



**Arcona Capital Central European
Properties, a.s.**

Annual Report

for the year

2020

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1. Financial statements as of 31 December 2020
2. Independent auditor's report
3. Report on relations between related parties

General information about the Company

Company name: Arcona Capital Central European Properties, a.s. (hereinafter the "Company")
Registered office: Praha 1- Nové Město, Politických vězňů 912/10, postcode 110 00
Identification number: 247 27 873
Legal form: joint stock company

Company's principal activities are:

- Lease of real estate, residential and non-residential premises without the provision of other than basic services ensuring the proper operation of real estate, residential and non-residential premises,
- Production, trade and services which are not specified in Appendices 1 to 3 of the Trade Licensing Act.

The Company is registered in the Register of Companies maintained by the Municipal Court in Prague, section B, insert 16436. The Company was established on 1 October 2010 as the successor company on the basis of a domestic merger by amalgamation of the dissolving companies MEI Properties, a.s. and DELTATEL, s.r.o.

As of 31 December 2020, the registered capital amounts to CZK 26,343 thousand and is fully paid up.

As of 31 December 2020, the Company has the following shares:

No. of shares	Type of shares	Nominal value (CZK)	Total value (CZK)
546	ordinary registered shares in certificate form	25 000	13 650 000
4	ordinary registered shares in certificate form	5 000	20 000
1	ordinary registered shares in certificate form	15 000	15 000
12 658	ordinary registered shares in certificate form	1 000	12 658 000
Total			26 343 000

Information on statutory and supervisory bodies

Members of the Board of Directors and Supervisory Board as of 31 December 2020:

Members of the Board of Directors
Guy St John Barker (Chairman)
Ing. Zbyněk Laube

Members of the Supervisory Board
Tina Kathrin Rauh (Chairwoman)

Each member of the Board of Directors acts individually on behalf of the Company.

Changes in the Register of Companies

In 2020, the following changes were recorded in the Register of Companies:

A decree of Ing. was added to the member of the board of directors on 17.7.2020:

Ing. ZBYNĚK LAUBE, born on 22. 9. 1976
Za Viničnou 1811, 266 01 Beroun
Starting date of the membership: 15. 5. 2019

A change of the role of Ms Rauh from the chairwoman of the supervisory board to its member was amended on 17.7.2020:

TINA - KATHRIN RAUH, born on 1. 12. 1976
81675 Munich, Maria-Theresia Strasse 5, Germany
Starting date of the membership: 30. 6. 2020

Report on the Company's business activities, its assets and liabilities and its development in 2020

The Company's portfolio consists of real estate originally owned by O2 Czech Republic a.s. which the Company acquired in 2008. The real estate is located in large cities, regional cities and other cities in the Czech Republic except Prague. The total rentable area of buildings equals approximately 118,000 m².

The principal activities of the Company include (i) the lease of real estate, residential and non-residential premises without the provision of other than basic services and (ii) production, trade and services which are not specified in Appendices 1 to 3 of the Trade Licencing Act. In 2020, no changes in the principal activities were made.

The Company's objective is to achieve the highest revenue from the rental properties and the continuous sale of individual properties from the portfolio in case of adequate offer or reaching the adequate selling price. In a later phase of the project, the aim will be to sell the entire real estate portfolio.

The year of 2020 was affected by the Covid-19 pandemic whose impact on our tenants and our long-term situation we monitor and evaluate in detail. Short-term rent discounts provided during 2020 remained below 0,5% of the total sales.

In 2020, the most important item of the Company's assets were fixed assets, in particular tangible fixed assets which continue to be pledged as security in favour of Raiffeisenbank a.s.

The Company's assets are mainly covered by loans, in particular by the loan granted by Raiffeisenbank a.s. and, at the end of 2020, long-term liabilities to related parties.

In 2020, the Company records only bank loans whose instalments are in line with the operating cash flow. The Company was granted a loan of CZK 1,299 million at the beginning of the project in 2008 and the remaining outstanding loan amount at the end of 2018 amounted to CZK 462 million. In 2Q 2019, the loan was refinanced by the same bank (CZK 640 million), which allowed the Company to repay the principal of other loans from non-banking entities in the amount of CZK 187 million. The remaining outstanding loan amount at the end of 2020 amounted to CZK 577 million.

However, the Company continues to have liabilities towards non-banking entities whose interest expenses have a material impact on the Company's profit or loss. The Company ensures the timely payment of these liabilities by obtaining new funds, in the form of the sale of selected real estate and by refinancing these liabilities by other resources with a lower interest rate burden.

During 2020, the Company sold four pieces of real estates – two in Ceske Budejovice and one in Kromeriz and Kolin. The asset sales allowed the Company to make an obligatory extraordinary partial instalment of the loan principal to Raiffeisenbank, a.s.

In 2020, the Company recorded a total accounting loss of CZK 1.51 million.

In 2021 and beyond, the Board of Directors intends to continue to strengthen the Company's capital structure, in particular:

1. Restructuring of liabilities and their possible replacement by a new liability with a lower interest rate burden;
2. Sale of selected assets, in particular those identified by the Board of Directors as marketable and non-strategic in nature;

3. Increase in property occupancy and the average rental rate per m²;
4. Decrease in operating expenses and fees.

We confirm that we have assessed the impact of Covid-19 on the financial statements for the year ended 31 December 2020. This included our best estimate of the impact thereof on rental levels and rental income, our ability to collect receivables and pay liabilities, generate future revenue and access financing.

Significant subsequent events

The Company is closely monitoring developments in respect of the Coronavirus epidemic. It is clear that the health impact of the epidemic and the economic impact of the measures taken by the Government to limit its spread will have serious negative effects on the market environment in which the Company operates. The Company will continually review and adjust its strategy and operations to respond to these effects immediately after they have arisen. These circumstances may result in material changes to the Company's operational performance in 2021.

News from China concerning COVID-19 (coronavirus) emerged by the end of 2019 for the first time. In the first months of 2020 the virus spreaded out to the whole world and caused extensive economic damages. Despite the Company management did not note any significant reduction in the business during the process of publishing this accounting close, the situation changes frequently and therefore future impact of the pandemic on the Company business cannot be foreseen. The management of the Company will continue monitoring the potential impact and undertake all feasible steps in order to mitigate any adverse effects on the Company.

