



RECORD-HIGH INVESTMENT PACE

If I were to evaluate the year that is almost over now, I would have to say that its most dominant characteristic is the unprecedented investment pace with which we manage to realize investments of the fourth Genesis fund. The investment pace has been truly record-high in the 18 years of Genesis' history.

I have identified several reasons for such positive development. Some apply to the market as a whole, and some represent specific competitive advantage of Genesis.

The overall market situation reflects the favourable macroeconomic environment and return of the high investment activity on the market of small and middle-sized enterprises to the levels seen prior to the financial crisis of 2008. In addition, generation change is taking place on the Central European markets, primarily in the Czech and Slovak Republic. The people who founded firms in the early 1990s and developed them are selling or looking for strong capital partners to support their further growth.

Despite some new developments in the investment segment of small and middle sized enterprises, such as rising competition of private money looking for realization in direct investments into privately held corporations outside of the public markets, or greater investment activity of state and state-based institutions, the achieved results, long-term market position and reputation of Genesis remains the precondition for continuing interest of institutional investors in our funds.

The quality of the current Genesis team, representing the combination of partners' experience and the talent of their younger colleagues, remains crucial for continuation of our successful investment activity in the private equity market.

Jan Tauber, Managing Partner of Genesis Capital



Jan Tauber, Managing Partner of Genesis Capital

CONTENT

01. INTRODUCTION

02. CVCA NEXTGEN

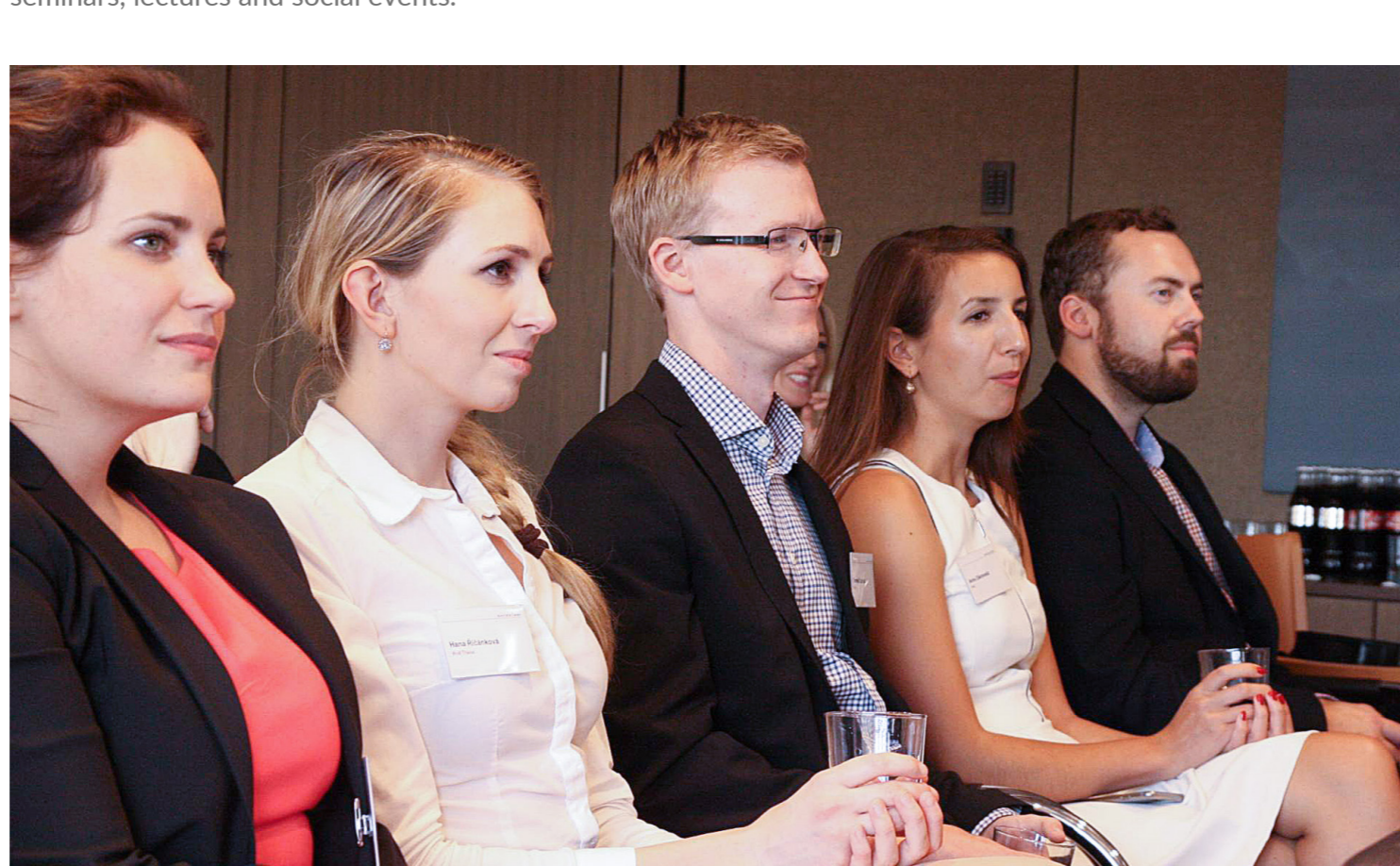
03. EUROPE

04. GENESIS INVESTMENTS IN 2017

05. HUMAN RESOURCES

CVCA NEXTGEN

Genesis Capital as a firm with many years of tradition is active in transferring know-how and educating new talented people who come to the venture capital environment. This is why, as part of the Czech Private Equity and Venture Capital Association (CVCA), we focus on education through the NextGen initiative. NextGen brings young professionals from the fields of M&A, private equity and venture capital investments together at regular seminars, lectures and social events.



03

EUROPE

THE EUROPEAN PRIVATE EQUITY ACTIVITY STATISTICS FOR 2016 SHOW THE BIGGEST GROWTH OF FUNDRAISING IN THE LAST EIGHT YEARS

The total value of fundraising in Europe amounted to EUR 75.4 billion, which means a year-on-year growth of 37%. The amount of investments and exits remains high according to the statistics.

The amount of private equity investments totalled EUR 53.7 billion in 2016, the second best result since 2008, falling only slightly short of EUR 53.9 billion invested in 2015. The statistics indicate that 5,942 companies received a capital investment last year, seven percent less than in the previous year.

