



Overlack

# Annual Report 2016

## Dear shareholders, business partners, dear colleagues,

Let me present to you the Annual Report of EURO-Šarm spol. s r.o. for the year 2016, in which we have managed to build on the successes of the previous year and to keep profitability at record levels achieved in the previous period. Thanks for this achievement belong primarily to our employees, who form a stable and strong team with a proactive approach towards our customers.

The deepening international cooperation within the Overlack Group we are part of, which ranked among the top 10 largest distributors of chemicals in Europe by its achieved turnover, also appears to be perspective. Knowledge sharing, cooperation in the area of procurement, much broader product portfolio and optimized European network of chemicals warehouses allow us to constantly keep finding new opportunities to develop and improve services for our customers, who can use the facilities of a strong and reliable partner.

### **Business Plan**

Our main business plan is to manufacture and distribute industrial chemicals and specialty chemicals for customers from industry, agriculture and trade.

Our competitive advantage is based on providing comprehensive services in supplying chemicals and on technical support to our selected industries, which are mainly the following:

- Production of paints, adhesives and construction chemicals
- Treatment of potable water, process water and waste water
- Production of cosmetics, detergents and household chemicals
- Pharmaceutical industry
- Food processing industry and animal feed production
- Mechanical engineering and metal finishing

Thanks to the professional team of our staff with years of experience, knowledge of industrial market and environment of individual industries, we offer new and innovative solutions with added value for our customers.

### **Market Share and Sales Development**

The Czech Republic economy continued to grow in 2016, which was positively reflected in the growing demand for chemicals and related services. Through the optimization of our product range of chemicals, the company profitability increased despite a slight decline in sales caused by overall decrease in unit prices in the market. We gradually expanded our product range with products for industrial applications, cosmetics, water treatment and some other sectors. At the end of the year we were offering 1,133 different chemicals and specialty chemicals, including technical and application support.

Total company 2016 revenue amounted to CZK 980.9 million, confirming our position as a leading distributor of industrial chemicals and specialty chemicals in the Czech Republic. Company profit was the highest in our history and amounted to CZK 33.577 million before tax. The EBITDA also increased and amounted in 2016 to CZK 48.358 million, which is about CZK 2.225 million more than in the previous year.

The increase in profitability has been caused by many factors. One of them was the increase in sales of specialty chemicals for industrial applications. Successful development in this area is also evidenced by the fact that we together as the Overlack Group won the Gold Award for successful distribution of products of our sole supplier, Synthomer company, which is the world's leading manufacturer of dispersion and specialty polymers used in paints and building materials, adhesives, sealants and many other applications. Similarly, we managed to successfully set the area of epoxy formulations going, where we started offering binders, modifiers and hardeners from our German partner, Leuna-Harze GmbH. At the same time, we expanded our product portfolio for formulators of epoxy materials with modifying agents, plasticizers, flexibilizers, oils, solvents or rheological additives, including personal independent chemical and technological advisory services.

We recorded profitability growth also in the production of animal feed where we have expanded our certified activities in the GMP+ system for production of premixes in the Plzeň plant and the production of additives and feed materials in the Slatiňany premises. Recently we were able to offer our business partners not only distribution but also preparation of feed materials, additives and premixes based on their prescriptions and special requirements, including pumping of products into different types of packaging (IBC containers, barrels, canisters).

Positive note was the continuing growth in sales of pure chemicals and disinfectants from our Sokolov plant, to which we devoted considerable attention in recent years. Due to high cost of registration of substances and agents according to the law on biocides some small manufacturers quit the market and thus we could benefit from the size of the market share of the entire Overlack Group.

# Foreword by CEO

To better understand the demands and needs of our customers, we performed the third large external customer satisfaction survey during the summer months, which showed superior satisfaction with our services. The survey covered a total of 100 customers who have positively evaluated especially our reliability, adherence to delivery dates, speed, flexibility and willingness of our employees to solve non-standard customer requirements. However, the most we were delighted by the result of the price/value parameter, which was well above the average of the sector, for which the appreciation and big thanks belong to all our employees. Based on feedback from our customers, we have also identified areas, in which we see potential for improvement and which we will address in the nearest future. Positive survey results are great commitment for us, and we will strive to achieve equal or better ratings also in the future.

## **Subsidiary SLOVCHEMA distribution s. r.o., Slovakia**

Our Slovak subsidiary SLOVCHEMA distribution s. r.o. achieved also very good results in 2016, when the achieved turnover amounted to EUR 8,154 thousand and the profit before tax then amounted to EUR 123 thousand.

## **Investments in 2016**

In our central warehouse in Slatiňany we used our investments primarily to increase safety in handling of flammable liquids and for the project preparation of the warehouse reconstruction phase III. We installed technological equipment here for production of nitrogen gas from compressed air using the PSA-generator technology. The produced nitrogen is used for safe emptying of tank-trucks with inflammable materials, to drive pneumatic pumps and to clean pipelines. With this technology, we have managed to significantly reduce the risk of explosion and subsequent fire.

Other investments were directed to our Plzeň warehouse, where the project "Completion Of Survey And Risk Analysis Of Contaminated Sites In The Southern Part Of The Plzeň Warehouse Within the Premises Of EURO - Šarm spol. s r.o.", which was partly financed from the State Environmental Fund of the Czech Republic. The project confirmed the need to take remedial measures based on risk analysis that showed health and ecological risks due to contamination of soil and groundwater, mainly from chlorinated aliphatic hydrocarbons. On the basis of this information an implementation project titled "Decontamination Of Old Ecological Burdens In The Premises Of EURO-Šarm spol. s r.o., Plzeň Warehouse - Southern Part" has been prepared and we applied for financial support from the Operational Programme Environment.

Furthermore, project documentation for zoning and building permits was prepared for the complete reconstruction of the Plzeň plant, which will be implemented in the coming years. Simultaneously, a new heated storage tank for sodium hydroxide was installed here.

In the field of IT the existing SAP software was extended with a CRM SAP module for customer relationship management and a SAP BW data warehouse module in order to streamline our internal processes. Their implementation will be completed in 2017.

## **Employee Training**

We place great emphasis on knowledge and skills of our employees, because this power helps us to achieve our basic objectives. In 2016, we increase the quantity of hours of specifically specialized trainings and we significantly improved the evaluation of our employees knowledge received through the trainings. The main areas of the trainings include expert knowledge of traded products, chemicals management and prevention of serious accidents.

## **Environment Protection and the Integrated Management System (IMS)**

An integrated management system is focused on constant improvement of quality, environmental protection and prevention of pollution and accidents. Certified systems of quality (according to ČSN ISO 9001:2009) and environment (according to ČSN ISO 14001:2005) were examined by a recertification audit. The certification body revealed no non-conformities with the requirements of the above standards.

Our company is also committed to the principles of the chemical industry's ResponsibleCare voluntary program in the environmental, health and safety fields. Based on previous results the company received a certificate and granted the right to use the ResponsibleCare logo till 2018.

Approach of the company management and all employees to the areas of quality, environmental protection and the improvement of occupational safety is defined in the Policy and Objectives of the IMS. Basic values of the organization, such as a responsible approach to the environment, employees' health and safety of our operations, are also part of the Code of Ethics of the Overlack Group.

We achieved all the targets set for 2016. For 2017 we set a series of challenges again, especially in the areas of environment and safety.

# Foreword by CEO

The company is registered in the fatal accident prevention system. In June 2016, we successfully completed the demanding integrated inspection of our central warehouse in Slatiňany. State authorities and the company employees highly appreciate established exercises in cooperation with the IRS for the central warehouse and the Sokolov plant. We will continue in raising awareness of accident prevention and preparedness of all participating entities also in the coming years.

In recent years we have noticed an increasing trend of inspections and audits, both from the state authorities and from our customers. Their results assure us that the set system goes in the right direction, and motivate them to constant improving the quality of services while maintaining the principles of sustainable development.

## **Expected Development And Strategy For 2017**

In the coming year we will pay our attention to further expansion of our product and service offer for selected industry sectors. We will intensify cooperation within the Overlack Group and will focus on greater use of joint synergies. We will implement the first part of the third stage of the Slatiňany central warehouse reconstruction in and start the project of old environmental burdens removal in the southern part of our Plzeň plant.

In Šenov on February 12, 2017

Ing. Oldřich Zahradník  
CEO EURO – Šarm spol. s r.o.

# Basic Company Data

<b>Company:</b>	EURO – Šarm spol. s r.o.
<b>Registered office:</b>	Těšínská 222, 739 34 Šenov
<b>Legal form:</b>	Limited liability company

## List of persons (person, legal entity) with more than 20% share of the capital:

OVERLACK AG  
Ing. Oldřich Zahradník

## Object of activity:

- Purchase of goods for resale and sale
- Production and import of chemicals and chemical products classified as explosive, oxidizing, extremely flammable, highly flammable, flammable, highly toxic, toxic, carcinogenic, mutagenic or toxic for reproduction, dangerous for the environment, and sale of chemical products classified as highly toxic and toxic
- Production and sale of chemicals and chemical products classified as flammable, harmful, corrosive, irritant, sensitizing

**Date of establishment:** 31. 7. 1995, registration in registered office under label C38395

<b>Company management:</b>	Chief Executive Officer	Oldřich Zahradník
	Financial Manager	Marcela Šmigalová
	Investment Director	Luboš Hadrava
	Operations Director	Alena Hadravová
	Head of Purchasing	Libuše Čebišová
	Head of Sale	Jan Jedlička
	IT Manager	Petr Podlesný
	Marketing Manager	Petr Špinler

**Number of employees:** as of December 31, 2016 96

**Members of statutory bodies:** Oldřich Zahradník, Heinrich Eickmann

## The share in the registered capital of other companies:

70 % P.F.N. CZ spol. s r.o.  
70 % SLOVCHEMA distribution s.r.o.  
100 % PPD CHEMICALS s.r.o.

