

NRE

Nova Real Estate

Annual report 2017

NOVA Real Estate, investiční fond s proměnným základním
kapitálem, a.s.

ANNUAL REPORT CONTENT

- 1) REPORT OF THE STATUTORY DIRECTOR
- 2) PROFILE OF NOVA REAL ESTATE, INVESTMENT FUND
- 3) PROFILE OF NOVA REAL ESTATE – SUB FUND 1
- 4) FINANCIAL STATEMENT – NOVA REAL ESTATE, INVESTMENT FUND
- 5) FINANCIAL STATEMENT – NOVA REAL ESTATE – SUB-FUND 1
- 6) REPORT ON RELATIONS

**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 - Fund, was established in 2015 with a clearly defined investment strategy focused primarily on the real estate market in the Central and Eastern European region.

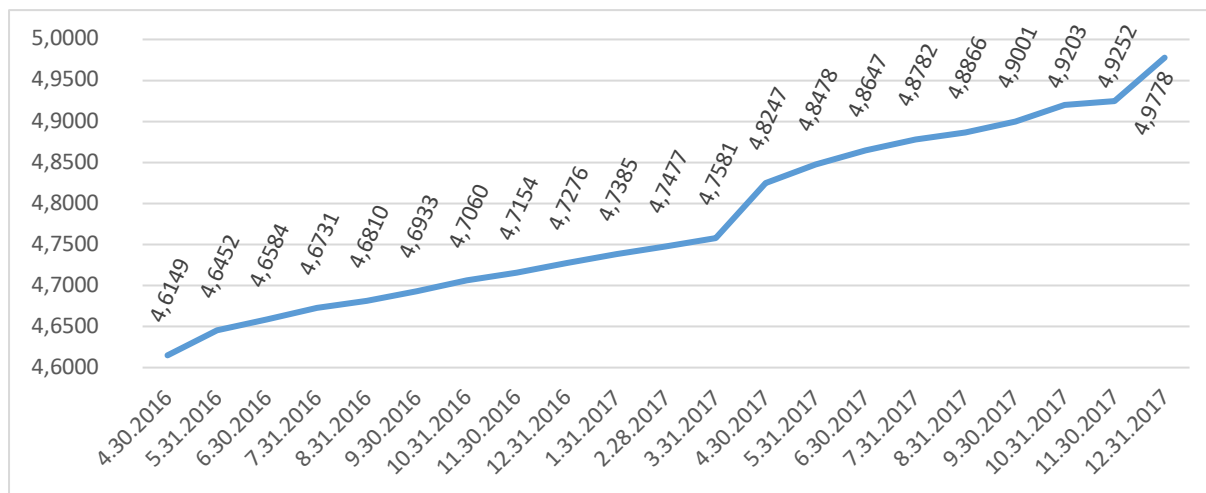
Investment properties in the portfolio of the Sub-Fund represent a stable return resulting from long-term lease agreements which, at a time of low interest rates, significantly outperforms the returns of standard money market instruments, and to a large extent remain, by nature, suitable for conservative investors.

The target properties include regional shopping centres, major retail units, office buildings, or other opportunistic opportunities related to the real estate market, taking into account primarily the location, the duration of the lease agreements and the technical condition of the buildings, which have an impact on the real estate liquidity and profitability of future sales.

Prior to the end of 2017, due diligence inspections were carried out by the Sub-Fund for the acquisition of two more office buildings of institutional quality in key administrative locations of Prague 1 and 5, as well as the acquisition of five regional retail units and one large shop for building and DIY supplies.

These transactions have added new lease agreements to the portfolio, contributing to time, sectoral and local diversification of the lease portfolio, making the portfolio return more stable over time and more resilient to potential adverse market changes. Major leaseholders include Google, Hochtief, Pfizer, Porsche, CEMEX, and OBI.

The NAV per one share of the Sub-Fund's investment shares amounted to EUR 4.9778 as at 31 December 2017. A graphical representation of the development of this value, from the first structuring of acquisitions, is shown in the chart on the next page.



Company's economic activities in 2017

During the course of the year, the Sub-Fund continued to pursue collective investment in the Czech Republic, the principal business activity was the 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 (further "Act").

The Sub-Fund's economic activities ended in 2017 with a profit of CZK 51,116 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 annual financial statements for the period from 1 January 2017 to 31 December 2017, including the notes.

Audit of financial statements

The financial result of the Fund and the Sub-Fund is verified by PricewaterhouseCoopers Audit, s.r.o., the audit licence was issued by KACR (Chamber of Auditors) under No. 021.

Outlook for 2018

The value of the managed portfolio exceeded EUR 200 million at the end of 2017. The target for 2018 is a modest expansion of the Sub-Fund's portfolio. Targeted acquisitions of carefully selected commercial real estate will continue to diversify the portfolio within the selected investment strategy and further strengthen its position regarding the return. One larger regional retail unit with a long-term lease agreement is under the due diligence process at the moment. At the same time, we have plans to take part in a tender for the sale of an office building in Prague 4. Both of these transactions should be completed and concluded in the first half of the year.

After implementation of successful acquisition processes, the work of REDSIDE investiční společnost, a.s., from the position of the manager and statutory director, focuses on the long-term development of the investments in question. The goal is to maintain stable cash flow for investors by maintaining the maximum tenancy rate through a suitable combination of solvent tenants, long-term lease agreements, and active work with the rental profile of individual properties in relation to the portfolio as a whole.

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.

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.

PROFILE OF NOVA REAL ESTATE, INVESTMENT FUND

The decisive period for the purposes of this Annual Report is the accounting period from 1 January 2017 to 31 December 2017. This section of the Annual Report contains information on the administrative centre of the investment fund. The information on individual sub-funds is set out in the other parts of this Annual Report.

1. Basic information on the 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, postcode 110 00, Czech Republic |
| Company identification No.: | 04 331 869 |
| Tax identification number: | CZ 04 331 869 |
| Registered capital: | CZK 2,000,000, 100% fully paid |
| Shares: | 20 pcs founder's registered shares in paper form |
| Net business assets: | CZK 1,714 ths. |

- 1.1. The licence 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.
- 1.2. The fund is registered in the list of investment funds with legal personality maintained by the CNB pursuant to Section 597 (a).
- 1.3. The Fund is established for an indefinite period.

Business activity:

The Fund is a fund of qualified investors within the meaning of 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 things whose value can be expressed in monetary terms 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 extract from the Commercial Register):

Members of the Board of Directors and the Management Board as at 31 December 2017

| | | |
|---------------------------|--|----------------------|
| Statutory Director | REDSIDE investiční společnost, a.s. | |
| Authorized Representative | Rudolf Vřešťál | since 20 August 2015 |
| Authorized Representative | Radek Široký | since 20 August 2015 |
| Management Board | | |
| Chairman of the MB | Karel Krhovský | since 20 August 2015 |
| Member of the MB | Rudolf Vřešťál | since 20 August 2015 |
| Member of the MB | Radek Široký | since 20 August 2015 |

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

There were no changes in the Commercial Register during the decisive period.