The amount of venture capital investments (development or risk capital) grew 4% year-on-year to EUR 4.4 billion. The number of companies decreased by 7% to just over three thousand, suggesting a lower number of investments with a higher amount of raised funds per investment round. The most sought-after sectors were ICT, biotechnologies and healthcare.

04

GENESIS INVESTMENTS IN 2017

SUMMARY OF 2017 INVESTMENTS

Genesis Private Equity Fund III (GPEF III), which has more than EUR 80 million prepared for small and medium-sized enterprises, made a total of four investments in 2017. As of December 2017, two and a half years since the formation of the fund, more than half of its volume has been invested, indicating a record-breaking investment pace.



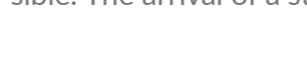
In March, GPEF III acquired a 47% interest in POS Media Group focusing on point-of-sale advertising. Its main clients include leading retail chains in several Central and Eastern European countries. This was GPEF III's second investment following the acquisition of the pharmaceutical company Quinta-Analytica last year.

POS Media Group was established in Prague in 1998 as an indoor media agency. Since its establishment, the Company has been growing continuously, and today, together with its several foreign subsidiaries, is one of the largest European firms offering point-of-sale media solutions in large regional retail chains. From Genesis Capital's viewpoint, POS Media Group is a highly dynamic firm with a significant market share and an ambition for further growth. Research shows that the vast majority of purchasing decisions takes place directly in the stores, at the point of purchase. Therefore, point-of-sale advertisement, which POS Media Group provides, is an increasingly effective tool of marketing communication, and we expect there will be a growing demand for it. In addition, we fully appreciate the high quality management of POS Media Group, as generally this is one of the most important criteria in our decision-making process.

Shortly after its establishment in the Czech Republic, POS Media Group (still under the former name IMIGE) expanded to the neighbouring countries in the region – Hungary, Slovakia and Poland. After several years, the Company set up further subsidiaries in Russia and Ukraine. Today, with its regional presence in six countries, POS Media Group operates as a preferred partner of several European retail chains such as Ahold, Kaufland and leading Russian retailers Magnit and Lenta. The primary demand for point-of-sale advertisement in large retail stores comes from major global FMCG brands such as Unilever, Nestlé, Danone and Coca Cola.

GPEF III acquired a 47% interest in POS Media Group, founder and CEO Richard van het Bolscher retained the controlling stake. Other members of the management team hold the remaining shares.

According to the CEO of POS Media Group, Mr van het Bolscher, the future plans rely primarily on organic growth through extending the existing product and service portfolio as well as tapping new markets where possible. The arrival of a strong financial partner such as GPEF III is what will enable the company to grow.



