

techo[®]
ROYAL AHREND COMPANY



ANNUAL REPORT 2017

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

techo[®]
ROYAL AHREND COMPANY



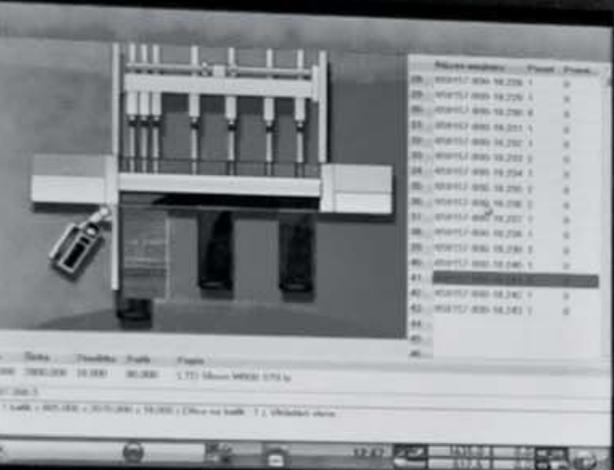
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ANNUAL REPORT 2017

TECHO, a.s.
U Továren 770/1b
102 00 Praha 10 - Hostivař



Report of the Board of Directors on the Activities of the Company in 2017

In 2017, 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 20 million, which was approx. CZK 5 million below the comparable figure for 2016. This was achieved at a time when the Czech National Bank ended its exchange rate intervention, and subsequent exchange rate fluctuations had a significant negative impact on the results.

The largest portion of revenue was generated from projects for Key Accounts, both in the local market and abroad. The ŠKODA AUTO project includes the delivery of own products and services, while the ERSTE (Česká spořitelna) project mainly involves the delivery of fit-outs.

The financial results of the company after tax for 2017 were CZK 31 million, of which CZK 11 million represents dividends received from subsidiaries.

In 2017, investment into tangible and intangible fixed assets stood at CZK 12 million.

The company has an environmental management system certified in accordance with ISO 14001:2005, and in January 2017 it successfully passed a recertification audit.

Management

The supreme management body of TECHO, a.s. is the Board of Directors, which in 2017 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 2017 reached CZK 1,563 million, which was a 19% increase over 2016. Sales of own products and services represent almost 59% of total sales and increased by 11% compared to 2016.

In 2017, the unaudited consolidated sales of the TECHO group (TECHO, a.s. and its 100% owned subsidiaries) reached CZK 2,808 million. This is an increase of 37% compared to 2016, which includes 17% growth in sales attributable to the incorporation of TECHO UK Ltd into the TECHO group.

The largest project with respect to sales is that for ERSTE group (renovation and rebranding of the branch network in the Czech Republic) with a total value of CZK 388 million, almost a quarter of the total revenue achieved. The delivery of dealer showrooms for ŠKODA AUTO continued, and deliveries for GrandVision sales outlets commenced. One of the largest projects in 2017 was an order for MSD, which exceeded CZK 100 million.

Looking at sales from a regional perspective, 58% of sales were realised in the Czech Republic (47% in 2016) and 42% 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 2017, total investments into tangible and intangible fixed assets stood at CZK 12 million.

In the area of tangible assets, the largest investment was the acquisition of a formatting saw at a cost of CZK 5 million to replace an obsolete machine. A smaller amount (CZK 2 million) was invested into intangible fixed assets (mainly 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 of 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), O.O.O. TECHO (Russia), TECHO PL sp. z o.o. (Poland) and since 2017 also TECHO UK Ltd (Great Britain).

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

Financial results

The operating profit for 2017 is CZK 38 million, which is CZK 7 million lower than that achieved in 2016. The key reason for this drop was the stronger crown exchange rates in 2017 than in 2016.

The financial result of the company after tax for 2017 was CZK 31 million.

The working capital as at 31 December 2017 does not differ significantly from its value at the end of 2016. Receivables were at a very high level, mainly due to the large volume of invoicing at the end of 2017 and the longer due dates. 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.

Inventories are CZK 20 million higher, which is almost entirely due to the inventories held for the Zanzibar project, which will be completed during 2018.

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 2017 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	1 553 895	40 373
Ahrend, s.r.o.	Czech Republic	0	4
Interier Říčany a.s.	Czech Republic	186 060	9 389
Techo, s.r.o.	Slovakia	319 981	13 402
TECHO Hungária Kft.	Hungary	64 592	4 988
TECHO GmbH	Austria	78 654	1 259
TECHO Romania s.r.l.	Romania	502 763	21 593
TECHO Adria, d.o.o.	Croatia	20 620	2 574
TECHO PL sp. z o.o.	Poland	83 553	7 599
T.O.V. TECHO Ukraine	Ukraine	6 529	-1 298
O.O.O. TECHO	Russia	61 985	1 162
TECHO Georgia, Ltd.	Georgia	3 048	-2 268
TECHO UK Ltd.	Great Britain	307 317	-9 710
Consolidation adjustments		-380 381	-7 190
TECHO group consolidated		2 808 616	81 877

Financial information on Techo, s.r.o. was received from the audited financial statements as at 31 December 2017. Financial information on other subsidiaries as at 31 December 2017 was obtained from unaudited financial statements. Consolidation adjustments and financial information for the TECHO Group were not audited.

8

Employees and work productivity

The average number of employees of TECHO, a.s. was 208 in 2017, which is a drop of 6 employees in comparison with 2016.

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

9

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 14001:2005, 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.



10

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 2017;
- approves distribution of the profit in the amount of CZK 31 million as follows:
 - a dividend payment of CZK 31 million.

11

Information on acquisition of own shares

The company does not own any of its own shares.

12

New product development

In 2017, 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.

Information on important events that occurred since 1 January 2018

In the period from 1 January 2018 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 2018, reflecting the overall economic growth. This trend is confirmed by the results and order book during the first months of 2018. 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 25 June 2018

Ing. Jiří Kejval

Chairman of the Board
TECHO, a.s.

Ing. Petr Hampel

Member of the Board
TECHO, a.s.





