



The background of the cover features a stylized architectural illustration in grey and red. On the left, a tall, slender tower with multiple vertical red lines and rectangular markers is shown. To its right is a building with a large, pointed Gothic-style archway. Below these structures, a street scene is depicted with a white truck, a car, a motorcycle, and a person. At the bottom, a train with several grey and white cars is visible. The entire scene is set against a light grey background. A large, dark grey, textured rectangular shape is positioned on the right side of the cover, partially overlapping the illustration. A blue rectangular box is centered on the cover, containing the title and company information.

# ANNUAL REPORT 2018

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

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## ANNUAL REPORT 2018

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 2018

1

In 2018, 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 - 2017. This was achieved at a time when the crown continued to strengthen, particularly against the Euro, which has a negative impact on the profit when enumerated in crowns.

The largest portion of revenue was generated from projects for Key Accounts, both in the local market and abroad. The largest customers were ŠKODA AUTO, Grand Vision, Intel and ERSTE (Česká spořitelna) as well as the resort fit-out project on Zanzibar.

The financial result of the company after tax for 2018 was CZK 34 million, of which CZK 15 million represents dividends received from subsidiaries. This amount is then deemed a dividend payment to the sole shareholder.

In 2018 investment into tangible and intangible fixed assets stood at CZK 15 million.

The company has an environmental management system certified in accordance with ISO 14001:2016 and in January 2018 it successfully passed a recertification audit.

## Management

2

The senior management body of TECHO, a.s. is the Board of Directors, which in 2018 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 2018 reached CZK 1 503 million, which represents a 4% decline compared to 2017. Sales of own products and services represent almost 61% of total sales – an increase of CZK 3 million compared to 2017.

In 2018, the unaudited consolidated sales of the TECHO group (TECHO, a.s. and its 100% owned subsidiaries) reached CZK 2 625 million – a drop of 7% compared to 2017. This drop was caused primarily by a decline in orders for project Škoda (CZK -70 million) and a slowdown in orders in Slovakia (CZK -85 million).

The largest project with respect to sales was that for the ERSTE group (renovation and rebranding of the branch network in the Czech Republic) with a total value of CZK 318 million – i.e. a fifth of total sales. Another important project was the fit-out of a resort on Zanzibar with a value of CZK 76 million in 2018. Showroom deliveries to ŠKODA AUTO dealers continued, but at a lower rate, and store fit-outs were supplied to the Grand Vision group.

Looking at sales from a regional perspective, 56% of sales were realised in the Czech Republic (59% in 2017) and 44% from exports, whether from the European markets or the markets in Africa. Export sales were to a large extent accounted for by sales through the company's subsidiaries in Great Britain, Slovakia and Romania.

## Investment

In 2018, total investments into tangible and intangible fixed assets stood at CZK 15 million. In the area of tangible assets, the largest investment was CZK 3.8 million into a robotised workstation (total investment CZK 5.5 million). A total of CZK 6.4 million was invested into intangible fixed assets, primarily in the area of IT/IS.

## 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), TECHO Ukraine Ltd. (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 2018 is CZK 26 million, which is CZK 12 million lower than the profit in 2017. A significant reason for this drop was the stronger crown in 2018 compared to 2017.

The working capital as at 31 December 2018 was significantly lower than at the end of 2017. This difference was largely due to completion of the large Zanzibar project, which was in progress at the end of 2017, and also due to early payment of large deliveries for project ERSTE at the end of 2018. 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 2018 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:

Company	Country	Sales in CZK'000	EBIT in CZK'000
TECHO, a.s.	Czech Republic	1 504 667	43 616
Ahrend, s.r.o.	Czech Republic	0	0
Interier Říčany a.s.	Czech Republic	202 913	12 585
Techo, s.r.o.	Slovakia	234 941	4 136
TECHO Hungária Kft.	Hungary	61 531	3 621
TECHO GmbH	Austria	116 430	3 714
TECHO Romania s.r.l.	Romania	373 156	12 782
TECHO Adria, d.o.o.	Croatia	15 275	679
TECHO PL sp. z o.o.	Poland	93 507	3 919
T.O.V. TECHO Ukraine	Ukraine	25 760	1 761
O.O.O. TECHO	Russia	109 735	-805
TECHO Georgia Ltd.	Georgia	8 359	2 233
TECHO UK Ltd.	Great Britain	304 373	19 224
TECHO Bulgaria e.o.o.d.	Bulgaria	0	-39
<b>Consolidation adjustments</b>		<b>-425 830</b>	<b>-13 818</b>
<b>TECHO Group consolidated</b>		<b>2 624 817</b>	<b>91 847</b>

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 207 in 2018, which is a drop of 1 employee in comparison with 2017.

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.

## 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.

The company pays great attention to health and safety at work, and the working conditions of its employees, as witnessed by its OHSAS 18001:2008 certification.

## Proposal for approval of the financial statements 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 statements and financial results of the company for 2018
- approves distribution of the profit in the amount of CZK 34 million as follows:
  - a dividend payment of CZK 34 million

## Information on acquisition of own shares

The company does not own any of its own shares.

## New product development

In 2018, product development work was focussed on the modification of existing products designed in past years.

These modifications related, in particular, to desks and pedestals. The changes concerned increasing rigidity, and enabling the use of fittings that provide a higher standard of functionality. A new product was also developed – technical pedestal.

## Information on important events that occurred since 1 January 2019

In the period from 1 January 2019 until the drafting of this Annual Report, TECHO, a.s. has continued to pursue its business activities.

## Expected future development

We anticipate that the Czech market will develop positively in 2019, reflecting the overall economic growth. This trend is confirmed by the results and order book during the first months of 2019. Similar trends can also be seen in other European markets, and in particular in Romania.

The growth in TECHO's key European markets is reflected in an increase in projects delivered and projects that the company is currently working on.

This is also having a positive effect on the economy of own products, as production capacity is being utilised to a high degree, and also on the economy of the whole company. Another aspect key to improving the company's economic situation is the internal activities focussed on increasing the efficiency of processes and optimisation of individual areas with respect to costs. An overview of current projects and internal activities indicates the company is in a good position to achieve results in line with its business plan.