In October 2017, DATART, one of the biggest retail entities in the Czech Republic, merged with HP TRONIC, the operator of the Euronics retail chain and owner of the Kasa.cz and Hej.sk e-shops. The newly created structure will represent both companies, which have been operating separately to date, on the retail market. The structure received a capital contribution from Genesis Private Equity Fund III, which gained a material minority share.

Daniel Večeřa, the CEO of HP TRONIC, became the Chairman of the Board of Directors. The new business represents an entity on the Czech and Slovak markets with revenue in excess of CZK 15 billion per year and a high-quality chain of more than 130 specialised electronics shops that are visited by more than 22 million customers annually. The objective is to set up a stable, efficient and profitable entity with a share of up to 20% on the Czech and Slovak markets.

For the Genesis Private Equity Fund III, this is a major investment with great potential on an increasingly consolidated market. In addition, it overlaps into multiple Central European countries.

DATART INTERNATIONAL is a leading consumer electronics retailer. The company has been operating in the Czech and Slovak markets since 1990. The chain currently consists of 49 shops, six DATART kitchen studios and two e-shops. The company employs 1,200 people and has its own distribution centre. DATART posted an operating profit of CZK 43.4 million and a net turnover of CZK 5.8 billion in the fiscal year 2016/2017. This year, DATART has been continuing its expansion through upgrading its stores and opening new ones.

HP Tronic is a Czech company with more than 25 years of history, a leading retailer in the market for home appliances, consumer electronics, computers and mobile phones in the Czech Republic and Slovakia. The group operates the Euronics retail chain which, in addition to 120 brick-and-mortar stores, has three storage facilities and its own e-shop. The portfolio of products the company places on the Czech, Slovak and many other European markets includes products by the ETA, GoGen, JVC and Hyundai brands. The HP TRONIC group also includes one of the biggest online shops on the Czech market, Kasa.cz, and its Slovak counterpart, Hej.sk, which is one of the biggest players in Slovakia. In addition, HP TRONIC offers its own instalment sales system and operates the Valchýř Resort with the Lanterna, Horal and Galik hotels, the Razula ski resort and a golf course in Velké Karlovice. HP TRONIC has more than 1,400 employees and achieved a turnover of CZK 9.1 billion and a profit of CZK 104 million last year. Daniel Večeřa, the CEO of HP TRONIC, won the Czech Business Personality of 2015 award bestowed by the Czech Confederation of Commerce and Tourism.

D2G

In November 2017, DEIMOS, a mechanical engineering company, has founded the D2G mechanical engineering group with the support of the Genesis Private Equity Fund III (GPEF III). D2G is a group of Czech mechanical engineering companies with more than 25 years of history, active in the field of industrial technologies. D2G aims to become the market leader in Central Europe. As a group, it will be able to offer its customers a consolidated portfolio of products and services covering all of their needs in terms of industrial automation.

The arrival of GPEF III will enable D2G to significantly strengthen its acquisition and growth strategy, which relies on further expansion of the company on an international scale.

DEIMOS and OK NAVY, the companies that are the foundation for the group, will be joined by another important member. D2G's latest acquisition is KVLEB, an established distributor of industrial drive solutions. It will be integrated in the D2G structures under the name D2Drives. The demand for industrial drive solutions is growing constantly and the company will gain considerable potential for its further growth as part of D2G.

The other group companies' brands will change too. After 25 years of successful market presence, they are entering a new era together under the single "D2" brand. The group is consolidating its brands and renaming its firms primarily considering their global reach. 70% of its output is currently exported.

D2G encompasses:

D2Automation

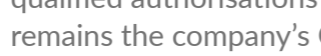
D2Automation (formerly DEIMOS) has been active in the field of industrial automation since 1992. It supplies automation technologies to key automotive industry subcontractors in 14 countries on four continents. The company has about 80 employees and posts year-on-year growth rates in tens of percent. Vladislav Němec has been its CEO since 2016.

D2Manufacturing

D2Manufacturing (formerly O.K. NAVY) has been providing specialised services in mechanical engineering, tool making and mould making since 1992. The company has been under the new leadership of CEO Tomáš Vogel since the spring of 2017.

D2Drives

D2Drives (formerly KVLEB) is one of the premier distributors of industrial drive solutions in the Czech Republic. As a major Siemens Solution Partner, the company has access to top-tier technologies and standards and holds qualified authorisations to modify all types of electrical motors based on customers' individual needs. David Hěl remains the company's CEO.



By the end of year, GPEF III will complete its fifth investment and will gain a significant majority stake in Sanborn. Sanborn manufactures specialty parts for equipment in the energy, petrochemical and transport industries. With entry of GPEF III, the management team of the company will be strengthened by a new CEO, Mr. Aleš Tichý. A minority share will be held by BDO Investment SICAV, an investment fund.

