SLOVAK INVESTMENT HOLDING

SZRB GROUP

ANNUAL REPORT / 2018

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STATEMENT BY THE CEO

Dear partners, colleagues, shareholders, ladies and gentlemen,

Slovak Investment Holding has experienced a year of positive changes. During the summer months, we underwent a process of partial reorganization and rebranding. We replaced our original name 'SZRB Asset Management' with 'Slovak Investment Holding' and we partially renamed and visually unified the companies within the SIH Group.

2018 also proved to be a turning point with regard to implementing financial instruments from the 2014-2020 programming period in the National Development Fund II. At the end of 2018, SIH managed to invest up to a third of the disposable financial resources from this package and a further third is in the advanced stages of the investment process.

One of the major investment activities of SIH in the past year concerned the area of equity financing. Within this framework, we initiated direct equity and quasi-equity investments in innovative SMEs. Our first investments were channelled towards Slovak companies with a European and global perspective – GA Drilling, Boataround and GreenWay.

In 2018, SIH also managed to implement the first-ever public procurement of financial intermediaries in relation to the management of equity funds in Slovakia. The selection was successfully concluded at the end of 2018, with fund managers anticipating to launch investments in waste management and renewable energy projects after having signed contracts in early 2019.

Another notable achievement of the preceding year was the establishment of Slovak Asset Management (a 100% subsidiary of SIH). This was especially gratifying due to the acquisition of a licence from the National Bank of Slovakia to set up and manage alternative investment funds anywhere in the EU. We are among the first state-owned institutions in Central and Eastern Europe to obtain such authorization.

We are delighted with the results achieved during 2018, which have been possible only due to the support and encouragement of our domestic, European and foreign partners, as well as the input of the entire team of Slovak Investment Holding. I would like to put on record my sincere thanks for all their efforts.

Ivan Lesay
Chairman of the Board of Directors and CEO

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REBRANDING

Our company was established under the name SZRB Asset Management on May 1, 2014. Since then we have undergone considerable developments. We set up an effectively operating institution, established ourselves in the Slovak market, and financed several significant investments. Taking into consideration new developments in a changing environment, we discerned the need for a gradual expansion and regrouping of our activities.

Following on from a partial reorganization, we decided to change the name of our company and some of the companies in our portfolio to better reflect their mandates. For the parent company, we chose a name that best describes the essence of the whole group and, at the same time, accords with the brand name we have already created for ourselves on the market - Slovak Investment Holding (hereinafter referred to as "SIH").

The Slovak Guarantee & Development Fund (Slovenský záručný a rozvojový fond, s.r.o.) was changed to National Development Fund I., s.r.o. (hereinafter referred to as "NDF I."). The original Slovak Investment Holding, a.s. was renamed National Development Fund II., a.s. (hereinafter "NDF II."). The name Slovak Asset Management stayed the same. Our advisory activities related to the Investment Plan for Europe were grouped under the heading of European Investment Advisory (hereinafter referred to as "EIA").

As part of our corporate rebranding process, we not only changed individual business names, but also modified the visual identity of our group, including the logo, as well as updating our website. We are convinced that our partners, clients and the public will appreciate these changes.

SZRB ASSET MANAGEMENT

SZRF SLOVENSKÝ ZÁRUČNÝ a ROZVOJOVÝ FOND

SLOVAK INVESTMENT HOLDING

Slovak Asset Management

Európsky fond pre strategické investície
Európske centrum investičného poradenstva

REBRANDING 07/2018

SLOVAK
INVESTMENT
HOLDING
SZRB GROUP

NATIONAL DEVELOPMENT FUND I.

NATIONAL DEVELOPMENT FUND II.

SLOVAK ASSET MANAGEMENT

EUROPEAN INVESTMENT ADVISORY

MAIN EVENTS OF 2018

GA Drilling

March

SIH signs its first ever direct equity investment in GA Drilling. The co-investors are Berlin Technologie Holding and Ted Halstead

Boataround

June

SIH signs a direct equity investment in Boataround. The co-investor is Crowdberry

July

The Slovak Government approves the Concept of development of energy performance contracts in Slovakia's public administration. SIH participated in an advisory role in its preparation

SLOVAK
ASSET
MANAGEMENT

July

Slovak Asset Management (SAM) is registered in Slovakia's Commercial Register and is authorized by the National Bank of Slovakia to establish and manage alternative investment funds throughout the EU

SLOVAK
INVESTMENT
HOLDING
SZRB GROUP

July

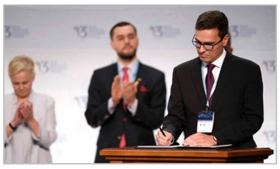
SIH undergoes rebranding.

NATIONAL DEVELOPMENT FUND I.

NATIONAL DEVELOPMENT FUND II.

SLOVAK ASSET MANAGEMENT

EUROPEAN INVESTMENT ADVISORY



September

SIH signs a Letter of Intent concerning participation in the preparation of the Three Seas Investment Fund

October

SIH signs financing agreements with UniCredit and with SZRB to support soft loans for innovative SMEs in Slovakia

December

SIH signs a direct quasi-equity investment in GreenWay. The co-investor is the European Investment Bank

December

SIH signs revisions to financing agreements with managing authorities on additional allocations to financial instruments for energy efficiency, cultural and creative industries, and healthcare

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

NATIONAL DEVELOPMENT FUND II.

HOW WE IMPLEMENT

Slovak Investment Holding (SIH) has been implementing 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:

A) Through financial intermediaries

In areas where we support a relatively high number of projects in relatively low investment volumes, we implement financial instruments in an economically efficient manner through financial intermediaries, i.e. commercial banks, fund managers or other financial institutions. We select financial intermediaries by means of public procurement. Financial intermediaries acquire financial resources from SIH, which they subsequently provide to final beneficiaries under concessional terms and in accordance with SIH's investment strategy. The individual investment decisions are taken independently by financial intermediaries and SIH does not interfere with these in any way. Financial intermediaries are, in most cases, obliged to leverage the total investment volume from SIH resources by co-financing these projects, either from their own resources or by raising funds from co-investors. This is the manner in which SIH has implemented financial instruments in most of its investment areas.

B) Directly, without financial intermediaries

Financial instruments in areas where we support a relatively low number of projects in relatively larger investment volumes are most efficiently implemented in a direct manner. We use this direct investment model, in line with EIB ex-ante analysis and the SIH investment strategy, in order to support infrastructure projects. One example is the mezzanine financing for the Zero Bypass consortium concerning the PPP highway project D4 / R7, or the upcoming loan to ŽSR (state railway company) for a diagnostic vehicle project. We also use the afore-mentioned direct investment model to provide venture capital financing for SMEs. To date, we have supported GA Drilling, Boataround and GreenWay in this way. We carry out direct investments in SMEs using a co-investment model, i.e. our investments can only be made where there is co-investment by an independent private investor.

TYPES OF FINANCIAL INSTRUMENTS WE OFFER[1]

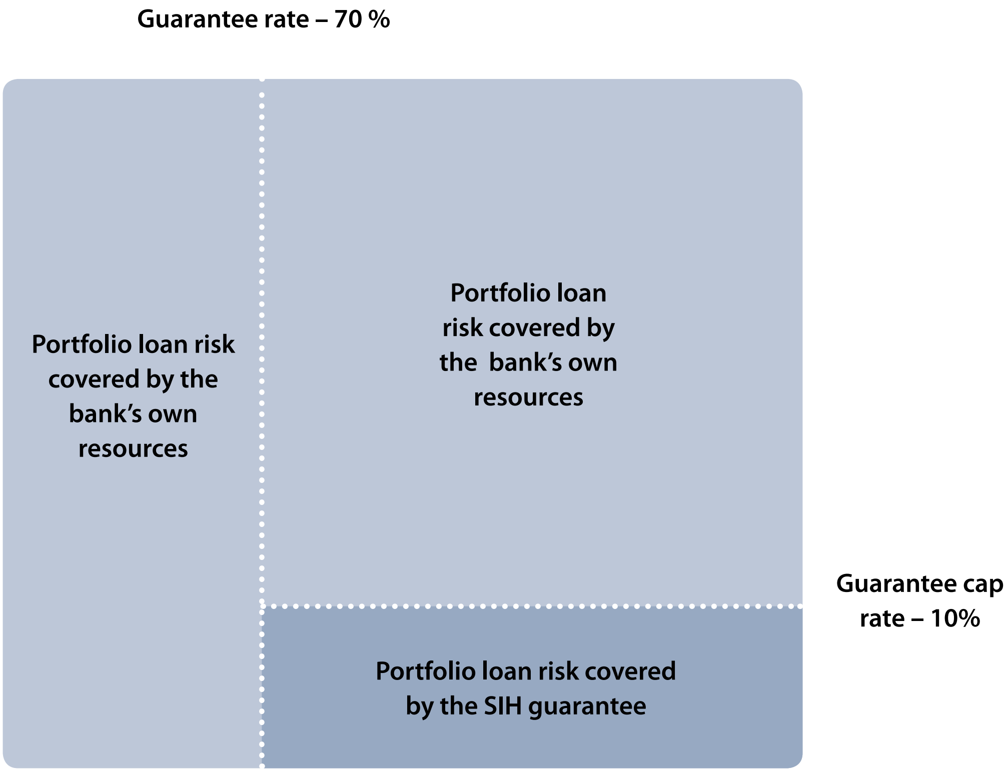
Portfolio Risk Sharing Loan

SIH provides a loan to a commercial bank selected via public procurement. The bank then creates a portfolio of loans for final beneficiaries (i.e. SMEs, apartment buildings, social enterprises, etc.) that are financed partly by the SIH loan, as well as by the bank's own resources. SIH and the bank share the risk of potential loan defaults on the same terms (pari passu) from the newly created loan portfolio. After the loans have been repaid by the final beneficiaries, the bank repays the loan to SIH. Consequently, SIH can then use the repaid resources to support new projects in the same investment area.