Annex No. 1

**REPORT
ON RELATIONS
TECHO, a.s.**

Pursuant to Section 82
of the Corporations Act
for the accounting period
of the calendar year
2017



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., the Corporations Act (the “**Corporations Act**”), for the accounting period of the calendar year 2017 (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 2017 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, Cura ao (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 Entity were effective and enforceable 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 2017 Agreement on reserve stocks Orders for the sale of goods/products Cash-pool agreement	Delivery of R&D, PR, IT/IS, top management services The creation of reserve stocks The sale of goods/products Drawing money from a cash-pool account
TECHO Romania s.r.l. (Romania)	Management Fees Agreement 2017 Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services The sale of goods/products
TECHO Hungaria Kft. (Hungary)	Management Fees Agreement 2017 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 2017 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 2017 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	The sale of goods/products
Interior Ricany a.s. (Czech Republic)	Orders for services Management Fees Agreement 2017 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, accounting services Top management services Lease of premises, lease of a band saw and vehicles Association Skoda Auto, Association TECHO a.s. – IRR a.s. The sale of goods/products Drawing money from a cash-pool account
Ahrend, s.r.o. (Czech Republic)	Order 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 2017 Orders for services Orders for the sale of goods/products	Delivery of consulting services in the area of company management, sales, production management Delivery of R&D, PR, IT/IS, top management services The sale of goods/products
TECHO PL sp. z o.o. (Poland)	Management Fees Agreement 2017 Loan agreement Orders for the sale of goods/products	Delivery of R&D, PR, IT/IS, top management services Loan Sale of goods/products
TECHO UK Ltd. (Great Britain)	Management Fees Agreement 2017 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
Ahrend International B.V. (Netherlands)	Orders for the sale of goods/products	The sale of goods/products
Ahrend GmbH & CoKG (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 N.V. (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
Ahrend Holding Ltd. (Great Britain)	Purchase agreement	Acquisition of TECHO UK Ltd.

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 43,586 thousand, which represents 10% of the Company's equity reported in the latest Financial Statements as at 31 December 2017.

The sale of products and goods to TECHO UK Ltd.

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

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 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.

No disadvantages have arisen to the Company from its participation within the Group.

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

In Prague, dated 25 June 2018

On behalf of the Board of Directors of the Company:



Ing. Jiří Kejval

Chairman of the Board of Directors
TECHO, a.s.

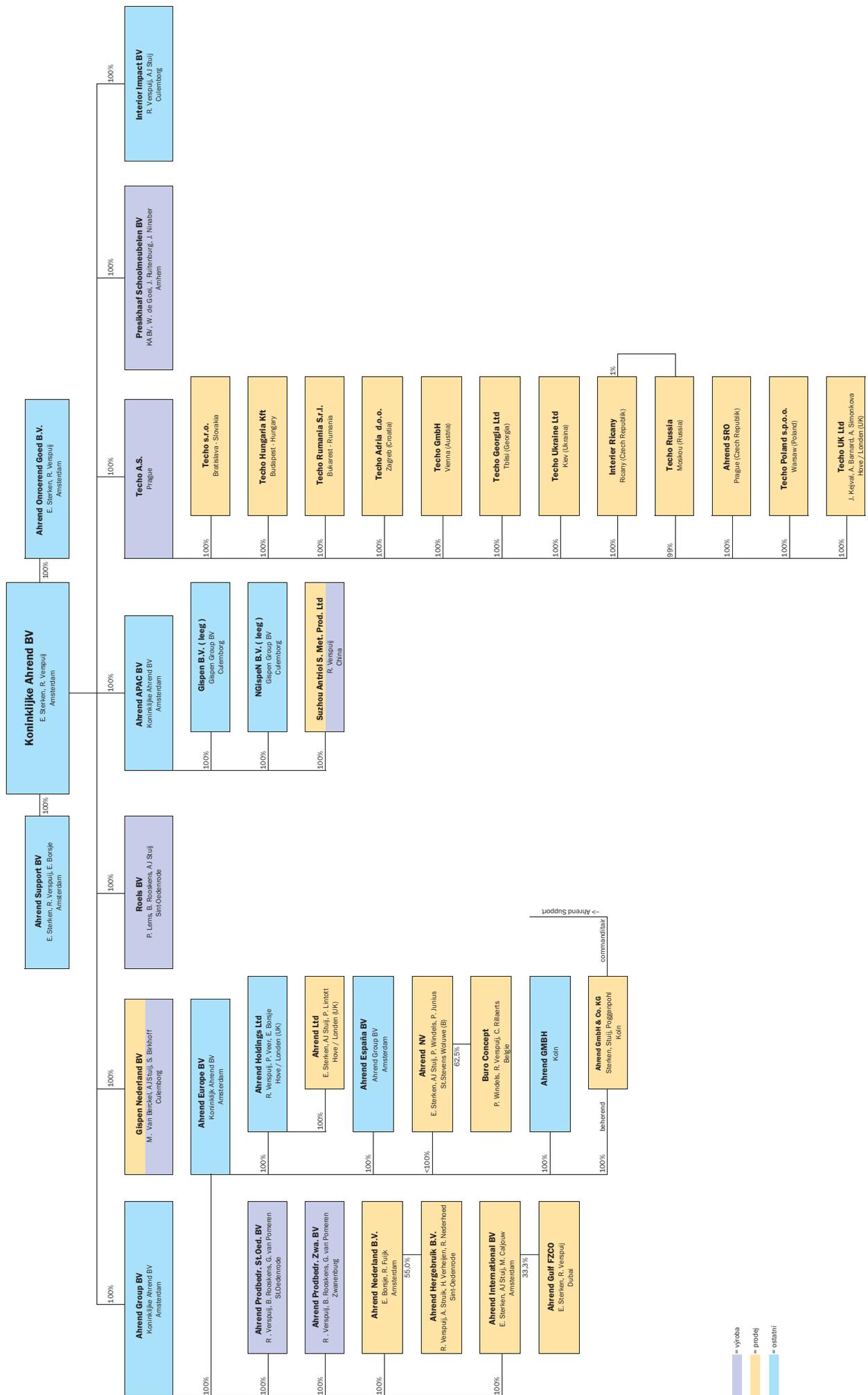


Ing. Petr Hampl

Member of the Board of Directors
TECHO, a.s.

