

■ SLOVAK
■ ■ INVESTMENT
■ ■ ■ HOLDING
SZRB GROUP



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FOREWORD OF THE CEO

Dear Partners, Colleagues, Shareholders, Ladies and Gentlemen,

The Slovak Investment Holding (SIH) Group has had another successful year, during which it made several investments in small and medium-sized enterprises, waste management, renewable energy sources, the energy efficiency sector and infrastructure.

Our successes have not gone unnoticed. In late 2019, our financial instrument to support venture capital for innovative small and medium-sized enterprises won a prestigious European competition organised by fi-compass, the platform of the European Commission and the European Investment Bank for financial instruments.

In direct venture capital financing, we continued even more effectively than in the previous year and invested in four companies with a high growth potential: Aeromobil, Qres Technologies, ENSTRA and KOOR.

SIH and three fund managers (Vision Ventures, CB Investment Management and Zero Gravity Capital) agreed in 2019 to launch a venture capital investment programme for start-ups. These companies will bring new and innovative products and services to the Slovak market.

In 2019, SIH also selected three fund managers (Wasteland Investment Management, CEE Capital Management and IPM Avanea Eco Management), with which we launched cooperation on venture capital investments in projects in waste management and renewable energy sources.

In the energy efficiency sector, SIH, together with OTP Banka, began to participate in the support of energy efficiency in residential buildings last year.

In the first half of 2019, SIH provided funds for infrastructure development from funds managed by NDF II. This is a long-term investment loan for the purchase of diagnostic vehicles for Železnice Slovenskej republiky (Slovak Rail).

Other great successes during the past year were the fulfilment of the licencing conditions by our subsidiary, Slovak Asset Management (SAM), and the significant progress made in the preparations for the launch of the first fund established under its management. Last year, we completed fundraising for Venture to Future Fund (VFF), with a current volume of EUR 40.4 million. A key investor, the European Investment Bank (EIB), added to the funds from the Ministry of Finance of the Slovak Republic, National Development Fund I. and SAM.

We are delighted with every success we achieved in 2019. Finally, I would like to thank all our partners and the entire team of the Slovak Investment Holding Group.

Ivan Lesay
Chairman of the Board of Directors and CEO

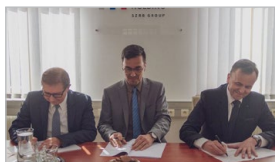
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MAIN EVENTS OF 2019



February

Slovak Investment Holding organised the Three Seas Investment Fund Workshop in Bratislava



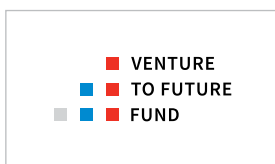
April

Slovak Investment Holding and Železnice Slovenskej republiky (Slovak Rail) signed an investment loan agreement to finance diagnostic vehicles



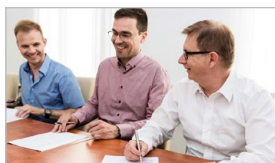
May

SIH made a venture capital investment in the development of innovations at Qres Technologies, which deals with industrial printing technology



May

Slovak Investment Holding established Venture to Future Fund for the commercial venture capital financing of SMEs



June

Slovak Investment Holding and investors from Israel and China signed an investment in AeroMobil



June

Slovak Investment Holding and three financial intermediaries – Waste-land Investment Management, CEE Capital Management and IPM Avanea Eco Management – started cooperation in investments in environmental projects



July

Slovak Investment Holding and OTP Banka Slovensko signed a cooperation agreement to support the energy efficiency of residential buildings



September

Slovak Investment Holding was one of three national finalists in the *Investor of the Year 2019* category of the CES Awards (Central European Startup Awards) competition



September

Slovak Investment Holding and a private investor signed an investment agreement with KOOR, one of the leaders in the Slovak market in the provision of guaranteed energy savings, energy management and renewable energy sources



October

Slovak Investment Holding made a direct venture capital investment in ENSTRA, an innovator in rationalisation of energy distribution and supply



November

Slovak Investment Holding and three fund managers – Vision Ventures, CB Investment Management (Crowdberry Group) and Zero Gravity Capital (Limerock Advisory Group and 0100 Ventures) – started cooperation in supporting start-ups in Slovakia



December

SIH's financial instrument to support venture capital in innovative SMEs won a prestigious European competition organised by fi-compass, the platform of the European Commission and the European Investment Bank for financial instruments. This is the most significant award for Slovakia to date as regards European Structural and Investment Funds



December

SIH signed financing agreements with Slovenská sporiteľňa and Towarzystwo Inwestycji Społeczno-Ekonomicznych (TISE) to support loans with concessional terms for companies in the social economy



December

Entry of a key investor – the European Investment Bank (EIB) – into VFF by the signing of an investment agreement. The EIB's venture capital investment in Venture to Future Fund is the first of its kind in Central and Eastern Europe

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NDF II. – FINANCIAL INSTRUMENTS FOR THE 2014-2020 PROGRAMMING PERIOD

- NATIONAL
- ■ DEVELOPMENT
- ■ ■ FUND II.

HOW WE INVEST

Slovak Investment Holding (SIH) has implemented financial instruments from the European Structural and Investment Funds in the 2014-2020 programming period via NDF II. We have implemented our investment activities in two main ways:

Via financial intermediaries

In areas where we support a relatively high number of projects with relatively low investment volumes, we implement financial instruments in an economically efficient manner via financial intermediaries, ie commercial banks, capital fund managers and other financial institutions. We usually select financial intermediaries by public procurement. Financial intermediaries obtain funds, which are then provided to end beneficiaries under concessional terms and in accordance with the investment strategy. Individual investment decisions are taken independently by financial intermediaries and SIH does not interfere with them in any way. Financial intermediaries are, in most cases, required to leverage the total investment funds by co-financing these projects, either from their own funds, or by raising funds from co-investors. This is how SIH implements financial instruments in most of its investment areas.

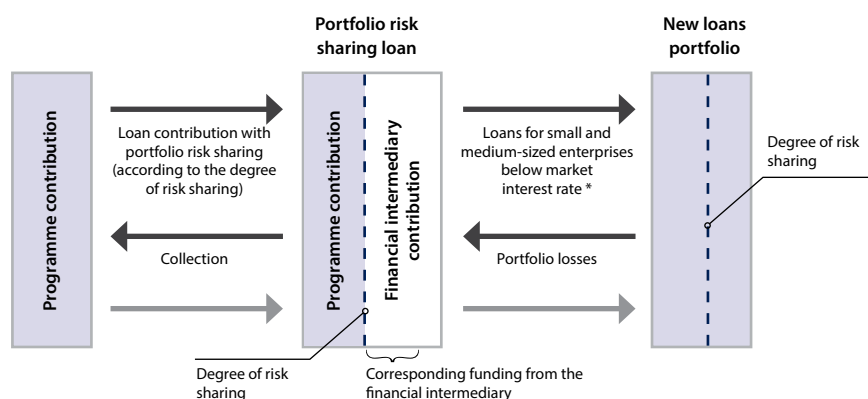
Directly without financial intermediaries

In areas where we support a relatively low number of projects with relatively high investment volumes, we implement financial instruments in an economically efficient manner directly without financial intermediaries. We use this investment model, in line with the EIB's ex-ante analysis and SIH's investment strategy, to support infrastructure projects. Examples include the mezzanine financing for the Zero Bypass Limited consortium for the D4/R7 PPP project, and the loan to ŽSR (Slovak Rail) for a diagnostic vehicle project. We also use the direct investment model, in line with the EIB's ex-ante analysis and SIH's investment strategy, for venture capital financing of SMEs in the growth stage. We have supported several highly-innovative Slovak companies in this way, whose names and products are known worldwide. We undertake direct investments in SMEs using a co-investment model, ie we may only invest if there is co-investment by an independent private investor.

TYPES OF FINANCIAL INSTRUMENTS WE OFFER¹

A portfolio risk sharing loan works as follows:

SIH provides a loan to a commercial bank selected by public procurement. The bank then creates a portfolio of loans for end beneficiaries (eg SMEs, managers of residential buildings, social enterprises, etc), which are financed partly from SIH's funds and partly from the bank's own funds. SIH and the bank share the risk of loan defaults from the newly created loan portfolio proportionally. After the loans have been repaid by the end beneficiaries, funds are returned to SIH. SIH may then use them to support new projects in the same investment area.

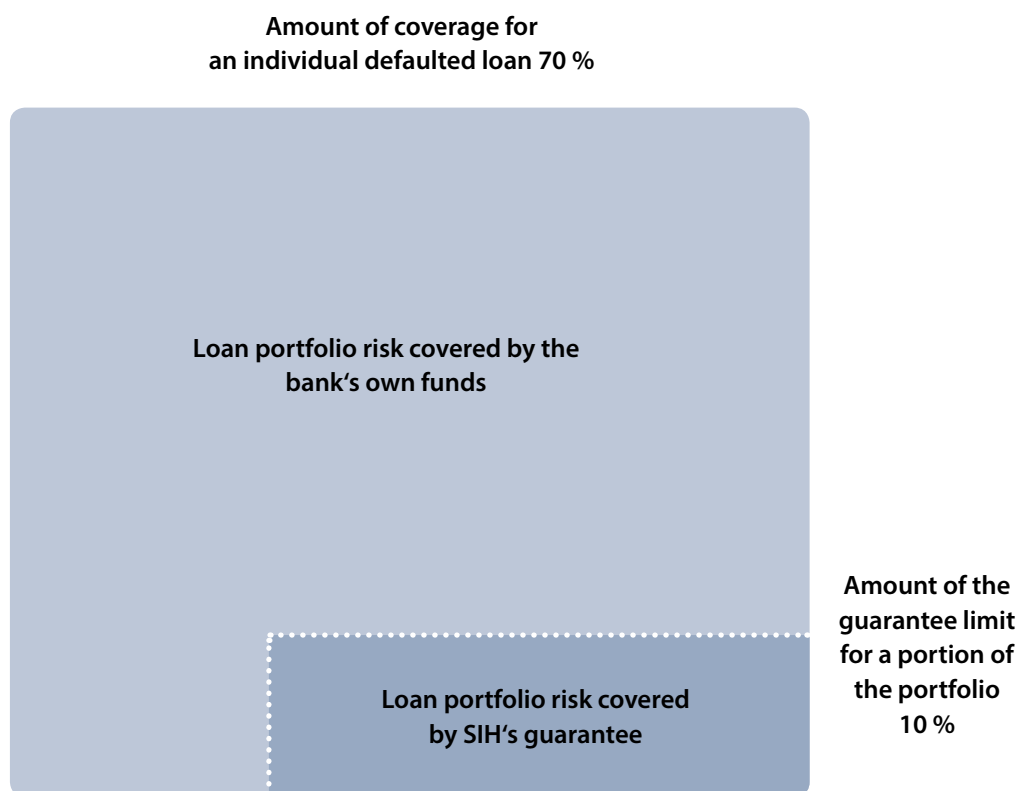


* The benefit of the interest rate will be passed on in full to SMEs

¹ The described types of financial instruments are for illustrative purposes only. SIH implements a high number of financial instruments in different investment areas and, therefore, individual instruments may differ from the illustrative examples.

First loss portfolio guarantee works as follows:

SIH provides a guarantee to a commercial bank, usually selected by public procurement. The bank then creates a portfolio of loans for end beneficiaries (eg SMEs, residential buildings, social enterprises, etc), which are financed solely from the bank's own funds. SIH reimburses the bank for a specific portion of the loss from each defaulted loan (the "defaulted loan coverage amount") until the volume of defaulted loans exceeds a specific maximum level in the portfolio of newly-created loans (the "portfolio guarantee limit"). The portion of the guarantee that has not been used to cover the bank's losses at the end of the investment period may be used to support new projects in the same investment area. An illustrative example of setting the first loss portfolio guarantee (the ratio of the risk borne by the bank and NDF II. differs depending on the terms of agreements with individual banks, resulting from public procurement)



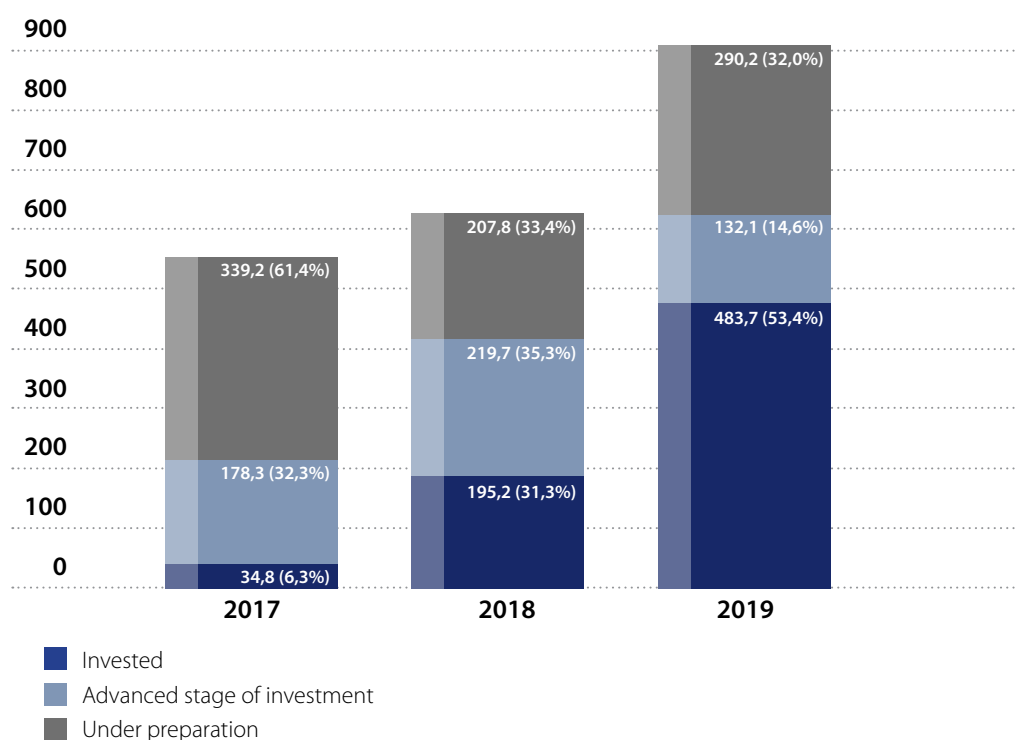
Venture capital financing works as follows:

SIH provides venture capital financing either via fund managers selected by public procurement or directly. The fund manager (or SIH for direct investments) creates a portfolio of venture capital investments at the level of end beneficiaries (eg innovative SMEs, waste management companies, etc). Investments take the form of venture capital or quasi-venture capital financing. The fund manager's venture capital investment (or that of SIH) buys a stake in the assets of the enterprise in question. After increasing the value of the investment, the fund manager (or SIH) exits the enterprise and sells its stake to a third investor. Such used funds are returned to SIH, which may use them to support new projects in the same investment area.

