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billion CZK

ASSETS UNDER
MANAGEMENT

17

NUMBER OF
PROPERTIES
OWNED

42.5

GWh

GREEN ENERGY
GENERATED

7

FUNDS IN THE
INVESTMENT
PORTFOLIO

18

PEOPLE IN
THE REDSIDE
TEAM





Report of the Board of Directors

| 01

Report of the Board of Directors on the REDSIDE business activities

In Prague, 15 April 2019

Dear Shareholders, Investors and Business Partners,

I am pleased to announce that 2018 has been the most successful year in the history of our Company, both in terms of realized profit, performance and volume of assets in our investment funds.

We managed to fully exploit the still ongoing favorable macroeconomic environment and growing popularity of qualified investor funds among Czech and foreign investors. We were able to maintain the dynamic growth of all major financial indicators, and at the same time, we have achieved a significant progress in terms of scope and quality of services to our investors, including the establishment of a relatively large distribution network within Czech and foreign traders and financial intermediaries.

Since 2013, when we obtained the Czech National Bank's license, the number of self-managed Qualifying Investor Funds (QIFs) has increased from 100 to 250, whereas the volume of funds managed in these structures has increased more than two times. Nothing demonstrates this fact better than development in our investment company REDSIDE. Over the course of our six-year existence, we have increased our revenue from the management of QIFs by hundreds of percent annually, while the volume of non-indebted managed assets in our five open funds has reached almost EUR 420 million.

The potential of the capital market, which focuses on the alternative investment segment, also remains attractive. The inhabitants of Western Europe hold 14% of their savings in capital market investments and only 30% of savings in bank accounts. Households in the Czech Republic hold more than 50% of their savings in bank accounts, despite low interest rates. The structure of the wealth of Czech households thus falls behind the structure of population of Western Europe to the detriment of investment in capital markets, which continues to increase the potential of investment through Czech funds for qualified investors, and thus indirectly the potential of the investment company REDSIDE.

The main focus of our work during 2018 continued to be the management and administration of investment funds of qualified investors. Number of funds under our management at the end of the year amounted to five. All of our funds are

typical open-ended mutual funds or SICAVs with individual sub-funds. We continue to maintain the original idea of collective investment and thus to create and manage large, transparent funds that will be attractive to both Czech individual investors and foreign institutional clients. As a result, at the end of 2018, we managed 9 fund portfolios that focus on a wide range of assets from renewable energy sources, through publicly traded stock titles, real estate, bonds or private equity, with total fund's assets („AUM“) of CZK 6,217,609 thousand.

Within portfolio management, we were, once again, most active in real estate area, which was reflected in an increase of value of „assets under management“ to EUR 247 milion. In addition, acquisition processes are still ongoing, and our primary goal is to expand the existing portfolio with a new type of real estate, i.e. logistics and manufacturing areas, in order to diversify the fund as much as possible.

At the end of 2018, the fund's portfolio consisted of 17 buildings with total net operating income at the level of EUR 16 milion. The retail chain tenancy rate was 99.85%, while the office part tenancy rate was 96.35%. Our goal is to offer investment in the real estate fund as a long-term and conservative investment, mainly for foreign institutional clients. The fund reached a performance of 8.65% in 2018.



We can see a similarly positive situation with our open-ended mutual fund NOVA Green Energy, which in 2018 increased its net asset value to CZK 1.367 billion and reached a net annual performance of 6.36 %. Overall in 2018, the fund NOVA Green Energy fulfilled expectations, which we placed in it as asset managers at the beginning of the year. The year 2019 will also be significant in terms of further investment in biomass processing technologies, which will continue to improve the performance of our assets in the fund NOVA Green Energy.



The portfolio of ARCA OPPORTUNITY fund continued to be a balanced mix of receivables linked to private equity projects within the Arca Capital financial group, Czech qualified investor funds, fixed-rate corporate bonds and publicly traded stock titles in the Central and Eastern Europe. Despite the negative developments in both the equity and bond markets, we managed to hold a positive appreciation at 4.15% of the fund since the beginning of the year, due to a well-constructed asset portfolio, which can be considered a success in the year, when 80% of asset classes fell. From the beginning of its operation, the fund reached almost 50% appreciation. In 2019, we continue to rely on financial titles with strong fundamentals, capable of generating free cash flow combined with a stable dividend policy and undervalued telecommunications companies in the CEE region.

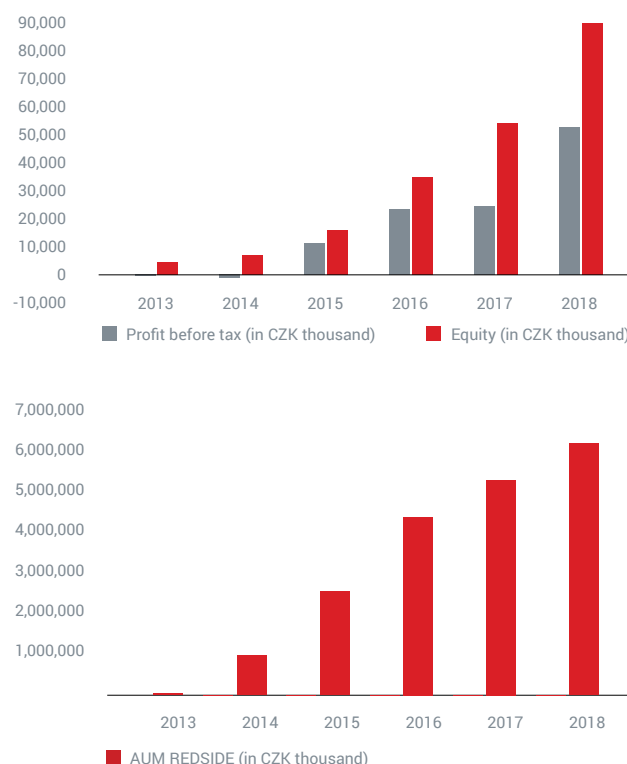
Our youngest fund NOVA Money Market has also established itself successfully on the Czech alternative investment fund market. The success of the project is supported by the volume of funds received from our investors. During the second year of operation of Sub-fund 3 and Sub-fund 4, the total volume of managed assets reached CZK 571,369 thousand, while the performance of Sub-fund 3 and Sub-fund 4 reached 5.98% and 6.48 % respectively (Sub-fund 4 is denominated in the Czech currency). The Sub-fund 1 and Sub-fund 2 continued to fulfill the investment strategy of providing loans to legal entities for a limited number of shareholders in 2018. Both Sub-funds are to be closed in 2019 and remaining assets will be transferred to Sub-funds 3 and 4.

The overall financial position of the Company and the state of its assets

The Company ended 2018 with a profit of CZK 40,636 thousand. The revenues amounted to CZK 96,561 thousand, which represents an increase of 93.37 % compared to 2017.

Revenues were realized mainly as a result of the administration and management of the below mentioned investment funds of qualified investors.

Administrative expenses grew year-on-year by CZK 17,425 thousand to a total amount of CZK 40,367 thousand. The most significant year-on-year increase in administrative costs was due to staff costs, which increased from CZK 12,819 thousand to CZK 19,912 thousand. Other administrative expenses also recorded a significant increase and amounted to CZK 20,455 thousand at the end of the year. Increase of other administrative expense was mainly caused by higher costs for asset management and compliance processes as well as the growth of our core investors' portfolio, which generates, in addition to high distribution costs, an increasing number of transactions, client and regulatory requirements, creating further pressure to increase staffing and technical capacity. Specific and detailed information on the REDSIDE investiční společnost, a.s. provide the annual financial statements for the year 2018.



Other significant events in 2018 and changes realized after the date of preparation of the financial statements

During 2018, an application was submitted to the Czech National Bank for a brokerage license for a company named REDSIDE INVESTMENTS, in order to ensure the distribution of our investment funds as part of closer cooperation with Czech investment intermediaries. As of the date of this Annual Report, this licence has not been issued by the Czech National Bank.

On 29 May 2018, a dividend was paid to the RVR Czech, s.r.o. and Arca Capital Finance Group, a.s. shareholders in the total gross amount of CZK 5,602,800.

There have also been changes in the Company's internal control system, where Mgr. Jan Pivoda was replaced by Mgr. Izabela Zaťková with the effective date of 15 April 2019. The internal audit continues to be carried out by Compflex, s.r.o., to ensure independent and objective performance of the internal controls of the Company.

Expected development in 2019

In 2019, we expect further development of the investment strategy of funds under our management, especially for the real estate type focused on logistics and industrial premises within NOVA Real Estate or for renewable energy sources, especially biogas stations, photovoltaic projects in Hungary or biomass heating plants in Slovakia, with the aim of increasing NOVA Green Energy's fund NAV to EUR 100 million.

In addition to portfolio management, we will continue to increase the overall awareness of our funds and REDSIDE as such. With regard to the submission of an application for a brokerage license, we expect the Czech National Bank to give a favourable resolution, and so during 2019, we would like to start the distribution of our funds, including custody services to our investors through our own broker.



Rudolf Vřešťál

Chairman of the Board of Directors
REDSIDE investiční společnost, a.s.



Ing. Karel Krhovský

Member of the Board of Directors
REDSIDE investiční společnost, a.s.



