

ANNUAL REPORT 2019

TECHO, a.s.
U Továren 770/1b
102 00 Prague 10 – Hostivař
Czech Republic



techo[®]
ROYAL AHREND COMPANY

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The background of the cover is a complex geometric pattern of overlapping triangles in various shades of blue, creating a 3D effect. A red rectangular box is centered on the page, containing the title and company information. In the bottom left corner, a portion of a grey plastic stool is visible.

ANNUAL REPORT 2019

TECHO, a.s.
U Továren 770/1b
102 00 Prague 10 – Hostivař



Report of the Board of Directors on the Activities of the Company in 2019

In 2019, TECHO, a.s. pursued its activities fully in accordance with its subject of business declared in the Commercial Register.

TECHO, a.s. achieved a profit (excluding received dividends) of CZK 19 million, a comparable figure to the previous year - 2018.

The largest portion of revenue was generated from projects for Key Accounts, both in the local market and abroad. The largest customers were ERSTE (Česká spořitelna), ŠKODA AUTO, and Grand Vision.

The financial result of the company after tax for 2019 was CZK 25 million, of which CZK 6 million represents dividends received from subsidiaries. This amount is then deemed a dividend payment to the sole shareholder.

In 2019, investment into tangible and intangible fixed assets stood at CZK 14 million.

The company has an environmental management system certified in accordance with ISO 14001:2016, and also a quality management system compliant with ČSN EN ISO 9001:2016 and a health and safety at work system in accordance with the requirements of ČSN OHSAS 18001:2008. The supervisory audits in 2019 confirmed their correct application.

Management

The supreme management body of TECHO, a.s. is the Board of Directors, which in 2019 had the following composition:

Chairman of the Board

Ing. Jiří Kejval

Vice-chairman of the Board

W.H.L.M.G. Sterken

Member of the Board

Ing. Petr Hampl

Sales

Revenue from sales of goods, own products and services in 2019 reached CZK 1 436 million, which represents a 5% decline compared to 2018. Sales of own products and services represent almost 64% of total sales and declined by CZK 11 million compared to 2018.

In 2019 the unaudited consolidated sales of the TECHO group (TECHO, a.s. and its 100% owned subsidiaries) exceeded CZK 3 billion for the first time – reaching CZK 3 019 million, an increase of 15% compared to 2018. This growth was primarily caused by increased sales by Interier Říčany relating to the project hotel Horal (+ CZK 250 million) and by Romania (+ CZK 335 million).

The largest project from the perspective of sales was the ERSTE project (revitalisation of branches in the Czech Republic) with a total volume of CZK 336 million, which is almost a quarter of total turnover. The delivery of showroom interiors for ŠKODA AUTO dealers continued, but with a reduced volume, and orders were also delivered for Grand Vision stores.

Looking at sales from a regional perspective, 62% of sales were realised in the Czech Republic (59% in 2018) and 38% from exports, whether from the European markets or markets in Africa, Asia or America. Export sales were to a large extent accounted for by sales through the company's subsidiaries in Great Britain, Slovakia and Romania.

Investment

In 2019, total investments into tangible and intangible fixed assets stood at CZK 14.4 million.

In the area of tangible assets, the largest investment was CZK 1.6 million into a robotised workstation (material handling) (total investment CZK 7.1 million). A total of CZK 8.6 million was invested into intangible fixed assets, and in particular into a new kernel and new application layer of the IT system, and into the SWOOD design and production software.

Ownership structure

The sole and 100% shareholder in TECHO, a.s. is the Dutch company Koninklijke Ahrend B.V. with its registered address at Laarderhoogtweg 25, 1101 EB Amsterdam.

Subsidiaries

The Company has 100% ownership interests in the companies: TECHO Romania s.r.l. (Romania), Techo, s.r.o. (Slovakia), TECHO Hungária Kft. (Hungary), TECHO Adria, d.o.o. (Croatia), TECHO GmbH (Austria), TECHO Georgia Ltd. (Georgia), T.O.V. TECHO Ukraine (Ukraine), Interier Říčany a.s., (Czech Republic), Ahrend, s.r.o. (Czech Republic), TECHO PL sp. z o.o. (Poland), TECHO UK Ltd. (Great Britain), TECHO Bulgaria e.o.o.d (Bulgaria) and a 99% ownership interest in O.O.O. TECHO (Russia).

All these companies are active in the office furniture market. Most of them are significant customers for products from the parent company, TECHO, a.s.

Financial results

The operating profit for 2019 is CZK 28 million, which is CZK 2 million better than in 2018. With the drop in sales, the main reasons for the improved profit were better sales margin, a lower level of provisions created, and lower claim costs.

The working capital as at 31.12.2019 was significantly lower than at the end of 2018. This difference was largely due to reduced stock levels (timely completion of projects at the end of 2019) and a decline in receivables within the Ahrend group. Nevertheless, the company is working diligently to reduce the level of receivables (particularly those overdue) so that it is able to finance individual projects effectively.

The main financing bank was Československá obchodní banka, a.s. Praha 5. TECHO, a.s., is connected to the Ahrend group cash pool, which ensures operational financing of the company.

The detailed financial results of the company for 2019 can be seen in the financial statement, which is an integral part of this Annual Report.

Results of the individual legal entities within the TECHO group are as follows (CZK 000):

Company	Country	Sales	EBIT
TECHO, a.s.	Czech Republic	1 435 794	19 660
Ahrend, s.r.o.	Czech Republic	0	-46
Interier Říčany a.s.	Czech Republic	459 842	22 110
Techo, s.r.o.	Slovakia	217 356	2 118
TECHO Hungária Kft.	Hungary	36 173	51
TECHO GmbH	Austria	58 725	115
TECHO Romania s.r.l.	Romania	708 593	26 516
TECHO Adria, d.o.o.	Croatia	17 915	-1 777
TECHO PL sp. z o.o.	Poland	55 796	-1 866
T.O.V. TECHO Ukraine	Ukraine	15 389	3 687
O.O.O. TECHO	Russia	102 124	9 271
TECHO Georgia, Ltd.	Georgia	9 584	311
TECHO UK Ltd.	Great Britain	318 474	32 268
TECHO Bulgaria e.o.o.d.	Bulgaria	7 129	85
Consolidation adjustments		-424 005	-822
TECHO group consolidated		3 018 889	111 681

Financial information on subsidiaries and the consolidation adjustments have not been audited.

Employees and work productivity

The average number of employees of TECHO, a.s. was 206 in 2019, which is a drop of 1 FTE in comparison with 2018.

The aim of the Company is to continually improve productivity, which is then reflected in the improved economic indicators of the Company. The pressure to increase productivity can also be seen in the investment projects (elements of automation) together with the redesign of production and other processes.

The company also pays great attention to health and safety at work, and working conditions, as can be seen from certification in accordance with OHSAS 18001:2008.

Protection of the environment

Protection of the environment is at the forefront of TECHO's activities. The company operates an environmental management system in accordance with ISO 14001:2016, regularly monitors the environmental impact of its activities, tests its products according to European and international environmental standards, and requires the same approach from its suppliers.

TECHO holds a C-o-C certificate (chain of custody of wood), which guarantees that the company does not acquire wood-based raw materials from controversial sources, and that it uses only wood from sustainably managed forests in its products.

Proposal for approval of the financial statement and the distribution of profit

The Board of Directors of TECHO, a.s. proposes that the general meeting / decision of the sole shareholder:

- approves the annual financial statement and financial results of the company for 2019
- approves distribution of the profit in the amount of CZK 25 million as follows:
 - a dividend payment of CZK 25 million

Information on acquisition of own shares

The company does not own any of its own shares.

New product development

In 2019, product development work was focussed on the modification of existing products designed in past years.

At the same time the company developed 2 new product types – acoustic screens and cladding under the product name FELT, which contains recycled PET plastic, and the new ROOT desk system.