## Ordinary Income 2009 - 2016

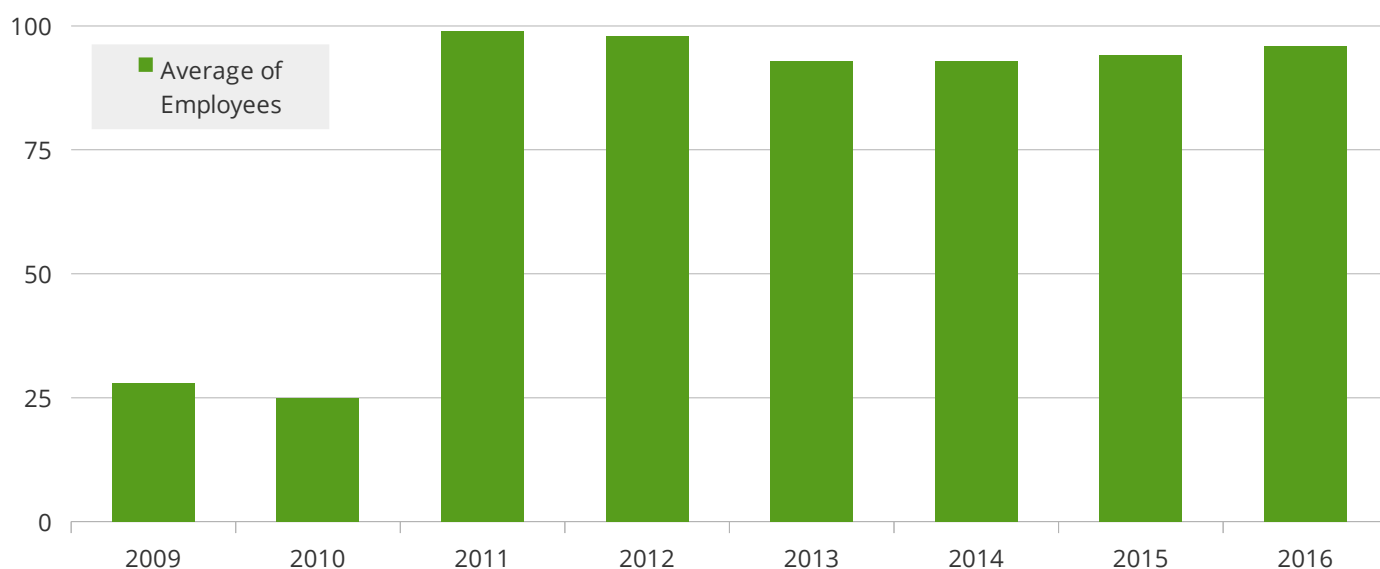
(in thousands of Czech Crowns)

	2009	2010	2011	2012	2013	2014	2015	2016
Net income before tax	915	-15,230	3,537	7,949	7,649	5,813	33,207	33,577
Income tax on ordinary activities	-	-	345	1,751	1,556	1,056	5,605	6,286
Ordinary Income	915	-15,230	3,192	6,198	6,093	4,757	27,602	27,291



## Average of Employees 2009 - 2016

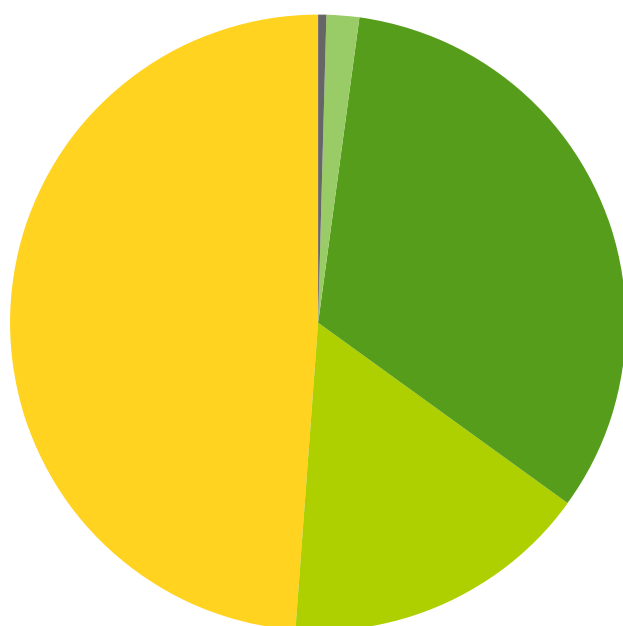
	2009	2010	2011	2012	2013	2014	2015	2016
Total	28	25	99	98	93	93	94	96



## Structure of Assets and Liabilities as of 31.12.2016

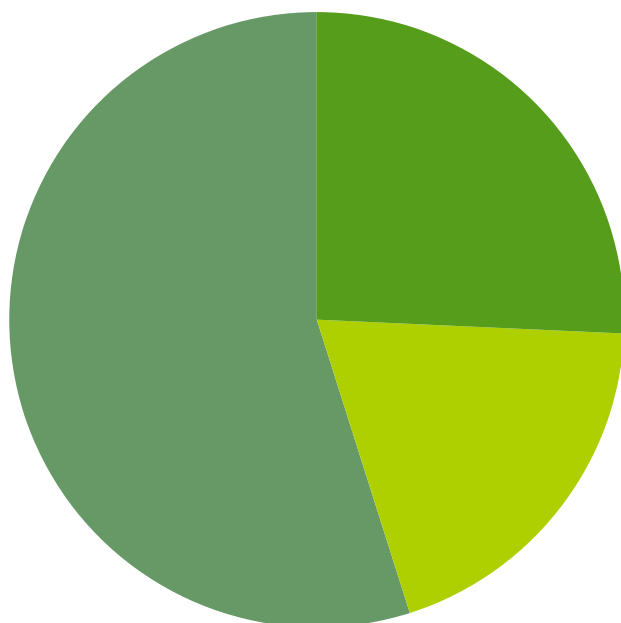
(in thousands of Czech Crowns)

ASSETS		LIABILITIES	
Receivable for sub. capital	0	Equity	234,867
Long-lived assets	208,950	Reserves	0
Inventory	69,386	Long-term liabilities	83,000
Short-term receivables	140,438	Short-term liabilities	110,077
Short-term financial assets	7,327	Accruals	0
Accruals	1,834		
<b>TOTAL ASSETS</b>	<b>427,944</b>	<b>TOTAL LIABILITIES</b>	<b>427,944</b>



### Assets

- Receivable for subscribed capital
- Long-lived assets
- Inventory
- Short-term receivables
- Short-term financial assets
- Accruals



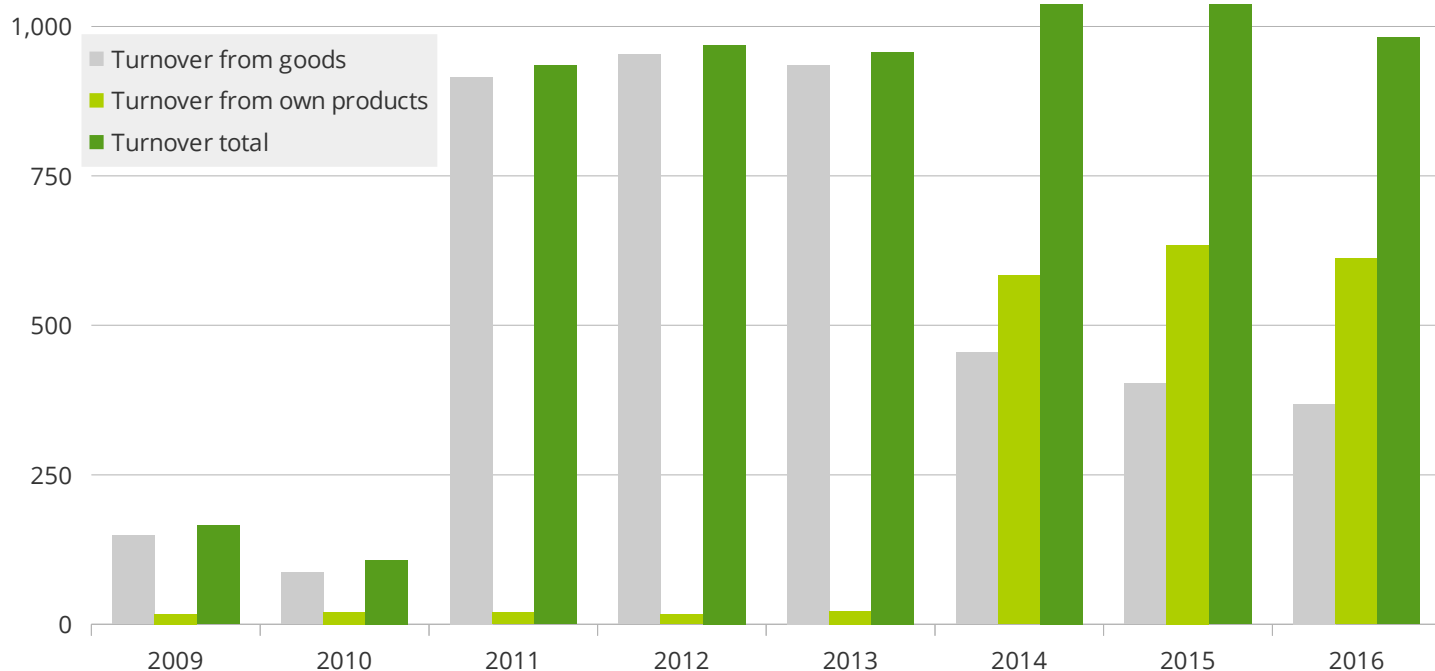
### Liabilities

- Equity
- Reserves
- Long-term liabilities
- Short-term liabilities
- Accruals

## Turnover 2009 - 2016

(in thousands of Czech Crowns)