Company Information

Basic information of the Company

Name:	REDSIDE investiční společnost, a.s.
Registered office:	Prague 1 - Nové Město, V Celnici 1031/4, 110 00
Company identification No.:	242 44 601
LEI:	315700AT346N3I3RWE49
Registered capital:	CZK 8,400,000; fully paid
Share capital:	CZK 87,956 thousand
Licence to operate:	29 April 2013
Internet website:	www.redsidefunds.com

The composition of shareholders with a qualifying holding in the share capital as at 31 December 2018 was as follows:

- RVR Czech, s.r.o., with registered office at Prague 1, V Celnici 1031/4, 110 00, company ID: 243 00 136 represented by the sole shareholder and Statutory Representative Mr. Rudolf Vřešťál
- A direct share of 90.48 %

A description of all personnel connections during the relevant period is part of Appendix no. 1 of this Annual Report.

Auditor of the Company

PricewaterhouseCoopers Audit, s.r.o, with its registered office at Hvězdova 1734 / 2c, Nusle, 140 00 Prague 4, Czech Republic, ID: 40765521, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File 3637, and in the Chamber of Auditors of the Czech Republic under the licence number 021.

Establishment of the Company and licensed activities

REDSIDE Investment Company, a.s. was created on 29 June 2012 by registration in the Commercial Register, while the Company was granted authorization to operate as an investment company within the meaning of the relevant provisions of the Collective Investment Act by the Czech National Bank on 26 April 2013 and became legally effective on 29 April 2013. The Company is authorized to exceed the decisive limit.

Authorized activities pursuant to Act No. 240/2013 Coll., investment companies and investment funds (hereinafter „the Act“) as of 31 December 2018:

- Management and administration of investment funds or foreign investment funds (i.e. activity under § 11/1/a of the Act):
 - qualified investors' funds (with the exception of qualified venture capital funds and qualified funds for social entrepreneurship)
 - foreign investment funds comparable to a qualified investors' funds (with the exception of foreign investment funds comparable to those of qualified venture capital funds and qualified funds for social entrepreneurship)

Statutory bodies of Investment Company as at 31 December 2018

Board of Directors

Rudolf Vřešťál	Chairman of the Board of Directors	CFO
Ing. Karel Krhovský	Member of the Board of Directors	CEO
Ing. Juraj Dvořák	Member of the Board of Directors	CSO

Rudolf Vřešťál

In 2002, Rudolf established and managed successfully the company ASB Group for almost 12 years. This company through its offices in the Czech Republic, Slovakia, Poland and Hungary provides comprehensive advisory services in the areas of corporate governance, accounting, financial reporting and transaction advisory, especially to foreign institutional investors in the CEE region. Rudolf has decided to capitalize on the experience gained in managing foreign investments by establishing the investment company REDSIDE, where he is primarily responsible for the creation and management of investment products, portfolio management and financing of acquisitions.

Ing. Juraj Dvořák

Member of the Board of Directors of Arca Investments and CSO of REDSIDE investiční společnost. Member of the Supervisory Board of Wiener Privatbank AG, partner of DELUVIS SR and DELUVIS CZ with a focus on building a sales network in Slovakia and abroad. He has many years of experience from financial institutions from commercial banks and also private equity sector.

Ing. Karel Krhovský

Karel Krhovský is currently the CEO and Member of the Board of Directors of REDSIDE, where he is directly responsible for managing investment qualified investors funds. Karel started as a project manager in REDSIDE in 2013 and directly participated in the establishment of the Company and obtaining a license from the CNB. Subsequently he underwent various risk and portfolio management positions within REDSIDE to be able to obtain approval from the Czech National Bank for the performance of the position of an executive and member of the Board of Directors in 2017. Prior to joining REDSIDE, Karel worked as a valuation consultant at ASB Appraisal, a company specializing in business valuation. He is a graduate of the University of Economics in Prague, specializing in the valuation of the company and its assets and a participant in the prestigious CFA program (Chartered Financial Analyst).

Supervisory board

Petra Rychnovská	Chairman of the Supervisory Board
Ing. Petr Studnička	Member of the Supervisory Board
Ing. Šárka Burgetová	Member of the Supervisory Board

Petra Rychnovská

Petra is a co-founder, Partner and an executive of Czech payroll team in ASB Group. As a Partner, she is in charge of strategic planning and business development for the entire Group. She is a successful entrepreneur who has more than 17 years of experience in consulting a wide range of clients from different industries. She provides advice to local and international companies on international expansion, investment opportunities and payroll issues. She also has extensive experience in advising real estate clients. Petra actively cooperates with the Association for Foreign Investment (AFI), where she holds the position of Vice Chairman of the Steering Committee and also with the Association for Real Estate Market Development (ARTN).

Ing. Petr Studnička

Petr is Managing Partner of ASB Group and is responsible for corporate strategy, development of new services and business development of ASB Group offices in the Czech Republic, Poland, Hungary and Slovakia. For more than 15 years, Petr has been providing consultancy in the areas of mergers and acquisitions, transactions, structuring of investments and corporate services. He provides comprehensive advisory to international investors on entering the Czech market. Petr works closely with the Czech Private Equity & Venture Capital Association, with the international association INAA Group (International Association of Independent Accounting firms), and as an expert in finance and accounting, works as a mentor in the AI Startup Incubator project.

Ing. Šárka Burgetová

Šárka Burgetová is a graduate of the University of Economics in Prague, majoring in Finance and Accounting. During her studies, she spent a one-year stay in Germany and the USA, also she gained an experience in TPA Audit as a member of the audit team. After graduating she joined audit department of international company KPMG. In KPMG, she worked on position from audit assistant to audit supervisor, where she was in charge of audit teams during financial audits in commercial and industrial businesses. After 5 years in KPMG, she moved as a Reporting and Controlling manager to one of the leading communication agencies in the Czech Republic, McCANN-ERICKSON PRAGUE, which is a part of the McCANN Worldgroup. After 7 years she accepted an offer for a Managing Director from 6K spol. s r.o., which is engaged in the development and sale of accounting software and providing accounting outsourcing. After 6K changed its owner, Šárka decided to continue working with the original owners and took up a new position in Redside, where she is involved in the financial management of both the investment company and all investment funds managed by the Company. During her practice, Šárka also received the ACCA qualification (The Association of Chartered Certified Accountants), which is a globally recognized qualification in financial management, management and accounting.

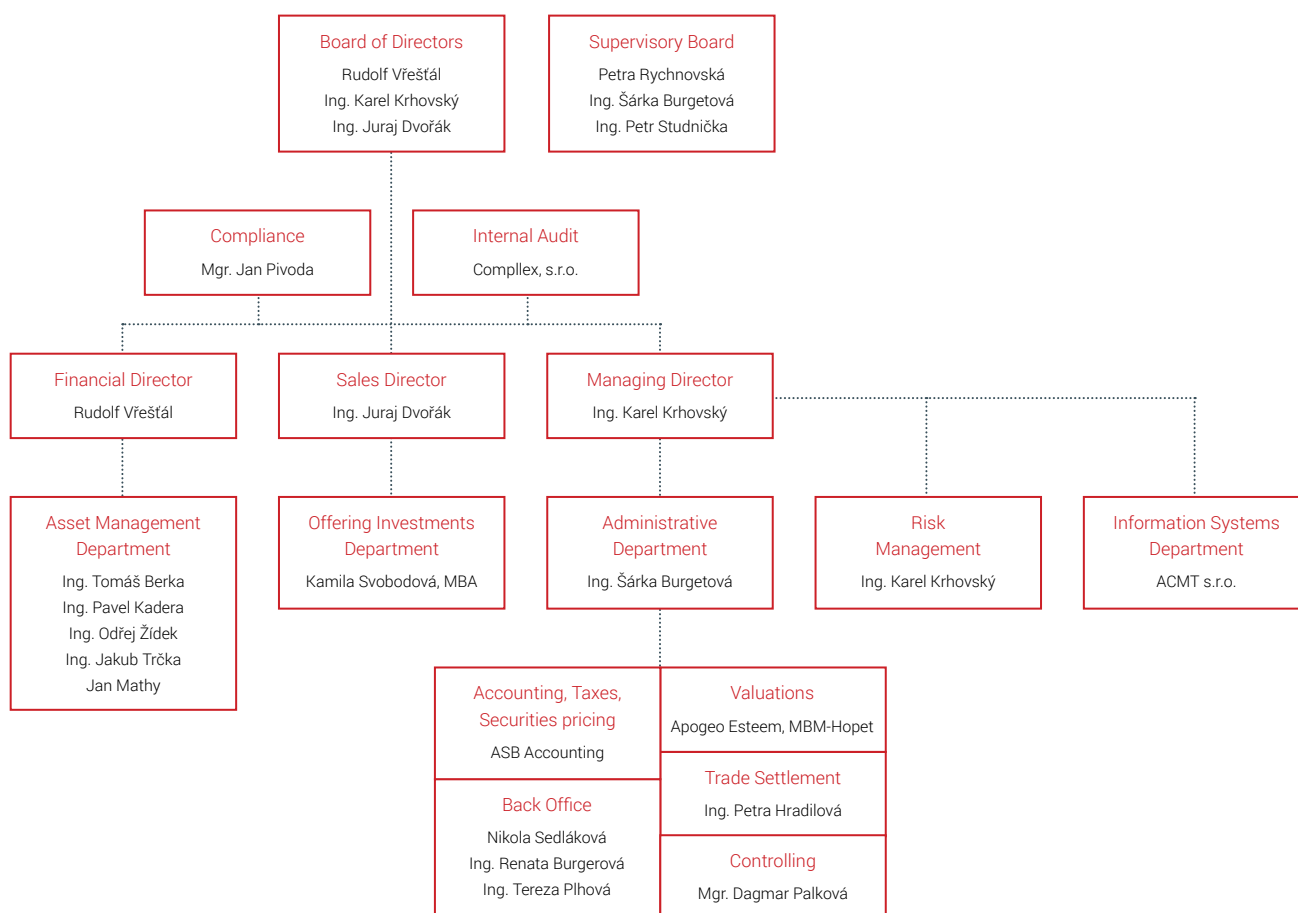
Management portfolio

- Ing. Jakub Trčka (performed his function from 1 January 2018 to 31 December 2018)
- Ing. Tomáš Berka (performed his function from 1 January 2018 to 31 December 2018)
- Ing. Pavel Kadera (performed his function from 1 January 2018 to 31 December 2018)
- Ing. Ondřej Židek (performed his function from 1 January 2018 to 31 December 2018)
- Jan Mathy (performed his function from 1 January 2018 to 31 December 2018)