Information on important events that occurred since 1 January 2020

In the period from 1 January 2020 until the drafting of this Annual Report, TECHO, a.s. has continued to pursue its business activities. In March 2020 a state of emergency was declared in the Czech Republic, which has had a negative impact on the figures generated by the commercial and production activities of the company.

Expected future development – Covid-19

The Covid-19 pandemic had a limited impact on the results for Q1 2020. However, we anticipate a much greater impact in Q2 & Q3 of 2020. Taking an optimistic view of the final quarter of 2020, we hope that the result for Q4 will be a positive figure.

In an effort to mitigate negative impacts on the trading results, the company has adopted measures in the area of sales (the project “Healthy Workplace”) and in the areas of costs and working capital. The company takes advantage of all incentives and reliefs provided by both central and local governments.

Provided there is no further worsening of the situation in H2 2020, the company expects:

- that sales will be in the region of 30-40% behind the plan,
- the operating profit, excluding dividends received from subsidiaries, will be in the region of – CZK 5 million to – CZK 0, as opposed to the planned CZK 32 million.

Prague dated 10th June 2020

Ing. Jiří Kejval

Chairman of the Board
TECHO, a.s.

Ing. Petr Hampel

Member of the Board
TECHO, a.s.





REPORT ON RELATIONS TECHO, a.s.

Pursuant to Section 82
of the Corporations Act
for the accounting period
of the calendar year 2019

A modern office interior featuring a large, light-colored wooden desk with a white metal frame. Several ergonomic office chairs with brown seats and grey backs are arranged around the desk. The desk is equipped with various office supplies, including a telephone, a keyboard, and a mouse. In the background, there are cubicle dividers, some in white and one in red. A white door is visible on the right wall. The ceiling has recessed square lights and air vents. A quote is written on the wall in a cursive font.

*"The purpose of business
is to provide a service to
our customers, and if we do that
well, it will also
generate
a profit."*

The Board of Directors of TECHO, a.s., with its registered office at U Továren 770/1b, Prague 10, identification number: 49240056, registered in the Commercial Register maintained by the Regional Court in Prague, Section B, File 1952 (in this Report also the “**Company**”), has prepared the following Report on Relations pursuant to Section 82 of Act No. 90/2012 Coll., on Corporations (the “**Corporations Act**”), for the accounting period of the calendar year 2019 (the “**Relevant Period**”).

Structure of relations

1.1 According to the information available to the Board of Directors of the Company acting with due managerial care, for the whole of the Relevant Period, the Company formed a part of a group in which the controlling party is HAL Holding N.V. (the “**Group**”). Information on the entities forming part of the Group is stated as at 31 December 2019, according to the information available to the statutory body of the Company acting with due managerial care. The structure of relations within the Group is illustrated in Annex No. 1.

1.1.1 Controlling Party

HAL Holding N.V, with its registered office at Johan van Walbeekplein 11A, Willemstad, Curaçao (in this Report also the “**Controlling Party**”), indirectly controls the Company through the company Koninklijke Ahrend B.V. with its registered office at Laarderhoogtweg 25, 1101 EB Amsterdam, which was the sole shareholder of the Company in the Relevant Period.

Role of the Company in the Group

The company is a major manufacturer and supplier of office furniture and commercial interiors. The company also distributes furniture and supplies commercial interior solutions through its subsidiaries.

Method and means of control

The Controlling Party indirectly controls the Company through the company Koninklijke Ahrend B.V., which was the sole shareholder in the Relevant Period. The control of the Company occurs, in particular, through the decisions at the General Meeting.

Overview of mutual contracts within the Group

4.1 Contracts entered into between the Company and the Controlling Party that were effective and valid in the Relevant Period:

No contracts entered into with the Controlling Party were effective and valid in the Relevant Period.

4.2 Contracts entered into between the Company and the other parties controlled by the Controlling Party that were effective and valid in the Relevant Period:

Company	Agreement type	Subject
Techo, s.r.o. (Slovakia)	Management Fees Agreement 2019 Orders for the sale of goods/products Cash pool agreement	Delivery of R&D, PR, IT/IS, top management services The sale of goods/products Drawing money from a cash pool account
TECHO Romania s.r.l. (Romania)	Management Fees Agreement 2019 Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services The sale of goods/products
TECHO Hungária Kft. (Hungary)	Management Fees Agreement 2019 Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services The sale of goods/products
TECHO Adria, d.o.o. (Croatia)	Management Fees Agreement 2019 Loan agreement Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services Loan The sale of goods/products
TECHO GmbH (Austria)	Management Fees Agreement 2019 Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services The sale of goods/products
T.O.V. TECHO Ukraine (Ukraine)	Loan agreement Orders for the sale of goods/products	Loan The sale of goods/products
TECHO Georgia Ltd. (Georgia)	Orders for the sale of goods/products Management Fees Agreement 2019	The sale of goods/products Delivery of R&D, PR, IT/IS, top management services
Interier Říčany a.s. (Czech Republic)	Orders for services Management Fees Agreement 2019 Agreement on the lease of property, movables Association agreement Framework and distribution agreement Orders for the sale of goods/products Cash pool agreement	Accounting services Delivery of R&D, PR, IT/IS, top management services Lease of premises, lease of a band saw and vehicles Association Škoda Auto, Association TECHO, a.s. – IRŘ a.s., The sale of goods/products Drawing money from a cash pool account
Ahrend, s.r.o. (Czech Republic)	Orders for services Cash pool agreement Orders for the sale of goods/products	Accounting services Drawing money from a cash pool account The sale of goods/products
Ahrend Europe B.V. (Netherlands)	Cash pool agreement	Drawing money from a cash pool account
O.O.O. TECHO (Russia)	Management Fees Agreement 2019 Orders for services Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services Delivery of consulting services in the area of company management, sales, production management The sale of goods/products
TECHO PL sp. z o.o. (Poland)	Management Fees Agreement 2019 Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services The sale of goods/products
TECHO UK Ltd. (Great Britain)	Management Fees Agreement 2019 Orders for services Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services Accounting services The sale of goods/products
TECHO Bulgaria e.o.o.d. (Bulgaria)	Loan agreement Management Fees Agreement 2019	Loan Delivery of R&D, PR, IT/IS, top management services
Ahrend International B.V. (Netherlands)	Orders for the sale of goods/products	The sale of goods/products
Ahrend GmbH & Co.KG (Germany)	Orders for the sale of goods/products	The sale of goods/products
Ahrend Prod. bedr.St. Oedenrode (Netherlands)	Orders for the sale of goods/products	The sale of goods/products
Ahrend NV/SA (France)	Orders for the sale of goods/products	The sale of goods/products
Ahrend France (France)	Orders for the sale of goods/products	The sale of goods/products
Gispen Nederland (Netherlands)	Orders for the sale of goods/products	The sale of goods/products
Koninklijke Ahrend B.V. (Netherlands)	Management Service Agreement	The provision of management services

Legal acts made at the instigation of, or in the interest of the Controlling Party or other parties controlled by the Controlling Party

During the Relevant Period, the Company made the below-mentioned legal acts in the interest, or at the instigation of, the Controlling Party or other parties controlled by the Controlling Party, which would involve assets exceeding in value CZK 42 416 thousand, which represents 10% of the Company's equity reported in the latest Financial Statements as at 31 December 2019.

The sale of products and goods to TECHO UK Ltd.

The sale of products and goods to Interier Říčany a.s.

The sale of products and goods to Techo, s.r.o.

The sale of products and goods to TECHO Romania s.r.l.

The drawing of funds from the cash pool account of Ahrend Europe B.V.

Assessment of a detriment and its compensation

No detriment occurred to the Company on the basis of the agreements entered into in the Relevant Period between the Company and other Group entities, or other acts which were implemented in the interest, or at the instigation, of such entities by the Company in the Relevant Period.

Evaluation of relations and risks within the Group

7.1 Evaluation of advantages and disadvantages of relations within the Group

In particular, the following advantages arise to the Company from its participation within the Group. The Group is a leading international producer and distributor of office furniture with a strong commercial brand and a strong financial position that aids the Company when concluding deals with its customers. The Company does not experience any disadvantages from being part of the Group.