In Prague, dated 28 June 2019



**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 2018



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 2018 (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 2018 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. The company also distributes furniture through its subsidiaries.

## Methods 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.

## 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 2018 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 2018 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 2018 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 2018 Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services The sale of goods/products
TECHO GmbH (Austria)	Management Fees Agreement 2018 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
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 2018	The sale of goods/products Delivery of R&D, PR, IT/IS, top management services
Interier Říčany a.s. (Czech Republic)	Management Fees Agreement 2018 Orders for services Agreement on the lease of property, movables Association agreement Framework and distribution agreement Orders for the sale of goods/products Cash-pool agreement	Delivery of R&D, PR, IT/IS, top management services, Accounting 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
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
Ahrend Europe B.V. (Netherlands)	Cash pool agreement	Drawing money from a cash pool account
O.O.O. TECHO (Russia)	Management Fees Agreement 2018 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 2018 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 UK Ltd. (Great Britain)	Management Fees Agreement 2018 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	Loan
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 B.V. (Netherlands)	Orders for the sale of goods/products	The sale of goods/products
Ahrend Furniture NV (Belgium)	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 38 895 thousand, which represents 10% of the Company's equity reported in the latest Financial Statements as at 31 December 2018

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.

Dividend payment to Koninklijke Ahrend 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 entities from the Group, 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.

In Prague, dated 28 June 2019

On behalf of the Board of Directors of the Company:



**Ing. Jiří Kejval**  
Chairman of the Board  
TECHO, a.s.



**Ing. Petr Hampl**  
Member of the Board  
TECHO, a.s.





**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 10 ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement, statement of changes in shareholder's equity and cash flow statement for the year ended 31 December 2018 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, of its financial performance and its cash flows for the year ended 31 December 2018 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 thereon. 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
- 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 Statutory Body 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.

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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**

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.

### *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.
- 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.

28 June 2019

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.



**FINANCIAL  
STATEMENT  
31<sup>ST</sup> DECEMBER  
2018**



## 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 fit-out 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 2018 and 2017:

#### Statutory body (the Board of Directors)

Chairman: Ing. Jiří Kejval

Vice-chairman: W.H.L.M.G. Sterken

Member: Ing. Petr Hampl

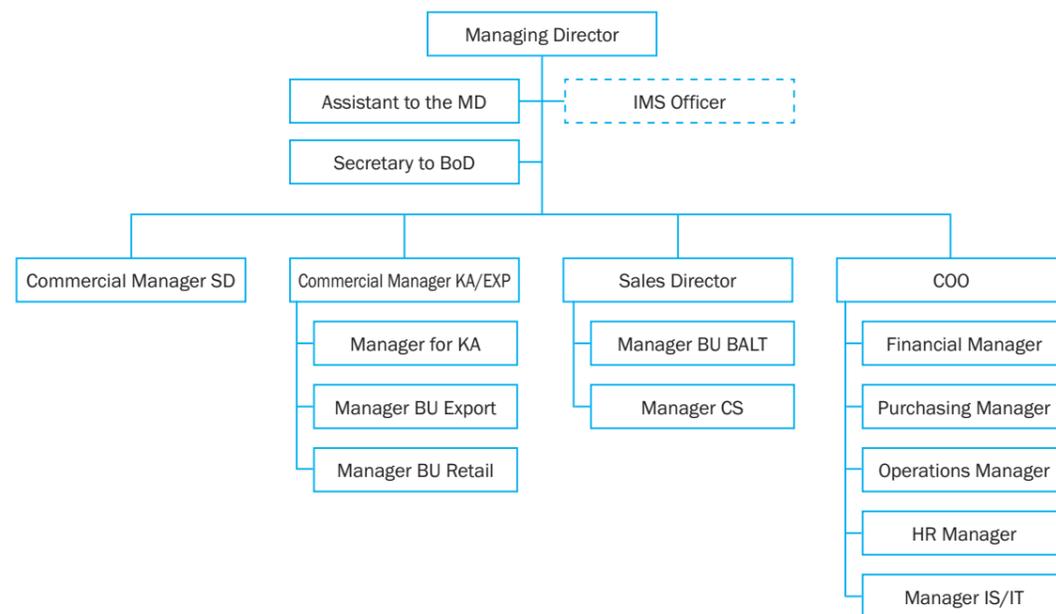
#### Supervisory Board

Member: Rolf Matthias Verspuij

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

The Company had an organisational unit in China the activity of which was terminated in 2017.

The Company has the following organisational structure:



## 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. 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.

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

The estimated useful life is as follows:

	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

### 2.3. 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.

### 2.4. 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 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.

### 2.5. 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.

## 2.6. 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.

## 2.7. 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 each month on the basis of the rate of 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, since 2018, stated as a total (see note 2.14). For the purpose of comparison total figures are also given for 2017. Exchange gains amounting to CZK 11 234 thousand stated in "Other financial revenues" as at 31 December 2017 were reclassified as "Other financial costs".

## 2.8. 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.

## 2.9. 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 have directly or indirectly 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".

## 2.10. 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.

## 2.11. 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.

## 2.12. 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.

## 2.13. 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.).

## 2.14. Changes to accounting procedures

As at 31 December 2018 the Company, in line with paragraph 58 (2) of Decree 500/2002 Sb., recorded revenues and costs due to exchange rate fluctuations in the profit and loss account under "Other financial revenues". For this reason total figures are also given for 2017. Exchange gains amounting to CZK 11 234 thousand stated in "Other financial revenues" as at 31 December 2017 were reclassified as "Other financial costs".

