

REPORT

ANNUAL ACCOUNTS 2019

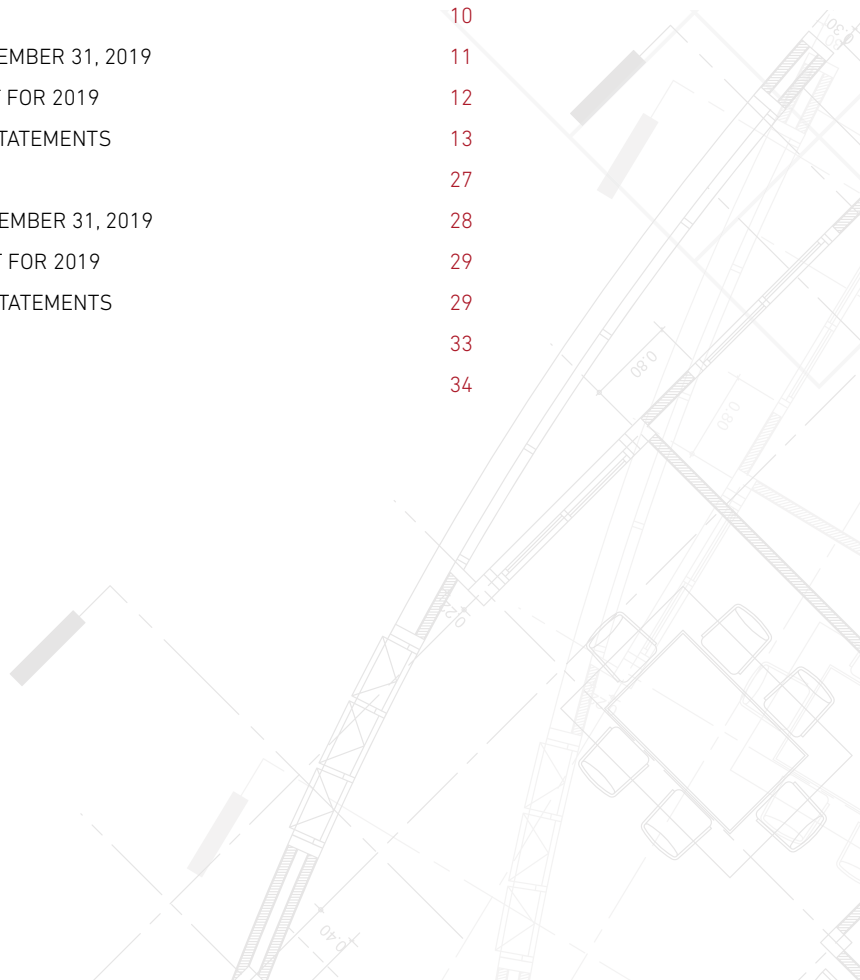


SATPO

SATPO Group B.V.

INDEX

ANNUAL ACCOUNTS 2019	4
MANAGEMENT BOARD'S REPORT	5
FINANCIAL STATEMENTS	8
CONSOLIDATED FINANCIAL STATEMENTS	10
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2019	11
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2019	12
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13
COMPANY-ONLY FINANCIAL STATEMENTS	27
COMPANY-ONLY BALANCE SHEET AS AT DECEMBER 31, 2019	28
COMPANY-ONLY PROFIT AND LOSS ACCOUNT FOR 2019	29
NOTES TO THE COMPANY-ONLY FINANCIAL STATEMENTS	29
OTHER INFORMATION	33
INDEPENDENT AUDITOR'S REPORT	34







ANNUAL ACCOUNTS 2019

MANAGEMENT BOARD'S REPORT
FINANCIAL STATEMENTS
OTHER INFORMATION



MANAGEMENT BOARD'S REPORT

The Group commenced its real estate activities in the mediation of sales and purchases of residential real estate on the Czech market in 1994. Three years later, the Group extended its real estate services to include attics conversions in apartments and investments in the existing housing stock and asset administration. Six years later, the Group made use of its experience of acquisitions, development project preparation, construction management and sale of residential housing in constructing small and medium-sized residential projects at premium locations in Prague.

At present, the Group specializes in the construction of high-quality residential real estate in the premium price segment under the SATPO brand, and has renewed investments in the housing stock at attractive locations in Prague under its new brand City Home. The SATPO Group is one of the major players and occupies a strong position on the real estate market. It prides itself in client and investor satisfaction, creating exceptional places for life.

The expertise connected with the acquisition and financing of new housing, client modifications, turnkey interiors and complementary services form an inseparable part of the offer. The Group's professional sales team is an expert advisor in selecting new housing and commercial premises, housed in the nice and comfortable environment of the SATPO and the City Home sales center.

The award received for the residential project Rezidence Sacre Coeur 2 in the international MIPIM 2017 competition held in Cannes, France, the BEST OF REALTY award for the projects VITALITY Rezidence in Prague and Rezidence KRÁLOVSKÁ VYHLÍDKA in Karlovy Vary and for the luxurious project Rezidence ŠVÉDSKÁ in Prague or the Best Real Estate Agency recognition by Prague Post are proof of our using our many years of experience and knowledge of residential real estate.

Through its participation in the Developers' Association, where it takes part in member meetings and educational programs, the Group is actively engaged in promoting developers' responsibility and making a positive impact on Czech society. It builds a positive public image and supports the advancement of high-quality development in the Czech construction industry and real estate market. In line with its corporate policy, it also contributes to education, culture and sports.

The Group's strategy is to maintain its strong position of a premium real estate developer under the SATPO brand, to strengthen investments in the existing residential real estate under the City Home brand, to create attractive opportunities for investors in residential real estate, and to provide comprehensive real estate and development services to property owners. As a matter of course, the Group will continue to build a positive public image of the high-quality development and real estate market in the Czech Republic, and contribute to and support education, culture and sports.

Management Board comments on the 2019 financial results

The consolidated result after taxation for financial year 2019 amounts to CZK 7,419 ths (2018: CZK 2,911 ths). The result was driven by higher revenue and profit margin, mainly due to the sale of Ticha project (two villas and large land plot). Based on the contract with the buyer, selling price cannot be disclosed.

