

Report on the Company's business activities, its assets and liabilities and its development in 2021

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 92,000 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 2021, 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 2021 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 2021 remained below 0.5% of the total sales.

In 2021, 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 2021, long-term liabilities to related parties.

In 2021, 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 2021 amounted to CZK 362 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.

In 2021, the Company recorded a total accounting profit of CZK 18.2 million.

In 2022 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 2021. 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.