## 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 2018	Additions / reclassification	Disposals	31 December 2018
<b>Acquisition price</b>				
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
<b>Total</b>	<b>26 843</b>	<b>6 900</b>	<b>0</b>	<b>33 743</b>
<b>Accumulated depreciation and provisions</b>				
Software	-22 638	-2 855	0	-25 493
Other royalties	-100	0	0	-100
Other intangible fixed assets	-1 132	-41	0	-1 173
Provisions	-128	0	0	-128
<b>Total</b>	<b>-23 998</b>	<b>-2 896</b>	<b>0</b>	<b>-26 894</b>
<b>Residual value</b>	<b>2 845</b>			<b>6 849</b>

	1 January 2017	Additions / reclassification	Disposals	31 December 2017
<b>Acquisition price</b>				
Software	24 421	1 941	-810	25 552
Royalties	100	0	0	100
Other intangible fixed assets	1 179	0	0	1 179
Intangible fixed assets in the course of construction	0	12	0	12
<b>Total</b>	<b>25 700</b>	<b>1 953</b>	<b>-810</b>	<b>26 843</b>
<b>Accumulated depreciation and provisions</b>				
Software	-21 584	-1 864	810	-22 638
Royalties	-100	0	0	-100
Other royalties	-1 116	-16	0	-1 132
Other intangible fixed assets	-128	0	0	-128
<b>Total</b>	<b>-22 928</b>	<b>-1 880</b>	<b>810</b>	<b>-23 998</b>
<b>Residual value</b>	<b>2 772</b>			<b>2 845</b>

## Tangible fixed assets (CZK'000)

	1 January 2018	Additions / reclassification	Disposals	31 December 2018
<b>Acquisition price</b>				
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
<b>Total</b>	<b>152 015</b>	<b>8 560</b>	<b>-1 071</b>	<b>159 504</b>
<b>Accumulated depreciation and provisions</b>				
Constructions	-10 592	-802	0	-11 394
Equipment	-106 503	-11 478	997	-116 984
Provisions	-431	0	0	-431
<b>Total</b>	<b>-117 526</b>	<b>-12 280</b>	<b>997</b>	<b>128 809</b>
<b>Residual value</b>	<b>34 489</b>			<b>30 695</b>

	1 January 2017	Additions / reclassification	Disposals	31 December 2017
<b>Acquisition price</b>				
Land	855	0	0	855
Constructions	12 981	0	0	12 981
Equipment	131 707	10 830	-4 505	138 032
Works of art	147	0	0	147
Acquisition of tangible fixed assets	0	0	0	0
Advances paid for tangible fixed assets	911	0	-911	0
<b>Total</b>	<b>146 601</b>	<b>10 830</b>	<b>-5 416</b>	<b>152 015</b>
<b>Accumulated depreciation and provisions</b>				
Constructions	-9 791	-801	0	-10 592
Equipment	-97 166	-13 438	4 101	-106 503
Provisions	-467	36	0	-431
<b>Total</b>	<b>-107 424</b>	<b>-14 203</b>	<b>4 101</b>	<b>-117 526</b>
<b>Residual value</b>	<b>39 177</b>			<b>34 489</b>

## Long-term investments

Subsidiaries as at 31 December 2018 (CZK'000):

	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	-
TECHO Adria, d.o.o. (Croatia)	-3 648	-	100%	101	78	-78	-
TECHO GmbH (Austria)	-9 491	-	100%	3 623	923	-923	-
TECHO Georgia Ltd. (Georgia)	-11 047	-	100%	2 019	296	-296	-
T.O.V. TECHO Ukraine (Ukraine)	-4 414	-	100%	1 268	243	-243	-
Interier Říčany a.s. (Czech Republic)	58 617	58 617	100%	9 612	60 870	-2 253	-
Ahrend, s.r.o. (Czech Republic)	10 723	10 723	100%	-492	6 421	4 302	-
OOO TECHO (Russia)	-7 470	-	99%	-3 315	5	-5	-
TECHO UK Ltd. (Great Britain)	19 029	19 029	100%	12 164	19 275	-246	-
TECHO Bulgaria e.o.o.d. (Bulgaria)	-39	-	100%	-39	5	-5	-
TECHO PL Sp. z o.o. (Poland)	3 929	3 929	100%	1 293	169	3 761	-
<b>Total</b>	<b>-</b>	<b>216 464</b>			<b>153 678</b>	<b>62 786</b>	<b>14 656</b>

Subsidiaries as at 31 December 2017 (CZK'000):

	Equity	Valuation by equity method	Share of capital	2017 net profit/(loss)	Acquisition cost	Difference from revaluation	Dividend income 2017
TECHO Romania s.r.l. (Romania)	35 284	35 284	100%	9 534	15 114	20 170	7 692
Techo, s.r.o. (Slovakia)	82 925	82 925	100%	4 300	5 004	77 921	3 475
TECHO Hungária Kft. (Hungary)	10 936	10 936	100%	3 147	45 275	-34 339	-
TECHO Adria, d.o.o. (Croatia)	-2 951	-	100%	2 569	78	-78	-
TECHO GmbH (Austria)	-13 020	-	100%	-1 533	923	-923	-
TECHO Georgia Ltd. (Georgia)	-12 348	-	100%	-2 182	296	-296	-
T.O.V. TECHO Ukraine (Ukraine)	-5 575	-	100%	-1 361	243	-243	-
Interier Říčany a.s. (Czech Republic)	49 005	49 005	100%	5 041	60 870	-11 865	-
AHREND, s.r.o. (Czech Republic)	11 215	11 215	100%	-33	6 421	4 794	-
OOO TECHO (Russia)	-4 734	-	99%	109	5	-5	-
TECHO UK Ltd. (Great Britain)	6 871	6 871	100%	-9 479	19 275	-12 404	-
TECHO PL Sp. z o.o. (Poland)	2 696	2 696	100%	5 429	169	2 527	-
<b>Total</b>	<b>-</b>	<b>198 932</b>			<b>153 673</b>	<b>45 259</b>	<b>11 167</b>

On 1 January 2017, a 100% share in TECHO UK Ltd. in the amount of CZK 19 275 thousand was purchased from related entity Ahrend Holdings Ltd.

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

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 2018. Financial information on other subsidiaries as at 31 December 2018 was obtained from unaudited financial statements.

