 111, [www.pwc.com/cz](http://www.pwc.com/cz)*

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Evidence No 021.





**Shareholder of fund NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.  
Independent auditor's report**

In preparing the financial statements, the Board of Directors 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..
- 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.

15 April 2019

  
represented by partner



Petr Kříž  
Statutory Auditor, Evidence No. 1140



# Financial statements NOVA Real Estate, investment fund

**NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.**  
**Financial statements for the year ended 31 December 2018**

Identification No.: 04331869

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

Date of preparation of the financial statements: 15 April 2019

**Balance sheet**

**As at 31 December 2018**

In thousands of CZK	Note	31. 12. 2018	Corrected 31. 12. 2017
<b>ASSETS</b>			
3 Due from banks – repayable on demand	7	1,754	445
4 Due from customers – other receivables	8, 13	299	1,551
<b>Total assets</b>		<b>2,053</b>	<b>1,996</b>
<b>LIABILITIES</b>			
4 Other liabilities	9	132	75
8 Share capital – fully paid	10	2,000	2,000
14 Accumulated losses	13	(79)	(79)
15 Profit or loss for the period	13	-	-
<b>Total liabilities</b>		<b>2,053</b>	<b>1,996</b>
<b>OFF-BALANCE SHEET</b>			
<b>Off-balance sheet assets</b>			
15 Assets under management	11, 13	1,921	1,921



## Income statement

for the year ended 31 December 2018

In thousands of CZK	Note	2018	Corrected 2017
1 Other operating income	13	128	126
5 Fee and commission expense		(9)	(8)
6 Gains or losses on financial activities		(6)	-
9 Administrative expense – other	5	(113)	(118)
<b>19 Profit/loss on ordinary activities before tax</b>	<b>13</b>	<b>-</b>	<b>-</b>
23 Income tax		-	-
<b>24 Net profit/loss for the accounting period</b>		<b>-</b>	<b>-</b>

## Statement of changes in equity

for the year ended 31 December 2018

In thousands of CZK	Note	Registered capital	Corrected Accumulated losses	Corrected Total
<b>Balance as at 1. 1. 2017</b>	<b>13</b>	<b>2,000</b>	<b>(79)</b>	<b>1,921</b>
Net profit/loss for the accounting period	13	-	-	-
<b>Balance as at 31. 12. 2017</b>	<b>13</b>	<b>2,000</b>	<b>(79)</b>	<b>1,921</b>
Net profit/loss for the accounting period		-	-	-
<b>Balance as at 31. 12. 2018</b>		<b>2,000</b>	<b>(79)</b>	<b>1,921</b>

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 (1) (a) of the Act, which allows the Fund to create sub-funds in accordance with Section 165 (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 which 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, 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 June 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,
- calculating the current value of the Sub-Funds' units;
- 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 2018

##### 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

At the end of the reporting period, the main shareholders were:

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

#### Changes in the Commercial Register

In 2018 following changes were recorded in the Commercial Register:

- change on the position of Member of Board of Directors
- change on the position of Member of Supervisory Board.

## 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 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:

### 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 the 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.

### Receivables

Receivables initially incurred by the Fund 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 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”.



### 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:

- There is an obligation (legal or constructive) to fulfill as a result of past events,
- 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%,
- The amount of such fulfillment can be reliably estimated.

### 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“.

### Value added tax

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

### 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.

### Related parties

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

- 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.

### Cash and cash equivalents

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

#### 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, see Note 13 for a prior period correction.

#### 5. Administrative expenses

In thousands of CZK	2018	2017
Audit fee	78	74
Other administrative expenses	35	44
<b>Total</b>	<b>113</b>	<b>118</b>

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	2018	2017
<b>Assets</b>		
Receivables due from customers - other	299	1,551
<b>Income</b>		
Other operating income	128	126

#### 7. Due from banks

In thousands of CZK	31. 12. 2018	31. 12. 2017
Current accounts (nostro accounts)	1,754	445
<b>Net receivables from banks</b>	<b>1,754</b>	<b>445</b>

#### 8. Due from customers

In thousands of CZK	31. 12. 2018	Corrected 31. 12. 2017
Loans granted to own sub-fund	-	1,300
Other receivables	299	251
<b>Net receivables from customers</b>	<b>299</b>	<b>1,551</b>

## 9. Other liabilities

In thousands of CZK	31. 12. 2018	31. 12. 2017
Trade payables and other creditors	54	2
Estimated payables	78	73
<b>Total</b>	<b>132</b>	<b>75</b>