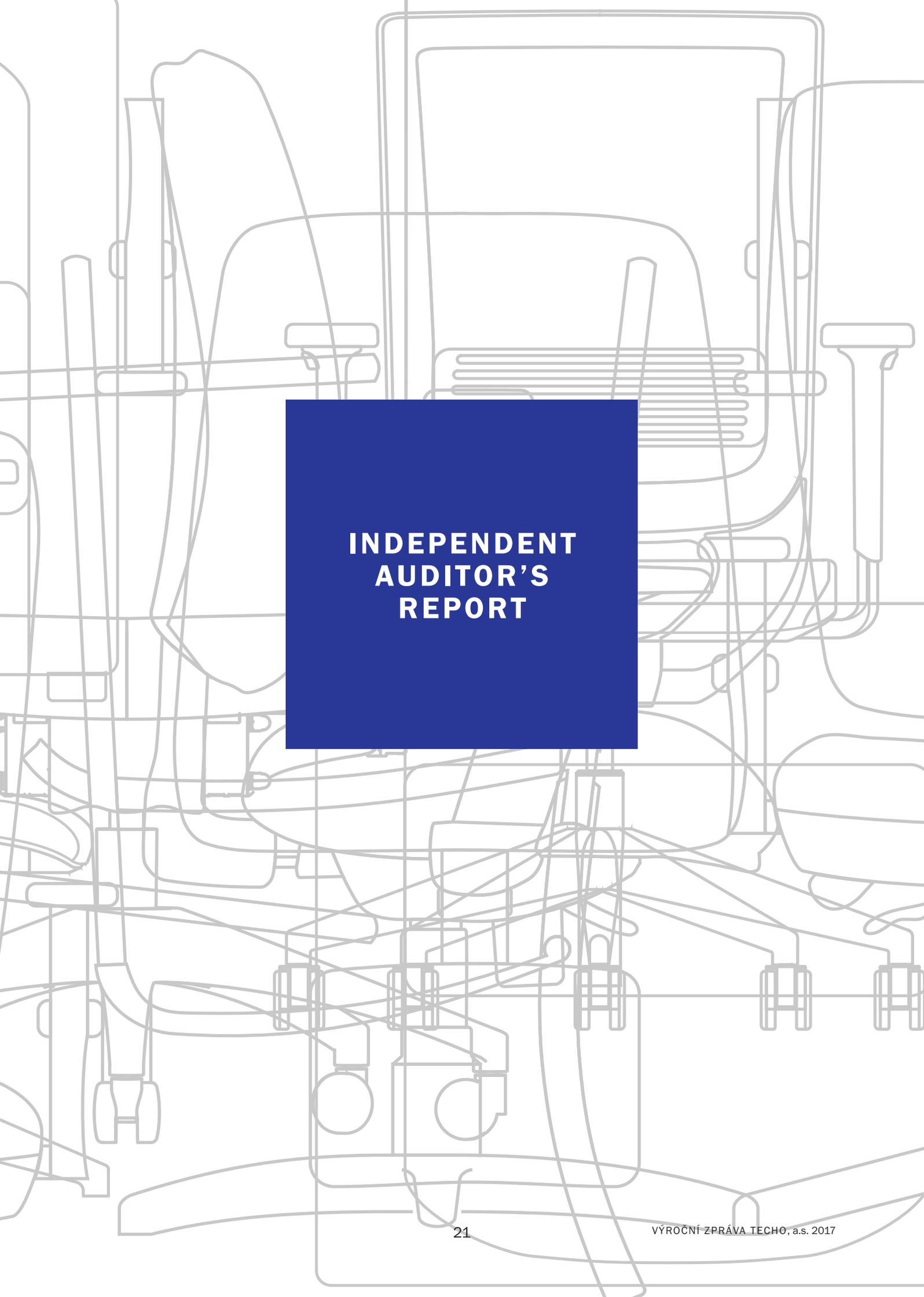
Annex No. 1: The structure of relations within the Group





= výroba
 = prodej
 = ostatní



The background of the page is a detailed line drawing of a car engine, showing various components like the cylinder block, pistons, and belts. The drawing is rendered in a light gray color. In the center of the page, there is a solid blue square. Inside this square, the text "INDEPENDENT AUDITOR'S REPORT" is written in white, bold, uppercase letters, centered both horizontally and vertically.

**INDEPENDENT
AUDITOR'S
REPORT**



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 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, of its financial performance and its cash flows for the year then ended 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 Board of Directors and Supervisory Board 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 Evidence No 021.



Shareholder of TECHO, a.s.
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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- 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.

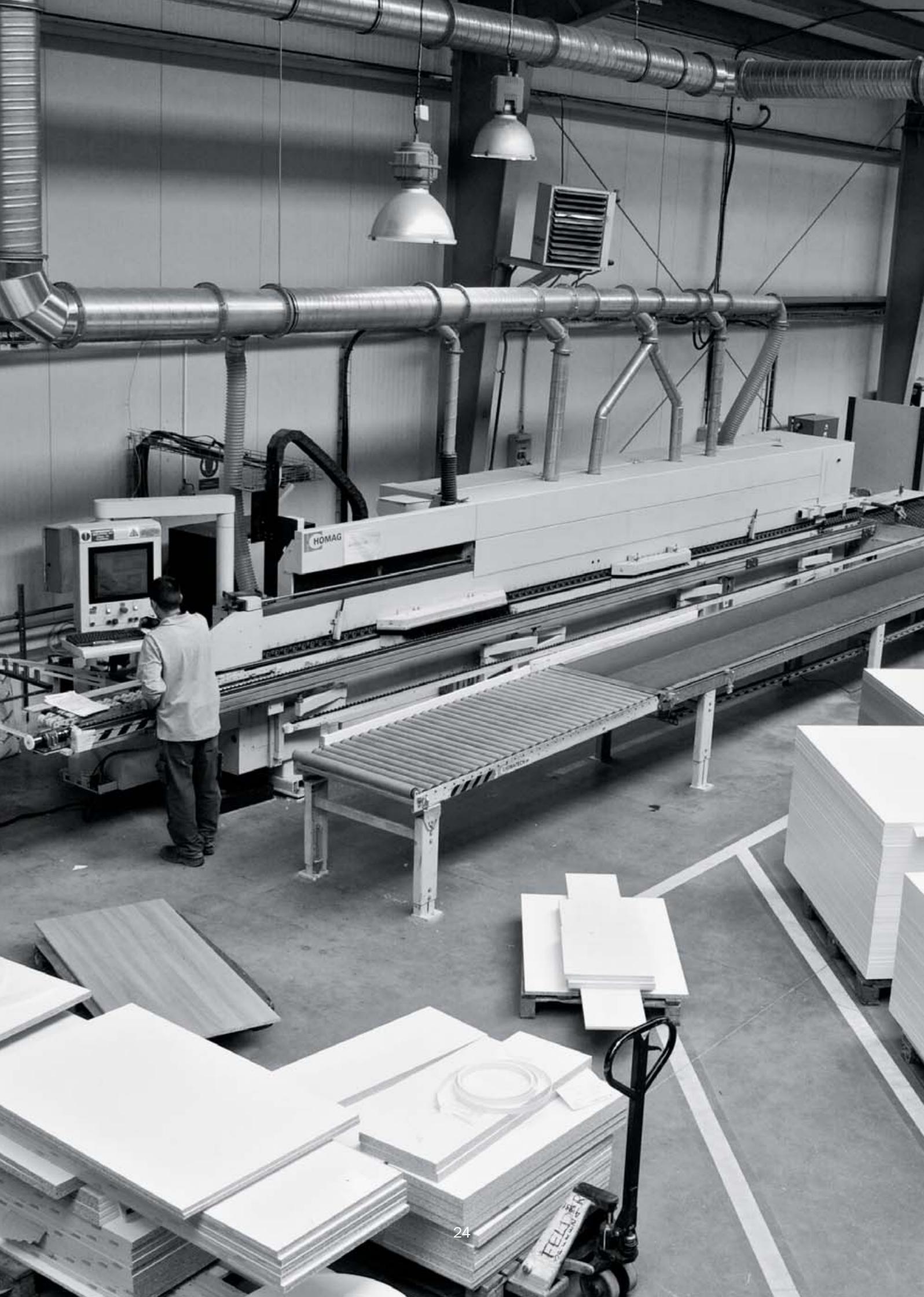
25 June 2018

represented by director

Jiří Koval
Statutory Auditor, Evidence No. 1491

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.