## Inventories

The Company created a provision for inventories as at 31 December 2018 in the amount of CZK 3 962 thousand (at 31 December 2017: CZK 4 443 thousand).

## Receivables

For unpaid receivables deemed doubtful, a provision was created as at 31 December 2018 and 2017 on the basis of an analysis of the collectability of the individual receivables (see Note 8).

As at 31 December 2018, overdue trade receivables amounted to CZK 205 333 thousand (at 31 December 2017: CZK 234 385 thousand).

As at 31 December 2018, the Company's long-term trade receivables relating to retention amounted to CZK 8 072 thousand (at 31 December 2017: CZK 11 537 thousand).

These receivables have a maturity of 2 to 6 years. Receivables with a maturity in excess of 5 years as at 31 December 2018 amounted to CZK 632 thousand (at 31 December 2017: CZK 1 056 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 9 833 thousand, paid by the Company as at 31 December 2018 (at 31 December 2017: CZK 3 994 thousand) were offset against the estimate for income tax in the amount of CZK 7 320 thousand created as at 31 December 2018 (at 31 December 2017: CZK 7 226 thousand).

## Provisions

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

Changes in provisions (CZK'000):

Provision to:	Closing balance 31.12.2016	Creation of provision	Release/usage of provision	Closing balance 31.12.2017	Creation of provision	Release/usage of provision	Closing balance 31.12.2018
fixed assets	594	-	-36	559	-	-	559
inventories	7 794	1 090	-4 441	4 443	2 381	-2 862	3 962
receivables	38 458	8 505	-9 012	37 951	3 358	-5 106	36 203

## 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 Walbeekplein 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 26 June 2018, the General Meeting approved the Company's financial statement for 2017 and decided on the distribution of profit for 2017 in the amount of CZK 31 144 thousand.

The Company has proposed a profit distribution for 2018 in the form of a dividend payment.

## Reserves

Changes in reserves (CZK'000):

Reserves	Closing Balance 31.12.2016	Creation of reserves	Release/usage of reserves	Closing Balance 31.12.2017	Creation of reserves	Release/usage of reserves	Closing Balance 31.12.2018
Warranty repairs and claims	15 230	4 944	-9 205	10 969	12 258	-3 425	19 802
Bonuses	17 292	24 728	-17 292	24 728	15 093	-19 650	20 171
Untaken holiday	3 768	3 782	-3 768	3 782	4 434	-3 782	4 434
Legal disputes	-	500	-	500	0	-500	0
<b>Total</b>	<b>36 290</b>	<b>33 954</b>	<b>-30 265</b>	<b>39 979</b>	<b>31 785</b>	<b>-27 357</b>	<b>44 407</b>

Reserves for warranty repairs in 2018 represent, in particular, costs for claims and warranty repairs in connection with the project for ŠKODA AUTO, the Zanzibar project and costs for the warranty repairs related to interior construction projects for PPF, Trianon and the ERSTE branch network.

## Liabilities, future liabilities and contingent liabilities

As at 31 December 2018, the Company had trade liabilities overdue by more than 90 days in the amount of CZK 4 557 thousand (at 31 December 2017: CZK 4 981 thousand).

As at 31 December 2018, long-term liabilities represent unpaid retention in relation to suppliers with a maturity of between 1 and 6 years in the amount of CZK 3 508 thousand (at 31 December 2017: CZK 4 791 thousand). Liabilities with a maturity exceeding 5 years as at 31 December 2018 amounted to CZK 0 thousand (at 31 December 2017: CZK 0 thousand).

Short-term advances as at 31 December 2018 in the amount of CZK 8 519 thousand (at 31 December 2017: CZK 32 734 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 2018.

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

## 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.

## Revenues

Revenues from operating activities (CZK'000):

	2018		2017	
	Domestic	Foreign	Domestic	Foreign
Sale of furniture incl. installation – own products	196 483	334 597	179 249	337 674
Sale of construction services	350 106	41 953	403 744	-
Sale of goods – other purchased office furniture	294 955	284 769	331 039	310 796
Other operating revenues	19 768	3 878	33 800	3 018
<b>Total revenues</b>	<b>861 312</b>	<b>665 197</b>	<b>947 832</b>	<b>651 488</b>

## Related party transactions

As at 31 December 2018 and 2017, 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 2018 and 2017 (CZK'000):

	2018	2017
<b>Revenues</b>		
Sale of services and products	511 847	73 429
Sale of goods	95 130	524 295
Interest income	4	155
Dividends received	14 656	11 167
<b>Total</b>	<b>621 637</b>	<b>609 046</b>
<b>Costs/purchases</b>		
Purchase of goods for resale	38 815	30 899
Interest costs	840	1 575
Purchase of services	27 744	24 964
Acquisition of ownership interest in TECHO UK Ltd.	0	19 275
Dividend payment	98 280	0
<b>Total</b>	<b>165 679</b>	<b>76 713</b>

As at 31 December 2018 and 31 December 2017, the Company had the following receivables and liabilities with related parties (CZK'000):

	31.12.2018	31.12.2017
<b>Receivables</b>		
Trade receivables	213 606	213 547
Receivables – dividends	9 859	7 312
Loans provided	515	20 177
Cash pool	125 306	0
<b>Total</b>	<b>349 286</b>	<b>241 036</b>
<b>Liabilities</b>		
Liabilities to companies in the consolidation unit	91 111	145 691
Of which:		
Trade liabilities	2 169	3 180
Cash pool	88 943	140 078
Other liabilities	-	2 433
<b>Total</b>	<b>91 112</b>	<b>145 691</b>

Loans provided to group companies as at 31 December 2018 (CZK'000):

Company	Conditions/interest	Maturity date	2018	2017
T.O.V. TECHO Ukraine (Ukraine)	EURIBOR + 1.9 p.a.	31.12.2015	-	1 022
TECHO Bulgaria e.o.o.d. (Bulgaria)	EURIBOR + 2 p.a.	31.12.2020	515	-
TECHO GmbH (Austria)	EURIBOR + 2 p.a.		-	19 155
<b>Total</b>			<b>515</b>	<b>20 177</b>

In addition to the above, the Company records as at 31 December 2018 a receivable from subsidiary TECHO Romania s.r.l. due to unpaid dividends in the amount of CZK 9 594 thousand (at 31 December 2017: CZK 7 135 thousand).

