**This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak, and all due care has been taken to ensure that it is an accurate representation. However, in interpreting information, views or opinions, the original language version of the financial statements takes precedence**

## INFORMATION ABOUT THE ACCOUNTING ENTITY

**1. Establishment of the Company**
ISI group s. r. o. (hereinafter referred to as "the Company") was established on 10. September 2007 and was registered in the Commercial Register on 2. October 2007 (Commercial Register of the District Court Bratislava I in Bratislava, Section s.r.o, file 48184/B).

**2. The principal activities of the Company comprise:**

- purchase of goods in order to sell it to final consumer (retail) or
- purchase of goods to sale to other operators for another sale (wholesale)
- intermediary activity in area of business, production and services
- publishing
- marketing
- market and public opinion research
- management of accounting
- the activity of organizational and economic consultants
- organization and organization cultural, society, sport events and courses
- technical and organizational provision training, seminars and education events
- administrative and office work (including copying and reproduction)
- photo services
- advertising and propagation activities
- factoring and forfeiting
- rent of real estates and provision of other than basic rental services
- services related to taking care and rent of real estates
- business, organizational and economic consultants

**3. Number of employees**
Information on the number of employees for the current accounting period and preceding accounting period is shown in the following table:

| | 2017 | 2018 |
|---|---|---|
| Average recalculated number of employees | 3 | 3 |
| Number of employees as at the balance sheet date | 3 | 3 |
| out of that managers | 1 | 1 |

**4. Information on unlimited liability:**

| Company | Address | | Share |
|---|---|---|---|
| ELLLE s.r.o. | Suché mýto 1, 811 03 Bratislava | s.r.o. | 81 % |
| ISI Sviluppo s.r.o. | Šustekova 49, 851 04 Bratislava | s.r.o. | 50 % |

Company is not obligated to prepare consolidated closure according to article 22 par. 10 of Accounting Law.
On the basis of the sole partner's decision on 17 December 2008 the Company merged with company Meeting Point s.r.o., which was cancelled without liquidation. On 7. February 2014 based on the sole partner's decision the Company merged with company FUTURA SK s.r.o. and on 28. April 2015 merged with company Edil Medea s.r.o.. Company ISI Group s.r.o. becomes legal successor of companies stated above and takes over all the rights and obligations based on merging contract written in the form of a notarial deed.

In year 2017 company ISI Group, s.r.o. bought from company 3 ELLLE RE S.R.L. in liquidazione 30 % share in company ELLLE, s.r.o., and increased its share on basic capital of company ELLLE, s.r.o. from the original 51 % share to 81 % share.

**5. Legal reason for the preparation of the Financial Statements**
The Financial Statements of the Company as at 31 December 2018 have been prepared as ordinary financial statements in accordance with Article 17 (6) of Slovak Act No. 431/2002 Coll. on Accounting for the accounting period from 1 January 2018 to 31 December 2018.

**6. Date of approval of the Financial Statements for the preceding accounting period**
The Financial Statements of the Company as at 31 December 2017, i.e. for the preceding accounting period, were approved by the shareholders at the Company’s general meeting on 26th June 2018.

**INFORMATION ABOUT THE CONTROLLING PARTIES**

**(a) Basis of preparation**
The financial statements were prepared using the going concern assumption that the Company will continue in operation for the foreseeable future.

The accounting policies and general accounting principles have been consistently applied by the entity with the presentation of changes in the prior period's comparative statement.

**(b) Non-current intangible assets and property, plant and equipment**
Purchased non-current assets are valued at their acquisition cost, which consists of the price at which an asset has been acquired plus costs related to the acquisition (customs duty, transport, assembling costs, insurance etc.).

As of 1 January 2003, the acquisition cost of long-term tangible assets does not include interest on foreign funds or realized exchange differences that have arisen up to the moment of putting the fixed assets into use.

As of July 1, 2010, the cost of long-term intangible assets does not include interest from foreign resources that arise up to the time when intangible assets are included in use.

Long-term assets created by own business are valued at their own cost. Own costs are all direct costs incurred for production or other operations and indirect costs that relate to production or other activities.

The research costs are not activated, they are charged to the cost of the accounting period in which they were incurred. Development costs are charged to the period in which they occurred but the development costs that relate to a clearly defined product or process for which it is possible to demonstrate the technical feasibility and the possibility of sale and the company has sufficient resources to complete the project, for the internal use of its results, are activated, at a level that is likely to be recovered from future economic benefits.

Activated development costs are depreciated over a maximum of 5 years in the accounting periods in which the product is expected to be sold or the process is being used. If their value is reduced, they are depreciated to the amount that is likely to be recovered from future economic benefits.