First Loss Portfolio Guarantee

SIH provides a guarantee to a commercial bank selected via public procurement. The bank then creates a portfolio of loans for final beneficiaries (i.e. SMEs, apartment buildings, social enterprises, etc.) which are financed exclusively from the bank's own resources. The SIH guarantee covers a part of the bank's loan portfolio repayment risk, i.e., it financially compensates the bank for a part of the loss on each defaulted loan (up to a guarantee rate) until the volume of defaulted loans reaches a predefined rate (the guarantee cap rate). The portion of the guarantee that has not been used to cover the bank's losses at the end of the investment period can be used by SIH to support new projects in the same investment area. Below is an illustrative example of how a first loss portfolio guarantee functions:

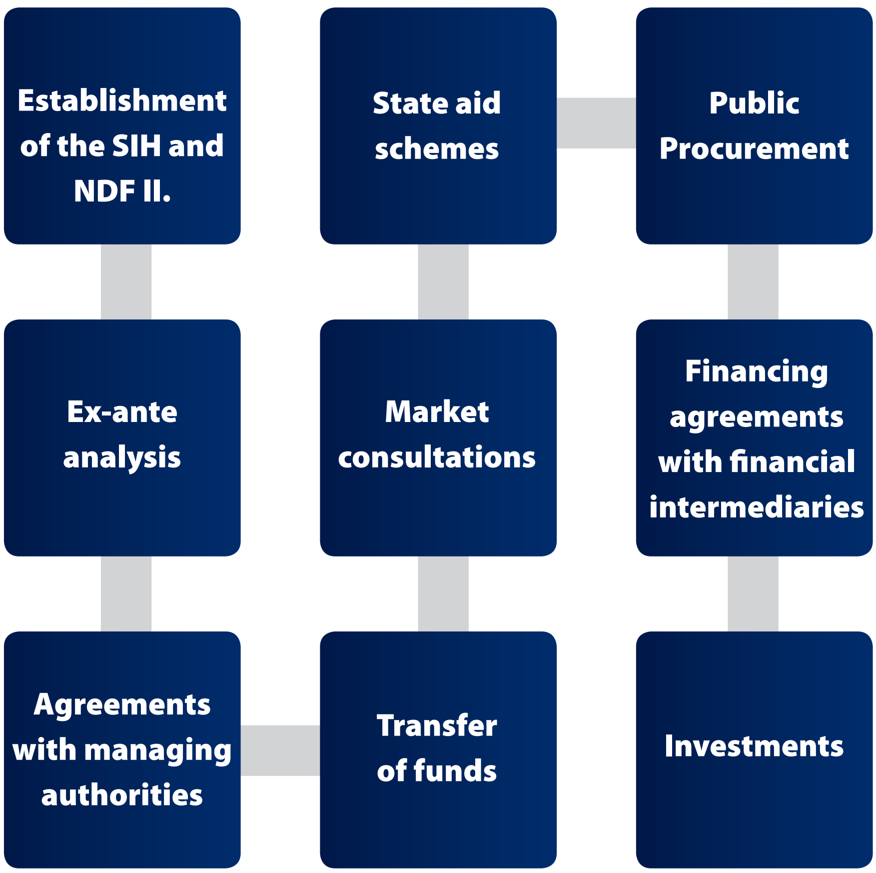
[1] The financial instruments described are for illustrative purposes only. SIH implements a significant number of financial instruments in different investment areas and, therefore, these may differ from the illustrative examples.



Equity Financing:
SIH provides equity financing to fund managers selected via public procurement. The fund managers (or, in the case of direct investment, SIH) creates a portfolio of investments in final beneficiaries (i.e. innovative SMEs, waste management projects, etc.). Investments take the form of equity or quasi-equity financing. The fund manager's equity investment (or that of SIH) buys a stake in the enterprise in question. After having increased the value of the investment, the fund manager (or SIH) exits from the enterprise and sells its stake to a third investor. The investment resources which have been accumulated are transferred back to SIH and these can then be deployed to support new projects in the same investment area.

GROUNDBREAKING YEAR FOR OUR INVESTMENT ACTIVITIES

Implementation of financial instruments requires a particularly wide range of specific actions before the first tangible results emerge. The most important ones include but are not limited to the establishment of an organizational structure in the form of SIH and NDF II., an ex-ante analysis for financial instruments, negotiation of financing agreements and investment strategies with managing authorities, transfer of funds from operational programs to SIH and NDF II., market consultations, preparation of state aid schemes and their approval by the Slovak Anti-Monopoly Office, public procurement of financial intermediaries and its subsequent audit by the managing authorities and the Public Procurement Office, as well as conclusion of the financing agreements with financial intermediaries.

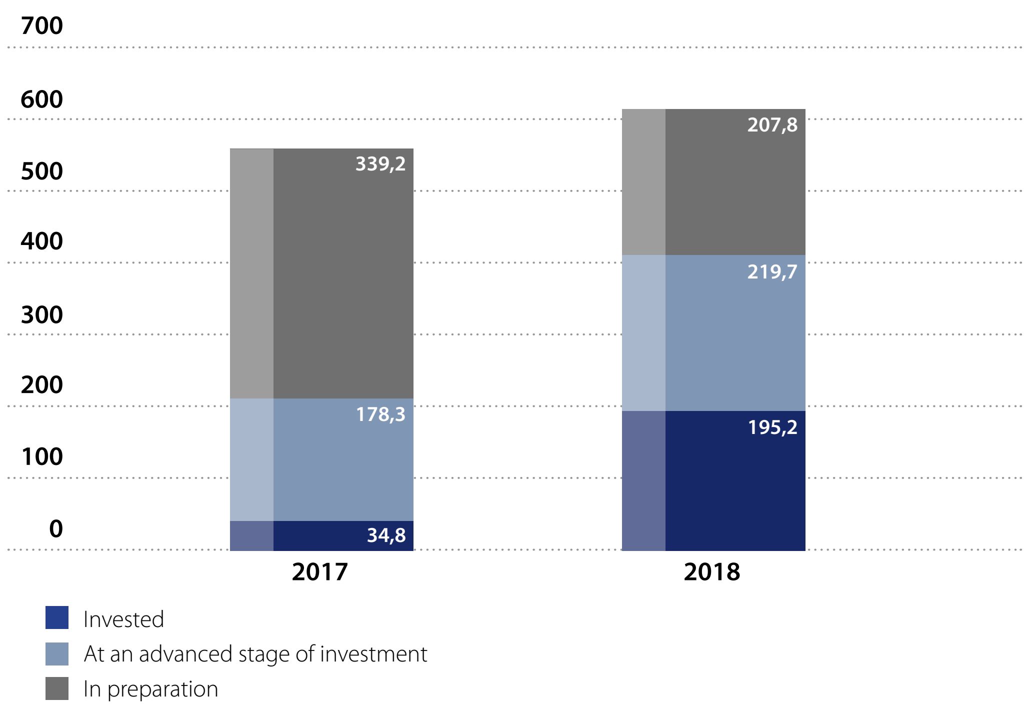


[2]

[2] This scheme is relevant in the indirect investment model where investments are made through financial intermediaries

Despite the disproportionately complicated regulatory framework for financial instruments in the EU, and especially in Slovakia, SIH made substantial progress in 2018 in implementing its financial instruments under NDF II. At the end of 2018, we had invested more than 30% of all the disposable NDF II. resources.[3] This represents a substantial increase from 6.3% to 31.3% compared to the previous year and reflects our team's intense investment activities in this and previous years. Additional allocations for financial instruments amounting to more than one third of disposable NDF II. resources were at an advanced investment stage at the end of 2018.[4] **Thus, in total, more than two thirds of the disposable resources of NDF II. had been invested, or were at an advanced stage of the investment process, by the end of 2018.**

Implementation of NDF II. Resources (million EUR)



[3] In this context, investing means an investment at the level of the final beneficiary for our direct investments, or an investment at the level of a financial intermediary for our indirect investments. In this context, the disposable NDF II. resources are those that SIH / NDF II. were entitled to implement in 2018, i.e., the increased allocations that were initiated by managing authorities in the fourth quarter of 2018 are not included here.
[4] In this context, an advanced investment stage means that the funds in question are at, or just before, the conclusion of the financing agreement, or that a public procurement process to manage these resources is underway.