Internal audit and compliance

Complex, s.r.o. Internal auditor
Mgr. Jan Pivoda Compliance officer

The organizational chart of the Investment Company as at 31 December 2018 is as follows:



Funds under management by the Investment Company in 2018

Pursuant to the management contract or the performance contract, the Company, in accordance with Section 9 (1) of the Act, managed the following investment funds for qualified investors:

Name:	NOVA Real Estate, SICAV, a.s.
Sub-funds:	NOVA Real Estate – podfond 1
Registered office:	Celnici 1031/4, Nové Město, 110 00 Prague 1
Company identification No.:	043 31 869
Date of business license:	20 August 2015
Depository:	UniCredit Bank Czech Republic and Slovakia, a.s.
Investment focus:	Real estate companies, subordinated receivables

Commercial real estate as an investment asset class is considered to be an appropriate tool to diversify the portfolio. Real estate is perceived as a resilient asset preserver providing a stable return for the investor. For acquisition to portfolio of NOVA Real Estate - Sub-Fund 1, premium properties are selected. When assessing the value of transactions, consideration is paid in particular to the length of the lease, the location and the overall condition of the property. These aspects significantly influence the value and potential market liquidity in the future. Sub-Fund 1 primarily invests in the real estate market of the Czech Republic with possible expansion to Central European markets.

Name:	NOVA Green Energy otevřený podílový fond
Registered office:	V Celnici 1031/4, Nové Město, 110 00 Prague 1
NID:	8080238305
Date of business license:	29 January 2013
Depository:	UniCredit Bank Czech Republic and Slovakia, a.s.
Investment focus:	Private equity (energy /renewable energy sources)

NOVA Green Energy is an open-ended mutual fund of qualified investors, which invests in equity investments in small and medium-sized plants (1-4 MW) producing energy from renewable energy sources in the Central and Eastern European region, mainly in the Czech Republic and Slovakia.

Name:	NOVA Hotels otevřený podílový fond
Registered office:	V Celnici 1031/4, Nové Město, 110 00 Prague 1
NID:	8085331680
Date of business license:	18 August 2015
Depository:	Česká spořitelna, a.s.
Investment focus:	Real estate companies / hotel complexes

The investment objective of the Fund is the continuous appreciation of the funds invested by investors of the Fund, mainly through direct or indirect investments in new projects and the development of business plans, especially in the real estate and real estate companies, but not exclusively with the focus on hotel and residential projects

Name:	ARCA OPPORTUNITY, SICAV, a.s.
Sub-funds:	ARCA OPPORTUNITY – podfond 1 ARCA OPPORTUNITY CEE EQUITY – podfond 2
Registered office:	V Celnici 1031/4, Nové Město, 110 00 Prague 1
Company identification No.:	241 99 591
Date of business license:	19 December 2011
Depository:	UniCredit Bank Czech Republic and Slovakia, a.s.
Investment focus:	venture capital, private equity, shares, bonds

The objective of Sub-Fund 1 is to achieve return on the price movement of investments in shares, from dividends, interest income on

fixed income financial instruments, price movement of investments in bonds, bond coupons paid and return on risky investments in receivables. The Sub-Fund 2 focuses primarily on investment in listed companies in the CEE region, incl. Russia, whose shares are underestimated in the market and have the prospect of long-term growth. The fund only invests in the top 10-15 investment tips. Occasionally, the fund may have several short positions.

Name:	NOVA Money Market, SICAV, a.s.
Sub-funds:	NOVA Money Market - podfond 1 NOVA Money Market – podfond 2 NOVA Money Market – podfond 3 NOVA Money Market – podfond 4
Registered office::	V Celnici 1031/4, Nové Město, 110 00 Prague 1
Company identification No.:	04699017
Date of business license:	20 January 2016
Depository:	Česká spořitelna, a.s.
Investment focus:	Corporate securities, targeted loans

The Sub-fund 1 and Sub-fund 2 continued to fulfill the investment strategy of providing loans to legal entities for a limited number of shareholders in 2018. Both Sub-funds are to be closed in 2019 and remaining assets will be transferred to Sub-funds 3 and 4.

Sub-Fund 3 provides targeted short-term and medium-term loans to finance project implemented within the Arca Capital investment group, which are capable to generate sustainable cash-flow paid on a quarterly basis. Among the implemented projects there are mainly investments in private equity, portfolio of defaulted mortgage and consumer loans, participation in bridge financing and others. The Sub-Fund may also acquire other financial assets (bills of exchange, bonds, etc.) and realize opportunistic investments denominated in EUR. The investment strategy of Sub-Fund 4 is the same, except that the investments are denominated in CZK.

Persons in which the Investment Company had more than 10% of the voting rights

The Company holds 100% of all of the registered shares registered in the Commercial Register of NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s., with registered office V Celnici 1031/4, Prague 1 - Nové Město, Company Identification Number: 043 31 869 with effect from 20 August 2015, NOVA Money Market, investiční fond s proměnným základním kapitálem, a.s., with its registered office at V Celnici 1031/4, Prague 1 - Nové Město, Identification Number: 046 990 17 with effect from 20 January 2016 and ARCA OPPORTUNITY, SICAV, a.s. with its registered office in V Celnici 1031/4, Prague 1 - Nové Město, Identification Number: 241 99 591 with effect from 24 May 2017.

Changes in the Commercial Register

Member of the Board of Directors:

Ing. RADEK ŠIROKÝ, date of birth 1 October 1975
Před oborou 100, Hájek u Uhříněvsi, 104 00 Praha 10
Appointed on: 10 June 2014
Membership termination: 1 January 2018
Registered on: 26 October 2016
Deleted on: 13 February 2018

Member of the Board of Directors:

Ing. KAREL KRHOVSKÝ, date of birth 25 July 1987
no. 265, 687 64 Slavkov
Appointed on: 1 January 2018
Registered on: 13 February 2018

Member of the Supervisory Board:

KAREL KRHOVSKÝ, date of birth 25 July 1987
no. 265, 687 64 Slavkov
Appointed on: 30 June 2016
Membership termination: 1 January 2018
Registered on: 23 August 2016
Deleted on: 13 February 2018

Member of the Management Board:

Ing. ŠÁRKA BURGETOVÁ, date of birth 3 February 1975
Teplická 264/52, Střížkov, 190 00 Praha 9
Appointed on: 1 January 2018
Registered on: 3 February 2018

Court and arbitration disputes

During the decisive period, the Investment Company did not have any judicial or arbitration disputes.

Information on the average number of employees

The recalculated average number of employees in the monitored period according to the methodology of the Czech National Bank was 12.

Information on environmental and labour-law activities

The Investment Company fulfills all its legal obligations under labor law and environmental protection legislation.

Information on whether the accounting entity has an organizational unit abroad

Investment Company does not have an organizational unit abroad.

Annex

Annex No.1: Personal interconnection

	Company name	Position	Identification number
Rudolf Vřešťál	ASB Accounting, s.r.o.	Statutory Representative	27215849
	ASB Prague, s.r.o.	Statutory Representative	47902728
	BAZ Czech, a.s.	Chairman of the Board of Directors	28204298
	RVR Czech, s.r.o.	Statutory Representative	24300136
	UnitedData a.s.	Vice Chairman of the Board of Directors	4201094
	TC VENTURES, s.r.o.	Statutory Representative	25777581
	White Express s.r.o.	Statutory Representative	4378059
	Paříkova Property, s.r.o.	Statutory Representative	5481953
	REDSIDE Investments a.s.	Chairman of the Board of Directors	7187939
Ing. Karel Krhovský	REDSIDE Investments a.s.	Member of the Board of Directors	7187939
Ing. Juraj Dvořák	Arca Capital Finance Group, a.s., odštěpný závod	Member of the Board of Directors	6093060
	Deluvis Advisory CZ s.r.o.	Statutory Representative	5719127
	DELUVIS CZ s.r.o.	Statutory Representative	4885473
	Arca Capital Finance Group, a.s.	Member of the Board of Directors	50 108 361
	Arca Investments, a.s.	Member of the Board of Directors	35 975 041
	BHP Tatry, s. r. o.	Statutory Representative	45 948 879
	BLUESIDE, a. s.	Member of the Supervisory Board	50 045 539
	DAMASK Consult s. r. o.	Statutory Representative	46 391 363
	DAMASK Holding s. r. o.	Statutory Representative	47 017 490
	Deluvis Advisory, s. r. o.	Statutory Representative	36 332 267
	DELUVIS s. r. o.	Power of Attorney	35 798 998
	DIAMOND HOTELS SLOVAKIA, s.r.o.	Statutory Representative	35 838 833



Independent auditor's report

to the shareholders of REDSIDE investiční společnost, a.s.