BREAKTHROUGH YEAR AS REGARDS INVESTMENT ACTIVITIES

Despite the complicated regulatory framework for financial instruments in the EU, and especially in Slovakia, SIH made substantial progress in 2019 in managing NDF II. At the end of 2019, we had invested more than 53.4 % of all the disposable and contracted funds managed by NDF II.² This indicator amounted to 31.3 % in the previous year and it should be noted that we achieved a favourable result despite a significant increase in the overall allocation. This is proof of the intensive investment activities of our team in 2019 and previous years. Other allocations for financial instruments amounting to 14.6 % of disposable funds of NDF II. were in an advanced stage of investment at the end of 2019.³ Almost 68 % of disposable funds of NDF II. were reinvested at the end of 2019, or were in an advanced stage of investment.

Implementation of NDF II. Resources (million EUR)



² In this context, reinvestment means an investment in an end beneficiary for our direct investments, or an investment in a financial intermediary for our indirect investments. In this context, disposable funds of NDF II. are those that SIH/NDF II. were authorised to implement in 2019, ie the increased allocations initiated by managing authorities in Q4 2019 are not included.

³ In this context, the advanced stage of investment means that the funds are just before the conclusion of a financing agreement, or that public procurement for their management is in progress.

VENTURE CAPITAL INVESTMENTS

Following the decision of SIH's Board of Directors in late 2017 to start making direct venture capital and quasi-venture capital investments in SMEs in the growth phase, and after their successful implementation during 2018, SIH continued the same activities in 2019.



Target company: **AeroMobil Holding S.A.**
Sector: aviation/automotive industry
Innovative product: a flying hybrid vehicle
Form of investment: convertible loan (conversion into shares took place on 25 October 2019)
Co-investor: Shanghai Weilong Enterprise & Commerce Co. Ltd. and Focus Capital Ltd.
Investment date: June 2019



Target company: **Qres Technologies**
Sector: industrial technology
Innovative product: industrial large-format digital printers
Form of investment: venture capital financing
Co-investor: IP PK Invest
Investment date: May 2019



Target company: **ENSTRA**
Sector: energy
Innovative product: modern and intelligent solutions for the rationalisation of energy distribution and supply
Form of investment: venture capital financing
Co-investor: private investor
Investment date: October 2019



Target company: **KOOR**
 Sector: energy
 Innovative product: innovative elements in providing guaranteed energy savings and energy management
 Form of investment: convertible loan
 Co-investor: private investor
 Investment date: September 2019

In 2019, funds for infrastructure development were allocated from OP II managed under NDF II. By a long-term loan for the purchase of diagnostic vehicles, we provided support to Železnice Slovenskej republiky (Slovak Rail) for measuring the technical condition of railway infrastructure to improve the identification of railway defects. Early diagnosis can prevent accidents and generate maintenance savings.

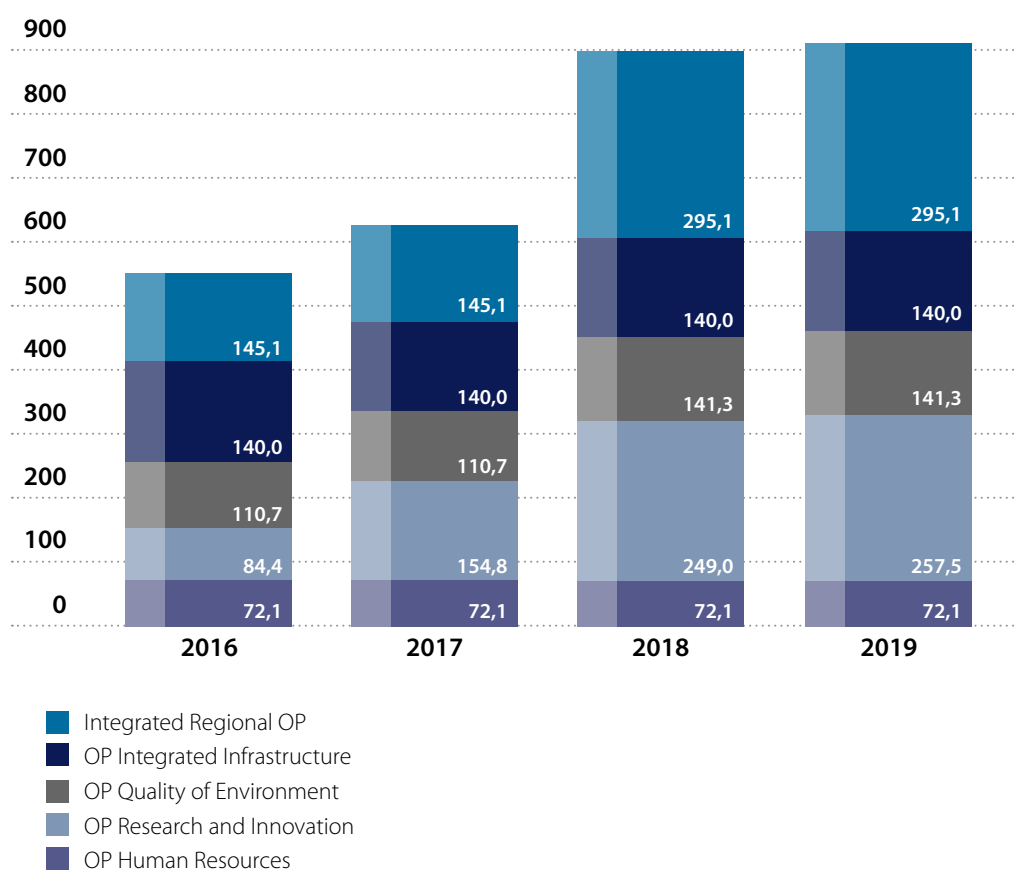


Target company: **Železnice Slovenskej republiky**
 Sector: railway infrastructure
 Type: diagnostic vehicles
 Form of financing: long-term loan
 Provision date: April 2019

OUR FUNDS AND INVESTMENT AREAS

In Q4 2019, the allocation from the Operational Programme Research and Innovation was increased (in the amount of EUR 8.5 million) to harmonise the allocation for investments in the Bratislava Region and outside the Bratislava region.⁴

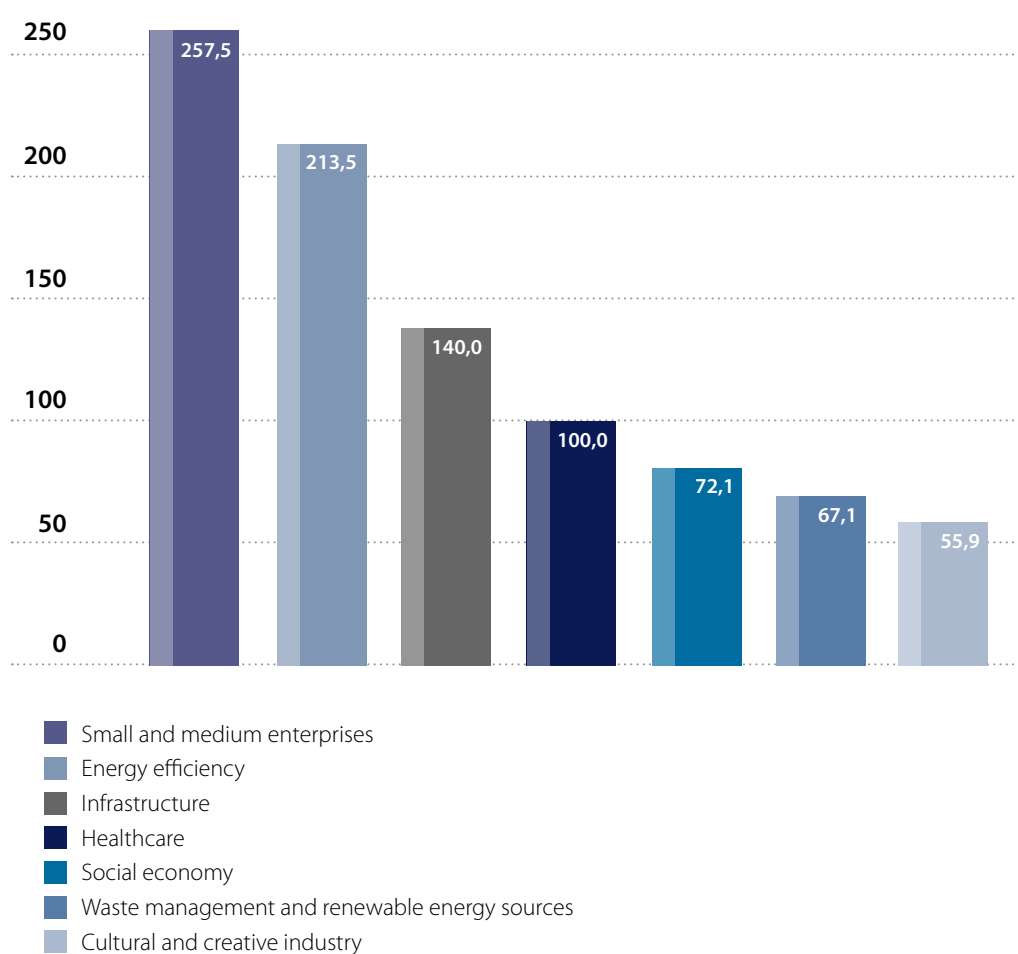
Amount of NDF II. funds by operational programme (EUR million)



⁴ Resolution of the Government of the Slovak Republic No. 522 of 23 October 2019 approved a proposal to merge the Operational Programme Research and Innovation with the Operational Programme Integrated Infrastructure in the 2014-2020 programming period. The merger of the operational programmes became effective on 13 December 2019. For the sake of clarity, in the budget we use the original names of OP R&I and OP II.

Investment areas covered by SIH from NDF II's funds after the increase in allocations from managing authorities in Q4 2019 are as follows:

Allocation of NDF II. funds by area (2019) (EUR million)



IMPLEMENTATION BY OPERATIONAL PROGRAMMES

Operational programme Research and Innovation



Party	Allocation to NDF II
Ministry of Education, Science, Research and Sport of the Slovak Republic (represented by Ministry of Economy of the Slovak Republic)	EUR 249 023 529

Instrument/Area	Information
<ul style="list-style-type: none"> ■ A portfolio risk sharing loan for innovative SMEs ■ Allocation amounting to EUR 24.2 million 	<ul style="list-style-type: none"> - Party: SZRB, contract effective from 1 August 2018 - SZRB's loan activities in progress
<ul style="list-style-type: none"> ■ First loss portfolio guarantee for innovative SMEs ■ Allocation amounting to EUR 12.1 million 	<ul style="list-style-type: none"> - Party: Unicredit, contract signed on 28 September 2018 - Final administrative steps before the start of UniCredit's lending activities
<ul style="list-style-type: none"> ■ First loss portfolio guarantee for innovative SMEs ■ Allocation amounting to EUR 49.1 million 	<ul style="list-style-type: none"> - Parties: Všeobecná úverová banka (contract signed on 9 December 2019 and Slovenská sporiteľňa (contract signed on 20 November 2019) - Products are being prepared in the banks
<ul style="list-style-type: none"> ■ Equity financing for innovative SME start-ups ■ Allocation amounting to EUR 34.0 million 	<ul style="list-style-type: none"> - Parties: Vision Ventures, Crowdberry, Limerock - Investments from funds in progress
<ul style="list-style-type: none"> ■ Direct equity financing for growing innovative SMEs ■ Allocation amounting to EUR 38.4 million 	<ul style="list-style-type: none"> - Investments made: Boataround, GA Drilling, Greenway, Qres Technologies, AeroMobil, KOOR, ENSTRA

Operational programme
Integrated Infrastructure

OPERAČNÝ PROGRAM INTEGROVANÁ
 INFRAŠTRUKTÚRA 2014-2020

Party	Allocation to NDF II
Ministry of Transport and Construction of the Slovak Republic	EUR 139 999 250

Instrument/Area	Information
<ul style="list-style-type: none"> Direct mezzanine funding for the consortium for the implementation of the D4/R7 project in the amount of EUR 27.9 million 	<ul style="list-style-type: none"> The investment has been made, the project is being monitored
<ul style="list-style-type: none"> Direct loan for ŽSR (Slovak Rail) for the project of procuring diagnostic vehicles Amount of granted loan EUR 30 million 	<ul style="list-style-type: none"> The long-term special-purpose loan was granted in the course of 2019 in two tranches and after meeting the conditions precedent. Compliance with terms of financing is being monitored
<ul style="list-style-type: none"> Financing for the area of alternative fuels 	<ul style="list-style-type: none"> Approval of the revision of the operational programme to support the development of the market for alternative fuels
<ul style="list-style-type: none"> Other areas 	<ul style="list-style-type: none"> SIH, in cooperation with the Ministry of Transport of the Slovak Republic, identifies additional possibilities for the use of financial instruments

In December 2019, OP Research and Innovation merged with OP Integrated Infrastructure

Integrated Regional Operational Programme



Integrovaný regionálny
operačný program
2014 - 2020

Party	Allocation to NDF II
Ministry of Agriculture and Rural Development of the Slovak Republic	Energy efficiency & cultural and creative industries EUR 195 131 532 Healthcare EUR 100 000 000

Instrument/Area	Information
<ul style="list-style-type: none"> ■ A portfolio risk sharing loan for energy efficiency projects in residential buildings ■ Allocation amounting to EUR 39.4 million 	<ul style="list-style-type: none"> - Party: OTP Banka Slovensko (contract effective date: 7 June 2019) - Loan activities in progress
<ul style="list-style-type: none"> ■ A portfolio risk sharing loan for energy efficiency projects in residential buildings II ■ Allocation amounting to EUR 39.8 million 	<ul style="list-style-type: none"> - Successful tenderer: Slovenská sporiteľňa - Contract conclusion process in progress
<ul style="list-style-type: none"> ■ A portfolio risk sharing loan for energy efficiency projects in residential buildings III ■ Allocation amounting to EUR 20.76 million 	<ul style="list-style-type: none"> - Successful tenderer: Slovenská záručná a rozvojová banka - Contract conclusion process in progress
<ul style="list-style-type: none"> ■ Financial instrument for the cultural and creative industry ■ Allocation amounting to EUR 51.9 million 	<ul style="list-style-type: none"> - In late 2019, SIH decided to update the ex-ante analysis to survey the market and identify the demand for return-generating financing in this specific sector
<ul style="list-style-type: none"> ■ Financial instrument for the modernisation of medical facilities ■ Allocation amounting to EUR 93.0 million 	<ul style="list-style-type: none"> - In 2019, there were negotiations with the Ministry of Health of the Slovak Republic and the Institute of Health Policy, market survey and identification of suitable projects

