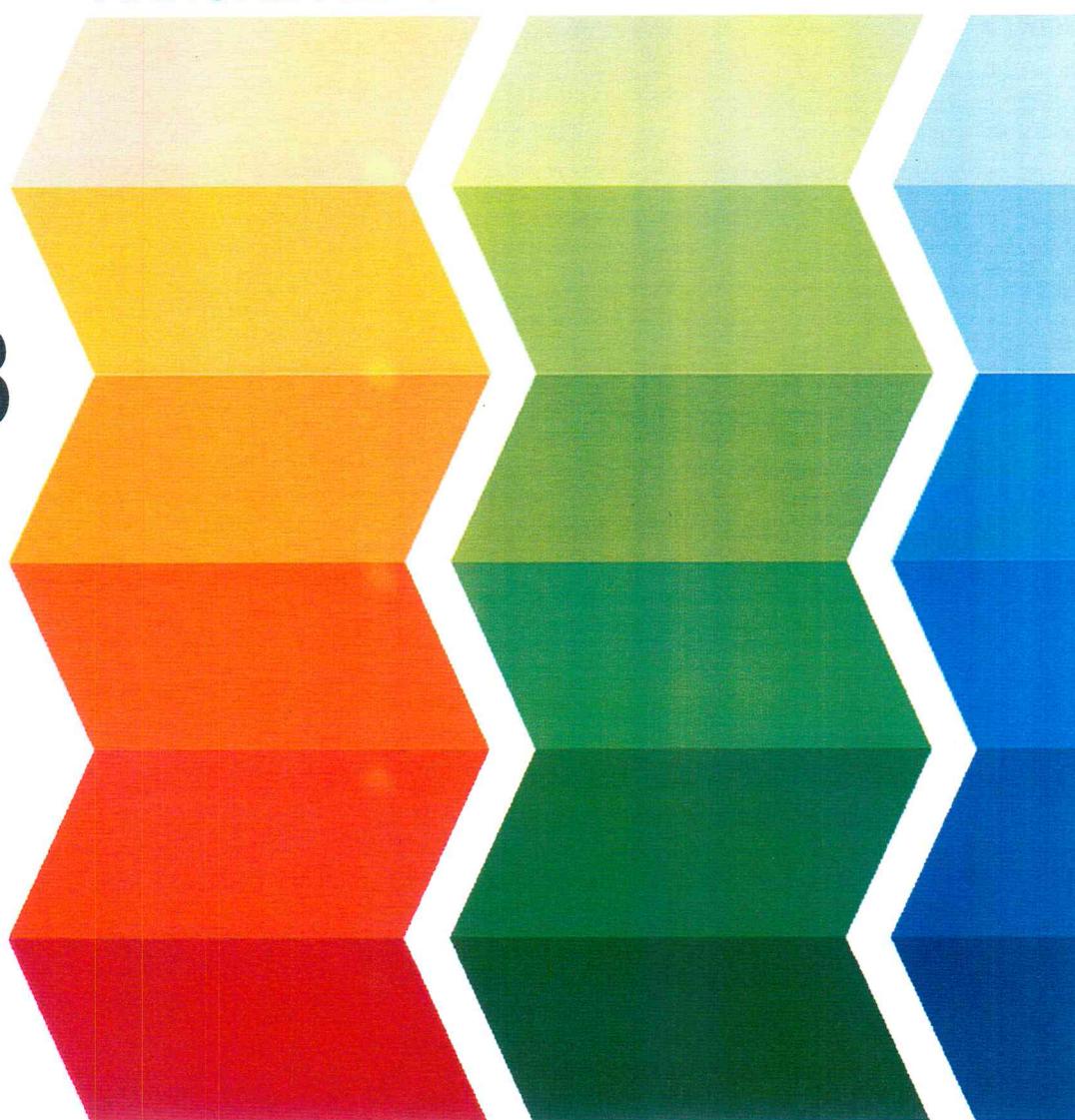




ANNUAL REPORT SELECTED INFORMATION

2018



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Introductory Word of Chairman of the Board

Dear shareholders,

Dear business partners, Dear friends,

2018 was not the worst ever in recent history of our company. However, it did not rank among those successful ones either. When you read the following report for last year, you will see yourselves that after years of business expansion and sales growth our performance decreased significantly. In particular, a lower volume of orders from the automotive industry has unpleasantly reduced our sales, which had impacts on the overall company economy. A disagreeable consequence is that the same development will most probably continue even this year. For this reasons we have already adopted action in our plan for 2019 to eliminate such downswings in the course of this year.