7.2 No risks have arisen to the Company from the relations within the Group.

Prague dated 10th June 2020

On behalf of the Board of Directors of the Company:

Ing. Jiří Kejval

Chairman of the Board
TECHO, a.s.

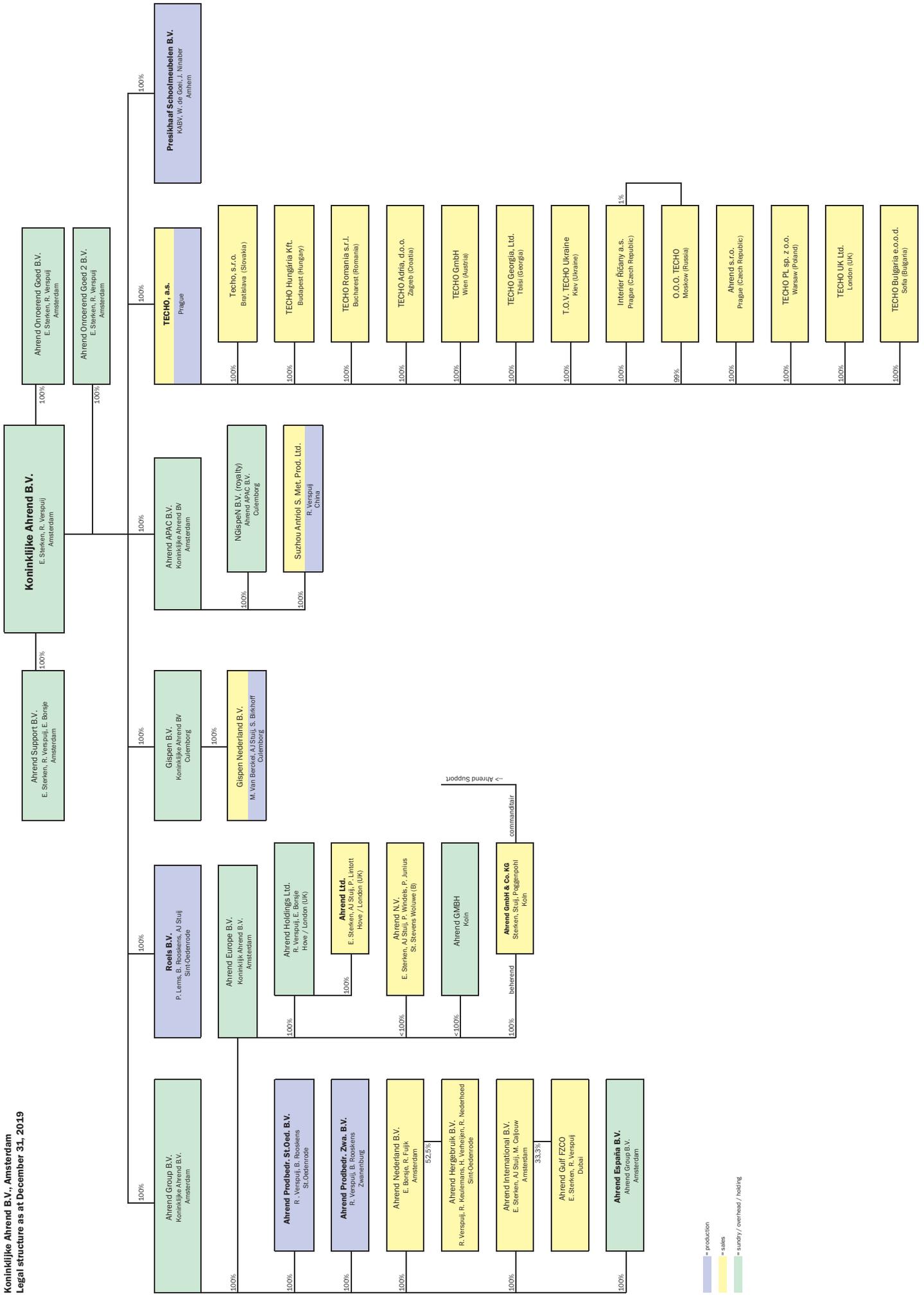
Ing. Petr Hampel

Member of the Board
TECHO, a.s.

Annex no. 1: The structure of relations within the Group



Koninklijke Ahrend B.V., Amsterdam
Legal structure as at December 31, 2019



= production
 = sales
 = sundry / overhead / holding



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A modern office interior featuring a glass wall, a blue wall, a white ball pit, a hanging chair, and a red text box. The scene is lit with several circular pendant lights. The floor is made of wood, and there are three carpeted steps leading up to the ball pit area. A large orange circle is visible in the bottom left corner.

**INDEPENDENT
AUDITOR'S
REPORT**



English translation

Independent auditor's report

to the shareholder of TECHO, a.s.

Opinion

We have audited the accompanying financial statements of TECHO, a.s., with its registered office at U továren 770/1b, Praha ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 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 2019, of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with Czech accounting legislation.

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 therein. The Board of Directors 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

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.



Independent auditor's report

- 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 is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation 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 is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 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.
- 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.



Independent auditor's report

- 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 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.

10 June 2020

PricewaterhouseCoopers Audit, s.r.o.
represented by Director

Jiří Koval
Statutory Auditor, Licence No. 1491

This report is addressed to the shareholder of TECHO, a.s.

Translation note

This version of our report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over this translation.

A modern office interior with a clean, minimalist design. The space features light-colored wooden desks, white office chairs, and grey cubicle dividers. Large windows on the left side provide natural light and a view of greenery outside. The ceiling is white with recessed linear lighting. In the foreground, a white cabinet with a wooden top holds several potted plants in wooden planters. A large red square is overlaid in the center of the image, containing the text for the financial statement.

**FINANCIAL
STATEMENT
31ST DECEMBER
2019**



General information

1.1. Introductory information about the company

TECHO, a.s. (the “**Company**”) is a joint stock company incorporated on 31 March 1993 with its registered office at Prague 10, U Továren 770/1b, Czech Republic. The Company’s identification number is 49240056. The main business activity is the production and sale of office furniture including services associated with the comprehensive delivery of commercial interiors.

The sole shareholder in the Company is Koninklijke Ahrend B.V., 1101 EB Amsterdam, Laarderhoogtweg 25, the Netherlands.

The parent company Koninklijke Ahrend B.V. is fully owned by the company Stonehaven Holding B.V. and is part of the consolidation unit HAL Trust.

The Company is the parent company of the TECHO group and the attached financial statements have been prepared on a separate basis. The Company does not perform a consolidation pursuant to §62 of Decree 500/2002 Coll., because it is part of the Koninklijke Ahrend B.V. consolidation unit, which has audited consolidated financial statements prepared in a member state of the European Union. The consolidated financial statements for the smallest group are available at the registered office of Koninklijke Ahrend B.V.

The Company is not a partner with unlimited liability in any company.