Operational Programme Quality of the Environment



OPERAČNÝ PROGRAM
KVALITA ŽIVOTNÉHO PROSTREDIA

Party	Allocation to NDF II
Ministry of Environment of the Slovak Republic	EUR 141 337 652

Instrument/Area	Information
<ul style="list-style-type: none"> ■ Equity financing to support waste management and renewable energy sources ■ Allocation amounting to EUR 67.8 million 	<ul style="list-style-type: none"> - Parties: Wasteland Investment Management, CEE Capital Management, IPM Avanea Eco Management - Investments from funds in progress
<ul style="list-style-type: none"> ■ Energy efficiency of public buildings ■ Allocation amounting to EUR 41.7 million 	<ul style="list-style-type: none"> - Advisory work was carried out on the preparation of the regulatory framework for guaranteed energy services in the Slovak Republic (Government strategy, legislative amendments, model contract) - Projects were identified, advisory activities for cities and self-governing regions - Selection of advisors for the implementation of the prepared financial instruments has been initiated
<ul style="list-style-type: none"> ■ Energy efficiency of SMEs ■ Allocation amounting to EUR 21.9 million 	<ul style="list-style-type: none"> - Projects have been identified - Selection of advisors for the implementation of the prepared financial instruments has been initiated

Operational Programme Human Resources



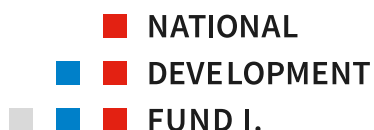
OPERAČNÝ PROGRAM
ĽUDSKÉ ZDROJE

Party	Allocation to NDF II Other
Ministry of Labour, Social Affairs and Family of the Slovak Republic	Support for social enterprises EUR 58 500 000
Ministry of Interior of the Slovak Republic	Support for social enterprises and housing for marginalized Roma communities EUR 13 571 195

Instrument/Area	Information
<ul style="list-style-type: none"> ■ Guarantee instrument for the social economy ■ Allocation amounting to EUR 7.3 million 	<ul style="list-style-type: none"> - Contracts signed with partners: SLSP (EUR 5.85 million) and Towarzystwo Inwestycji Społeczno-Ekonomicznych SA (TISE) (EUR 1.46 million)
<ul style="list-style-type: none"> ■ Direct investment in social housing ■ Allocation amounting to EUR 25 million 	<ul style="list-style-type: none"> - Planned signing of a contract with partners Social Financing SK/SLSP, Nadácia SIŠp (foundation)
<ul style="list-style-type: none"> ■ Loan instrument social enterprises and social housing ■ Allocation amounting to EUR 19.8 million 	<ul style="list-style-type: none"> - Planned announcement of public procurement Q1 2020
<ul style="list-style-type: none"> ■ Equity instrument for social economy enterprises ■ Allocation amounting to EUR 9.2 million 	<ul style="list-style-type: none"> - Public procurement documentation is being prepared

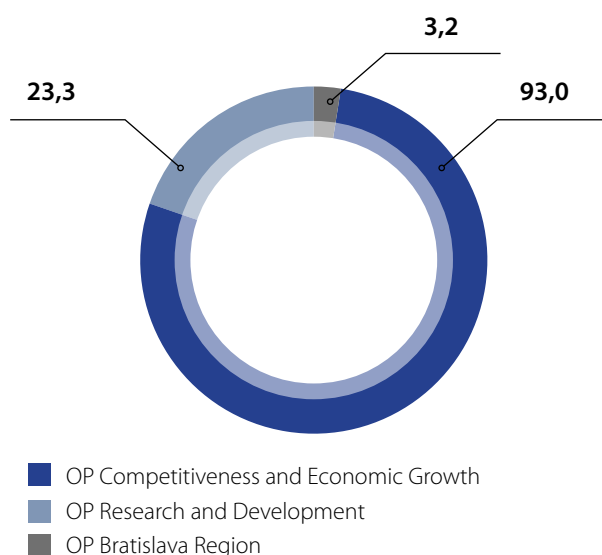
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NDF I. – FINANCIAL INSTRUMENTS FOR THE 2007-2013 PROGRAMMING PERIOD



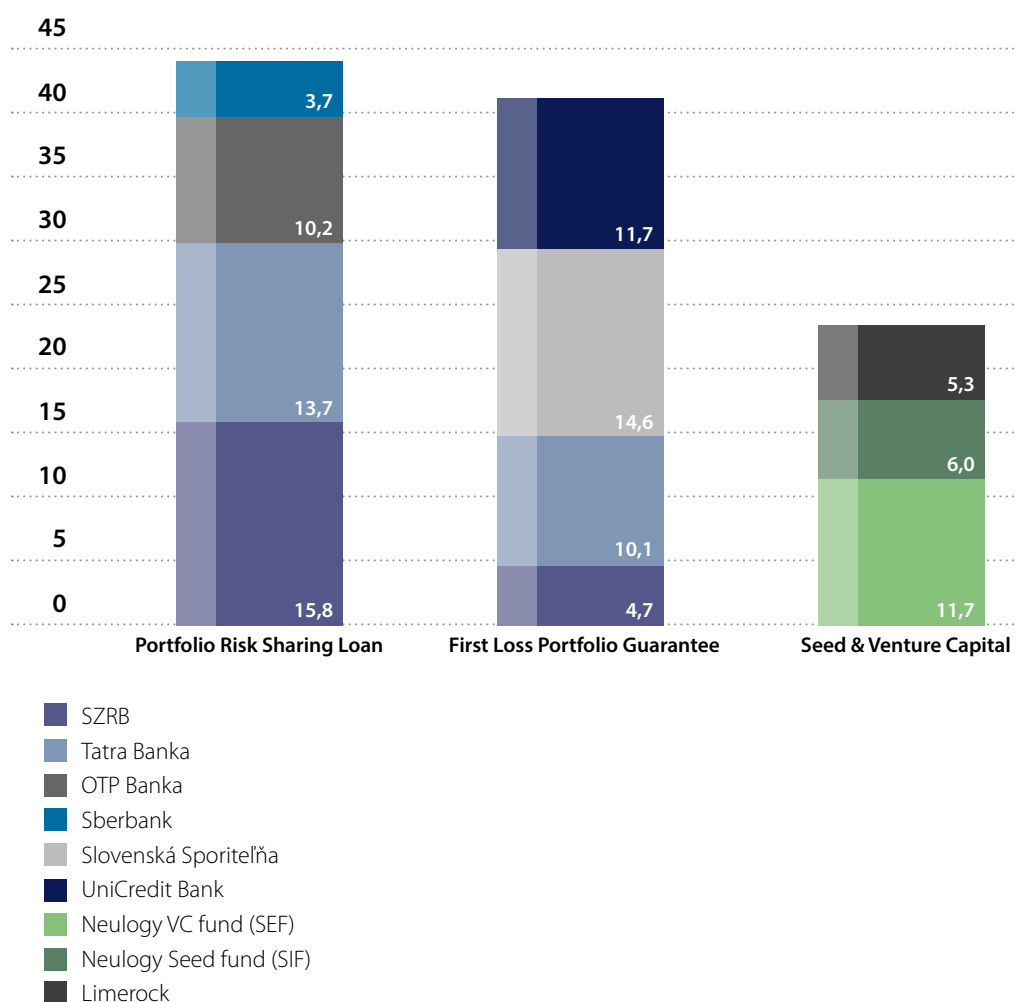
The main role of SIH in NDF I is to manage the portfolio of investments funded under the JEREMIE programme from the EU Structural Funds in the 2007-2013 programming period. The aim of the programme was to support SMEs. Funds for this investment program came from the managing authorities administering the Operational Programme Competitiveness and Economic Growth, Operational Programme Research and Development and Operational Programme Bratislava Region. The final amount of funds is shown in the graph below.

Amount of NDF I. funds by operational programme (EUR million)

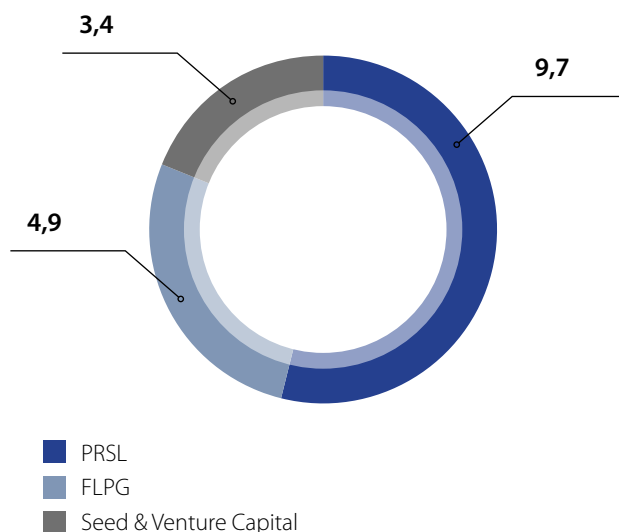


The portfolio of funds contracted in NDF I. at the end of the investment period (as at 31 October 2016) is shown in the chart below. Almost EUR 23 million was allocated for venture capital financing of SMEs and the implementation was carried out by the fund managers Limerock Fund Manager and Neulogy Ventures. Over EUR 41 million was used for the first loss portfolio guarantee financial instrument implemented by Slovenská sporiteľňa, Slovenská záručná a rozvojová banka, Tatra banka and UniCredit Bank, while EUR 43.4 million was used for a portfolio risk sharing loan via financial intermediaries OTP Banka Slovensko, Sberbank Slovensko (currently Prima banka Slovensko), Slovenská záručná a rozvojová banka and Tatra banka. The financial intermediaries were selected by the original manager of NDF I., the European Investment Fund.

Allocation of NDF I. investments by financial intermediary and instrument (EUR million)

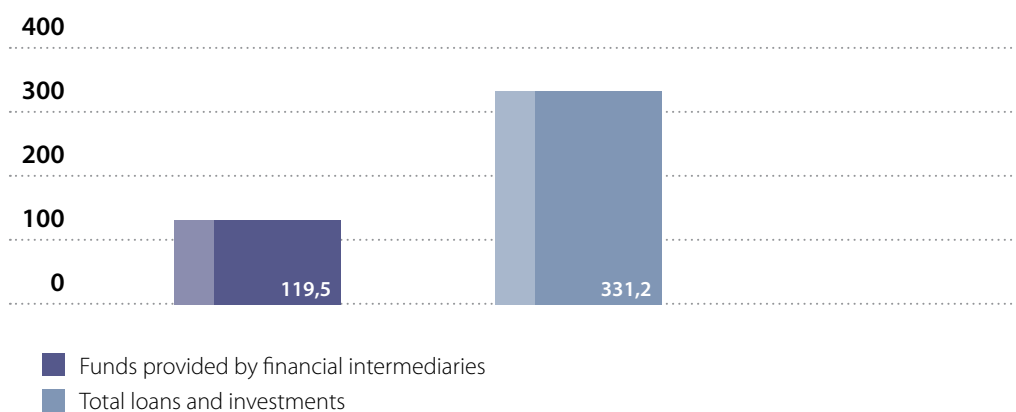


In 2019, there were reflows from the funds contracted in NDF I. EUR 9.7 million was returned from the portfolio risk sharing loan (PRSL) instrument. In 2019, there were EUR 4.9 million of reflows from the first loss portfolio guarantee (FLPG) instrument. The manager returned EUR 3.4 million from the venture capital instrument in connection with an investment. A portion of the reflows, EUR 5 million, was subsequently invested in VFF.



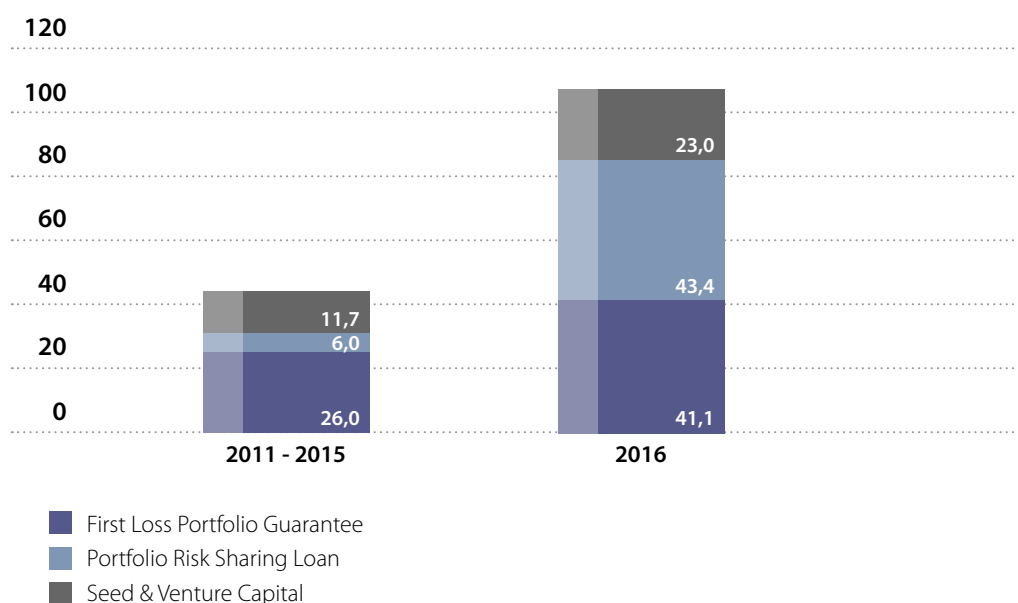
One of the main advantages of financial instruments is their leverage effect. This means that every euro of public funds allocated to the investment can attract additional private funds and thus multiply the total volume of investment for end beneficiaries. For NDF I., EUR 119.5 million of public funds managed by SIH created in a portfolio of loan and venture capital investments totalling EUR 331.2 million. We consider this ratio to be an excellent example of the efficient use of public investment funds

Leverage effect of NDF I. (EUR million)



At the time of the creation of the JEREMIE programme, there were no authorities in Slovakia capable of managing financial instruments, so the management of NDF I. was assigned to the European Investment Fund. After the creation of SIH, the management of NDF I. was transferred to our company as of 1 January 2016. This step was proven correct by more intensive investment activities. During the first 10 months of our management of NDF I., SIH more than doubled the volume of investments, thus minimising the volume of unabsorbed and decommitted EU structural funds.