The unfavourable slump in sales of the parent company was partially offset in consolidation by subsidiaries. The economic results of the group are better than in 2017. From my point of view, a positive phenomenon are results of measures aimed at improvement of working capital management. The decline in inventory and receivables made it possible to better deal with external sources and reduce the group debt. And this is one of the directions of the group management we intend to pursue.

Yes, 2018 did not belong to the most successful ones. But much more important is whether we are able to learn from it, to transform it into what is ahead of us and where we are going. When doing so, we can be inspired with words of Mr. Kirschner from his Secret of 1939: "Let us laugh at failures, in other words, each adversity we face means a better future. Let us lose with smile and accept setbacks as something essentially expected." It is just necessary to take a lesson from it. And that is how we see our future.



Svatopluk Chalupa
Chairman of the Board

Report of the Board and Statutory Director on Company Business Activities in 2018 and Assets as at 31.12.2018

A. Business Activities in 2018

Last year was not commercially too much succesful. Total sales reached CZK 626 million last year which is by CZK 83 million less than in the previous year (by 11.7 %). The main factor influencing the decrease in sales was a drop of supplies to the automotive industry by nearly CZK 80 million, i.e. by more than 28 % on a year-to-year basis. Our business partner decided to diversify portfolio of its suppliers, moving over purchase orders for some products to an alternative manufacturer in the course of the year. During the year, several meetings were held with the customer but they did not bring any change in their attitudes. Therefore we must take into account that return to original sales in this segment is not realistic.

But other segments exhibited slight declines as well. As a part of rational management of working capital, we have regulated stocks of our subsidiaries which, however, resulted in reduced number of orders for COLORLAK products. In doing so, sales of these goods to customers of the subsidiaries grew by more than 2 % year-on-year.

The lower performance found its reflection in reduced cost of production inputs. The deciding consumption of materials and energy fell to almost CZK 406 million, i.e. by nearly CZK 72 million and 15.2 % year-over-year. Also cost of services went down by more than further CZK 6 million (12.4 %). Rational management of production consumption mitigated impacts of decline in sales on value added. Achievement of value added in an amount of CZK 161 million implies its decrease by 0.8 % compared to the previous year which equals to approximately CZK 1.2 million in absolute figures.

However, personnel costs continued to rise and reached CZK 130 million which is yoy growth by 2.4 %. Due to the lower performance, we have slightly reduced number of employees, from 293 in 2017 to 285 last year, i.e. by 2.7 %. The average gross wage per one employee thus reached almost TCZK 27.5 which is a year-on-year increase of almost 5 %. With wage stagnation of managerial staff, the wages of the other staff went up by even 6.4 %. In the light of the above mentioned decline in performance, the wage development reached its limits and is in correspondence with that one in the region.

Of course, the impact of the above on the operating income is not favourable. Compared to 2017, the income from operations decreased by more than one quarter, to CZK 12.8 million.

The increase in interest expense by more than 14.5 % reflects the development of the Czech National Bank reference rates (the level of loans fell slightly). With somewhat better development of other financial income and expense, the financial result impaired by 8 % appears adequate.

What we have already mentioned is reflected in total profit. The after-tax income slightly exceeded CZK 4 million which is 52 % of the previous year. It is the lowest result for the last five years and it serves as a base for proposal of the Board how to distribute the profits. Contrary to the previous year, we propose to reduce dividend payout to one half which makes CZK 0.07 per one share, i.e. some CZK 0.06 after tax, amounting to CZK 1,249,807.51 in its absolute value. Since dividend payout does not include almost 30 % of shares owned by the company, the actual payout will exceed some TCZK 870.

Unfortunately, I cannot omit to mention two tragic events that occurred in our company last year, with fatal impact on lives of two our fellow workers. As of today, based on the information available, the investigation is close to be concluded, with no proved company fault. We are truly sorry about these irretrievable losses and we greatly appreciate response of our group employees who on a voluntary basis raised a considerable amount of funds to support the affected families.

B. Assets as at December 31, 2018

As at 31 December 2018, the balance sum was by more than CZK 52 million, i. e. by almost 7 % lower than in the previous year and exceeded CZK 705 million. Decrease in company assets occurred in particular in current assets which fell down by nearly one tenth, i.e. by CZK 38 million, to some CZK 345 million. At the same time, the volume of funds increased to CZK 22 million, i.e. by more than 35 %. Desirable changes took place especially in the field of inventory the volume of which decreased by 10.5 % (by more than CZK 11 million), and mainly receivables, which went down by 12.5 % (by CZK 32.4 million). In addition to the aforementioned decline in performance, results of measures aimed at reduction of need in working capital, mainly inventory and receivables, are starting to show themselves, thus influencing financing demands.