VENTURE CAPITAL INVESTMENTS

Following the decision of the Board of Directors of SIH at the end of 2017 to launch direct equity and quasi-equity investments in growth phase SMEs, preparatory steps were undertaken for this new type of investment activity. These resulted in the first three such investments in 2018.

Target company:	**GA Drilling**
Sector:	energy
Innovative product:	plasma technology well drilling and milling
Form of investment:	equity financing
Co-investor:	Berlin Technologie Holding, Ted Halstead
Investment deadline:	March 2018

Target company:	**Boataround**
Sector:	Digital Economy / Tourism
Innovative product:	the largest catalogue for online reservations of boats, yachts and catamarans in the world
Form of investment:	equity financing
Co-investor:	Crowdberry
Investment deadline:	June 2018

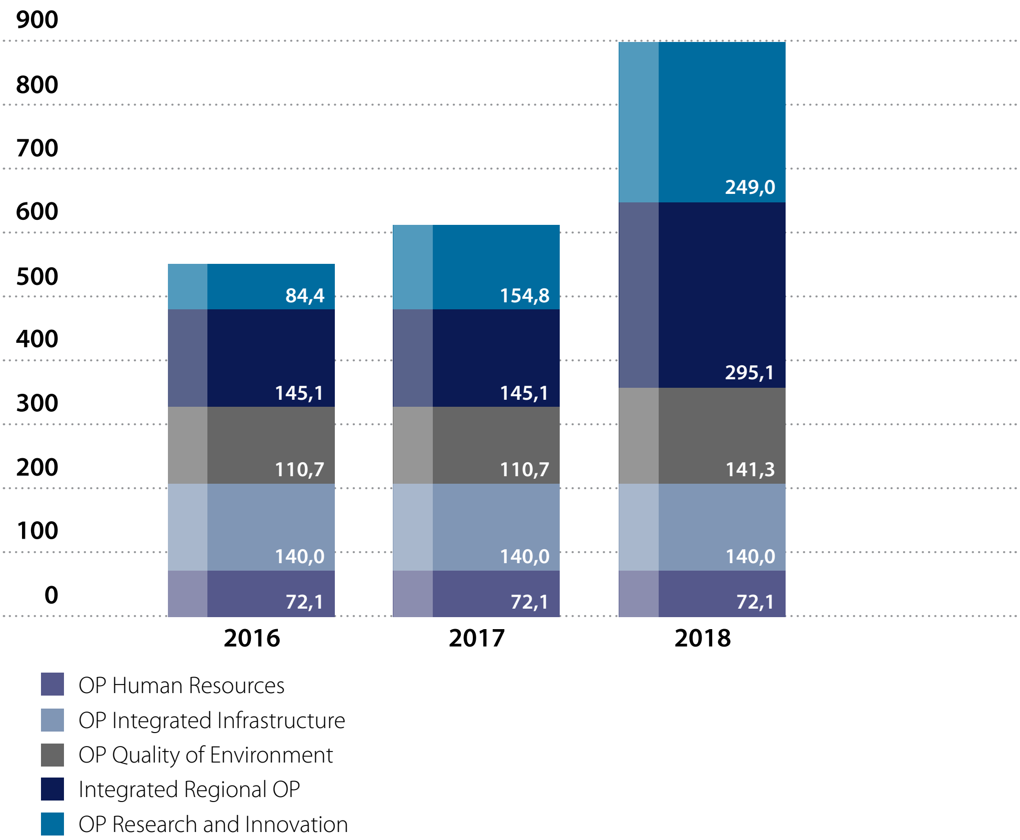
Target company:	**GreenWay**
Sector:	electromobility
Innovative product:	the largest electric vehicle charging station network in Central Europe
Form of investment:	quasi-equity financing
Co-investor:	European Investment Bank
Investment deadline:	December 2018

ADDITIONAL RESOURCES

In the fourth quarter of 2018, several managing authorities initiated a substantial increase in allocations from individual operational programs to NDF II. with the aim of implementing these by means of financial instruments. We consider this to be a sign of the managing authorities' trust in SIH's ability to effectively deploy these resources. Resources for the following operational programmes (OP) have been increased:

- Integrated Regional OP: Ministry of Agriculture and Rural Development of the Slovak Republic
- OP Quality of Environment: Ministry of Environment of the Slovak Republic
- OP Research and Development: Ministry of Education, Science, Research and Sport of the Slovak Republic and Ministry of Economy of the Slovak Republic

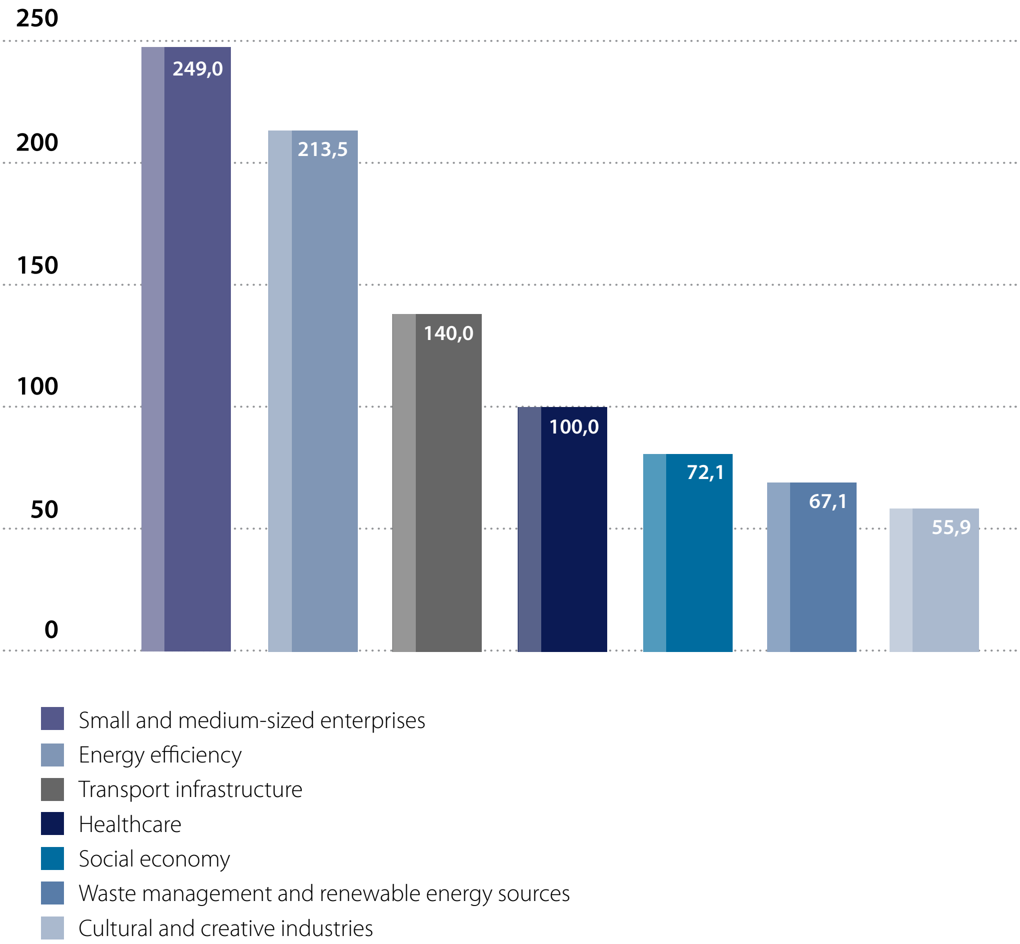
Volume of NDF II. resources by operational programmes (million EUR)



INVESTMENT AREAS

Investment areas covered by SIH from NDF II. resources following the increase in allocations from managing authorities in the fourth quarter of 2018:

Distribution of NDF II. resources by investment area, 2018 (million EUR)



IMPLEMENTATION OF OPERATIONAL PROGRAMMES

The status of investment activities by individual operational programmes and by individual financial instruments is outlined below:

Operational programme
Research and Innovation

OPERAČNÝ PROGRAM VÝSKUM A INOVÁCIE

Contracting 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
■ Portfolio Risk Sharing Loan for innovative SMEs ■ Allocation: EUR 24.2 million	- Contracting Party: SZRB, effective as of 1. 8. 2018 - Lending activity is ongoing
■ First Loss Portfolio Guarantee for innovative SMEs ■ Allocation: EUR 12.1 million	- Contracting party: UniCredit, contract signed on 28. 9. 2018 - Final administrative steps before lending activity is launched
■ First Loss Portfolio Guarantee for innovative SMEs II. ■ Allocation: EUR 49.1 million	- Public procurement for banks is underway
■ Seed financing for innovative SMEs ■ Allocation: EUR 34 million	- Public procurement for fund managers has been launched
■ Direct venture capital financing for innovative SMEs ■ Allocation: EUR 38.4 million	- Ivestments signed: Boataround, GA Drilling, Greenway