## 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 the Investment company.

## 11. Assets under management

In thousands of CZK	31. 12. 2018	Corrected 31. 12. 2017
Cash	1,754	445
Due from customers	299	1,551
Other liabilities	(132)	(75)
<b>Total</b>	<b>1,921</b>	<b>1,921</b>

## 12. Financial instruments

### 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.

### 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 2018 and 2017, 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
<b>As at 31 December 2018</b>					
Due from banks	1,754	-	-	-	1,754
Due from customers	299	-	-	-	299
<b>Total</b>	<b>2,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,053</b>
Other liabilities	132	-	-	-	132
Equity	-	-	-	1,921	1,921
<b>Total</b>	<b>132</b>	<b>-</b>	<b>-</b>	<b>1,921</b>	<b>2,053</b>
<b>Gap</b>	<b>1,921</b>	<b>-</b>	<b>-</b>	<b>(1,921)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>1,921</b>	<b>1,921</b>	<b>1,921</b>	<b>-</b>	<b>-</b>

In thousands of CZK	Corrected Within 3 months	Corrected From 3 months to 1 year	Corrected Over 1 year	Corrected Not specified	Corrected Total
<b>As at 31 December 2017</b>					
Due from banks	445	-	-	-	445
Due from customers	251	1,300	-	-	1,551
<b>Total</b>	<b>696</b>	<b>1,300</b>	<b>-</b>	<b>-</b>	<b>1,996</b>
Other liabilities	75	-	-	-	75
Equity	-	-	-	1,921	1,921
<b>Total</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>1,921</b>	<b>1,996</b>
<b>Gap</b>	<b>621</b>	<b>1,300</b>	<b>-</b>	<b>(1,921)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>621</b>	<b>1,921</b>	<b>1,921</b>	<b>-</b>	<b>-</b>

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

**Interest rate risk**

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

**Currency risk**

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

**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.

#### 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. Corrections of comparative figures

In thousands of CZK	Before correction	After correction
<b>Balance sheet</b>		
Assets		
Due from customers – other receivables	1,344	1,551
Liabilities		
Accumulated losses	(160)	(79)
Loss for the period	(126)	-
<b>Income statement</b>		
Other operating income	-	126
Loss for the accounting period from ordinary activities before tax	(126)	-

In 2018, the Fund has corrected a material accounting error, which was substantially and timely related to the year 2016 (CZK 81 ths.) and year 2017 (CZK 126 ths.). The error represents an omitted re-invoicing of 2016 and 2017 costs to the sub-fund, which was performed and accounted for in 2018.

### 14. Subsequent events

At the time of the preparation of the financial statements, the management of the Fund is not aware of any significant subsequent events that would affect the financial statements as at 31 December 2018.

The financial statements  
were prepared on:

15 April 2019

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:

  
\_\_\_\_\_  
Rudolf Vřešťál  
Authorized representative

phone no.: 224 931 360

## ***Independent auditor's report***

**to the shareholders of sub-fund 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 sub-fund 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 Standards, which comprise the statement of financial position as at 31 December 2018, the statements of income and changes in equity for the year then ended, 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 2018, of its financial performance for the year then ended in accordance with Czech Accounting Standards.

### *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 Company 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 thereon. 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:

- 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 International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary



**Shareholder of sub-fund NOVA Real Estate – sub-fund 1 of fund NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.**  
**Independent auditor's report**

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 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..
- 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.

15 April 2019

  
represented by partner



Petr Kříž

Statutory Auditor, Evidence No. 1140

# Financial statements NOVA Real Estate, sub-fund 1



**NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.**  
**NOVA Real Estate – podfond 1**  
**Financial statements for the period ended 31 December 2018**

Identification No.: 71508651

Business activity: The activity of an investment fund pursuant to Act No. 240/2013 Coll.