Movements in values of fixed assets are in line with normal course of their depreciation. Neither our ownership interests in subsidiaries which exceed 23 % of the total company assets have changed.

In the field of resources needed to finance the assets, i.e. liabilities, is the most significant reduction in volume of external resources by nearly 13 % (almost CZK 55 million) to CZK 372.9 million. Unfortunately, long-term payables make up one tenth of this sum only and the main weight of funding lies with the short-term payables. A key decline occurred with trade payables. This item fell by more than 30 % to some CZK 82 million which corresponds to an average maturity slightly over two months, which is the value with contractually stipulated maturity.

Loans and financial accommodations got lower, though by less than CZK 14 million only, i.e. by 5.4 %. Their volume was at a level slightly above CZK 243 million. However, as already mentioned, the interest rate policy of the Czech National Bank leads to an increase in interest expense. We had no problems with their payment and it persists till now.

The state of tangible property is good, it is properly cared, with adequate efforts dedicated to its maintenance. Our fixed assets are more than 90 % financed by the equity. The short-term payables are by one tenth lower than the short-term receivables. The data described above correspond to the achieved degree of financial independence of 46.7 %. This brief summary confirms that the company has no major problems in the field of financial management.

C. Consolidation

Similarly as in the preceding years, the consolidation statements have been prepared for the parent company, PANTER COLOR, COLORLAK SK, COLORLAK POLSKA and AAA Barvy, applying a method of full consolidation. Net turnover for the accounting period equalled to CZK 1,080.4 million which is by CZK 59 million and 5.2 % less than in the previous year. When comparing these data with the COLORLAK, a.s. ones, we can see that other firms in the consolidation succeeded to reduce drops of their parent company by approximately CZK 35 million in net turnover, i.e. by more than one third.

The production consumption fell off by 6.4 % year-on-year, however, personnel costs went up by 3.2 %. The situation in labour market in all countries where the group is active is getting to be balanced. In spite of massive cost savings (except wages), the operating income increased to CZK 7.8 million only, with 26.8 % increase compared to 2017. Due to growth of interest rates, the interest expense increased by CZK 1.3 million. Thus the consolidated result before tax exhibits approximately the same loss as last year, i.e. a little less than CZK 4 million. The loss was generated by AAA Barvy and COLORLAK POLSKA. The consolidated after-tax loss amounts to some CZK 5.5 million which is a yoy loss reduction by more than 20 %.

The consolidated balance sum decreased to CZK 708 million, i.e. by CZK 41 million and 5.6 % less than in 2017. The highest decline in assets relates to receivables and totals CZK 31 million, i.e. more than 15 %. As it is clear from these figures, the reduction in receivables represents three quarters of reduction in total assets which is a desirable trend.

The share of the equity in total liabilities increased to 30 % compared to 27.6 % of last year. Besides a lower balance sum, also an increase in the equity by almost CZK 6 million contributed to this figure. The important thing is that the short-term payables were reduced by 22 %, i.e. by more than CZK 42 million.

The consolidation is significantly affected by both the income statement and the balance sheet of the parent company. The overall evaluation thus results in a need to eliminate loss-making factors of the two mentioned companies.

D. Acquisition of Company Own Shares

In 2018, the company did not acquire any shares of its own. As at December 31, 2018, the company held 5,183,659 pcs of own shares with acquisition value amounting to CZK 62.2 million.

E. Development in 2019

The development of this year is so far considerably influenced by already mentioned transfer of part of the production for the automotive industry to another supplier. Currently this slump in sales exceeds CZK 22 million and supplies make up barely two thirds of last year. In next period we expect the downturn will continue to decrease in percentage terms but in absolute value it will go up at least twice. In our plan we envisaged that other business segments will compensate the lower revenues and that we will manage to maintain the total turnover at approximately the same level as in 2018. At the time being, there is so far no reason to put a question mark over success of this intention. We will give you more detailed information about the development of this year at the General Meeting.

In Staré Město, on 25th May 2019



Svatopluk Chalupa.
Chairman of the Board
Statutory Director

a] Basic Data on the Issuer

| | |
|---|---|
| Trade name: | COLORLAK, a.s. |
| Registered office: | Tovární 1076, Staré Město, 686 03 |
| Company registration number/Tax identification number: | 494 44 964/ CZ49444964 |
| Date of foundation: | 01 September 1993 |
| Legal basis and legislation for setting-up the company: | The joint-stock company was set up under Section 172 of the Act No. 513/91 Coll. - Commercial Code. |
| Legal form: | joint-stock company |

Scope of Business:

- business in the field of hazardous waste management
- manufacture of hazardous chemical substances and hazardous chemical mixtures and sale of chemical substances and chemical mixtures classified as highly toxic and toxic
- road motor transport – goods transport provided by vehicles or truck trains of maximum permitted weight not exceeding 3.5 t, if designed to convey animals or articles
- repairs of road vehicles
- bricklaying
- painting, lacquering, varnishing
- accounting consultancy, bookkeeping services and taxation records
- production, trade and services other than listed in Annex 1 – 3 to the Trades Licensing Act

The Commercial Court in charge of the Commercial Register: Regional Court in Brno, Section B, Insert 1112

b] Registered Capital

The registered capital of COLORLAK, a.s. amounted to CZK 178,543,930 in 2018. It consisted of 17,854,393 pcs of ordinary registered shares in the form of share certificates with a nominal value of CZK 10 each. Based on decision of general meeting held on 08 December 2016, an acquisition of company own shares was approved up to 5,370,000 pcs with a nominal value of CZK 10/pc. The company may be acquiring its shares till 07 December 2021 which is the deadline. On 08 December 2016, COLORLAK, a.s. acquired 5,183,659 pieces of its own shares under concluded contract on securities sale.

Owners holding shares over 15 % as at 31.12. 2017 and 31.12. 2018:

Svatopluk Chalupa
Mojmír Olšer
COLORLAK, a.s.

The company COLORLAK, a. s. is part of a holding and is a controlling entity. In accordance with Section 71 of the Act on Business Corporations it

- exercises influence over:** the company: **PANTER COLOR a.s.**
 with its registered office at: Pištěkova 22/1171, Praha 4, PSČ 149 00
 company registration number: 262 01 143
 registered in Commercial Register kept by the Municipal Court in Prague, Section B, Insert 6750
 represented by: Eva Vichová Chairman of the Board, Statutory Director
 Svatoopluk Chalupa Authorized Officer
- exercises influence over:** the company: **COLORLAK SK, s.r.o.**
 with its registered office at: Zvolenská cesta 37, Banská Bystrica, PSČ 974 05, Slovak Republic
 company registration number: 36 254 487
 registered in Commercial Register kept by the District Court in Banská Bystrica, Section Sro., Insert 15802/S
 represented by: Miroslav Piršel Executive Officer
 Danko Šimkovičová Executive Officer
 Mariana Richvalská Executive Officer
- exercises influence over:** the company: **MILANO COLOR, a.s.**
 with its registered office at: Pištěkova 1171/22, Chodov, Praha 4, PSČ 149 00
 company registration number: 264 06 951
 registered in Commercial Register kept by the Municipal Court in Prague, Section B, Insert 20218
 represented by: Zdeněk Bulejka Chairman of the Board, Statutory Director
- exercises influence over:** the company: **EKOLAK s.r.o.**
 with its registered office at: Tovární 1076, Staré Město, PSČ 686 03
 company registration number: 253 23 130
 registered in Commercial Register kept by the Regional Court in Brno, Section C, Insert 25410
 represented by: Zdeněk Tůma Executive Officer
- exercises influence over:** the company: **COLORLAK POLSKA Sp. z o. o.**
 with its registered office at: Wroclawska 30, Nowa Sól, PSČ 67-100, Poland
 company registration number: 0000379393
 registered in National Court Register
 represented by: Pavel Macháč Chairman of the Board of Directors
- exercises influence over:** the company: **PANTER COLOR POLSKA Sp. z o. o.**
 with its registered office at: Kazimierzowska 43/23, Warszawa, PSČ 02-572, Poland
 company registration number: 0000637012
 registered in National Court Register
 represented by: Pavel Macháč Chairman of the Board of Directors

Ownership interests of COLORLAK, a.s. in business of other legal entities as at 31. 12. 2018

| company registration number | legal entity | registered capital in EUR, PLN | share of the company in controlled and regulated companies in CZK | share of the company in registered capital in % |
|-----------------------------------|---------------------------------|--|--|--|
| 26201143 | PANTER COLOR a.s. | | 60,000,000 | 100 |
| 36254487 | COLORLAK SK, s.r.o. | EUR 700,000 | 18,007,500 | 100 |
| 26406951 | MILANO COLOR, a.s. | | 2,000,000 | 100 |
| 25323130 | EKOLAK s.r.o. | | 200,000 | 100 |
| 0000379393 | COLORLAK POLSKA Sp. z o. o. | PLN 550,000 | 3,289,000 | 100 |
| 0000637012 | PANTER COLOR POLSKA Sp. z o. o. | PLN 5,000 | 29,900 | 100 |

c] Securities

| | |
|-----------------------|--|
| Type: | ordinary shares |
| Form: | registered shares |
| Appearance: | share certificates, issued both as individual shares and collective documents |
| Number of securities: | 17,854,393 pcs of ordinary registered shares with a nominal value of CZK 10 each |
| Total nominal value: | CZK 178,543,930 |
| Method of transfer: | Transferability of shares is not limited. |

Transfer of registered shares is carried out by endorsement and delivery to the acquirer.