Write-offs of intangible fixed assets are determined based on their estimated useful lives and the expected course of their use. Depreciation begins on the first day of the month following the date of the intangible asset's use. Intangible non-current intangible assets whose cost of acquisition (or their cost) is EUR 2,400 or less are amortized on a once-off basis when they are put into use. The estimated useful lives, depreciation method and depreciation rate are shown in the following table:

Depreciation of tangible fixed assets is based on the estimated useful life of the asset and the expected course of its use. Depreciation begins on the first day of the month following the release of the non-current asset. Small non-current tangible assets whose cost of acquisition (or their cost) is EUR 1,700 or less is depreciated on a single-year basis when put into use. Land is not depreciated. The estimated useful lives, depreciation method and depreciation rate are shown in the following table:

| | Estimated useful life in years | Amortization rate | Amortization method |
|---|---|---|---|
| Movables | 4,6,12,20 | 1/4, 1/6, 1/12, 1/20 | straight-line |
| Software | 5 | 1/5 | straight-line |
| Goodwill | 5 | | accelerated |

**(c) Securities and ownership interests**
The change in the value of the securities and the shares that form the share of the basic capital of the entity for which the entity is the parent entity or in which the entity has a participation is accounted for using the equity method.

**(d) Inventory**

Inventory is valued at the lower of its acquisition cost (purchased inventory), conversion cost (own work capitalized) or net realizable value.
Acquisition cost includes the price at which inventory has been acquired plus costs related to the acquisition (customs duty, transport, insurance, commissions, discount etc.). Borrowing costs are not capitalized. The cost of inventory is based on the average cost method.

Conversion cost includes direct costs (direct material, direct labor, and other direct costs) and part of indirect costs directly related to own work capitalized (production overheads). Production overheads are included in the conversion cost based on the stage of production. Administrative overheads and selling costs are not included in the conversion cost. Borrowing costs are not capitalized.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory is written down for any impairment of value.

**(e) Receivables**

Receivables are valued at their nominal value, assigned receivables and receivables acquired via a contribution to share capital are valued at their acquisition cost, including costs related to the acquisition. This valuation is reduced by doubtful and irrecoverable receivables

**(f) Cash, stamps and vouchers**

Cash, stamps and vouchers are valued at their nominal value. A value adjustment is created for any impairment.

**(g) Prepaid expenses and accrued income**

Prepaid expenses and accrued income are presented in accordance with the matching principle in terms of substance and time.

**(h) Provisions**

Provisions are liabilities of uncertain timing or amount. Provisions are created to cover known risks or losses from business activities. They are valued at the expected amount of the liability.

**(i) Liabilities**

Liabilities are valued at their nominal value except for: assumed liabilities, which are valued at their acquisition cost at the time of their assumption. If reconciliation procedures reveal that the actual amount of liabilities differs from the amount recorded in the accounting books, the actual amount shall be used to value these liabilities in the accounting books and financial statements.

**(j) Accrued expenses and deferred income**

Accrued expenses and deferred income are presented in accordance with the matching principle in terms of substance and time.

**(k) Leasing**

Operating leases: assets leased through operating leases are presented by the owner, not by the lessee.

Financial leases (with a purchase option; without a call option the lease is considered to be an operating lease): assets leased with a contract concluded before 31 December 2003 are presented by the owner, not by the lessee. Assets leased with a contract concluded on or after 1 January 2004 are presented by the lessee, not by the owner.

**(l) Foreign currency**

Assets and liabilities denominated in foreign currency are translated to Euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the European Central Bank or National Bank of Slovakia as at the date preceding the date of the accounting transaction.

Assets and liabilities denominated in a foreign currency (except for advance payments made and advance payments received) are translated to Euro at the Balance Sheet date according to the reference exchange rate determined and declared by the European Central Bank or the National Bank of Slovakia as at the Balance Sheet date, and are recorded with an impact on profit or loss.

Advance payments made and advance payments received in foreign currencies to or from bank account maintained in this currency are translated to Euro as at the date of the accounting transaction by the reference exchange rate determined and declared by the European Central Bank or the National Bank of Slovakia as at the date preceding the date of accounting transaction.

Advance payments made and advance payments received in a foreign currency to or from bank account maintained in Euro are translated to Euro by the exchange rate for which these values were purchased or sold.

Advance payments are not translated to Euro as of the Balance Sheet date.

**(m) Revenue**

Revenue from own work and merchandise is net of value added tax. Revenue is also reduced by discounts and reductions (quick payment discounts, bonuses, rebates, and credit notes etc.), irrespective of whether a customer was entitled to a discount in advance or whether a discount was agreed subsequently.