3. Information on the investment company managing the investment fund

- Basic information: **REDSIDE investiční společnost, a.s.**, identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, postcode 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362.
- Registered capital: CZK 8,400,000 (in the words: eight million four hundred thousand Czech crowns), 100% of the registered capital fully paid.
- Date of establishment: 29. 6. 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 Fund

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

A true and comprehensive picture of the economic activities of the Fund is provided in the annual financial statements and notes to financial statements for the period from 1 January 2017 to 31 December 2017.

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

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

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

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

7. Persons acting in concert with Fund

In the reporting period 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, postcode 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 investment company 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 Act No. 240/2013 Coll., On Investment Companies and Investment Funds, as amended.

10. Information on all monetary and non-monetary considerations received during the decisive period by the members of the Statutory Body and the Management Board**10.1. Statutory Director**

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

10.2. Management Board

Members of the Management Board did not received any consideration from Fund.

11. Information on the number of Fund investment shares that are owned by the members of the Statutory Body and the Management Board**11.1. Statutory Director**

The Statutory Body do not own any investment shares of Fund.

11.2. Management Board

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

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

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

13. A person who arranges for the safekeeping or other custody of the assets of the Fund

Name: UniCredit Bank Czech Republic and Slovakia, a.s.
Registered office: Želetavská 1525/1, Prague 4, postcode 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.

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

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

15. Investments in research and development

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

16. Information on environmental and labour-law activities

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

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

Fund does not have an organizational unit abroad.

18. Fund's capital of the Fund

Fund's capital per 1 investment share as at 31. 12. 2017

| | |
|------------------------------------|----------------|
| Fund's capital | CZK 1,714 ths. |
| Number of issued investment shares | 20 pcs |
| Fund's capital per 1 share | CZK 86 ths. |

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

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 2017 to 31 December 2017. 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 – SF1 |
| Registered office: | V Celnici 1031/4, Prague 1, postcode 110 00, Czech Republic |
| Shares: | registered investment shares in book-entry form without a nominal value |
| Net business assets: | CZK 1,924,483 ths. |

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

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

1.3. Sub-Fund is established for an indefinite period

Business activity:

The Fund is a fund of qualified investors within the meaning of 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 things whose value can be expressed in monetary terms 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 extract from the Commercial Register):

Members of the Board of Directors and the Management Board as at 31 December 2017

| | | |
|---------------------------|--|----------------------|
| Statutory Director | REDSIDE investiční společnost, a.s. | |
| Authorized Representative | Rudolf Vřešťál | since 20 August 2015 |
| Authorized Representative | Radek Široký | since 20 August 2015 |
| Management Board | | |
| Chairman of the MB | Karel Krhovský | since 20 August 2015 |
| Member of the MB | Rudolf Vřešťál | since 20 August 2015 |
| Member of the MB | Radek Široký | since 20 August 2015 |

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

There were no changes in the Commercial Register during the decisive period.

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

| | |
|------------------------------|---|
| Basic information: | REDSIDE investiční společnost, a.s., identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, postcode 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362. |
| Registered capital: | CZK 8,400,000 (in the words: eight million four hundred thousand Czech crowns), 100% of the registered capital fully paid. |
| Date of establishment: | 29. 6. 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

4.1. Main factors which affected the financial result of 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 2017 to 31 December 2017.

Profit of Sub-Fund for the year ended in 2017 is CZK 51,116 ths. The profit of Sub-Fund was mainly gained from accrued interest on subordinated loans to controlled parties. Furthermore the equity was positively affected by the valuation gain of 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 accounting unit.

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

| 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. | 04 485 980 | 210 | 100 |
| NRE South Point 16 s.r.o. | 04 486 048 | 210 | 100 |
| NRE North Point 17 s.r.o. | 04 485 874 | 210 | 100 |
| NRE Kutil s.r.o. | 046 07 155 | 20 | 100 |
| NRE Panorama s.r.o. | 054 69 091 | 20 | 100 |
| NRE Smíchov Gate s.r.o. | 054 69 228 | 20 | 100 |
| NRE Penny 1 s.r.o. | 056 28 024 | 30 | 100 |
| CXD Czech, s.r.o. | 060 24 271 | 10 | 100 |
| Total | | 5 370 | |

7. Persons acting in concert with Sub-Fund

In the reporting period 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, postcode 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 Sub-Fund

In the decisive period, a securities dealer of the investment company 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 Act No. 240/2013 Coll., On Investment Companies and Investment Funds, as amended.

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

10.1. Statutory Director

The Statutory Body did not received any consideration from Fund.

10.2. Management Board

Members of the Management Board did not received any consideration from Fund.

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

11.1. Statutory Director

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

11.2. Management Board

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

12. Information on litigations or arbitrations the NOVA Real Estate – Sub-Fund 1 participated or participates in during the decisive period.

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

13. A person who arranges for the safekeeping or other custody of the assets of the Sub-Fund

Name: UniCredit Bank Czech Republic and Slovakia, a.s.
Registered office: Želetavská 1525/1, Prague 4, postcode 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.

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

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

15. Investments in research and development

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

16. Information on environmental and labour-law activities

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

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

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

18. Fund's capital of the Fund

Fund's capital per 1 investment share as at 31. 12. 2017

| | |
|------------------------------------|--------------------|
| Fund's capital | CZK 1,924,483 ths. |
| Number of issued investment shares | 15,137,500 pcs |
| Fund's capital per 1 share | CZK 127.13 |

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

In Prague 20 April 2018



Rudolf Vřešťál

Authorised Representative

REDSIDE investiční společnost, a.s.

Independent auditor's report

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

Opinion

We have audited the accompanying financial statements of 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 Company") prepared in accordance with Czech Accounting Standards, which comprise the statement of financial position as at 31 December 2017, 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 Company as at 31 December 2017, 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 Company 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 Company 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

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 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 Company'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 Company 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 Company'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.

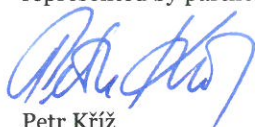
As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

20 April 2018


represented by partner



Petr Kríž
Statutory Auditor, Evidence No. 1140

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
V Celnici 1031/4, Nové Město, 110 00 Praha 1
Financial statements for the year ended 31 December 2017

Identification No.: 04331869

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

Date of preparation of the financial statements: 20 April 2018

Balance sheet

As at 31 December 2017

| In thousands of CZK | Note | 31. 12. 2017 | 31. 12. 2016 |
|--|------|--------------|--------------|
| ASSETS | | | |
| 3 Due from banks – repayable on demand | 7 | 445 | 1,913 |
| 4 Due from customers – other receivables | 8 | 1,344 | 0 |
| Total Assets | | 1,789 | 1,913 |
| LIABILITIES | | | |
| 4 Other liabilities | 9 | 75 | 73 |
| 8 Share capital – fully paid | 10 | 2,000 | 2,000 |
| 14 Accumulated losses | 11 | (160) | (79) |
| 15 Loss for the period | | (126) | (81) |
| Total liabilities | | 1,789 | 1,913 |

| In thousands of CZK | Note | 31. 12. 2017 | 31. 12. 2016 |
|---------------------------------|------|--------------|--------------|
| OFF-BALANCE SHEET | | | |
| Off-balance sheet assets | | | |
| 15 Assets under management | 13 | 1,714 | 1,840 |

The accompanying notes on pages 3 to 12 are an integral part of these financial statements.