COLORLAK, a.s. has no ascertained financial institution through which the shareholders can exercise their rights in property.

The shares are associated with all shareholder rights in accordance with the valid company Articles of Association and as regulated in the Act on Business Corporations No.90/2012 Coll., and the Act No. 89/2012 Coll., the Civil Code. The shareholder is in conformity with Section 256 of the Act on Business Corporations entitled to first of all participate in management of the company, its profit (dividend) and liquidation surplus in the event of company dissolution. It is his/her right to take part in general meeting, to vote there, query, put forward proposals and counterproposals and other in compliance with Section 357 and the subsequent ones of the Act on Business Corporations. Has a pre-emptive right to subscribe new shares.

On the grounds of the contract on sale of securities, COLORLAK a.s. acquired 5,183,659 pieces of its own shares on 08 December 2016. The company cannot exercise any voting rights with these shares. Though the right to pay share in profits arises to the company by virtue of § 348 of the Act on Business Corporations, the company cannot execute it as it automatically expires on its maturity. Such non-distributed dividend must be transferred to the account of retained earnings from previous years.

COLORLAK, a.s. does not issue any bonds.

d] Principal Activities

■ manufacture, research and development of paint materials, synthetic resins, adhesives

Research and development

COLORLAK, a.s. expended CZK 11.4 million on research and development in 2018. The activities are aimed at applied research. It is provided both by the internal strength of the company and in cooperation with external entities. COLORLAK a.s. is a member of consortium in Competence Centres where together with other members participates in research and development in a project called "Centre for research of surface treatment". In 2018, the company was granted a subsidy amounting to CZK 2.6 million within this project, to support research and development. A great significance is attached to improvement of environmental parameters of manufacturing processes and new products launched by the company.

More detailed data on development trends are considered to be a trade and industrial secret of the company and as such are not disclosed.

Building materials

Plasters

Silicone: KC PUTZ SILIKON E*307, EKOPUTZ SILIKON E*303, STRUKTURPUTZ SILIKON E*311

Dispersion: KC PUTZ E*305, EKOPUTZ E*301, STRUKTURPUTZ E*309

Mosaic: QUARZPUTZ E304*

Other: KC PUTZ SILIKÁT E*306, EKOPUTZ SILIKÁT E*302

Masonry paints

Main products: FASAX E0201, FASIKON E0208, PROEXTERIÉR FASÁDA V2012, EKOFAS JZ E0203, EKOTRAN E0901, FASAX SILIKÁT E0207

Interior paints

Main products: PROINTERIÉR PLUS V2098, PROINTERIÉR COLOR V2005, PROINTERIÉR PROFI V2099, EKODUR PROFI E0503, PROINTERIÉR STANDARD V2006, BRILIANT MAT V2091, PROINTERIÉR TOP V2519, EKODUR E0502, EKODUR NATURAL E0501, PROINTERIÉR ELEGANT V2025, PLASTERBOARD V2531, PROINTERIÉR LATEX V2017, PROINTERIÉR TERMO V2200, PROINTERIÉR EXTRA V2510

Penetration and priming coats

Main products: EKOFAS E0204, PENETRACE S2802A E0607, EKOPEN E0601, ANTISPOT E0904, PENSIKON E0604, EKOPEN CONCENTRATE E0602, MASONRY CLEANER Concentrate V1923, MASONRY CLEANER V1920, MASONRY PROTECTION V1930, PENSIL E0603, EKOFAS SILIKÁT E0206

Powder coatings

Main products: VAZAFIX E4009, EKOFIX PLUS E4005, EKOHYDROL E4014, EKOFIX E4002, VAZAKRYL E4007, EKOFIX-Z E4001, EKOFIX-ZF E4003

Paint materials

Nitrocellulose paint materials

Main products: CELOX C2001, NICEL C1103, CELOLESK C1037, CELOMAT C1038, PRIMING VARNISH C1036, CELOX PRIMER C2000, NICEL C1702, NICEL C2121, NICEL C1016, NICEL C1001, NICEL C2030, NICEL C1005, LIGHT BULB VARNISH C1800, NICEL C1019