Operational programme
Integrated Infrastructure

OPERAČNÝ PROGRAM INTEGROVANÁ INFRAŠTRUKTÚRA 2014-2020

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

Instrument/Area	Information
■ Direct mezzanine financing for for a consortium for the delivery of the D4/R7 project totalling EUR 27.9 million	- The investment has been finalized, monitoring of the project is ongoing
■ Direct loan to ŽSR (state railway company) to purchase railway diagnostics vehicles ■ Discussions are ongoing with ŽSR regarding financing conditions	- Project has been evaluated and approved by Slovakia's Anti-Monopoly Office, the EU Commission (DG REGIO), and the Ministry of Finance of the Slovak Republic (Value for Money Unit)
■ Financing for alternative fuels	- Ongoing revision of the operational programme to include alternative fuels among eligible areas
■ Other areas	- SIH, in collaboration with the Ministry of Transport, is identifying new projects to deploy its financial instruments

Integrated Regional Operational Programme

Integrovaný regionálny operačný program 2014 - 2020

Contracting 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
■ Portfolio Risk Sharing Loan for energy efficiency projects for residential buildings ■ Allocation: EUR 50 million	- Preparations to sign a financing agreement with the financial intermediary
■ Portfolio Risk Sharing Loan for energy efficiency projects for residential buildings II. ■ Allocation: EUR 79.5 million	- Public procurement process is underway
■ Financial instrument for cultural and creative industries ■ Allocation: EUR 51.9 million	- Financial instrument will be set up after the conclusion of the ongoing market survey
■ Financial instrument for the modernization of healthcare equipment ■ Allocation: EUR 93 million	- A market survey is underway to identify suitable projects

Operational Programme

Quality of the Environment

OPERAČNÝ PROGRAM KVALITA ŽIVOTNÉHO PROSTREDIA

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

Instrument/Area	Information
■ Equity financing for waste management and renewable energy projects ■ Allocation: EUR 67.8 million	- Preparations are underway for conclusion of financing agreements with three financial intermediaries
■ Energy efficiency of public buildings ■ Allocation: EUR 41.7 million	- Advisory measures have been carried out to prepare the regulatory framework for energy performance contracts in Slovakia (government concept, legislation, model contract) - Projects identification and preparation of a public procurement are underway
■ Energy efficiency in SMEs ■ Allocation: EUR 21.9 million	- Projects identification and preparation of a public procurement are underway

Operational Programme
Human Resources

OPERAČNÝ PROGRAM ĽUDSKÉ ZDROJE

Contracting Party	Allocation to NDF II.
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
Guarantee instrument for social economy Allocation: EUR 11.7 million	- Public procurement is underway
Loan instrument for social economy enterprises Allocation: EUR 17.7 million	- Preparation of a public procurement
Equity instrument for social economy enterprises Allocation: EUR 9.3 million	- Preparation of a public procurement
Financial instrument for social housing Allocation: EUR 10 million	- Market consultations underway

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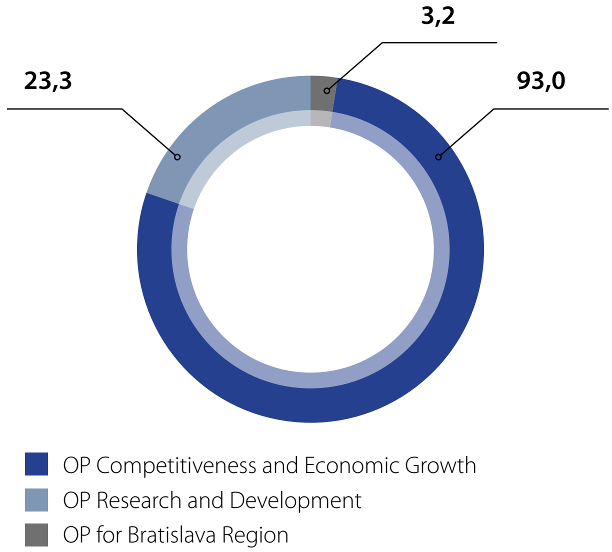
NDF I. – FINANCIAL INSTRUMENTS FOR THE 2007-2013 PROGRAMMING PERIOD

NATIONAL
DEVELOPMENT
FUND I.

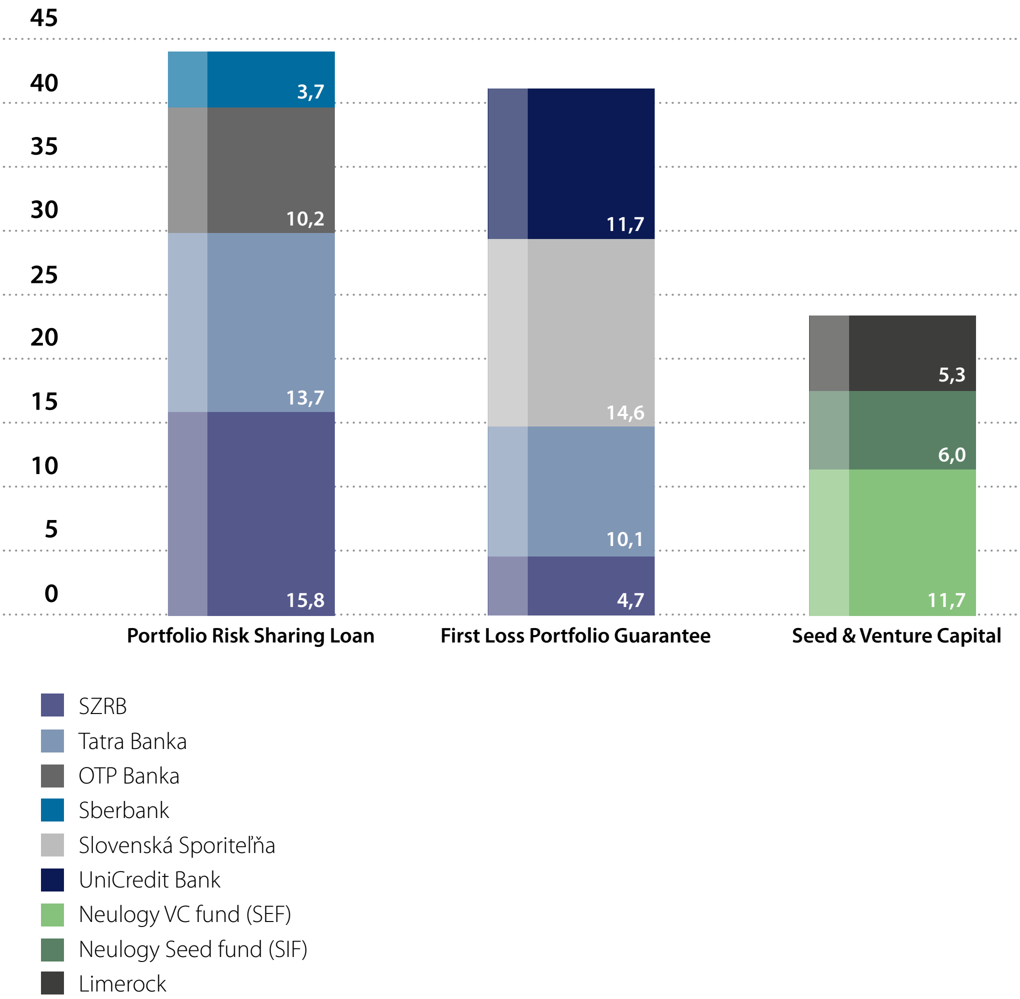
The main task of NDF I. is to manage the portfolio of investments financed under the JEREMIE Programme from EU Structural Funds in the 2007-2013 programming period. The programme's aim is to support SMEs. The financial resources allocated to this investment programme originated from the managing authorities for Operational Programme Competitiveness and Economic Growth, Operational Programme Research and Development and Operational Programme for Bratislava Region. The resources allocated are illustrated in the graph below.

NDF I. resources according to operational programmes (EUR million)



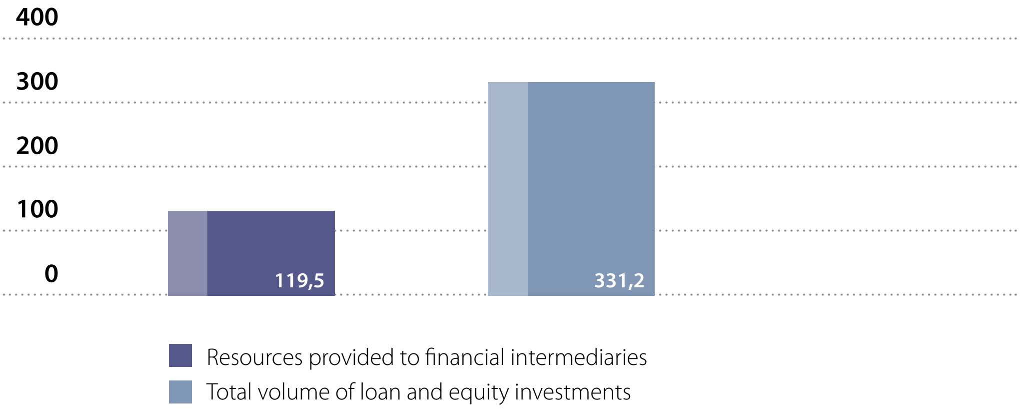
The portfolio of financial resources contracted by NDF I. at the end of the investment period (as of 31 October 2016) is shown in the chart below. Almost EUR 23 million was earmarked for equity financing for SMEs and implemented by the fund managers Limerock and Neulogy Ventures. More than EUR 41 million for first loss portfolio guarantees to support SMEs was implemented by Slovenská Sporiteľňa, Slovenská záručná a rozvojová banka, Tatra Banka and UniCredit Bank. Allocation of EUR 43.4 million for the portfolio risk sharing loans for SMEs were implemented by OTP Banka Slovensko, Sberbank Slovensko, Slovenská záručná a rozvojová banka and Tatra Banka. The financial intermediaries in question were selected by the original manager of NDF I. – the European Investment Fund.