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
V Celnici 1031/4, Nové Město, 110 00 Praha 1
Financial statements for the year ended 31 December 2017

Income statement

for the year ended 31 December 2017

| In thousands of CZK | Note | 2017 | 2016 |
|---|------|--------------|-------------|
| 5 Fee and commission expense | 5 | (8) | (9) |
| 6 Gains or losses on financial activities | 6 | 0 | 1 |
| 9 Administrative expense – other | 7 | (118) | (73) |
| 19 Loss on ordinary activities before taxation | | (126) | (81) |
| 23 Income tax | 15 | 0 | 0 |
| 24 Loss for the accounting period | | (126) | (81) |

Statement of changes in equity

for the year ended 31 December 2017

| <u>In thousands of CZK</u> | <u>Registered capital</u> | <u>Accumulated losses</u> | <u>Profit (loss)</u> | <u>Total</u> |
|------------------------------------|---------------------------|---------------------------|----------------------|--------------|
| Balance as at 1. 1. 2016 | 2,000 | 0 | -79 | 1,921 |
| Net loss for the accounting period | - | - | -81 | -81 |
| Transfer to accumulated losses | - | -79 | 79 | 0 |
| Balance as at 31. 12. 2016 | 2,000 | -79 | -81 | 1,840 |
| Balance as at 1. 1. 2017 | 2,000 | -79 | -81 | 1,840 |
| Net loss for the accounting period | - | - | -126 | -126 |
| Transfer to accumulated losses | - | -81 | 81 | 0 |
| Balance as at 31. 12. 2017 | 2,000 | -160 | -126 | 1,714 |

The accompanying notes on pages 3 to 12 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 Fund has been established on the basis of the announcement of the Czech National Bank ref. No. 2016/005203/CNB/570 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 ČNB based on § 597, letter (a) of the Act No. 240/2013 Coll., On Investment Companies and Investment Funds (the "Act").

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

The Fund is established for an indefinite period.

Fund strategy

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

Investment Fund is an upper-level fund for sub-funds which invest into real estates in the Czech Republic and Central Europe and which are separate accounting units.

Founder's shares

The Fund was set-up by REDSIDE investiční společnost, a.s. 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. (the "Investment company"), identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, postcode 110 00, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362.

Share capital

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

Date of establishment

29 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, letter (a) of the Act.

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 in connection with the 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 2017

Board of Directors

| | | |
|------------------------------------|-------------------|--------------------|
| Chairman of the Board of Directors | Rudolf Vřešťál | since 29 June 2012 |
| Member of the Board of Directors | Ing. Radek Široký | since 10 June 2014 |
| Member of the Board of Directors | Ing. Juraj Dvořák | since 31 July 2014 |

Supervisory Board

| | | |
|-----------------------------------|---------------------|--------------------|
| Chairman of the Supervisory Board | Petra Rychnovská | since 29 June 2013 |
| Member of the Supervisory Board | Ing. Petr Studnička | since 10 June 2014 |
| Member of the Supervisory Board | Karel Krhovský | since 30 June 2016 |

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, Prague 1, V Celnici 1031/4, postcode 110 00
The shareholder owns 76 pcs of ordinary registered shares in paper form with a nominal value of CZK 100,000.

Arca Investments, a.s., IČO: 359 75 041, SK-Bratislava, Plynárenská 7/a, postcode 821 09

The shareholder owns 8 pcs of ordinary registered shares in paper form with a nominal value of CZK 100,000.

Changes in the Commercial Register

There was no change in the Commercial Register in the reporting period

2. Basis for preparation of financial statements

The financial statements containing the balance sheet, profit and loss statement, statement of changes in equity and accompanying notes were prepared on the basis of the accounting records kept in accordance with:

- Accounting Act No. 563/1991 Coll.,
- Decree 501/2002 Coll. issued by the Ministry of Finance of the Czech Republic,
- Czech Accounting Standards for Financial Institutions issued by the Ministry of Finance of the Czech Republic.

The order and identification of the items of the financial statements and the content definition of items are in accordance with Decree No. 501/2002 Coll.

Balance sheet date: 31 December 2017

Date of preparation of the financial statements: 20 April 2018

Current period: 1 January 2017 to 31 December 2017

Comparative period: 1 January 2016 to 31 December 2016

The Board of Directors is convinced that the Fund has sufficient resources for its business activities in the foreseeable future. Hence these financial statements of the Fund have been prepared on the going concern assumption.

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

3. *Summary of significant accounting policies*

The financial statements have been prepared in Czech and in English. In all matters of interpretation of information, views or opinions, the Czech version takes precedence over the English version. The financial statements of the Fund were prepared in accordance with the following important accounting policies:

(a) The date of transaction recognition

Depending on the type of transaction, they 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 the 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.

(b) 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.

Assigned 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 loss on impairment 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. Allowances are recorded in the analytical records for the purpose of calculating the tax liability.

The tax-deductible part of the total allowances for the loss on receivables for the accounting period is calculated according to the Section 8 ("Allowances for receivables to debtors") of 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 allowance item of the income statement. Revenues from previously written-off loans 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 held for trading

Receivables that the Fund has acquired and holds for trading are measured at fair value. Changes in fair value are recognized under "Profit or loss on financial operations" (if the Fund owns such assets).

(c) Creation of provisions

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

A provision is created if the following criteria are met:

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

(d) Foreign currency translation

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

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

(e) Value added tax

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

(f) Taxation

Current tax

The tax base for income tax is calculated from the profit before tax by adding non-deductible expenses, deducting income that is not subject to income tax, 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. A deferred tax asset is recognised only if there are no doubts about its future recoverability in subsequent accounting periods.

Deferred tax from revaluation reserve in equity is recognized also directly in equity.

(g) Staff cost

The Fund has no employees.

(h) Related parties

Related parties of the Company are defined in accordance with IAS 24 (Related Party Disclosures) as follows:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) controls or jointly controls the reporting accounting entity;
 - (ii) has significant influence in the reporting accounting entity; or
 - (iii) is a member of the key management of the reporting accounting entity or its parent company.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) the entity and the reporting entity are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity;
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in letter a) point i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

Items from a different accounting period than that for which they are attributable for accounting and tax 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 or accumulated losses brought forward 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 period from 1 January to 31 December 2017.