Date of preparation of the financial statements: 15 April 2019

**Balance sheet**

**As at 31 December 2018**

In thousands of CZK	Note	31. 12. 2018	31. 12. 2017
<b>ASSETS</b>			
3 Due from banks – repayable on demand	9	33,865	1,242
4 Due from customers – other receivables	10	1,575,814	1,330,876
8 Equity interests with controlling influence	11	912,098	627,047
<b>Total assets</b>		<b>2,521,777</b>	<b>1,959,165</b>
<b>LIABILITIES</b>			
2 Due to customers – other		-	1,300
4 Other liabilities	12	47,156	31,096
6 Provisions for taxes	13	742	2,285
12 Capital funds	14, 15	2,155,511	1,790,909
13 Revaluation reserve		207,478	67,040
Of which: a) revaluation reserve on assets and liabilities		-	(16,791)
b) revaluation reserve on equity interest		207,478	83,831
14 Retained earnings from previous periods		66,535	15,419
15 Profit for the accounting period		44,355	51,116
<b>Total liabilities</b>		<b>2,521,777</b>	<b>1,959,165</b>
<b>OFF-BALANCE SHEET</b>			
<b>Off-balance sheet assets</b>			
15 Assets under management	18	2,473,879	1,924,483

## Income statement

for the year ended 31 December 2018

In thousand of CZK	Note	2018	2017
1 Interest income and similar income	5	108,578	49,801
5 Fee and commission expenses		(24)	(23)
6 Gains or losses on financial operations	6	(4,603)	22,693
9 Administrative expenses – other	8	(57,112)	(18,665)
<b>19 Profit before tax</b>		<b>46,839</b>	<b>53,806</b>
23 Income tax	17	(2,483)	(2,690)
<b>24 Net profit for the accounting period</b>		<b>44,356</b>	<b>51,116</b>

## Statement of changes in equity

for the year ended 31 December 2018

In thousands of CZK	Share premium	Capital funds	Revaluation reserve	Retained earnings	Total
<b>Balance as at 1. 1. 2017</b>	<b>906,535</b>	<b>261,288</b>	<b>66,033</b>	<b>15,418</b>	<b>1,249,274</b>
Revaluation differences not included in net profit	-	-	1,007	-	1,007
Net profit for the period	-	-	-	51,116	51,116
Transfer to capital funds	(906,535)	906,535	-	-	-
Shareholders contributions	-	623,086	-	-	623,086
<b>Balance as at 31. 12. 2017</b>	<b>-</b>	<b>1,790,909</b>	<b>67,040</b>	<b>66,534</b>	<b>1,924,483</b>
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
<b>Balance as at 31. 12. 2018</b>	<b>-</b>	<b>2,155,511</b>	<b>207,478</b>	<b>110,890</b>	<b>2,473,879</b>

The accompanying notes on pages 4 to 18 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 „CNB“) 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 2018, 15,183,088 pcs (2017: 15,137,500 pcs) of investment shares in book-entry form with a nominal value of EUR 1 and 337,099,427 (2017: nil) pcs of investment shares in book-entry form with a nominal value of CZK 1 were subscribed.

### 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, 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 June 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 CNB 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 2018

##### Board of Directors

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

##### Supervisory Board

Petra Rychnovská	Chairman of the Supervisory Board	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 2018, 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 2018 the following changes were recorded in the Commercial Register:

- changes in the position of member of Board of Directors,
- changes in the position of member of Supervisory Board.

## 2. Basis for preparation of 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 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 have been prepared in Czech 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. The financial statements of the Sub-Fund were prepared in accordance with the following important accounting policies:

### 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 the 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.



## 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:

- It is a majority shareholder, or
- It has a majority of voting rights on the basis of an agreement entered into with another shareholder or shareholders, or
- 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“.

## 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.

#### 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:

- There is an obligation (legal or constructive) to fulfil as a result of past events,
- 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%,
- The amount of such fulfilment can be reliably estimated.

#### 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“.

#### Value added tax

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

#### 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.

#### Leasing

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

#### 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 Sub-Fund
- c) the party is a joint venture in which the Sub-Fund is a joint venturer
- d) the party is a member of the key management of Sub-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 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.

#### Cash and cash equivalents

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

#### Items from a different accounting period and changes in accounting policies

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 the accounting policies in the current accounting period.

### 5. Interest income

In thousands of CZK	2018	2017
Interest income and similar income from loans	108,578	49,801
<b>Net interest income</b>	<b>108,578</b>	<b>49,801</b>

### 6. Gains or losses on financial operations

In thousands of CZK	2018	2017
Gains on foreign exchange operations	85,826	22,693
Loss on foreign exchange operations	(90,429)	-
<b>Total</b>	<b>(4,603)</b>	<b>22,693</b>

### 7. Administrative expenses

In thousands of CZK	2018	2017
Management fees	54,497	17,005
Depositary and custody fees	921	716
Audit, legal and tax advice fees	421	245
Other (expert opinions, translations, marketing)	1,273	699
<b>Total</b>	<b>57,112</b>	<b>18,665</b>

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 1.3% p.a. of the Sub-Fund's equity plus 30% of the achieved performance rate 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 (2017: CZK 653 thousand).