Distribution of NDF I. investments by financial intermediaries and financial instruments (million EUR)



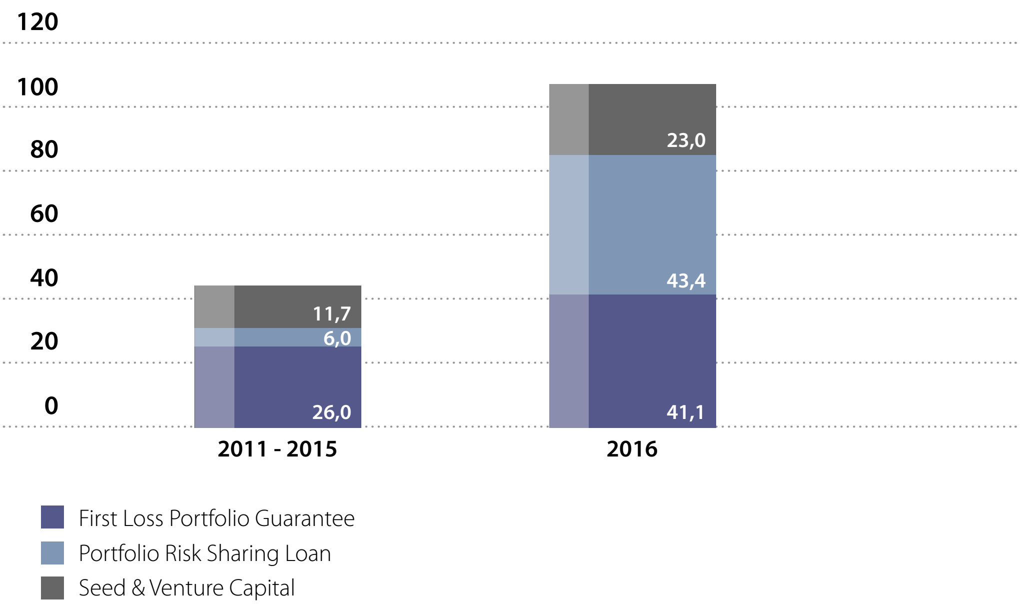
One of the principal advantages of financial instruments is their leverage effect. This means that every euro of public resources allocated to investments can attract additional private finance, thus multiplying the total amount of investment for final beneficiaries. In the case of NDF I., from EUR 119.5 million of public funds, SIH managed to create a portfolio of loan and equity investments totalling EUR 331.2 million. We consider this ratio to be an excellent example of the efficient use of public investment resources.

NDF I. leverage effect (million EUR)



Due to the fact that at the time of the JEREMIE programme there were no authorities in Slovakia capable of implementing financial instruments, the management of NDF I. was awarded to the European Investment Fund. After the creation of SIH, the administration of NDF I. was transferred to our company on January 1, 2016. The soundness of this step has been demonstrated, inter alia, in a significant increase in investment activity. During the 10 months alone of our management of NDF I., SIH succeeded in more than doubling the amount invested, thus minimizing the volume of unabsorbed and decommitted EU structural funds.

NDF I. Investment activity (million EUR)



Activities related to the management of NDF I. after the end of the investment period have focused on portfolio management, including repayment of investments, recovery of undrawn funds, or reductions in NDF I. equity stake. One of the biggest benefits of financial instruments (as opposed to grant and subsidy schemes) is the repayment of investments (so-called 'reflows'). Since financial instruments are repayable, the same resources can be revolved multiple times to support new investments. So far, SIH, has made or prepared the following investments from NDF I. reflows:

EUROPEAN
INVESTMENT
FUND

Investment:	**Central European Fund of Funds** (CEFoF)
Manager:	European Investment Fund
Co-investors:	Czech Development Bank CMZRB, European Investment Fund, Hungarian Development Bank MFB, International Investment Bank, Austrian Development Bank OeEB, Slovenian Business Fund SEF
Investment strategy:	equity financing for fund managers in Central Europe
Investment objective:	equity financing for SMEs and for small mid-caps in Central Europe
Status:	investment activity is underway
Main activities of SIH / NDF I. in 2018:	transfer of investment resources to CEFoF (so-called draw-downs), monitoring of CEFoF investment activities, participation in supervisory board meetings

VENTURE
TO FUTURE
FUND

Investment:	**Venture to Future Fund** (VFF)
Manager:	Slovak Asset Management
Co-Investors:	Ministry of Finance of the Slovak Republic, NDF I., possible other – currently in negotiations
Investment strategy:	venture capital financing
Investment objective:	Slovak SMEs with a strong innovative or technological element
Status:	funds have been committed
Main activities of SIH / NDF I. in 2018:	management of NDF I. reflows and contracting them for the investment to VFF

6

SAM – THE FIRST STEPS

SLOVAK
ASSET
MANAGEMENT

One of the most impressive achievements of the SIH Group last year was the acquisition of license for SAM from the National Bank of Slovakia (NBS) to set up and manage alternative investment funds. The process of acquiring the license was technically challenging and the process took more than a year, but we are delighted by the positive outcome.

The license from the NBS allows SAM to set up and manage alternative investment funds anywhere in the EU. Moreover, SAM is the first licensed publicly owned manager of alternative investment funds in Slovakia and, according to available information, one of the first in Central and Eastern Europe. After the license was granted by the NBS, preparatory activities for the establishment of the first fund under management of SAM were intensified. Venture to Future Fund ("VFF") will be a venture capital fund for growth phase innovative Slovak SMEs.

The most important activity with respect to VFF since the summer of 2018 has been fundraising. So far, we have received commitments to invest in VFF from NDF I. and from the Ministry of Finance of the Slovak Republic. A renowned international investor, with whom we are currently negotiating, has also shown serious interest in a possible co-investment in this fund and we expect to receive a final investment decision in 2019.

An important activity for SAM in 2018 was also the introduction of an IT system for management of alternative investment funds. Such a system was stipulated by the NBS as one of the requirements of the granting of the afore-mentioned license. As a publicly owned entity, we have expended considerable effort and time to ensure the cost-effectiveness of this system. By the end of 2018, we were able to secure the system, and we aim the complete its testing phase in the first quarter of 2019.

7

EIA – WIDE SPECTRUM OF ADVISORY ACTIVITIES

EUROPEAN
INVESTMENT
ADVISORY

The SIH section dealing with the investment advisory agenda was termed the European Investment Advisory in 2018, following on from the European Investment Advisory Hub programme within the European Investment Bank, with whom we are closely cooperating on these issues. The main EIA activities in 2018 included the following:

Smart cities & regions platform

Objectives of the initiative

- Market analysis and identification of smart cities investment projects
- Preparation of recommendations for financing such projects

Funding of the initiative

- European Investment Advisory Hub (managed by European Investment Bank)

Lead partners

- Ernst & Young (Prague),[5] European Investment Bank

Preliminary results

- The greatest potential has been confirmed in the area of energy performance contracts; follow-up EIA activities will focus on this sector
- Identification of the need for extensive technical assistance for municipalities to prepare investment projects
- Acknowledgement of the need to reduce the dependence of Slovak entities on grant funding

[5] The selection of the consulting company was carried out by the European Investment Bank

Advisory support on Investment Plans for Europe

Objectives of the initiative

- Identification of EFSI projects in Slovakia
- Preparation of investment-advisory support for project promoters

Funding of the initiative

- Structural Reform Support Program (managed by European Commission)

Lead partners

- Ernst & Young (Bratislava)[6], European Commission

Preliminary results

- Low number of potential EFSI projects in Slovakia
- Insufficient capacities of Slovak public authorities to develop investment projects

Regulatory framework for energy performance contracts

Objectives of the initiative

- Advisory services for the Ministry of Finance of the Slovak Republic and Ministry of Economy of the Slovak Republic in the area of energy performance contracts (EPCs) – currently in progress
  a) Concept for the development of EPCs in public administration in Slovakia,
  b) legislative amendments enabling implementation of EPCs in Slovakia,
  c) a mandatory model contract for EPCs in Slovakia.