Synthetic paint materials

Main products: UNIVERSAL SU2013, LUSONOL S1023, SYNOREX PRIMER S2000, PROTIREZ S2015, ZINOEX S2211, PROFI LAZURA S1025, UNIVERZAL ZÁKLAD SU2020, SILAMAT S2819, JACHTLAK S1006, ULTRA RAPID S2225, EPAX S2318, SYNOREX EXTRA S2003, SYNTEPUR PRIMER S2220, PROFI OKNO S2082, FUNGISTOP S1031, SYNTERAL S2139, EPAX S2320, LUSONOL EXTRA S1024, PROFI EMAIL S2085, SYNTECOL BÁZE S2161, PROFI METAL S2029, SYNTECOL LAK S1002, SYNOREX S2035, AXATHERM S2053, RADIATOR S2117, EPAX S2381, AXAL S1807, SYNOREX S2008

Polyurethane paint materials

Main products: AXAPUR U2066, AXAPUR U2218, AXAPUR U2056, AXAPUR PRIMER U2008, AXAPUR U2074, AXAPUR U2054, AXAPUR U2060, AXAPUR PLUS U2072

Water-based paint materials

Main products: AQUAREX V2115, AQUACOL V2052, AKRYLCOL MAT V2045, AQUACOL PRIMER V2070, AQUALAK V1419, AKRYLCOL LESK V2046, FORTELUX AQUA V1407, PROFI PARKET V1509, AQUACOL RADIATOR V2077, AQUASPORT UNI V1422, AQUACOL V1413, LIGNOSTOP PROFI V1041, LIGNOSTOP HOBBY V1042, LIGNOSTOP i-PROFI V1048

Other products

Main products: OIL GLAZE O1020, TREXON BAZÉNY H2203, TREXON EMAIL H2001, ANTIGRAFFITY COLOR P8014, Paint remover P07, Wood Oil O1011, LIHOLAK L1010, TREXON H2003, Wood cleaner and brightener P8001, thinners and industrial liquids

Production and filling of aerosol products

Main products: PROFI SPREJ Top Coat A3243, HOBBY SPREJ for leather A3146, HOBBY SPREJ Frosting Decoration A3142, HOBBY SPREJ for furniture A3141, HOBBY SPREJ Primer A3149, HOBBY SPREJ for radiators A3215, HOBBY SPREJ for decorations A3114, UNI SPREJ Top Coat A3242, HOBBY SPREJ Fluorescent paint V3122, HOBBY SPREJ Marking paint A3123, HOBBY SPREJ for refrigerators A3235, HOBBY SPREJ for wheel disks A3147

In 2018, the following new products were successfully launched:

UNIVERZAL SU2013 semi-matte colour shades, PROINTERIÉR COLOR V2005 new colour shades: C0415 Sky blue, C0562 Spring, C0678 Sallow thorn orange, C0802 Rose hip, Tinting painter's colour V2525, TERASOIL O1014

environmental protection

In 2018, initiated projects for power economy reconstruction continued, with the aim to reduce the energy intensity and meet new required emission limits for combustion sources over several years.

COLORLAK company is outsourcing services of a security adviser in the field of transportation of hazardous materials to comply with ADR and RID. In 2018, COLORLAK, a.s. fulfilled all legislative indicators in waste management, air and water protection, and also in transportation of dangerous goods in compliance with RID.

During supervisory auditing, the company successfully defended the established quality and environment management systems as well as the system implemented and needed for supplies of paint materials to the Army of the Czech Republic.

Every year, a Report on Environmental Impact is submitted within the Responsible Care – Responsible business in chemistry; the report is being prepared in compliance with Part 1 – A Brief handbook for presenting data on company activities in the field of occupational health and safety and environmental protection.

As far as management and handling of hazardous chemical substances and mixtures is concerned, COLORLAK, a.s. makes use of SBL Core programme to classify and mark them and create safety data sheets; the programme offers seven language versions.

Investments in tangible fixed assets

| in TCZK |

| period | 2017 | 2018 |
|---|--------------|--------------|
| Tangible fixed assets – buildings & constructions | 289 | 2,571 |
| Tangible fixed assets – machinery & equipment | 2,614 | 3,301 |
| Intangible fixed assets | 922 | 91 |
| Total INVESTED CAPITAL | 3,825 | 5,963 |

The capital was invested domestically in 2018 and amounted to TCZK 5,963.