Investment of NDF I. funds (EUR million)



After the end of the investment period, the management activities of NDF I. focused on the management and administration of the investment portfolio. An important post-investment activity of NDF I. and a demonstration of one of the biggest advantages of financial instruments (compared to grant and subsidy schemes) is the reinvestment of reflows. As financial instruments are repayable, once repaid the same funds are reused for new investments. During its management of NDF I., SIH made or prepared the following investments funded by reflows:



Investment: **Central European Fund of Funds (CEFoF)**
Manager: European Investment Fund
Co-investors: Czech Development Bank ČMZRB, European Investment Fund, Hungarian Development Bank MFB, International Investment Bank, Austrian Development Bank OeEB, Slovenian Business Fund SEF
Investment strategy: venture capital financing for fund managers in Central Europe
Investment objective: venture capital financing for SMEs and small mid-caps in Central Europe
Status: investment activity in progress
Main activities of SIH/NDF I. in 2019: transfer of investment funds to CEFoF (the “draw-downs”), monitoring of CEFoF’s investment activities, participation in meetings of the Supervisory Board



Investment: **Venture to Future Fund (VFF)**
Manager: Slovak Asset Management
Co-investors: Ministry of Finance of the Slovak Republic, NDF I., European Investment Bank and SAM
Investment strategy: venture capital financing for companies in the growth phase
Investment objective: Slovak SMEs with a strong innovation or technological element
Status: funds have been contracted
Main activities of SIH/NDF I. in 2019: selection and management of reflows from NDF I.

The Investment Board of NDF I. was regularly informed during 2019 about the progress and development of negotiations with the co-investor, European Investment Bank, regarding the investment in VFF. After approval by the National Bank of Slovakia, the date of start of VFF's activities was postponed from 1 July 2019 to the beginning of 2020 due to the ongoing negotiation of contractual conditions with this co-investor.

The investment in VFF will amount to EUR 40.4 million, of which:

- EUR 25 million will be provided by the Ministry of Finance of the Slovak Republic via state financial assets;
- EUR 5 million by NDF I. from JEREMIE reflows;
- EUR 10 million by the European Investment Bank (EIB); and
- EUR 0.4 million by Slovak Asset Management (SAM) from own funds.

In Q3 2019, the EIB performed a detailed due diligence on the intended VFF's investment strategy, its manager (Slovak Asset Management), key persons and overall ownership structure. The investment agreement was finally signed at the end of 2019.

5

SAM MANAGES VENTURE TO FUTURE FUND

■ SLOVAK
■ ■ ASSET
■ ■ ■ MANAGEMENT

Slovak Asset Management, správ. spol., a.s. (SAM), a 100% subsidiary of SIH, obtained a permit last year to create and manage alternative investment funds from the National Bank of Slovakia. The permit allows SAM to establish and manage alternative investment funds in any EU Member State, while SAM is the first licenced public manager of such funds in the Slovak Republic and, according to available information, the first in Central and Eastern Europe.

The first fund managed by SAM is Venture to Future Fund ("VFF") aimed at supporting the underdeveloped venture capital market for SMEs in Slovakia. The process of attracting investors in the fund was completed at the end of 2019,

when, after demanding negotiations, the Ministry of Finance of the Slovak Republic, NDF I. and the European Investment Bank signed the contract documentation. The EIB, as one of the key investors in the fund, actively participated in setting up the structure and operating principles of the fund in line with industry-specific European standards. In Central and Eastern Europe, it is the first fund of its kind to receive a venture capital investment from the EIB. The aim of the fund is venture capital support for innovative and technological SMEs in the growth phase of their life cycle with the potential for further expansion into European and global markets. The investment period of the fund will be 4 years and the total life of the fund will be 10 years.

6

EIA – A WIDE SPECTRUM OF ADVISORY ACTIVITIES

■ EUROPEAN
■ ■ INVESTMENT
■ ■ ■ ADVISORY

As regards investment advisory activities under SIH European Investment Advisory (EIA), we continued to provide technical assistance in the preparation of repayable investment projects in Slovakia. We continue to work with colleagues from the European Commission (EC) – DG REFORM and the European Investment Bank (EIB) – European Investment Advisory Hub on this task. They provided SIH with funds to expand its own internal and external advisory capabilities.

SIH's internal advisory team was expanded to include an expert in the technical and energy field. The main focus of this team at SIH is the development of clean energy with an emphasis on energy efficiency, renewable energy sources and especially on guaranteed energy services (GES), above all in connection with the Green New Deal of the new EC. Our current cooperation with the EIB focuses on supporting self-governing regions and regional capitals in the preparation of projects to increase energy efficiency of buildings and public lighting by GES. The assistance involves correct setup of project preparation, energy assessments, obtaining the EIB's technical

assistance for project documentation, etc. We also cooperate with the Ministry of Finance of the Slovak Republic and the Slovak Innovation and Energy Agency as regards GES. The aim of this cooperation is to fine-tune the Slovak regulatory framework for the implementation of GES.

As part of its European advisory activities, with the support of the European Commission, SIH also provides technical assistance for the development of investment projects in other sectors. We perform the above consulting activities in cooperation with Limerock Advisory, which won the EC's tender for this purpose. SIH and Limerock provides support to project applicants in a wide range of investment areas and assists them with the initial screening of these projects, their further development and testing of the financing options by international financial institutions. The main goal is to maximise the commercial potential of the projects and to finance them by repayable forms of financing, from international financial institutions, commercial banks and investors, SIH, or a combination of funds.



LEGAL STATUS OF OUR COMPANIES AND THEIR STATUTORY BODIES

Slovak Investment Holding, a.s. is registered as a manager of alternative investment funds in the register of managers kept by the National Bank of Slovakia, in accordance with Article 31b (6) of Act No. 203/2011 Coll. on Collective Investment, under No. 0005.

Company details as at 31 December 2019:

1. **Business name:** Slovak Investment Holding, a.s.
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Shareholder:** Slovenská záručná a rozvojová banka, a. s. (100%)
4. **Board of Directors:**
 - a) Ivan Lesay – Chair of the Board of Directors
 - b) Peter Dittrich – Vice-Chair of the Board of Directors
 - c) Pavel Mockovčiak – Member of the Board of Directors
5. **Supervisory Board:**
 - a) Radko Kuruc – Chair of the Supervisory Board
 - b) Peter Ševčovic – Vice-Chair of the Supervisory Board
 - c) Štefan Adamec – Member of the Supervisory Board

National Development Fund II., a. s. is an investment fund through which financial instruments from the European Structural and Investment Funds are implemented for the 2014-2020 programming period. Active management is performed by Slovak Investment Holding, a.s.

Company details as at 31 December 2019:

1. **Business name:** National Development Fund II., a.s.
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Shareholder:** SIH, a.s. (99.99%), SZRB, a.s. (0.01%)
4. **Board of Directors:**
 - a) Ivan Lesay – Chair of the Board of Directors
 - b) Peter Dittrich – Vice-Chair of the Board of Directors
 - c) Pavel Mockovčiak – Member of the Board of Directors
5. **Supervisory Board:**
 - a) Radko Kuruc – Chair of the Supervisory Board
 - b) Pavol Ochotnický – Vice-Chair of the Supervisory Board
 - c) Igor Lichnovský – Member of the Supervisory Board
 - d) Norbert Kurilla – Member of the Supervisory Board
 - e) Branislav Ondruš – Member of the Supervisory Board

- f) Vojtech Ferencz – Member of the Supervisory Board
- g) Emil Pícha – Member of the Supervisory Board
- h) Juraj Méry – Member of the Supervisory Board

National Development Fund I., s. r. o. is an investment company established to implement financial instruments from the EU structural funds in the Slovak Republic for the 2007-2013 programming period. The activities of National Development Fund I., s.r.o. are based on the JEREMIE initiative, whose main objective is to support SMEs by improving access to the financing of their development.

Company details as at 31 December 2019:

1. **Business name:** National Development Fund I., s.r.o.
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Owner:** SIH, a.s. (99.996%), SZRB, a.s. (0.004%)
4. **Statutory representatives:**
 - a) Štefan Adamec
5. **Supervisory Board:**
 - a) Martin Polónyi – Chair of the Supervisory Board
 - b) Ján Matúška – Member of the Supervisory Board
 - c) Ladislav Unčovský – Member of the Supervisory Board
 - d) František Stacho – Member of the Supervisory Board
 - e) Ivan Gránsky – Member of the Supervisory Board

Slovak Asset Management, správ. spol., a. s. was established as a joint-stock company without a call for subscription of shares by the Memorandum of Association on 19 June 2017. The only founder was Slovak Investment Holding, a.s. The company's share capital is EUR 125 000, which is divided into 125 ordinary registered shares in book-entry form. The face value is EUR 1 000 per share and the issue price at which the company issues shares is EUR 1 100. The founder paid up the company's total share capital and share premium by a one-off monetary contribution of EUR 137 500. The sole shareholder is Slovak Investment Holding. Slovak Asset Management, správ. spol., a. s. was incorporated on 21 July 2018 by registration in the Business Register of the Bratislava I District Court, Section: Sa, File No. 6818/B. On 20 June 2018, pursuant to Article 28a (1) of the Collective Investment Act, Slovak Asset Management, správ. spol., a. s. was granted a permit to establish and manage alternative investment funds by the National Bank of Slovakia.

Company details as at 31 December 2019:

1. **Business name:** Slovak Asset Management, správ. spol., a. s.
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Shareholder:** Slovak Investment Holding, a.s. (100%)
4. **Board of Directors:**
 - a) Ivan Lesay – Chair of the Board of Directors
 - b) Peter Dittrich – Vice-Chair of the Board of Directors
 - c) Pavel Mockovčiak – Member of the Board of Directors
5. **Supervisory Board:**
 - a) Radko Kuruc – Chair of the Supervisory Board
 - b) Peter Ševčovic – Vice-Chair of the Supervisory Board
 - c) Štefan Adamec – Member of the Supervisory Board

Venture to Future Fund, a. s. was established as a joint-stock company by a Memorandum of Association on 18 April 2019 by the sole founder, Slovak Asset Management, správ. spol., a.s. The company's share capital is EUR 30 000, which is divided into 30 ordinary registered shares in book-entry form. The face value is EUR 1 000 per share and the issue price at which the company issues shares is EUR 1 100. The founder paid up the company's total share capital and share premium by a one-off monetary contribution of EUR 33 000. The sole shareholder is Slovak Asset Management, správ. spol., a.s. Venture to Future Fund, a. s. was incorporated on 7 May 2019 by registration in the Business Register of the Bratislava I District Court, Section: Sa, File No. 6938/B.

Company details as at 31 December 2019:

1. **Business name:** Venture to Future Fund, a. s.
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Shareholder:** Slovak Asset Management, správ. spol., a.s. (100%)
4. **Board of Directors:**
 - a) Ivan Lesay – Chair of the Board of Directors
 - b) Peter Dittrich – Vice-Chair of the Board of Directors
 - c) Pavel Mockovčiak – Member of the Board of Directors
5. **Supervisory Board:**
 - a) Radko Kuruc – Chair of the Supervisory Board
 - b) Roman Turok - Heteš – Vice-Chair of the Supervisory Board
 - c) Štefan Adamec – Member of the Supervisory Board

OTHER INFORMATION

A. Proposal for the Distribution of Profit or Settlement of Loss

Profit/loss after tax for 2019 represents a profit of EUR **1 981 868.49**. We propose that the General Meeting adopt a resolution to use a part of the accounting profit to distribute a dividend and retain the balance as Retained earnings from previous years.

B. Information About R&D Expenses

No R&D expenses were incurred.

C. Information on Organisational Unit Abroad

The Company has no organisational unit abroad.

D. Information on the Acquisition of Treasury Shares, Interim Certificates, Ownership Interests, and Parent Company's Shares, Interim Certificates and Ownership Interests Pursuant to Article 22

The reporting entity does not acquire treasury shares, interim certificates and ownership interests, and the parent company's shares, interim certificates and ownership interests pursuant to Article 22.

E. Information on Significant Risks and Uncertainties to Which the Company is Exposed

The Company is exposed to and manages several types of risk, namely: market risk, credit risk, exchange rate risk, liquidity risk, interest rate risk and operational risk. The Board of Directors has responsibility for overall risk management. In addition to legal regulations, the Company's internal regulations are used to eliminate risks, primarily the Risk Management Strategy of Slovak Investment Holding, a.s. and the Internal Control System.

F. Information on Significant Events that Occurred After the Reporting Period for Which the Annual Report Was Prepared

From 31 December 2019 up to the preparation date of the financial statements, there were no such events that would have a significant impact on the Company's assets and liabilities, except for those referred to below.

On 15 January 2020, the Agreement on the Transfer of Ownership Share in National Development Fund I, s. r.o. was signed, under which Slovak Investment Holding, a.s. acquired a 0.004% ownership share amounting to EUR 3 851 from Slovenská záručná a rozvojová banka a.s.

On 15 January 2020, the Agreement on the Transfer of Shares of National Development Fund II, s.r.o. was signed, under which Slovak Investment Holding, a.s. acquired 25 shares amounting to EUR 25 000 from Slovenská záručná a rozvojová banka a.s. The face value is EUR 1 000 per share.

On 6 February 2020, funds of Slovak Investment Holding, a.s. were debited from the State Treasury account as a payment for the subscribed share capital of National Development Fund II, a.s. in the amount of EUR 2 125 000.

The rapid spread of the Covid-19 virus and its social and economic impact in the Slovak Republic and globally may require revisions to assumptions and estimates, which may lead to material adjustments to the carrying amounts of assets and liabilities during the next financial year. Currently, management is unable to reliably estimate the overall consequences, as the impacts and uncertainties associated with the spread of Covid-19 are continuing.

Management expects that this will mainly impact the assumptions and estimates used in reporting entities managed by Slovak Investment Holding, a.s. and these impacts will be taken into account in the separate financial statements of the managed companies, in particular when determining the credit risk, the probability of default and the expected impairment of assets expressed as provisions. Although the current situation may affect the Company's transactions, cash flows and profitability, as at the publication date of this annual report there are no significant doubts about the Company's ability to continue as a going concern.