The balance sheet volume in financial year 2019 amounts to CZK 1,421,917 ths, compared to CZK 1,485,506 ths in 2018. The decrease is due mainly to the sale of Ticha project. On the liability side of the balance sheet, the major change is the decrease of non-current debt and increase of current financial debt, both related to financing of Vitality Rezidence project, as the project was finalized in May 2020 and the senior debt (CZK 296,790 ths.) was classified as current financial debt in 2019, while it was classified as non current financial debt in 2018. The total shareholders' equity in fiscal year 2019 amounts to CZK 14,489 ths, compare to CZK (22,553) ths in 2018.

Major developments

The joint-venture for investment in apartment houses located in Prague was established in 2017. The committed equity of SATPO and partners is CZK 100 mln. The purchase power was increased by the issuance of bonds in the amount of CZK 210 mln maturing on October 15, 2023. New bond emission was issued on 15th June 2020 with the maturity in 2025.

Project Ticha, comprised 2 villas and land plot, was sold to a single buyer during 2019 for a significant price which, based on mutual agreement between both parties, cannot be disclosed to public.

The sole shareholder's capitalized his receivable of CZK 29,622 ths in December 2019 to improve the equity of the company.



Long term strategy

SATPO is going to continue and develop its two main pillars of the business activities: residential development under the SATPO brand and purchase and sale of the existing houses under the City Home brand.

The Long term strategy was updated by the intention to invest into land plots to lay down the basis for future development projects.

City Home business will be positively impacted by the law change in relation to pre-emptive rights. As of 1.7.2020, the co-owners of property won't be able to exercise their pre-emptive rights to buy other shares/pieces of the property. To utilize this change and to further increase and strengthen business with apartment houses, City Home Invest III issued new bond issue in the amount CZK 210 mln to finance new acquisitions and investments in apartment houses.

Going concern

At 31 December 2019 the legal entity's share in group equity amount to CZK 14,489 thousand. The financial situation could indicate the existence of a material uncertainty whether the company has the ability to continue as a going concern. Management reviewed if the application of the going concern assumption was justified at the preparation of the 2019 financial statements of the company. In this review management also took into consideration the financial performance and operational cash flows of the group over year 2020.

In the subsequent period, in May 2020, SATPO finalized its major project – Sacre Coeur III – Vitality Residence. The senior debt related to this project, CZK 296,790 ths. (balance at 31 Decemeber 2019) was repaid in July 2020 from the proceeds from sold apartments.

The company Jeseniova obtained positive VAT ruling from tax office and has already received VAT refund in the amount CZK 17 mio. in July 2020.

As COVID-19 consequence, the management expect decline of the total market volume due to lower amount of transactions compared to last year, nevertheless the management doesn't expect material changes in the sale prices of the individual residential properties. Overall management expects a positive results and cash flow for the upcoming year. This expectation is based on preliminary results of 2020 and forward looking information with respect to development of residential market prices, portfolio of real estate projects and the terms of both bond placements.

The management is of the opinion that there is no question of discontinuity and that the preparation of the financial statements on a going concern basis is justified. However the significant positive results and cash flows for the upcoming period are highly dependent of the financial performance on current projects in the near future. Not achieving this performance on current projects will likely lead to a material uncertainty regarding going concern.

CityHome

SATPO

RISK AREAS

Strategic risk

Economy

The company is active in residential development in Prague. As such, the company is exposed to a possible weakness of economy due to COVID-19, which may lower financial ability and the appetite of people to buy apartments.

Interest rates

Given the economy decrease due to COVID-19 and expected higher unemployment rate, there is a significant risk that the mortgage conditions will worsen in the coming years which will negatively influence demand for residential properties.

Legal environment and approval process

The length and complexity of the zoning approval process, acquisition of construction permits and unwillingness or inability of officers in the Building Authorities to make timely decisions according to law cause significant delays in all development projects. It is common understanding that the usual time between the first request for the zoning permit and the final building permit is 6 to 7 years in Prague. The inadequate process is one of the major political issues on both the country and Prague level.

Operational risk

Operational risks are risks that arise from potentially inadequate processes, people, systems and/or external events. The material risk for SAT-PO relates to quality and timely execution of residential projects, handling potential warranty damage and losses of the completed building, project cost control, and execution of contractual transactions.

Time schedule and cost control

An unexpected delay in execution and an increase in project costs can lower the project's financial result and potentially require additional funding, which might be difficult to obtain.

To mitigate these risks to the maximum extent possible, the company has extensive procedures in place for budgeting and cost control for each individual project. MS project is being implemented and interconnected

with Business Central to help checking and fulfilment of project milestones. In addition, there are authorization procedures and periodical reports (actual versus budget analysis) in place to control and highlight issues for management discussion.

(Re)financing risk and interest rate risk

Refinancing risk is the risk that the company's financial obligation cannot be fulfilled, not enough equity or loans can be attracted or loan covenants are breached; this may lead to undesirable scenarios.

Two major financial liabilities are bonds in the amount of CZK 315 mln maturing in 2022 and CZK 210 mln maturing in 2023. The ability of the company to redeem these bonds depends on the successful generation of cash flows from existing and future projects, which is difficult to assess now. There is a possibility that the company will need additional funding for refinancing these bonds or it will need to sell the asset to fulfill its obligations.

The management is working on and implementing a long-term financial strategy to meet both long-term requirements and short-term obligations. Refinancing of bonds in the amount of CZK 315 mln maturing in 2022 is expected by issuing of a new bond emission. Partnering with investors via joint ventures or creating a real estate fund for various real estate projects are options considered with the intention to decrease long-term debt of the group.

The company is subject to interest rate risk. Possible future financial payables are subject to changes and volatility in interest rates, the company's objective is to mitigate this risk by entering into fixed interest bonds and loans. Only part of these loans has floating interest rates.

Reporting risk

In addition to the above-described measures regarding internal processes and controls the company prepared a system to provide the highest possible quality valuations.