Opinion

We have audited the accompanying financial statements of REDSIDE investiční společnost, a.s., with its registered office at V Celnici 1031/4, Nové Město, Praha 1 ("the Company") prepared in accordance with Czech Accounting Standards, which comprise the statement of financial position as at 31 December 2018, the statements of income and changes in equity for the year then ended, and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, of its financial performance for the year then ended in accordance with Czech Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. 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 Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of the Company is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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

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

In preparing the financial statements, the Board of Directors of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

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**Shareholders of REDSIDE investiční společnost, a.s.
Independent auditor's report**

and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of the Company is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above stated requirements, 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 controls.
- Obtain an understanding of internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Company.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15 April 2019


represented by partner



Petr Kříž

Statutory Auditor, Evidence No. 1140



Financial Statements

REDSIDE investiční společnost, a.s.
V Celnici 1031/4, Nové Město, 110 00 Praha 1
Financial statements as at 31 December 2018

Company identification No.: 242 44 601

Business activity: The activity of an investment company pursuant to Act No. 240/2013 Coll., on Investment Companies and Investment Funds

Date of preparation of the financial statements: 15 April 2019

BALANCE SHEET

As at 31 December 2018

In thousands of CZK	Note	31. 12. 2018	31. 12. 2017
ASSETS			
3. Receivables from banks - repayable on demand	5	55,720	23,545
8. Equity investments with controlling influence	7	4,014	4,014
9. Intangible fixed assets	9	104	158
10. Tangible fixed assets	9	1,204	1,121
11. Other assets	6	13,114	24,964
13. Prepaid expenses and accrued income		33,403	6,818
Total assets		107,559	60,620
LIABILITIES			
4. Other liabilities	10	6,861	4,087
5. Accrued expenses and deferred income		914	-
6. Provisions	11	11,828	3,610
of which: a) taxes		5,740	1,610
b) others		6,088	2,000
8. Share capital – fully paid	12	8,400	8,400
14. Retained earnings from previous periods		38,920	25,612
15. Profit for the accounting period		40,636	18,911
Total liabilities		107,559	60,620
OFF-BALANCE SHEET ITEMS			
Off-balance sheet assets			
15. Assets under management		6,218,231	5,226,092
Total off-balance sheet assets		6,218,231	5,226,092

Total assets of the individual funds under the company management are as follows:

In thousands of CZK	31. 12. 2018	31. 12. 2017
Arca Opportunity (before audit)	763,671	740,183
Arca Opportunity CEE EQUITY – podfond 2 (before audit)	26,171	-
Nova Green Energy	1,380,071	1,204,211
Nova Hotels	924,891	912,508
Nova Real Estate – podfond 1	2,521,777	1,924,483
Nova Money Market – podfond 1 (before audit)	9,308	33,041
Nova Money Market – podfond 2 (before audit)	20,973	15,980
Nova Money Market – podfond 3 (before audit)	131,457	85,011
Nova Money Market – podfond 4 (before audit)	439,912	310,675
Total	6,218,231	5,226,092

The accompanying notes are an integral part of these financial statements.

INCOME STATEMENT

For period from 1 January 2018 till 31 December 2018

In thousands of CZK	Note	2018	2017
1. Interest income and similar income		-	182
4. Fee and commission income	13	96,561	49,935
5. Fee and commission expenses		(79)	(45)
8. Other operating expenses		(116)	(46)
9. Administrative expenses	14	(40,367)	(22,942)
of which: a) personnel expenses		(19,912)	(12,819)
of which: aa) wages and salaries		(15,577)	(9,729)
ab) social and health insurance		(4,335)	(3,090)
b) other administrative expenses		(20,455)	(10,123)
11. Depreciation/amortization, creation and use of provisions and allowances for tangible and intangible fixed assets		(348)	(65)
12. Release of provisions and reserves for receivables, securities and guarantees, income from receivables previously written off		60	-
13. Write-offs, additions and utilisation of allowances and provisions for loans and guarantees		(116)	(1,050)
17. Creation and utilisation of other provisions		(4,088)	(2,000)
19. Profit before tax		51,507	23,969
23. Income tax	15	(10,871)	(5,058)
24. Profit for the accounting period		40,636	(18,911)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

In thousands of CZK	Share capital	Retained earnings	Accumulated losses	Profit	Total
Balance as at 1 January 2017	8,400	8,883	(1,691)	18,421	34,013
Profit transfer	-	18,421	-	(18,421)	-
Profit for the accounting period	-	-	-	18,911	18,911
Balance as at 31 December 2017	8,400	27,303	(1,691)	18,911	52,923
Profit transfer	-	13,308	-	(13,308)	-
Profit for the accounting period	-	-	-	40,636	40,636
Dividends paid	-	-	-	(5,603)	(5,603)
Balance as at 31 December 2018	8,400	40,611	(1,691)	40,636	87,956

The accompanying notes are an integral part of these financial statements.

1. General information

REDSIDE investiční společnost, a.s. (hereinafter „Investment Company“) was registered as at 29 June 2012 under file No. B 18362 in the Commercial Register maintained by the Municipal Court in Prague.

On 13 May 2013, REDSIDE, a.s. changed its name to REDSIDE investiční společnost, a.s., on the basis of a licence to perform activities of an investment company based on Act No 240/2013 Coll., on Investment Companies and Investment Funds (hereinafter referred to as the „Act“), carried out pursuant to the licence of the Czech National Bank dated 26 April 2013, which came into force on 29 April 2013.

The Investment Company's business activity is the management of funds and their administration.

Funds, which are managed by the Investment Company as at 31 December 2018:

- 1) NOVA Green Energy, otevřený podílový fond REDSIDE investiční společnost, a.s.
- 2) ARCA OPPORTUNITY, SICAV, a.s.
- 3) NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.
- 4) NOVA Hotels, otevřený podílový fond REDSIDE investiční společnost, a.s.
- 5) NOVA Money Market, investiční fond s proměnným základním kapitálem, a.s.

The Depositaries of the above-mentioned investment funds, which were managed by the Investment Company as at 31 December 2018, are UniCredit Bank Czech Republic and Slovakia, a.s. and Česká spořitelna, a.s. (hereinafter „Depositary“)

SHAREHOLDERS OF THE INVESTMENT COMPANY AS AT 31 DECEMBER 2018 AND 2017:

Shareholder	Business share	Nuber of shares owned
RVR Czech, s.r.o. Prague 1 - Nové Město, V Celnici 1031/4, 110 00 Identification No.: 243 00 136 Registered: 3.5.2012	90.48% of shares	76 pcs of ordinary registered shares in paper form with a nominal value of CZK 100,000, in total CZK 7,600,000
Arca Capital Finance Group, a.s. SK - Bratislava, Plynárenská 7/A, 821 09 Identification No.: 50 108 361 Registered: 22.12.2015	9.52% of shares	8 pcs ordinary registered shares in paper form with a nominal value of CZK 100,000, in total CZK 800,000

The Investment Company's registered capital amounts to CZK 8,400,000 and is fully paid.

STATUTORY BODIES AT THE BALANCE SHEET DATE

BOARD OF DIRECTORS

Rudolf Vřešťál	Chairman of the Board of Directors	from 29 June 2012
Juraj Dvořák		from 31 July 2014
Karel Krhovský		from 1 January 2018

SUPERVISORY BOARD

Petra Rychnovská	Chairman of the Supervisory Board	from 29 June 2012
Petr Studnička		from 10 June 2014
Šárka Burgetová		from 1 January 2018

COMPANY REPRESENTATION

The Board of Directors governs the Investment Company. A quorum for the Board of Directors is the Chairman and at least one member of the Board of Directors.