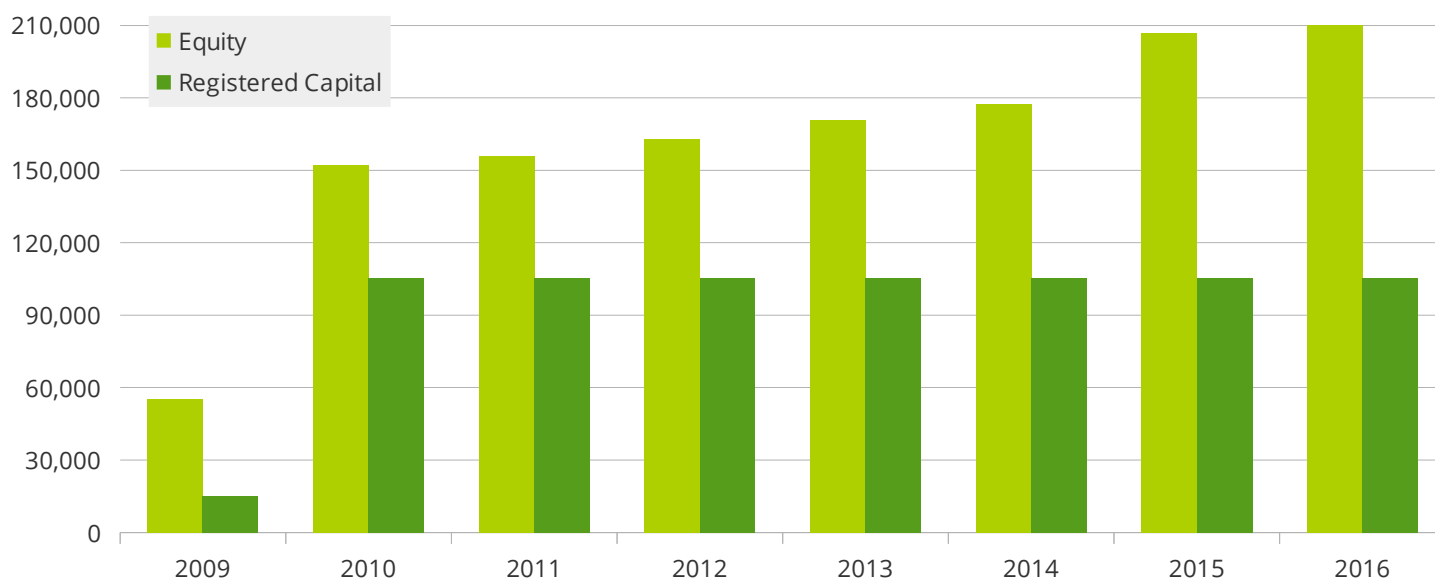
	2009	2010	2011	2012	2013	2014	2015	2016
Turnover from goods	147.99	86.55	915.27	952.86	935.09	454.22	402.48	368.64
Turnover from own products	17.27	20.78	19.66	16.01	22.44	582.99	634.54	612.30
Turnover total	165.26	107.33	934.93	968.87	957.53	1,037.21	1,037.02	980.94



## Equity and Basic Capital 2009 - 2016

(in thousands of Czech Crowns)

	2009	2010	2011	2012	2013	2014	2015	2016
Equity	55,126	152,048	156,044	163,069	170,970	177,271	206,726	234,867
Registered Capital	15,000	105,500	105,500	105,500	105,500	105,500	105,500	105,500





# Balance Sheet as on December 31, 2016

(in whole thousands of CZK)

ASSETS	Current Accounting Period			Previous Period
	Gross	Correction	Net	Net
<b>TOTAL ASSETS</b>	532,348	104,404	427,944	458,863
<b>Receivables from subscriptions</b>	0	0	0	0
<b>Fixed assets</b>	303,469	94,519	208,950	213,974
<b>Intangible fixed assets</b>	23,468	20,684	2,784	4,046
Research and development	0	0	0	0
Valuable rights	21,653	19,556	2,097	4,045
Software	21,627	19,530	2,097	4,045
Other valuable rights	26	26	0	0
Goodwill	0	0	0	0
Other intangible fixed assets	1,128	1,128	0	1
Advance payments for intangible fixed assets and intangible fixed assets under construction	687	0	687	0
Advance payments for intangible fixed assets	0	0	0	0
Intangible fixed assets under construction	687	0	687	0
<b>Tangible fixed assets</b>	265,029	73,835	191,194	195,807
Lands and Constructions	185,030	23,842	161,188	161,827
Lands	13,350	0	13,350	8,659
Constructions	171,680	23,842	147,838	153,168
Equipment	69,603	44,611	24,992	24,247
Adjustment to acquired assets	8,968	5,382	3,586	4,184
Other tangible fixed assets	0	0	0	0
Perennial corps	0	0	0	0
Breeding and draught animals	0	0	0	0
Other tangible fixed assets	0	0	0	0
Advance payments for tangible fixed assets and tangible fixed assets under construction	1,428	0	1,428	5,549
Advance payments for tangible fixed assets	128	0	128	0
Tangible fixed assets under construction	1,300	0	1,300	5,549
<b>Long-term financial assets</b>	14,972	0	14,972	14,121
Shares – controlled and controlling organizations	14,972	0	14,972	14,121
Loans – controlled and controlling organizations	0	0	0	0
Shares – substantial influence	0	0	0	0
Loans – substantial influence	0	0	0	0
Other securities and shares	0	0	0	0
Other loans	0	0	0	0
Other financial investments	0	0	0	0
Other financial investments	0	0	0	0
Advance payment for long-term financial assets	0	0	0	0
<b>Current assets</b>	227,036	9,885	217,151	243,351
<b>Inventory</b>	69,647	261	69,386	65,688

# Balance Sheet as on December 31, 2016

Materials	5,449	0	5,449	7,234
Work in progress and semi-products	1,337	0	1,337	1,298
Finished products and merchandise	62,611	261	62,350	54,493
Finished products	59,302	261	59,041	49,356
Merchandise	3,309	0	3,309	5,137
Animals	0	0	0	0
Advance payments for inventory	250	0	250	2,663
<b>Receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Long-term receivables</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Trade receivables	0	0	0	0
Receivables – controlled and controlling organizations	0	0	0	0
Receivables – accounting unit with substantial influence	0	0	0	0
Deffered tax receivable	0	0	0	0
Other receivables	0	0	0	0
Receivables from partners	0	0	0	0
Long-term deposits given	0	0	0	0
Estimated receivable	0	0	0	0
Other receivables	0	0	0	0
<b>Short-term receivables</b>	<b>150,062</b>	<b>9,624</b>	<b>140,438</b>	<b>169,500</b>
Trade receivables	148,692	9,624	139,068	168,994
Receivables - controlled and controlling organizations	0	0	0	0
Receivables - accounting units with substantial influence	0	0	0	0
Other receivables	1,370	0	1,370	506
Receivables from partners	0	0	0	0
Receivables from social security and health insurance	0	0	0	0
Due from state – tax receivable	0	0	0	0
Short-term dopsits given	424	0	424	375
Estimated receivable	0	0	0	0
Other receivable	946	0	946	131
<b>Short-term financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Shares – controlled and controlling organizations	0	0	0	0
Other short-term financial assets	0	0	0	0
<b>Cash and bank accounts</b>	<b>7,327</b>	<b>0</b>	<b>7,327</b>	<b>8,163</b>
Cash	500	0	500	454
Bank accounts	6,827	0	6,827	7,709
<b>Accruals</b>	<b>1,843</b>	<b>0</b>	<b>1,843</b>	<b>1,538</b>
Deferred expenses	1,843	0	1,843	1,481
Complex deferred costs	0	0	0	0
Deferred income	0	0	0	57

# Balance Sheet as on December 31, 2016

(in whole thousands of CZK)

LIABILITIES	NET	NET
	31. 12. 2016	31. 12. 2015
<b>TOTAL LIABILITIES</b>	427,944	458,863
<b>Equity</b>	234,867	206,726
<b>Registered capital</b>	105,500	105,500
Registered capital	105,500	105,500
Ownership interests	0	0
Changes of registered capital	0	0
<b>Share premium and capital funds</b>	34,371	33,521
Share premium and capital funds	0	0
Capital funds	34,371	33,521
Other capital funds	31,000	31,000
Differences from revaluation of assets and liabilities	3,371	2,521
Differences from revaluation in transformation of companies	0	0
Differences from transformation of companies	0	0
Differences from valuation in transformation of companies	0	0
<b>Funds from earnings</b>	0	0
Other reserve funds	0	0
Statutory and other funds	0	0
<b>Profit / loss - previous years</b>	67,705	40,103
Retained earnings from previous years	67,705	40,103
Accumulated losses from previous years	0	0
Other profit / loss - previous years	0	0
<b>Profit/loss - current year</b>	27,291	27,602
<b>Decided on advance for payment of profit share</b>	0	0
<b>Other sources</b>	193,077	252,137
<b>Reserves</b>	0	0
Reserves for pension and similar payables	0	0
Income tax reserves	0	0
Reserves under special statutory regulations	0	0
Other reserves	0	0
<b>Payables</b>	193,077	252,137
<b>Long-term payables</b>	83,000	125,000
Issues bonds	0	0
Exchangeable obligations	0	0
Other bonds	0	0
Liabilities to credit institutions	83,000	125,000
Long-term advances received	0	0
Trade payables	0	0
Long-term notes payables	0	0