**FINANCIAL
STATEMENT AS AT
31 DECEMBER
2017**



Statement of changes in shareholders' equity for the year ended 31 December 2017

(CZK'000)	Share Capital	Other Capital funds	Other reserve funds	Revaluation reserve	Retained earnings	Total
As at 1 January 2016	84 541	1 245	20 845	63 772	232 250	402 653
Fair value gains/(losses)						
- Financial investments	-	-	-	(12 201)	-	(12 201)
Dividends paid	-	-	-	-	(46 562)	(46 562)
Profit for the accounting period	-	-	-	-	67 137	67 137
As at 31 December 2016	84 541	1 245	20 845	51 571	252 825	411 027
Fair value gains/(losses)						
- Financial investments	-	-	-	(6 312)	-	(6 312)
Rounding	-	-	-	-	(1)	(1)
Profit for the accounting period	-	-	-	-	31 144	31 144
As at 31 December 2017	84 541	1 245	20 845	45 259	283 968	435 858



Cash-flow statement for the year ended 31 December 2017

(CZK'000)		2017	2016
Cash flows from operating activities			
Net Profit on ordinary activities before tax		36 430	78 781
A.1	Adjustments for non-cash movements:		
A.1.1	Depreciation and amortisation of fixed assets	16 119	15 486
A.1.2	Change in provisions	(205)	10 431
A.1.3	Profit from disposal of fixed assets	(84)	-
A.1.4	Dividend income	(11 167)	(42 017)
A.1.5	Net interest expense	1 420	373
A.1.6	Other non-cash movements	-	419
A*	Net cash flow from operating activities before tax and changes in working capital	42 513	63 473
A.2	Working capital changes:		
A.2.1	Change in receivables and prepayments	55 739	(121 634)
A.2.2	Change in short-term payables and accruals	14 656	83 033
A.2.3	Change in inventories	(16 411)	(34 270)
A**	Net cash flow from operating activities before tax	96 497	(9 398)
A.3	Interest paid	(1 575)	(530)
A.4	Interest received	155	157
A.5	Income tax paid	(17 190)	(12 551)
A***	Net cash flow from operating activities	77 887	(22 322)
Cash flow from investing activities			
B.1	Acquisition of fixed assets	(31 148)	(9 778)
B.2	Proceeds from sale of fixed assets	488	-
B.3	Dividends received	4 032	49 360
B***	Net cash flow from investing activities	(26 628)	39 582
Cash flow from financing activities			
C.1	Change in long- and short-term liabilities	(47 453)	31 479
C.2	Changes in equity:		
C.2.6	Dividends paid	-	(46 562)
C***	Net cash flow from financing activities	(47 453)	(15 083)
Net increase in cash and cash equivalents		3 806	2 177
Cash and cash equivalents at the beginning of the year		5 985	3 808
Cash and cash equivalents at the end of the year		9 791	5 985

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 N.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 consolidation unit of Koninklijke Ahrend NV., 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.

Members of the statutory bodies as at 31 December 2017:

Statutory body (the Board of Directors)

Chairman: Ing. Jiří Kejval

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

Member: Ing. Petr Hampl

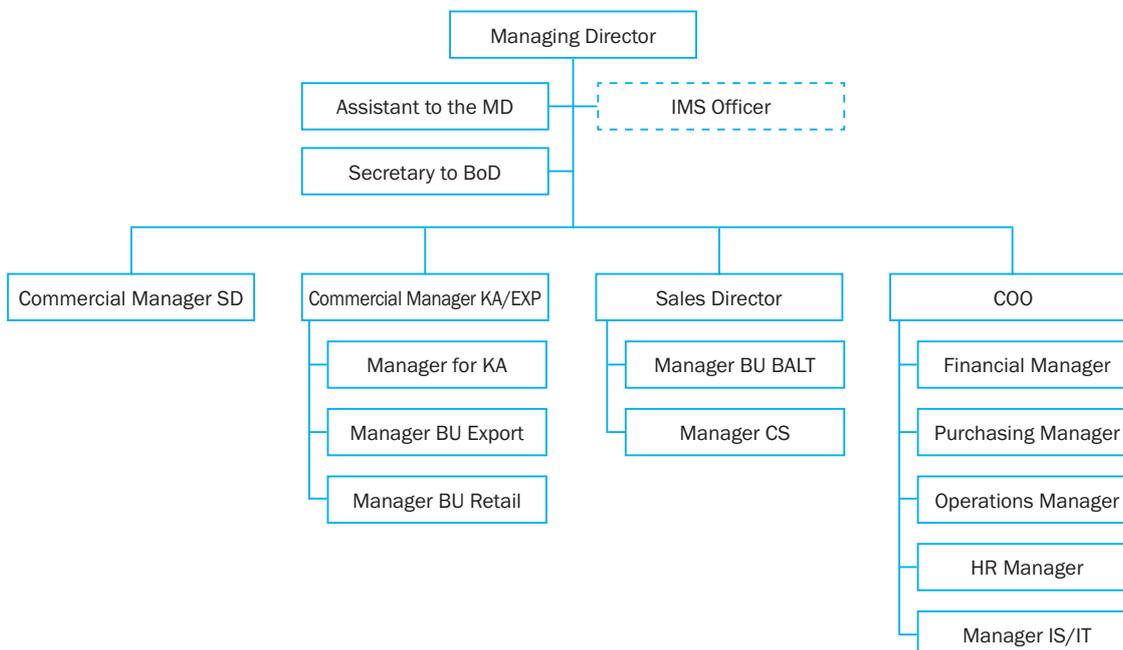
Supervisory Board

Member: Rolf Matthias Verspuij

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

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

The Company has the following organisational structure:



ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The financial statements have 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 FIXED ASSETS

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

Fixed intangible assets with a unit cost of more than CZK 60 thousand are amortised over their estimated useful lives.

Amortisation is calculated on the basis of the initial cost value and economic useful lives of the asset. The estimated useful life is as follows:

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

2.3. TANGIBLE FIXED ASSETS

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

Tangible fixed asset with a unit cost of more than CZK 40 thousand are depreciated over their estimated useful lives.

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	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 by the Company.

Investments in subsidiaries are accounted for by the equity method. Under this method, the investment is initially recorded at cost and the carrying amount 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. Revaluation of the investment by using the equity method of accounting is recorded through the Company's equity.

2.5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include 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 in public markets.

The Company uses so-called cash-pooling within the group. A liability arising from cash-pooling is presented in the balance sheet as "Short-term liabilities - 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".

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.

2.6. INVENTORIES

Purchased inventories are stated at the lower of cost and net realisable amount. Cost includes all costs related with the acquisition (mainly transport costs, customs duty, etc.). The actual costs method is applied for all disposals.

Inventories generated from own production, i.e. work-in-progress and finished goods, are stated at the lower of production cost and estimated net realisable amount. 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 to 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 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.