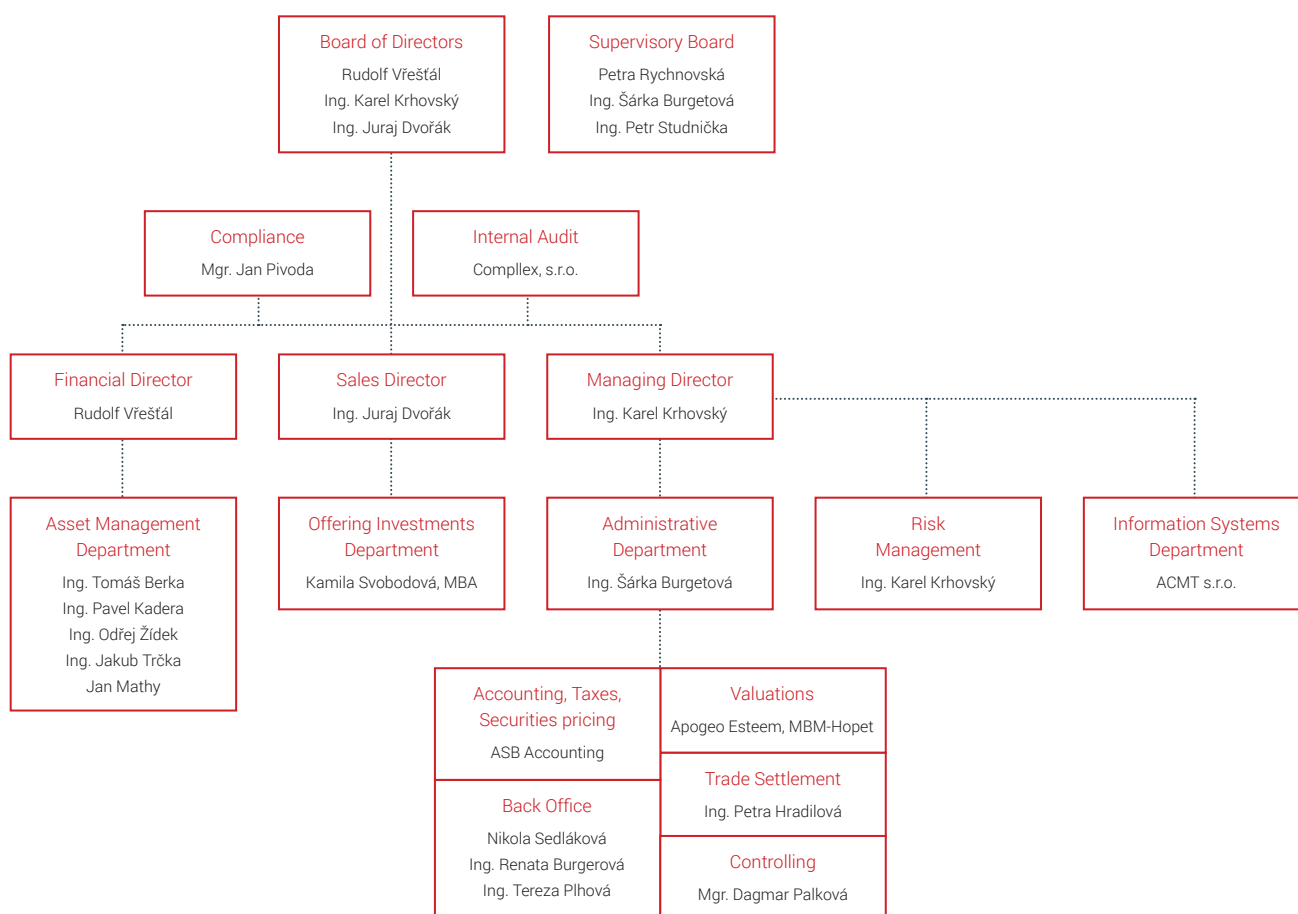
CHANGES IN THE COMMERCIAL REGISTER

Following changes in the Commercial Register were recorded as at 13 February 2018:

- Termination of Board of Directors Membership – Radek Široký
- Registration of Board of Directors Membership – Karel Krhovský
- Termination of Supervisory Board Membership – Karel Krhovský
- Registration of Supervisory Board Membership – Šárka Burgetová

ORGANIZATIONAL STRUCTURE OF THE INVESTMENT COMPANY

The organizational chart of the Investment Company designating individual positions as at 31 December 2018 is as follows:



Personnel occupation of individual positions and outsourced processes is ensured in accordance with the requirements of the Act.

2. Basis for preparation of the financial statements

The financial statements comprising of the balance sheet, income statement, statement of changes in equity and accompanying notes were prepared on the basis of Act No. 563/1991 Coll., On Accounting, as amended, and Decree No. 501/2002 Coll., as amended and Czech Accounting Standards for Financial Institutions.

The financial statements were prepared on accrual basis of accounting and historical cost, except for selected financial instruments measured at fair value.

The financial statements are based on the going concern assumption since there is no fact that would restrict it or prevent it from continuing its activities in the foreseeable future.

These financial statements are not consolidated. All figures are in thousands of CZK unless otherwise stated.

3. Significant accounting methods

The financial statements have been prepared in Czech and in English. In all matters of interpretation of information, views or opinions, the Czech version takes precedence over the English version. The financial statements were prepared in accordance with the following important accounting policies:

(a) The date of transaction recognition

Depending on the type of transaction, investments are recognized on the date of purchase or sale of foreign currency or securities, the payment date, the trade or settlement date of a transactions with securities, foreign exchange, options or other derivatives, the date of issue or acceptance of the guarantee or the loan commitment, the day of taking over the values into custody.

Financial assets and liabilities are recognized when the Investment Company becomes a contractual party of the transaction, thus at the trade date.

The Investment Company shall derecognize a financial asset or part thereof in the balance sheet if it loses control of the contractual rights to that financial asset or part thereof. The Investment Company will lose that control if it exercises the rights to the benefits defined by the contract, these rights cease to exist or it waives these rights.

If the financial liability or part thereof ceases to exist (e.g. by fulfilling or cancelling the obligation defined in the contract or if the obligation defined in the contract expires), the accounting entity will no longer recognize the financial liability or part thereof in the balance sheet. The difference between the carrying amount of the financial liability, or part thereof, that has ceased to exist or has been transferred to another entity and the amount of the relevant debt repaid is charged to the expense or income.

Fair values

Fair value used for the measurement of securities is determined as the market price announced at the measurement date, provided that the accounting entity demonstrates that the security can be sold at the market price.

In the case of publicly traded debt and equity securities, the fair values are equal to the prices observed in the OECD public market, provided the liquidity requirements of the securities are met.

If it is not possible to determine the fair value as the market price (for example, an accounting entity cannot demonstrate that the security can be sold at the market price), the fair value is determined as the adjusted value of the security.

The adjusted value of the security may be equal to:

- The ownership share on the equity of a public limited company, in the case of shares,
- The ownership share on the equity of a mutual fund, in the case of fund units,
- The present value of the future cash flows arising from the security, in the case of debt securities.

(b) Equity interests with controlling and significant influence

Equity interests with controlling influence

Equity interests with controlling influence mean interests in a subsidiary in which the Sub-Fund, de facto or legally, directly or indirectly exercises controlling influence over its management or operations.

Controlling influence is the ability of the Sub-Fund to manage the financial and operational policies of another company, thereby benefiting from its activities.

The Sub-Fund exercises controlling influence whenever it meets at least one of the following conditions:

- a) It is a majority shareholder, or
- b) It has a majority of voting rights on the basis of an agreement entered into with another shareholder or shareholders, or
- c) It may enforce the appointment, election or dismissal of a majority of persons who are a statutory body or a member thereof or a majority of the persons who are members of the supervisory body of the legal entity of which it is a shareholder.

Equity interests with significant influence

Equity interests with significant influence mean interests in an affiliate company that is not a subsidiary and in which the Sub-Fund exercises significant influence.

Significant influence is the ability of the Sub-Fund to participate in the financial and operational policies of another company, but without the ability to exercise controlling influence.

The Sub-Fund exercises significant influence when it has a direct or indirect share of at least 20% of the registered capital or voting rights in another company, and if it does not exercise controlling influence in that company or does not clearly demonstrate that it is not capable of exercising the significant influence. Under a share of less than 20%, no significant influence is assumed unless it factually exists.

Valuation of equity interests

Equity interests with controlling and significant influence are measured at acquisition cost, which includes costs associated with the acquisition (e.g. expert opinions, legal services).

(c) Receivables

Receivables initially incurred by the accounting entity are recognized at their nominal value less allowances. Bad debts are written off when they become barred by the statute of limitation, respectively at the end of the administrative proceedings.

Acquired receivables are recognized at cost, including direct transaction costs (e.g. expert opinions, legal costs).

Trade receivables

Trade receivables are reviewed based on recoverability. On this basis, the Investment Company determines impairment loss for individual receivables. If the Investment Company does not directly write-off a portion of the receivable corresponding to the impairment loss, it forms an allowance for this part of the receivable. Allowances are recognized in „Depreciation/amortization, creation and use of provisions and allowances for receivables and guarantees“ item in the income statement.

The tax-deductible part of the total allowances for loss on receivables for the accounting period is calculated according to the Act No. 593/1992 Coll., On Provisions for Determining the Income Tax Base, as amended.

Write-offs of bad debts are included under „Write-offs, creation and use of allowances and provisions for receivables and guarantees“ in the income statement. In the case of a write-off of a receivable for which an allowance has been set aside in full, the same amount is written-off in the same line item of the income statement. Revenues from previously written-off receivables are recognised in the income statement in the item „Release of allowances and provisions for receivables and guarantees, income from previously written-off receivables“.

(d) Provisions

Provision represents probable fulfilment of an obligation, with uncertain timing and amount. The provision is charged to the expenses at the best estimate of the resource outflow necessary to settle the existing obligation.

A provision is created if the following criteria are met:

- a) There is an obligation (legal or constructive) to fulfil as a result of past events,
- b) It is probable or certain that the fulfilment will occur and that it will require an outflow of resources representing economic benefits; where „probable“ means a probability of more than 50%,
- c) The amount of such fulfilment can be reliably estimated.