Funding of the initiative

- SIH own resources

Lead partners

- Ministry of Finance of the Slovak Republic, Ministry of Economy of the Slovak Republic, Asociácia poskytovateľov garantovaných energetických služieb (Association of Guaranteed Energy Service Companies), European Investment Bank, the domestic financial market

Preliminary results

- The concept for the development of EPCs in Slovak public administration was approved by the Slovak Government in July 2018
- Legislative amendments enabling the implementation of EPCs in Slovakia, including an amendment to the Act on Energy Efficiency, were approved by the National Council of the Slovak Republic in December 2018
- A model contract was prepared during 2018 and sent for approval to the Statistical Office of the Slovak Republic and Eurostat; the process is expected to be completed in the first half of 2019

[6] The selection of the consulting company was carried out by the European Commission

Three Seas Investment Fund

Objectives of the Initiative

- Advisory support in preparing the documentation for the possible establishment of an investment equity fund to finance cross-border projects with the intention of interconnecting energy, transport and digital infrastructure in Central and Eastern Europe

Financial Initiatives

- SIH own resources

Lead partners

- International law firm CMS, state development banks and institutions from the central and eastern part of the EU (ALTUM, BGK, CMZRB, EximBank Romania, HBOR, MFB, SID)

Preliminary results

- Draft Fund documentation has been prepared
- Discussions are underway to select a fund manager and elicit investment from co-investors with an emphasis on European Investment Bank

8

LEGAL STATUS OF OUR COMPANIES AND STATUTORY BODIES

The company **Slovak Investment Holding** is registered as an alternative investment manager in the register of managers maintained by the National Bank of Slovakia, in accordance with § 31b para. 6 of Act no. 203/2011 Coll. on collective investment, under number 0005. Slovak Investment Holding officially changed its business name on 27 July 2018 from its original business name, SZRB Asset Management.

Company status as of December 31, 2018:

1. **Business name:** Slovak Investment Holding, a.s.
2. **Registered office:** Grösslingová 44, Bratislava, 811 09
3. **Composition of the Board of Directors:**
   a) Ivan Lesay – Chairman of the Board of Directors
   b) Peter Dittrich – Vice Chairman of the Board of Directors
   c) Pavel Mockovčiak – Member of the Board of Directors
4. **Composition of the Supervisory Board:**
   a) Radko Kuruc – Chairman of the Supervisory Board
   b) Dušan Tomašec – Vice Chairman of the Supervisory Board
   c) Štefan Adamec – Member of the Supervisory Board

The company **National Development Fund II.** is an investment fund through which financial instruments from the European Structural and Investment Funds in the 2014-2020 programming period are implemented. It is actively administered by Slovak Investment Holding. On 24 July 2018, National Development Fund II., changed its official business from the original Slovak Investment Holding.

Company status as of December 31, 2018:

1. **Business name:** National Development Fund II., a.s.
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Composition of the Board of Directors:**
   a) Ivan Lesay – Chairman of the Board of Directors
   b) Peter Dittrich – Vice Chairman of the Board of Directors
   c) Pavel Mockovčiak – Member of the Board of Directors
4. **Composition of the Supervisory Board:**
   a) Radko Kuruc – Chairman of the Supervisory Board
   b) Pavol Ochotnický – Vice Chairman 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

The company, **National Development Fund I.**, is an investment company founded for the purpose of implementing financial instruments from EU structural funds in Slovakia within the framework of the 2007-2013 programming period. The National Development Fund I. is based on the JEREMIE initiative, whose main objective is to support SMEs by improving access to finance their development. On 24 July 2018, National Development Fund I., changed its business name from the original name Slovak Guarantee and Development Fund.

Company status as of December 31, 2018:

1. **Business name:** National Development Fund I.,
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Managers:**
   a) Štefan Adamec
   b) Matej Říha
4. **Composition of the Supervisory Board:**
   a) Martin Polónyi – Chairman 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

The company, **Slovak Asset Management**, was founded as a joint stock company without a call for a shares subscription by the founding deed on 19 June 2017, the only founder being Slovak Investment Holding (formerly SZRB Asset Management). The basic capital of the company comprises EUR 125,000 and is allocated to 125 registered ordinary shares issued in book-entry form, with the nominal value of one share being EUR 1000, and the issue price for which the company issues shares being EUR 1100. The founder repaid the entire share capital and share premium of the company by means of a one-time cash deposit of EUR 137,500. The sole shareholder is Slovak Investment Holding. Slovak Asset Management was created by means of registration in the Commercial Register of the District Court, Bratislava I, on 21 July 2018 - Section: File No: 6818 / B. On 20 June 2018, the National Bank of Slovakia awarded Slovak Asset Management, pursuant to §28a para. 1 of the Collective Investment Act, permission to create and manage alternative investment funds.

Company status as of December 31, 2018:

1. **Business name:** Slovak Asset Management
2. **Registered office:** Grösslingová 44, 811 09 Bratislava
3. **Composition of the Board of Directors:**
   a) Ivan Lesay – Chairman of the Board of Directors
   b) Peter Dittrich – Vice Chairman of the Board of Directors
   c) Pavel Mockovčiak – Member of the Board of Directors

4. **Composition of the Supervisory Board:**
   a) Radko Kuruc – Chairman of the Supervisory Board
   b) Dušan Tomašec – Vice Chairman of the Supervisory Board
   c) Štefan Adamec – Member of the Supervisory Board

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OTHER INFORMATION

A. Information about events of special importance that have occurred after the end of the accounting period for which the annual report was drawn up.
No such events occurred.

B. Information on research & development activity costs.
No R&D costs were incurred.

C. Information on the acquisition of own shares, temporary letters, shares, temporary letters and shares of the parent accounting entity pursuant to § 22.
An entity does not acquire its own shares, temporary letters, shares, temporary sheets and shares of the parent entity under §22.

D. Proposal for profit distribution or loss settlement.
Profit after tax for 2018 amounts to EUR 872,409.51. We propose that the General Assembly adopt a resolution whereby part of the accounting profit is used to distribute the dividend and the remaining balance is retained as retained earnings from previous years.

E. Information whether the entity has an organizational unit abroad.
No such organizational unit exists.

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ATTACHMENTS

Annex no. 1: 2018 Financial Statements

Slovak Investment Holding, a. s.

(until 26 July 2018: SZRB Asset Management, a.s.,
until 11 February 2015: Slovenská záručná
a rozvojová banka Asset Management, a.s.)

Financial Statements for the Reporting Period from 1 January 2018 to 31 December 2018

prepared in accordance with International
Financial Reporting Standards as adopted by the
EU and the Independent Auditor's Report

March 2019

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

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Register of the District Court Bratislava I
Section Sro, File 4444/B
Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

Slovak Investment Holding, a. s.
(formerly SZRB Asset Management, a.s.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board and Board of Directors Slovak Investment Holding, a. s. (formerly SZRB Asset Management, 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. (formerly SZRB Asset Management, a.s.) (the "Company"), which comprise the separate statement of financial position as at 31 December 2018, 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 2018, 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.

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 2018 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, 14 March 2019

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

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

Slovak Investment Holding, a. s.
Separate Statement of Financial Position as at 31 December 2018

Assets	**Notes**	**2017 EUR'000**	**2018 EUR'000**
Cash and cash equivalents	6	24 618	76 299
Property, plant and equipment	7	4	75
Deferred tax asset	8	196	115
Other assets	9	783	657
		25 601	77 146
Liabilities			
Trade payables		12	63
Bank loan	10	-	-
Provisions for liabilities	11	341	393
Other liabilities	12	21 740	72 709
		22 093	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	1 648	2 121
		3 508	3 981
		25 601	77 146

Off-balance sheet items:

Entrusted funds for investment	23	256 052	289 279
Assets under management (from the above entrusted funds)	23	256 052	289 279

The financial statements, including the notes on pages 10 to 33, were prepared on 14 March 2019:

....
Mgr. Ivan Lesay, MA., PhD.
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

....
Ing. Miroslav Bednár
Person responsible for book-keeping

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

Slovak Investment Holding, a. s.
Separate Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2018

	Notes	2017 EUR'000	2018 EUR'000
Net fee and commission income	15	3 198	3 488
Net interest income		-	-
Net foreign exchange gains/(losses)		-	-
Net other income	16	-	-
Operating income		3 198	3 488
Personnel expenses	17	(1 422)	(1 575)
Depreciation and amortisation	7	(12)	(8)
General administrative expenses	18	(503)	(791)
Operating expenses		(1 937)	(2 374)
Profit/loss before taxation		1 261	1 114
Income tax expense	19	(270)	(241)
Profit/(loss) after taxation		991	873
Other comprehensive income		-	-
Total comprehensive income for the period		991	873
Basic loss/earnings per share (EUR)	13	3 303	2 910

The notes on pages 10 to 33 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/Accu-mulated Loss EUR'000	Total EUR'000
At 1 January 2018	**300**	**60**	**1 500**	**1 648**	**3 508**
Total comprehensive income for the year	-	-	-	-	-
Profit for 2018	-	-	-	873	873
Other comprehensive income	-	-	-	-	-
Total comprehensive income for 2018	-	-	-	-	-
Transactions with owners recognised directly in equity					
Contribution to the legal reserve fund	-	-	-	-	-
Payment of 2017 dividends				(350)	(350)
Payment of royalties				(50)	(50)
Total transactions with owners	-	-	-	-	-
At 31 December 2018	**300**	**60**	**1 500**	**2 121**	**3 981**

The notes on pages 10 to 33 are an integral part of these financial statements.