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. 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. RELATED PARTIES

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

- parties, which directly or indirectly control the Company, their subsidiaries and associates;
- 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 16. Related party transactions and 15. Staff costs.

2.12. REVENUE AND COST RECOGNITION

Revenues and costs are accrued on a timely basis, to the period to which they relate 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. 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 sufficient future taxable profit will be available against which the asset can be utilised.

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 case that these events 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.

FIXED ASSETS

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a) Intangible fixed assets at net book value (CZK'000)

	Opening balance 1 January 2017	Additions	Change in provision	Amortisation	Closing balance 31 December 2017
Software	2 709	1 941	-	(1 864)	2 786
Other intangible fixed assets	63	-	-	(16)	47
Intangible fixed assets in the course of construction	-	12	-	-	12
Total	2 772	1 953	-	(1 880)	2 845

	Opening balance 1 January 2017	Additions	Change in provision	Amortisation	Closing balance 31 December 2016
Software	3 077	1 364	(69)	(1 663)	2 709
Other intangible fixed assets	97	-	77	(111)	63
Total	3 174	1 364	8	(1 774)	2 772

b) Tangible fixed assets at net book value (CZK'000)

	Opening balance 1 January 2017	Additions	Disposals	Change in provision	Amortisation	Closing balance 31 December 2017
Land	855	-	-	-	-	855
Constructions	2 723	-	-	36	(801)	1 958
Equipment	34 541	10 830	(404)	-	(13 438)	31 529
Works of art	147	-	-	-	-	147
Advances paid for tangible fixed assets	911	-	(911)	-	-	0
Total	39 177	10 830	(1 315)	36	(14 239)	34 489

	Opening balance 1 January 2017	Additions	Disposals	Change in provision	Depreciation	Closing balance 31 December 2016
Land	855	-	-	-	-	855
Constructions	3 525	-	-	-	(802)	2 723
Equipment	39 328	7 490	-	-	(12 277)	34 541
Works of art	147	-	-	-	-	147
Tangible fixed assets in the course of construction	90	-	(90)	-	-	-
Advances paid for tangible fixed assets	-	911	-	-	-	911
Total	43 945	8 401	(90)	-	(13 079)	39 177

4

LONG-TERM INVESTMENTS (CZK'000)

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

	Equity	Valuation by equity method	Share of capital	2017 net profit/(loss)	Cost	Difference from revaluation	2017 dividend income
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	-
O.O.O. TECHO (Russia)	(4 734)	-	99%	109	5	(5)	-
TECHO UK Ltd. (UK)	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	-
Celkem	-	198 932	-	-	153 673	45 259	11 167

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

Financial information on Techo, s.r.o. was obtained from the audited financial statements as at 31 December 2017. Financial information on other subsidiaries as at 31 December 2017 was obtained from unaudited financial statements.

Subsidiaries as at 31 December 2016 (CZK'000):

	Equity	Valuation by equity method	Share of capital	2016 net profit/(loss)	Cost	Difference from revaluation	2016 dividend income
TECHO Romania, s.r.l. (Romania)	35 710	35 710	100%	7 749	15 114	20 596	11 629
Techo, s.r.o. (Slovakia)	86 793	86 793	100%	3 612	5 004	81 789	30 388
TECHO Hungária Kft. (Hungary)	8 253	8 253	100%	6 895	45 275	(37 022)	-
TECHO Adria d.o.o. (Croatia)	(5 341)	-	100%	(93)	78	(78)	-
TECHO GmbH (Austria)	(12 152)	-	100%	(2 661)	923	(923)	-
TECHO Georgia Ltd. (Georgia)	(12 340)	-	100%	(591)	296	(296)	-
T.O.V. TECHO Ukraine (Ukraine)	(5 030)	-	100%	(564)	243	(243)	-
Interier Říčany a.s. (Czech Republic)	43 964	43 964	100%	11 128	60 870	(16 906)	-
Ahrend, s.r.o. (Czech Republic)	11 249	11 249	100%	212	6 421	4 827	-
O.O.O. TECHO (Russia)	(5 532)	-	99%	2 090	5	(5)	-
TECHO PL sp. z o.o. (Poland)	(2 738)	-	100%	(936)	169	(169)	-
Total	-	185 969	-	-	134 398	51 570	42 017

Financial information on Techo, s.r.o. was obtained from the audited financial statements as at 31 December 2016. Financial information on other subsidiaries as at 31 December 2016 was obtained from unaudited financial statements.

INVENTORIES

5

The Company created a provision for inventories as at 31 December 2017 and 2016 of CZK 4,443 thousand and CZK 7,794 thousand, respectively.

RECEIVABLES

6

For unpaid receivables deemed doubtful, a provision was created as at 31 December 2017 and 2016 on the basis of an analysis of the collectability of the individual receivables (see Note 7).

As at 31 December 2017 and 31 December 2016, overdue trade receivables amounted to CZK 234,385 thousand and CZK 190,411 thousand, respectively.

As at 31 December 2017 and 31 December 2016, the Company's long-term trade receivables relating to retention amounted to CZK 11,537 thousand and CZK 11,569 thousand, respectively. These receivables have a maturity of 2 to 6 years. Receivables with a maturity in excess of 5 years as at 31 December 2017 and 31 December 2016 amounted to CZK 1,056 thousand and CZK 1,323 thousand, respectively.

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

Receivables from related parties and the provision created for them are disclosed in Note 16.

7

PROVISIONS

Provisions represent a temporary reduction in asset value (disclosed in Notes 4, 5 and 6).

Changes in provisions (CZK'000):

Provision to:	Closing balance 31 December 2015	Creation of provision	Release/ usage of provision	Closing balance 31 December 2016	Creation of provision	Release/ usage of provision	Closing balance 31 December 2017
Fixed assets	603	69	(77)	594	-	(36)	559
Long-term investments	-	-	-	-	-	-	-
Inventories	5 798	6 725	(4 729)	7 794	1 090	(4 441)	4 443
Receivables	38 480	9 116	(9 138)	38 458	8 505	(9 012)	37 951

Tax deductible provisions to receivables are created in accordance with the Reserve Act and their amounts as at 31 December 2017 and 31 December 2016 were CZK 2,100 thousand and CZK 584 thousand, respectively.

8

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.

9

RESERVES

Changes in reserves (CZK'000):

Reserves	Closing balance 31 December 2015	Creation of reserves	Release/ usage of reserves	Closing balance 31 December 2016	Creation of reserves	Release/ usage of reserves	Closing balance 31 December 2017
Warranty repairs and claims	9 004	9 568	(3 342)	15 230	4 944	(9 205)	10 969
Bonuses	15 272	16 006	(13 986)	17 292	24 728	(17 292)	24 728
Untaken holiday	3 549	219	-	3 768	3 782	(3 768))	3 782
Legal disputes	-	-	-	-	500	-	500
Total	27 825	25 793	(17 328)	36 290	33 954	(30 265)	39 979

Reserves for warranty repairs in 2017 represent, in particular, costs for claims and warranty repairs in connection with the project for Škoda Auto and as at 31 December 2017 costs for the warranty repairs related to construction projects for PPF, Trianon and the ERSTE branch network.