Given the situation regarding Covid-19, Slovak Investment Holding is launching a new financial assistance programme for SMEs to bridge the current period of current health and safety measures against the spread of Covid-19. This financial instrument consists of a portfolio guarantee for financial institutions and an interest subsidy provided that employment in a SME is maintained. Its aim is to provide concessional bridging loans for SMEs. An increase in the allocation of funds managed by SIH in this context may have a positive impact on SIH's profit/loss.

G. Expected Future Development of the Company's Activities

Slovak Investment Holding plans to continue its activities in the management of financial instruments from the 2007-2013 programming period via National Development Fund I., s.r.o. (NDF I.), management of financial instruments in the 2014-2020 programming period via National Development Fund II., a.s. (NDF II.) and investment advisory under the European Investment Advisory (EIA). The fourth pillar of activities will be support for the management of alternative investment funds via Slovak Asset Management, a.s. (SAM).

9

ATTACHMENTS

Annex 1: Financial Statements for 2019

Slovak Investment Holding, a. s.

INDEPENDENT AUDITOR'S REPORT
ON THE AUDIT OF THE FINANCIAL
STATEMENTS PREPARED IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED IN
THE EUROPEAN UNION
AS AT 31 DECEMBER 2019

AND
REPORT ON OTHER LEGAL AND
REGULATORY REQUIREMENTS

February 2020

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Registered in the Business
Register of the District Court Bratislava I
Section Sro, File 4444/B
Company ID: 31 343 414
VAT ID: SK2020325516

Slovak Investment Holding, a. s.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors Slovak Investment Holding, a. s. and the Audit Committee:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Slovak Investment Holding, a. s. (the "Company"), which comprise the separate statement of financial position as at 31 December 2019, and the separate statement of profit and loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 provisions of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Act on Statutory Audit") related to ethical requirements, including the Code of Ethics for Auditors that are relevant to our audit of the financial statements, 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.

Responsibilities of Management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted in the EU, 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, 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.

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 International Standards on Auditing 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.

This is an English language translation of the original Slovak language document.

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Deloitte provides audit, tax, consulting, transaction advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 245,000 professionals are committed to making an impact that matters.

As part of an audit in accordance with International Standards on Auditing, 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 management.
- Conclude on the appropriateness of management's 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Information Disclosed in the Annual Report

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting No. 431/2002 Coll. as amended (the "Act on Accounting"). Our opinion on the financial statements stated above does not apply to other information in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

As at the issuance date of the auditor's report on the audit of financial statements, the annual report was not available to us.

When we obtain the annual report, we will evaluate whether the Company's annual report includes information whose disclosure is required under the Act on Accounting, and based on procedures performed during the audit of the financial statements, we will express an opinion on whether:

- Information disclosed in the annual report prepared for 2019 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its position, obtained in the audit of the financial statements.

Bratislava, 21 February 2020



Mgr. Renáta Ihringová, FCCA
Responsible Auditor
Licence SKAu No. 881

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

This is an English language translation of the original Slovak language document.

Slovak Investment Holding, a. s.
Separate Statement of Financial Position as at 31 December 2019

		2019	2018
Assets	Notes	EUR'000	EUR'000
Cash and cash equivalents	6	11 913	76 299
Property, plant and equipment	7	123	75
Deferred tax asset	8	78	115
Current tax asset		-	128
Investments	9	233	138
Other assets	10	364	391
Total assets		12 711	77 146
Liabilities			
Trade payables		15	63
Current tax liability		303	-
Provisions for liabilities	11	421	393
Other liabilities	12	6 409	72 709
Total liabilities		7 148	73 165
Equity			
Share capital	13	300	300
Legal reserve fund	14	60	60
Other capital funds	14	1 500	1 500
Retained earnings/accumulated losses	14	1 721	1 248
Profit for the reporting period		1 982	873
Total equity		5 563	3 981
		12 711	77 146
Off-balance sheet items:			
Entrusted funds for investment	23	364 712	289 279
Assets under management (from the above entrusted funds)	23	364 712	289 279

The financial statements, including the notes on pages 9 to 36, were approved on 19 February 2020:

Ing. Peter Dittrich, PhD.
 Vice-Chairman of the Board of Directors

Ing. Pavel Mockovčiak
 Member of the Board of Directors

Ing. Martin Nemčík
 Person responsible for the preparation
 of financial statements

Mgr. Martina Liptáková
 Person responsible for book-keeping

Slovak Investment Holding, a. s.
Separate Statement of Profit or Loss and Other Comprehensive Income for the Year
Ended 31 December 2019

	Notes	2019 EUR'000	2018 EUR'000
Net fee and commission income	15	4 982	3 488
Net interest income		-	-
Net foreign exchange gains/(losses)		-	-
Net other income	16	129	-
Operating income		5 111	3 488
Personnel expenses	17	(1 775)	(1 575)
Depreciation and amortisation	7	(26)	(8)
General administrative expenses	18	<u>(787)</u>	<u>(791)</u>
Operating expenses		<u>(2 588)</u>	<u>(2 374)</u>
Profit/loss before taxation		<u>2 523</u>	<u>1 114</u>
Income tax expense	19	(541)	(241)
Profit/(loss) after taxation		1 982	873
Other comprehensive income		-	-
Total comprehensive income for the period		1 982	873
Basic loss/earnings per share (EUR)	13	6 607	2 910

The notes on pages 9 to 36 are an integral part of these financial statements.

Slovak Investment Holding, a. s.
Separate Statement of Changes in Equity as at 31 December 2019

	Share Capital EUR'000	Legal Reserve Fund EUR'000	Other Capital Funds EUR'000	Retained Earnings EUR'000	Profit for the Reporting Period EUR'000	Total EUR'000
At 1 January 2019	300	60	1 500	2 121	-	3 981
Total comprehensive income for the year	-	-	-	-	-	-
Profit for 2019	-	-	-	-	1 982	1 982
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for 2019	-	-	-	-	-	-
Transactions with owners recognised directly in equity						
Contribution to the legal reserve fund	-	-	-	-	-	-
Payment of 2019 dividends				-350		-350
Payment of royalties				-50	-	-50
Total transactions with owners	-	-	-	-	-	-
At 31 December 2019	300	60	1 500	1 721	1 982	5 563

The notes on pages 9 to 36 are an integral part of these financial statements.

Slovak Investment Holding, a. s.
Separate Statement of Changes in Equity as at 31 December 2018

	Share Capital EUR'000	Legal Reserve Fund EUR'000	Other Capital Funds EUR'000	Retained Earnings EUR'000	Profit for the Reporting Period EUR'000	Total EUR'000
At 1 January 2018	300	60	1 500	1 648	873	3 508
Total comprehensive income for the year	-	-	-	-	-	-
Profit for 2018	-	-	-	-	-	873
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for 2018	-	-	-	-	-	-
Transactions with owners recognised directly in equity						
Contribution to the legal reserve fund	-	-	-	-	-	-
Payment of 2018 dividends				-350		-350
Payment of royalties				-50		-50
Total transactions with owners	-	-	-	-	-	-
At 31 December 2018	<u>300</u>	<u>60</u>	<u>1 500</u>	<u>1 248</u>	<u>873</u>	<u>3 981</u>

The notes on pages 9 to 36 are an integral part of these financial statements.

Slovak Investment Holding, a. s.
Separate Statement of Cash Flows for the Year Ended 31 December 2019

	Note	2019 EUR'000	2018 EUR'000
Cash flows from operating activities			
Profit/loss before taxation		2 523	1 114
Increase in trade and other payables		256	(24)
Increase in receivables and other assets		26	247
Depreciation and amortisation	7	26	8
Income tax paid		(72)	(289)
<i>Net cash flows from operating activities</i>		2 759	1 056
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(74)	(72)
Proceeds from the sale of property, plant and equipment			
Entrusted funds received from the Ministry of Finance of the SR			
Entrusted funds received from governing bodies		8 858	94 318
Entrusted funds invested in SIH		(75 433)	(43 221)
Investments in subsidiaries		(95)	
<i>Net cash flows used for investing activities</i>		(66 744)	(51 025)
Cash flows from financing activities			
Contribution to equity		-	-
Dividends paid to the shareholders		(350)	(350)
Royalties		(50)	(50)
Repayment/drawdown of a loan		-	-
<i>Net cash flows from financing activities</i>		(400)	(400)
Net changes in cash and cash equivalents		(64 386)	(51 681)
Cash and cash equivalents at the beginning of the year	6	76 299	24 618
Cash and cash equivalents at the end of the year	6	11 913	76 299

The Statement of Cash Flows was prepared using the indirect method.

The notes on pages 9 to 36 are an integral part of these financial statements.

Slovak Investment Holding, a. s. Notes to the Separate Financial Statements for the Year Ended 31 December 2019

1. General Information

Slovak Investment Holding, a. s. (the "Company") was established in the Slovak Republic by the Memorandum of Association dated 7 April 2014 and recorded in the Business Register of the Bratislava I District Court, Section: Sa, Insertion No.: 5949/B, on 1 May 2014.

The Company ID (IČO) and tax ID (DIČ) are as follows:

Company ID: 47 759 097
Tax ID: 2024091784

The Company has been registered as a VAT payer.

The Company's registered office is: Grösslingová 44, 811 09 Bratislava.

The shareholder structure as at 31 December 2019 and 31 December 2018 was as follows:

	Voting Right in %	Share in the Share Capital in %
Slovenská záručná a rozvojová banka, a.s.	100%	100%
Total	100%	100%

The Ministry of Finance of the Slovak Republic is the ultimate owner of the entire group.

The registered office of the Ministry of Finance of the Slovak Republic is at Štefanovičova 2968/5, 811 04 Bratislava.

The Company's financial statements are included in the consolidated financial statements of Slovenská záručná a rozvojová banka, a.s. that is a direct parent company recorded in the Business Register of the Bratislava I District Court, Section: Sa, File No.: 3010/B, with its registered office at Štefánikova 27, 814 99 Bratislava, and are available at its registered office.

The Board of Directors consists of the following persons:

Mgr. Ivan Lesay, MA., PhD. – Chairman of the Board of Directors (since 11 February 2017)
Ing. Peter Dittrich, PhD – Vice-Chairman of the Board of Directors (since 11 February 2017)
Ing. Pavel Mockovčiak – Member of the Board of Directors (since 11 February 2017)

The Supervisory Board consists of the following persons:

Ing. Radko Kuruc, PhD – Chairman of the Supervisory Board
Ing. Peter Ševčovic – Vice-Chairman of the Supervisory Board (since 14 May 2019)
Ing. Štefan Adamec – Member of the Supervisory Board

The Company's financial statements for the preceding reporting period ended 31 December 2018 were approved by the General Meeting on 22 May 2019.

Business Activities

The Company's core business activities are the establishment and management of alternative investment funds and alternative foreign investment funds. The Company is a registered alternative investment fund manager registered with the Register of Asset Management Companies maintained by the National Bank of Slovakia under Articles 31a) and 31b) of the Collective Investment Act.

The Company holds an ownership interest in National Development Fund I., s. r. o. (until 23 July 2018: Slovenský záručný a rozvojový fond, s.r.o.) and shares of National Development Fund II., s. r. o. (until 23 July 2018: Slovak Investment Holding, a.s.) in its own name to the account of the Slovak Republic represented by individual ministries. The Company does not prepare the consolidated financial statements, as it has no control over these entities. The amount of assets under management is recognised on off-balance sheet accounts.

The Company is not an unlimited liability partner in other reporting entities.

Slovak Investment Holding, a. s. **Notes to the Separate Financial Statements for the Year Ended 31 December 2019**

On 5 May 2015, the Company signed a Fund Management Agreement with National Development Fund II (at that time: Slovak Investment Holding, a.s.) under which the Company manages the fund and receives compensation for it as agreed in Funding Contracts and Investor Contracts.

A Holding Fund Agreement was signed on 1 January 2016 with National Development Fund I (at that time: Slovenský záručný a rozvojový fond, s.r.o.). Under the agreement, the Company became the manager of the JEREMIE holding fund.

The Agreement on Financing of the Central Europe Fund of Funds was signed with the Ministry of Finance of the SR ("MF SR") on 11 August 2017. Under this agreement, the Company represents the MF SR in the Central Europe Fund of Funds.

The Company has a 100% ownership share in Slovak Asset Management, správ. spol., a. s. (subsidiary). Slovak Investment Holding, a. s. does not prepare consolidated financial statements as it does not meet the size criteria under Article 22 (10) of Act No. 431/2002 Coll. on Accounting, as amended.

2. Basis of Preparation for the Financial Statements

(a) Statement of Compliance

The annual separate financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial statements were prepared under Article 17 (a) of Act No. 431/2002 on Accounting, as amended. The financial statements were prepared under the going-concern assumption.

The financial statements are intended for general use and information and they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

(b) Basis of Measurement

The financial statements were prepared under the historical cost convention.

(c) Functional and Presentation Currency

The financial statements were prepared in euro, which is the Company's functional currency.

Figures presented in euro were stated in thousands and rounded, unless stipulated otherwise.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting principles and accounting methods and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognised in the period in which the estimate is adjusted and in any future periods affected.

Information on significant areas of estimation uncertainty and critical judgements in applied accounting principles and accounting methods that have the most significant impact on the amounts recognised in the financial statements is provided in Notes 3 and 4.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

3. Significant Accounting Principles and Accounting Methods

(a) Foreign Currency

Transactions denominated in foreign currencies are translated to euro using the exchange rate valid on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates valid as at the reporting date.

(b) Fees and Commissions

Fee income and expenses, including the fees for the management of alternative investment funds under the valid fund statutes, are presented when the entitlement to such fees arises under the statute, in the relevant reporting period to which they relate.

(c) Interest Income and Interest Expense

Interest income and interest expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts during the expected useful life of a financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established upon the initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all paid fees paid and basis points, or received transaction costs and discounts, or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense on assets and liabilities at fair value through profit or loss are recognised in *Interest income and expense*, and changes in fair values are presented in *Net profit from financial transactions*.

Interest income and expense on trading assets and liabilities are considered occasional in business transactions and are recognised in net profit from financial transactions along with all other changes in fair values of trading assets and liabilities.

(d) Dividends

Dividend income is recognised when the right to receive income arises. Usually, this is the date following the approval of dividend payments in connection with equity securities.