Valuations are a significant driver behind the company's result. Valuations are, by their nature, subjective, subject to changing market conditions. Inconsistencies in assumptions or inadequate methods may lead to incorrect valuations. This risk is mitigated by the fact that the valuation is prepared according to approved methodology and reviewed by management and external appraiser.

Amsterdam, 12 August 2020
Management board:



Jiří Pokorný

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

COMPANY-ONLY FINANCIAL STATEMENTS

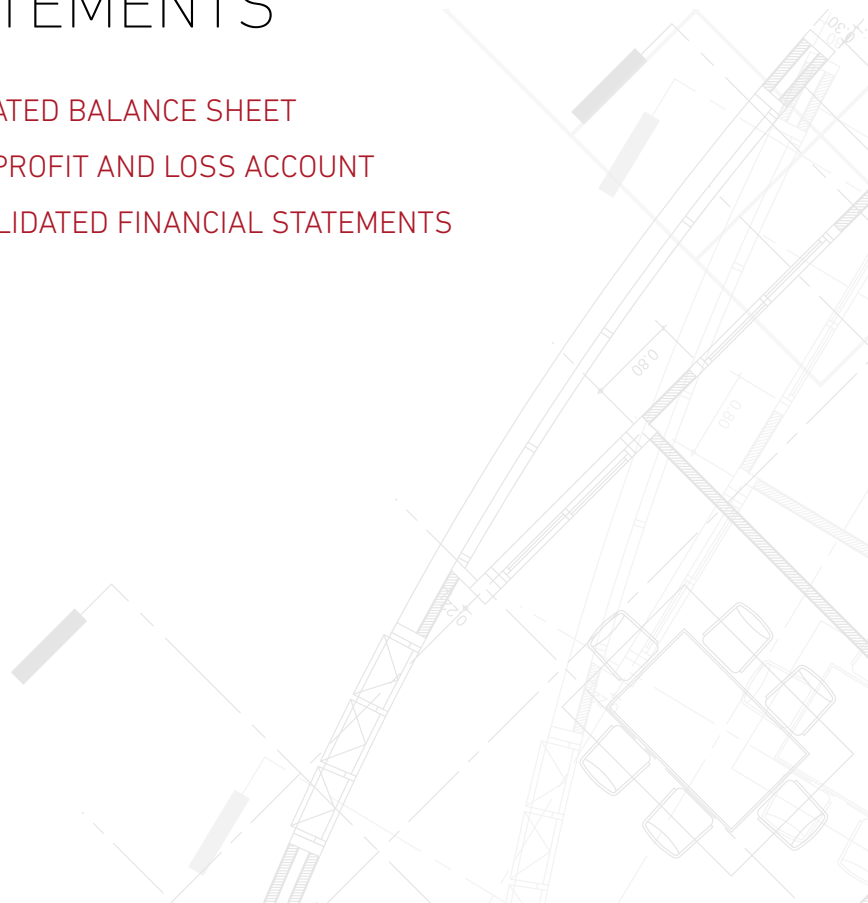


CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

CONSOLIDATED PROFIT AND LOSS ACCOUNT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2019

	31 December 2019	31 December 2018
	CZK thousand	CZK thousand
Fixed assets		
Investment property (1)	654 734	742 715
Inventory (2)	470 072	508 671
Tangible fixed assets (3)	93 512	92 437
Investment and loan in associate (4)	-	9 777
Other associated companies (5)	2 430	2 430
	1 220 748	1 356 030
Current assets		
Receivables, prepayments and accrued income (6)	75 108	46 283
Deferred tax asset (7)	15 789	5 059
Cash	110 271	78 134
	201 169	129 476
Total assets	1 421 917	1 485 506
Equity		
Legal entity's share in group equity (8)	14 489	-22 553
Third-party share in group equity (9)	144 987	83 149
	159 476	60 596
Deferred tax liabilities (10)	43 534	38 114
Long-term liabilities (11)	571 488	968 879
Current liabilities accruals and deferred income (12)	647 420	417 917
Total equity and liabilities	1 421 917	1 485 506

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2019

	Year 2019	Year 2018
	In CZK thousand	In CZK thousand
Rental income	18 454	18 152
Gross sales income	475 208	242 934
Cost of sales	-297 064	-191 925
Changes in value of investment property	20 308	45 822
Change of inventory provisions	-18 881	-8 575
Operating expenses	-82 151	-71 064
OPERATING PROFIT	115 874	35 344
Interest expense	-43 890	-36 347
Interest income	-	-
PROFIT BEFORE TAX	71 984	-1 003
Share in result of associates	311	2 424
Income taxes (15)	-8 347	-1 098
Deferred taxes (15)	5 310	3 922
RESULT AFTER TAXATION	69 257	4 245
Third-party interest	-61 838	-1 334
RESULT OF THE LEGAL ENTITY	7 419	2 911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General

Activities

The activities of SATPO Group B.V., with its registered office and its actual place of business in Barbara Strozilaan 201, 1083HN Amsterdam, Netherlands and filed with the Trade Register at the Chamber of Commerce under number 34243136, and its group companies, primarily consist of:

- Construction of luxury flats in Prague; and
- Acquisition of leased real estate and its rent; and
- Investments in land plots for future development

Group structure

SSATPO Group B.V. is the parent of a group of legal entities.

The financial information of the company has been recorded in the consolidated financial statements of Holding SATPO Group B.V. Financial statements of subsidiaries are available at the Trade Register at the Chamber of Commerce in Czech Republic.