(e) Foreign currency translation

Transactions denominated in foreign currency are recognised in local currency, translated at the exchange rate announced by the Czech National Bank on the date of the transaction or on the date of the accounting event.

Assets and liabilities denominated in foreign currency are translated to the domestic currency at the rate announced by the Czech National Bank as at the balance sheet date. The resulting profit or loss on the translation of assets and liabilities denominated in foreign currency is recognized in the income statement as „Profit or loss on financial operations“.

(f) Value added tax

The Investment Company is a registered Value Added Tax (“VAT”) payer.

(g) Taxation**Current tax**

The tax base for income tax is calculated from the profit before tax for the current period by adding non-deductible expenses, deducting tax free income and adjusting for tax rebates and possible credits.

Deferred tax

Deferred tax is based on all temporary differences between the carrying amount and the tax value of assets and liabilities using the expected tax rate applicable for the subsequent period. A deferred tax asset is recognized only if there is no doubt about its use in subsequent accounting periods.

For the calculation of deferred tax, the enacted tax rate is used for the period in which the company expects to realize it.

(h) Related parties

A party is related to the Investment Company when the following conditions are met:

- a) The party
 - (i) controls or jointly controls the Investment Company;
 - (ii) has significant influence in the Investment Company; or
 - (iii) is a member of the key management of the Investment Company.
- b) the party is an affiliate company of the Investment Company.
- c) the party is a joint venture in which the Investment Company is a joint venturer
- d) the party is a member of the key management of the Investment Company
- e) the party is a close member of the family of an individual defined under a) or d)
- f) the party is an accounting entity that is controlled, jointly controlled or it is under a direct or indirect significant influence of any individual under d) or e) or such an individual has significant voting rights in that party, directly or indirectly; or
- g) the party is a post-employment benefit plan for employees of the accounting entity that is related to the Investment Company.

Related party transactions mean the transfer of resources, services or obligations between the Investment Company and the related party, regardless of whether any price is charged.

(i) Cash and cash equivalent

Cash consists exclusively of current accounts with banks. The Investment Company does not have any cash equivalents.

(j) Interest income and expense

Interest income and expense are recognized by the Investment Company on the basis of interest on bank balances and provided loans.

(k) Fee and commission income

Fees and commissions are recognized on an accrual basis at the date of service. Fees and commissions for the negotiation of a transaction for a third party or a share in that negotiation are recognized when the transaction to which they relate is completed. Asset management, administration fees and advisory fees are recognized on an accrual basis under contracts on provision of these services.

(l) Tangible and intangible fixed assets

Tangible fixed assets comprise fixed assets with an estimated useful life longer than one year and an acquisition cost greater than CZK 40 thousand.

Tangible fixed assets are initially recognised at cost, which includes all costs related to its acquisition. Internally generated fixed assets are capitalised at cost. Costs for technical improvements of tangible fixed assets over CZK 40 thousand increase the asset's acquisition cost. Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred.

Equipment with a useful life longer than one year is included in tangible fixed assets if its value exceeds CZK 40 thousand.

Impairment provisions represent an unexpected impairment of an asset.

Interest on loans and borrowings received for the acquisition of tangible fixed assets is expended and does not increase the acquisition cost of assets.

Acquisition cost of tangible and intangible fixed assets, with the exception of land and assets under construction, is amortized applying the straight-line method over their estimated useful lives as follows:

Asset type	Depreciation method (straight-line, accelerated, annuity)	Number of years
Equipment	Straight-line	2-8 years
Software	Straight-line	3 years

(m) Personnel expenses and pension insurance

Personnel expenses are part of the administrative expenses and include remuneration of members of the Board of Directors and the Supervisory Board.

The Investment Company currently does not provide any pension insurance for its employees.

(n) Items from a different accounting period and changes in accounting methods

Items from a different accounting period than that for which they are attributable for accounting purposes and changes in accounting methods are recognized as income or expense in the income statement of the current period, except for correction of fundamental errors in the income and expenses of previous periods that are recognized in the item „Retained earnings from previous periods“ in the Investment Company's balance sheet.

(o) Subsequent events

The effect of events that occurred between the balance sheet date and the date of preparation of the financial statements is recognized in the financial statements, if these events provide additional evidence of the conditions that existed at the balance sheet date.

In the case that significant events occurred between the balance sheet date and the date of preparation of the financial statements, which take into account the conditions that took place after the balance sheet date, the effects of those events are disclosed in the Notes to the Financial Statements, but they are not themselves recognized in the financial statements.

4. Changes in accounting policies

There were no changes in accounting policies in the current accounting period.

5. Receivables from banks

In thousands of CZK	31. 12. 2018	31. 12. 2017
Current bank accounts	55,720	23,545
Net carrying value of receivables from banks	55,720	23,545

6. Other assets**Receivables from funds**

In thousands of CZK	31. 12. 2018	31. 12. 2017
Receivables from the funds – management fee	12,579	25,522
Receivables from the funds – loans	266	116
Total receivables from funds	12,845	25,638
Allowance	(1,106)	(1,050)
Net carrying value of receivables from funds	11,739	24,588

At 31.12.2018 the Investment Company recognized an allowance for receivables from the Virtus Fund of CZK 1,106 thousand. The Virtus fund is not administered by the Investment Company as at 31.12.2018.

Other receivables

In thousands of CZK	31. 12. 2018	31. 12. 2017
Advances and prepayments	1,110	118
Deferred tax asset	104	-
Other receivables	161	258
Net carrying value of other receivables	1,375	376

7. Equity investments with significant and controlling influence

Equity interests with controlling influence

In thousands of CZK
As at 31 December 2018

Company name	Business activity	Registered capital	Share in the equity	Share of voting rights	Carrying amount
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.	collective investment	2,000	100 %	100 %	2,000
Nova Money Market, investiční fond s proměnným základním kapitálem, a.s.	collective investment	2,000	100 %	100 %	2,000
ARCA OPPORTUNITY, SICAV, a.s.	collective investment	10	100 %	100 %	14
Carrying amount		4,010			4,014

In thousands of CZK
As at 31 December 2017

Company name	Business activity	Registered capital	Share in the equity	Share of voting rights	Carrying amount
NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s.	collective investment	2,000	100 %	100 %	2,000
Nova Money Market, investiční fond s proměnným základním kapitálem, a.s.	collective investment	2,000	100 %	100 %	2,000
ARCA OPPORTUNITY, SICAV, a.s.	collective investment	10	100 %	100 %	14
Carrying amount		4,010			4,014

All above listed companies have their registered office at V Celnici 1031/4, 110 00 Prague 1.

8. Related party transactions

In thousands of CZK	2018	2017
Assets		
Other assets	12,712	25,896
Prepaid expenses and accrued income	33,252	6,733
Income		
Fee and commission income from managed funds	96,561	47,839
Expense		
Administrative expenses – other	4,743	4,233

9. Tangible and intangible fixed assets

Intangible fixed assets

Acquisition cost

In thousands of CZK	Opening balance	Additions	Disposals	Transfers	Closing balance
Software	714	-	-	-	714
Total 2018	714	-	-	-	714
Software	552	162	-	-	714
Total 2017	552	162	-	-	714

Accumulated amortisation and impairment

In thousands of CZK	Opening balance	Additions	Disposals	Transfers	Closing balance	Accumulated depreciation	Carrying value
Software	(556)	(54)	-	-	(610)	-	104
Total 2018	(556)	(54)	-	-	(610)	-	104
Software	(545)	(11)	-	-	(556)	-	158
Total 2017	(545)	(11)	-	-	(556)	-	158

Operating tangible fixed assets

Acquisition cost

In thousands of CZK	Opening balance	Additions	Disposals	Transfers	Closing balance
Non-depreciable operating tangible fixed assets – Paintings	78	-	-	-	78
Depreciable operating tangible fixed assets – Equipment	1,381	377	-	-	1,758
Total 2018	1,459	377	-	-	1,836
Non-depreciable operating tangible fixed assets – Paintings	78	-	-	-	78
Depreciable operating tangible fixed assets – Equipment	277	1,104	-	-	1,381
Total 2017	355	1,104	-	-	1,459

Accumulated amortisation and impairment

In thousands of CZK	Opening balance	Additions	Disposals	Transfers	Closing balance	Accumulated depreciation	Carrying value
Non-depreciable operating tangible fixed assets – Paintings	-	-	-	-	-	-	78
Depreciable operating tangible fixed assets - Equipment	(338)	(294)	-	-	(632)	-	1,126
Total 2018	(338)	(294)	-	-	(632)	-	1,204
Non-depreciable operating tangible fixed assets – Paintings	-	-	-	-	-	-	78
Depreciable operating tangible fixed assets - Equipment	(284)	(54)	-	-	(338)	-	1,043
Total 2017	(284)	(54)	-	-	(338)	-	1,121

Depreciation/amortization of tangible and intangible fixed assets

In thousands of CZK	31. 12. 2018	31. 12. 2017
Depreciation of tangible fixed assets	294	54
Amortization of intangible fixed assets	54	11
Total depreciation/amortization	348	65

10. Other liabilities

In thousands of CZK	31. 12. 2018	31. 12. 2017
Trade payables and other creditors	1,078	1,310
Liabilities to employees	2,367	752
Social security and health insurance costs	638	340
State – tax liabilities	681	154
Estimated payables	2,097	1,319
Deferred tax liability	-	212
Total other liabilities	6,861	4,087

11. Provisions**Income tax provision**

In thousands of CZK	2018	2017
As at 1 January	4,832	4,378
Additions to provision in the amount of expected tax	10,640	4,832
Utilisation of tax provision	(4,832)	(4,378)
As at 31 December	10,640	4,832

The provision for income tax created in 2018 was netted off with advances for income tax of CZK 4,900 ths., i.e. CZK 5,740 ths. (2017: CZK 1,610 - provision CZK 4,832 ths. minus advances paid in the amount of CZK 3,222 ths.).