(e) Lease Payments

Payments made under an operating lease are recognised in profit or loss on a straight-line basis over the term of the lease agreement.

(f) Income Tax

Income tax includes current and deferred tax. Income tax is recognised in profit or loss, except for items recognised directly in equity or other comprehensive income.

Current tax is an expected tax liability based on taxable income for the year, calculated using the valid tax rate as at the reporting date and adjusted for the amounts related to previous periods.

Deferred tax is calculated using the balance sheet method in which temporary differences arise between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for tax purposes. Deferred tax is calculated using the tax rates expected to be applied to temporary differences when they are reversed under legislation valid or subsequently enacted on the reporting date.

A deferred tax asset is only recognised to the extent to which future taxable profits are likely to be generated against which the asset can be utilised. Deferred tax assets are reviewed as at the reporting date and are decreased to the extent for which it is no longer probable that the related tax benefit will be realised.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

(g) Investments in Subsidiaries

Investments in subsidiaries represent the Company's investments in entities with an investment exceeding 50% of the registered capital of such entities and/or with more than 50% of the voting rights in such entities. Investments in subsidiaries are recognised at cost less provisions.

Impairment losses are recognised in the statement of comprehensive income line "Gains/(losses) on financial assets, net". The provision amount is calculated as the difference between the value of the bank's investment and the amount of a subsidiary's equity net of the investment's realisable value.

Dividend income is recognised in the statement of comprehensive income line "Gains/(losses) on financial assets, net" at the moment the Company becomes entitled to the receipt of dividends.

(h) Financial Assets and Liabilities

(i) Date of Initial Recognition

The purchase or sale of financial assets resulting in an asset and financial settlement within the timeframe specified by a general regulation, or in a timeframe usual to the market, are recognised as at the date of the financial settlement date of a transaction, except for securities, which are recognised at the transaction date.

(ii) Classification and Measurement of Financial Assets under IFRS 9

IFRS 9 introduces three categories for the classification of debt instruments depending on whether they are subsequently measured at amortised cost (AC), at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVTPL).

The classification of debt instruments under IFRS 9 is based on the business model used by the reporting entity to manage its financial assets and on whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). The business model expresses how a reporting entity manages its financial assets to generate cash flows and create value. Therefore, its business model determines whether cash flows will flow from the collection of contractual cash flows, from the sale of financial assets, or from both. If a debt instrument is held to collect contractual cash flows, it may be classified in the AC category if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement, which are held in a reporting entity's portfolio of financial assets to collect cash flows and sell financial assets, may be classified as FVOCI. Financial assets that do not generate cash flows meeting the SPPI requirement must be measured at FVTPL (eg financial derivatives).

(ii) Classification and Measurement of Financial Assets under IFRS 9 to Document the Company's Business Model

The Company's mission, as a registered alternative investment fund manager, is to establish and manage alternative investment funds and foreign alternative investment funds.

The Company has developed a long-term development strategy, and prepares and assesses its business plan, and financial budget on a regular basis. These documents are prepared and assessed based on priorities and responsibilities related to the management of financial instruments for the support of the businesses environment and the overall economic situation on the market and the state economic policy plans are also taken into consideration.

To document its business model under IFRS 9 (business model of individual portfolios), the Company performed the following activities:

A: The classification of financial assets – individual identified portfolios of the Bank under IAS 39 as a basis for the classification of financial assets under IFRS 9.

(iv) Classification of Financial Assets (by Contract Type) for the Purposes of the SPPI Test Under IFRS 9

The Company does not invest in financial assets that meet the definition of debt instruments (loan receivables and securities).

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

3. Significant Accounting Principles and Accounting Methods (Continued)

(v) Financial Investments Measured at Amortised Cost ("AC")

Held-to-maturity financial investments are financial investments that generate pre-determined or pre-identifiable payments, have a fixed maturity, and the Company plans and has the ability to hold them to maturity. After initial recognition, the securities are measured at amortised cost using the effective interest rate method, net of the provision for impairment. The amortised cost is calculated taking into account acquisition cost discounts, bonuses and charges that form an integral part of the effective interest rate. Amortisation is recognised under "Interest income" in the statement of comprehensive income. Impairment losses on such investments are recognised under "Provisions" in the statement of comprehensive income.

(vi) Due from Banks and Loans and Advances to Customers

"Due from banks" and "Loans and advances to customers" are financial assets with pre-determined or determinable payments and fixed maturities which are not quoted in an active market. The Company did not enter into such transactions aimed for immediate or short-term subsequent sale. Subsequent to the initial recognition, amounts due from banks and loans and advances to customers are measured at amortised cost using the effective interest method, net of impairment provisions. The amortisation is included in "Interest income" in the statement of comprehensive income. Any impairment losses on such investments are recognised as "Provisions" in the statement of comprehensive income.

(vii) Financial Investments Measured at Fair Value Through Other Comprehensive Income

This category includes all investments classified to this portfolio at the initial recognition. This portfolio also includes financial investments that do not qualify for the classification as: securities at amortised cost or due from banks or loans and advances to customers. They include equity instruments, investments in mutual funds and on money markets and other debt instruments.

Upon the initial recognition, securities at FVOCI are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income, and their accumulated amount is recognised as revaluation reserve in equity. When the financial asset is sold, the cumulative gain or loss previously recognised in equity is reclassified from other comprehensive income to profit or loss and are recognised separately if material or in "Other income" or "General administrative expenses" if immaterial. Where the Bank holds more than one unit of the same financial asset, it is expected when accounting for the disposal of such investments that they are sold on a FIFO (first-in first-out) basis. Interest income from holding the securities at fair value through other comprehensive income is reported as interest income in the statement of comprehensive income line "Interest income" using the effective interest method. Dividend income from holding financial investments is recognised as "Other income" in the statement of comprehensive income at the moment the right to receive the payment originates and the payment of dividends is probable. Any impairment losses on such investments are recognised as "Provisions" in the statement of comprehensive income, and are reclassified from other comprehensive income and decrease the financial investments revaluation reserve recognised in equity.

In the reporting period under review, the Company does not recognise any purchased or originated credit-impaired financial assets (hereinafter "POCI") in its portfolio.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprises cash, unrestricted balances held on accounts and highly liquid financial assets with original maturities of less than three months which are subject to insignificant risk of changes in their fair value and are used by the Company in the management of short-term commitments.

Cash and cash equivalents are carried at face value in the statement of financial position.

(k) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

3. Significant Accounting Principles and Accounting Methods (Continued)

Receivables are initially measured at fair value together with transaction costs and subsequently at amortised cost using the effective interest method.

(l) Property, Plant and Equipment

(i) Recognition and Measurement

Components of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes costs directly attributable to the acquisition of the asset. Purchased software that is an integral part of the value-in-use of the related asset is recognised as part of that asset.

When parts of an item of assets have different useful lives, they are recognised as major components of the assets.

(ii) Subsequent Costs

The costs of replacing an item of property, plant and equipment are recognised at the carrying amount of the item if it is probable that the future economic benefits associated with the item will arise to the Company and the costs can be reliably measured. The costs of the routine maintenance of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment and intangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful life of equipment for the current and preceding reporting periods is four years.

Depreciation methods, useful lives and net book values are reassessed as at the reporting date.

(m) Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed as at the reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets or groups of assets.

Impairment losses are recognised directly in profit or loss. Impairment losses recognised in respect of cash-generating units are first recognised as the impairment of the carrying amount of goodwill attributable to such units and then as the impairment of the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the higher of its net selling price and the value-in-use. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed as at the reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would be determined, net of depreciation or amortisation, if no impairment loss was recognised.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

3. Significant Accounting Principles and Accounting Methods (Continued)

(n) Provisions for Liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured and recognised at an estimated amount payable.

(o) Financial Liabilities

A financial liability is derecognised when the obligation to settle the liability is fulfilled or cancelled or terminated. Where the present financial liability replaces another liability from the same lender under significantly different conditions or the conditions of an existing financial liability significantly change, the original liability is first derecognised, and subsequently, a new liability is recognised and the difference in the respective carrying amounts is recognised through profit or loss.

(p) Employee Benefits

The Company provided its employees with other in-kind benefits besides salaries and bonuses. Salaries, bonuses and other employee benefits are expensed as the related service is provided.

(q) Recognition of Entrusted Funds for Investments and Assets Under the Company's Management

The Company as the legal shareholder acts in the capacity of a financial asset manager. The Company holds the shares or ownership interests in companies in its own name to the account of the Slovak Republic represented by ministries. Such invested entrusted funds are recorded in the off-balance sheet.

Entrusted funds received from governing bodies, which were not invested until the reporting date, are recognised as Other liabilities (Note 12). The amounts are stated at their net book values.

(r) Standards and Interpretations Effective in the Current Period

The Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been endorsed for use in the European Union (hereinafter the "EU"), and that are relevant to its operations and effective for annual periods beginning on 1 January 2019. The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards, and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** – Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

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- **Amendments to various standards due to “Annual Improvements to IFRS Standards (2015 – 2017 Cycle)”** resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).
The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the financial statements of the Company.

New and amended IFRS standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and are not yet effective:

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Material – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** – adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”** – Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020).

New and amended IFRS standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at 19 February 2020 (the effective dates stated below are for IFRS as issued by IASB):

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 “Business Combinations”** – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

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Notes to the Separate Financial Statements for the Year Ended 31 December 2019

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the balance sheet date.

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, if this can be readily determined. If this rate cannot be readily determined, the lessee applies their incremental borrowing rate. In accordance with IFRS 16 and its predecessor, IAS 17, lessors classify leases by their nature as operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases, a lessor recognises finance income over the lease term, based on a pattern reflecting the constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, on another systematic basis.
- **IFRS 17 "Insurance Contracts"** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at the current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 "Insurance Contracts" and related interpretations while it is applied.
- **Amendments to IFRS 3 "Business Combinations"** – Definition of a Business issued by IASB on 22 October 2018. The amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, IASB has provided supplementary guidance.
- **Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modify the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income), even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, ie depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for an early repayment penalty and for an early repayment gain. The amendments contain clarification regarding accounting for a modification of a financial liability that does not result in derecognition. In this case, the carrying amount is adjusted and the corresponding result recognised in comprehensive income. The effective interest rate is not recalculated.
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform** issued by IASB on 26 September 2019. Changes to the Interest Rate Benchmark Reform:
 - a) Modify specific hedge accounting requirements so that entities would apply these hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the interest rate benchmark reform;
 - b) Are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
 - c) Are not intended to provide relief from any other consequences arising from the interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and
 - d) Require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint**

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Venture issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of the gain or loss recognition depends on whether the assets sold or contributed constitute a business.

- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including it in the definition guidance.
- **Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement** issued by IASB on 7 February 2018. The amendments require the use of updated assumptions from this remeasurement to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. These amendments were introduced to clarify that an entity should apply IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of a net investment in an associate or joint venture, to which the equity method is not applied. The amendments also delete paragraph 41 as IASB felt that it merely reiterated requirements in IFRS 9 and had created confusion regarding accounting for long-term interests.
- **Amendments to various standards due to “Annual Improvements to IFRS Standards (2015 – 2017 Cycle)”** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual IFRS improvement project (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. As the Conceptual Framework was revised, IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a tax authority will accept a company’s tax treatment. IAS 12 “Income Taxes” specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Company in the period of initial application.

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Notes to the Separate Financial Statements for the Year Ended 31 December 2019

4. Use of Estimates and Judgements

The following assertions supplement the comments on financial risk management.

Key Sources of Estimation Uncertainty

Assets recognised at amortised cost are assessed for impairment based on the accounting policies described in Note 3.

Provisions for the Impairment of Receivables

The Company management assesses receivables individually for impairment based on a best estimate of the present value of the cash flows that are expected to be received by the Company. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral.

Financial Asset and Liability Classification

The Company's accounting principles and accounting methods provide a framework for recognising assets and liabilities at their inception in different accounting categories under certain circumstances:

- In classifying financial assets or liabilities as "at fair value through profit or loss", management decides whether the Company meets the description of assets and liabilities in accounting principles and accounting methods in Note 3 (h).
- In classifying financial assets as "held-to-maturity", management decides whether the Company has an intention and ability to hold the assets to their maturity as required by accounting principles and accounting methods in Note 3 (h).

Determination of Fair Values

Receivables and Other Receivables

Fair values of receivables and other receivables are estimated as the present value of future cash flows discounted by the market rate valid as at the reporting date.

Assets and Liabilities for Trading and Investments

Fair values of trading assets and investments are determined as the market price on an active market or using valuation models with input data observable on the market.

The Company uses the following method hierarchies to determine and disclose the fair values of financial instruments:

- Level 1: A quoted market price on an active market for identical financial instruments.
- Level 2: Valuation techniques based on directly or indirectly observable market inputs. This category includes quoted market prices for similar financial instruments on active or less active markets, or other valuation techniques for which all relevant inputs can be obtained from the data available on the market.
- Level 3: Valuation techniques based on unobservable inputs to a large extent. This category includes all financial instruments whose valuation techniques are not based on observable inputs, and the unobservable market inputs have a significant impact on the instrument's valuation. This category also includes financial instruments valued using the market price of similar financial instruments requiring the reflection of the unobservable impact.

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Notes to the Separate Financial Statements for the Year Ended 31 December 2019

5. Financial Risk Management

Risk Management

The Company is exposed to and manages certain types of risk, ie market risk, credit risk, exchange rate risk, liquidity risk, interest rate risk and operational risk.

The Board of Directors takes the responsibility for overall risk management. In addition to legal regulations, Company internal regulations are used to eliminate risks, primarily the guidelines Risk Management Strategy of Slovak Investment Holding, a.s. and the Internal Control System.

Regulatory Requirements

The Company is obliged to comply primarily with the regulatory requirements of the National Bank of Slovakia, which are set out under Act No. 203/2011 Coll. on Collective Investment and under NBS Decree No. 7/2011 on the Own Funds of Management Companies, as amended. They include limits and restrictions relating to the adequacy of own funds. These requirements apply to all management companies in Slovakia and their compliance is determined on the basis of returns submitted by a management company under statutory accounting regulations.