No events other than those described above occurred since the balance sheet date that would have a material impact on the 2020 financial statements.

Expected development of the Company and its activities

The Company will continue in its current activities as described earlier in this report. The priority is, on the one hand, to increase revenues from the rental of buildings by intensifying rental activity and, on the other hand, by selling selected properties to third parties.

As of the date of preparing the financial statements, 10 properties out of 36 were sold off with the total price of CZK 220,5 million. The total selling price exceeded the total market value as at 31.12.2020 by almost 2%.

In 2021 and the following periods, the Company will consider selling the properties with below-average results. Therefore, the Company's management monitors the development on the relevant market so that certain assets could be sold and, when appropriate, subsequently replaced with more prospective assets.

Research and development

The Company undertakes no research and development activities.

Environmental protection and labour relations

The Company undertakes no action in respect of the environmental protection.

As of 31 December 2020, the Company had no employees. The majority of Company's activities is ensured through contractors. The Company concluded executive service agreements with the members of the statutory bodies.

Foreign organisational units

The Company has no foreign organisational unit.

Acquisition of treasury shares/ treasury holdings

In 2020, the Company did not acquire any treasury shares or treasury holdings or any shares or ownership interests of the controlling entity.

Audit

In accordance with the relevant provisions of Act No. 563/1991 Coll., on Accounting, namely Sections 20 and 21, as amended, the Company is obliged to have its financial statements audited. The auditor's report on the financial statements is attached as Appendix 2 and forms an integral part of the annual report.

Report on relations between related parties

In accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives, as amended, the statutory body of the Company has prepared the report on relation between the related parties. The report on relations is attached as Appendix 3 and forms an integral part of the annual report.

This report has been reviewed and discussed by the Company's Board of Directors and approved unanimously.

In Prague on 30 April 2021



Guy St John Barker
Chairman of the Board of Directors



Ing. Zbyněk Laube
Member of the Board of Directors

Financial statements as of 31 December 2020

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Name of the Company: Arcona Capital Central European Properties, a.s.
Registered Office: Politických vězňů 912/10, Nové Město,
110 00 Praha 1
Legal Status: Joint Stock Company
Corporate ID: 247 27 873

Components of the Financial Statements:

Balance Sheet



Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 30 April 2021.

Statutory body of the reporting entity:	Signature
Guy St. John Barker Ing. Zbyněk Laube	 

BALANCE SHEET
full version

Arcona Capital Central European Properties, a.s.
Corporate ID 247 27 873

As of
31.12.2020
(in CZK thousand)

Politických vězňů 10/ 912
Praha 1
11000

		31.12.2020			31.12.2019
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	1 401 024	-295 939	1 105 085	1 192 811
B.	Fixed assets	1 231 267	-290 294	940 973	1 066 997
<i>B.I.</i>	<i>Intangible fixed assets</i>	292	-292		16
<i>B.I.2.</i>	<i>Valuable rights</i>	292	-292		16
<i>B.I.2.1.</i>	<i>Software</i>	292	-292		16
<i>B.II.</i>	<i>Tangible fixed assets</i>	1 230 970	-290 002	940 968	1 066 976
<i>B.II.1.</i>	<i>Land and structures</i>	1 226 770	-287 144	939 626	1 061 942
<i>B.II.1.1.</i>	<i>Land</i>	56 196		56 196	63 386
<i>B.II.1.2.</i>	<i>Structures</i>	1 170 574	-287 144	883 430	998 556
<i>B.II.2.</i>	<i>Tangible movable assets and sets of tangible movable assets</i>	3 064	-2 858	206	243
<i>B.II.5.</i>	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	1 136		1 136	4 791
<i>B.II.5.1.</i>	<i>Prepayments for tangible fixed assets</i>	1 000		1 000	
<i>B.II.5.2.</i>	<i>Tangible fixed assets under construction</i>	136		136	4 791
<i>B.III.</i>	<i>Non-current financial assets</i>	5		5	5
<i>B.III.1.</i>	<i>Equity investments - controlled or controlling entity</i>	5		5	5
C.	Current assets	168 920	-5 645	163 275	125 633
<i>C.II.</i>	<i>Receivables</i>	28 798	-5 645	23 153	16 207
<i>C.II.1.</i>	<i>Long-term receivables</i>	3 576		3 576	
<i>C.II.1.5.</i>	<i>Receivables - other</i>	3 576		3 576	
<i>C.II.1.5.4.</i>	<i>Sundry receivables</i>	3 576		3 576	
<i>C.II.2.</i>	<i>Short-term receivables</i>	25 222	-5 645	19 577	16 207
<i>C.II.2.1.</i>	<i>Trade receivables</i>	12 351	-5 645	6 706	3 017
<i>C.II.2.2.</i>	<i>Receivables - controlled or controlling entity</i>				328
<i>C.II.2.4.</i>	<i>Receivables - other</i>	12 871		12 871	12 862
<i>C.II.2.4.3.</i>	<i>State - tax receivables</i>	1 223		1 223	4 501
<i>C.II.2.4.4.</i>	<i>Short-term prepayments made</i>	5 438		5 438	3 896
<i>C.II.2.4.5.</i>	<i>Estimated receivables</i>	6 210		6 210	3 076
<i>C.II.2.4.6.</i>	<i>Sundry receivables</i>				1 389
<i>C.IV.</i>	<i>Cash</i>	140 122		140 122	109 426
<i>C.IV.1.</i>	<i>Cash on hand</i>	13		13	5
<i>C.IV.2.</i>	<i>Cash at bank</i>	140 109		140 109	109 421
D.	Other assets	837		837	181
<i>D.1.</i>	<i>Deferred expenses</i>	250		250	181
<i>D.3.</i>	<i>Accrued income</i>	587		587	