The Company does not account about provision for income tax. The tax estimate is offset with tax advances paid and is classified in Taxes and state subsidies payable/ Taxes - receivables from the state.

LONG-TERM AND SHORT-TERM LIABILITIES

As at 31 December 2017 and 2016, the Company had trade liabilities overdue by more than 90 days in the amount of CZK 4,981 thousand and CZK 6,716 thousand, respectively.

As at 31 December 2017 and 31 December 2016, long-term liabilities represent unpaid retention in relation to suppliers with a maturity of between 1 and 6 years in the amount of CZK 4,791 thousand and CZK 3,367 thousand. Liabilities with a maturity exceeding 5 years as at 31 December 2017 and 31 December 2016 amounted to CZK 0 and CZK 350 thousand, respectively.

As at 31 December 2017 and 31 December 2016, the Company had no outstanding payables with respect to social security and health insurance or any other past due liabilities to tax authorities. Liabilities for social security and health insurance as at 31 December 2017 and 31 December 2016 in the amount of CZK 3,394 thousand and CZK 3,003 thousand, respectively, are payable in January of the following year.

Short-term advances as at 31 December 2017 and 31 December 2016 in the amount of CZK 32,734 thousand and CZK 52,250 thousand, respectively, were received from customers in connection with the concluding of contracts for work which was not, by the balance sheet date, invoiced or accounted for.

Accrued expenses comprise primarily accruals for deliveries and services not yet invoiced and electricity/gas associated with the lease of production, administration and storage space.

Liabilities to related parties are disclosed in Note 16.

OTHER LIABILITIES

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

INCOME TAX

On the basis of the preliminary calculation, the Company calculated the tax as follows (CZK'000):

	2017	2016
Profit before tax	36 430	78 781
Non-taxable income	(11 977)	(42 090)
Differences between tax and accounting depreciation	3 938	1 651
Tax non-deductible expenses		
Creation/release of provisions	(2 155)	2 034
Creation/release of reserves	3 454	8 465
Other (e.g. representation expenses, shortages and damages)	8 390	17 828
Deduction of gifts	(50)	-
Taxable income	38 030	66 669
Tax rate	19%	19%
Tax	7 226	12 667
Tax allowance	(36)	(65)
Income tax	7 190	12 602
Adjustment of the tax expense of the previous period according to the tax return	(727)	569
Total tax expense	6 463	13 171

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

Items of deferred tax	2017		2016	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Differences between accounting and tax net book value of fixed assets	-	(2 235)	-	(2 993)
Other temporary differences:				
Provision for receivables	687	-	687	-
Provision for inventories	647	-	921	-
Provision for fixed assets	105	-	113	-
Reserves	7 596	-	6 895	-
Total	9 035	(2 235)	8 616	(2 993)
The deferred tax asset	6 800	-	5 623	-

The deferred tax was calculated at 19%. The Company accounted a deferred tax asset in its full amount as at 31 December 2017 and 31 December 2016.

13

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 2017 and 2016, the total amount of rent for all the leased space was CZK 17,544 thousand and CZK 18,336 thousand, respectively. The total amount of future liabilities not included on the balance sheet, which arise from this agreement, as at 31 December 2017 and 31 December 2016 is CZK 85,060 thousand and CZK 87,911 thousand, respectively.

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 2017 and 2016 to CZK 7,128 thousand and CZK 8,184 thousand, respectively.

The Company has concluded agreements on the operative leasing for cars for periods of 3, 4 or 5 years and the lease of warehouse vehicles for a 5-year period. Total lease instalments for the lease of cars and warehouse vehicles in 2017 and 2016 amounted to CZK 5,808 thousand and CZK 5,407 thousand, respectively. The total amount of future liabilities not included on the balance sheet, which arise from these agreements, as at 31 December 2017 and 31 December 2016 is CZK 9,666 thousand and CZK 11,561 thousand, respectively.

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 2017 and 2016 amounted to CZK 654 thousand and CZK 203 thousand, respectively. The total amount of future liabilities not included on the balance sheet, which arise from these agreements, as at 31 December 2017 and 31 December 2016 amounted to CZK 2,295 thousand and CZK 921 thousand, respectively.

The Company also records guarantees issued in its favour by the Československá obchodní banka in the total amount of CZK 1,302 thousand and CZK 13,823 thousand as at 31 December 2017 and 31 December 2016, respectively.

REVENUES

Revenues from operating activities (CZK'000):

	2017		2016	
	Domestic	Foreign	Domestic	Foreign
Sale of furniture incl. installation – own products	179 249	337 674	194 661	409 480
Sale of construction services	403 744	-	226 317	-
Sale of goods – other purchased office furniture	331 039	310 796	196 053	286 237
Other operating revenues	33 800	3 018	27 757	6 963
Total revenues	947 832	651 488	644 788	702 680

STAFF COSTS

Staff costs (CZK'000):

	2017		2016	
	Total number of employees	Of which: members of management	Total number of employees	Of which: members of management
Average number of employees	208	2	214	2
Wages	113 985	11 877	107 346	11 976
Social and health insurance costs	35 256	1 825	33 381	1 782
Other social costs	2 947	509	2 941	455
Total staff costs	152 188	14 211	143 668	14 213

In 2017 and 2016, the members of the statutory and supervisory bodies received remuneration in the total amount of CZK 240 thousand and CZK 240 thousand.

RELATED PARTY TRANSACTIONS

In 2017 and 2016, 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 regularly sells products, goods and services to related parties. In 2017 and 2016, these sales amounted to CZK 597,724 thousand and CZK 661,813 thousand, respectively.

As at 31 December 2017 and 31 December 2016, the Company created a provision for trade receivables in relation to related entities in the amount of CZK 31,193 thousand and CZK 32,745 thousand, respectively.

The Company purchases products from and uses the services of related entities in its standard business activities. In 2017 and 2016, purchases totalled CZK 55,863 thousand and CZK 42,769 thousand, respectively.

In 2017 and 2016, interest costs with related entities amounted to CZK 1,575 thousand and CZK 294 thousand, respectively.

In 2017 and 2016, interest revenues with related entities amounted to CZK 155 thousand and CZK 152 thousand, respectively.

On 1 January 2017, the acquisition of TECHO UK Ltd. from the related entity Ahrend Holdings Ltd. took place at the amount of CZK 19,275 thousand.

In 2017 and 2016, the Company paid dividends in the amount of CZK 0 and CZK 46,562 thousand, respectively, to the parent company.

In 2017 and 2016, the Company recorded revenues from its subsidiaries in the form of dividends in the amount of CZK 11,167 thousand and CZK 42,017 thousand, respectively.