Consolidated companies:

Name	Registered office	Share in issued share capital
SATPO Group B.V.	Barbara Strozilaan 201, 1083HN Amsterdam	100%
SATPO Rezidence, a.s.	Holečkova 3331/35, 150 00 Praha 5	100%
City Home Group, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO CZ, a.s.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO management, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO Sacre Coeur II, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO Sacre Coeur III, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Jeseniova, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO Sacre Coeur IV, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO interiors, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO Rent, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO JV, a.s.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO consult, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO Viničná, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
SATPO Laurová, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
City Home Invest Ltd.	Holečkova 3331/35, 150 00 Praha 5	51%
Korunní 73, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	50%
City Home Invest II, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
City Home Invest III, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	50%
City Home Invest IV, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Dvorecké náměstí 2, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	50%
Cheinpink, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
LiloonaCorp, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Orthoclasse, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Ridenant, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Jimast Tichá, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	50%
Cosmopol – Charlé, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	50%
Saltplex, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Pardelone, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	50%
ASOBARI, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	50%
City Home Reality, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Smartmind, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Danburite, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
City Home Development, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%
Ďáblická 55, s.r.o.	Holečkova 3331/35, 150 00 Praha 5	100%

Consolidation principles

Financial information relating to group companies and other legal entities controlled by SATPO Group B.V. where central management is conducted, has been consolidated in the financial statements of SATPO Group B.V. The consolidated financial statements have been prepared in accordance with the accounting principles of SATPO Group B.V.

The financial information relating to SATPO Group B.V. is presented in the consolidated financial statements. Accordingly, the company-only financial statements only contain an abridged profit and loss account.

Financial information relating to the group companies and the other legal entities and companies included in the consolidation is fully included in the consolidated financial statements, eliminating the intercompany relationships and transactions. Third-party shares in equity and results of group companies are disclosed separately in the consolidated financial statements.

The results of newly acquired group companies are consolidated as from January 1, 2016 and the other legal entities and companies included in the consolidation are consolidated as from the date of acquisition. On that date the assets and liabilities acquired are measured at the fair values. If the acquisition price exceeds the fair values of the acquired assets and liabilities this is goodwill, which is capitalized and amortized over the expected useful life.

The results of associated companies sold during the year are recognized until the moment of disposal.

Going concern

At 31 December 2019 the legal entity's share in group equity amount to CZK 14,489 thousand. The financial situation could indicate the existence of a material uncertainty whether the company has the ability to continue as a going concern. Management reviewed if the application of the going concern assumption was justified at the preparation of the 2019 financial statements of the company. In this review management also took into consideration the financial performance and operational cash flows of the group over year 2020.

In the subsequent period, in May 2020, SATPO finalized its major project – Sacre Coeur III - Vitality Residence. The senior debt related to this project, CZK 296,790 ths. (balance at 31 December 2019) was repaid in July 2020 from the proceeds from sold apartments.

The company Jeseniova obtained positive VAT ruling from tax office and is expecting VAT refund in the amount approx. CZK 17 mio. during summer 2020.

At the end of 2019, the first news came from China regarding COVID-19 (the coronavirus). In the first months of 2020, the virus spread globally, causing substantial economic damage. Even though the Company's management did not see a significant decrease in sales at the time of publishing of these financial statements, the situation is constantly changing and therefore the future impacts of the pandemic on the Company's operations cannot be estimated. The Company's management will continue to follow the potential effects closely, taking all the possible steps to mitigate any negative impacts on the Company and its employees.

Despite COVID-19, management expects a positive results and cash flow for the upcoming year. This expectation is based on preliminary results of 2020 and forward looking information with respect to development of residential market prices, portfolio of real estate projects and the terms of both bond placements.

The Company's management assessed the potential impacts of COVID-19 on its activities and business and concluded that they do not have a material impact on the going concern assumption. As a result, the financial statements for the year ended 31 December 2019 were prepared based on the assumption of the Company's ability to continue as a going concern.

The management is of the opinion that there is no question of discontinuity and that the preparation of the financial statements on a going concern basis is justified. However the significant positive results and cash flows for the upcoming period are highly dependent of the financial performance on current projects in the near future. Not achieving this performance on current projects will likely lead to a material uncertainty regarding going concern.

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF FINANCIAL STATEMENTS

The consolidated and stand-alone financial statements have been prepared in accordance with accounting principles and policies described below. These financial statements are prepared to assist the shareholders, bondholders and banks of SATPO Group B.V. in evaluation of SATPO Group B.V. financial position and performance. The financial statements are not statutory financial statements.

The valuation of assets and liabilities and determination of the result take place under the historical cost convention, unless presented otherwise.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet the information on the fair value is disclosed in the notes to the 'Non-recognized assets and liabilities and contingent assets and liabilities'.

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'.

The group does not apply hedge accounting and does not use any derivatives.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at the balance sheet date.

Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at the transaction date. The exchange differences resulting from the translation at the balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Functional and presentation currency of the Group is Czech Crown (CZK).

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Tangible fixed assets


Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the expected future useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use. Land is not depreciated.

Tangible fixed assets are capitalized if the economic ownership held by the company, and its group companies, is governed by a finance lease agreement.

Periodical major maintenance are charged to the result at the moment they arise.

Investment property

Investment property is a property (land or building, or part of a building, or both) held by the owner or by a lessee under a finance lease to earn



rentals or for capital appreciation or both. A property interest is held for use in the production or supply of goods or services. The fair value is determined by reference to the open market value on a transaction between two willing parties in an arm's lengths transaction based on the income, the state of repair, the location and other specific conditions for own development and tenement houses. Internal valuations are used to determine the fair value.

In the event of internal appraisal the fair value of projects under development and apartments in tenements houses is determined on the basis of the residual valuation method combined with the market approach. Development projects and shares in tenements houses are measured on the basis of the market approach valuation as an overall value of unsold units at the date of acquisition.

For the calculation of the present value the valuation outputs include a transparent split of development costs into construction costs, financing costs and developer's profit.

Gains and losses arising from changes in the fair value of investment property are recognized in the income statement. Investment property measured at fair value is not depreciated.

Inventory

Inventory comprise Construction in progress or Finished construction represents – related to projects intended to be developed and sold in the regular operating cycle of the Group. Trading property is stated at the lower of cost and net realisable value. The cost of development projects comprises construction costs and other direct cost related to property development and borrowing costs.

Construction costs and other direct costs, including borrowing costs, are classified as Construction in progress during the construction. The project is transferred from Construction in progress to Finished construction upon acquisition of the occupancy permit.