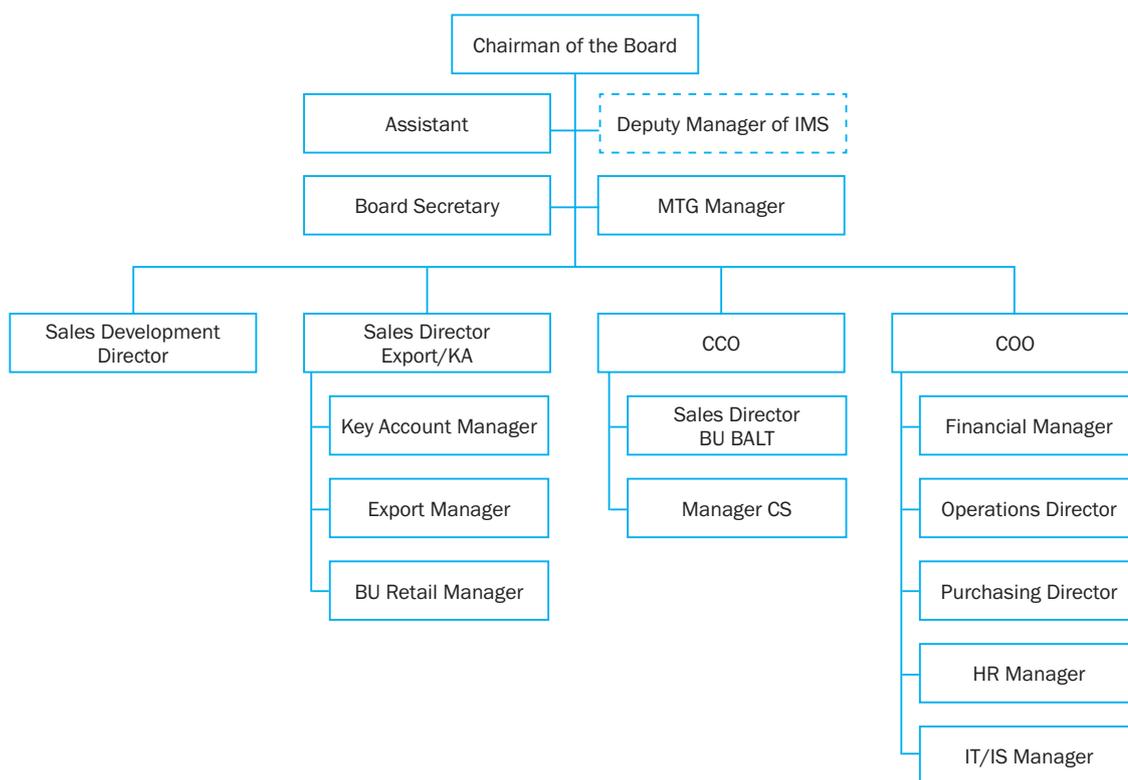
Members of the statutory bodies as at 31 December 2019 and 2018:

Statutory body (the Board of Directors)	
Chairman:	Ing. Jiří Kejval
Vice-chairman:	W.H.L.M.G. Sterken
Member:	Ing. Petr Hampl

Supervisory Board	
Member:	Rolf Matthias Verspuij

Two members of the Board of Directors must always act together on behalf of the Company.

The Company has the following organisational structure:



2

Accounting policies

2.1. Principles applied during preparation of the financial statement

The financial statement has been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention.

2.2. Comparability of data

Based on the requirements of amendment to Decree No. 500/2002 sb., valid from 1 January 2018, there has been a change in the reporting of certain balance sheet items. In order to ensure comparability of these items with past accounting periods they were adjusted with associated comparable data.

For reasons stated in Note 13 certain items of the profit and loss account were adjusted with comparable data.

2.3. Intangible and tangible fixed assets

Intangible (and tangible) assets that can be expected to be used for over one year and with a unit acquisition price exceeding CZK 60 thousand (CZK 40 thousand) are deemed fixed intangible (and tangible) assets.

Purchased intangible and tangible fixed assets are initially recorded at cost, which includes all costs related to their acquisition.

An intangible fixed asset is amortised on the basis of expected useful life of the asset. Tangible fixed assets are amortised over the economic useful live of the asset.

The estimated useful life is as follows:

Amortisation is calculated on the basis of the initial cost value and economic useful live of the asset.

	Number of years (from-to)
Software	3 - 5
Other intangible fixed assets	5 - 8

Tangible fixed assets produced by the Company are valued at their own costs, which include direct material, wage costs and overhead costs.

Tangible fixed assets (land) acquired free of charge were valued at replacement cost and accounted through other capital funds. The replacement cost of these assets was determined on the basis of an expert opinion.

The cost of technical improvements to tangible fixed assets increases their cost value. Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred.

Depreciation is calculated based on the acquisition cost and the expected useful life of the asset. The estimated useful life is as follows:

	Number of years (from-to)
Machinery, instruments and equipment	5 - 6
Vehicles	3 - 4
Fixtures	3 - 6
Other fixed tangible assets	3 - 15
Property for rent	For the contract duration
Technical improvement of rented property	For the contract duration

2.4. Investments in subsidiaries and investments in associates

Investments in subsidiaries represent ownership interests in enterprises that are controlled or managed (hereinafter “subsidiaries”).

Investments in subsidiaries are accounted for by the equity method. Under this method, the investment is initially recorded at cost and this value is increased or decreased to recognise the investor’s share of the equity of the subsidiary or the associate as at the balance sheet date and converted using the exchange rate published by the Czech National Bank at the balance sheet date. Revaluation of the investment using the equity method of accounting is recorded through the Company’s equity.

2.5. Cash and cash equivalents

Cash includes cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term liquid investments which can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded on public markets.

The Company uses cash pooling within the group. A liability (or payable) arising from cash pooling is presented in the balance sheet as “Short-term liabilities - subsidiaries and controlling party” (or “Short-term payables - subsidiaries and controlling party”) and the change of the balances is presented in the Cash-flow statement as part of the item “Change in long and short-term liabilities” (or “Loans to related parties”).

Liabilities (or payables) relating to cash pooling represent a form of financing of the Company, and thus are not considered Cash and cash equivalents for the purposes of the cash-flow statement.

2.6. Inventories

Purchased inventories are stated at acquisition cost reduced by a provision. The acquisition cost includes all costs related with the acquisition (mainly transport costs, customs duty, etc.). The fixed price method and valuation of differences is applied for all disposals.

Inventories generated from own production, i.e. work-in-progress and finished goods, are stated at the actual production cost reduced by a provision. Production cost includes direct and indirect materials, direct and indirect wages and production overheads.

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

2.7. Receivables

Receivables are stated at nominal value less a provision for doubtful amounts. An allowance for doubtful amounts is created on the basis of an ageing analysis and an individual evaluation of the credit worthiness of the customers. The Company also creates an allowance for receivables from related parties.

2.8. Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the fixed exchange rate determined by the Company at the first day of the month on the basis of the rate announced by the Czech National Bank.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement and are, from 2019, stated as a total (see note 2.14).

2.9. Provisions

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.10. Related parties

The Company's related parties are considered to be the following:

- parties which directly or indirectly control the Company, and companies in which these parties have a controlling or significant influence,
- parties which, directly or indirectly, have a significant influence on the Company,
- members of the Company's or parent company's statutory and supervisory boards and management, and parties close to such members, including entities in which they have a controlling or significant influence,
- subsidiaries and associates.

Material transactions and outstanding balances with related parties are disclosed in Notes 14 "Related party transactions" and 16 "Staff costs".

2.11. Leases

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes, but not recognised in the balance sheet.

2.12. Revenue and cost recognition

Revenues and costs are accrued with respect to the period to which they pertain in substance and in time.

Revenues are recorded at the date of delivery of the products or goods and their acceptance by the customer, or the date of performance of the service. Revenues on the basis of an agreement on work are recorded at the moment of acceptance of the work by the customer.

2.13. Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax asset is recognised if it is probable that it can be utilised in the future.

2.14. Association

The Company concluded 2 association (the association does not have legal personality) agreements with its subsidiary Interier Říčany a.s. On the basis of these agreements, the Company forms an association with Interier Říčany a.s. for the purpose of the joint completion of a project.

The partners in the association undertake to complete each individual project together:

- The Company as part of the completion of the work shall arrange the production and associated deliveries from suppliers and invoicing of the end customer;
- Interier Říčany a.s. arranges:
 - the negotiation, administrative processing and commercial aspects of each individual ordered project,
 - warehousing and despatch using own employees,
 - the processing of the order through the IS/IT system using own employees;
- Neither of the partners in the association places any assets, any items or the right to use items into the association;
- The association is established for a definite period, which is the period needed to deliver the work;
- All individual orders are recorded in the accounting books of the Company. The Company prepares accounting records on a monthly basis;
- On the basis of the accounting records, the partners in the association allocate the revenue from the sale of goods, sale of own products, services and material, and the associated costs in a pre-agreed ratio (the Company removes the above transactions from its accounting records and corresponding amounts are subsequently accounted by Interier Říčany a.s.).