## 8. Related party transactions

In thousands of CZK	2018	2017
<b>Assets</b>		
Due from customers – other receivables from equity interests	1,569,831	1,330,876
Equity interests with controlling influence	912,098	627,047
<b>Liabilities</b>		
Due to customers – other payables	-	1,300
Other liabilities	2,775	17,653
<b>Income and expenses</b>		
Interest income and similar income from loans granted to entities with controlling influence	108,511	49,801
Administrative expenses – management fees and other	55,628	29,922

## 9. Due from banks

In thousands of CZK	31. 12. 2018	31. 12. 2017
Current accounts (nostro accounts)	33,865	1,242
<b>Net receivables from banks</b>	<b>33,865</b>	<b>1,242</b>

## 10. Due from customers

### Receivables from loans provided to entities with controlling interest

In thousands of CZK	31. 12. 2018	31. 12. 2017
Receivables from loans granted (including interest and exchange rate revaluation)	1,575,814	1,330,876
<b>Net receivables due from customers</b>	<b>1,575,814</b>	<b>1,330,876</b>

Loans are granted to subsidiaries at interest rate of 6-9% p.a. and are due between 2019-2024. 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.

## 11. Equity interests with controlling influence

In thousands of CZK

As at 31 December 2018

Company name	Share in equity	Acquisition cost	Fair Value
NRE Znojmo s.r.o. (formerly OPX Czech, s.r.o.)	100%	5,131	60,638
NRE Jablonec s.r.o. (formerly OUA Czech, s.r.o.)	100%	65,331	159,514
NRE Hradec s.r.o. (formerly OQT Czech, s.r.o.)	100%	101,331	224,409
NRE Avenir s.r.o. (see Note 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
OCCB a. s.	100%	105,434	98,747
NRE Kutil s.r.o.	100%	25,595	42,599
<b>Total</b>		<b>692,872</b>	<b>912,098</b>

In thousands of CZK

As at 31 December 2017

Company name	Share in equity	Acquisition cost	Fair Value
NRE Znojmo s.r.o. (formerly OPX Czech, s.r.o.)	100%	5,131	54,096
NRE Jablonec s.r.o. (formerly OUA Czech, s.r.o.)	100%	65,331	124,463
NRE Hradec s.r.o. (formerly OQT Czech, s.r.o.)	100%	101,331	175,378
NRE Avenir s.r.o.	100%	83,230	78,506
NRE North Point 17 s.r.o.	100%	50,578	53,771
NRE South Point 16 s.r.o.	100%	74,029	22,372
NRE Vyšehrad Victoria s.r.o.	100%	64,663	30,728
CXD Czech, s.r.o.	100%	55	-
NRE Smíchov Gate s.r.o.	100%	25,715	25,539
NRE Panorama s.r.o.	100%	26,486	26,306
NRE Penny 1 s.r.o.	100%	10,294	10,294
NRE Kutil s.r.o.	100%	25,594	25,594
<b>Total</b>		<b>532,437</b>	<b>627,047</b>



All equity interests with controlling influence has 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 7.25% 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 219,226 thousand, which is the difference between the fair value at balance sheet day and the cost (as at 31 December 2017: CZK 94,610 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 acquisition.

The investment to NRE Avenir s.r.o. have been sold on 6 March 2019. Its valuation reflects the selling price.

## 12. Other liabilities

In thousands of CZK	31. 12. 2018	31. 12. 2017
Trade payables and other creditors	7,556	18,600
Estimated payables	28,675	2,539
Deferred tax liability	10,925	9,957
<b>Total</b>	<b>47,156</b>	<b>31,096</b>

### 13. Income tax provisions

In thousands of CZK	31. 12. 2018	31. 12. 2017
Opening balance as at 1.1	2,285	812
Additions to provision in the amount of expected tax	205	2,285
Utilisation of tax provision	(1,748)	(812)
<b>Closing balance as at 31.12.</b>	<b>742</b>	<b>2,285</b>