# Balance Sheet as on December 31, 2016

Payables – controlled and controlling organizations	0	0
Payables – accounting units with substantial influence	0	0
Deffered tax liability	0	0
Other payables	0	0
Payable to partners	0	0
Estimated payables	0	0
Other payables	0	0
<b>Short-term payables</b>	110,077	127,137
Issues bonds	0	0
Exchangeable obligations	0	0
Other bonds	0	0
Payables to banks	15,526	15,525
Short-term deposits received	8	80
Trade payables	77,930	90,078
Short-term notes payables	0	0
Payables – controlled and controlling organizations	0	0
Payables – accounting units with substantial influence	0	0
Other payables	16,613	21,454
Payable to partners	223	78
Short-term accomodations	0	0
Payroll	3,283	2,541
Payables to social securities and health insurance	1,716	1,535
Due from state – tax liabilities and subsidies	9,702	13,338
Estimated payables	1,489	3,931
Other payables	200	31
<b>Accruals</b>	0	0
Accrued expenses	0	0
Deffered revenues	0	0

# Profit and Loss Account as on December 31, 2016

(in whole thousands of CZK)

	Profit / Loss Account	Accounting Period	
		Current	Previous
<b>I.</b>	<b>Revenues from sale of own products and services</b>	612,301	634,540
<b>II.</b>	<b>Revenues from sold goods</b>	368,641	402,481
<b>A.</b>	<b>Production consumption</b>	882,312	939,288
A. 1.	Expenses on sold goods	341,460	375,107
2.	Consumption of material and energy	485,367	513,772
3.	Services	55,485	50,409
<b>B.</b>	<b>Change in inventory of own products</b>	-7,936	2,450
<b>C.</b>	<b>Capitalisation</b>	-802	-834
<b>D.</b>	<b>Personal expenses</b>	58,859	55,734
D. 1.	Wages and salaries	43,362	40,569
2.	Social security , healt insurance and other expenses	15,497	15,165
2.1.	Social security and healt insurance expenses	14,192	13,878
2.2.	Other expenses	1,305	1,287
<b>E.</b>	<b>Value adjustments in the operational area</b>	15,493	324
E. 1.	Value adjustments of intagible and tangible fixed assets	13,839	11,287
1.1.	Value adjustments of intagible and tangible fixed assets - permanent	13,839	11,287
1.2.	Value adjustments of intagible and tangible fixed assets - temporary	0	0
2.	Stock value adjustments	-351	351
3.	Receivable value adjustments	2,005	-11,314
<b>III.</b>	<b>Other operating revenues</b>	5,263	4,683
1.	Revenues from disposals of fixed assets	292	113
2.	Revenues from disposals of materials	1,077	810
3.	Other operating revenues	3,894	3,760
<b>F.</b>	<b>Other operating expenses</b>	3,567	9,173
F. 1.	Net book value of sold fixed assets	0	0
2.	Net book value of sold material	0	0
3.	Taxes and fees	740	766
4.	Reserves and complex deferred costs	0	0
5.	Other operating expenses	2,827	8,407
<b>*</b>	<b>Operating profit / loss</b>	34,712	35,569
<b>IV.</b>	<b>Revenues from long-term financial assets - shares</b>	946	350
1.	Revenues from shares – controlled and controlling organizations	946	350
2.	Other revenues from shares	0	0
<b>G.</b>	<b>Costs spent for sold shares</b>	0	0
<b>V.</b>	<b>Revenues from other long-term financial assets</b>	0	0

# Profit and Loss Account as on December 31, 2016

1.	Revenues from other long-term financial assets – controlled and controlling organizations	0	0
2.	Revenues from other long-term financial assets	0	0
<b>H.</b>	<b>Costs related to other fixed financial assets</b>	0	0
<b>VI.</b>	<b>Interest revenues</b>	0	0
1.	Interest revenues – controlled and controlling organizations	0	0
2.	Other interest revenues	0	0
<b>L.</b>	<b>Value adjustments and reserves in the financial area</b>	0	0
<b>J.</b>	<b>Interest expenses</b>	1,294	1,649
J. 1.	Interest expenses – controlled and controlling organizations	0	0
2.	Other financial expenses	1,294	1,649
VII.	Other financial revenues	778	3,101
<b>K.</b>	<b>Other financial expenses</b>	1,565	4,164
<b>*</b>	<b>Profit / loss from financial operations</b>	-1,135	-2,362
<b>**</b>	<b>Profit / loss before tax</b>	33,577	33,207
<b>L.</b>	<b>Income tax</b>	6,286	5,605
L. 1.	Income tax – due tax	6,286	7,076
2.	Income tax – tax deferred	0	-1,471
<b>**</b>	<b>Profit / loss after tax</b>	<b>27,291</b>	<b>27,602</b>
<b>M.</b>	<b>Transfer profit (loss) to partners</b>	0	0
<b>***</b>	<b>Profit / loss of current accounting period</b>	<b>27,291</b>	<b>27,602</b>
	<b>Net turnover for the accounting period</b>	987,929	1,045,155

# Cash Flow Statement as on December 31, 2016

(in whole thousands of CZK)

		Accounting Period	
		Current	Previous
P.	State of financial means (FM) and equivalents at the beginning of accounting period	8,163	4,240
<b>CASH FLOWS FROM MAIN BUSINESS ACTIVITIES (operations)</b>			
Z.	Accounting profit or loss from ordinary activities before tax	33,577	33,207
<b>A.1.</b>	<b>Adjustments by non-cash transactions</b>	15,549	1,339
A.1.1.	Depreciation of fixed assets excl. net book value and amortization of adjustments to assets	13,839	11,287
A.1.2.	Change in provisions and reserves status	1,654	-10,963
A.1.3.	Profit (loss) on sale of fixed assets accounted into income -, expenses +	-292	-113
A.1.4.	Revenue from dividends and profit shares (-)	-946	-350
A.1.5.	Accounted expense interest (+), excl. charged income interest (-)	1,294	1,649
A.1.6.	Possible adjustments by non-cash transactions	0	-171
A.*	<b>Net cash flow from operating activities before tax, change of working capital</b>	49,126	34,546
A.2.	<b>Change in non-cash components of working capital</b>	6,345	24,622
A.2.1.	Change in receivables from operating activities (+/-) au time difference	26,752	4,700
A.2.2.	Change in current liabilities from operating activities (+/-) au time difference	-17,061	19,791
A.2.3.	Change in inventories (+/-)	-3,346	131
A.2.4.	Change in current financial assets not falling into FM and eq.	0	0
A.**	<b>Net cash flow from operating activities before tax and for extraordinary items</b>	55,471	59,168
A.3.	Interest paid, excluding capitalized interest (-)	-1,294	-1,649
A.4.	Interests received	0	0
A.5.	Income tax paid on ordinary activities and additional for previous periods (-)	-6,286	-7,076
A.7.	Received dividends and profit shares (+)	946	350
A.***	<b>Net cash flow from operating activities</b>	48,837	50,793
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
B.1.	Costs related to acquisition of fixed assets	-7,966	-49,273
B.2.	Proceeds from sale of fixed assets	292	113
B.3.	Loans to related parties	0	0
B.***	<b>Net cash flow from investing activities</b>	-7,674	-49,160
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
C.1.	Impact of changes in long-term or short-term liabilities on the FM and eq.	-41,999	2,290
C.2.	Impact of changes in equity for FM and eq.	0	0
C.2.1.	Increase in PA and eq. due to increase in share capital (RF) (+)	0	0
C.2.2.	Share paid to equity shareholders (-)	0	0
C.2.3.	Other deposits of FM to partners and shareholders	0	0
C.2.4.	Settlement of loss by shareholders (+)	0	0
C.2.5.	Direct payments from funds	0	0
C.2.6.	Dividends and profit shares paid including payment of withholding tax (-)	0	0
C.***	<b>Net cash flow from financial activities</b>	-41,999	2,290
F.	<b>Net increase or decrease in cash</b>	-836	3,923
R.	<b>Cash and equivalents at end of period</b>	7,327	8,163

# Statement of Changes in Equity as on Dec. 31, 2016

(in whole thousands of CZK)