2.15. Subsequent events

The effects of events which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the event that they provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date, but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed, but are not themselves recognised in the financial statements.

Intangible fixed assets (CZK 000)

	1 January 2019	Additions / reclassification	Disposals	31 December 2019
Acquisition price				
Software	29 508	7 814	-283	37 039
Royalties	100	0	0	100
Other intangible fixed assets	1 700	80	-330	1 450
Intangible fixed assets in the course of construction	2 435	689	0	3 124
Total	33 743	8 583	-613	41 713
Accumulated depreciation and provisions				
Software	-25 493	-3 443	283	-28 653
Other royalties	-100	0	0	-100
Other intangible fixed assets	-1 173	-105	330	-948
Provisions	-128	0	0	-128
Total	-26 894	-3 548	613	-29 829
Residual value	6 849			11 884

	1 January 2018	Additions / reclassification	Disposals	31 December 2018
Acquisition price				
Software	25 552	3 956	0	29 508
Royalties	100	0	0	100
Other intangible fixed assets	1 179	521	0	1 700
Intangible fixed assets in the course of construction	12	2 423	0	2 435
Total	26 843	6 900	0	33 743
Accumulated depreciation and provisions				
Software	-22 638	-2 855	0	-25 493
Royalties	-100	0	0	-100
Other royalties	-1 132	-41	0	-1 173
Other intangible fixed assets	-128	0	0	-128
Provisions	-23 998	-2 896	0	-26 894
Total	2 845			6 849

Tangible fixed assets (CZK 000)

	1 January 2019	Additions / reclassification	Disposals	31 December 2019
Acquisition price				
Land	855	0	0	855
Constructions	12 981	0	0	12 981
Equipment	139 919	11 427	-8 192	143 154
Works of art	147	0	0	147
Acquisition of tangible fixed assets	4 843	-4 843	0	0
Advances paid for tangible fixed assets	759	-759	0	0
Total	159 504	5 825	-8 192	157 137
Accumulated depreciation and provisions				
Constructions	-11 394	-800	0	-12 194
Equipment	-116 984	-8 750	8 192	-117 542
Provisions	-431	144	0	-287
Total	-128 809	-9 406	8 192	-130 023
Residual value	30 695			27 114

	1 January 2018	Additions / reclassification	Disposals	31 December 2018
Acquisition price				
Land	855	0	0	855
Constructions	12 981	0	0	12 981
Equipment	138 032	2 958	-1 071	139 919
Works of art	147	0	0	147
Acquisition of tangible fixed assets	0	4 843	0	4 843
Advances paid for tangible fixed assets	0	759	0	759
Total	152 015	8 560	-1 071	159 504
Accumulated depreciation and provisions				
Constructions	-10 592	-802	0	-11 394
Equipment	-106 503	-11 478	997	-116 984
Provisions	-431	0	0	-431
Total	-117 526	-12 280	997	128 809
Residual value	34 489			30 695

Long-term investments (CZK 000)

Subsidiaries as at 31 December 2019:

	Equity	Valuation by equity method	Share of capital	2019 net profit/(loss)	Acquisition cost	Difference from revaluation	Dividend income 2019
TECHO Romania s.r.l. (Romania)	42 361	42 361	100%	17 406	15 114	27 247	6 624
Techo, s.r.o. (Slovakia)	75 902	75 902	100%	-1 380	5 004	70 898	0
TECHO Hungária Kft. (Hungary)	11 695	11 695	100%	-995	45 275	-33 580	0
TECHO Adria d.o.o. (Croatia)	-5 941	0	100%	-2 334	78	-78	0
TECHO GmbH (Austria)	-9 869	0	100%	-1 067	923	-923	0
TECHO Georgia Ltd. (Georgia)	-10 286	0	100%	114	296	-296	0
T.O.V. TECHO Ukraine (Ukraine)	-1 615	0	100%	3 521	243	-243	0
Interier Říčany a.s. (Czech Republic)	74 389	74 389	100%	15 772	60 870	13 519	0
AHREND, s.r.o. (Czech Republic)	10 677	10 677	100%	-46	6 421	4 256	0
O.O.O. TECHO (Russia)	10 347	10 347	99%	-42	10 374	-27	0
TECHO UK Ltd. (Great Britain)	43 739	43 739	100%	23 980	19 275	24 464	0
TECHO Bulgaria e.o.o.d. (Bulgaria)	17	17	100%	50	5	12	0
TECHO PL Sp. z o.o. (Poland)	1 265	1 265	100%	-2 659	169	1 096	0
Total		270 392			164 047	106 345	6 624

Subsidiaries as at 31 December 2018:

	Equity	Valuation by equity method	Share of capital	2018 net profit/(loss)	Acquisition cost	Difference from revaluation	Dividend income 2018
TECHO Romania s.r.l. (Romania)	32 696	32 696	100%	6 787	15 114	17 582	10 279
Techo, s.r.o. (Slovakia)	78 241	78 241	100%	-954	5 004	73 237	4 377
TECHO Hungária Kft. (Hungary)	13 229	13 229	100%	2 579	45 275	-32 046	0
TECHO Adria d.o.o. (Croatia)	-3 648	0	100%	101	78	-78	0
TECHO GmbH (Austria)	-9 491	0	100%	3 623	923	-923	0
TECHO Georgia Ltd. (Georgia)	-11 047	0	100%	2 019	296	-296	0
T.O.V. TECHO Ukraine (Ukraine)	-4 414	0	100%	1 268	243	-243	0
Interier Říčany a.s. (Czech Republic)	58 617	58 617	100%	9 612	60 870	-2 253	0
AHREND, s.r.o. (Czech Republic)	10 723	10 723	100%	-492	6 421	4 302	0
O.O.O. TECHO (Russia)	-7 470	0	99%	-3 315	5	-5	0
TECHO UK Ltd. (Great Britain)	19 029	19 029	100%	12 164	19 275	-246	0
TECHO Bulgaria e.o.o.d. (Bulgaria)	-39	0	100%	-39	5	-5	0
TECHO PL Sp. z o.o. (Poland)	3 929	3 929	100%	1 293	169	3 761	0
Total		216 464			153 678	62 786	14 656

On 31 December 2018, the company TECHO Bulgaria e.o.o.d. was established.

On the basis of the decision of the Company's Board of Directors of 17 September 2019, the equity of O.O.O. TECHO (Russia) was increased by CZK 10 268 thousand.

Financial information on Techo, s.r.o., TECHO Romania s.r.l., TECHO Hungária Kft. and Interier Říčany a.s. was obtained from the audited financial statements as at 31 December 2019 and 31 December 2018. Financial information on other subsidiaries as at 31 December 2019 and 31 December 2018 was obtained from unaudited financial statements.

Inventories

6

The Company created a provision for inventories as at 31 December 2019 in the amount of CZK 3 356 thousand (at 31 December 2018: CZK 3 962 thousand).

Receivables

7

For unpaid receivables deemed doubtful, a provision was created as at 31 December 2019 and 2018 on the basis of an analysis of the collectability of the individual receivables (see point 8).

As at 31 December 2019, overdue trade receivables amounted to CZK 218 858 thousand (at 31 December 2018: CZK 205 333 thousand).

As at 31 December 2019, the Company's long-term trade receivables relating to retention amounted to CZK 10 079 thousand (at 31 December 2018: CZK 8 072 thousand) relating to unpaid commercial retentions.

These receivables have a maturity of 2 to 6 years. Receivables with a maturity in excess of 5 years as at 31 December 2019 amounted to CZK 0 thousand (at 31 December 2018: CZK 632 thousand).

Short-term advances paid are primarily advances connected with the rental of office, production and warehouse space.