In 2018, COLORLAK, a.s. invested in construction work and finishing tanks in its manufacturing site; further, it put money into pallet trucks, a blender, a tinting machine, a labelling machine, a high-pressure cleaning machine, and launched investments into central boiler house. The company continued to invest in B2B sales application.

e] Assets and Financial Position of the Issuer

Changes in shareholders' equity

| in TCZK |

| year | shareholders' equity |
|------|----------------------|
| 2017 | 327,436 |
| 2018 | 329,828 |

Ownership interests of COLORLAK, a.s. as at 31.12. 2018

| in TCZK, TEUR, TPLN |

| company | ownership interest | % of shareholders' equity |
|---------------------------------|--------------------|---------------------------|
| PANTER COLOR a.s. | TCZK 60,000 | 18.19 |
| MILANO COLOR, a.s. | TCZK 2,000 | 0.61 |
| EKOLAK s.r.o. | TCZK 200 | 0.06 |
| COLORLAK SK, s.r.o. | TEUR 700 | 5.46 |
| COLORLAK POLSKA Sp. z o. o. | TPLN 550 | 1.00 |
| PANTER COLOR POLSKA Sp. z o. o. | TPLN 5 | 0.01 |

Trading income per 1 share

| year | trading income after tax (TCZK) | total shares (pcs) | trading income per 1 share (CZK) |
|------|------------------------------------|-----------------------|-------------------------------------|
| 2017 | 7,770 | 17,854,393 | 0.435 |
| 2018 | 4,036 | 17,854,393 | 0.226 |

COLORLAK, a.s. paid out dividends as follows:

in 2017 amounting to TCZK 6,963 - of which TCZK 2,022 are dividends from COLORLAK own shares. By this amount the retained earnings of COLORLAK from previous years have been increased.

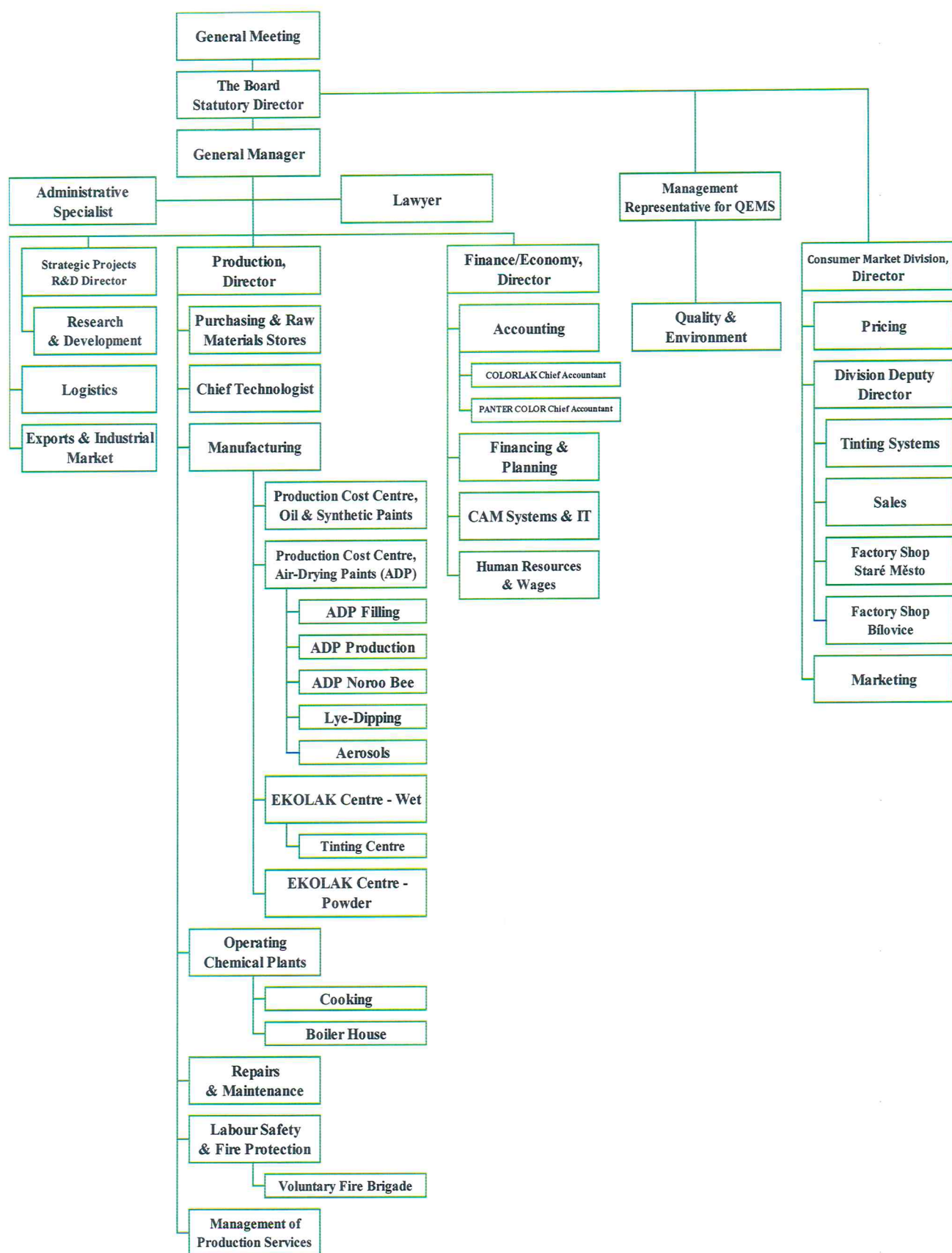
in 2018 amounting to TCZK 2,500 - of which TCZK 726 are dividends from COLORLAK own shares. By this amount the retained earnings of COLORLAK from previous years have been increased.