**(n) Income tax**
Income tax is calculated by using valid tax rate from profit amended about constant or temporary tax non-deductible expenses and incomes not subject to tax.

**(o) Deferred taxes**
Deferred taxes (deferred tax assets and deferred tax liabilities) relate to the following:

a) temporary differences between the carrying value of assets and the carrying value of liabilities presented in the Balance Sheet and their tax base;
b) tax losses which are possible to carry forward to future periods, being understood as the possibility of deducting these tax losses from the tax base in the future; and
c) unused tax deductions and other tax claims, which are possible to carry forward to future periods.

**(p) Correction of misstatements from previous periods**
In year 2017 company did not account for any material misstatements from previous periods.

**INFORMATION ABOUT DATA ON THE ASSET SIDE OF THE BALANCE SHEET** Goodwill characteristic

**a)** Characteristics of goodwill

Goodwill's amount represents the difference between the acquisition cost and the acquirer's share of the fair value of the assets and liabilities acquired on the acquisition date.

| Acquisition of goodwill | Gross value | Accumulated depreciation of goodwill as at 31.12.2018 |
|---|---|---|
| Merging with company Meeting Point | 6 281 620 | 3 690 326 |

As at 31 December 2016, the management reviewed the justification and method of depreciation. The calculation of goodwill depreciation is calculated by management on the basis of expected future economic benefits.

**b)** Information about liabilities

| Name of item | Current account period | Previous accounting period |
|---|---|---|
| Long-term liabilities Total | 17 303 752 | 22 103 716 |
| Liabilities with residual maturity over five years | 17 303 006 | 22 103 006 |
| Liabilities with residual maturity of one to five years | 746 | 710 |

**c)** Structure of liabilities according to due date

| Liability | Total | overdue more than 1 year and less than 5 years | Liabilities with residual maturity over five years |
|---|---|---|---|
| Other long-term liabilities | 17 303 006 | | 17 303 006 |
| Social fund | 746 | 746 | |
| Other liabilities from business contact | | | |
| Employees | | | |
| Social security | | | |
| Tax liabilities a grants | | | |
| Total: | 17 303 752 | 746 | 17 303 006 |

**d)** Bank loans

Bank loans are detailed in the table below:

| | Currency | Annual interest in % | Maturity | The amount of princiapl in currency as at 31.12.2018 | The amount of principal in currency as at 31.12.2017 |
|---|---|---|---|---|---|
| a | b | c | d | e | f |
| **Long-term loans** | | | | | |
| Bank loan | EUR | | | 0 | 0 |
| **Total long-term loans** | | | | **0** | **0** |
| | | | | | |
| **Current bank loans** | | | | | |
| Bank loan | EUR | | | 0 | 1 306 540 |
| Current credit card | EUR | | | 0 | 0 |
| **Total short-term loans** | | | | **0** | **1 306 540** |
| | | | | | |
| **Total** | | | | **0** | **1 306 540** |

Based on the Pledge Contract for shares No 151 / ZZ / 2010, entered into on August 9, 2010 between L.Q.H.S.R.L. (DUKE INVESTMENT S.R.L.), as a pledgor and Všeobecná úverová banka, a.s.,as a pledgee, a lien on the shares of L.Q.H.S.R.L. (DUKE INVESTMENT S.R.L.) in favor of Všeobecná úverová banka, a.s., was established.

Based on the Pledge Contract for shares Number 150 / ZZ / 2010, concluded on August 9, 2010 (signatures certified on August 23, 2010) between BUILDING INVEST SRL as a pledgor and Všeobecná úverová banka, a.s., a pledgee, a lien on the business shares of BUILDING INVEST SRL in favor of Všeobecná úverová banka, a.s., was established.

Based on the Pledge Contract for shares No 149 / ZZ / 2010, concluded on August 9, 2010 (certified signatures dated August 23, 2010) between APILIFE S.R.L. (COUNT INVESTMENT S.R.L.) as a pledgor and Všeobecná úverová banka, a.s., as a pledgee, a lien on APILIFE S.R.L. (COUNT INVESTMENT S.R.L.) in favor of Všeobecná úverová banka, a.s., was established.

## INFORMATION ON OFF-BALANCE SHEET ASSETS AND OFF-BALANCE SHEET LIABILITIES

The Company does not record any other assets and liabilities as at 31 December 2018, nor for the immediately preceding period

## INFORMATION ON EVENTS OCCURING BETWEEN THE BALANCE SHEET DATE AND THE DATE OF PREPARATION OF FINANCIAL STATEMENTS

After 31 December 2018, no significant events have occurred that would require recognition or disclosure in the 2017 financial statements.