Short-term trade receivables in relation to related entities as at 31 December (CZK'000):

Related entity	2017	2016
Ahrend Support B.V. (the Netherlands)	-	-
Ahrend International B.V. (the Netherlands)	1 923	3 451
Ahrend GmbH & Co.KG (Germany)	4 188	15 144
Ahrend, s.r.o. (Czech Republic)	5	7
Ahrend Prod. bedr.St. Oedenrode BV (the Netherlands)	1 532	4 809
Ahrend Prod.bedr. Zwanenburg BV (the Netherlands)	-	476
Ahrend Furniture NV (Belgium)	7 757	6 169
Ahrend Nederland B.V. (the Netherlands)	-	703
Ahrend Gulf FZCO (United Arab Emirates)	-	6 878
Techo, s.r.o. (Slovakia)	4 923	22 607
TECHO Romania s.r.l. (Romania)	48 266	59 838
TECHO Adria d.o.o. (Croatia)	8 614	14 094
TECHO UK Ltd. (United Kingdom)	11 277	29 798
TECHO GmbH (Austria)	26 965	18 755
TECHO Georgia Ltd. (Georgia)	14 807	14 700
TECHO Hungária Kft. (Hungary)	6 134	31 810
T.O.V TECHO Ukraine (Ukraine)	9 798	7 126
TECHO PL sp. z o.o. (Poland)	24 102	13 889
O.O.O. TECHO (Russia)	40 058	28 048
Interier Říčany a.s. (Czech Republic)	-	1 404
Other	3 198	-
Total	213 547	279 706

Short-term trade liabilities in relation to related entities as at 31 December (CZK'000):

Spřízněná osoba	2017	2016
Ahrend International B.V. (the Netherlands)	320	5 690
Ahrend GmbH & Co.KG (Germany)	151	1 001
Ahrend Prod. bedr.St. Oedenrode BV (the Netherlands)	3	1 185
Ahrend Gulf FZCO (United Arab Emirates)	-	769
Ahrend Support B.V. (the Netherlands)	-	4 558
Ahrend, s.r.o. (Czech Republic)	-	-
Ahrend Spain (Spain)	4	4
TECHO UK Ltd. (United Kingdom)	10	-
T.O.V. TECHO Ukraine (Ukraine)	-	314
Techo, s.r.o. (Slovakia)	-	-
TECHO Hungária Kft. (Maďarsko)	12	-
TECHO PL sp. z o.o. (Poland)	6	-
TECHO Adria d.o.o. (Croatia)	241	-
Interier Říčany a.s. (Czech Republic)	2 433	-
Total	3 180	13 521

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

Company	Conditions/interest	Maturity date	2017	2016
T.O.V. TECHO Ukraine (Ukraine)	EURO LIBOR +1,9 p.a.	31. 12. 2015	1 022	1 081
T.O.V. TECHO Ukraine (Ukraine)	EURO LIBOR +1,9 p.a.	31. 12. 2016	-	432
TECHO GmbH (Austria)	EURIBOR +2 p.a.	20. 9. 2018	19 155	-
Total			20 177	1 513

In addition to the above, the Company records as at 31 December 2017 and 31 December 2016 a receivable from subsidiary TECHO Romania s.r.l. due to unpaid dividends in the amount of CZK 7,135 thousand and CZK 6,739 thousand, respectively.

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

Company	Conditions/interest	Maturity date	2017	2016
Interier Říčany a.s. (Czech Republic)	1M PRIBOR +1,25 p.a.	Indefinite period	34 967	62 209
Ahrend, s.r.o. (Czech Republic)	1M PRIBOR +1,25 p.a.	Indefinite period	10 428	10 667
Techo, s.r.o. (Slovakia)	1M LIBOR +1,25 p.a.	Indefinite period	35 204	31 655
Ahrend Europe BV (the Netherlands)	EURIBOR +1,25 p.a.	Indefinite period	59 479	82 999
Total			140 078	187 531

FEES PAID AND PAYABLE TO THE AUDIT COMPANY

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The information relating to the fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. is included in the consolidated financial statements of the parent company Koninklijke Ahrend B.V.

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SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2017.

Date:

Signature of statutory
body of accounting unit:

Person responsible for
accounts (name, signature):

Person responsible for financial
statement (name, signature):

Jiří Kejval

Petr Hampel

Karel Ašenbrener

Marcela Šindelářová

25 June 2018

BALANCE SHEET (in thousand Czech crowns)

Ref.	ASSETS	Row	31/12/2017			31/12/2016	
			Gross	Provision	Net	Net	
			a	b	c	1	2
	TOTAL ASSETS	001	1 181 981	(183 918)	998 063	1 009 385	
B.	Fixed assets	003	377 790	(141 524)	236 266	227 918	
B. I.	Intangible fixed assets	004	26 843	(23 998)	2 845	2 772	
B. I. 2.	Royalties	006	25 652	(22 866)	2 786	2 709	
B. I. 2. 1.	Software	007	25 552	(22 766)	2 786	2 709	
B. I. 2. 2.	Other royalties	008	100	(100)	0	0	
B. I. 4.	Other intangible fixed assets	010	1 179	(1 132)	47	63	
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	12	-	12	0	
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	12	-	12	0	
B. II.	Tangible fixed assets	014	152 015	(117 526)	34 489	39 177	
B. II. 1.	Land and constructions	015	13 836	(11 023)	2 813	3 578	
B. II. 1. 1.	Land	016	855	-	855	855	
B. II. 1. 2.	Constructions	017	12 981	(11 023)	1 958	2 723	
B. II. 2.	Equipment	018	138 032	(106 503)	31 529	34 541	
B. II. 4.	Other tangible fixed assets	020	147	-	147	147	
B. II. 4. 3.	Tangible fixed assets - other	023	147	-	147	147	
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	0	-	0	911	
B. II. 5. 1.	Advances paid for tangible fixed assets	025	0	-	0	911	
B. III.	Long-term investments	027	198 932	-	198 932	185 969	
B. III. 1.	Investments - subsidiaries and controlling party	028	198 932	-	198 932	185 969	
C.	Current assets	037	799 141	(42 394)	756 747	774 610	
C. I.	Inventories	038	225 774	(4 443)	221 331	201 569	
C. I. 1.	Raw materials	039	73 030	(2 770)	70 260	80 279	
C. I. 2.	Work in progress and semi-finished products	040	18 334	-	18 334	24 026	
C. I. 3.	Finished goods and goods for resale	041	108 684	(634)	108 050	58 542	
C. I. 3. 1.	Finished goods	042	20 141	(182)	19 959	12 040	
C. I. 3. 2.	Goods for resale	043	88 543	(452)	88 091	46 502	
C. I. 5.	Advances paid for inventory	045	25 726	(1 039)	24 687	38 722	
C. II.	Receivables	046	563 576	(37 951)	525 625	567 056	
C. II. 1.	Long-term receivables	047	18 854	-	18 854	17 561	
C. II. 1. 1.	Trade receivables	048	11 537	-	11 537	11 569	
C. II. 1. 4.	Deferred tax asset	051	6 800	-	6 800	5 623	
C. II. 1. 5.	Receivables - other	052	517	-	517	369	
C. II. 1. 5. 2.	Long-term advances paid	054	517	-	517	369	
C. II. 2.	Short-term receivables	057	544 722	(37 951)	506 771	549 495	
C. II. 2. 1.	Trade receivables	058	486 249	(36 929)	449 320	505 465	
C. II. 2. 2.	Receivables - subsidiaries and controlling party	059	27 312	(1 022)	26 290	6 739	
C. II. 2. 4.	Receivables - other	061	31 161	-	31 161	37 291	
C. II. 2. 4. 3.	Taxes - receivables from the state	064	4 895	-	4 895	10 396	
C. II. 2. 4. 4.	Short-term advances paid	065	17 430	-	17 430	18 849	
C. II. 2. 4. 5.	Estimated receivables	066	8 557	-	8 557	5 494	
C. II. 2. 4. 6.	Other receivables	067	279	-	279	2 552	
C. IV.	Cash	071	9 791	-	9 791	5 985	
C. IV. 1.	Cash in hand	072	459	-	459	347	
C. IV. 2.	Cash at bank	073	9 332	-	9 332	5 638	
D.	Prepayments and accrued income	074	5 050	-	5 050	6 857	
D. 1.	Prepaid expenses	075	5 050	-	5 050	6 826	
D. 3.	Accrued income	077	0	-	0	31	