		31.12.2020	31.12.2019
	TOTAL LIABILITIES & EQUITY	1 105 085	1 192 811
A.	Equity	113 791	113 529
<i>A.I.</i>	<i>Share capital</i>	<i>26 343</i>	<i>26 343</i>
A.I.1.	Share capital	26 343	26 343
<i>A.II.</i>	<i>Share premium and capital funds</i>	<i>228 199</i>	<i>226 427</i>
A.II.1.	Share premium	225 302	225 302
A.II.2.	<i>Capital funds</i>	<i>2 897</i>	<i>1 125</i>
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	2 897	1 125
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	<i>-139 241</i>	<i>-68 881</i>
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-139 241	-68 881
<i>A.V.</i>	<i>Profit or loss for the current period (+/-)</i>	<i>-1 510</i>	<i>-70 360</i>
B.+C.	Liabilities	987 531	1 075 753
C.	Payables	987 531	1 075 753
<i>C.I.</i>	<i>Long-term payables</i>	<i>930 723</i>	<i>1 012 641</i>
C.I.2.	Payables to credit institutions	515 028	627 698
C.I.3.	Long-term prepayments received	8 714	
C.I.7.	Payables - associates	221 138	222 885
C.I.8.	Deferred tax liability	61 244	69 274
<i>C.I.9.</i>	<i>Payables - other</i>	<i>92 013</i>	<i>92 784</i>
C.I.9.3.	Sundry payables	92 013	92 784
<i>C.II.</i>	<i>Short-term payables</i>	<i>56 808</i>	<i>63 112</i>
C.II.2.	Payables to credit institutions	61 967	26 546
C.II.3.	Short-term prepayments received	5 406	15 015
C.II.4.	Trade payables	9 323	7 306
<i>C.II.8.</i>	<i>Other payables</i>	<i>12 698</i>	<i>14 245</i>
C.II.8.4.	Social security and health insurance payables	31	31
C.II.8.5.	State - tax payables and subsidies	14	14
C.II.8.6.	Estimated payables	11 593	13 652
C.II.8.7.	Sundry payables	1 060	548
D.	Other liabilities	3 763	3 529
D.1.	Accrued expenses	3 763	3 529

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

Arcona Capital Central European Properties, a.s.
Corporate ID 247 27 873

Year ended
31.12.2020
(in CZK thousand)

Politických vězňů 10/ 912
Praha 1
11000

		Year ended 31.12.2020	Year ended 31.12.2019
I.	Sales of products and services	175 560	173 354
A.	Purchased consumables and services	114 943	122 462
A.2.	Consumed material and energy	56 440	60 559
A.3.	Services	58 503	61 903
D.	Staff costs	241	241
D.1.	Payroll costs	180	180
D.2.	Social security and health insurance costs and other charges	61	61
D.2.1.	Social security and health insurance costs	61	61
E.	Adjustments to values in operating activities	18 609	76 796
E.1.	Adjustments to values of intangible and tangible fixed assets	15 127	76 201
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	25 927	27 521
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	-10 800	48 680
E.3.	Adjustments to values of receivables	3 482	595
III.	Other operating income	138 913	27 536
III.1.	Sales of fixed assets	137 500	27 000
III.2.	Sales of material	12	38
III.3.	Sundry operating income	1 401	498
F.	Other operating expenses	135 481	19 261
F.1.	Net book value of sold fixed assets	132 096	15 972
F.3.	Taxes and charges	1 587	1 676
F.5.	Sundry operating expenses	1 798	1 613
*	Operating profit or loss (+/-)	45 199	-17 870
V.	Income from other non-current financial assets	469	
V.2.	Other income from other non-current financial assets	469	
H.	Costs of other non-current financial assets	264	
VI.	Interest income and similar income	108	525
VI.1.	Interest income and similar income - controlled or controlling entity	20	15
VI.2.	Other interest income and similar income	88	510
J.	Interest expenses and similar expenses	45 400	59 581
J.1.	Interest expenses and similar expenses - controlled or controlling entity	26 015	26 271
J.2.	Other interest expenses and similar expenses	19 385	33 310
VII.	Other financial income	57	9 535
K.	Other financial expenses	10 316	3 439
*	Financial profit or loss (+/-)	-55 346	-52 960
**	Profit or loss before tax (+/-)	-10 147	-70 830
L.	Income tax	-8 637	-470
L.1.	Due income tax	71	
L.2.	Deferred income tax (+/-)	-8 708	-470
**	Profit or loss net of tax (+/-)	-1 510	-70 360
***	Profit or loss for the current period (+/-)	-1 510	-70 360
*	Net turnover for the current period	315 107	210 950

**STATEMENT OF
CHANGES IN EQUITY**

Year ended
31.12.2020
(in CZK thousand)

	Share capital	Capital funds	Share premium	Gains or losses from the revaluation of assets and liabilities	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Other profit or loss from prior years	Profit share prepayments declared	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2018	26 343		225 302	3 685		-71 466			2 585	186 449
Distribution of profit or loss						2 585			-2 585	
Revaluation of derivatives				-2 560						-2 560
Profit or loss for the current period									-70 360	-70 360
Balance at 31 December 2019	26 343		225 302	1 125		-68 881			-70 360	113 529
Distribution of profit or loss						-70 360			70 360	
Revaluation of derivatives				1 772						1 772
Profit or loss for the current period									-1 510	-1 510
Balance at 31 December 2020	26 343		225 302	2 897		-139 241			-1 510	113 791

**CASH FLOW
STATEMENT**

Arcona Capital Central European Properties, a.s.

Corporate ID 247 27 873

Year ended
31.12.2020
(in CZK thousand)

Politických vězňů 10/ 912
Praha 1
11000

		Year ended 31.12.2020	Year ended 31.12.2019
P.	Opening balance of cash and cash equivalents	109 426	95 018
	Cash and cash equivalents acquired through transformation		
	Opening balance of cash and cash equivalents after transformation		
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	-10 147	-70 830
A.1.	Adjustments for non-cash transactions	58 497	124 824
A.1.1.	Depreciation of fixed assets	25 927	27 521
A.1.2.	Change in provisions and reserves	-7 318	49 275
A.1.3.	Profit/(loss) on the sale of fixed assets	-5 404	-11 028
A.1.5.	Interest expense and interest income	45 292	59 056
A.*	Net operating cash flow before changes in working capital	48 350	53 994
A.2.	Change in working capital	-20 495	-125 577
A.2.1.	Change in operating receivables and other assets	-11 590	7 350
A.2.2.	Change in operating payables and other liabilities	-8 905	-132 927
A.**	Net cash flow from operations before tax	27 855	-71 583
A.3.	Interest paid	-43 352	-52 650
A.4.	Interest received	108	525
A.5.	Income tax paid from ordinary operations	2 622	
A.***	Net operating cash flows	-12 767	-123 708
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-21 199	-25 447
B.2.	Proceeds from fixed assets sold	137 500	27 000
B.***	Net investment cash flows	116 301	1 553
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-72 838	136 563
C.***	Net financial cash flows	-72 838	136 563
F.	Net increase or decrease in cash and cash equivalents	30 696	14 408
R.	Closing balance of cash and cash equivalents	140 122	109 426