5. Administrative expenses

| In thousands of CZK | 2017 | 2016 |
|-------------------------------|------------|-----------|
| Audit fee | 116 | 73 |
| Other administrative expenses | 2 | - |
| Total | 118 | 73 |

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

6. *Related party transactions*

There were no transactions between NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s. and its related parties.

7. *Due from banks*

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|---------------------------------|--------------|--------------|
| Current accounts | 445 | 1,913 |
| Net receivables to banks | 445 | 1,913 |

8. *Due from customers*

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|--|--------------|--------------|
| Loans granted to its own sub-fund | 1,300 | - |
| Other receivables | 44 | - |
| Net receivables from non-banking entities | 1,344 | - |

9. *Other liabilities*

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|--------------------------|--------------|--------------|
| Other payables/creditors | 2 | - |
| Estimated payables | 73 | 73 |
| Total | 75 | 73 |

10. *Equity*

Registered share capital of the Fond is CZK 2,000,000. The Fond issued 20 pcs of registered common shares in paper form.

The sole shareholder is REDSIDE investiční společnost, a.s., identification No.: 242 44 601, with registered office at Prague 1, Nové Město, V Celnici 1031/4, 110 00.

11. *Accumulated losses from prior periods*

The Fund proposes the allocation of the loss incurred in 2017 is as follows:

| In thousands of CZK | Loss | Accumulated losses | Total |
|---|----------|--------------------|--------------|
| Balance as at 31 December 2016 | - | (160) | (160) |
| Loss for the period ended 31 December 2017 | (126) | - | (126) |
| Proposal for settlement of the loss for the period ended 31 December 2017: | | | |
| Transfer to accumulated losses | 126 | (126) | - |
| | 0 | (286) | (286) |

Deferred tax asset resulting from the accumulated tax losses has not been recognised.

12. *Income tax*

Current income tax

| In thousands CZK | 2017 | 2016 |
|---|-------|------|
| Loss on ordinary activities before taxation | (126) | (81) |
| Subtotal | (126) | (81) |
| Tax base | - | - |
| Tax calculated at the rate of 5 % | - | - |

13. *Assets under management*

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|---------------------|--------------|--------------|
| Cash | 445 | 1,913 |
| Due from customers | 1,344 | - |
| Other liabilities | (75) | (73) |
| Total | 1,714 | 1,840 |

14. *Financial instruments*

(a) **Market risk**

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

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

(b) **Liquidity risk**

The liquidity risk arises from the way the Fund finances its activities and manages its positions. Considering the assessment of the degree of this risk and the overall financial position of the Fund during 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 | From 1 to 5 years | Over 5 years | Not specified | Total |
|-------------------------------|-----------------|-------------------------|-------------------|--------------|----------------|--------------|
| As at 31 December 2017 | | | | | | |
| Due from banks | 445 | - | - | - | - | 445 |
| Due from customers | 44 | 1,300 | - | - | - | 1,344 |
| Total | 489 | 1,300 | - | - | - | 1,789 |
| Other liabilities | 75 | - | - | - | - | 75 |
| Equity | - | - | - | - | 1,714 | 1,714 |
| Total | 75 | | | | 1,714 | 1,789 |
| Gap | 414 | 1,300 | - | - | (1,714) | - |
| Cumulative gap | 414 | 1,714 | 1,714 | 1,714 | - | - |

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
V Celnici 1031/4, Nové Město, 110 00 Praha 1
Notes to the financial statements for the year ended 31 December 2017

| In thousands of CZK | Within 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | Not specified | Total |
|-------------------------------|-----------------|-------------------------|-------------------|--------------|----------------|--------------|
| As at 31 December 2016 | | | | | | |
| Due from banks | 1,913 | - | - | - | - | 1,913 |
| Celkem | 1,913 | - | - | - | - | 1,913 |
| Other liabilities | 73 | - | - | - | - | 73 |
| Equity | - | - | - | - | 1,840 | 1,840 |
| Total | 73 | - | - | - | 1,840 | 1,913 |
| Gap | 1,840 | - | - | - | (1,840) | - |
| Cumulative gap | 1,840 | 1,840 | 1,840 | 1,840 | - | - |

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

(c) Interest rate risk

The Fund does not face any interest rate risk as it has no interest-sensitive receivables as at 31 December 2017.

(d) Currency risk

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

(e) Credit risk

The Fund is exposed to credit risk to the extent of a loan provided to its Sub-Fund 1 (CZK 1.3 mil.). The loan is due on 31 December 2018 and, taking into account mutual relationship (Fund establishes Sub-Funds and established, manages and controls Sub-Fund 1), is not covered by any collateral.

Valuation of collateral

In the case of collateral for loan receivables, the Fund considers as an acceptable collateral the following types:

- Cash;
- Securities;
- Creditworthy receivables;
- Bank guarantee;
- Third-party creditworthy guarantee;
- Real estate;
- Machinery and equipment.





(f) Operational, legal and other risks

The management of operational, legal and other risks is regulated by the Fund's Statute and internal regulations. Due to the nature of the business, which is collective investment in accordance with Act No. 240/2013 Coll., On Investment Companies and Investment Funds, as amended, 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

2017 UniCredit Bank Czech Republic and Slovakia, a.s., on the basis of the Depositary Agreement.

15. Subsequent events

At the time of the preparation of the financial statements, the management of the Investment company is not aware of any significant subsequent events that would affect the financial statements as at 31 December 2017.

| | | | |
|---|---|---|--|
| The financial statements were prepared on: 20 April 2018 | Stamp and signature of Statutory Body  Rudolf Vřešťál Authorised representative | Person responsible for accounting Name and signature:  Karel Krhovský Authorised representative | Person responsible for the financial statements Name and signature:  Rudolf Vřešťál Authorised representative |
| |  Karel Krhovský Authorised representative | tel.: 222 500 758 | tel.: 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 2017, 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 2017, 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



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

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 Subfund'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 Subfund'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:

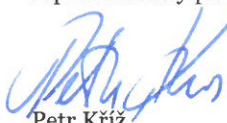
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 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 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.