Ref.	LIABILITIES AND EQUITY		Row	31/12/2017	31/12/2016
a	b		c	5	6
	TOTAL LIABILITIES AND EQUITY		078	998 063	1 009 385
A.	Equity		079	435 858	411 027
A. I.	Share capital		080	84 541	84 541
A. I. 1.	Share capital		081	84 541	84 541
A. II.	Share premium and capital contributions		084	46 504	52 816
A. II. 2.	Capital contributions		086	46 504	52 816
A. II. 2. 1.	Other capital contributions		087	1 245	1 245
A. II. 2. 2.	Assets and liabilities revaluation		088	45 259	51 571
A. III.	Other reserves		092	20 845	20 845
A. III. 1.	Other reserve funds		093	20 845	20 845
A. IV.	Retained earnings / Accumulated losses		095	252 824	185 688
A. IV. 1.	Retained earnings		096	252 824	185 688
A. V.	Profit / (loss) for the current period		099	31 144	67 137
B. + C.	Liabilities		101	519 416	560 421
B.	Provisions		102	39 979	36 290
B. 4.	Other provisions		106	39 979	36 290
C.	Liabilities		107	479 437	524 131
C. I.	Long-term liabilities		108	4 791	3 367
C. I. 9.	Liabilities - other		119	4 791	3 367
C. I. 9. 3.	Other liabilities		122	4 791	3 367
C. II.	Short-term liabilities		123	474 646	520 764
C. II. 3.	Short-term advances received		128	32 734	52 250
C. II. 4.	Trade payables		129	227 317	170 532
C. II. 6.	Liabilities - subsidiaries and controlling party		131	140 078	187 531
C. II. 8.	Liabilities - other		133	74 517	110 451
C. II. 8. 1.	Liabilities to shareholders		134	2 433	-
C. II. 8. 3.	Liabilities to employees		136	6 688	6 046
C. II. 8. 4.	Liabilities for social security and health insurance		137	3 394	3 003
C. II. 8. 5.	Taxes and state subsidies payable		138	1 232	8 140
C. II. 8. 6.	Estimated payables		139	60 302	92 813
C. II. 8. 7.	Other liabilities		140	468	449
D.	Accruals and deferred income		141	42 789	37 937
D. 1.	Accrued expenses		142	47	31
D. 2.	Deferred income		143	42 742	37 906

INCOME STATEMENT (in thousand Czech crowns)

Ref.	TEXT	Row	Accounting period	
			2017	2016
a	b	c	1	2
I.	Sales of products and services	01	920 667	830 458
II.	Sales of goods	02	641 835	482 290
A.	Cost of sales	03	1 375 088	1 125 412
A. 1.	Cost of goods sold	04	490 946	390 528
A. 2.	Raw materials and consumables used	05	262 810	307 300
A. 3.	Services	06	621 332	427 584
B.	Changes in inventories of finished goods and work in progress	07	(12 242)	(24 894)
C.	Own work capitalised	08	(767)	(600)
D.	Staff costs	09	152 188	143 668
D. 1.	Wages and salaries	10	113 985	107 346
D. 2.	Social security, health insurance and other social costs	11	38 203	36 322
D. 2. 1.	Social security and health insurance costs	12	35 256	33 381
D. 2. 2.	Other social costs	13	2 947	2 941
E.	Value adjustments in operating activities	14	12 225	16 818
E. 1.	Value adjustments of fixed assets	15	16 083	14 844
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	16 119	14 853
E. 1. 2.	Provision for impairment of fixed assets	17	(36)	(9)
E. 2.	Provision for impairment of inventories	18	(3 351)	2 392
E. 3.	Provision for impairment of receivables	19	(507)	(418)
III.	Operating income - other	20	36 818	34 720
III. 1.	Sales of fixed assets	21	488	-
III. 2.	Sales of raw materials	22	9 628	11 558
III. 3.	Other operating income	23	26 702	23 162
F.	Operating expenses - other	24	35 026	42 043
F. 1.	Net book value of fixed assets sold	25	404	-
F. 2.	Net book value of raw materials sold	26	9 101	11 446
F. 3.	Taxes and charges from operating activities	27	621	787
F. 4.	Operating provisions and complex prepaid expenses	28	3 454	8 700
F. 5.	Other operating expenses	29	21 446	21 110
*	Operating result	30	37 802	45 021
IV.	Income from sales of long-term investments - shares	31	11 167	42 017
IV. 1.	Income from sales of investments - subsidiaries or controlling party	32	11 167	42 017
VI.	Interest and similar income	39	155	157
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	155	152
VI. 2.	Other interest and similar income	41	-	5
J.	Interest and similar expenses	43	1 575	530
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	1 575	294
J. 2.	Other interest and similar expenses	45	-	236
VII.	Other financial income	46	23 134	11 234
K.	Other financial expenses	47	34 253	19 118
*	Financial result	48	(1 372)	33 760
**	Net profit / (loss) before taxation	49	36 430	78 781
L.	Tax on profit or loss	50	5 286	11 644
L. 1.	Tax on profit or loss - current	51	6 463	13 171
L. 2.	Tax on profit or loss - deferred	52	(1 177)	(1 527)
**	Net profit / (loss) after taxation	53	31 144	67 137
***	Net profit / (loss) for the financial period	55	31 144	67 137
	Net turnover for the financial period	56	1 633 776	1 400 876

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