Other provisions - bonuses

In thousands of CZK	2018	2017
As at 1 January	2,000	-
Creation of provision	6,088	2,000
Utilisation of provision	(2,000)	-
As at 31 December	6,088	2,000

12. Equity and profit distribution**Registered capital**

Registered capital in amount of CZK 8,400 ths was on 31.12.2018 and 2017 fully paid.

Profit distribution

Net profit of CZK 40,636 ths. for 2018 is proposed to cover loss from previous years in the amount of CZK 1,691 ths. and the remaining balance, i.e. CZK 38,945 ths. is proposed to be transferred to retained earnings.

13. Fee and commission income

In thousands of CZK	2018	2017
Asset management fees	68,375	47,839
Performance fee for funds administration	28,186	2,096
Total fee and commission income	96,561	49,935

14. Administrative expenses

In thousands of CZK	2018	2017
Personnel expenses	19,912	12,819
Cost of legal and tax advice	193	386
Statutory auditor fees (statutory audit of annual report)	162	324
Cost of accounting services	4,642	2,889
Rent incl. services	6,150	1,343
Other administrative expenses	9,308	5,181
Total administrative expenses	40,367	22,942

Personnel expenses analysis:

Personnel expenses

In thousands of CZK	2018	2017
Wages and bonuses of members of the Board of Directors	4,822	1,920
Other wages, personnel costs and employee bonuses	10,755	7,809
Social costs and health insurance	4,335	3,090
Total personnel expenses	19,912	12,819

No remuneration was paid to members of the Supervisory Board in 2017 and 2018. Remuneration of the members of the Board of Directors consists of variable and fixed component. While the variable component depends on the profits of the company.

Staff statistics

	2018	2017
Average number of employees	12	11
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	3	3

15. Income Tax

The tax expense includes:

In thousands of CZK	2018	2017
Current tax expense	11,186	4,832
Deferred tax income (+)/ expense (-)	(315)	226
Total tax expense	10,871	5,058

Current tax was calculated as follows:

In thousands of CZK	2018	2017
Profit before tax	51,507	23,969
Non-deductible expenses	6,963	1,535
Amounts decreasing tax base	(2,439)	(70)
Deduction of gifts granted	(28)	-
Tax base	56,003	25,434
Current income tax rate of 19%	10,640	4,832

16. Financial risks

a) Strategy of using financial instruments

The Investment Company is exposed to market risks arising from open positions of transactions with interest rate instruments that are sensitive to changes in financial market conditions. Until now, the Investment Company has deposited its funds to current accounts with banks.

Taking into account maturity of its current and expected liabilities in the near future and amount of currently available resources, the Investment Company did not choose other forms of investment to control the volatility of cash flows needed to close market positions.

b) Liquidity risk

Residual due amount of assets and liabilities of the Investment Company

In thousands of CZK	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified	Total
As at 31 December 2018						
Receivables from banks	55,720	-	-	-	-	55,720
Tangible and intangible fixed assets	-	-	-	-	1,308	1,308
Equity investments with controlling influence	-	-	-	-	4,014	4,014
Other assets	13,114	-	-	-	-	13,114
Prepaid expenses and accrued income	33,403	-	-	-	-	33,403
Total	102,237	-	-	-	5,322	107,559
Other liabilities	6,861	-	-	-	-	6,861
Accrued expenses and deferred income	914	-	-	-	-	914
Provisions	-	11,828	-	-	-	11,828
Equity	-	-	-	-	87,956	87,956
Total	7,775	11,828	-	-	87,956	107,559
Gap	94,462	(11,828)	-	-	(82,634)	-
Cumulative gap	94,462	82,634	82,634	82,634	-	-

In thousands of CZK	Within 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Not specified	Total
As at 31 December 2017						
Receivables from banks	23,545	-	-	-	-	23,545
Tangible and intangible fixed assets	-	-	-	-	1,279	1,279
Equity investments with controlling influence	-	-	-	-	4,014	4,014
Other assets	24,964	-	-	-	-	24,964
Prepaid expenses and accrued income	6,818	-	-	-	-	6,818
Total	55,327	-	-	-	5,293	60,620
Other liabilities	4,087	-	-	-	-	4,087
Provisions	-	3,610	-	-	-	3,610
Equity	-	-	-	-	52,923	52,923
Total	4,087	3,610	-	-	52,923	60,620
Gap	51,240	(3,610)	-	-	(47,630)	-
Cumulative gap	51,240	47,630	47,630	47,630	-	-

c) Interest rate risk

The Investment Company recognizes no interest-bearing receivables. Interest rate risk is considered as insignificant.

d) Foreign currency risk

The Investment Company exposure to foreign currency risk is minimal. Almost 100 percent of its transactions are denominated in local currency.

17. Subsequent events

No significant events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2018.

Approval

The financial statements were approved by the Board of Directors and were signed on its behalf.

The financial statements
were prepared on:

15 April 2019

Stamp and signature of the
statutory body:

Person responsible
for accounting

Name and signature:

Person responsible
for the financial statements

Name and signature:



Rudolf Vřešťál
Chairman of the Board of
Directors



Karel Krhovský
Managing Director



Rudolf Vřešťál
Financial Director

Phone no.: 222 500 758

Phone no.: 224 931 360



Karel Krhovský
Member of the Board of Directors



Report on Relations

Report on relations

between the Controlling Party and the Controlled Party and between the Controlled Party and the Parties Controlled by the same Controlling Party pursuant to Section 82 of Act No. 90/2012 Coll., the Business Corporations Act, as amended

Introductory Provisions

1. The relevant period

This report is prepared for the accounting period from 1 January 2018 to 31 December 2018 (hereinafter referred to as „the reporting period“ or „reference period“).

2. Company name and registered office

REDSIDE investiční společnost, a.s., with its registered office at Prague 1 - Nové Město, V Celnici 1031/4, 110 00, Company ID: 242 44 601, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 18362, (hereinafter referred to as „REDSIDE investiční společnost, a.s.“ or „Controlled Party“)

3. Statutory body

The statutory body of the Company at the end of the reporting period was the Board of Directors consisting of the following members:

Rudolf Vřešťál, born 22.2.1977, Prague 3, Žižkov, Prokopova 2849 / 2a, 130 00 - Chairman of the Board of Directors.

Ing. Karel Krhovský, born 25.7.1987, No. 265, 687 64 Slavkov – Member of the Board of Directors.

Ing. Juraj Dvořák, born 10.11.1979, Bratislava, Bradáčová 6, 851 02, Slovak Republic - Member of the Board of Directors.

4. Shareholders and Shares

At the end of the reporting period, the shareholders were:

RVR Czech, s.r.o., with its registered office at Prague 1, V Celnici 1031/4, 110 00, Company ID: 243 00 136, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 194393 (hereinafter referred to as „RVR Czech, s.r.o.“) - a shareholder owning 76 pieces of ordinary registered shares in paper form with a nominal value of CZK 100,000.

Arca Capital Finance Group, a.s., with its registered office at Plynárenská 7/A, 821 09 Bratislava, Slovak Republic, Company ID: 50 108 361, registered in the Commercial Register maintained by the District Court Bratislava I., Section Sa, Insert 6297/B – shareholder owning 8 pieces of ordinary registered shares in paper form at a nominal value of CZK 100,000 (not registered in the Commercial Register as at the date of signature of the report).

I. Related parties

1. Controlling Parties

RVR Czech, s.r.o., with its registered office in Prague 1, V Celnici 1031/4, 110 00, Company ID: 243 00 136, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 194393

The legal reason for considering the relationship as the relationship between the Controlling and the Controlled Party is that RVR Czech, s.r.o. was the majority shareholder of REDSIDE investiční společnost, a.s. in the reference period.

Rudolf Vřešťál, born 22.2.1977, Prague 3, Žižkov, Prokopova 2849/2a, 130 00 (hereinafter referred to as „Rudolf Vřešťál“)

This relationship is considered as the relationship between the Controlling and the Controlled Party, given that Rudolf Vřešťál was the sole shareholder of RVR Czech, s.r.o. in the reporting period and through RVR Czech, s.r.o. could have an indirect influence on the Controlled Party.

2. Parties Controlled by the same Controlling Party (also referred to as „Related Parties“)

Related parties in the reporting period were:

BAZ Czech, a.s., with its registered office in Prague 1, V Celnici 1031/4, 110 00, Company ID: 282 04 298, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 13047 (hereinafter „BAZ Czech, a.s.“)

The relationship between the Controlled Party and BAZ Czech, a.s. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period.

BFD Czech, a.s., with its registered office in Prague 1, Karolíny Světlé 303, 110 00, Company ID: 276 17 947, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 11234 (hereinafter „BFD Czech, a.s.“)

The relationship between the Controlled Party and BFD Czech, a.s. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Prague, s.r.o., which owns 100 % of shares of BFD Czech, a.s.