Liabilities in the group due to cash pool financing as at 31 December (CZK'000):

Company	Conditions/interest	Maturity date	2018	2017
Interier Říčany a.s.	1M PRIBOR + 1,25 p.a.	Indefinite period	-60 417	-34 967
Ahrend, s.r.o.	1M PRIBOR + 1,25 p.a.	Indefinite period	-10 330	-10 428
Techo, s.r.o.	1M LIBOR + 1,25 p.a.	Indefinite period	-18 196	-35 204
Ahrend Europe B.V.	EURIBOR + 1,25 p.a.	Indefinite period	125 306	-59 479

## Audit company fees

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

## Staff costs

Staff costs (CZK'000):

	2018		2017	
	number	CZK'000	number	CZK'000
Remuneration of board members	2	13 551	2	11 877
Remuneration of other employees	205	108 839	206	102 108
Health and social security costs		37 954		35 256
Other social costs		2 878		2 947
<b>Total staff costs</b>	<b>207</b>	<b>163 222</b>	<b>208</b>	<b>152 188</b>

In 2018 the members of the statutory and supervisory bodies received remuneration in the total amount of CZK 240 thousand (at 31 December 2017: CZK 240 thousand).

## Income tax

The tax expense includes (CZK'000):

	2018	2017
Tax payable (19%)	7 320	7 226
Deferred tax	-2 200	-1 172
Adjustment of the tax expense of the previous period according to the tax return	601	-727
<b>Total tax expense</b>	<b>5 721</b>	<b>5 286</b>

The Company's analysis of deferred tax is as follows (CZK'000):

	2018		2017	
	Deferred tax asset	Deferred tax Liability	Deferred tax asset	Deferred tax liability
Differences between accounting and tax net book value of fixed assets	-	-473	-	-2 235
Other temporary differences:				
Provision for receivables	299	-	687	-
Provision for inventories	630	-	647	-
Provision for fixed assets	106	-	105	-
Reserves	8 438	-	7 596	-
<b>Total</b>	<b>9 473</b>	<b>-473</b>	<b>9 035</b>	<b>-2 235</b>
<b>The deferred tax asset</b>	<b>9 000</b>		<b>6 800</b>	

The deferred tax was calculated at 19% (tax rate for 2018 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 2018 the total amount of rent for all the leased space was CZK 24 843 thousand (2017: CZK 17 544 thousand). The amount of future liabilities not included on the balance sheet, which arise from this agreement, as at 31 December 2018 amount to CZK 56 750 thousand (at 31 December 2017: CZK 85 060 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 2018 to CZK 4 621 thousand (2017: CZK 7 128 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 2018 amounts to CZK 5 968 thousand (2017: CZK 5 808 thousand). The total amount of future liabilities not included on the balance sheet, which arise from these agreements, as at 31 December 2018 amounts to CZK 11 474 thousand (at 31 December 2017: CZK 9 666 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 2018 amounts to CZK 1 226 thousand (2017: CZK 654 thousand).

The total amount of future liabilities not included on the balance sheet, which arise from these agreements, as at 31 December 2018 amounts to CZK 2 432 thousand (at 31 December 2017: CZK 2 295 thousand).

The Company also records guarantees issued in its favour by the Československá obchodní banka which amount, as at 31 December 2018 to CZK 2 997 thousand (at 31 December 2017: CZK 1 302 thousand).