A summary of the requirements is given below:

- The management company's share capital is at least EUR 125 000.
- The management company is obliged to comply with the adequacy of own funds. The management company's own funds are adequate under the Act, if they are not lower than:
 - a) EUR 125 000 plus 0.02% of the value of assets in the unit trusts or the European funds managed by the management company exceeding EUR 250 000 000; this amount is not further increased if it reaches EUR 10 000 000.
 - b) One fourth of the management company's average general operating expenses for the previous calendar year; if the management company was founded less than one year ago, 25% of the amount of the general operating expenses disclosed in the management company's business plan.
 - c) The management company must not acquire for assets in standard unit trusts managed by the management company or for assets, where the management company acts in association with any unit trusts managed by the management company, more than 10% of the total face values of shares with the voting rights issued by one issuer.
 - d) The management company acting in association with standard unit trusts managed by the management company must not acquire as assets in standard unit trusts any shares with a voting right which would enable the management company to exercise a significant influence over the management of an issuer who is based in the Slovak Republic or in a non-EU Member State.
 - e) The management company is obliged to comply with restrictions as regards the acquisition of significant influence over the management of an issuer who is based in a Member State, stipulated by the legislation of such Member State, also taking into account assets in standard unit trusts managed by the management company.
 - f) The management company must ensure that the risk of harm to interests of unit trust holders or holders of a European fund or the management company's clients is minimised as regards a conflict of interests between the management company and its clients, between two of its clients, between one of its clients and unit trust holders or unit trust holders or holders of a European fund or between the unit trust holders and holders of European funds.

Adequacy of Own Funds

The Company informs, in a due and timely manner, the National Bank of Slovakia about the amount of initial capital, own funds and their structure pursuant to NBS Decree No. 7/2011 on the Own Funds of Management Companies and submits information on the adequacy of the Company's own funds pursuant to Act 203/2011 Coll. on Collective Investment, as amended.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

5. Financial Risk Management (Continued)

	2019 Indicator Value EUR '000	2018 Indicator Value EUR '000
Limit of initial capital in EUR '000	125	125
Paid up share capital	300	300
Share premium	-	-
Accumulated loss/retained earnings of previous years	3 703	2 121
Items decreasing the value of own funds	-	-
Reserve fund and other funds	1 560	1 560
Total initial capital	5 563	3 981
<i>Information on meeting the adequacy limit for own funds by the Company in %</i>	<i>4 450.4</i>	<i>3 184.8</i>

The adequacy limit for own funds of the Company was met at 4 450.4% due to the Company's share capital, reserve fund and Retained earnings of previous years.

Market Risk

The market risk is often associated with global economic, political and social events that have an immediate impact on the prices of individual types of assets included in the Company's assets.

The market risk is regularly assessed after the purchase of an investment, when assessing the current price of the fund's assets using the sensitivity model.

Credit Risk

The credit risk refers to a risk that a counterparty will not comply with its contractual obligations resulting in a loss for the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of a financial loss as a result of non-compliance with obligations. Monetary transactions are limited only to high credit financial institutions. The Company did not restrict the amount of open position towards any financial institution.

Assets for Trading

The Company minimises its credit risk in trading with securities so that the closing of deals is made in compliance with law so that the consideration in favour of the Company's assets is transferred under the payment-delivery principle by deadlines that are standard on the regulated market.

Receivables

The Company is not exposed to credit risk arising from loans and borrowings, as according to Act No. 203/2011 Coll. on Collective Investment as amended, the Company provides no loans or borrowings except for borrowings provided ad hoc to real estate companies on a non-business basis for the temporary coverage of cash flows in connection with the anticipated return of excess VAT deductions.

Exchange Rate Risk

Exchange rate risk results from the fact that the investment value may be affected by a change in foreign currency exchange rates.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

5. Financial Risk Management (Continued)

Liquidity Risk

The Company defines the liquidity risk as the possible loss of income and own funds as a result of the Company's failure to meet its obligations when they fall due, without causing unnecessary losses. The liquidity risk is defined by the Act on Collective Investment.

The remaining maturity period of financial assets and liabilities as at 31 December 2019 is presented in the table below where undiscounted cash flows are presented in connection with their earliest contractual maturity. Cash flows expected by the Company do not significantly differ from this analysis.

	Within 3 months	From 3 months up to 1 year	From 1 up to 5 years	More than 5 years	Undiscounted cash flows	Carrying amount
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Assets						
Cash and cash equivalents	11 913	-	-	-	11 913	11 913
Investments				233	233	233
Other assets	364	-	-	-	364	364
	<u>12 277</u>	<u>-</u>	<u>-</u>	<u>233</u>	<u>12 510</u>	<u>12 510</u>
Liabilities						
Trade payables	15	-	-	-	15	15
Other liabilities	6 409	-	-	-	6 409	6 409
	<u>6 424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6 424</u>	<u>6 424</u>

The Company records no overdue liabilities as at 31 December 2019.

The remaining maturity period of financial assets and liabilities as at 31 December 2018 is presented in the table below where undiscounted cash flows are presented in connection with their earliest contractual maturity. Cash flows expected by the Company do not significantly differ from this analysis.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

	Within 3 months EUR '000	From 3 months up to 1 year EUR '000	From 1 up to 5 years EUR '000	More than 5 years EUR '000	Undiscount ed cash flows EUR '000	Carrying amount EUR '000
Assets						
Cash and cash equivalents	76 299	-	-	-	76 299	76 299
Investments				138	138	138
Other assets	391	-	-	-	391	391
	<u>76 690</u>	<u>-</u>	<u>-</u>	<u>138</u>	<u>76 828</u>	<u>76 828</u>
Liabilities						
Trade payables	63	-	-	-	63	63
Other liabilities	72 709	-	-	-	72 709	72 709
	<u>72 772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72 772</u>	<u>72 772</u>

The Company records no overdue liabilities as at 31 December 2018.

Interest Rate Risk

The interest rate risk represents the negative impact of interest rate changes on the financial market. If there is a change in interest rates on the market, it automatically has an impact on the prices of securities. If interest rates increase, the prices of securities fall, and vice versa, if interest rates decrease, the prices of securities rise. These changes have a significant impact on the securities issuer and the investor.

Operational Risk

The operational risk is a risk of direct or indirect loss due to a wide range of causes associated with the Company's processes, staff, technology and infrastructure, and external factors other than credit, market and liquidity risks, such as risks arising from legal and regulatory requirements and generally accepted standards of corporate conduct. There is operational risk related to all of the Company's operations and business activities. This is managed and monitored by Company control systems.

The Company's goal is to manage operational risk so as to find a balance between avoiding financial losses, and avoiding damage to the Company's reputation and overall effectiveness of costs, and avoiding control procedures which limit initiative and creativity.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

5. Financial Risk Management (Continued)

The primary goal of the Company's operational risk management is to mitigate and/or limit losses due to operational risk and thus, mitigate the negative impact of the operational risk on the profit/ loss and own funds of the Company.

Given the limited scope of the Company's activities in 2019, operational risk was insignificant.

Legal Risk

The operational risk also includes a legal risk, ie the risk of loss primarily arising from a failure to enforce contracts, from the threat of unsuccessful legal disputes or court rulings with an adverse impact on the Company. In the Company's environment, there is also the risk of sanctions imposed by regulators that may be connected with reputational risk.

Counterparty Risk

Counterparty risk is a risk that the counterparty to a transaction fails to meet its obligations before their final settlement. The Company's Board of Directors approves specific counterparties.

6. Cash and Cash Equivalents

	2019 EUR '000	2018 EUR '000
Bank accounts – current	11 913	76 299
Cash on hand, stamps and vouchers	<u>0</u>	<u>0</u>
	<u>11 913</u>	<u>76 299</u>

The Company has balances on current accounts held with Všeobecná úverová banka, a.s., Bratislava, SZRB, a.s. Bratislava and with Štátna pokladnica (State Treasury).

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

7. Property, Plant and Equipment

<i>Cost</i>	Fixtures and fittings EUR '000
At 1 Jan 2019	121
Additions	75
Transfers	
Disposals	-
At 31 Dec 2019	<u>196</u>
At 1 Jan 2018	49
Additions	63
Transfers	9
Disposals	-
At 31 Dec 2018	<u>121</u>
Accumulated Depreciation	
At 1 Jan 2019	(46)
Additions	(26)
Transfers	(1)
Disposals	
At 31 Dec 2019	<u>(73)</u>
At 1 Jan 2018	(38)
Additions	(8)
Transfers	-
Disposals	-
At 31 Dec 2018	<u>(46)</u>
Carrying amount as at 31 December 2018	<u>75</u>
Carrying amount as at 31 December 2019	<u>123</u>

Items of property, plant and equipment are insured against damage caused by theft and natural disaster up to EUR 78 thousand (2018: EUR 78 thousand).

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

8. Deferred Tax Asset

The deferred tax asset as at 31 December 2019 and 31 December 2018 relates to the following items:

	2019 EUR '000	2018 EUR '000
Outstanding payables	-	1
Tax loss	-	44
Provisions for liabilities	78	70
	<u>78</u>	<u>115</u>

The deferred tax asset is calculated using the income tax rate of 21%. The Company recognised the deferred tax asset as it expects sufficient taxable profits in the future against which the deferred tax asset can be utilised.

9. Investments

	2019 EUR '000	2018 EUR '000
Slovak asset management a.s. (SAM)	<u>233</u>	<u>138</u>
	<u>233</u>	<u>138</u>

The SAM investment comprises a contribution to Slovak asset management established by the granting of a licence by the NBS and subsequently registered in the Business Register of the SR on 21 July 2018. On 22 May 2019, the General Meeting decided on a monetary contribution to Slovak asset management of up to a total amount of EUR 200 thousand. A contribution of EUR 95 thousand to Slovak asset management was made on 10 June 2019.

10. Other Assets

	2019 EUR '000	2018 EUR '000
<i>Receivables not overdue or impaired:</i>		
Trade receivables	359	-
Other receivables	4	16
Subtotal:	<u>364</u>	<u>16</u>
Accrued income	-	375
Other Assets	<u>364</u>	<u>391</u>

In 2019, *trade receivables* comprise a receivable from Slovenský záručný a rozvojový fond, s. r. o. for portfolio management.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

11. Provisions for Liabilities

	2019 EUR '000	2018 EUR '000
Provision for unused vacation days	46	53
Provision for bonuses	341	300
Other provisions for liabilities	32	40
	<u>419</u>	<u>393</u>

12. Other Liabilities

	2019 EUR '000	2018 EUR '000
Liability from Financing Agreements	5 070	71 781
Liabilities to employees and insurance companies	115	98
Other liabilities	23	22
Deferred income	1 201	808
Deferred expenses	-	-
	<u>6 409</u>	<u>72 709</u>

In 2019, entrusted funds received from the governing bodies which were not invested before the reporting date are posted in other liabilities and recognised as the "Liability from Financing Agreements". Of the amount of EUR 5 070 thousand, an amount of EUR 2 125 thousand represents a liability under the Financing Agreement with the Ministry of Education (OP Research and Innovations of the Ministry of Economy of the SR) and an amount of EUR 2 945 thousand represents a liability under the Agreement on Financing of the Central Europe Fund of Funds with the Ministry of Finance of the SR.

In 2018, entrusted funds received from the governing bodies which were not invested by the reporting date are posted in Other liabilities and recognised as part of the "Liability from Financing Agreements". Of EUR 71 781 thousand, an amount of EUR 23 553 thousand represents a liability under the Financing Agreement with the Ministry of Education of the SR (OP Research and Innovations of the Ministry of Economy of the SR), an amount of EUR 7 648 thousand represents a liability under the Financing Agreement with the Ministry of Environment of the SR (OP Quality of Environment), an amount of EUR 37 500 thousand represents a liability under the Financing Agreement with the Ministry of Agriculture and Rural Development of the SR (Integrated Regional OP) and an amount of EUR 3 080 thousand represents a liability under the Agreement on Financing of the Central Europe Fund of Funds with the Ministry of Finance of the SR.

Based on Slovak Government's resolution No. 736/2013 of 18 December 2013, the Plan to Implement Funds Through Slovak Investment Holding in the programming period 2014 – 2020 was approved, for which a minimum amount of 3% of each operational programme will be allocated (except for operational programmes for the European Territorial Cooperation Objective).

The Company signed Financing Agreements with the Ministry of Transport, Construction and Regional Development of the SR, Ministry of Environment of the SR, Ministry of Labour, Social Affairs and Family of the SR, Ministry of Agriculture and Rural Development of the SR, Ministry of Interior of the SR (hereinafter the "Ministries") and with Slovak Investment Holding, a.s. under which the Ministries entrusted funds that were/will be invested in Slovak Investment Holding, a. s. The Company was engaged to manage the funds and its role is to ensure the funds are used solely in line with the investment strategy, for which the Company is entitled to a management fee.

Deferred income (ie income in the current reporting period pertaining in terms of substance to deferred income). The item represents income deferrals as regards fees for management of National Development Fund II., a.s. The fees are invoiced for the benefit of the Company on an annual basis when due for 12 months.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

Movements in the Social Fund account during the year were as follows:

	2019 EUR '000	2018 EUR '000
At the beginning of the reporting period	9	8
Creation	4	5
Drawing	-5	-5
As at 31 December	9	8

13. Share Capital

	2019 EUR '000	2018 EUR '000
Share capital fully subscribed and paid:		
At the beginning of the reporting period	300	300
As at 31 December	300	300

As at 31 December 2019, subscribed and paid up share capital consists of 300 ordinary shares with a face value of EUR 1 000 per share. Holders of ordinary shares have one voting right per ordinary share.

The Company's share capital was recorded in the Business Register in the amount of EUR 300 000 on 1 May 2014.

	2019 EUR '000	2018 EUR '000
Profit/(loss) after tax	1 982	873
Number of shares	300	300
Basic/diluted loss/earnings per share in EUR	6 607	2 910

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

14. Reserve Funds and Retained Earnings

	Profit for the reporting period EUR '000	Legal reserve fund EUR '000	Other capital funds EUR '000	Total EUR '000
At 1 January 2019	2 121	60	1 500	3 681
Payment of dividends and royalties	-400			-400
Profit for 2019	1 982			1 982
At 31 December 2019	<u>3 703</u>	<u>60</u>	<u>1 500</u>	<u>5 263</u>
	Profit for the reporting period EUR '000	Legal reserve fund EUR '000	Other capital funds EUR '000	Total EUR '000
At 1 January 2018	1 648	60	1 500	3 208
Payment of dividends and royalties	-400			-400
Profit for 2018	<u>873</u>			<u>873</u>
At 31 December 2018	<u>2 121</u>	<u>60</u>	<u>1 500</u>	<u>3 681</u>

Ordinary shares holders are entitled to dividends when they are declared.

(a) Legal Reserve Fund

The legal reserve fund was created at the Company's establishment by a contribution of the shareholders in an amount of up to 10% of the share capital pursuant to the Company's Articles of Association.