Deemed costs of trading property reclassified from existing investment property is the fair value of such property at the date of reclassification.

Financial fixed assets

Where significant influence is exercised, associated companies are valued under the net asset value method, but not lower than a nil value. This net asset value is based on the same accounting principles as applied by SATPO Group B.V.

Associated companies with a negative net equity value are valued at nil. This likewise takes into account other long-term interests that should effectively be considered as part of the net investment in the associated company. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation to enable the associated company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

Upon initial recognition the receivables on and loans to associated companies and other receivables are valued at amortized cost, after deduction of any provisions. These provisions are determined by individual assessment of the receivables.

Where no significant influence is exercised associated companies are valued at cost and if applicable less impairments in value.

Receivables

Upon initial recognition the receivables are valued at fair value and then valued at amortized cost. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Cash

The cash is valued at the face value. If cash is not freely disposable, then this has been taken into account upon valuation.

Third-party share in group equity

The share of third parties in the group equity concerns the minority interest of third parties in the shareholders' equity of consolidated companies. In the profit and loss account the share of third parties in the result of consolidated companies is deducted from the group result.

If the losses attributable to the minority interest of third parties exceed the minority interest of third parties in the shareholders' equity of the consolidated companies, the difference – as well as any further losses – will be fully charged to SATPO Group B.V., unless and insofar as the minority shareholder is committed to assume responsibility for those losses and is able to do so. If the consolidated companies once again generate profits, these profits will fully be debited to SATPO Group B.V., until the losses for which SATPO Group B.V. has assumed responsibility have been recovered.

SATPO Group B.V. executes control over City Home Invest III s.r.o. and City Home Invest Ltd. and presents full amounts of assets and liabilities in these financial statements. Share of other investors is represented by third-party share in group equity. SATPO Group demonstrate all three criteria necessary for control as defined by accounting standards – power, exposure to variable returns and ability to affect amount of variable returns.

Deferred tax provisions

For amounts of taxation payable in the future, due to differences between the valuation principles in the annual report and the valuation for taxation purposes of the appropriate balance sheet items, a provision has been formed for the aggregate of these differences, multiplied by the current rate of taxation. These provisions are reduced by amounts of taxation recoverable in the future in respect of the carry-forward of unused tax losses, to the extent that it is probable that future tax profits will be available for settlement. The provision for deferred tax liabilities is valued at nominal value.

Long-term and short-term liabilities

Upon initial recognition, the loans and liabilities recorded are stated at fair value and then valued at amortized cost.

PRINCIPLES FOR THE DETERMINATION OF THE RESULT

General

Income and expenses are allocated to the period to which they relate.

Gross sales income

Revenues are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The related

cost is allocated to the same period as Cost of sales.

Revenue from rent is recognized as income on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Revenues from services are recognized in proportion to the services rendered, based on the cost incurred in respect of the services performed up to the balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.

Other operating income

Other operating income includes turnover deriving from incidental business operations.

Gains resulting from the disposal of tangible fixed assets are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer.

Cost of sales


The cost of sales consists of the cost of assets sold and delivered, consisting of construction cost from direct and indirect production costs that can be attributed to the construction of development projects, specifically the cost of sales of mainly project documentation, baseplate, building frame, isolation, roof, electric installation.

Wages and salaries

Wages and salaries contain salaries and social and health insurance calculated based on the law regulation. No pension plan is granted. The wages and salaries are recorded in the profit and loss account and allocated to the period to which they relate.

Share in result of non-consolidated associated companies

Where significant influence is exercised over associated companies, the group's share in the associated companies' results is included in the consolidated profit and loss account. This result is determined on the basis of the accounting principles applied by SATPO Group B.V.



Where no significant influence is exercised, the dividend income is accounted for in the profit and loss as financial income.

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes. Deferred tax assets (if applicable) are recognized only to the extent that realization is probable. Deferred tax assets and liabilities are presented separately in balance sheet.

company to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the associated company are taken into account.

Revaluation reserve

The legal entity forms a revaluation reserve for value increases of investment property whose changes in value are recorded in the profit and loss account.

The revaluation reserve is reduced by deferred taxes, if differences exist between valuation for financial reporting purposes and valuation for tax purposes.

The realized part of the revaluation reserve is taken to the other reserves.

SPECIFIC POLICIES FOR THE PREPARATION OF COMPANY-ONLY FINANCIAL STATEMENTS

For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements.

Participations in group companies

Participations in group companies in which significant influence is exercised on the business and financial policy, are valued under the net equity value. This net asset value is based on the same accounting principles as applied by SATPO Group B.V. If the net asset value is negative, the participating interest is valued at nil and provision is recognized. This likewise takes into account other long-term interests that should effectively be considered part of the net investment in the participating interest. If the company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation to enable the associated

NOTES TO THE SPECIFIC ITEMS OF THE CONSOLIDATED BALANCE SHEET

1. Investment property

	2018	Additions	Disposals	Transfer	Revaluation	2019
Investment property	742 715	264 963	-373 252	-	20 308	654 734

Fair value measurement of development projects: The valuation outputs include a transparent split of development costs into construction costs, financing costs and developer's profit. The fair market values of the buildings and land are based on the residual valuation method for acquired buildings and the comparable market method based on transaction prices.

The main driver in determining the fair value is the estimated average income per sqm based on the comparable market information. The fair values are based on the market approach valuation as an overall value of unsold units at the date of valuation as potential sales revenues.

All the shares in tenement houses were valued as of December 31, 2019. The fair values are based on the market approach valuation for tenement houses and acquired flats.

Trading property is valued as inventory at lower of cost and Net realizable value. There were created NRV provisions to Finished construction in amount 8,575 th CZK in 2018 while in year 2017 were released provision to Finished construction in amount 41,048 th CZK.

Depreciation charges of tangible fixed assets amount to CZK 2,588 ths. (2017: CZK 1,507 ths.). Transfer CZK 1,451 thousand from Tangible fixed assets to Investment property is based on precise identification of tangible fixed assets after spin off in 2017.