Receivables are not covered by surety.

The Company has no receivables or contingent receivables that are not recorded on the balance sheet.

Advance payments for income tax in the amount of CZK 8 280 thousand, paid by the Company as at 31 December 2019 (at 31 December 2018: CZK 9 833 thousand) were offset against the estimate for income tax in the amount of CZK 6 384 thousand created as at 31 December 2019 (at 31 December 2018: CZK 7 320 thousand).

8

Provisions (CZK 000)

Provisions represent a temporary reduction in asset value (disclosed in Notes 5, 6 and 7).

Changes in provisions:

Provision to:	Closing balance 1.1.2018	Creation of provision	Release/ usage of provision	Closing balance 31.12.2018	Creation of provision	Release/ usage of provision	Closing balance 31.12.2019
fixed assets	559	0	0	559	0	-144	415
inventories	4 443	2 381	-2 862	3 962	111	-717	3 356
receivables	37 951	3 358	-5 106	36 203	-3 062	0	33 141

Equity

The share capital of the Company comprises 84,541 shares fully subscribed and paid up with a nominal value of CZK 1 000.

Other capital funds comprise the acquisition free-of-charge of a plot of land discovered when checking the Land Registry.

The Assets and liabilities revaluation reserve is attributed to the revaluation of investments using the equity method.

HAL Holding N.V. with its registered office at Johan van Walbeeckplein 11A, Willemstad, Curaçao prepares the consolidated financial statements of the largest group of entities to which the Company belongs. The consolidated financial statements for the largest group is available from HAL Holding N.V.

On 28 June 2019, the General Meeting approved the Company's financial statement for 2018 and decided on the distribution of profit for 2018 in the amount of CZK 33 848 thousand.

The Company has proposed a profit distribution for 2019 in the form of a dividend payment.

Reserves (CZK 000)

Changes in reserves:

Reserves	Closing Balance 1.1.2018	Creation of reserves	Release/usage of reserves	Closing Balance 31.12.2018	Creation of reserves	Release/usage of reserves	Closing Balance 31.12.2019
Warranty repairs and claims	10 969	12 258	-3 425	19 802	5 487	-5 907	19 382
Bonuses	24 728	15 093	-19 650	20 171	18 484	-18 947	19 708
Untaken holiday	3 782	4 434	-3 782	4 434	0	-368	4 066
Legal disputes	500	0	-500	0	0	0	0
Total	39 979	31 785	-27 357	44 407	23 971	-25 222	43 156

Reserves for warranty repairs in 2019 represent, in particular, costs for claims and warranty repairs in connection with the project for ŠKODA AUTO and costs for the warranty repairs related to interior construction projects for PPF, Trianon, Intel and the ERSTE branch network.

Liabilities, future liabilities and contingent liabilities

As at 31 December 2019, the Company had trade liabilities overdue by more than 90 days in the amount of CZK

1 635 thousand (at 31 December 2018: CZK 4 557 thousand).

As at 31 December 2019, long-term liabilities represent unpaid retention in relation to suppliers with a maturity of between 1 and 6 years in the amount of CZK 1 923 thousand (at 31 December 2018: CZK 3 508 thousand). Liabilities with a maturity exceeding 5 years as at 31 December 2019 amounted to CZK 0 thousand (at 31 December 2018: CZK 0 thousand).

Short-term advances as at 31 December 2019 in the amount of CZK 1 737 thousand (at 31 December 2018: CZK

8 519 thousand) were received from customers in connection with concluded contracts for work which were not, by the balance sheet date, invoiced or accounted for.

Future liabilities are stated in Note 18 Off balance sheet assets and liabilities.

The Company does not provide any surety not included on the balance sheet.

The Company management is not aware of any contingent guarantees of the Company as at 31 December 2019.

Estimated accounts payable primarily includes estimates for non-invoiced services and energy connected with the lease of production, administrative and storage space.

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Accruals and income collected in advance

Deferred income comprises invoices issued for unfinished projects and their booking into revenue of the period to which they belong.

13

Revenues (CZK 000)

Revenues from operating activities:

	2019		2018	
	Domestic	Foreign	Domestic	Foreign
Sale of furniture incl. installation – own products	173 179	325 398	196 483	334 597
Sale of construction services	415 308	6 957	350 106	50 543
Sale of goods – other purchased office furniture	287 370	227 582	294 955	284 769
Other operating revenues	22 346	185	19 768	2 923
Total revenues	898 203	560 122	861 312	672 832

The Company provides administrative services to related parties. Due to the increasing importance of these services the Company has started to record them in Revenues from the sale of goods and services. For the same reason the Company also started to record services received from related parties under Services. For the sake of comparability of data these services were reclassified in the profit and loss statement for 2018. The entry Revenues from sales of products and goods is changed from CZK 923 139 thousand to CZK 932 089 thousand, and row Other operating revenues is changed from CZK 23 646 thousand to CZK 14 696 thousand for the year ending 31 December 2018. The entry Services is changed from the amount of CZK 588 090 thousand to CZK 594 868 thousand, and entry Other operating expenses from the amount of CZK 18 354 thousand to CZK 11 576 thousand.

Related party transactions (CZK 000)

As at 31 December 2019 and 2018, no member of a statutory or supervisory body nor any senior manager received a loan, a financial guarantee, advances or other benefits, or own any shares in the Company.

Company managers have the use of company cars.

The Company undertook the following transactions with related parties in 2019 and 2018:

	2019	2018
Revenues/sales		
Sale of services and products	388 484	511 847
Sale of goods	170 715	95 130
Interest income	57	4
Dividends received	6 624	14 656
Total	565 880	621 637
Costs/purchases		
Purchase of goods for resale	26 702	38 815
Interest costs	1 300	840
Purchase of services	31 561	27 744
Dividend payment	33 848	98 280
Total	93 411	165 679

As at 31 December 2019 and 31 December 2018, the Company had the following receivables and liabilities with related parties:

	31 December 2019	31 December 2018
Receivables		
Trade receivables	228 836	213 606
Receivables – dividends	6 538	9 859
Loans provided	2 414	515
Cash pool	17 934	125 306
Total	255 722	349 286
Liabilities		
Liabilities to companies in the consolidation unit	67 295	91 112
Of which:		
Trade liabilities	6 695	2 169
Cash pool	60 600	88 943
Other liabilities	0	0
Total	67 295	91 112

Loans provided to group companies as at 31 December 2019:

Company	Maturity date	2019	2018
TECHO Bulgaria e.o.o.d. (Bulgaria)	31. 12. 2020	2 033	515
TECHO Adria d.o.o. (Croatia)	31. 12. 2020	381	0
Total		2 414	515

In addition to the above, the Company records as at 31 December 2019 a receivable from subsidiary TECHO Romania s.r.l. due to unpaid dividends in the amount of CZK 6 538 thousand (at 31 December 2018: CZK 9 594 thousand).

Liabilities in the group due to cash pool financing as at 31 December:

Company	Maturity date	2019	2018
Interier Říčany a.s. (Czech Republic)	Indefinite period	-16 513	-60 417
Ahrend, s.r.o. (Czech Republic)	Indefinite period	-10 250	-10 330
Techo, s.r.o. (Slovakia)	Indefinite period	-33 837	-18 196
Ahrend Europe B.V. (Netherlands)	Indefinite period	17 934	125 306

Audit company fees

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Information on fees of the audit company, PricewaterhouseCoopers Audit, s.r.o., is included as an annex to the consolidated financial statements of the parent company Koninklijke Ahrend B.V.

Staff costs (CZK 000)

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Staff costs:

	2019		2018	
	Employees	Costs	Employees	Costs
Remuneration of board members	2	14 208	2	13 551
Remuneration of other employees	204	115 654	205	108 839
Health and social security costs	0	40 758	0	37 954
Other social costs	0	2 951	0	2 878
Total staff costs	206	173 571	207	163 222

In 2019 the members of the statutory and supervisory bodies received remuneration in the total amount of CZK 240 thousand (at 31 December 2018: CZK 240 thousand).