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

1. General Information and Principal Activities

Formation and Description of the Company

The Company was established on 1 October 2010 as the successor company on the basis of a domestic merger by amalgamation of the dissolving companies MEI Properties, a.s., corporate ID 282 53 302, and DELTATEL, s.r.o., corporate ID 278 80 362. As a result of the merger, the net assets of both companies were transferred to the Company. In 2012, MEI Properties, a.s., corporate ID 247 27 873, was renamed to Palmer Capital Central European Properties, a.s. and on 5 August 2016, the name of the company was changed to Arcona Capital Central European Properties, a.s., (the “Company”).

The Company’s primary business activities include the lease of real estate, residential and non-residential premises without the provision of other than basic services ensuring the proper operation of real estate, residential and non-residential premises. The Company owns a portfolio of real estate located in the Czech Republic.

The Company does not have its own employees and its activities are performed by suppliers.

Owners of the Company

As of 31 December 2020, the Company’s shareholders are:

MEI-Czech Offices II C.V. (Kingdom of the Netherlands)	42.11%
Middle Europe Opportunity Fund III N.V. (Kingdom of the Netherlands)	37.10%
Other (Kingdom of the Netherlands)	20.79%

Registered Office

Arcona Capital Central European Properties, a.s.
Politických vězňů 912/10
110 00 Prague 1, Nové Město, Czech Republic

Corporate ID

247 27 873

Members of the Board of Directors and Supervisory Board as of 31 December 2020

Members of the Board of Directors

Guy St John Barker (Chairman)
Ing. Zbyněk Laube

Members of the Supervisory Board

Tina Kathrin Rauh (Chairwoman)

Each member of the Board of Directors acts individually on behalf of the Company.

Changes in the Register of Companies

In 2020, the following changes were recorded in the Register of Companies:

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

On 17 July 2020, the title of Ing. was added to a member of the Board of Directors:

Ing. ZBYNĚK LAUBE, Date of Birth: 22 September 1976

Address: Za Viničnou 1811, Beroun-Město, 266 01 Beroun

Appointed on: 15 May 2019

On 17 July 2020, the position of Ms. Rauh changed from Chairwoman of the Board of Directors to its member:

TINA - KATHRIN RAUH, Date of Birth: 1 December 1976

81675 Munich, Maria-Theresia Strasse 5, Federal Republic of Germany

Appointed on: 30 June 2020

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020

(CZK thousand)

2. Significant Accounting Policies Used by the Company

The financial statements were prepared in accordance with the Accounting Act and relevant regulations and decrees effective in the Czech Republic.

The financial statements were prepared in accordance with Regulation of the Ministry of Finance of the Czech Republic 500/2002 Coll., which provides implementation guidance on certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for reporting entities that are businesses maintaining double-entry accounting records. Comparative information for 2019 is presented in accordance with the arrangement and designation of items of the balance sheet and profit and loss account according to the Regulation as amended for 2020.

The financial statements are prepared on the going concern basis.

a) Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are stated at cost. Tangible fixed assets with an acquisition cost lower than CZK 40 thousand and intangible fixed assets with an acquisition cost lower than CZK 60 thousand are not presented in the balance sheet and are charged to expenses in the year of acquisition.

Valuation of internally produced fixed assets includes direct material, direct wages and overhead costs directly related to their production until the period of capitalisation.

The following table includes the methods and periods of depreciation by asset group:

Assets	Method	Depreciation period
Structures	Straight line	30/50 years
Machinery and equipment	Straight line	5 years

Depreciation is recognised in the profit and loss account under 'Adjustments to values of intangible and tangible fixed assets – permanent'.

Technical improvements of leased assets are depreciated on a straight line basis over the shorter of the lease term or the estimated useful life.

b) Recognition of Provisions and Reserves

Tangible fixed assets

The Company creates provisions against tangible fixed assets based on a comparison of the total net book value of the portfolio of buildings and land with the total market valuation of the portfolio. The Company selected this approach based on its business strategy.

The determination of the market valuation is based on expert opinions and analyses prepared by external experts as well as on internal valuation.

The creation and release of provisions is recognised in the profit and loss account under 'Adjustments to values of intangible and tangible fixed assets – temporary'.

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

Receivables

The Company creates provisions against doubtful receivables on the basis of its individual analysis of the solvency of its customers and the ageing analysis of receivables.

The creation and release of provisions is reported in the profit and loss account under 'Adjustments to values of receivables'.

Reserves

The Company creates an income tax reserve due to the fact that the financial statements are prepared before the amount of the tax liability is determined. In the following reporting period, the Company releases the reserve and recognises the ascertained tax liability.

c) Foreign Currency Translation

Transactions denominated in foreign currencies are translated using the daily exchange rate of the Czech National Bank. During the year, the Company only accounts for realised exchange rate gains and losses.

At the balance sheet date, the relevant assets and liabilities in foreign currencies are translated at the Czech National Bank's exchange rate. Unrealised exchange rate gains and losses are recorded in profit or loss.

d) Income Taxation

Income taxation for the period is composed of the tax payable and movements in the deferred tax.

Tax payable includes the estimated tax calculated from the tax base using the tax rate effective as of the first date of the reporting period and all additional assessments and refunds for prior periods.

The deferred tax is based on all temporary differences between the accounting and tax values of assets and liabilities, or other temporary differences (e.g. tax loss) using the anticipated tax rate applicable for the period in which the deferred tax liability is settled or deferred tax asset is recovered.