		Accounting period	
		Current	Previous
<b>A. Authorized capital registered in the Commercial Register</b>			
A.1.	Opening balance	105,500	105,500
A.2.	Increment	0	0
A.3.	Decrease	0	0
A.4.	Closing balance	105,500	105,500
<b>B. Authorized capital unregistered in the Commercial Register</b>			
B.1.	Opening balance	0	0
B.2.	Increment	0	0
B.3.	Decrease	0	0
B.4.	Closing balance	0	0
<b>C. A. +/- B. with consideration of account 252</b>			
C.1.	Opening balance A. +/- B.	105,500	105,500
C.2.	Opening balance of own stocks and own business shares	0	0
C.3.	Change in the account status 252	0	0
C.4.	The final balance of account 252	0	0
C.5.	Closing balance A. +/- B.	105,500	105,500
<b>D. Share premium</b>			
D.1.	Opening balance	0	0
D.2.	Increment	0	0
D.3.	Decrease	0	0
D.4.	Closing balance	0	0
<b>E. Reserve funds</b>			
E.1.	Opening balance	0	6,535
E.2.	Increment	0	0
E.3.	Decrease	0	6,535
E.4.	Closing balance	0	0
<b>F. Other funds from profit</b>			
F.1.	Opening balance	0	0
F.2.	Increment	0	0
F.3.	Decrease	0	0
F.4.	Closing balance	0	0
<b>G. Capital funds</b>			
G.1.	Opening balance	31,000	31,000
G.2.	Increment	0	0
G.3.	Decrease	0	0
G.4.	Closing balance	31,000	31,000



# Statement of Changes in Equity as on Dec. 31, 2016

<b>H. Differences from revaluation not included in profit or loss</b>			
H.1.	Opening balance	2,521	667
H.2.	Increment	850	1,854
H.3.	Decrease	0	0
H.4.	Closing balance	3,371	2,521
<b>I. Profit of accounting periods (account 428 + Balance on page D of account 431)</b>			
I.1.	Opening balance	40,103	28,812
I.2.	Increment	27,602	11,291
I.3.	Decrease	0	0
I.4.	Closing balance	67,705	40,103
<b>J. Loss of accounting periods (account 429 + balance on page MD of account 431)</b>			
J.1.	Opening balance	0	0
J.2.	Increment	0	0
J.3.	Decrease	0	0
J.4.	Closing balance	0	0
<b>K.</b>	<b>Profit / loss for the accounting period after taxation</b>	<b>27,291</b>	<b>27,602</b>

# Notes to the Financial Statements for the year 2016

The attached individual Financial Statements (unconsolidated) have been prepared in accordance with the Act No. 563/1991 Coll., On Accounting, as amended, (hereinafter referred to as the "Accounting Act"), and the Implementing Decree No. 500/2002 Coll., which implements certain provisions of the Act No. 563/1991 Coll., On Accounting, as amended, for reporting entities that are businesses maintaining double-entry bookkeeping, as amended, as applicable for 2016 and 2015, (hereinafter referred to as the "Implementing Decree to the Accounting Act"), and according to Czech accounting standards for entrepreneurs. The data in the appendix are based on the entity's records (accounting documents, ledgers and other records) and other documents which an entity has available. Figures are in thousands of CZK, unless stated otherwise.

The appendix is made for the accounting period beginning on 1 January 2016 and ending on 31 December 2016.

## I. General data

### 1. Trade name

EURO - Šarm spol. s r.o.

### 2. Reg. No.

63988186

### 3. Registered office

Těšínská 222, 739 34 Šenov

### 4. Legal form

společnost s ručením omezeným (Limited Liability Co.)

### 5. Subject of activity

- purchase of goods for resale and sale (except the activities listed in the Appendix. 2 and 3 Act No.455 / 91 Coll
- production and import of chemicals and chemical products classified as explosive, oxidizing, extremely flammable, highly flammable, flammable, highly toxic, toxic, carcinogenic, mutagenic or toxic for reproduction, dangerous for the environment, and sale of chemical products classified as highly toxic and toxic,
- production and sale of chemicals and chemical products classified as flammable, harmful, corrosive, irritant, sensitizing

**6. Date of founding:** 31. 7. 1995

**Balance Sheet date:** 31. 12. 2016

**Financial statements date:** 12. 2. 2017

### 7. List of entities with more than 20% share in the core capital

7800/10550 Overlack AG, D - 41061 Mönchengladbach, Aachener strasse 236, Germany

2750/10550 Ing. Oldřich Zahradník, Havířov-Životice, Hraniční 18

### 8. Description of changes and additions made in the past fiscal year in the trade register

During the reporting period, there were no significant changes in the trade register.

### 9. Names and surnames of statutory bodies as of 31. 12. 2016

Oldřich Zahradník, Ing. – executive head

Heinrich Eickmann – executive head

# Notes to the Financial Statements for the year 2016

## 10. Organization Structure applicable as of 31. 12. 2016



### 11. The accounting entity does not have a branch abroad.

### 12. The title and address of the companies in which the entity has more than 20% of the share capital

#### P.F.N. CZ spol. s r.o.

Share amount:	70%
Registered office:	Těšínská 222, Šenov
Amount of equity as of 31. 12. 2016:	33 thousand CZK
Economic result for the year 2016:	-2 thousand CZK

#### SLOVCHEMA distribúcia, s.r.o.

Share amount:	70%
Registered office:	A. Stodolu 8/12, Prievidza, Slovakia
Amount of equity as of 31. 12. 2016:	777 thousand EUR
Economic result for the year 2016:	96 thousand EUR

#### PPD CHEMICALS s.r.o.

Share amount:	100%
Registered office:	Těšínská 222, Šenov
Amount of equity as of 31. 12. 2016:	258 thousand CZK
Economic result for the year 2016:	-2 thousand CZK

### 13. Consolidating accounting entity

The Company is the parent company of the group, which includes the above-mentioned companies and the attached Financial Statements have been prepared as separate. The consolidated Financial Statements have been prepared according to international accounting standards by the parent company Overlack AG with its registered office in Mönchengladbach, Aachener Strasse 236, Federal Republic of Germany. According to the Czech accounting regulations, the company has an exemption to prepare the consolidated Financial Statements in accordance with the Czech law; however, the consolidated Financial Statements of the parent company will be published in the Commercial Register.

### 14. Core capital EURO – Šarm spol s r.o.

Overlack AG	78 000 thousand CZK
Ing. Oldřich Zahradník	27 500 thousand CZK

The company's share capital is fully paid.

## II. Information about the accounting methods, general accounting principles and valuation methods

In the course of the accounting period, which is a calendar year, the accounting was based on matters that are subject to accounting so as to comply with the principle of accrual. When accounting was applied, the accounting methods stipulated by the accounting method primarily of fair presentation and going concern were applied.

Based on the requirements of the amendment to the Accounting Act and the Implementing Decree in force from January 1, 2016 there has been a change in the reporting of the balance sheet items and the profit and loss statement items. To ensure the comparability of these items with the previous accounting period, the balance sheet items and the profit and loss statement items for 2015 were appropriately reclassified. The company acted in accordance with the Czech accounting standard for entrepreneurs No. 024 "The comparative period for the accounting period starting in 2016".

### 1. Fixed assets

#### **Assessment method**

- of tangible fixed assets (DHM) and intangible assets (DNM), DHM and DNM created through the entity's own activities
- of securities, equity investments

DHM and DNM are stated at purchasing costs, which include the acquisition costs, transport costs and other related costs, interest on loan is not part of the cost. Assessment of DHM and DNM is reduced by subsidies from the state budget. Costs of technical appreciation of assets increase their acquisition cost, repair and maintenance of assets is expensed.

DHM and DNM created by the entity's activity are evaluated by their own costs.

Securities and investments are valued at acquisition cost, and once a year the amount of equity investments are revalued using the equity method, which is the basis for the revaluation of the equity capital of the company. Revaluation is recognized in equity as a revaluation of assets and liabilities.

#### **Method of determining depreciation plans**

Depreciation of assets is calculated based on the purchase price and the estimated useful life of the asset.

Following the Accounting Act (no. 563/1991 Coll.), On Decree no. 500/2002 Coll., Czech accounting standards for businesses and Act no. 586/1992 Coll., On income taxes, as amended, a depreciation schedule for depreciation of tangible fixed assets, intangible fixed assets and small tangible fixed assets, which has been archived since the day of the Company's inception.

The depreciation schedule is created for tangible fixed assets with the purchase value over CZK 40 thousand and for intangible assets with purchase value over CZK 60 thousand. No depreciation schedule is created for land.

The annual depreciation rate is determined by the ratio of input price and length of depreciation. The length of the amortization accounting is not applied in the same way as the length of depreciation for tax purposes, accounting and tax depreciation are therefore equal.

#### **Method of determining the replacement cost for assets valued at this price and acquired during the reporting period**

The replacement cost has not been applied in the accounting period 2016.

#### **Substantial changes in valuation, depreciation, accounting procedures compared to the previous fiscal year, a procedure for determining deferred taxes**

Compared to the previous accounting period, depreciation procedures and accounting that would affect the amount of assets, liabilities and operating results did not change.

### 2. Stock

Purchased inventories are valued at acquisition cost, which includes the cost of inventories, including incidental costs of acquisition-related costs (freight, customs, etc.). Products and work in progress are valued at their own planned cost according to processed calculations. The price of goods and work in progress includes direct material costs, labour costs of production personnel and overhead costs (mainly the auxiliary material, amortization costs of returnable packaging, operation costs of handling technology). Allowance for slow moving and obsolete inventory or otherwise impaired inventory is recognized based on the evaluation of turnover and individual evaluation of inventories.

### 3. Receivables

Receivables are stated at their nominal value upon creation. Purchased receivables are stated at acquisition cost. In the case of doubtful receivables, the value is reduced through provisions, which are charged to expenses.

Unbilled active accounts are valued on the basis of expert estimates and calculations.

### 4. Equity

The share capital is recognized at the amount recorded in the Commercial Register.

# Notes to the Financial Statements for the year 2016

## **5. External Resources**

Accounting or statutory reserves were not created in 2016.

Long-term and short-term liabilities are stated at their nominal values.

Unbilled estimated liabilities were valued on the basis of expert estimates and calculations.