Slovak Investment Holding, a. s.
Separate Statement of Changes in Equity as at 31 December 2017

	Share Capital EUR'000	Legal Reserve Fund EUR'000	Other Capital Funds EUR'000	Retained Earnings/Accumulated Loss EUR'000	Total EUR'000
At 1 January 2017	300	30	1 500	1 042	2 872
Total comprehensive income for the year	-	-	-	-	-
Profit for 2017	-	-	-	991	991
Other comprehensive income	-	-	-	-	-
Total comprehensive income for 2017	-	-	-	-	-
Transactions with owners recognised directly in equity					
Contribution to the legal reserve fund	-	30		(30)	
Payment of 2016 dividends				(350)	
Payment of royalties				(5)	
Total transactions with owners					
At 31 December 2017	300	60	1 500	1 648	3 508

The notes on pages 10 to 33 are an integral part of these financial statements.

Slovak Investment Holding, a. s.
Separate Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2017 EUR'000	2018 EUR'000
Cash flows from operating activities			
Profit/loss before taxation		1 261	1 114
Increase in trade and other payables		(590)	(24)
Increase in receivables and other assets		329	247
Depreciation and amortisation	7	12	8
Income tax paid		(1 190)	(289)
Net cash flows from operating activities		(178)	1 056
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		-	(72)
Proceeds from the sale of property, plant and equipment		-	
Entrusted funds received from the Ministry of Finance of the SR		3 300	-
Entrusted funds received from governing bodies		17 603	94 318
Entrusted funds invested in SIH		(19 488)	(43 221)
Investments in subsidiaries		(138)	-
Net cash flows used for investing activities		1 307	(51 025)
Cash flows from financing activities			
Contribution to equity		-	-
Dividends paid to the shareholders		(350)	(350)
Royalties		(5)	(50)
Repayment/drawdown of a loan		-	-
Net cash flows from financing activities		(355)	(400)
Net changes in cash and cash equivalents		774	(51 681)
Cash and cash equivalents at the beginning of the year	6	23 844	24 618
Cash and cash equivalents at the end of the year	6	24 618	76 299

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

The notes on pages 10 to 33 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 2018

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 2018 was as follows:

At 31 December 2018	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 financial statements of the registered alternative investment fund manager are included in the consolidated financial statements of Slovenská záručná a rozvojová banka, a.s., recorded in the Business Register of the Bratislava I District Court, Section: Sa, Insertion 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. Dušan Tomašec – Vice-Chairman of the Supervisory Board
Ing. Štefan Adamec – Member of the Supervisory Board

The Company's financial statements for the preceding reporting period ended 31 December 2017 were approved by the General Meeting on 23 May 2018.

Business Activities

The registered alternative investment fund manager'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.

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 holds an ownership interest in Slovak Asset Management, správ. spol., a. s. Slovak Asset Management, správ. spol., a. s. is not included in the consolidated financial statements of Slovak Investment Holding, a. s., as it does not meet the size criteria.

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 are intended for general use and information. 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 4 and 5.

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2018

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 2018

3. Significant Accounting Principles and Accounting Methods (continued)

(g) Government Grants

The entitlement to government grants, aid or contributions is recognised when it is almost certain that all government grant-related conditions will be met and that the government grant will be provided.

Government grants to cover the specific costs of the Company's operations are initially recognised as deferred income and are released to the Income Statement on an accrual basis as the costs are incurred for the relevant purpose.

The Company recognises received government grants in *Other income.*

(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 Company 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 2018

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.

Measurement of Financial Asset in Accordance with IAS 39 and IFRS 9 as at 1 January 2018 (EUR '000):

	IAS 39 Measurement category	Carrying amount	IFRS 9 Measurement category	Carrying amount
Cash and cash equivalents	Amortised cost	24 618	Amortised cost	24 618

Reconciliation of Balances in the Statement of Financial Position in Accordance with IAS 39 and IFRS 9 (EUR '000):

	Carrying amount under IAS 39 as at 31 December 2017	Changes in the carrying amount at the initial application of IFRS 9 Reclassification	Provisions for assets and provisions for liabilities	Carrying amount under IFRS 9 as at 1 January 2018
Cash and cash equivalents	24 618	-	-	24 618
Total	x	-	-	x

(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.

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

3. Significant Accounting Principles and Accounting Methods (Continued)

(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.

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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) 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.

(p) 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).

(q) 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 2018. 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 9 "Financial Instruments"** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018);

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective Date of IFRS 15" – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 2 "Share-based Payment"** – Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 4 "Insurance Contracts" –** Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied for the first time);

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – Clarifications to IFRS 15 "Revenue from Contracts with Customers" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IAS 40 "Investment Property" –** Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 – 2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are applied for annual periods beginning on or after 1 January 2018);

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration" –** adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards, and the interpretation has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU, but not yet effective

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

- **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);

- **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 Company has elected not to adopt this new standard, amendments to the existing standard and the interpretation in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to the existing standards will have no material impact on the Company's financial statements.

New standards and amendments to the existing 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 the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the reporting date (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);

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors**" – Definition of Material (effective for annual periods beginning on or after 1 January 2020);

- **Amendments to IAS 19 "Employee Benefits" –** Plan Amendment, Curtailment or Settlement (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 (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 – 2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Asset Management Company anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on its financial statements 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.

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 reporting date.

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.

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.

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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.

5. Financial Risk Management (Continued)

	2017 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	1 648	2 121
Items decreasing the value of own funds	-	-
Reserve fund and other funds created from the profit	1 560	1 560
Total initial capital	3 508	3 981
Information on meeting the adequacy limit for own funds by the Company in %	*2 806.4*	*3 184.8*

The adequacy limit for own funds of the Company was met at 3 184.8% 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.

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5. Financial Risk Management (Continued)

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.

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 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.

	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	Undiscounted cash flows EUR '000	Carrying amount EUR '000
Assets						
Cash and cash equivalents	76 299	-	-	-	76 299	76 299
Other assets	657	-	-	-	657	657
	76 956	-	-	-	76 956	76 956

	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	Undiscounted cash flows EUR '000	Carrying amount EUR '000
Liabilities						
Trade payables	63	-	-	-	63	63
Bank loan	-	-	-	-	-	-
Other liabilities	72 709		-	-	72 709	72 709
	72 772	-	-	-	72 772	72 772

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

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5. Financial Risk Management (Continued)

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.

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 2018, 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

	2017 EUR '000	2018 EUR '000
Bank accounts – current	24 618	76 299
Cash on hand, stamps and vouchers	0	0
	24 618	76 299

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).

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7. Property, Plant and Equipment

Cost	**Fixtures and fittings EUR '000**
At 1 Jan 2018	49
Additions	63
Transfers	9
Disposals	-
At 31 Dec 2018	121
At 1 Jan 2017	49
Additions	-
Transfers	-
Disposals	-
At 31 Dec 2017	49
Accumulated Depreciation	
At 1 Jan 2018	(38)
Additions	(8)
Transfers	-
Disposals	-
At 31 Dec 2018	(46)
At 1 Jan 2017	(26)
Additions	(12)
Transfers	-
Disposals	-
At 31 Dec 2017	(38)
Carrying amount as at 31 December 2017	11
Carrying amount as at 31 December 2018	75

Items of property, plant and equipment are insured against damage caused by theft and natural disaster up to EUR 78 thousand (2017: EUR 78 thousand).

8. Deferred Tax Asset

	2017 EUR '000	**2018 EUR '000**
Outstanding payables	1	1
Tax loss	132	44
Provisions for liabilities	63	70
	196	115

The deferred tax asset is calculated using the income tax rate of 21%.

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9. Other Assets

	2017 EUR '000	2018 EUR '000
Receivables not overdue or impaired:		
Trade receivables	203	0
Receivables – corporate income tax advances	350	129
SAM investment	138	138
Other receivables	29	1
Subtotal:	720	268
Accrued income	61	375
Other Assets	783	657

In 2017, *trade receivables* comprise a receivable from Slovenský záručný a rozvojový fond, s. r. o. for portfolio management.

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.

10. Bank Loan

	2017 EUR '000	2018 EUR '000
Bank loan	-	-
	-	-

11. Provisions for Liabilities

	2017 EUR '000	2018 EUR '000
Provision for unused vacation days	45	53
Provision for bonuses	269	300
Other provisions for liabilities	27	40
	341	393

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12. Other Liabilities

	2017 EUR '000	2018 EUR '000
Liability from Financing Agreements	20 933	71 781
Liabilities to employees and insurance companies	86	98
Other liabilities	21	22
Deferred income	700	808
Corporate income tax	0	0
Deferred expenses	0	0
	21 740	72 709

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.