The deferred tax asset is recognised only when it is likely that it will be recovered in the following reporting periods.

e) Classification of Payables

The Company classifies the portion of long-term payables, bank loans and financial borrowings with a maturity shorter than one year as of the balance sheet date as short-term.

f) Revenue Recognition

Revenue from leases is recognised as of the date of provision of the service and is reported net of discounts and value added tax. Income from rebilling of expenses is reported in the period to which it relates on an accrual basis. Sales of real estate are recognised as of the date when the proposal for entry in the cadastre of real estate is filed and they are reported under 'Sales of fixed assets and material' net of discounts and value added tax. The corresponding costs are reported under 'Net book value of sold fixed assets and material'.

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020

(CZK thousand)

g) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements. These estimates are made based on historical experience and various other facts that are considered appropriate as of the date of preparation of the financial statements and they are used when the carrying amounts of assets and liabilities are not fully evident from other sources or when uncertainty exists regarding the application of the individual accounting policies. Actual outcomes may differ from the estimates. The estimates and assumptions are regularly revised. Adjustments to accounting estimates are taken into account in the period when these estimates are revised if the revision concerns only the relevant reporting period, or in the period of revision and in future periods if the revision affects the current and future periods. Estimates and the initial assumptions used in the current reporting period primarily affect the value of the reported tangible fixed assets and deferred tax.

h) Cash deposited to secure bank loans

The Company accounts for cash deposited as collateral in accordance with the terms of bank loans as 'Cash at bank'.

i) Cash deposited on escrow account

As of the balance sheet date, cash related to the sale of fixed assets deposited on an escrow account is reported under 'Other short-term receivables' due to the limited manageability of this cash by the Company if all requirements for the release of this cash are not met.

j) Derivatives

The Company uses interest rate swaps to hedge the risk associated with interest rate fluctuation. As of the balance sheet date, the Company measures these derivatives at fair value. The fair value is determined on the basis of the value determined by an expert.

In accordance with accounting regulations, the Company decided to apply hedge accounting to report effects from the hedging of currency risks.

The Company applies hedge accounting if:

- The collateral is in line with the Company's risk management strategy;
- At the time of the hedging transaction, the hedge relationship is formally documented;
- The hedge relationship is expected to be effective throughout its life cycle;
- The effectiveness of the hedge relationship is objectively measurable;
- The hedge relationship is effective during the reporting period, which means that changes in the fair values or cash flows of hedging instruments corresponding to the hedged risk range from 80% to 125% of changes in the fair values or cash flows of hedging instruments corresponding to the hedged risk; and
- In the case of cash flow hedges, the expected transaction is highly likely to occur and presents a risk of changes in cash flows affecting the profit or loss.

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

In accordance with accounting regulations, the Company uses hedge accounting to report the impact of hedged currency risk (bank loan).

If the Company hedges the risk of variability in cash flows from recorded assets, liabilities or expected transactions, the effective part of hedging (i.e. change in the fair value of the hedging instrument arising from the hedged risk) is recognised as part of equity under 'Gains or losses from the revaluation of assets and liabilities'. The non-effective part is included in the profit and loss account.

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

3. Fixed Assets

	Land	Buildings	Equipment	Assets under construction	Prepayments made	Total 2020	Total 2019
Cost							
Balance as of 1 January	63 386	1 305 515	3 192	4 791	--	1 376 884	1 371 100
Additions	-	24 854	-	20 369	1 000	46 223	53 049
Disposals	-7 190	-159 795	-128	-25 024	-	-192 137	-21 435
Reclassification	-	-	--	--	-	--	-25 830
Balance as of 31 December	56 196	1 170 574	3 064	136	1 000	1 230 970	1 376 883
Accumulated depreciation/amortisation							
Balance as of 1 January	--	258 280	2 948	--	--	261 228	237 990
Additions	--	150 779	38	--	--	150 817	43 395
Disposals	--	-159 795	-128	--	--	-159 923	-20 157
Reclassification	--	--	--	--	--	--	--
Balance as of 31 December	--	249 264	2 858	--	--	252 122	261 228
Provisions							
Balance as of 1 January	--	-48 680	--	--	--	-48 680	--
Change in provisions	--	10 800	--	--	--	10 800	-48 680
Balance as of 31 December	--	-37 880	--	--	--	-37 880	-48 680
Balance as of 1 January	63 386	894 074	281	4 680	--	962 421	1 133 110
Balance as of 31 December	56 196	883 430	206	136	1 000	940 968	1 066 976

As of 31 December 2020, the total number of real estate was 36 (2019: 40).

The most significant disposals of fixed assets in 2020 included the sale of properties in České Budějovice, Kolín and Kroměříž.

The value of the assets stated in the expert opinion prepared by CBRE s.r.o. as of 31 December 2020, and approved by the Company's management, was lower for some buildings than the value reported in the accounting records. The Company created provisions for buildings where the market value or selling price were lower than the book value.

As of 31 December 2020, the Company recorded a provision for fixed assets of CZK 37,880 thousand (as of 31 December 2019: CZK 48,680 thousand).

Assets pledged as collateral are disclosed in Note 11.

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020

(CZK thousand)

4. Non-Current Financial Assets

In 2018, the Company as the sole owner established the following subsidiaries:

2020	Ownership percentage	Share capital
Arcona Capital CEP I s.r.o.	100%	1
Arcona Capital CEP II s.r.o.	100%	1
Arcona Capital CEP III s.r.o.	100%	1
Arcona Capital CEP IV s.r.o.	100%	1
Arcona Capital CEP V s.r.o.	100%	1
Total		5

In 2020, the companies were not active.

5. Trade Receivables and Payables

- Short-term trade receivables amount to CZK 12,351 thousand (2019: CZK 5,180 thousand). The provision against doubtful receivables as of 31 December 2020 amounted to CZK 5,645 thousand (2019: CZK 2,163 thousand).
- Short-term trade payables amount to CZK 9,323 thousand (2019: CZK 7,306 thousand), of which payables past their due dates amount to CZK 0 thousand (2019: CZK 0 thousand).

6. Short-Term Prepayments Received

Short-term prepayments received in the amount of CZK 5,406 thousand (2019: CZK 15,015 thousand) represent deposits received with respect to the lease of real estate and prepayments for property management.