ASB Poland Sp. z o.o., with its registered office at Złota 59, Warsaw, Republic of Poland, KRS number: 0000296560 (hereinafter referred to as „ASB Poland Sp. z o.o.“)

The relationship between the Controlled Party and ASB Poland Sp. z o.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Poland Sp. z o.o., whose sole shareholder was BAZ Czech, a.s. in the reference period.

ASB Poland SC Sp. z o.o., with its registered office at Złota 59, Warsaw, Republic of Poland, KRS number: 0000300061 (hereinafter referred to as „ASB Poland SC Sp. z o.o.“)

The relationship between the Controlled Party and ASB Poland SC Sp. z o.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Poland SC Sp. z o.o., whose majority shareholder was BAZ Czech, a.s. in the reference period.

ASB Prague, s.r.o., with its registered office at V Celnici 1031/4, Prague 1, 110 00, Company ID: 479 02 728, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 54606 (hereinafter referred to as „ASB Prague, s.r.o.“)

The relationship between the Controlled Party and ASB Prague, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period the only shareholder of ASB Prague, s.r.o. was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Prague, s.r.o.

ASB Accounting, s.r.o., with its registered office at V Celnici 1031/4, Prague 1, 110 00, Company ID: 272 15 849, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 105100 (hereinafter referred to as „ASB Accounting, s.r.o.“)

The relationship between the Controlled Party and ASB Accounting, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period the only shareholder of ASB Accounting, s.r.o. was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Accounting, s.r.o.

ASB Slovakia, s.r.o., with its registered office in Laurinská 18, 811 01 Bratislava, Company ID: 366 65 061, registered in the Commercial Register maintained by the District Court Bratislava I, Section Sro, Insert 41924 / B (hereinafter referred to as „ASB Slovakia, s.r.o.”)

The relationship between the Controlled Party and ASB Slovakia, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that BAZ Czech, a.s. was a majority shareholder of ASB Slovakia, s.r.o. in the reference period, whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Slovakia, s.r.o.

ASB Czech SC, s.r.o., with its registered office at V Celnici 1031/4, Prague 1, 110 00, Company ID: 242 01 235, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 188113 (hereinafter referred to as „ASB Czech SC, s.r.o.”)

The relationship between the Controlled Party and ASB Czech SC, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period the only shareholder of ASB Czech SC, s.r.o. was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on ASB Czech SC, s.r.o.

ARCA OPPORTUNITY, SICAV, a.s., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 241 99 591, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 17785 (hereinafter referred to „ARCA OPPORTUNITY”)

The relationship between the Controlled Party and ARCA OPPORTUNITY is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, due to the fact that the Controlled Party is a member of the key management of ARCA OPPORTUNITY, specifically the only member of the Board of Directors.

Hunter ASB s.r.o., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 030 62 252 registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File 226847 (hereinafter referred to as „Hunter ASB”)

The relationship between the Controlled Party and Hunter ASB is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period a shareholder of Hunter ASB was BAZ Czech, a.s. with a 50% business share, whereas Rudolf Vřešťál as a Controlling Party held 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on Hunter ASB.

Paříkova Property, s.r.o., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 054 81 953, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 264411 (hereinafter referred to as „Paříkova Property”)

The relationship between the Controlled Party and Paříkova Property is considered as a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that during the reference period a shareholder of Paříkova Property was BAZ Czech, a.s., whereas Rudolf Vřešťál as a Controlling Party owned 50% of the shares in BAZ Czech, a.s. in the reference period and as a Controlling Party could also exercise indirect influence on Paříkova Property.

TC VENTURES, s.r.o., with its registered office at Krásava 1027, 130 00 Prague 3, Company ID: 257 77 581, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 69330 (hereinafter referred to as „TC VENTURES”)

The relationship between the Controlled Party and TC VENTURES, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party was an executive director and also owned 50% of the company in the reference period.

White Express s.r.o., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Praha 1, Company ID: 043 78 059, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 246673 (hereinafter referred to as „White Express”)

The relationship between the Controlled Party and White Express, s.r.o. is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that Rudolf Vřešťál as a Controlling Party was an executive director and also owned 100% of the company in the reference period.

NOVA Real Estate, investiční fond s proměnným základním kapitálem, a.s., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 043 31 869, maintained by the Municipal Court in Prague, Section B, Insert 20886 (hereinafter referred to as „NOVA Real Estate“)

The relationship between the Controlled Party and NOVA Real Estate is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, due to the fact that the Controlling Party is a member of the NOVA Real Estate key management, specifically the Statutory Director.

NOVA Hotels, otevřený podílový fond, with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1 (hereinafter referred to as „NOVA Hotels“)

The relationship between the Controlled Party and NOVA Hotels is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party in view of the fact that the Controlled Party is a member of the key management of NOVA Hotels, as the Fund Manager and Administrator.

NOVA Green Energy, otevřený podílový fond, with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1 (hereinafter referred to as „NOVA Green Energy“)

The relationship between the Controlled Party and NOVA Green Energy is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party in view of the fact that the Controlled Party is a member of the key management of NOVA Green Energy, as the Fund Manager and Administrator.

NOVA Money Market, investiční fond s proměnným základním kapitálem, a.s., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 046 99 017 (hereinafter referred to as „NOVA Money Market“)

The relationship between the Controlled Party and NOVA Money Market is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, due to the fact that the sole shareholder of a Controlling Party is a member of the key management NOVA Money Market, as a Statutory Director.

REDSIDE Investments, a.s., with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, Company ID: 071 87 939 (hereinafter referred to as „REDSIDE Investments“)

The relationship between the Controlled Party and REDSIDE Investments is considered to be a relationship between the Controlled Party and a Party Controlled by the same Controlling Party, given that the sole shareholder of REDSIDE Investments in the reference period was RVR Czech, s.r.o., and therefore, Mr. Rudolf Vřešťál through RVR Czech, s.r.o., as a sole owner of the company, could have an indirect influence on the Controlled Party.

3. Relationship between the Controlling Parties and the Controlled Party

a) Capital connection

The Controlling Party RVR Czech, s.r.o. owns 90.48% of the Controlled Party shares and Rudolf Vřešťál owns 100% of the shares in RVR Czech, s.r.o.

b) Personal connection

The Controlled Party and the Controlling Party are also connected personally, whereas Rudolf Vřešťál is Chairman of the Board of Directors in the Controlled Party and an Executive and the sole shareholder in RVR Czech, s.r.o.

II. Contracts and Agreements concluded between the Controlled Party and the Controlling Parties or the Related Parties, and provided performance

In the reporting period, the following contracts were effective between the Controlling Parties and the Controlled Party or between the Controlled Party and the Related Parties:

- Agreement on the provision of accounting services and the keeping of tax records of 1.1.2015 between the Controlled Party as the client and ASB Accounting, s.r.o. as the contractor;
- Amendment #1 dated 1.10.2015 to the agreement on the provision of accounting services and the keeping of tax records of 1.1.2015 between the Controlled Party as the client and ASB Accounting, s.r.o.
- Contract on the performance of the function of the individual statutory body of the joint stock company dated 3.11.2014 between the Controlled Party as an individual statutory body and ARCA OPPORTUNITY (a Related Party).
- Contract on the performance of the function of the individual statutory body of the joint stock company between the Controlled Party as an individual statutory body and NOVA Real Estate, SICAV, a.s. (a Related Party).
- Contract on the performance of the function of the individual statutory body of the joint stock company between the Controlled Party as an individual statutory body and NOVA Money Market, SICAV, a.s. (a Related Party).

III. Legal acts made in the reporting period that were made at the instigation of or in the interest of the Controlling Parties or the Related Parties, if such an act concerned assets exceeding 10% of the company's equity of Controlled Parties ascertained according to the latest financial statements

In the reference period, the Controlled Party did not, at the instigation or in the interest of the Controlling Parties or the Related Parties, carry out any transactions in respect of assets that exceed 10% of the Company's Controlled capital, as determined by the latest financial statements.

IV. Confidentiality of information

In the context of relevant persons, information or documents are considered confidential if they form part of the trade secret of the Controlling Parties, the Controlled Parties and the Related Parties, as well as if trade information could, itself or in connection with other materials of a confidential nature, cause harm to any from relevant persons.

The Report of the Statutory Body does not contain specific detailed content of the Contracts and Agreements with respect to the fact that such data are considered confidential in the business of participating parties.

V. Conclusion

1. In the reference period the Controlled Party has not been subjected to any material or financial detriment by the Controlling Parties or the Related Parties as a result of contractual relations with the Controlling Parties or the Related Parties or any other legal acts or other actions taken or received in the interest or at the instigation of the Controlling Parties or the Related Parties.

2. The Board of Directors of the Controlled Party acting with due managerial care hereby declares, that only the Controlling Parties and other related parties mentioned in section 2. of this report are known to the Board.

3. The Board of Directors of the Controlled Party further declares that this report is to the best of its knowledge and conscience true and that it did not conceal any essential facts which are known to it and which, by law, should be the content of this report.

Prague, 15 April 2019



Rudolf Vřešťál,
Chairman of the Board of Directors



Ing. Karel Krhovský,
Member of the Board of Directors