Income tax (CZK 000)

The tax expense includes:

	2019	2018
Tax payable (19%)	6 384	7 320
Deferred tax	-747	-2 200
Adjustment of the tax expense of the previous period according to the tax return	440	601
Total tax expense	6 077	5 721

The Company's analysis of deferred tax is as follows:

Items of deferred tax	2019		2018	
	Deferred tax asset	Deferred tax Liability	Deferred tax asset	Deferred tax Liability
Differences between accounting and tax net book value of fixed assets	0	-212	0	-473
Other temporary differences:	0	0	0	0
Provision for receivables	1 042	0	299	0
Provision for inventories	638	0	630	0
Provision for fixed assets	79	0	106	0
Reserves	8 200	0	8 438	0
Total	9 959	-212	9 473	-473
The deferred tax asset	9 747	0	9 000	0

The deferred tax was calculated at 19% (tax rate for 2019 and subsequent).

Off balance sheet assets and liabilities

The Company has concluded an agreement on the lease of production, administration and warehouse space with the lease being for a definite period - expiring 31 December 2020. In 2019 the total amount of rent for all the leased space was CZK 24 698 thousand (2018: CZK 24 843 thousand). The amount of future liabilities not included on the balance sheet, which arise from this agreement, as at 31 December 2019 amount to CZK 28 375 thousand (at 31 December 2018: CZK 56 750 thousand).

Other non-residential premises are leased for an indefinite period. The total amount of rent paid for space leased for an indefinite period amounted in 2019 to CZK 2 751 thousand (2018: CZK 4 621 thousand).

The Company has concluded agreements on the operative leasing for cars for periods of 3 or 4 years and the lease of warehouse vehicles for a 5-year period. Total lease instalments for the lease of cars and warehouse vehicles in 2019 amounts to CZK 6 129 thousand (2018: CZK 5 968 thousand). The total amount of future liabilities not included on the balance sheet, which arise from these agreements, as at 31 December 2019 amounts to CZK 13 382 thousand (at 31 December 2018: CZK 11 474 thousand).

The Company has also concluded an agreement on the operational lease of computer equipment for periods of 3 or 4 years. The total rental payments for lease of the computer equipment in 2019 amounts to CZK 2 044 thousand (2018: CZK 1 226 thousand).

The total amount of future liabilities not included on the balance sheet, which arise from these

agreements, as at 31 December 2019 amounts to CZK 3 418 thousand (at 31 December 2018: CZK 2 432 thousand).

The Company also records guarantees issued in its favour by the Československá obchodní banka which amount, as at 31 December 2019 to CZK 3 017 thousand (at 31 December 2018: CZK 2 997 thousand).

Subsequent events

In March 2020 a state of emergency was declared in the Czech Republic, which has had a negative impact on the commercial and production results of the Company.

The Covid -19 pandemic had a limited impact on the results for Q1 2020. Of course, we expect a much greater impact in Q2 and Q3 2020. With an optimistic outlook we might expect to see Q4 achieving figures close to the planned values.

In an effort to mitigate negative impacts on the trading results, the company has adopted measures in the area of sales (the project “Healthy Workplace”) and in the areas of costs and working capital. The company takes advantage of all incentives and reliefs provided by both central and local governments.

Provided there is no further worsening of the situation in H2 2020, the company expects:

- that sales will be in the region of 30-40% behind the plan
- the operating profit, excluding dividends received from subsidiaries, will be in the region of – CZK 5 million to – CZK 0, as opposed to the planned CZK 32 million

Potential impact on provisions and reserves will be reflected in the financial statement for 2020.

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2019.

In Prague, dated 10 June 2020



Jiří Kejval
Director



Petr Hampl
Director



Karel Ašenbrener
Finance Manager

BALANCE SHEET (CZK 000)

Ref.	ASSETS	Row	31. 12. 2019			31. 12. 2018	
			Gross	Provision	Net	Net	
a	b	c	1	2	3	4	
	TOTAL ASSETS	001	1 079 120	-196 349	882 771	909 798	
B.	Fixed assets	003	469 242	-159 852	309 390	254 008	
B. I.	Intangible fixed assets	004	41 713	-29 829	11 884	6 849	
B. I. 2.	Royalties	006	37 139	-28 881	8 258	3 887	
B. I. 2. 1.	Software	007	37 039	-28 781	8 258	3 887	
B. I. 2. 2.	Other royalties	008	100	-100	0	0	
B. I. 4.	Other intangible fixed assets	010	1 450	-948	502	527	
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	3 124	0	3 124	2 435	
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	3 124	0	3 124	2 435	
B. II.	Tangible fixed assets	014	157 137	-130 023	27 114	30 695	
B. II. 1.	Land and constructions	015	13 836	-12 481	1 355	2 011	
B. II. 1. 1.	Land	016	855	0	855	855	
B. II. 1. 2.	Constructions	017	12 981	-12 481	500	1 156	
B. II. 2.	Equipment	018	143 154	-117 542	25 612	22 935	
B. II. 4.	Other tangible fixed assets	020	147	0	147	147	
B. II. 4. 3.	Tangible fixed assets - other	023	147	0	147	147	
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	0	0	0	5 602	
B. II. 5. 1.	Advances paid for tangible fixed assets	025	0	0	0	759	
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	0	0	0	4 843	
B. III.	Long-term investments	027	270 392	0	270 392	216 464	
B. III. 1.	Investments - subsidiaries and controlling party	028	270 392	0	270 392	216 464	
C.	Current assets	037	609 878	-36 497	573 381	655 790	
C. I.	Inventories	038	139 730	-3 356	136 374	156 360	
C. I. 1.	Raw materials	039	68 275	-2 258	66 017	56 882	
C. I. 2.	Work in progress and semi-finished products	040	7 142	0	7 142	10 747	
C. I. 3.	Finished goods and goods for resale	041	58 699	-939	57 760	69 934	
C. I. 3. 1.	Finished goods	042	12 316	-257	12 059	19 848	
C. I. 3. 2.	Goods for resale	043	46 383	-682	45 701	50 086	
C. I. 5.	Advances paid for inventory	045	5 614	-159	5 455	18 797	
C. II.	Receivables	046	469 807	-33 141	436 666	498 929	
C. II. 1.	Long-term receivables	047	19 827	0	19 827	17 072	
C. II. 1. 1.	Trade receivables	048	10 080	0	10 080	8 072	
C. II. 1. 4.	Deferred tax asset	051	9 747	0	9 747	9 000	
C. II. 2.	Short-term receivables	057	446 949	-33 141	413 808	477 948	
C. II. 2. 1.	Trade receivables	058	392 804	-33 141	359 663	307 291	
C. II. 2. 2.	Receivables - subsidiaries and controlling party	059	26 886	0	26 886	135 415	
C. II. 2. 4.	Receivables - other	061	27 259	0	27 259	35 242	
C. II. 2. 4. 3.	Taxes - receivables from the state	064	4 107	0	4 107	10 548	
C. II. 2. 4. 4.	Short-term advances paid	065	18 015	0	18 015	19 194	
C. II. 2. 4. 5.	Estimated receivables	066	5 013	0	5 013	5 212	
C. II. 2. 4. 6.	Other receivables	067	124	0	124	288	
C. II. 3.	Prepayments and accrued income	068	3 031	0	3 031	3 909	
C. II. 3. 1.	Prepaid expenses	069	3 031	0	3 031	3 909	
C. IV.	Cash	075	341	0	341	501	
C. IV. 1.	Cash in hand	076	215	0	215	281	
C. IV. 2.	Cash at bank	077	126	0	126	220	