2. Inventory

	2019	2018
Construction in progress	470 072	447 906
Finished construction	-	60 765
	470 072	508 671

Inventory is valued at lower of cost and Net realizable value.

There were created provisions to Construction in progress in amount CZK 18,881 ths. in 2019.

3. Tangible fixed assets

	2018	Additions	Disposals	Depreciation	2019
Buildings	89 626	3 604	-	-	93 230
Land	3 542	-	-	-	3 542
Equipment	4 685	101	-	-	4 786
Cummulated depreciation	-5 416	-	-	-2 630	-8 046
	92 437	3 705	-	-2 630	93 512

Depreciation charges of tangible fixed assets amount to CZK 2,630 ths. (2018: CZK 2,588 ths)

4. Investment and loan in associate

Joint venture Dablicka 55 (2018: CZK 9,777 ths.) was acquired in December 2019 and fully consolidated as per 31.12.2019.

5. Other associated companies

Under other associated companies are presented investments in non-listed equity components.

6. Receivables, prepayments and accrued income

	2019	2018
Receivables	55 488	28 884
Prepayments	7 333	11 728
Accrued Income	12 287	5 671
	75 108	46 283

The prepayments and accrued income comprise costs paid in advance related to financial year 2020.

7. Deferred tax assets

The movement in the item for deferred tax assets is as follows:

	in CZK ths.
Carrying value as at January 1, 2019	5 059
Changes	10 730
Carrying value as at December 31, 2019	15 789

8. Share of the legal entity in the group equity

	in CZK ths.
Carrying value as at January 1, 2019	(22 552)
Capitalization of Shareholder's receivable	29 622
Result for the current year	7 419
Carrying value as at December 31, 2019	14 489

9. Third-party share in group equity

The movements during the financial year are as follows:

	in CZK ths.
Balance at December 31, 2019	83 149
Profit of 3 rd party	61 838
Balance as at December 31, 2019	144 987

City Home Invest III s.r.o. is a joint-venture where City Home Group s.r.o. owns a 50% share, Mr. Jaros, Mr. Jelinek, Mr. Kolar and Mr. Sykora own a 10% share. Mr. Nemecek owns an 8.5% share and Ms. Nemeckova owns a 1.5% share.

Shareholders agreed to distribute preferred profit at 8% p.a. from invested capital; in addition, the City Home Group has the right to 75% of the remaining profit.

City Home Invest Ltd. is a joint-venture where SATPO Group B.V. owns a 51% share and Mrs. Zrucka owns a 49% share.

10. Deferred tax liabilities

The movement in the item provision for deferred tax liabilities is as follows:

	in CZK ths.
Carrying value as at January 1, 2019	38 114
Allocations	5 420
Carrying value as at December 31, 2019	43 534

The total amount of the provision consists only of the deferred tax liability balance. The deferred tax liability is calculated in respect of difference between fiscal and fair value of investment property. The deferred tax liability in 2019 is CZK 43,534 ths. The provision for deferred tax liabilities has a predominantly long-term character.

11. Long-term liabilities

	2019		2018	
	Interest rate		Interest rate	
	in CZK ths.	%	in CZK ths.	%
Bonds	516 840	6,2	512 760	6,2
Bank loans	28 710	5,0	385 551	4,55
Other liabilities	2 331	0	2 019	0
Payables to shareholder	23 607	0	68 549	0
	571 488		968 879	

The total amount of the provision consists only of the deferred tax liability balance. The deferred tax liability is calculated in respect of difference between fiscal and fair value of investment property. The deferred tax liability in 2019 is CZK 43,534 ths. The provision for deferred tax liabilities has a predominantly long-term character.

Bonds

The Group has issued bonds in two companies. The SATPO Group issued bonds with an interest rate of 7.00% and the repayment date in 2022 and SATPO City Home Invest III issued bonds with an interest rate of 5.00% and the repayment date in 2023. The nominal value in the books in 2019 is CZK 525,000 ths. and the carrying value of the bonds in 2019 is CZK 516,840 ths. Arrangement fees related to bond emission are amortized until bonds repayment date.

Bank loans

Loans repayable within 12 months of the end of the financial year, in the amount of CZK 418,250 ths. (2018: CZK 175,453 ths.) are not included in the long-term liabilities, but are presented in the current liabilities.

Land and buildings with a carrying value of CZK 715,469 ths. (2018: CZK 795,870 ths.) are mortgaged as security for a loan up to an amount of CZK 446,960 ths. (2018: CZK 651,003 ths.) at the balance sheet date. Mr. Pokorny also provided the bank with a blank check as security.

The company is fully compliant with applicable covenants. The covenants requirements are described below:

SATPO Rent, s.r.o. – no specified covenants in the loan agreement
SATPO Sacre Coeur III, s.r.o. – UCB: LTV 75%, DSCR is not specified
SATPO Laurová, s.r.o. – no specified covenants in the loan agreement
Nad Malým mytem, s.r.o. – no specified covenants in the loan agreement
Ruska 86 – no specified covenants in the loan agreement

Payables to shareholder

In 2019 an amount of CZK 33,607 ths. (2018: CZK 78,549 ths.) represent long term payables to shareholder and the amount is split between short and long-term liabilities. On a quarterly basis the balance of CZK 2,500 ths. is paid out to Mr. Pokorny. Interest on the outstanding balance is not calculated. Based on the agreement the group follows the repayment schedule.

12. Current liabilities, accruals and deferred income

	2018	2017
	in CZK ths.	in CZK ths.
Current portion of bank loans	418 250	175 453
Trade debts and other current liabilities	151 445	186 500
Current payables to shareholder	10 000	10 000
Progress payments received	67 725	45 964
	647 420	417 917

13. Financial instruments

For the notes on financial instruments reference is made to the specific item by item note. The group's policy in respect of financial risks is included below. In addition, the financial derivatives are not accounted for, because the company does not apply any financial derivatives or hedge accounting.