### 14. Equity

In thousands of CZK	31. 12. 2018	31. 12. 2017
Equity in CZK class (in thousands of CZK)	361,439	-
Equity in EUR class (in thousands of CZK)	2,112,440	1,924,483
Equity in total (in thousands of CZK)	2,473,879	1,924,483
Number of issued investment shares CZK (pcs)	337,099,427	-
Number of issued investment shares EUR (pcs)	15,183,088	15,137,500
NAV per share (CZK)	1.0722	-
NAV per share (EUR)	139.1311	127.1335

The Sub-Fund's capital fund consists of investment shares. The Sub-Fund issued 337,145,015 pcs (2017: 5,467,340 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. 2018	31. 12. 2017
Revaluation of equity interest	218,403	93,788
Revaluation of receivables	-	(16,791)
Deferred tax liability from revaluations	(10,925)	(9,957)
<b>Total</b>	<b>207,478</b>	<b>67,040</b>

### 15. Retained earnings

The distribution of the profit earned in 2017 is presented in the Statement of Changes in Equity.

Profit for 2018 of CZK 44,356 thousand is proposed to be transferred to retained earnings.

## 16. Income tax and deferred tax liability

### Current income tax

In thousands of CZK	2018	2017
Profit before taxation	46,839	53,806
Tax base	46,839	53,806
<b>Tax calculated at the rate of 5%</b>	<b>2,483</b>	<b>2,690</b>

### Deferred tax

The deferred tax liability of CZK 10,925 thousand as at 31 December 2018 (as at 31 December 2017: CZK 9,957 thousand) represents 5% of the revaluation reserve recognized in the Sub-Fund's equity (Note 15).

## 17. Assets under management

In thousands of CZK	31. 12. 2018	31. 12. 2017
Cash	33,865	1,242
Equity interests with controlling influence	912,098	627,047
Due from customers	1,575,814	1,330,876
Due to customers	-	(1,300)
Provision for income tax	(742)	(2,285)
Other liabilities	(47,156)	(31,097)
<b>Total</b>	<b>2,473,879</b>	<b>1,924,483</b>

## 18. Financial instruments

### 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.

### 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 2018 and 2017 period, 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	From 1 to 5 years	Over 5 years	No specification	Total
<b>As at 31 December 2018</b>						
Due from banks	33,865	-	-	-	-	<b>33,865</b>
Due from customers	-	19,314	753,376	803,124	-	<b>1,575,814</b>
Equity interests with controlling influence	-	-	-	-	912,098	<b>912,098</b>
<b>Total</b>	<b>33,865</b>	<b>19,314</b>	<b>753,376</b>	<b>803,124</b>	<b>912,098</b>	<b>2,521,777</b>
Other liabilities	36,013	218	-	-	10,925	<b>47,156</b>
Provisions	-	742	-	-	-	<b>742</b>
Equity	-	-	-	-	2,473,879	<b>2,473,879</b>
<b>Total</b>	<b>36,013</b>	<b>960</b>	<b>-</b>	<b>-</b>	<b>2,484,804</b>	<b>2,521,777</b>
<b>Gap</b>	<b>(2,148)</b>	<b>18,354</b>	<b>753,376</b>	<b>803,124</b>	<b>(1,572,706)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(2,148)</b>	<b>16,206</b>	<b>769,582</b>	<b>1,572,706</b>	<b>-</b>	<b>-</b>

In thousands of CZK	Within 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	No specification	Total
<b>As at 31 December 2017</b>						
Due from banks	1,242	-	-	-	-	<b>1,242</b>
Due from customers	-	-	580,939	749,937	-	<b>1,330,876</b>
Equity interests with controlling influence	-	-	-	-	627,047	<b>627,047</b>
<b>Total</b>	<b>1,242</b>	<b>-</b>	<b>580,939</b>	<b>749,937</b>	<b>627,047</b>	<b>1,959,165</b>
Due to customers	-	1,300	-	-	-	<b>1,300</b>
Other liabilities	21,140	-	-	-	9,956	<b>31,096</b>
Provisions	-	2,285	-	-	-	<b>2,285</b>
Equity	-	-	-	-	1,924,484	<b>1,924,484</b>
<b>Total</b>	<b>21,140</b>	<b>3,585</b>	<b>-</b>	<b>-</b>	<b>1,934,440</b>	<b>1,959,165</b>
<b>Gap</b>	<b>(19,898)</b>	<b>(3,585)</b>	<b>580,989</b>	<b>749,937</b>	<b>(1,307,393)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(19,898)</b>	<b>(23,483)</b>	<b>557,456</b>	<b>1,307,393</b>	<b>-</b>	<b>-</b>

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

### Interest rate risk

The sub-fund recognised in its assets fixed interest receivables from non-bank entities of CZK 1,575,814 thousand (31 December 2017: CZK 1,330,876 thousand). 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.