## Subsequent events

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

In Prague, dated 28 June 2019



Jiří Kejval  
Director



Petr Hampl  
Director



Karel Ašenbrener  
Finance Manager



**BALANCE SHEET** (in thousand Czech crowns)

Ref.	ASSETS		Row	31.12.2018			31.12.2017
	a	b		c	Gross 1	Provision 2	Net 3
		<b>TOTAL ASSETS</b>	<b>001</b>	<b>1 105 666</b>	<b>-195 868</b>	<b>909 798</b>	<b>998 063</b>
<b>B.</b>		<b>Fixed assets</b>	<b>003</b>	<b>409 711</b>	<b>-155 703</b>	<b>254 008</b>	<b>236 266</b>
<b>B. I.</b>		<b>Intangible fixed assets</b>	<b>004</b>	<b>33 743</b>	<b>-26 894</b>	<b>6 849</b>	<b>2 845</b>
B. I. 2.		Royalties	006	29 608	-25 721	3 887	2 786
B. I. 2. 1.		Software	007	29 508	-25 621	3 887	2 786
B. I. 2. 2.		Other royalties	008	100	-100	0	0
B. I. 4.		Other intangible fixed assets	010	1 700	-1 173	527	47
B. I. 5.		Advances paid and intangible fixed assets in the course of construction	011	2 435	0	2 435	12
B. I. 5. 2.		Intangible fixed assets in the course of construction	013	2 435	0	2 435	12
<b>B. II.</b>		<b>Tangible fixed assets</b>	<b>014</b>	<b>159 504</b>	<b>-128 809</b>	<b>30 695</b>	<b>34 489</b>
B. II. 1.		Land and constructions	015	13 836	-11 825	2 011	2 813
B. II. 1. 1.		Land	016	855	0	855	855
B. II. 1. 2.		Constructions	017	12 981	-11 825	1 156	1 958
B. II. 2.		Equipment	018	139 919	-116 984	22 935	31 529
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	5 602	0	5 602	0
B. II. 5. 1.		Advances paid for tangible fixed assets	025	759	0	759	0
B. II. 5. 2.		tangible fixed assets in the course of construction	026	4 843	0	4 843	0
<b>B. III.</b>		<b>Long-term investments</b>	<b>027</b>	<b>216 464</b>	<b>0</b>	<b>216 464</b>	<b>198 932</b>
B. III. 1.		Investments - subsidiaries and controlling party	028	216 464	0	216 464	198 932
<b>C.</b>		<b>Current assets</b>	<b>037</b>	<b>692 046</b>	<b>-40 165</b>	<b>651 881</b>	<b>756 747</b>
<b>C. I.</b>		<b>Inventories</b>	<b>038</b>	<b>160 322</b>	<b>-3 962</b>	<b>156 360</b>	<b>221 331</b>
C. I. 1.		Raw materials	039	58 933	-2 051	56 882	70 260
C. I. 2.		Work in progress and semi-finished products	040	10 747	0	10 747	18 334
C. I. 3.		Finished goods and goods for resale	041	71 201	-1 267	69 934	108 050
C. I. 3. 1.		Finished goods	042	20 479	-631	19 848	19 959
C. I. 3. 2.		Goods for resale	043	50 722	-636	50 086	88 091
C. I. 5.		Advances paid for inventory	045	19 441	-644	18 797	24 687
<b>C. II.</b>		<b>Receivables</b>	<b>046</b>	<b>531 223</b>	<b>-36 203</b>	<b>495 020</b>	<b>525 625</b>
C. II. 1.		Long-term receivables	047	17 072	0	17 072	18 854
C. II. 1. 1.		Trade receivables	048	8 072	0	8 072	11 537
C. II. 1. 4.		Deferred tax asset	051	9 000	0	9 000	6 800
C. II. 1. 5.		Receivables - other	052	0	0	0	517
C. II. 1. 5. 2.		Long-term advances paid	054	0	0	0	517
C. II. 2.		Short-term receivables	057	514 151	-36 203	477 948	506 771
C. II. 2. 1.		Trade receivables	058	343 494	-36 203	307 291	449 320
C. II. 2. 2.		Receivables - subsidiaries and controlling party	059	135 415	0	135 415	26 290
C. II. 2. 4.		Receivables - other	061	35 242	0	35 242	31 161
C. II. 2. 4. 3.		Taxes - receivables from the state	064	10 548	0	10 548	4 895
C. II. 2. 4. 4.		Short-term advances paid	065	19 194	0	19 194	17 430
C. II. 2. 4. 5.		Estimated receivables	066	5 212	0	5 212	8 557
C. II. 2. 4. 6.		Other receivables	067	288	0	288	279
<b>C. IV.</b>		<b>Cash</b>	<b>071</b>	<b>501</b>	<b>0</b>	<b>501</b>	<b>9 791</b>
C. IV. 1.		Cash in hand	072	281	0	281	459
C. IV. 2.		Cash at bank	073	220	0	220	9 332
<b>D.</b>		<b>Prepayments and accrued income</b>	<b>074</b>	<b>3 909</b>	<b>0</b>	<b>3 909</b>	<b>5 050</b>
D. 1.		Prepaid expenses	075	3 909	0	3 909	5 050

Ref.	LIABILITIES AND EQUITY		Row	31.12.2018	31.12.2017
	a	b		c	5
		<b>TOTAL LIABILITIES AND EQUITY</b>	<b>078</b>	<b>909 798</b>	<b>998 063</b>
<b>A.</b>		<b>Equity</b>	<b>079</b>	<b>388 953</b>	<b>435 858</b>
<b>A. I.</b>		<b>Share capital</b>	<b>080</b>	<b>84 541</b>	<b>84 541</b>
A. I. 1.		Share capital	081	84 541	84 541
<b>A. II.</b>		<b>Share premium and capital contributions</b>	<b>084</b>	<b>64 031</b>	<b>46 504</b>
A. II. 2.		Capital contributions	086	64 031	46 504
A. II. 2. 1.		Other capital contributions	087	1 245	1 245
A. II. 2. 2.		Assets and liabilities revaluation (+/-)	088	62 786	45 259
<b>A. III.</b>		<b>Other reserves</b>	<b>092</b>	<b>20 845</b>	<b>20 845</b>
A. III. 1.		Other reserve funds	093	20 845	20 845
<b>A. IV.</b>		<b>Retained earnings / Accumulated losses</b>	<b>095</b>	<b>185 688</b>	<b>252 824</b>
A. IV. 1.		Retained earnings	096	185 688	252 824
<b>A. V.</b>		<b>Profit / (loss) for the current period</b>	<b>099</b>	<b>33 848</b>	<b>31 144</b>
<b>B. + C.</b>		<b>Liabilities</b>	<b>101</b>	<b>483 484</b>	<b>519 416</b>
<b>B.</b>		<b>Provisions</b>	<b>102</b>	<b>44 407</b>	<b>39 979</b>
B. 4.		Other provisions	106	44 407	39 979
<b>C.</b>		<b>Liabilities</b>	<b>107</b>	<b>439 077</b>	<b>479 437</b>
<b>C. I.</b>		<b>Long-term liabilities</b>	<b>108</b>	<b>3 508</b>	<b>4 791</b>
C. I. 9.		Liabilities - other	119	3 508	4 791
C. I. 9. 3.		Other liabilities	122	3 508	4 791
<b>C. II.</b>		<b>Short-term liabilities</b>	<b>123</b>	<b>435 569</b>	<b>474 646</b>
C. II. 3.		Short-term advances received	128	8 519	32 734
C. II. 4.		Trade payables	129	279 145	227 317
C. II. 6.		Liabilities - subsidiaries and controlling party	131	88 943	140 078
C. II. 8.		Liabilities - other	133	58 962	74 517
C. II. 8. 1.		Liabilities to shareholders	134	0	2 433
C. II. 8. 3.		Liabilities to employees	136	6 787	6 688
C. II. 8. 4.		Liabilities for social security and health insurance	137	3 504	3 394
C. II. 8. 5.		Taxes and state subsidies payable	138	1 302	1 232
C. II. 8. 6.		Estimated payables	139	47 154	60 302
C. II. 8. 7.		Other liabilities	140	215	468
<b>D.</b>		<b>Accruals and deferred income</b>	<b>141</b>	<b>37 361</b>	<b>42 789</b>
D. 1.		Accrued expenses	142	74	47
D. 2.		Deferred income	143	37 287	42 742