General

The main financial risks the group is exposed to are the interest rate risk, liquidity risk and credit risk. The group's financial policy is aimed to mitigate the impact of interest rate fluctuations on the result in the short term and to follow the market exchange rates and market interest rates in the long term. The currency risk is limited, since the majority of transactions are in local currency. The group does not use financial derivatives to control financial risks linked to business operations at control.

Interest rate risk

The policy in respect of interest rate risk is aimed at mitigating interest rate risks originating from the financing of the group while optimizing net interest expenses. This policy translates into a desired profile of fixed-interest and variable-interest positions including cash.

Liquidity risk

Periodically, liquidity budgets are prepared. Liquidity risks are controlled through interim monitoring and possible adjustments. The liquidity budgets take account of restricted availability of cash, among which bank guarantees and margin calls in respect of derivatives concluded.

NOTES TO THE SPECIFIC ITEMS OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

14. Wages, salaries and social security

	2019	2018
	in CZK ths.	in CZK ths.
Wages and salaries	22 569	19 215
Social security charges	7 470	6 754
	30 039	25 969

The average number of employees of the group during the year, converted to full-time equivalents and broken down by activity, was as follows:

	2019	2018
Management	5	5
Development department	6	6
Customer service department	20	17
Marketing department	3	3
Financial department	4	4
	38	35

The average number of employees working abroad amounted to 38 (2018: 35). The group has no pension plan or costs.

15. Taxation

Reconciliation between tax expense and the accounting profit multiplied by the Dutch statutory tax rate for the years ended 31 December 2019 is as follows:

	2019	2018
	in CZK ths.	in CZK ths.
Profit before tax	71 984	1 421
Statutory tax rate in the Netherlands at 25%	17 996	355
Effect of different foreign tax rates	(4 319)	(85)
Adjustments with respect to revaluation of investment property	(3 859)	(8 706)
Other adjustments	(1 471)	9 533
Total tax charge at the effective rate	8 347	1 097

The difference between the effective rate and the statutory rate is mainly caused by the changes in value of investment property.

16. Remuneration of (former) directors and supervisory directors

There was no remuneration to supervisory board members in 2018 and 2019. Mr. Pokorny and, as of 1 October 2019, Elbe Fiduciary Management B.V. are statutory board members; the remuneration of the board members amounted to EUR 11,420.

17. Subsequent events

At the end of 2019, the first news came from China regarding COVID-19 (the coronavirus). In the first months of 2020, the virus spread globally, causing substantial economic damage. Even though the Company's management did not see a significant decrease in sales at the time of publishing of these financial statements, the situation is constantly changing and therefore the future impacts of the pandemic on the Company's operations cannot be estimated. The Company's management will continue to follow the potential effects closely, taking all the possible steps to mitigate any negative impacts on the Company and its employees.

Despite COVID-19, management expects a positive results and cash flow for the upcoming year. This expectation is based on preliminary results of 2020 and forward looking information with respect to development of residential market prices, portfolio of real estate projects and the terms of both bond placements.

The Company's management assessed the potential impacts of COVID-19 on its activities and business and concluded that they do not have a material impact on the going concern assumption. As a result, the financial statements for the year ended 31 December 2019 were prepared based on the assumption of the Company's ability to continue as a going concern.

City Home Invest III issued new bond emission in June 2020, in the amount of CZK 210 mln to finance new acquisitions and investments in apartment houses. The interest rate of the bond is 6,00% p.a. and the maturity is June 2025.

There were no other subsequent events with an impact on the consolidated financial statements of the SATPO Group as of 31 December 2019, which shall be disclosed or adjusted.





COMPANY-ONLY FINANCIAL STATEMENTS

COMPANY-ONLY BALANCE SHEET

COMPANY-ONLY PROFIT AND LOSS ACCOUNT

NOTES TO THE COMPANY-ONLY FINANCIAL STATEMENTS

COMPANY-ONLY BALANCE SHEET AS AT DECEMBER 31, 2019

Before appropriation of result	December 31, 2019 in CZK ths.	December 31, 2018 in CZK ths.
Fixed assets		
Participations in group companies	321 240	209 406
Current assets		
Receivables, prepayments and accrued income	212 394	194 222
Cash	510	203
	212 904	194 425
	534 144	403 831

	December 31, 2019 in CZK ths.	December 31, 2018 in CZK ths.
Equity and liabilities		
Shareholders' equity		
Issued share capital	44 313	44 313
Share premium	68 693	39 071
Revaluation reserves	218 041	201 833
Other reserves	-323 978	-310 681
Unappropriated result for the financial year	7 419	2 911
Total equity	14 489	-22 553
Provisions	0	0
Long-term liabilities	469 300	399 331
Current liabilities, accruals	50 355	27 053
	534 144	403 831

COMPANY-ONLY PROFIT AND LOSS ACCOUNT FOR 2018

	2019	2018
	in CZK ths.	in CZK ths.
Share in result of subsidiaries	35 359	3 364
Other income and expense after taxation	-27 939	-453
Result after taxation	7 419	2 911

NOTES TO THE COMPANY-ONLY FINANCIAL STATEMENTS

Notes to the specific items of the company-only balance sheet

Financial fixed assets	2019	2018
	in CZK ths.	in CZK ths.
Opening balance	124 466	79 634
Acquisitions	113 162	-
Share in income	35 359	3 364
Capital contribution	150 000	41 468
Repayment of capital contribution	-112 942	-
Profit on disposal	-110	-
Other changes	428	-
Closing balance	310 363	124 466

	2019	2018
Total net value of participations	310 363	124 894
Investments with positive value (presented as investments in assets)	321 240	209 406
Investments with negative value	-10 877	-84 512
Offsetting investments with negative values by accounts receivable	10 877	84 512
Investments with negative value (presented as provision in liabilities)	0	0

Receivables, prepayments and accrued income

	2019		2018	
	< 1 year	> 1 year	Total	Total
	in CZK ths.	in CZK ths	in CZK ths	in CZK ths
Group companies	8 029	200 673	208 702	192 036
Other receivables	3 692	-	3 692	2 186
	11 721	200 673	212 394	194 222

The average interest rate for intercompany loans is approximately 8.5% p.a.