20 April 2018

 Audit to.

represented by partner



Petr Kriz

Statutory Auditor, Evidence No. 1140

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
NOVA Real Estate – podfond 1
V Celnici 1031/4, Nové Město, 110 00 Praha 1
Financial statements for the period ended 31 December 2017

Identification No.: 71508651

Business activity: The activity of an investment company pursuant to Act No. 240/2013 Coll.,
Date of preparation of the financial statements: 20 April 2018

Balance sheet
as at 31 December 2017

| In thousands of CZK | Note | 31. 12. 2017 | 31. 12. 2016 |
|--|--------|------------------|------------------|
| ASSETS | | | |
| 3 Due from banks – repayable on demand | 9 | 1,242 | 136 |
| 4 Due from customers – other receivables | 10 | 1,330,876 | 815,441 |
| 8 Equity interests with controlling influence | 11 | 627,047 | 444,494 |
| Total assets | | 1,959,165 | 1,260,071 |
| LIABILITIES | | | |
| 2 Due to customers – other payables | | 1,300 | 0 |
| 4 Other liabilities | 12 | 31,096 | 9,985 |
| 6 Provisions for taxes | 13 | 2,285 | 812 |
| ¹ Capital funds | 14, 15 | 1,790,909 | 1,167,823 |
| ¹ Revaluation reserve | | 67,040 | 66,033 |
| 3 Of which: a) revaluation reserve on assets and liabilities | | (16,791) | 0 |
| b) revaluation reserve on participations | | 83,831 | 66,033 |
| ¹ Retained earnings from previous periods | | 15,419 | (1,894) |
| ⁴ Profit for the accounting period | | 51,116 | 17,312 |
| ¹ Profit for the accounting period | | 51,116 | 17,312 |
| ⁵ Profit for the accounting period | | 51,116 | 17,312 |
| Total liabilities | | 1,959,165 | 1,260,071 |

| In thousands CZK | Note | 31. 12. 2017 | 31. 12. 2016 |
|---------------------------------|------|--------------|--------------|
| Off-balance sheet | | | |
| Off-balance sheet assets | | | |
| 15 Assets under management | 18 | 1,924,483 | 1,249,274 |

The notes on pages 4 to 18 are an integral part of these financial statements.

Income statement

for the year ended 31 December 2017

| In thousand of CZK | Note | 2017 | 2016 |
|---|------|---------------|---------------|
| 1 Interest income and similar income | 5 | 49,801 | 29,845 |
| 5 Fee and commission expenses | | -23 | -43 |
| 6 Gains or losses on financial operations | 6 | 22,693 | -584 |
| 9 Administrative expenses – other | 8 | -18,665 | -11,094 |
| 19 Profit on ordinary activities before taxation | | 53,806 | 18,124 |
| 23 Income tax | 17 | -2,690 | -812 |
| 24 Profit for the accounting period | | 51,116 | 17,312 |

Statement of changes in equity

for the year ended 31 December 2017

| In thousands of CZK | Share premium | Capital funds | Revaluation reserve | Retained earnings (Accumulated losses) | Profit (loss) | Total |
|--|----------------|------------------|---------------------|--|---------------|------------------|
| Balance as at 1. 1. 2016 | -1 | 6,756 | 52,186 | 0 | -1,894 | 57,047 |
| Revaluation differences not included in profit after tax | 0 | 0 | 13,847 | 0 | 0 | 13,847 |
| Net profit for the period | 0 | 0 | 0 | 0 | 17,312 | 17,312 |
| Transfers to retained earnings | 0 | 0 | 0 | -1,894 | 1,894 | 0 |
| Shareholders contributions | 906,536 | 254,532 | 0 | 0 | 0 | 1,161,068 |
| Balance as at 31. 12. 2016 | 906,535 | 261,288 | 66,033 | -1,894 | 17,312 | 1,249,274 |
| Revaluation differences not included in profit after tax | 0 | 0 | 1,007 | 0 | 0 | 1,007 |
| Net profit for the period | 0 | 0 | 0 | 0 | 51,116 | 51,116 |
| Transfers to retained earnings | 0 | 0 | 0 | 17,312 | -17,312 | 0 |
| Transfers to capital funds | -906,535 | 906,535 | 0 | 0 | 0 | 0 |
| Shareholders contributions | 0 | 623,086 | 0 | 0 | 0 | 623,086 |
| Balance as at 31. 12. 2017 | 0 | 1,790,909 | 67,040 | 15,418 | 51,116 | 1,924,483 |

The 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 (the „Sub-Fund”) is managed and administered by REDSIDE investiční společnost, a.s. The Sub-Fund has been established on the basis of the announcement of the Czech National Bank ref. No. 2016/010654/CNB/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 Money Market, investiční fond s proměnným základním kapitálem, a.s. - may create sub-funds as a separate accounting and property unit of its assets, provided that the Articles of Association allow this. The Sub-Fund has its own investment strategy.

The Sub-Fund has no legal personality, the Sub-Fund's assets are managed and administered by the investment company. The Sub-Fund itself has no employees. All administration associated with its business activity is provided by the investment company.

The Sub-Fund is set-up for an indefinite period.

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 2016, with ISIN CZ0008041845 at a nominal value of EUR 1. The Sub-Fund's Depositary is UniCredit Bank Czech Republic and Slovakia, a.s. As at 31 December 2016, 15,137,500 pcs of investment shares in de-certificated form were subscribed.

Organizational structure

The sub-fund is managed by an investment company.

Key information on the investment company

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

Registered capital

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

Date of establishment

29 June 2012

Decision on licence for operations

Decision of the CNB ref. No. 2013/5063/570 dated 26 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.

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.

Business activity of the Investment company:

- Activity of an investment company pursuant to the Act, carried out pursuant to the licence of the Czech National Bank of 26 April 2013, which came into force on 29 April 2013.

Members of the Board of Directors and the Supervisory Board as at 31 December 2017

Board of Directors

| | | |
|------------------------------------|-------------------|--------------------|
| Chairman of the Board of Directors | Rudolf Vřešťál | since 29 June 2012 |
| Member of the Board of Directors | Ing. Radek Široký | since 10 June 2014 |
| Member of the Board of Directors | Ing. Juraj Dvořák | since 31 July 2014 |

Supervisory Board

| | | |
|-----------------------------------|---------------------|--------------------|
| Chairman of the Supervisory Board | Petra Rychnovská | since 29 June 2013 |
| Member of the Supervisory Board | Ing. Petr Studnička | since 10 June 2014 |
| Member of the Supervisory Board | Karel Krhovský | since 30 June 2016 |

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, Prague 1, V Celnici 1031/4, postcode 110 00
The shareholder owns 76 pcs of ordinary registered shares in paper form with a nominal value of CZK 100,000

Arca Investments, a.s. company identification No.: 359 75 041, SK-Bratislava, Plynárenská 7/a, postcode 821 09
The shareholder owns 8 pcs of ordinary registered shares in paper form with a nominal value of CZK 100,000

Changes in the Commercial Register

There was no change in the Commercial Register in the reporting period.

2. Basis for preparation of the financial statements

The financial statements comprising of the balance sheet, income statement, statement of changes in equity and accompanying notes were prepared on the basis of the accounting records kept in accordance with

- Accounting Act No. 563/1991 Coll.,
- Decree 501/2002 Coll. issued by the Ministry of Finance of the Czech Republic,
- Czech Accounting Standards for Financial Institutions issued by the Ministry of Finance of the Czech Republic.

The order and identification of the items of the financial statements and the content definition of items are in accordance with the Decree No. 501/2002 Coll.

The financial statements were prepared on the 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.