In 2017, entrusted funds received from the governing bodies which were not invested until the reporting date are posted in Other liabilities and recognised as part of the “Liability from Financing Agreements”.

Of EUR 20 933 thousand, an amount of EUR 17 633 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), and an amount of EUR 3 100 thousand represents a liability under the Agreement on Financing of the Central Europe Fund of Funds with the Ministry of Finance.

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.

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

	2017 EUR '000	2018 EUR '000
At the beginning of the reporting period	9	8
Creation	4	5
Drawing	(5)	(5)
As at 31 December	8	8

Slovak Investment Holding, a. s.
Notes to the Separate Financial Statements for the Year Ended 31 December 2018

13. Share Capital

	2017 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 2018, 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.

	2017 EUR '000	2018 EUR '000
Profit/(loss) after tax	991	873
Number of shares	300	300
Basic/diluted loss/earnings per share in EUR	3 303	2 910

14. Reserve Funds and Retained Earnings

	Loss 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	873			873
At 31 December 2018	2 121	60	1 500	3 681

	Profit for the reporting period EUR '000	Legal reserve fund EUR '000	Other capital funds EUR '000	Total EUR '000
At 1 January 2017	1 042	30	1 500	2 572
Allotment to the legal reserve fund	(30)	30		0
Payment of dividends + royalties	(355)			(355)
Profit for 2017	991			991
At 31 December 2017	1 648	60	1 500	3 208

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

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(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.

Based on the General Meeting's decision dated 23 May 2018, a dividend of EUR 350 thousand and royalties of EUR 50 thousand were paid.

Based on the General Meeting's decision dated 17 May 2017, the legal reserve fund increased by EUR 30 thousand and royalties of EUR 5 thousand were paid.

Based on the General Meeting's decision dated 22 December 2017, a dividend of EUR 350 thousand was paid.

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.):

	2017	2018
	EUR '000	EUR '000
National Development Fund II., a.s.	2 356	2 777
National Development Fund I., s. r. o.	842	711
	3 198	3 488

16. Other Income

	2017	2018
	EUR '000	EUR '000
Other income	0	0
	0	0

There was no other income generated in 2017 and 2018.

17. Personnel Expenses

	2017	2018
	EUR '000	EUR '000
Wages and salaries (incl. bonuses)	1 042	1 158
Social insurance	380	417
	1 422	1 575

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18. General Administrative Expenses

	2017 EUR '000	2018 EUR '000
Rent	159	131
Legal advisory services	99	238
Travel expenses, training courses and recruitment	37	50
Marketing and advertising expenses	19	33
Telephone and other communication charges	17	17
Material costs	4	3
Audit services	16	24
Training courses	15	5
IT services	16	26
VAT coefficient	57	96
Lease of transportation means	32	28
Transaction, financial and tax advisory	0	106
Other services	32	34
	503	791

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 2018 (2017: Deloitte Audit s.r.o.). Deloitte Audit s. r. o. provided no other services to the Company.

As at 31 December 2018, the Company employed 25 employees (full time) (2017: 22), of which 3 were managers. The full-time equivalent was 24.5 employees (2017: 21).

19. Income Tax

Income tax structure:

	2017 EUR '000	2018 EUR '000
Recognised in profit or loss		
Current income tax of the current year	231	160
Deferred tax (Note 8)	39	81
Total income tax	(270)	(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:

	2017 EUR '000	2018 EUR '000
Profit before taxes	1 261	1 113
Theoretical tax calculated using the tax rate of 21% (2017: 21%)	(264)	(234)
Tax non-deductible expenses – tax effect	(6)	(7)
Non-taxable income – tax effect	-	-
Effect of decrease in corporate income tax rate from 22% to 21 % on deferred tax	-	-
Total	**(270)**	**(241)**

Calculation of the corporate income tax base as at 31 December 2018 and 31 December 2017:

	2017 EUR '000	2018 EUR '000
Loss/profit before taxes	1 261	1 113
+ Items that are not tax-deductible expenses	325	374
- Items not included in the tax base, decreasing the profit/loss before taxes	60	298
Tax base or tax loss	1 526	1 189
Tax loss deduction	(425)	(425)
Tax base decreased by tax-deductible items	1 101	764
Tax rate as per Article 15 (in %) of the Income Tax Act	21	21
Tax	**(231)**	**(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.

a) Shareholder

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

	2017 EUR '000	2018 EUR '000
Assets		
Current bank account	5	5
Liabilities		
Building security	1	1
Provision for lease-related services	20	11
Provision for audit		19
Transactions with the shareholder:		
Rent for non-residential premises and furniture	100	100
Lease-related services and security guards	48	18
Audit	11	24

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

	2017 EUR '000	2018 EUR '000
Deferred income		
Fees	700	808
Revenues		
Revenues from management	2 356	2 776

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

	2017 EUR '000	2018 EUR '000
Accrued income		375
Receivables	203	
Revenues		
Revenues from management	842	711

d) Národný centrálny depozitár cenných papierov

Liabilities	2017 EUR '000	2018 EUR '000
Trade payables	0	1

Expenses	2017 EUR '000	2018 EUR '000
Fees for management and account administration	26	25

e) Ministries

Liability under the Financing Agreement	2017 EUR '000	2018 EUR '000
Ministry of Education of the SR (OP Research and Innovations of the Ministry of Economy of the SR)	17 602	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	3 330	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:

	2017 EUR '000	2018 EUR '000
Monetary income	252	284
In-kind income	-	-
	252	284

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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:

Financial assets	Carrying amount 2018 EUR '000	Fair value 2018 EUR '000	Carrying amount 2017 EUR '000	Fair value 2017 EUR '000
Cash and cash equivalents	76 299	76 299	24 618	24 618
Other assets	657	657	783	783

Financial liabilities	Carrying amount 2018 EUR '000	Fair value 2018 EUR '000	Carrying amount 2017 EUR '000	Fair value 2017 EUR '000
Trade payables	63	63	12	12
Bank loan				
Other liabilities	72 709	72 709	21 740	21 740

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.

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 2018 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.

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 II") 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 August 2017. As at 31 December 2018, the total share capital of SIH amounted to EUR 154 248 thousand (2017: EUR 136 645 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 2018, the total registered capital of NDF I amounted to EUR 107 973 thousand (2017: EUR 117 944 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:

	2017 EUR '000	2018 EUR '000
Ministry of Transport, Construction and Regional Development of the SR (OPII)	35 000	60 619
Ministry of Agriculture and Rural Development of the SR (IROP)	36 282	36 283
Ministry of Economy of the Slovak Republic (governing body – Ministry of Education) (OP R&I)	21 100	38 703
Ministry of Environment of the SR (OP EQ)	27 688	27 688
Ministry of Interior of the Slovak Republic	3 393	3 392
Ministry of Labour, Social Affairs and Family of the Slovak Republic	14 625	14 625
TOTAL	**138 086**	**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:

	2017 EUR '000	2018 EUR '000
Ministry of Finance of the Slovak Republic	117 939	107 969
Other contributions	-	-
TOTAL	**117 939**	**107 969**

24. Events After the Reporting Date

From 31 December 2018 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 30 January 2019, funds were debited from the account of SIH, a. s. kept by the State Treasury as the payment for the subscribed share capital of National Development Fund II, a.s. in the amount of EUR 68 294 725.

On 4 February 2019, the Board of Directors of Slovak Investment Holding, a.s. increased the capital funds in Slovak Asset Management, správ. spol., a. s. in the amount of EUR 95 000.

ATTACHMENTS

Annex no. 2: Annual Compliance Verification Report with Financial Statements

Deloitte.

Deloitte Audit s.r.o.
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Register of the District Court Bratislava I
Section Sro, File 4444/B
Id. Nr.: 31 343 414
VAT Id. Nr.: SK2020325516

Slovak Investment Holding, a. s.
(formerly SZRB Asset Management, a.s.)

SUPPLEMENT TO THE INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT
Pursuant to Act No. 423/2015 Coll., Article 27 (6)

To the Shareholders, Supervisory Board and Board of Directors Slovak Investment Holding, a. s. (formerly SZRB Asset Management, a.s.) and the Audit Committee:

I. We have audited the financial statements of Slovak Investment Holding, a. s. (formerly SZRB Asset Management, a.s.) (the "Company") as at 31 December 2018 presented in Appendix to Annual report of the Company. We issued an Auditor's Report on the Audit of Financial Statements dated 14 March 2019 in the wording as follows:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Slovak Investment Holding, a. s. (formerly SZRB Asset Management, a.s.) (the "Company"), which comprise the separate statement of financial position as at 31 December 2018, 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 2018, 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.

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.

II. Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report – Supplement to the Independent Auditor's 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.

We evaluated whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2018 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

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

Bratislava, 3 April 2019

Ing. Peter Longauer, FCCA
Responsible Auditor
Licence UDVA No. 1136

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

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