Issued share capital

The issued share capital of the company amounts to CZK 44,313 ths. in ordinary shares.

The total number of the issued shares (EUR) is 1,640 ths. and the number of shares has not been changed.

Share premium

	in CZK ths
Balance as at January 1, 2019	39 071
Additions to share premium	29 622
Balance as at December 31, 2019	68 693

Revaluation reserves

	in CZK ths
A summary of the movements in the revaluation reserves is given below:	
Balance as at January 1, 2019	201 833
Additions	16 208
Balance as at December 31, 2019	218 041

Other reserves

	in CZK ths
A summary of the movements in the undistributed profits is given below:	
Balance as at January 1, 2019	-310 681
Increase debited from the revaluation reserve	-16 208
Distributed profits prior financial years	2 911
Balance as at December 31, 2019	-323 978

Appropriation of result for the financial year:

The annual report 2018 was adopted in the general meeting of shareholders held on September 27, 2019. The general meeting of shareholders determined the appropriation of result in accordance with the proposal being made to that end.

Proposed appropriation of result for the financial year 2019:

The board of directors proposes, with the approval of the supervisory board, that the result for financial year 2019 amounting to CZK 7 419 thousand be transferred to Other Reserves (without payment of dividend). The financial statements do not yet reflect this proposal.

Long-term liabilities

	December 31, 2019		December 31, 2018	
	Interest rate		Interest rate	
	in CZK ths.	%	in CZK ths.	%
Other bonds and private loans	310 200	7.0	307 800	7.0
Amounts due to group companies	135 493	8.5	27 031	8.5
Amounts due to shareholders	23 607	0	64 500	0
	469 300		399 331	

The SATPO Group issued bonds with an interest rate of 7.00% and the repayment date in 2022. The nominal value in the books in 2019 is CZK 315,000 thousand and the carrying value of the bonds in 2018 is CZK 310,200 thousand.

The amount of CZK 135,493 ths. of long-term liabilities includes amounts due to associated companies in which the company can exercise significant influence, the interest rate is 8.5%

At the balance sheet date, long-term payable shareholders amounting to CZK 23,607 ths. (2018: CZK 64,500 ths.) Based on the repayment schedule from the purchase agreement, there is no interest.

Current liabilities, accruals and deferred income

	December 31, 2019	December 31, 2018
	in CZK ths.	in CZK ths.
Short term part of loans	5 726	5 433
Amounts due to group and associated companies	27 270	19 628
Other liabilities	17 359	1 991
	50 355	27 053

The interest rate calculated for group liabilities is 8.5%.

Other income and expense after taxation	2019	2018
	in CZK ths.	in CZK ths.
Operating income	3 540	5 254
Other operating income		-
Interest income	13 269	23 721
Administrative expenses	-9 963	-3 687
Other operating expense	-4 110	-141
Interest expense	-30 675	-25 600
	-27 939	-453

OTHER NOTES

Average number of employees

The average number of employees working for the company amounted to 0 (2018: 0). The group has no pension plan or costs.

Subsequent events

At the end of 2019, the first news came from China regarding COVID-19 (the coronavirus). In the first months of 2020, the virus spread globally, causing substantial economic damage. Even though the Company's management did not see a significant decrease in sales at the time of publishing of these financial statements, the situation is constantly changing and therefore the future impacts of the pandemic on the Company's operations cannot be estimated. The Company's management will continue to follow the potential effects closely, taking all the possible steps to mitigate any negative impacts on the Company and its employees.

Despite COVID-19, management expects a positive results and cash flow for the upcoming year. This expectation is based on preliminary results of 2020 and forward looking information with respect to development of residential market prices, portfolio of real estate projects and the terms of both bond placements.

The Company's management assessed the potential impacts of COVID-19 on its activities and business and concluded that they do not have a material impact on the going concern assumption. As a result, the financial statements for the year ended 31 December 2019 were prepared based on the assumption of the Company's ability to continue as a going concern.

There were no other subsequent events with an impact on the financial statements of the SATPO Group as of 31 December 2019, which shall be disclosed or adjusted.

SIGNING OF THE FINANCIAL STATEMENTS

Amsterdam, 12 August 2020

Management board:
Jiří Pokorný

Elbe Fiduciary Management B.V.



Supervisory Board:

Michal Jelínek
Věra Nekvasilová
Dagmar Pokorná



OTHER INFORMATION

Independent auditor's report

Reference is made to the auditor's report as included hereinafter.

Appropriation of result according to articles of association

Article 22.1 of the company statutory regulations states, concerning the appropriation of result, that the result for the year is at the disposal of the General Meeting.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of SATPO Group B.V.

Opinion

We have audited the accompanying consolidated and standalone financial statements (the "financial statements") of SATPO Group B.V., which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of SATPO Group B.V. using accounting policies described on pages 15 to 19 of the financial statements.

In our opinion, the financial statements were prepared, in all material respects, in accordance with accounting policies described on pages 15 to 19 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 ethical requirements that are relevant to our audit of the financial statements in 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.

Material uncertainty related to going concern

We draw attention to the going concern paragraph in the notes on page 15 of the financial statements which describes that the group highly depends on the financial performance of current projects in the near future. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to pages 15 to 19 of the financial statements, describing the basis of accounting. These financial statements are prepared to assist the shareholders, bondholders and banks of SATPO Group B.V. in evaluation of SATPO Group B.V. financial position and performance. The financial statements are not statutory financial statements.

This independent auditors report is intended solely for the shareholders of SATPO Group B.V., the bondholders and banks of SATPO Group B.V. As a result, the report may not be suitable for another purpose and should not be distributed to or used by other parties.

Other Information in the Management board's report

The other information comprises the information included in the Management board's report, other than the consolidated and standalone financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with accounting policies described on pages 15 to

19 of the financial statements and for such internal control as management 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 Management 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 Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board 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 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 skepticism 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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Supervisory Board 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 12 August 2020

Audit firm:
Deloitte Audit s.r.o.

Deloitte

Represented by:
Vratislav Moša
on the basis of a power of attorney

V. Moša