Ref.	LIABILITIES AND EQUITY		Row	31. 12. 2019	31. 12. 2018
a	b		c	5	6
	TOTAL LIABILITIES AND EQUITY		082	882 771	909 798
A.	Equity		083	424 159	388 953
A. I.	Share capital		084	84 541	84 541
A. I. 1.	Share capital		085	84 541	84 541
A. II.	Share premium and capital contributions		088	107 590	64 031
A. II. 2.	Capital contributions		090	107 590	64 031
A. II. 2. 1.	Other capital contributions		091	1 245	1 245
A. II. 2. 2.	Assets and liabilities revaluation		092	106 345	62 786
A. III.	Other reserves		096	20 845	20 845
A. III. 1.	Other reserve funds		097	20 845	20 845
A. IV.	Retained earnings / Accumulated losses		099	185 688	185 688
A. IV. 1.	Retained earnings or accumulated losses (+/-)		100	185 688	185 688
A. V.	Profit / (loss) for the current period		102	25 495	33 848
B. + C.	Liabilities		104	458 612	520 845
B.	Provisions		105	43 156	44 407
B. 4.	Other provisions		109	43 156	44 407
C.	Liabilities		110	415 456	476 438
C. I.	Long-term liabilities		111	1 923	3 508
C. I. 9.	Liabilities - other		122	1 923	3 508
C. I. 9. 3.	Other liabilities		125	1 923	3 508
C. II.	Short-term liabilities		126	367 047	435 569
C. II. 3.	Short-term advances received		131	1 737	8 519
C. II. 4.	Trade payables		132	244 793	279 145
C. II. 6.	Liabilities - subsidiaries and controlling party		134	60 600	88 943
C. II. 8.	Liabilities - other		136	59 917	58 962
C. II. 8. 1.	Liabilities to shareholders		137	1 758	0
C. II. 8. 3.	Liabilities to employees		139	7 309	6 787
C. II. 8. 4.	Liabilities for social security and health insurance		140	3 809	3 504
C. II. 8. 5.	Taxes and state subsidies payable		141	6 207	1 302
C. II. 8. 6.	Estimated payables		142	40 419	47 154
C. II. 8. 7.	Other liabilities		143	415	215
C. III.	Accruals and deferred income		144	46 486	37 361
C. III. 1.	Accrued expenses		145	13	74
C. III. 2.	Deferred income		146	46 473	37 287

INCOME STATEMENT (CZK 000)

Ref.	TEXT	Row	Accounting period	
			2019	2018
a	b	c	1	2
I.	Sales of products and services	01	920 842	932 089
II.	Sales of goods	02	514 952	579 724
A.	Cost of sales	03	1 241 521	1 313 343
A. 1.	Cost of goods sold	04	409 824	462 731
A. 2.	Raw materials and consumables used	05	237 818	255 744
A. 3.	Services	06	593 879	594 868
B.	Changes in inventories of finished goods and work in progress	07	-5 194	-4 091
C.	Own work capitalised	08	-478	-460
D.	Staff costs	09	173 571	163 222
D. 1.	Wages and salaries	10	129 862	122 390
D. 2.	Social security, health insurance and other social costs	11	43 709	40 832
D. 2. 1.	Social security and health insurance costs	12	40 758	37 954
D. 2. 2.	Other social costs	13	2 951	2 878
E.	Value adjustments in operating activities	14	9 286	12 947
E. 1.	Value adjustments of fixed assets	15	12 954	15 176
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	13 098	15 176
E. 1. 2.	Provision for impairment of fixed assets	17	-144	0
E. 2.	Provision for impairment of inventories	18	-606	-481
E. 3.	Provision for impairment of receivables	19	-3 062	-1 748
III.	Operating income - other	20	22 531	22 691
III. 1.	Sales of fixed assets	21	55	252
III. 2.	Sales of raw materials	22	6 590	7 743
III. 3.	Other operating income	23	15 886	14 696
F.	Operating expenses - other	24	11 474	23 721
F. 1.	Net book value of fixed assets sold	25	0	74
F. 2.	Cost of raw materials sold	26	5 927	7 165
F. 3.	Taxes and charges from operating activities	27	457	478
F. 4.	Operating provisions and complex prepaid expenses	28	-1 251	4 428
F. 5.	Other operating expenses	29	6 341	11 576
*	Operating result	30	28 145	25 822
V.	Income from other long-term investments	35	6 624	14 656
V. 1.	Income from other long-term investments - subsidiaries or controlling party	36	6 624	14 656
VI.	Interest and similar income	39	57	5
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	57	4
VI. 2.	Other interest and similar income	41	0	1
J.	Interest and similar expenses	43	1 300	840
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	1 300	840
VII.	Other financial income	46	0	601
K.	Other financial expenses	47	1 954	675
*	Financial result	48	3 427	13 747
**	Net profit / (loss) before taxation	49	31 572	39 569
L.	Tax on profit or loss	50	6 077	5 721
L. 1.	Tax on profit or loss - current	51	6 824	7 921
L. 2.	Tax on profit or loss - deferred	52	-747	-2 200
**	Net profit / (loss) after taxation	53	25 495	33 848
***	Net profit / (loss) for the financial period	55	25 495	33 848
	Net turnover for the financial period	56	1 465 006	1 549 766

STATEMENT OF CASH FLOWS (CZK 000)

Ref.	TEXT	Accounting period	
		2019	2018
a	b	1	2
Cash flows from operating activities			
Net profit /(loss) before tax		31 572	39 569
A. 1.	Adjustments for non-cash movements:	2 599	3 376
A. 1. 1.	Depreciation and amortisation of fixed assets	13 098	15 176
A. 1. 2.	Change in provisions	-5 063	2 199
A. 1. 3.	(Profit)/loss from disposal of fixed assets	-55	-178
A. 1. 4.	Dividend income	-6 624	-14 656
A. 1. 5.	Net interest expense/(income)	1 243	835
A *	Net cash flow from operating activities before tax and changes in working capital	34 171	42 945
A. 2.	Working capital changes:	-53 051	220 341
A. 2. 1.	Change in receivables and prepayments	-41 004	142 754
A. 2. 2.	Change in short-term payables and accruals	-32 639	12 135
A. 2. 3.	Change in inventories	20 592	65 452
A **	Net cash flow from operating activities before tax	-18 880	263 286
A. 3.	Interest paid	-1 300	-840
A. 4.	Interest received	57	5
A. 5.	Income tax paid	-8 277	-13 666
A. 6.	Dividends received	2 459	12 197
A ***	Net cash flow from operating activities	-25 941	260 982
B. 1.	Acquisition of fixed assets	-24 777	-15 465
B. 2.	Proceeds from sale of fixed assets	55	252
B. 3.	Loans to related parties	112 694	-105 644
B ***	Net cash flow from investing activities	87 972	-120 857
C. 1.	Change in long- and short-term liabilities	-28 343	-51 135
C. 2.	Changes in equity:	-33 848	-98 280
C. 2. 6.	Dividends paid	-33 848	-98 280
C. ***	Net cash flow from financing activities	-62 191	-149 415
Net increase/(decrease) in cash and cash equivalents		-160	-9 290
Cash and cash equivalents at the beginning of the year		501	9 791
Cash and cash equivalents at the end of the year		341	501

STATEMENT OF CHANGES IN EQUITY (CZK 000)

	Note	Share capital	Other capital funds	Property revaluation reserve (+/)	Other reserve funds	Retained earnings	Total
As at 1 January 2018		84 541	1 245	45 259	20 845	283 968	435 858
Fair value gains/(losses)							
- investments in subsidiaries and associates		0	0	17 527	0	0	17 527
Dividends/profit distribution paid		0	0	0	0	-98 280	-98 280
Net profit/(loss) for the current period		0	0	0	0	33 848	33 848
As at 31 December 2018		84 541	1 245	62 786	20 845	219 536	388 953
Fair value gains/(losses)							
- investments in subsidiaries and associates		0	0	43 559	0	0	43 559
Dividends/profit distribution paid		0	0	0	0	-33 848	-33 848
Net profit/(loss) for the current period		0	0	0	0	25 495	25 495
As at 31 December 2019		84 541	1 245	106 345	20 845	211 183	424 159







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