7. Estimated Receivables

Estimated receivables in the amount of CZK 6,210 thousand (2019: CZK 3,076 thousand) relate to services rebilled to tenants, especially for heat supplies.

8. Provisions

	Provision against receivables
Balance as of 1 January 2020	2 163
Change in current reporting period	+3 482
Balance as of 31 December 2020	5 645

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

9. Share capital and share premium

	Share capital	Share premium	Total
546 registered shares in certificate form with the nominal value of CZK 25,000	13 650	--	13 650
4 registered shares in certificate form with the nominal value of CZK 5,000	20	--	20
1 registered share in certificate form with the nominal value of CZK 15,000	15	--	15
12,658 registered shares in certificate form with the nominal value of CZK 1,000	12 658	225 302	237 960
Balance as of 31 December 2020	26 343	225 302	251 645

10. Equity

As of the day of preparation of the financial statements, no decision was made about the settlement of loss for the current period. The accounting loss for the current period will be transferred to the account of accumulated loss brought forward.

11. Bank Loans

2019	Due date	Interest rate	Balance as of 31 Dec 2019	Due in less than 1 year	Due from 1 to 5 years	Due in more than 5 years
Loan	2024	3M Pribor + 1.89%	654 244	26 546	627 698	--
Total			654 244	26 546	627 698	--

2020	Due date	Interest rate	Balance as of 31 Dec 2020	Due in less than 1 year	Due from 1 to 5 years	Due in more than 5 years
Loan	2024	3M Pribor + 1.89%	576 993	61 965	515 028	--
Total			576 993	61 965	515 028	--

As of 24 October 2020, the bank loan from Raiffeisenbank was refinanced by the same bank.

The bank loan is provided in CZK and secured as follows:

- Pledge on real estate;
- Pledge on receivables;
- Pledge on receivables arising from insurance premium;
- Pledge on bank accounts; and
- Pledge on the Company's shares.

Other liabilities of the Company are subordinated to the bank loan. The bank loan is repaid quarterly and if a piece of property is sold, an extraordinary loan instalment is made.

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

Interest rate risk associated with the bank loan is secured by the conclusion of an interest rate swap in 2020.

From 1 January 2017, the Company began applying hedge accounting. The fair value of hedging derivatives reduced by the deferred tax effect is recognised under 'Gains or losses from the revaluation of assets and liabilities' in the Company's equity in accordance with the accounting principles referred to in Note 2j.

2019	Date of conclusion	Due date	Currency	Nominal value	Fair value
Interest rate swap	22 Dec 2014	31 Jan 2020	CZK	457 236	1 389 (receivable)

2020	Date of conclusion	Due date	Currency	Nominal value	Fair value
Interest rate swap	24 Jun 2020	31 Oct 2024	CZK	318 338	3 576 (receivable)

12. Information on Revenues

The Company's revenues represent revenues from lease of residential and non-residential premises in the Czech Republic and revenues from services related to the lease. In 2020, these revenues amounted to CZK 175,560 thousand (2019: CZK 173,354 thousand).

Sales of fixed assets include the sale of properties of CZK 137,500 thousand in 2020 (2019: CZK 27,000 thousand for one property).

13. Other Financial Expenses and Other Financial Income

Other financial income primarily includes realised and unrealised foreign exchange rate gains of CZK 57 thousand for 2020 (2019: CZK 4,222 thousand) and income from derivative transactions for 2020 amounted to CZK 469 thousand in 2020 (2019: CZK 5,313 thousand).

Other financial expenses primarily include realised and unrealised Exchange rate losses and bank fees of CZK 10,315 thousand for 2020 (2019: CZK 2,416 thousand) and expenses arising from derivative transactions in 2020 amounted to CZK 264 thousand (2019: CZK 1,023 thousand).

14. Related Party Information

a) Related party transactions

Under 'Sundry payables', the Company reports the following balances from loans provided by related parties:

	Short-term		Long-term	
	2019	2020	2019	2020
Majority shareholder	-	-	-	-
Other related parties	-	-	315 668	313 152

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

The Company records loans received from MEOF III. N.V. in the amount of CZK 221,138 thousand (2019: CZK 222,885 thousand) and Florijn Investments B.V. in the amount of CZK 92,013 thousand (2019: CZK 92,784 thousand) including capitalised interest. The interest rates of both loans are fixed at 8%. Both loans are provided in EUR and due on 30 June 2024. In 2020, interest expenses amounted to CZK 26,015 thousand (2019: CZK 37,343 thousand).

These loans are subordinated to a bank loan.

b) Remuneration and loans to members of statutory and supervisory bodies

	Board of Directors		Supervisory Board	
	2020	2019	2020	2019
Number of members	2	2	1	1
Remuneration for the performance of the function	120	120	60	60

Payables to members of statutory and supervisory bodies as of 31 December 2020 amount to CZK 48 thousand (2019: CZK 48 thousand) and are reported under 'Other short-term payables'.

Due amounts arising from social security and health insurance are CZK 31 thousand (2019: CZK 31 thousand).

15. State – Tax Payables and Tax Receivables

Tax payables amount to CZK 14 thousand (2019: CZK 14 thousand).

As of 31 December 2020, the Company reports a tax receivable arising from value added tax in the amount of CZK 1,223 thousand (2019: CZK 1,055 thousand) under 'State – tax receivables'.

In 2020, the reserve for income tax amounted to CZK 0 thousand (2019: CZK 0 thousand).

16. Estimated Payables

Estimated payables in the amount of CZK 11,593 thousand (2019: CZK 13,652 thousand) primarily relate to services rebilled to tenants, especially for the supply of electricity as well as the supply of other services that relate to the reporting period, but for which no invoice was received as of the balance sheet date.

17. Income Tax

a) Payable

In the taxation period of 2020, the Company reports income tax payable in the amount of CZK 71 thousand.

Arcona Capital Central European Properties, a.s.