## **6. Leasing**

The leased assets have been charged so that the individual lease payments are included in the cost paid by a previously been deferred.

## **7. Foreign exchange operations**

Valuation of assets and liabilities in foreign currencies is performed according to § 24 par. 7 of the Accounting Act. During the reporting period assets and liabilities were translated at the fixed rate based on the current exchange rate of the Czech National Bank effective on the last day of the previous month. At the balance sheet date, the balances of assets and liabilities denominated in foreign currencies are translated using the exchange rate applicable to the CNB's balance sheet date and the differences were accounted nominally.

## **8. Use of estimates**

The estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses for the reporting period, were determined by the company's management on the basis of all the relevant information available. Nevertheless, as it is apparent from the nature of estimates, the actual results in the future may differ from these estimates.

## **9. Accounting for revenues and expenses**

Revenues and expenses are accounted on accrual basis, i.e. in the period to which they relate.

## **10. Income Tax:**

The income tax is calculated according to applicable tax rate from the accounting profit increased or decreased by permanently or temporarily tax-deductible expenses and non-taxable income (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciations, etc.). Also, items decreasing the tax base (donations), deductibles and discounts on income tax are taken into account.

The deferred tax liability reflects the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts of income tax with respect to the time of implementation.

## **11. Subsidy**

Prescriptions of subsidies are accounted at the moment of their acceptance or finding unquestionable entitlement to its acceptance. Operating grants received to cover costs are charged to operating or financial revenues. Investment subsidies received for the acquisition of fixed assets reduces the acquisition value of the property.

## **12. Significant events after the balance sheet date**

There were no significant events after the balance sheet date and before the date of the balance sheet creation for the year 2016.

The financial statements as of December 31, 2016 have been prepared assuming the company to continue to exist. Therefore, the attached financial statements include no adjustments that might result from this uncertainty.

# Notes to the Financial Statements for the year 2016

## III. Additional information on the balance sheet and profit and loss statement

### 1. Fixed assets

#### a) Overview of assets listed in the balance sheet:

Intangible assets (in thousands of CZK)	Purchase price					Accumulated depreciation				
	opening balance	increase	decrease	transfer	closing balance	opening balance	increase	decrease	transfer	closing balance
Other long-term intangible assets	1,128	0	0	0	1,128	-1,127	-1	0	0	-1,128
Royalties	26	0	0	0	26	-26	0	0	0	-26
Software	20,833	794	0	0	21,627	-16,787	-2,743	0	0	-19,530
Intangible fixed assets under construction	0	687	0	0	687	0	0	0	0	0
<b>Total 2016</b>	<b>21,987</b>	<b>1,481</b>	<b>0</b>	<b>0</b>	<b>23,468</b>	<b>-17,940</b>	<b>-2,744</b>	<b>0</b>	<b>0</b>	<b>-20,684</b>
<b>Total 2015</b>	<b>21,622</b>	<b>365</b>	<b>0</b>	<b>0</b>	<b>21,987</b>	<b>-15,149</b>	<b>-2,792</b>	<b>0</b>	<b>0</b>	<b>-17,941</b>

Tangible assets (in thousands of CZK)	Purchase price					Accumulated depreciation				
	opening balance	increase	decrease	transfer	closing balance	opening balance	increase	decrease	transfer	closing balance
Lands	<b>8,659</b>	4,691	0	0	<b>13,350</b>	<b>0</b>	0	0	0	<b>0</b>
Constructions	<b>171,240</b>	440	0	0	<b>171,680</b>	<b>-18,072</b>	-5,770	0	0	<b>-23,842</b>
Machinery and equipment	<b>50,956</b>	3,850	0	0	<b>54,806</b>	<b>-29,630</b>	-3,660	0	0	<b>-33,290</b>
Vehicle fleet	<b>13,469</b>	1,574	-1,587	0	<b>13,456</b>	<b>-10,612</b>	-1,010	1,587	0	<b>-10,035</b>
Fixtures and fittings	<b>1,327</b>	48	-34	0	<b>1,341</b>	<b>-1,263</b>	-58	35	0	<b>-1,286</b>
Other tangible fixed assets	<b>0</b>	0	0	0	<b>0</b>	<b>0</b>	0	0	0	<b>0</b>
Tangible fixed assets under construction	<b>5,549</b>	6,629	-10,878	0	<b>1,300</b>	<b>0</b>	0	0	0	<b>0</b>
Advance payments for tangible assets	<b>0</b>	128	0	0	<b>128</b>	<b>0</b>	0	0	0	<b>0</b>
Adjustment to acquired assets	<b>8,968</b>	0	0	0	<b>8,968</b>	<b>-4,784</b>	-598	0	0	<b>-5,382</b>
<b>Total 2016</b>	<b>260,168</b>	<b>17,360</b>	<b>-12,499</b>	<b>0</b>	<b>265,029</b>	<b>-64,361</b>	<b>-11,096</b>	<b>1,622</b>	<b>0</b>	<b>-73,835</b>
<b>Total 2015</b>	<b>212,142</b>	<b>24,803</b>	<b>-6,906</b>	<b>0</b>	<b>260,168</b>	<b>-56,747</b>	<b>-8,494</b>	<b>881</b>	<b>0</b>	<b>-64,361</b>

Long-term financial assets (in thousands of CZK)	Purchase price				
	Opening balance	Increase (after revaluation by equivalent)	Decrease (after revaluation by equivalent)	Transfer	Closing balance
<b>Total 2016</b>	<b>14,121</b>	<b>859</b>	<b>-8</b>	<b>0</b>	<b>14,972</b>
<b>Total 2015</b>	<b>12,267</b>	<b>1,862</b>	<b>-8</b>	<b>0</b>	<b>14,121</b>

The accounting entity records the assets off balance sheet not detected in the balance sheet at a total amount of 6,230 thousand CZK.

#### b) List of tangible assets that are pledged

There is no lien burden with any property.

# Notes to the Financial Statements for the year 2016

## Assets under operating leases

On the basis of the contract of lease of movable assets, the company has leased 22 personal cars and 4 forklifts. On the basis of the leasing contract with subsequent purchase of the leased asset the entity has leased 3 vehicles and 3 forklifts. These assets are recorded in memorandum accounts.

## 2. Inventory

On the balance sheet date, as a result of physical inventories, a provision was made for a diminution of inventory to the amount of 261 thousand CZK.

## 3. Receivables

The manner of determination of provisioning and reserves for assets:

*Provisions for receivables were created for outstanding receivables according to the current wording of Act 593/1992 Coll.*

*In 2016, adjustments were created for receivables from debtors in bankruptcy proceedings amounting to CZK 3,222 thousand, while adjustments for receivables from debtors in bankruptcy proceedings totaling CZK 615 thousand were dissolved. Receivables from debtors after the completion of bankruptcy proceedings in the amount of CZK 417 thousand were written off.*

*Adjustments were created for other overdue receivables in the amount of CZK 2,544 thousand, out of which CZK 33 thousand as the tax adjustments and CZK 2,511 thousand as the accounting adjustments. The accounting adjustments amounting to CZK 3,146 thousand were abolished. The total increase in adjustments for the year 2016 amounted to CZK 2,005 thousand.*

### **The total amount of short-term trade receivables (account no 311):**

Gross amount	148,692 thousand CZK
Adjustments	9,624 thousand CZK
Net amount	139,068 thousand CZK
Including receivables within the group	1,852 thousand CZK

### **Time structure of receivables (In gross amount):**

Pre-maturity receivables	118,847 thousand CZK
Amounts up to 30 days overdue	17,678 thousand CZK
Amounts up to 90 days overdue	1,967 thousand CZK
Amounts up to 180 days overdue	362 thousand CZK
Amounts up to 360 days overdue	452 thousand CZK
Amounts over 360 days overdue	9,386 thousand CZK
Inc. claims against debtors in banks and insolvency pr.	8,944 thousand CZK

Receivables with a maturity of more than 5 years are not recorded by the company.

## 4. Financial accounts

The Company has an overdraft account with KB allowing her to draw a loan to the amount of 20 000 thous. CZK. As of 31 12. 2016 tis amounted to a negative balance of 3,526 thous. CZK (by 31 12. 2015 it amounted to 3,525 thous.CZK), it is distributed in the reported short-term bank loan.

## 5. Accrued assets

Prepaid expenses primarily include lease payments paid in advance and are accounted for in the period in which they were earned.

## 6. Equity

Statement of changes in Equity	opening balance	increase	decrease	transfer
Registered capital	105,500	0	0	105,500
Other capital funds	31,000	0	0	31,000
Differences from revaluation of assets and liabilities	2,521	850	0	3,371
Funds created from net profit	0	0	0	0
Profit (loss) from previous years	40,103	27,602	0	67,705
Profit (loss) of current year	27,602	27,291	-27,602	27,291
<b>Total 2016</b>	<b>206,726</b>	<b>55,743</b>	<b>-27,602</b>	<b>234,867</b>
<b>Total 2015</b>	<b>177,271</b>	<b>40,747</b>	<b>-11,292</b>	<b>206,726</b>

The differences from revaluation are a recognized impact of the revaluation of investments in subsidiaries.

# Notes to the Financial Statements for the year 2016

## 7. Long-term liabilities

The company does not have any long-term liabilities.

## 8. Short-term liabilities

Total current liabilities – trade payables (account no. 321):

Amount	77,930 thousand CZK
Incl. Liabilities in the group	3,284 thousand CZK

### **Time structure of liabilities:**

Pre-maturity liabilities	77,828 thousand CZK
Amounts up to 15 days overdue	77 thousand CZK
Amounts up to 90 days overdue	25 thousand CZK

The company does not have liabilities with a maturity of more than 5 years overdue.