Balance day: 31 December 2017
Date of preparation of the financial statements: 20 April 2018

Accounting period: 1 January 2017 till 31 December 2017
Comparative period: 1 January 2016 till 31 December 2016

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 Fund were prepared in accordance with the following important accounting policies:

(a) *The date of transaction recognition*

Depending on the type of transaction, they are recorded on the date of purchase or sale of foreign currency or securities, the payment date, the trade or settlement date of a transactions with securities, foreign exchange, options or other derivatives, the date of issue or acceptance of the guarantee or the loan commitment, the day of taking over the values into custody. Financial assets and liabilities are recognized when the Fund becomes a contractual party of the transaction, thus at the trade date.

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

(b) *Equity interests with controlling and significant influence*

Equity interests with controlling influence

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

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

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

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

Equity interests with significant influence

Equity interests with significant influence mean interests in an affiliate company that is not a subsidiary and in which the Sub-Fund exercises significant (substantial) 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 is obvious that it exists.

Valuation of equity interests

Equity interests with controlling and significant influence are measured 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. Profit or loss from this valuation is recognized directly in the equity within "Revaluation reserve".

(c) *Receivables*

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

Assigned 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 loss on impairment 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. Allowances are recorded in the analytical records for the purpose of calculating the tax liability.

The tax-deductible part of the total allowances for the loss on receivables for the accounting period is calculated according to the Section 8 ("Allowances for receivables to debtors") of 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 allowance item of the income statement. Revenues from previously written-off loans 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 held for trading

Receivables that the Sub-Fund has acquired and holds for trading are measured at fair value. Changes in fair value are recognized under "Profit or loss on financial operations" (if the Sub-Fund owns such assets).

(d) *Creation of provisions*

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

A provision is created if the following criteria are met:

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

(e) *Foreign currency translation*

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

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

(f) *Value added tax*

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

(g) *Taxation*

Current tax

The tax base for income tax is calculated from the profit before tax for the current period by adding non-deductible expenses, deducting income that is not subject to income tax, 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 liabilities using the expected tax rate applicable for the subsequent period. A deferred tax asset is recognised only if there is no doubt about its future use in subsequent accounting periods.

(h) Leasing

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

(i) Staff costs

The Fund has no employees.

(j) Related parties

A *party* is related to the accounting entity preparing the financial statements when the following conditions are met:

a) The party

- (i) controls or jointly controls the reporting accounting entity;
- (ii) has significant influence in the reporting accounting entity; or
- (iii) is a member of the key management of the reporting entity or its parent company.

b) The party is an affiliate company of the accounting entity;

c) The party is a joint venture in which the accounting entity is a joint venturer;

d) The party is a member of the key management of the accounting entity 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 reporting accounting entity or an accounting entity that is related to the reporting accounting entity.

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

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

Items from a different accounting period than that for which they are attributable for accounting and tax 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 or accumulated losses brought forward from previous periods" in the Sub-Fund's balance sheet.

4. Changes in accounting policies

There have been no changes in accounting policies in the period from 1 January to 31 December 2017.

5. Interest income

| In thousands of CZK | 2017 | 2016 |
|------------------------------------|---------------|---------------|
| Interest income and similar income | | |
| - on loans | 49,801 | 29,845 |
| Net interest income | 49,801 | 29,845 |

6. Gains or losses on financial operations

| In thousands of CZK | 2017 | 2016 |
|--------------------------------------|---------------|-------------|
| Gains on foreign exchange operations | 22,693 | - |
| Loss on foreign exchange operations | - | -584 |
| Total | 22,693 | -584 |

7. Administrative expenses

| In thousands of CZK | 2017 | 2016 |
|--|---------------|---------------|
| Management fees of the Sub-Fund | 17,005 | 9,598 |
| Depository and custody fees | 716 | 698 |
| Audit, legal and tax advice fees | 245 | 218 |
| Other (expert opinions, translations, marketing) | 699 | 580 |
| Total | 18,665 | 11,094 |

The Sub-Fund is managed by REDSIDE investiční společnost, a.s., to which it pays management fees. These fees are calculated in accordance with the Statutory Director Contract. The fee is set at 1.3% p.a. of the Sub-Fund's equity plus 30% of the achieved IRR in excess of 10% of the Sub-Fund. The minimum management fee is CZK 300 ths.

Management fees, as well as other administrative expenses, are charged to the Sub-Fund.

The Sub-Fund had no employees in the current period.

8. Related party transactions

| In thousand of CZK | 2017 | 2016 |
|----------------------------|-----------|---------|
| <u>Assets</u> | | |
| Due from customers | 1,330,876 | 815,441 |
| <u>Income</u> | | |
| Interest income from loans | 49,801 | 29,845 |

Transactions with related parties represents loans provided to participations with controlling interest.

9. Due from banks

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|------------------------------------|--------------|--------------|
| Current accounts (nostro accounts) | 1,242 | 136 |
| Net receivables from banks | 1,242 | 136 |

10. Due from customers

Receivables from loans provided to participations with controlling interest

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|--|------------------|----------------|
| Receivables from loans granted (including interest and exchange rate revaluation) | 1,330,876 | 815,441 |
| Net receivables due from customers | 1,330,876 | 815,441 |

Loans are granted to subsidiaries at the interest rate of 6-7% p.a. and are due between 2021-2022. 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 of CZK 76,589 thousand is due on the maturity date of the loans.

11. Equity interests with controlling influence

General information

| In thousands of CZK As at 31 December 2017 | | | | |
|---|-------------------|-----------------|----------------|----------------|
| Company | Registered office | Share in equity | Cost | Fair Value |
| NRE Znojmo s.r.o. (formerly OPX Czech, s.r.o.) | Czech Republic | 100% | 5,131 | 54,096 |
| NRE Jablonec s.r.o. (formerly OUA Czech, s.r.o.) | Czech Republic | 100% | 65,331 | 124,463 |
| NRE Hradec s.r.o. (formerly OQT Czech, s.r.o.) | Czech Republic | 100% | 101,331 | 175,378 |
| NRE Avenir s.r.o. | Czech Republic | 100% | 83,230 | 78,506 |
| NRE North Point 17 s.r.o. | Czech Republic | 100% | 50,578 | 53,771 |
| NRE South Point 16 s.r.o. | Czech Republic | 100% | 74,029 | 22,372 |
| NRE Vyšehrad Victoria s.r.o. | Czech Republic | 100% | 64,663 | 30,728 |
| CXD Czech, s.r.o. | Czech Republic | 100% | 55 | 0 |
| NRE Smíchov Gate s.r.o. | Czech Republic | 100% | 25,715 | 25,540 |
| NRE Panorama s.r.o. | Czech Republic | 100% | 26,486 | 26,306 |
| NRE Penny 1 s.r.o. | Czech Republic | 100% | 10,294 | 10,294 |
| NRE Kutil s.r.o. | Czech Republic | 100% | 25,594 | 25,594 |
| Total | | | 532,437 | 627,047 |

| In thousands of CZK As at 31 December 2016 | | | | |
|---|-------------------|-----------------|----------------|----------------|
| Company | Registered office | Share in equity | Purchase price | Fair Value |
| NRE Znojmo s.r.o. (originally OPX Czech, s.r.o.) | Czech Republic | 100% | 5,131 | 35,877 |
| NRE Jablonec s.r.o. (originally OUA Czech, s.r.o.) | Czech Republic | 100% | 65,331 | 25,903 |
| NRE Hradec s.r.o. (originally OQT Czech, s.r.o.) | Czech Republic | 100% | 101,331 | 114,235 |
| NRE Avenir s.r.o. | Czech Republic | 100% | 83,230 | 102,857 |
| NRE North Point 17 s.r.o. | Czech Republic | 100% | 49,778 | 57,668 |
| NRE South Point 16 s.r.o. | Czech Republic | 100% | 72,529 | 66,362 |
| NRE Vyšehrad Victoria s.r.o. | Czech Republic | 100% | 64,663 | 41,592 |
| Total | | | 374,193 | 444,494 |