### 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
<b>As at 31 December 2018</b>			
Due from banks	15,082	18,783	<b>33,865</b>
Due from customers	1,175,636	400,178	<b>1,575,814</b>
<b>Total</b>	<b>1,190,718</b>	<b>418,961</b>	<b>1,609,679</b>
Provision	-	742	<b>742</b>
Other liabilities	55	47,101	<b>47,156</b>
<b>Total</b>	<b>55</b>	<b>47,843</b>	<b>47,898</b>
<b>Net currency position</b>	<b>1,190,663</b>	<b>371,118</b>	<b>1,561,781</b>
In thousands of CZK	EUR	CZK	Total
<b>As at 31 December 2017</b>			
Due from banks	116	1,126	<b>1,242</b>
Due from customers	1,112,380	218,496	<b>1,330,876</b>
<b>Total</b>	<b>1,112,496</b>	<b>219,622</b>	<b>1,332,118</b>
Due to customers	-	1,300	<b>1,300</b>
Provision	-	2,285	<b>2,285</b>
Other liabilities	-	31,096	<b>31,096</b>
<b>Total</b>	<b>-</b>	<b>34,681</b>	<b>34,681</b>
<b>Net currency position</b>	<b>1,112,496</b>	<b>184,941</b>	<b>1,297,437</b>



### 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.

### 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 2018 and 2017 UniCredit Bank Czech Republic and Slovakia, a. s.

## 19. Subsequent events

On 6 March 2019 Sub-Fund sold 100% share in NRE Avenir s.r.o, which owns an office building in Prague - Nové Butovice. As the location is not at the forefront of the funds long-term strategy and in perspective of the current favorable situation on the property market, the Sub-Fund has decided to remove the project from its portfolio.

The financial statements  
were prepared on:

15 April 2019

Stamp and signature

  
\_\_\_\_\_  
Rudolf Vřešťál  
Authorised Representative

  
\_\_\_\_\_  
Karel Krhovský  
Authorised Representative

Person responsible  
for accounting

Name and signature:

  
\_\_\_\_\_  
Karel Krhovský  
Authorised Representative

Phone no.: 222 500 758

Person responsible  
for the financial statements

Name and signature:

  
\_\_\_\_\_  
Rudolf Vřešťál  
Authorised Representative

Phone no.: 224 931 360

# 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

### The relevant period

This report is prepared for the accounting period from 1 January 2018 to 31 December 2018 (hereinafter referred to as „the reporting period“ or „reference period“).

### 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, 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“).

### 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, 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, 130 00.

and

Ing. Karel Krhovský, born 25.7.1987, No. 265, 687 64 Slavkov.

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

### Shareholders and Shares

At the end of the reporting period, the only shareholder was:

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

## II. Related parties

### Controlling Parties

#### REDSIDE investiční společnost, a.s.

This relationship is considered as the relationship between the Controlling and the Controlled Party, given that 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, 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 the 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, 130 00 (hereinafter referred to as „Rudolf Vřešťál“).

This relationship is considered as the 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. could have an indirect influence on the

Controlled Party.

(all the controlling entities referred to above as „Controlling entities“)

#### **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, 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.

**BFD Czech, a.s.**, with its registered office in Prague 1, Karolíny Světlé 303, 110 00, Company ID: 276 17 947, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 11234 (hereinafter „BFD Czech, a.s.“)

The relationship between the Controlled Party and BFD 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 and as a Controlling Party could also exercise indirect influence on ASB Prague, s.r.o., which owns 100 % of shares of BFD Czech, a.s.

**ASB Poland Sp. z o.o.**, with its registered office at Złota 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 sole shareholder was BAZ Czech, a.s. in the reference period.

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

The relationship between the Controlled Party and ASB Poland SC 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 SC Sp. z o.o., whose majority shareholder was BAZ Czech, a.s. in the reference period.

**ASB Prague, s.r.o.**, with its registered office at V Celnici 1031/4, Prague 1, 110 00, Company ID: 479 02 728, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 54606 (hereinafter referred to as „ASB Prague, s.r.o.“)

The relationship between the Controlled Party and ASB Prague, s.r.o. 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 Prague, s.r.o. 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, s.r.o.