Sanborn manufactures and supplies components for the world's leading manufacturers of generators and turbines, energy companies, heating plants and manufacturers of diesel engines. The key clients of the company are leading international industrial conglomerates such as GE, Siemens or Alstom. In 2016, the company generated revenue of up to CZK 437 million.

Sanborn has a long-lasting tradition and well-established position in the market, which it would like to develop further. From the point of technology and know-how, the company is one of the leaders in its field. With the entry of Genesis fund, the company gains a strong capital partner that will help continue in the organic growth and client base expansion.

Mr. Aleš Tichý will become the new Chairman of the Board of Directors. He is a manager with broad experience from top management roles at industrial companies and firms engaged in supply of components to the automotive industry. His experience in the industry will also help in streamlining the production and internal processes within the company.

According to the resigning Sanborn directors, Anthony Zak and Milan Holub, Sanborn has a strong growth potential and can expand with its presence into new fields and markets. They also agree that Genesis as the new majority owner along with a new management team and the advisory company BDO on board will give the company support for the further development, following up on its already strong and established market position.

The history of the company dates back to the 1920s. Currently, the company manufactures and supplies components for the world's leading manufacturers of generators and turbines, energy companies, heating plants and manufacturers of diesel engines. The major clients of the company include international industrial conglomerates such as GE, Siemens, Alstom, Dresser-Rand or MAN Group. For all its clients the company operates as a long-term certified supplier. The production of Diesel engines is exported to several countries around the world. Approximately 40% of production is exported to North America, 40% to the EU and the remaining volumes to the rest of the world. The company's production site is located in Velké Meziříčí. In the last years, majority of the production site was renovated and modernized, with the production and warehouse areas enlarged in order to improve the production processes and sustain the high quality requirements. In 2016, the company generated revenue of up to CZK 437 million and employed over 200 people.

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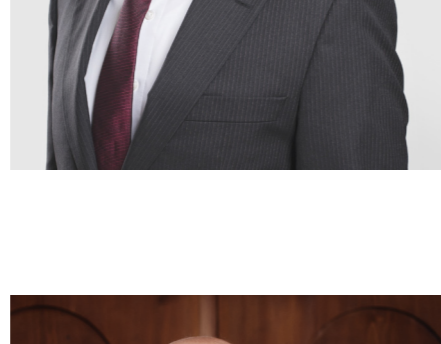
HUMAN RESOURCES



Jörgen Hausberger

new member of the Investment Committee

Jörgen Hausberger becomes a new member of the Investment Committee of GPEF II and GPEF III. He currently works as a managing partner in INVEST EQUITY, an independent private equity company based in Vienna, specializing in investments in SME companies with a focus on industrial sector and ancillary service and distribution businesses. Jörgen is also a co-founder of the Austrian Private Equity and Venture Capital Organization (AVCO). He has been actively co-operating with Genesis Capital already since 2006.



Radim Jasek

new CEO of 3070

With effect from this April, Radim Jasek became the new Chairman of the Board of Directors of 3070, a Slovak manufacturer of retail equipment and a company in the GPEF II portfolio. Mr Jasek is one of the founding partners of Genesis Capital and has collaborated with Genesis on tens of transactions for more than 15 years. Prior to Genesis, he was the Sales Director at FMC, an international industrial group.



Hana Kyselová and Lucie Baleková

strengthened the management team of D2G

Lucie Baleková (on the photography), a member of the Investment Committee of GPEF III, has become the Chairwoman of the Supervisory Board of D2G a.s. She possesses a wealth of managerial experience with industrial companies, having held executive positions in industrial and automotive companies such as SWELL, Plastkov Group, TRW Automotive and others. The group has also taken on board Hana Kyselová who held the position of CFO at The Boston Consulting Group, Rockwell Automation and other companies in the past. She will be in charge of financial management and controlling at D2G.



Roman Grunt

becomes the new CEO of Quinta Analytica

Roman Grunt has become the new CEO and Chairman of the Board of Directors of Quinta Analytica, a leading company in pharmaceutical testing. He obtained his managerial experience at the ČEZ energy group as well as leading companies in the pharmaceutical industry such as Zentiva and Farmak.



Anna Marie Dostálková

Operations Manager of Genesis Capital

Anna-Marie Dostalková joined the Genesis team as the new Operations Manager. Anna brings experience from Mercedes Benz, British Chamber of Commerce in the Czech Republic and HSBC.