**INCOME STATEMENT** (in thousand Czech crowns)

Ref.	TEXT	Row	Accounting period	
			2018	2017
a	b	c	1	2
<b>I.</b>	<b>Sales of products and services</b>	<b>01</b>	<b>923 139</b>	<b>920 667</b>
<b>II.</b>	<b>Sales of goods</b>	<b>02</b>	<b>579 724</b>	<b>641 835</b>
<b>A.</b>	<b>Cost of sales</b>	<b>03</b>	<b>1 306 565</b>	<b>1 375 088</b>
A. 1.	Cost of goods sold	04	462 731	490 946
A. 2.	Raw materials and consumables used	05	255 744	262 810
A. 3.	Services	06	588 090	621 332
<b>B.</b>	<b>Changes in inventories of finished goods and work in progress</b>	<b>07</b>	<b>-4 091</b>	<b>-12 242</b>
<b>C.</b>	<b>Own work capitalised</b>	<b>08</b>	<b>-460</b>	<b>-767</b>
<b>D.</b>	<b>Staff costs</b>	<b>09</b>	<b>163 222</b>	<b>152 188</b>
D. 1.	Wages and salaries	10	122 390	113 985
D. 2.	Social security, health insurance and other social costs	11	40 832	38 203
D. 2. 1.	Social security and health insurance costs	12	37 954	35 256
D. 2. 2.	Other social costs	13	2 878	2 947
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>12 947</b>	<b>12 225</b>
E. 1.	Value adjustments of fixed assets	15	15 176	16 083
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	15 176	16 119
E. 1. 2.	Provision for impairment of fixed assets	17	0	-36
E. 2.	Provision for impairment of inventories	18	-481	-3 351
E. 3.	Provision for impairment of receivables	19	-1 748	-507
<b>III.</b>	<b>Operating income - other</b>	<b>20</b>	<b>31 641</b>	<b>36 818</b>
III. 1.	Sales of fixed assets	21	252	488
III. 2.	Sales of raw materials	22	7 743	9 628
III. 3.	Other operating income	23	23 646	26 702
<b>F.</b>	<b>Operating expenses - other</b>	<b>24</b>	<b>30 499</b>	<b>35 026</b>
F. 1.	Net book value of fixed assets sold	25	74	404
F. 2.	Net book value of raw materials sold	26	7 165	9 101
F. 3.	Taxes and charges from operating activities	27	478	621
F. 4.	Operating provisions and complex prepaid expenses	28	4 428	3 454
F. 5.	Other operating expenses	29	18 354	21 446
<b>*</b>	<b>Operating result</b>	<b>30</b>	<b>25 822</b>	<b>37 802</b>
V.	Income from other financial investments	35	14 656	11 167
V. 1.	Income from other financial investments - subsidiaries or controlling party	36	14 656	11 167
VI.	Interest and similar income	39	5	155
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	4	155
VI. 2.	Other interest and similar income	41	1	0
J.	Interest and similar expenses	43	840	1 575
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	840	1 575
VII.	Other financial income	46	601	0
K.	Other financial expenses	47	675	11 119
<b>*</b>	<b>Financial result</b>	<b>48</b>	<b>13 747</b>	<b>-1 372</b>
<b>**</b>	<b>Net profit / (loss) before taxation</b>	<b>49</b>	<b>39 569</b>	<b>36 430</b>
<b>L.</b>	<b>Tax on profit or loss</b>	<b>50</b>	<b>5 721</b>	<b>5 286</b>
L. 1.	Tax on profit or loss - current	51	7 921	6 463
L. 2.	Tax on profit or loss - deferred	52	-2 200	-1 177
<b>**</b>	<b>Net profit / (loss) after taxation</b>	<b>53</b>	<b>33 848</b>	<b>31 144</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>55</b>	<b>33 848</b>	<b>31 144</b>
	<b>Net turnover for the financial period = I. + II. + III. + IV. + V. + VI. + VII.</b>	<b>56</b>	<b>1 549 766</b>	<b>1 610 642</b>