As per the decision of the General Meeting, the profit for the 2018 reporting period was distributed on 22 May 2019 as follows: payment of dividends in the amount of EUR 350 thousand and payment of royalties in the amount of EUR 50 thousand. The amount of EUR 473 thousand was transferred to Retained earnings from previous years.

The proposed distribution of profit for the 2019 reporting period is as follows: payment of dividends in the amount of EUR 350 thousand and payment of royalties in the amount of EUR 50 thousand. The amount of EUR 1 582 thousand will be transferred to Retained earnings from previous years.

15. Net Fee and Commission Income

The Company generated management fees for the management of National Development Fund II., a.s. (formerly Slovak Investment Holding s.r.o.) and National Development Fund I., s. r. o. (formerly Slovenský záručný a rozvojový fond, s.r.o.):

	2019 EUR '000	2018 EUR '000
National Development Fund II., a.s.	4 316	2 777
National Development Fund I., s. r. o.	<u>666</u>	<u>711</u>
	<u>4 982</u>	<u>3 488</u>

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

16. Other Income

	2019 EUR '000	2018 EUR '000
Other income	129	0
	<u>129</u>	<u>0</u>

Other income in 2019 comprises invoiced and paid expenses for due diligence and external advisory for “recipients of equity funds” incurred by the Company when performing “direct” equity investments.

17. Personnel Expenses

	2019 EUR '000	2018 EUR '000
Wages and salaries (incl. bonuses)	1 324	1 158
Social insurance	451	417
	<u>1 775</u>	<u>1 575</u>

18. General Administrative Expenses

	2019 EUR '000	2018 EUR '000
Rent	143	131
Legal advisory services	183	238
Travel expenses, training courses and recruitment	33	50
Marketing and advertising expenses	49	33
Telephone and other communication charges	26	17
Material costs	4	3
Audit services	16	24
Training courses	18	5
IT services	20	26
VAT coefficient	94	96
Lease of transportation means	23	28
Transaction, financial and tax advisory	134	106
Other services	44	34
	<u>787</u>	<u>791</u>

Deloitte Audit s.r.o. (audit firm) provides services to the Company, in particular services related to the audit of the separate financial statements for the period ended 31 December 2019 (2018: Deloitte Audit s.r.o.). Deloitte Audit s. r. o. provided no other services to the Company.

As at 31 December 2019, the Company employed 31 employees (full time) (2018: 25), of which 3 were managers. The full-time equivalent was 27.1 employees (2018: 24.5).

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

19. Income Tax

Income tax structure:

	2019 EUR '000	2018 EUR '000
Recognised in profit or loss		
Current income tax of the current year	504	160
Deferred tax (Note 8)	37	81
Total income tax	(541)	(241)

Act No. 341/2016 Coll. amending Act No. 595/2003 Coll. on Income Tax, as amended, was approved on 23 November 2016 with effect from 1 January 2017. The said act changes the corporate income tax rate applicable in 2017 to 21%. The income tax rate of 21% was used for the deferred tax calculation.

Tax on pre-tax profit differs from the theoretical tax which would arise if the valid income tax rate was applied:

	2019 EUR '000	2018 EUR '000
Profit before taxes	2 523	1 113
Theoretical tax calculated using the tax rate of 21% (2018: 21%)	(530)	(234)
Tax non-deductible expenses – tax effect	(11)	(7)
Non-taxable income – tax effect	-	-
Total	(541)	(241)

Calculation of the corporate income tax base as at 31 December 2019 and 31 December 2018:

	2019 EUR '000	2018 EUR '000
Loss/profit before taxes	2 523	1 113
+ Items that are not tax-deductible expenses	425	374
- Items not included in the tax base, decreasing the profit/loss before taxes	342	298
Tax base or tax loss	2 605	1 189
Tax loss deduction	(208)	(425)
Tax base decreased by tax-deductible items	2 397	764
Tax rate as per Article 15 (in %) of the Income Tax Act	21	21
Tax	(504)	(160)

20. Related-Party Transactions

Related parties are entities which exercise control over the Company or the Company over them, or if an entity has significant influence over the other party when making decisions on financial and operating activities.

The Company performs transactions with related parties, ie its shareholder and members of top management.

Transactions with the following related parties were carried out on an arm's length basis.

Slovak Investment Holding, a. s.
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a) Shareholder

(Slovenská záručná a rozvojová banka, a. s.)

	2019 EUR '000	2018 EUR '000
Assets		
Current bank account	5	5
Advance payments made	13	
Liabilities		
Building security	1	1
Provision for lease-related services	11	11
Provision for liabilities (re-invoicing of costs of audit)	16	19
<i>Transactions with the shareholder:</i>		
Rent for non-residential premises and furniture	106	100
Lease-related services and security guards	19	18
Audit	12	24

b) National Development Fund II., a.s.

	2019 EUR '000	2018 EUR '000
Assets		
Trade receivables	26	
Deferred income		
Fees	1 201	808
Revenues		
Revenues from management	4 316	2 776

c) National Development Fund I., s. r. o.

	2019 EUR '000	2018 EUR '000
Accrued income		375
Receivables	320	
Revenues		
Revenues from management	666	711

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d) Národný centrálny depozitár cenných papierov

Liabilities	2019 EUR '000	2018 EUR '000
Trade payables	1	1

Expenses	2019 EUR '000	2018 EUR '000
Fees for management and account administration	40	25

e) Ministries

Liability under the Financing Agreement	2019 EUR '000	2018 EUR '000
Ministry of Education of the SR (OP Research and Innovations of the Ministry of Economy of the SR)	2 125	23 553
Ministry of Environment of the SR		7 648
Ministry of Agriculture and Rural Development of the SR		37 500
Ministry of Finance of the SR	2 946	3 080

f) Members of the Company Top Management

The amount of monetary and in-kind income of management members as at 31 December was as follows:

	2019 EUR '000	2018 EUR '000
Monetary income	294	284
In-kind income	-	-
	<u>294</u>	<u>284</u>

21. Fair Value

The fair value is a consideration which would be obtained for the sale of an asset or which would be paid for the transfer of a liability in a standard transaction between market participants as at the measurement date. If market prices are available (especially for securities traded on the stock exchange and active markets), the fair value estimate is derived from market prices. All other financial instruments were measured based on internal valuation models including present value models or using expert opinions.

Fair values and carrying amounts of financial instruments are presented in the table below:

	Carrying amount 2018 EUR '000	Fair value 2018 EUR '000	Carrying amount 2019 EUR '000	Fair value 2019 EUR '000
Financial assets				
Cash and cash equivalents	76 299	76 299	11 913	11 913
Investments	138	138	233	233
Other assets	391	391	364	364

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2019

	Carrying amount 2018 EUR '000	Fair value 2018 EUR '000	Carrying amount 2019 EUR '000	Fair value 2019 EUR '000
<i>Financial liabilities</i>				
Trade payables	63	63	15	15
Other liabilities	72 709	72 709	6 409	6 409

When estimating fair values of the Company's financial assets, the following methods and assumptions were used:

Cash and Cash Equivalents

The fair values of current account balances approximate their carrying amounts. For an account with a remaining maturity period of less than three months, it is reasonable to consider its carrying amount as an approximate fair value.

Investments

Investments in subsidiaries were measured at cost and are recognised at fair value, which reflects the assessment of risks having an impact on the impairment of assets held by subsidiaries.

Other Assets

Receivables are stated at their net value, less of provisions. For accounts with a remaining maturity period of less than three months, it is reasonable to consider their carrying amount as an approximate fair value. The fair value of other receivables from clients is calculated by discounting future cash flows using current market rates and estimated risk margins.

Trade and Other Payables

The estimated fair value of liabilities approximates their carrying amount. The fair value of liabilities with remaining maturity period of more than three months is estimated by discounting their future expected cash flows using the zero-risk interest rate curve. The Company has no liabilities with remaining maturity period of more than three months.

Received Loans

The fair value of received loans is calculated by discounting future cash flows using valid interbank rates. For received loans with a remaining maturity period of less than three months, it is reasonable to consider their carrying amount as an approximate fair value.

22. Contingent Assets and Liabilities

The Company recorded no contingent assets or contingent liabilities in the 2019 reporting period.

Given that many areas of Slovak tax law have not yet been sufficiently verified in practice, there is uncertainty as to their application by the tax authorities. The level of such uncertainty cannot be quantified and will be eliminated once the legal precedents or official interpretations by the relevant authorities are available. Company management is not aware of any circumstances due to which it could incur significant costs.

Slovak Investment Holding, a. s.
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23. Off-balance Sheet Items

The Company does not include the subsidiaries **National Development Fund I., s. r. o. ("NDF I")** and **National Development Fund II., a.s. ("NDF II")** in the Slovak Investment Holding, a. s. consolidation group as it does not exercise control over these entities. National Development Fund II., a.s. ("NDF II") and National Development Fund I. s. r. o. ("NDF I") are subsidiaries, however, investing in these companies is governed by special contracts, under which the Company does not receive rewards or assume risks in respect of invested funds. Under the assessment above, the aforementioned companies are not considered to be companies controlled by the Company and therefore, they are not reported in the off-balance sheet accounts.

Slovak Asset Management, správ. spol., a. s. does not meet the consolidation criteria.

The Company has a share in the share capital of **National Development Fund II., a.s. ("NDF II")** with its registered office at Bratislava, Grösslingová 44, Slovakia, which was formed by a Deed of Foundation executed on by its sole founder – Slovenská záručná a rozvojová banka, a.s. on 7 April 2014 and incorporated in the Business Register maintained by District Court Bratislava I, Section: Sa, File No. 5948/B on 26 April 2014 which is its formation date. The share capital of NDF II was increased in January 2019. As at 31 December 2019, the total share capital of NDF II amounted to EUR 222 543 thousand (2018: EUR 154 248 thousand). NDF II shareholders are SZRB and Slovak Investment Holding, a. s. The principal business activity of NDF II is raising funds from investors with an aim to invest the funds in accordance with a defined investment policy for the benefit of entities whose funds have been raised under Act No. 203/2011 Coll. on Collective Investment; providing letters of guarantees and performance of letters of guarantees from own funds.

The Company has a share in **National Development Fund I., s. r. o. ("NDF I")** with its registered office at Bratislava, Grösslingová 44, Slovakia, which was formed by a Deed of Foundation executed by its sole partner – Slovenská záručná a rozvojová banka, a.s. ("SZRB") on 10 March 2009 and incorporated in the Business Register maintained by District Court Bratislava I, Section: Sro, File: No. 57505/B on 21 March 2009, which is its formation date. The European Investment Fund ("EIF") became a partner in National Development Fund I., s. r. o. on 12 January 2011. Slovak Investment Holding, a. s. became a partner in NDF I by replacing EIF on 1 January 2016. The registered capital of NDF I was decreased in December 2018. As at 31 December 2019, the total registered capital of NDF I amounted to EUR 107 973 thousand (2018: EUR 107 973 thousand), of which EUR 4 thousand were attributable to SZRB and EUR 107 969 thousand to Slovak Investment Holding, a. s.

Below is given an overview of off-balance sheet items by amount of assets under management invested in National Development Fund II., a.s. by ministry and operational programme:

	2019 EUR '000	2018 EUR '000
Ministry of Transport, Construction and Regional Development of the SR (OP II)	67 351	60 618
Ministry of Agriculture and Rural Development of the SR (IROP)	73 783	36 283
Ministry of Economy of the Slovak Republic (governing body – Ministry of Education) (OP R&I)	62 256	38 703
Ministry of Environment of the SR (OP EQ)	35 335	27 688
Ministry of Interior of the Slovak Republic	3 393	3 393
Ministry of Labour, Social Affairs and Family of the Slovak Republic	14 625	14 625
TOTAL	256 743	181 310

Below is given an overview of off-balance sheet items by amount of assets under management invested in National Development Fund I., s. r. o. by ministry and operational programme:

	2019 EUR '000	2018 EUR '000
Ministry of Finance of the Slovak Republic	107 969	107 969
TOTAL	107 969	107 969

Slovak Investment Holding, a. s.
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24. Events After the Reporting Date

From 31 December 2019 up to the preparation date of the financial statements, there were events that had a significant impact on the Company's assets and liabilities, besides those referred to above and resulting from the ordinary course of business operations.

On 15 January 2020, the Agreement on the Transfer of Ownership Share in National Development Fund I., s. r.o. was signed, under which Slovak Investment Holding, a.s acquired a 0.004% ownership share amounting to EUR 3 851 from Slovenská záručná a rozvojová banka a.s.

On 15 January 2020, the Agreement on the Transfer of Shares of National Development Fund I., s. r.o. was signed, under which Slovak Investment Holding, a.s acquired 25 shares amounting to EUR 25 000 from Slovenská záručná a rozvojová banka a.s. The face value is EUR 1 000 per share.

On 6 February 2020, funds of Slovak Investment Holding, a.s were debited from the State Treasury account as a payment for the subscribed share capital of National Development Fund II, a.s. in the amount of EUR 2 125 000.

ATTACHMENTS

Annex 2: Report on the Review of Consistency of the Annual Report with the Financial Statements



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Section Sro, File 4444/B
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Slovak Investment Holding, a. s.

**SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT
to Section Report on Information Disclosed in the Annual Report**

To the Shareholder, Supervisory Board and Board of Directors Slovak Investment Holding, a. s.:

We have audited the financial statements of Slovak Investment Holding, a. s. (the "Company") as at 31 December 2019 disclosed in appendix of the accompanying annual report of the Company, on which we issued an independent auditor's report on 21 February 2020 that is disclosed in appendix of the Company's annual report. We have prepared this supplement in accordance with Article 27 (6) of Act No. 423/2015 Coll. on Statutory Audit and on Amendment to and Supplementation of Act No. 431/2002 Coll. on Accounting, as amended (hereinafter the "Statutory Audit Act").

Based on the performed procedures described in section "Report on Information Disclosed in the Annual Report" of the independent auditor's report specified above, in our opinion:

- Information disclosed in the Company's annual report prepared for 2019 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to Act No. 431/2002 Coll. on Accounting, as amended.

Furthermore, based on our understanding of the Company and its position obtained during our audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report. There are no findings that should be reported in this regard.

Bratislava, 13 July 2020

Mgr. Renáta Ihringová, FCCA
Responsible Auditor
Licence SKAu No. 881

On behalf of
Deloitte Audit s.r.o.
Licence SKAu No. 014

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