Notes to the Financial Statements

Year Ended 31 December 2020
(CZK thousand)

Deferred

	Assets		Liabilities		Difference	
	2019	2020	2019	2020	2019	2020
Tangible fixed assets	--	--	-69 421	-60 565	-69 421	-60 565
Assets	411	--	--	--	411	--
Effective part of the derivative (charged to equity)	--	--	-264	-679	-264	-679
Deferred tax asset/(liability)	411	--	-69 685	-61 244	-69 274	-61 244

In line with the accounting policies disclosed in Note 2d, a tax rate of 19% was utilised in calculating the deferred tax asset (2019: 19%).

18. Information on the Fee to the Statutory Auditor

This information is disclosed in the notes to the consolidated financial statements of the consolidation group where the Company is included.

19. Off Balance Sheet Commitments

The Company has no commitments that would not be reported in the balance sheet as of 31 December 2020 and 31 December 2019.

20. Cash Flow Statement

For the purpose of preparation of the cash flow statement, cash and cash equivalents include cash on hand, cash in transit and cash at bank and other financial assets the valuation of which can be reliably determined and which are easily convertible into cash. Cash and cash equivalents at the end of the reporting period are as follows:

	Balance as of 31 December	
	2020	2019
Cash on hand	13	5
Cash at bank	140 109	109 421
Cash and cash equivalents	140 122	109 426

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

21. Significant Post Balance Sheet Events

After the balance sheet date, out of a total of 36 properties, 10 properties were sold in the aggregate amount of CZK 220.5 million. The total selling price exceeded the aggregate market valuation amount by almost 2% as of 31 December 2020.

As of the date of preparation of the financial statements, the management of the Company is not aware of any significant subsequent events other than the above that would have an impact on the financial statements as of 31 December 2020.

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Arcona Capital Central European Properties, a.s.

Having its registered office at: Politických vězňů 912/10, Nové Město, 110 00 Praha 1

Opinion

We have audited the accompanying financial statements of Arcona Capital Central European Properties, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of 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 Arcona Capital Central European Properties, a.s. as of 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation 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 the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

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 Company's Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or 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 or 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 Company's Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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.

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 ISAs 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 law or regulation, 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- 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 disclosures, 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 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.

In Prague on 30 April 2021

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Vratislav Moša
registration no. 2330



Report on relations between related parties

ZPRÁVA
statutárního orgánu společnosti
Arcona Capital Central European Properties,
a.s.

**o vztazích za rok 2020 zpracovaná dle § 82
zákona č. 90/2012 Sb., o obchodních
společnostech a družstvech (zákon o
obchodních korporacích), ve znění pozdějších
předpisů (dále jen „ZOK“)**

PREAMBULE

Představenstvo Ovládané osoby, jak je definována níže, v souladu s ustanovením § 82 a násl. ZOK vypracovalo na základě své povinnosti písemnou zprávu o vztazích mezi ovládající osobou a ovládanou osobou a mezi ovládanou osobou a ostatními osobami ovládanými stejnou ovládající osobou. Vztahy jsou popsány způsobem přihlížejícím k nutnosti respektovat ustanovení § 504 zákona č. 89/2012 Sb., občanského zákoníku, ve znění pozdějších předpisů (dále jen „OZ“) týkající se obchodního tajemství.

I.
ZÚČASTNĚNÉ OSOBY

1. Ovládaná osoba:

Společnost: **Arcona Capital Central European Properties, a.s.**
se sídlem: Politických vězňů 912/10, Nové Město, 110 00 Praha 1
IČO: 247 27 873
zapsaná v obchodním rejstříku vedeném Městským soudem v Praze, sp. zn. B 16436 (dále jen „Ovládaná osoba“)

2. Ovládající osoba:

Společnost: **MEI-Czech Offices II C.V.**
se sídlem: De Entree 55, 1101BH Amsterdam, Nizozemské království
IČO: 819446014
zapsaná v obchodním rejstříku vedeném nizozemskou Obchodní komorou, sp. zn. 08175938. (dále jen „Ovládající osoba“)

REPORT
of the statutory body of the company
Arcona Capital Central European Properties,
a.s.

**on relations for the year 2020 drafted in
accordance with Section 82 of the Act No.
90/2012 Coll., on Commercial Companies and
Cooperatives (Business Corporations Act), as
amended (hereinafter the “BCA”)**

PREAMBULE

In accordance with Section 82 et seq. of the BCA and by reason of its legal obligations, the Board of Directors of the Controlled entity, as defined bellow, has prepared a written report on the relations between the controlling entity and the controlled entity and between the controlled entity and other controlled entities controlled by the same controlling entity. These relations are described in a manner respecting Section 504 of the Act No. 89/2012 Coll., the Civil Code (hereinafter the “CC”) regarding business secrets.

I.
INTERESTED ENTITIES

1. Controlled entity:

Company: **Arcona Capital Central European Properties, a.s.**
seated at: Politických vězňů 912/10, Nové Město, 110 00 Prague 1
ID No.: 247 27 873
registered with the Commercial Register kept by the Municipal Court in Prague, File No. B 16436 (hereinafter the “Controlled entity”)

2. Controlling entity:

Company: **MEI-Czech Offices II C.V.**
seated at: De Entree 55, 1101BH Amsterdam, the Kingdom of the Netherlands
ID No.: 819446014
registered with the Commercial Register maintained by the Netherlands Chamber of Commerce, No. 08175938. (hereinafter the “Controlling entity”).

Podle § 75 odst. 2 ZOK byla Ovládající osoba ve vztahu k Ovládané osobě ovládající osobou, neboť po celé Rozhodné období, jak je definováno níže, disponovala s podílem na hlasovacích právech představujícím 42 % všech hlasů v Ovládané osobě.

3. Ostatní osoby ovládané Ovládající osobou:

Ovládající osoba nebyla v Rozhodném období ovládající osobou jiné osoby.

**II.
ROZHODNÉ OBDOBÍ**

Tato zpráva je zpracována za poslední účetní období, tj. za období od 1. 1. 2020 do 31. 12. 2020 (dále jen „Rozhodné období“).

**III.
ÚLOHA OVLÁDAJÍCÍ OSOBY VE VZTAHU
K OVLÁDANÉ OSOBĚ**

Prostřednictvím Ovládané osoby realizuje Ovládající osoba své investice v oblasti nemovitostí v České republice.