Under the Act and Statute, the Sub-Fund is required to remeasure the Sub-Fund's assets at fair value annually.

The main activity of the Sub-Fund is holding of equity interests in real estate companies. During 2015 and 2016, the Sub-Fund purchased 100% of shares in companies owned and operated by large-scale shopping centers in the district towns of the Czech Republic. In 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 participations with a controlling influence as at 31 December 2017 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: expected future market rents; vacancies; 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. In the event of an increase in the discount factor in 2018, this would mean a significant reduction in fair value.

The difference between the fair value at 31 December 2017 and the cost of CZK 94,610 thousand represents, in particular, the difference between the fair value of individual business and administrative centers according to the valuation and the price at which these commercial and administrative centers were acquired (including related acquisition costs) and is caused mainly due to 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 centers in the framework of free market competition (e.g. discount rates, average expected future annual revenues).

12. Other liabilities

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|------------------------------------|---------------|--------------|
| Trade payables and other creditors | 18,600 | 4,022 |
| Estimated payables | 2,539 | 2,330 |
| Deferred tax liability | 9,957 | 3,633 |
| Total | 31,096 | 9,985 |

13. Provisions

| In thousands of CZK | Opening balance | Additions | Usage | Closing balance |
|---------------------------|-----------------|--------------|-------------|-----------------|
| Provision for current tax | 812 | 2 285 | - 812 | 2 285 |
| Total | 812 | 2 285 | -812 | 2 285 |

14. Share premium

There is no share premium due to the fact that the investment shares are without nominal value. The share premium recognised as at 31 December 2016 was transferred to the capital fund.

15. Equity

| In thousands of CZK | 31. 12. 2017 | 31. 12. 2016 |
|--|--------------|--------------|
| Equity (in thousands of CZK) | 1,924,483 | 1,249,274 |
| Number of issued investment shares EUR (pcs) | 15,137,500 | 9,670,160 |
| NAV per share (CZK) | 127.1335 | 129.1886 |

The Sub-Fund's capital fund consists of investment shares. The Sub-Fund issued 5,467,340 pcs of investment shares during the current period.

The current value of the Sub-Fund's investment share is determined 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. 2017 | 31. 12. 2016 |
|-------------------------------|---------------|---------------|
| Revaluation of participations | 93,788 | 69,666 |
| Deferred tax liability | (9,957) | (3,633) |
| Revaluation of receivables | (16,791) | - |
| Total | 67,040 | 66,033 |

16. Retained earnings

The Fund proposes to distribute the 2017 profit as follows:

| In thousands CZK | Profit | Retained earnings | Total |
|--|----------|-------------------|---------------|
| Balance as at 31 December 2016 | | 15 419 | 15 419 |
| Profit for the year 2017 | 51 116 | - | 51 116 |
| Proposed distribution of the profit 2017: | | | |
| Transfer to retained earnings | -51 116 | 51 116 | - |
| | 0 | 66 535 | 66 535 |

17. Income tax and deferred tax liability/asset

(a) Current income tax

| In thousands of CZK | 2017 | 2016 |
|---|--------------|------------|
| Profit before taxation | 53,806 | 18,124 |
| Subtotal | 53,806 | 18,124 |
| Deduction of loss from previous years | - | (1,894) |
| Tax base | 53,806 | 16,230 |
| Tax calculated at the rate of 5% | 2,690 | 812 |

(b) Income tax

| In thousand of CZK | 2017 | 2016 |
|---|--------------|------------|
| Tax payable for the current accounting period/ provision creation | 2,690 | 812 |
| Total | 2,690 | 812 |

The deferred tax liability of CZK 9,957 ths. as at 31 December 2017 (CZK 3,633 ths. as at 31 December 2016) represents 5% of the positive revaluation reserve recognized in the Sub-Fund's equity and is also recognized directly in the equity (see note 18).

18. Assets under management

| In thousand of CZK | 31. 12. 2017 | 31. 12. 2016 |
|--|------------------|------------------|
| Cash | 1,242 | 136 |
| Participation interests with controlling influence | 627,047 | 444,494 |
| Due from customers | 1,330,876 | 815,441 |
| Due to customers | (1,300) | - |
| Provision for income tax | (2,285) | (812) |
| Other liabilities | (31,097) | (9,985) |
| Total | 1,924,483 | 1,249,274 |

19. Financial instruments

(a) Market risk

The Sub-Fund is exposed to market risk as a result of its general investment strategy in accordance with its statute. The Sub-Fund acquires funds 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 by the market.

(b) Liquidity risk

The liquidity risk arises from the way the Sub-Fund finances its activities and manages its positions. In view of the assessment of the degree of this risk and the overall financial position of the entity during the 2017 period, the liquidity risk was not assessed as material and no extraordinary measures were taken.

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

| In thousands CZK | Within 3 months. | From 3 months to 1 year | From 1 to 5 years | Over 5 years | No specification | Total |
|--|------------------|-------------------------|-------------------|------------------|-------------------|------------------|
| As at 31 December 2017 | | | | | | |
| Due from banks | 1,242 | - | - | - | - | 1,242 |
| Due from customers | - | - | 1,330,876 | - | - | 1,330,876 |
| Participation interests with controlling influence | - | - | - | - | 627,047 | 627,047 |
| Total | 1,242 | - | 1,330,876 | - | 627,047 | 1,959,165 |
| Due to customers | - | 1,300 | - | - | - | 1,300 |
| Other liabilities | 31,096 | - | - | - | - | 31,096 |
| Provisions | - | 2,285 | - | - | - | 2,285 |
| Equity | - | - | - | - | 1,924,484 | 1,924,484 |
| Total | 31,096 | 3,585 | - | - | 1,924,484 | 1,959,165 |
| Gap | (29,854) | (3,585) | 1,330,876 | - | -1,297,437 | - |
| Cumulative gap | (29,854) | (33,439) | 1,297,437 | 1,297,437 | - | - |