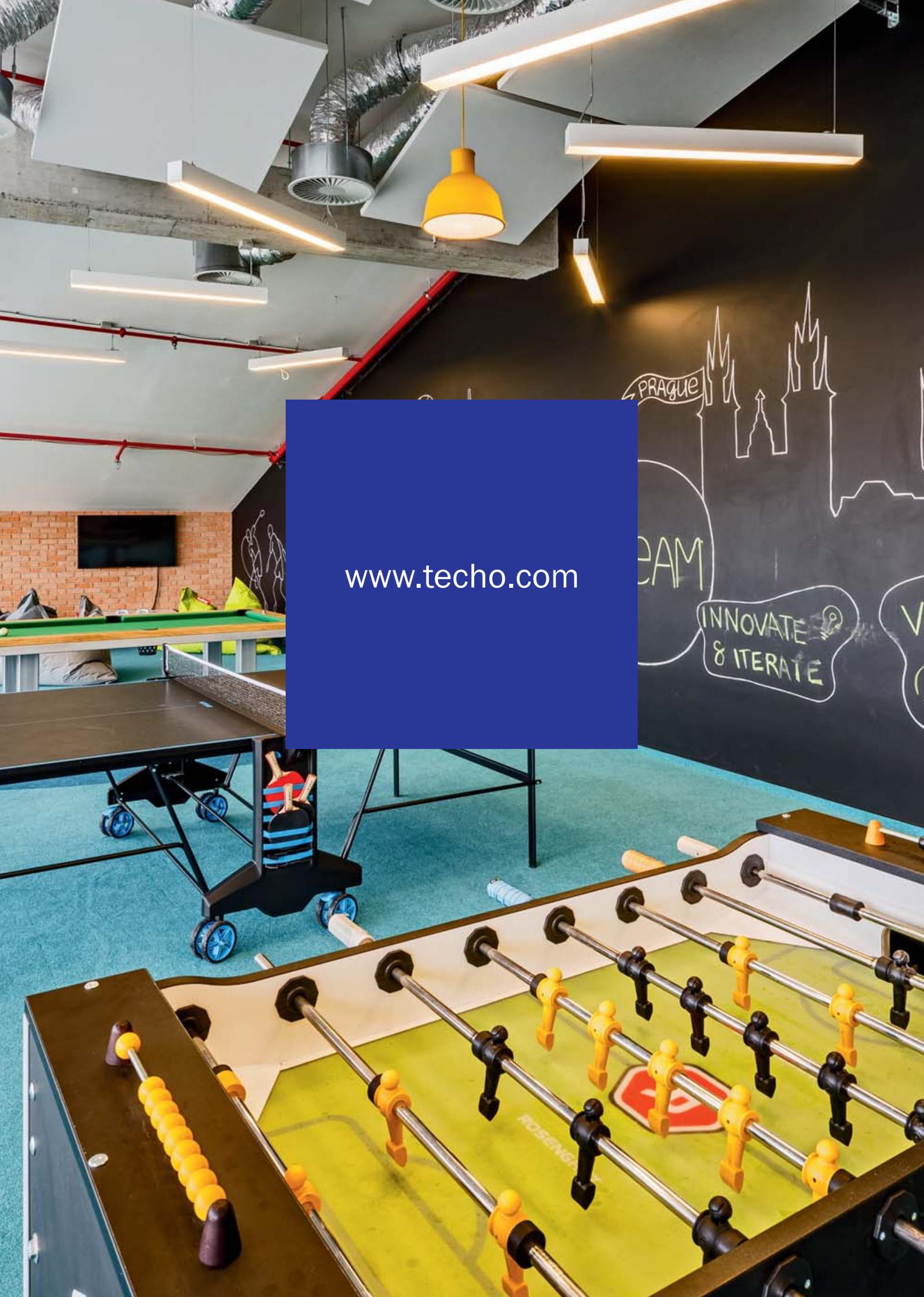
**CASH-FLOW STATEMENT** (in thousand Czech crowns)

Ref.	TEXT	Accounting period	
		2018	2017
a	b	1	2
	<b>Cash flows from operating activities</b>		
	<b>Net profit on ordinary activities before tax</b>	<b>39 569</b>	<b>36 430</b>
A. 1.	Adjustments for non-cash movements:	3 376	6 083
A. 1. 1.	Depreciation and amortisation of fixed assets	15 176	16 119
A. 1. 2.	Change in provisions	2 199	-205
A. 1. 3.	Profit from disposal of fixed assets	-178	-84
A. 1. 4.	Dividend income	-14 656	-11 167
A. 1. 5.	Net interest expense	835	1 420
<b>A *</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>42 945</b>	<b>42 513</b>
A. 2.	Working capital changes:	220 341	53 984
A. 2. 1.	Change in receivables and prepayments	142 754	55 739
A. 2. 2.	Change in short-term payables and accruals	12 135	14 656
A. 2. 3.	Change in inventories	65 452	-16 411
<b>A **</b>	<b>Net cash flow from operating activities before tax</b>	<b>263 286</b>	<b>96 497</b>
A. 3.	Interest paid	-840	-1 575
A. 4.	Interest received	5	155
A. 5.	Income tax paid	-13 666	-17 190
A. 6.	Dividends received	12 197	4 032
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>260 982</b>	<b>81 919</b>
B. 1.	Acquisition of fixed assets	-15 465	-31 148
B. 2.	Proceeds from sale of fixed assets	252	488
B. 3.	Loans to related parties	-105 644	0
<b>B ***</b>	<b>Cash flow from investing activities</b>	<b>-120 857</b>	<b>-30 660</b>
C. 1.	Change in long- and short-term liabilities	-51 135	-47 453
C. 2.	Changes in equity:	-98 280	0
C. 2. 6.	Dividends paid	-98 280	0
<b>C. ***</b>	<b>Net cash flow from financing activities</b>	<b>-149 415</b>	<b>-47 453</b>
	<b>Net increase/decrease in cash and cash equivalents</b>	<b>-9 290</b>	<b>3 806</b>
	<b>Cash and cash equivalents at the beginning of the year</b>	<b>9 791</b>	<b>5 985</b>
	<b>Cash and cash equivalents at the end of the year</b>	<b>501</b>	<b>9 791</b>

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY** (in thousand Czech crowns)

	Share Capital	Premium	Reserve fund	Revaluation reserve	Retained earnings	Other Capital funds	Total
<b>As at 1 January 2017</b>	<b>84 541</b>	<b>0</b>	<b>20 845</b>	<b>51 571</b>	<b>252 825</b>	<b>1 245</b>	<b>411 027</b>
Fair value gains/(losses)							
- Financial investments	0	0	0	-6 312	0	0	-6 312
Profit for the accounting period	0	0	0	0	31 144	0	31 144
Rounding	0	0	0	0	-1	0	-1
<b>As at 31 December 2017</b>	<b>84 541</b>	<b>0</b>	<b>20 845</b>	<b>45 259</b>	<b>283 968</b>	<b>1 245</b>	<b>435 858</b>
Fair value gains/(losses)							
- Financial investments	0	0	0	17 527	0	0	17 527
Dividends paid	0	0	0	0	-98 280	0	-98 280
Profit for the accounting period	0	0	0	0	33 848	0	33 848
<b>As at 31 December 2018</b>	<b>84 541</b>	<b>0</b>	<b>20 845</b>	<b>62 786</b>	<b>219 536</b>	<b>1 245</b>	<b>388 953</b>



A modern, open-plan office space. In the foreground, a foosball table with yellow and black players is visible. In the background, there is a ping pong table and a chalkboard with drawings and text. The ceiling features exposed concrete beams, ductwork, and various lighting fixtures, including a prominent yellow pendant light. A blue rectangular overlay is centered in the image, containing the website address.

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