**IV.
SMLOUVY A DOHODY UZAVŘENÉ MEZI
ZÚČASTNĚNÝMI OSOBAMI**

Mezi Ovládající osobou a Ovládanou osobou nebyly v Rozhodném období uzavřeny žádné smlouvy či dohody.

Mezi Ovládanou osobou, jako dlužníkem, a osobou ovládající Ovládající osobu, společností Florijn Investments B.V., se sídlem Rijksweg 162b, 1906BM Limmen, Nizozemské království, IČO: 003187640, zapsanou v obchodním rejstříku vedeném nizozemskou Obchodní komorou, sp. zn. 37012258, jako věřitelem, byla dne 16. června 2013 uzavřena smlouva o úvěru, jež byla platná a účinná po celou dobu trvání Rozhodného období. Úvěr je splatný 30. června 2024.

In accordance with Section 75 (2) of the BCA, the Controlling entity was a controlling entity of the Controlled entity during the whole Vesting period, as defined below, because the Controlling entity controls a share in the voting rights representing 42 % of all votes in the Controlled entity.

3. Other entities controlled by the Controlling entity: During the Vesting period, the Controlling entity was not a controlling entity of any other entity.

**II.
RESPECTIVE PERIOD**

This report has been prepared in relation to the last accounting period, that is to say, from 1.1.2020 to 31.12.2020 (hereinafter the “Respective period”).

**III.
ROLE OF THE CONTROLLING ENTITY IN RELATION
TO THE CONTROLLED ENTITY**

The Controlling entity made its investments in real estate in the Czech Republic via the Controlled entity.

**IV.
CONTRACTS AND AGREEMENTS CONCLUDED
BETWEEN INTERESTED ENTITIES**

No contracts or agreements have been concluded between the Controlling entity and the Controlled entity during the Respective period.

The Controlled entity, as the debtor, and the controlling entity of the Controlling entity, being the company Florijn Investments B.V., seated at Rijksweg 162b, 1906BM Limmen, the Kingdom of the Netherlands, ID No.: 003187640, registered with the Commercial Register maintained by the Netherlands Chamber of Commerce, No. 37012258, as the creditor, concluded a loan agreement on 16 June 2013 that was valid and effective during the whole Respective period. The loan is payable on 30 June 2024.

Mezi Ovládanou osobou, jako dlužníkem, a jejím akcionářem, společností Middle Europe Opportunity Fund III N.V., se sídlem De Entree 55, 1101BH Amsterdam, Nizozemské království, IČO: 817844260, zapsanou v obchodním rejstříku vedeném nizozemskou Obchodní komorou, sp. zn. 08158471, jako věřitelem, byla dne 1. srpna 2018 uzavřena úvěrová smlouva, jež byla platná a účinná po celou dobu trvání rozhodného období. Úvěr je splatný 30. června 2024.

V.

JINÁ PRÁVNÍ JEDNÁNÍ A OPATŘENÍ

V Rozhodném období nebyla Ovládanou osobou na popud nebo v zájmu Ovládající osoby přijata nebo uskutečněna žádná právní jednání ani opatření.

VI.

OSTATNÍ OPATŘENÍ PŘIJATÁ ČI USKUTEČNĚNÁ V ZÁJMU NEBO NA POPUD OVLÁDAJÍCÍ OSOBY OVLÁDANOU OSOBOU

Žádná opatření, přijatá nebo uskutečněná v zájmu nebo na popud Ovládající osoby, s výjimkou v této zprávě popsaných, nebyla v roce 2020 učiněna.

VII.

PROHLÁŠENÍ

Ze vztahu mezi Ovládanou osobou a Ovládající osobou neplynuly Ovládané osobě žádné výhody ani nevýhody, ani žádná rizika.

Statutární orgán Ovládané osoby prohlašuje, že údaje obsažené v této zprávě jsou správné a úplné a že při vypracování zprávy dle § 82 a násl. ZOK bylo postupováno plně v rozsahu všech informací a údajů, které má tento statutární orgán k dispozici či které při jednání s péčí řádného hospodáře zjistil.

The Controlled entity, as the debtor, and its shareholder, being the company Middle Europe Opportunity Fund III N.V., seated at De Entree 55, 1101BH Amsterdam, the Kingdom of the Netherlands, ID No.: 817844260, registered with the Commercial Register maintained by the Netherlands Chamber of Commerce, No. 08158471, as the creditor, concluded a loan agreement on 1 August 2018 that was valid and effective during the whole Respective period. The loan is payable on 30 June 2024.

V.

OTHER LEGAL ACTS AND MEASURES

During the Respective period, no legal acts and measures were taken by the Controlled entity in the interest of the Controlling entity or upon its initiation.

VI.

OTHER MEASURES TAKEN BY THE CONTROLLED ENTITY IN THE INTEREST OR UPON THE INITIATION OF CONTROLLING ENTITY

With exception of those described in this report, no other measures have been taken in the year 2020 in the interest or upon the initiation of the Controlling entity.

VII.

DECLARATIONS

From the relation between the Controlled entity and the Controlling entity no advantages or disadvantages or risks arose for the Controlled entity.

The statutory body of the Controlled entity declares that the data contained in this report are correct and complete and that this report has been executed under Section 82 et seq. of the BCA, so all information and data, which were available to the statutory body or which were found out by it while maintaining due diligence, have been taken into account.

VIII. ZÁVĚR	VIII. CONCLUSION
Ovládané osobě nevznikla ze vztahu mezi Ovládanou osobou a Ovládající osobou v Rozhodné době žádná újma.	From the relation between the Controlled entity and the Controlling entity no harm has been caused to the Controlled entity during the Respective period.
V případě jakýchkoliv rozporů mezi českým a anglickým zněním má české znění přednost.	In case of any discrepancies between the Czech and the English version the Czech version shall prevail.
Tato zpráva byla zpracována představenstvem Ovládané osoby dne 8. 1. 2021.	This report has been prepared by the Board of Directors of the Controlled entity on 8.1.2021.

Za/On behalf of Arcona Capital Central European Properties, a.s.

Guy St John Barker
předseda představenstva
Chairman of the Board of Directors

Ing. Zbyněk Laube
člen představenstva
Member of the Board of Directors