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

The relationship between the Controlled Party and ASB Accounting, s.r.o. 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

Accounting, s.r.o. 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 Accounting, s.r.o.

**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, s.r.o.”)

The relationship between the Controlled Party and ASB Slovakia, s.r.o. 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, s.r.o.

**ASB Czech SC, s.r.o.**, with its registered office at V Celnici 1031/4, Prague 1, 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 SC, s.r.o.”)

The relationship between the Controlled Party and ASB Czech SC, s.r.o. 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 SC, s.r.o. 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 SC, s.r.o.

**Paříkova Property, s.r.o.**, with its registered office at V Celnici 1031/4, Nové Město, 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 as a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period a shareholder of Paříkova Property 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 Paříkova Property.

**TC VENTURES, s.r.o.**, with its registered office at Krásava 1027, 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 was a statutory representative and also owned 50% of the company in the reference period.

**White Express s.r.o.**, with its registered office at V Celnici 1031/4, Nové Město, 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 was a statutory representative and also owned 100% of the company in the reference period.

**ARCA OPPORTUNITY, SICA V, a.s.**, with its registered office at V Celnici 1031/4, Nové Město, 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, due to the fact that the Controlled Party is a member of the key management of ARCA OPPORTUNITY, specifically the only member of the Board of Directors.

**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 (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, due to the fact that the sole shareholder of a Controlling Party is a member of the key management NOVA Money Market, as a Statutory Director

**NOVA Green Energy, otevřený podílový fond**, with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1 (hereinafter referred to as „NOVA Green Energy“)

The relationship between the Controlled Party and NOVA Green Energy is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party in view of the fact that the Controlled Party is a member of the key management of NOVA Green Energy, as the Fund Manager and Administrator.

**NOVA Hotels, otevřený podílový fond**, with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1 (hereinafter referred to as „NOVA Hotels“)

The relationship between the Controlled Party and NOVA Hotels is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party in view of the fact that the Controlled Party is a member of the key management of NOVA Hotels, as the Fund Manager and Administrator.

**REDSIDE Investments, a.s.** with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 071 87 939 (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, s.r.o., and therefore, Rudolf Vřešťál through RVR Czech, s.r.o., as a sole owner of the company, could have an indirect influence on REDSIDE Investments.

**Hunter ASB s.r.o.**, with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 030 62 252 registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File 226847 (hereinafter referred to as „Hunter ASB“)

The relationship between the Controlled Party and Hunter ASB s.r.o. 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 a shareholder of Hunter ASB s.r.o. was BAZ Czech, a.s. with a 50% business share, 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 Hunter ASB s.r.o.

#### **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

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 of section 95 (1) (a) of a Law no. 240/2013 Coll., on investment companies and investment funds, as amended.

### IV. The method and means of control

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. owned 90.48% of the REDSIDE investiční společnost, a.s. shares 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.

### V. 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:

- Contract on the performance of the function of the individual statutory body as of 20. 8. 2015, as amended, between the Controlled Party as a Fund and Controlled Party as individual statutory body;
- Agreement on the provision of accounting services and the keeping of tax records of 1.1.2015 between the Controlled Party as the client and ASB Accounting, s.r.o.
- Amendment #1 dated 1.10.2015 to the agreement on the provision of accounting services and the keeping of tax records of 1.1.2015 between the Controlled Party as the client and ASB Accounting, s.r.o.
- Agreement on the provision of accounting services, the keeping of tax records and services related to the settlement of trades of 9.5.2013 between the Controlled Party as the client and ASB Accounting, s.r.o. (a Related Party) as the contractor;

### VI. 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.

### VII. Confidentiality of information

In the context of relevant persons, information or documents are considered confidential if they form part of the trade secret of the Controlling Parties, the Controlled Parties and the Related Parties, as well as if trade information could, itself or in connection with other materials of a confidential nature, cause harm to any from relevant persons.

The Report of the Statutory Body does not contain specific detailed content of the Contracts and Agreements with respect to the fact that such data are considered confidential in the business of participating parties.

## VIII. 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 statutory director of the Controlled Party acting with due managerial care hereby declares, that only the Controlling Parties and other related parties mentioned in point II of this report are known to the director.
3. The statutory director of the Controlled Party further declares that this report is to the best of its knowledge and conscience true and that it did not conceal any essential facts which are known to it and which, by law, should be the content of this report.

Prague, 15 April 2019



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