### **Amount of liabilities towards Social security and health insurance as of 31. 12. 2016:**

OSSZ	1,051 thousand CZK
ČPZP	113 thousand CZK
VZP	353 thousand CZK
RBP	37 thousand CZK
OZP	111 thousand CZK
MiV	36 thousand CZK
Voj. ZP	14 thousand CZK

All of the above commitments have been paid by the deadline of 31. 1. 2017.

By the date of submission of financial statements prepared as of 31. 12. 2016, the entity does not recognize any obligations to the state budget or the authorities of pension and health insurance that would cover liabilities outstanding at the balance sheet date.

## 9. Subsidy

During 2016, the entity accounted for the drawing of an investment subsidy amounting to 106 thousand CZK.

## 10. Bank loans

### **The company has concluded such credit arrangements:**

a) Framework Services Agreement with Komerční banka a.s., which is determined by a credit line to the amount of 130 000 thous. CZK the contract was concluded on 18. 11. 2014, maturity date obligation under this contract is:

- overdraft credit amounting to 20 000 thous. CZK payable by 13. 11. 2017, amount used by 31. 12. 2016 – 3 526 thous. CZK,
- revolving loan up to 120 000 thous. CZK payable by 13. 11. 2019, amount used by 31. 12. 2016 - 40 000 thous. CZK.

Loans are secured by a blank bill of the company, and pledged receivables as well as a Letter of Comfort issued by Overlack AG as collateral for this framework agreement on the loan.

b) A contract for the provision of credit for investment total 61 000 thous. CZK the date of signing the contract was 10. 9. 2014, the loan balance on 31. 12. 2016 was 55 000 thous. CZK, the loan maturity is 31.7. 2021. The loan is secured by a blank bill of company and at the same time was exposed a Letter of Comfort by Overlack AG was issued as collateral for a loan.

*The interest expense related to credit institutions in 2016 amounted to CZK 1,294 thousand (CZK 1,649 thousand in 2015). The interest was reflected in the financial result.*

## 11. Other liabilities

The company did not have any accrued expenses as of 31. 12. 2016.



# Notes to the Financial Statements for the year 2016

## 12. Income from ordinary activities (in thousands of CZK)

Type of activity	Total		Domestic		Abroad	
	2015	2016	2015	2016	2015	2016
Sales of products	627,305	604,655	570,766	542,022	56,539	62,633
Sales of services	7,235	7,646	5,406	5,459	1,829	2,187
Sales of goods	402,481	368,641	360,110	352,869	42,371	15,772
Other incomes	4,684	5,263	4,592	5,208	5,208	55
<b>Total</b>	<b>1,041,705</b>	<b>986,205</b>	<b>940,874</b>	<b>905,558</b>	<b>100,831</b>	<b>80,647</b>

In the accounting period of 2016 no expenditures were incurred on research and development.

### Transactions with related parties

In 2016 EURO – Šarm did business with related entities in these amounts:

Transactions with related parties (in thousands of CZK)	Sale of goods and products	Sale of services	Purchase of goods and material
Overlack AG (D)	0	100	0
Overlack GmbH (D)	321	100	22,304
SLOVCHEMA distribution, s.r.o. (SK)	34,586	313	348
Overlack Sp. z o.o. (PL)	161	0	6
UAB Overlack (LT)	408	12	0
Overlack GmbH (A)	636	0	0
Quaron EPE (GR)	986	0	0
Overlack EOOD (BG)	18	0	0
Overlack d.o.o. (SLO)	0	0	368
Novochem Romania SRL (RO)	42	0	0
Novochem Kft. (HU)	210	0	665
<b>Total</b>	<b>37,368</b>	<b>525</b>	<b>34,211</b>

These transactions were concluded under normal market conditions.

## 13. Deferred Tax

The Company quantified the deferred taxes as follows:

Reason for deferred taxes	Deferred tax receivable	Deferred tax liability
Residual value of assets	1 260 650,49	
Adjustments for inventory	49 670,95	
Adjustments for receivables	63 504,36	
Outstanding premiums	26 472,61	
Unpaid fines	0,00	
	<b>1 400 298,41</b>	

For reasons of prudence the Company has not included a deferred tax lien in the amount of CZK 1,400 thousand.

#### 14. Overview of cash flow, Statement of changes in equity

Cash Flow Overview is a separate annex to the financial statements.

Statement of changes in equity is a separate annex to the financial statements.

#### 15. The amount of personnel costs and data on the number of employees

Item /year	Persons		Personnel costs (in thousands CZK)	
	2015	2016	2015	2016
Average number of employees	94	96	55,734	58,859
Including: members of management bodies	7	7	12,374	12,730

The contribution to Pension insurance totaled 71 thousand CZK.

Remuneration of statutory bodies:

Period	2015	2016
Amount (in thousand CZK)	0	0

Statutory authorities were not provided loans, guarantees or other benefits in cash or in other natural form.

# Contacts

Registered office of EURO – Šarm spol. s r.o.	Těšínská 222, 739 34 Šenov, Czech Republic
Phone	+420 597 485 910
Fax	+420 596 831 102
Web address	<a href="http://www.eurosarm.cz">http://www.eurosarm.cz</a>
E-mail	<a href="mailto:eurosarm@eurosam.cz">eurosarm@eurosam.cz</a>
Twitter	@EuroSarm
GPS coordinates	49°47'26.8"N 18°23'40.8"E

Central warehouse Slatiňany	Vítězství 251, 538 21 Slatiňany, Czech Republic
Phone	+420 469 777 774
Fax	+420 469 777 700
GPS coordinates	49°55'12.8"N 15°49'36.9"E

Warehouse Šenov	Těšínská 222, 739 34 Šenov, Czech Republic
Phone	+420 597 485 919
Fax	+420 597 485 900
GPS coordinates	49°47'23.6"N 18°23'39.6"E

Warehouse Plzeň	Velenická 230/91, 326 00 Plzeň, Czech Republic
Telefon	+420 376 944 442
Fax	+420 376 944 440
GPS coordinates	49°43'23.2"N 13°25'07.0"E

Production in Sokolov	Tovární 2093, 356 80 Sokolov
Phone	+420 354 777 991
Fax	+420 354 777 990
GPS coordinates	50°10'52.4"N 12°40'05.1"E

Subsidiary company in Slovakia	Slovchema distribution, s.r.o.
Phone	+421 465 420 778
Phone	+421 465 420 779
Fax	+421 465 420 780
Web address	<a href="http://www.slovchema.sk">http://www.slovchema.sk</a>
E-mail	<a href="mailto:slovchema@slovchema.sk">slovchema@slovchema.sk</a>

## Výrok auditora

Provedla jsem audit přiložené účetní závěrky společnosti EURO – Šarm spol. s r.o. sestavené na základě českých účetních předpisů, která se skládá z rozvahy k 31. 12. 2016, výkazu zisku a ztráty, přehledu o změnách vlastního kapitálu a přehledu o peněžních tocích za rok končící 31. 12. 2016, a přílohy této účetní závěrky, která obsahuje popis použitých podstatných účetních metod a další vysvětlující informace. Údaje o společnosti EURO – Šarm spol. s r.o. jsou uvedeny v části „Obecné údaje“ přílohy této účetní závěrky.

Podle mého názoru účetní závěrka podává věrný a poctivý obraz aktiv a pasiv společnosti EURO – Šarm spol. s r.o. k 31. 12. 2016 a nákladů a výnosů a výsledku jejího hospodaření a peněžních toků za rok končící 31. 12. 2016 v souladu s českými účetními předpisy.

## Základ pro výrok

Audit jsem provedla v souladu se zákonem o auditorech a standardy Komory auditorů České republiky (KA ČR) pro audit, kterými jsou mezinárodní standardy pro audit (ISA) případně doplněné a upravené souvisejícími aplikačními doložkami. Má odpovědnost stanovená těmito předpisy je podrobněji popsána v oddílu Odpovědnost auditora za audit účetní závěrky. V souladu se zákonem o auditorech a Etickým kodexem přijatým Komorou auditorů České republiky jsem na společnosti EURO – Šarm spol. s r.o. nezávislá a splnila jsem i další etické povinnosti vyplývající z uvedených předpisů. Domnívám se, že důkazní informace, které jsem shromáždila, poskytují dostatečný a vhodný základ pro vyjádření mého výroku.

## Ostatní informace uvedené ve výroční zprávě

Ostatními informacemi jsou v souladu s § 2 písm. b) zákona o auditorech informace uvedené ve výroční zprávě mimo účetní závěrku a mou zprávu auditora. Za ostatní informace odpovídají jednatelé společnosti EURO – Šarm spol. s r.o.

Můj výrok k účetní závěrce se k ostatním informacím nevztahuje. Přesto je však součástí mých povinností souvisejících s ověřením účetní závěrky seznámení se s ostatními informacemi a posouzení, zda ostatní informace nejsou ve významném (materiálním) nesouladu s účetní závěrkou či s mými znalostmi o účetní jednotce získanými během ověřování účetní závěrky nebo zda se jinak tyto informace nejeví jako významně (materiálně) nesprávné. Také posuzuji, zda ostatní informace byly ve všech významných (materiálních) ohledech vypracovány v souladu s příslušnými právními předpisy. Tímto posouzením se rozumí, zda ostatní informace splňují požadavky právních předpisů na formální náležitosti a postup vypracování ostatních informací v kontextu významnosti (materiality), tj. zda případné nedodržení uvedených požadavků by bylo způsobilé ovlivnit úsudek činěný na základě ostatních informací.