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
NOVA Real Estate – podfond 1
V Celnici 1031/4, Nové Město, 110 00 Praha 1
Notes to the financial statements for the year ended 31 December 2017

| In thousands CZK | Within 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | No specification | Total |
|--|-----------------|-------------------------|-------------------|----------------|------------------|------------------|
| As at 31 December 2016 | | | | | | |
| Due from banks | 136 | - | - | - | - | 136 |
| Due from customers | - | - | 368,154 | 447,287 | - | 815,441 |
| Participation interests with controlling influence | - | - | - | - | 444,494 | 444,494 |
| Total | 136 | - | 368,154 | 447,287 | 444,494 | 1,260,071 |
| Other liabilities | 9,985 | - | - | - | - | 9,985 |
| Provisions | - | 812 | - | - | - | 812 |
| Equity | - | - | - | - | 1,249,274 | 1,249,274 |
| Total | 9,985 | 812 | - | - | 1,250,086 | 1,260,071 |
| Gap | (9,849) | (812) | 368,154 | 447,287 | (804,780) | - |
| Cumulative gap | (9,849) | (10,661) | 357,493 | 804,780 | - | - |

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

(c) Interest rate risk

The sub-fund records in its assets fixed interest receivables from non-bank entities of CZK 1,331 million. The interest rates on these receivables are significantly above the two-week repo rate set by the Czech National Bank. In the near future, a significant increase in the interest rates that would mean an increase in potential opportunity cost, is not expected. Interest rate risk is considered insignificant.

(d) Currency risk

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

Foreign currency position of the Sub-Fund

| In thousands of CZK | EUR | CZK | Total |
|-------------------------------|------------------|----------------|------------------|
| As at 31 December 2017 | | | |
| Due from banks | 116 | 1,126 | 1,242 |
| Due from customers | 1,112,380 | 218,496 | 1,330,876 |
| Total | 1,112,496 | 219,622 | 1,332,118 |
| Due to customers | | 1,300 | 1,300 |
| Provision | | 2,285 | 2,285 |
| Other liabilities | | 31,097 | 31,097 |
| Total | 0 | 34,682 | 34,682 |
| Net currency position | 1,112,496 | 184,940 | 1,297,436 |

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
NOVA Real Estate – podfond 1
V Celnici 1031/4, Nové Město, 110 00 Praha 1
Notes to the financial statements for the year ended 31 December 2017

| In thousands CZK | EUR | Kč | Total |
|-------------------------------|----------------|----------------|----------------|
| As at 31 December 2016 | | | |
| Due from banks | 69 | 67 | 136 |
| Due from customers | 815,386 | 55 | 815,441 |
| Total | 815,455 | 122 | 815,577 |
| Other liabilities | - | 10,797 | 10,797 |
| Total | - | 10,797 | 10,797 |
| Net currency position | 815,455 | -10,675 | 804,780 |

(e) Credit risk

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

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.

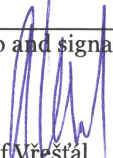



The existing receivables arising from loans granted to non-bank entities are not secured by any of the above types of collateral, due to the fact that the borrower is 100 % owned by lender which as a controlling entity controls all possible risks, if any, which might occur on the side of the borrower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

(f) Operational, legal and other risks

Management of operational, legal and other risks is regulated by the Sub-Fund's Statute and internal regulations. Due to the nature of its business, which is collective investment in accordance with the Act, all Sub-Fund's investments must be executed in accordance with the applicable Sub-Fund's Statute and subject to the control by the depositary of the Sub-Fund, which was for the whole period of 2017 UniCredit Bank Czech Republic and Slovakia, a. s. on the basis of the Depositary Agreement.

20. Subsequent events

As at the time of the preparation of the financial statements, the management of the Investment company is not aware of any significant subsequent events that would affect the financial statements as at 31 December 2017.

| | | | |
|--|---|---|--|
| <p>The financial statements were prepared on:</p> <p>20 April 2018</p> | <p>Stamp and signature</p>  Rudolf Vřešťal Authorised Representative  Karel Krhovský Authorised Representative | <p>Person responsible for accounting</p> <p>Name and signature:</p>  Karel Krhovský Authorised Representative <p>Phone number: 222 500 758</p> | <p>Person responsible for the financial statements</p> <p>Name and signature:</p>  Rudolf Vřešťal Authorised Representative <p>Phone number: 224 931 360</p> |
|--|---|---|--|



Nova Real Estate

Report on
relations

Report on relations

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

I. Introductory provisions

1. The relevant period

This report is prepared for the accounting period from 1 January 2017 to 31 December 2017 (hereinafter referred to as "the reporting period" or "reference period").

2. Company name and registered office

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

3. Statutory body

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

REDSIDE investiční společnost, a.s., with its registered office at Prague 1 - Nové Město, V Celnici 1031/4, Postal Code 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 authorised representatives:

Rudolf Vřešťál, born 22.2.1977, Prague 3, Žižkov, Prokopova 2849 / 2a, Postal Code 130 00 - Chairman of the Board of Directors and

Radek Široký, born 1.10.1975, Před oborou 100, Hájek, 104 00 Prague 10 - Member of the Board of Directors.

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

4. Shareholders and Shares

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

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

II. Related parties

1. Controlling Parties

REDSIDE investiční společnost, a.s.

This relationship is considered as 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, Postal Code 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, Postal Code 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")

2. Controlled party

NOVA Real Estate

3. 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, Postal Code 11 000, 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 % os shares of BFD Czech, a.s.

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

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

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

ARCA OPPORTUNITY, SICAV, 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.

VIRTUS INVEST, SICAV, a.s. with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 053 02 587 (hereinafter referred to as "**VIRTUS INVEST**")

The relationship between the Controlled Party and VIRTUS INVEST is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that the Controlled Party is a member of the key management of VIRTUS INVEST, as a member of the Board of Directors.

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.

4. 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. (see appendix 1).

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. (see appendix 1).

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. investiční společnost, a.s., whereas the Controlled Party carries out the activities of the fund of qualified investors according to the provisions § 95 paragraph. 1 a) of 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. (a Related Party) as the contractor;
- Addition #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;
- Sub-lease agreement dated 9.5.2013 between the Controlled Party and ASB Prague, s.r.o. (a Related Party); the agreement was terminated on 30. 11. 2017
- Supplement No.1 to the Sub-lease agreement of 9.5.2013 between the Controlled Party and ASB Prague, s.r.o. (a Related Party); terminated along with sub-lease agreement on 30. 11. 2017

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, such information and documents forming part of the business confidence of the Controlling Parties, the Controlled Parties and the Related Parties, as well as any trade information that could, itself or in connection with other materials of a confidence 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 Board of Directors 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 Board.
3. The Board of Directors 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, 20 April 2018



Rudolf Vřešťál

authorised representative REDSIDE investiční společnost, a.s.

Appendix 1. Property relations – a graphic representation