Na základě provedených postupů, do míry, již dokážu posoudit, uvádím, že

- ostatní informace, které popisují skutečnosti, jež jsou též předmětem zobrazení v účetní závěrce, jsou ve všech významných (materiálních) ohledech v souladu s účetní závěrkou a
- ostatní informace byly vypracovány v souladu s právními předpisy.

Dále jsem povinna uvést, zda na základě poznatků a povědomí o společnosti EURO – Šarm spol. s r.o., k nimž jsem dospěla při provádění auditu, ostatní informace neobsahují významné (materiální) věcné nesprávnosti. V rámci uvedených postupů jsem v obdržených ostatních informacích žádné významné (materiální) věcné nesprávnosti nezjistila.

## **Odpovědnost jednatelů společnosti za účetní závěrku**

Jednatelé společnosti EURO – Šarm spol. s r.o. odpovídají za sestavení účetní závěrky podávající věrný a poctivý obraz v souladu s českými účetními předpisy a za takový vnitřní kontrolní systém, který považují za nezbytný pro sestavení účetní závěrky tak, aby neobsahovala významné (materiální) nesprávnosti způsobené podvodem nebo chybou.

Při sestavování účetní závěrky jsou jednatelé společnosti povinni posoudit, zda je společnost schopna nepřetržitě trvat, a pokud je to relevantní, popsat v příloze účetní závěrky záležitosti týkající se jejího nepřetržitého trvání a použití předpokladu nepřetržitého trvání při sestavení účetní závěrky, s výjimkou případů, kdy jednatelé plánují zrušení společnosti nebo ukončení její činnosti, resp. kdy nemají jinou reálnou možnost, než tak učinit.

## **Odpovědnost auditora za audit účetní závěrky**

Mým cílem je získat přiměřenou jistotu, že účetní závěrka jako celek neobsahuje významnou (materiální) nesprávnost způsobenou podvodem nebo chybou a vydat zprávu auditora obsahující můj výrok. Přiměřená míra jistoty je velká míra jistoty, nicméně není zárukou, že audit provedený v souladu s výše uvedenými předpisy ve všech případech v účetní závěrce odhalí případnou existující významnou (materiální) nesprávnost. Nesprávnosti mohou vznikat v důsledku podvodů nebo chyb a považují se za významné (materiální), pokud lze reálně předpokládat, že by jednotlivě nebo v souhrnu mohly ovlivnit ekonomická rozhodnutí, která uživatelé účetní závěrky na jejím základě přijmou.

Při provádění auditu v souladu s výše uvedenými předpisy je mou povinností uplatňovat během celého auditu odborný úsudek a zachovávat profesní skepticismus. Dále je mou povinností:

- Identifikovat a vyhodnotit rizika významné (materiální) nesprávnosti účetní závěrky způsobené podvodem nebo chybou, navrhnout a provést auditorské postupy reagující na tato rizika a získat dostatečné a vhodné důkazní informace, abych na jejich základě mohla vyjádřit výrok. Riziko, že neodhalím významnou (materiální) nesprávnost, k níž došlo v důsledku podvodu, je větší než riziko neodhalení významné (materiální) nesprávnosti způsobené chybou, protože součástí podvodu mohou být tajné dohody, falšování, úmyslná opomenutí, nepravdivá prohlášení nebo obcházení vnitřních kontrol jednateli.
- Seznámit se s vnitřním kontrolním systémem společnosti relevantním pro audit v takovém rozsahu, abych mohla navrhnout auditorské postupy vhodné s ohledem na dané okolnosti, nikoli abych mohla vyjádřit názor na účinnost vnitřního kontrolního systému.
- Posoudit vhodnost použitých účetních pravidel, přiměřenost provedených účetních odhadů a informace, které v této souvislosti jednatelé společnosti uvedli v příloze účetní závěrky.
- Posoudit vhodnost použití předpokladu nepřetržitého trvání při sestavení účetní závěrky jednateli a to, zda s ohledem na shromážděné důkazní informace existuje významná (materiální) nejistota vyplývající z událostí nebo podmínek, které mohou významně zpochybnit schopnost společnosti trvat nepřetržitě. Jestliže dojde k závěru, že taková významná (materiální) nejistota existuje, je mou povinností upozornit v mé zprávě na informace uvedené v této souvislosti v příloze účetní závěrky, a pokud tyto informace nejsou dostatečné, vyjádřit modifikovaný výrok. Mé závěry týkající se schopnosti společnosti trvat nepřetržitě vycházejí z důkazních informací, které jsem získala do data mé zprávy. Nicméně budoucí události nebo podmínky mohou vést k tomu, že společnost ztratí schopnost trvat nepřetržitě.

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# Independent Auditor's Report

- Vyhodnotit celkovou prezentaci, členění a obsah účetní závěrky, včetně přílohy, a dále to, zda účetní závěrka zobrazuje podkladové transakce a události způsobem, který vede k věrnému zobrazení.

Mou povinností je informovat jednatele mimo jiné o plánovaném rozsahu a načasování auditu a o významných zjištěních, která jsem v jeho průběhu učinila, včetně zjištěných významných nedostatků ve vnitřním kontrolním systému.

Jméno auditora:	Ing. Eleni Lipperová
Adresa:	Poštovní 2
Číslo oprávnění:	2016
Datum zprávy:	10. 2. 2017

Podpis auditora:



## Independent Auditor's Report

**on Financial Statements verification drawn up as of 31st Dec. 2016**

**addressed to the shareholders of the company EURO - Šarm spol. s r.o**

### Accounting entity identification:

Company:	<b>EURO - Šarm spol. s r.o.</b>
Reg. No.:	63988186
Registered office:	Těšínská 222, 739 34 Šenov
Legal form:	limited liability company
Incorporation in the Companies register:	Regional Court in Ostrava, C 38395
Subject of enterprise:	<ul style="list-style-type: none"><li>- purchase of goods for resale and sale (except the activities listed in the Appendix. 2 and 3 Act No.455 / 91 Coll</li><li>- production and import of chemicals and chemical products classified as explosive, oxidizing, extremely flammable, highly flammable, flammable, highly toxic, toxic, carcinogenic, mutagenic or toxic for reproduction, dangerous for the environment, and sale of chemical products classified as highly toxic and toxic,</li><li>- production and sale of chemicals and chemical products classified as flammable, harmful, corrosive, irritant, sensitizing</li></ul>
Report presented by:	Ing. Eleni Lipperová – auditor License number 2016 Poštovní 2 702 00 Ostrava
Appendices:	Balance Sheet date as of 31. 12. 2016 Profit and loss statement as of 31. 12. 2016 Notes to Financial Statements as of 31. 12. 2016 Cash flow review as of 31. 12. 2016 Statement of changes in equity as of 31. 12. 2016

# Independent Auditor's Report

I have conducted an audit of the attached financial statements of the company EURO - Šarm spol. s r.o., which consists of the balance sheet as of 31. 12. 2016, profit and loss statement for the year ending on 31. 12. 2016, statement of changes in equity for the year ending on 31. 12. 2016, cash flow statement for the year ending on 31. 12. 2016 and notes to these financial statements, which contain a description of the significant accounting policies used and other explanatory information. The data of the company EURO - Šarm spol. s r.o. is stated in the part "General information" of the notes to these financial statements.

## **Responsibility of the statutory body of the accounting entity for the financial statements**

The statutory body of the company EURO - Šarm spol. s.r.o. is responsible for the elaboration of the financial statements, which present a true and fair view in accordance with accounting regulations, and for such internal control system that is deemed necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

My responsibility is to express, on the basis of my audit, an opinion on the financial statements. I conducted my audit in accordance with the Act on Auditors, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. In accordance with these regulations, I am obliged to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

The audit involves the performing of auditing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including also the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the preparation of financial statements offering a true and fair view. The purpose of this assessment is to propose appropriate auditing procedures, not to comment on the effectiveness of the internal control system of the accounting entity. The audit also includes evaluating the appropriateness of the accounting policies used and the adequacy of accounting estimates made by the management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained provides a sufficient and appropriate basis for my opinion.

## **AUDITOR'S OPINION**

In my opinion, the financial statements offer a true and fair view of the assets and liabilities of the company EURO - Šarm spol. s.r.o. as of 31st December 2016, and expenses, results of its operations and its cash flow for the year ended on 31st Dec. 2016, in accordance with accounting regulations.



## Other information

The information stated in the annual report outside of the financial statement and my auditor's report is considered as other information. For other information, the management of the company is responsible.

My opinion about the financial statement does not apply to other information, nor am I issuing any special opinion about it. Even so, it is part of my responsibility which is related to the verification of the financial statement, to acquaint myself with other information and to consider, whether information stated in the annual report is not in significant (material) discordance with the financial statement or with my knowledge - which I've attained during the verification of the financial statement - about the accounting entity, whether the financial statement is compiled in accordance with legal rules or whether this information does not appear to be significantly (materially) incorrect. If, based on my work, I find out any discrepancies, I am obligated to state such findings in my report.

Within the stated procedures, I have not found anything of this kind in the other information I've received.

(official stamp -  
Auditor - License number 2016  
Ing. Eleni Lipperová)

auditor  
Ing. Eleni Lipperová  
License number 2016  
Poštovní 2  
702 00 Ostrava

In Ostrava on 2<sup>th</sup> Feb. 2017