Staff

COLORLAK, a.s. staff

| | 2017 | 2018 |
|---------------------------|---------|---------|
| Average staff | 293 | 285 |
| - of which managerial | 23 | 23 |
| Personnel costs (in TCZK) | 127,007 | 130,000 |
| - of which managerial | 26,983 | 26,763 |

Organization Chart of COLORLAK, a.s.



f] Statutory Bodies of the Issuer

■ The Board & Statutory Director

as at 31.12. 2018

| | |
|-------------------------------|---|
| Statutory Director: | Svatopluk Chalupa |
| date of birth: | 8. 11. 1944 |
| domicile: | Tererova 1354/15, Chodov, 149 00 Praha 4 |
| Chairman of the Board: | Svatopluk Chalupa |
| Authorized Officer: | Mojmír Olšer |
| date of birth: | 7. 12. 1964 |
| domicile: | Hošťálkova 518/3, Břevnov, 169 00 Praha 6 |

■ Executive Management

as at 31. 12. 2018

| | |
|--|--------------------------|
| Statutory Director: | Svatopluk Chalupa |
| General Manager – Authorized Officer: | Mojmír Olšer |
| Economic Director: | Jiří Hróz |
| Production Director: | Marek Fiala |
| Director of Consumer Market Division: | Eva Víchová |

Money incomes received in 2018 by members of the statutory bodies: CZK 1,440,000

Members of the statutory bodies and company executive management holding shares of COLORLAK, a.s. in 2018:

Svatopluk Chalupa
Mojmír Olšer
Eva Víchová
Jiří Hróz
Marek Fiala

COLORLAK, a.s. granted no loans or guarantees or other securities to its statutory bodies or their members and issued no employees shares.

g] Responsibility for the Annual Report and Auditing Financial Statements

PERSON RESPONSIBLE FOR THE ANNUAL REPORT OF COLORLAK, a.s.:



Svatopluk Chalupa
Chairman of the Board

The Chairman of the Board declares that the data stated in the Annual Report are true and that no significant circumstances which might affect an accurate and correct assessment of the issuer of securities have been omitted.

AUDITING COMPANY in 2017 and 2018

BENE FACTUM, a.s., - License No. 480 of the Chamber of Auditors of the Czech Republic, Kodaňská 1441/46, 100 10 Praha 10
Karel Hampl - License No. 0005 of the Chamber of Auditors of the Czech Republic, auditor in charge

Balance Sheet – Assets

| in TCZK |

| Code | Line | Current accounting period | | | 2017 |
|------------|------|---------------------------|------------|---------|---------|
| | | Gross | Adjustment | Net | Net |
| | 001 | 1,124,716 | 419,598 | 705,118 | 757,521 |
| | | | | | |
| A. | 002 | 0 | 0 | 0 | 0 |
| B. | 003 | 764,328 | 404,794 | 359,534 | 373,710 |
| B. I. | 004 | 57,104 | 19,967 | 37,137 | 38,642 |
| 1. | 005 | 0 | 0 | 0 | 0 |
| 2. | 006 | 56,855 | 19,916 | 36,939 | 37,496 |
| 2. 1. | 007 | 19,818 | 17,569 | 2,249 | 2,473 |
| 2. 2. | 008 | 37,037 | 2,347 | 34,690 | 35,023 |
| 3. | 009 | 0 | 0 | 0 | 0 |
| 4. | 010 | 154 | 51 | 103 | 129 |
| 5. | 011 | 95 | 0 | 95 | 1,017 |
| 5. 1. | 012 | 0 | 0 | 0 | 861 |
| 5. 2. | 013 | 95 | 0 | 95 | 156 |
| B. II. | 014 | 534,631 | 384,827 | 149,804 | 158,432 |
| 1. | 015 | 277,397 | 169,459 | 107,938 | 111,359 |
| 1. 1. | 016 | 9,781 | 0 | 9,781 | 9,782 |
| 1. 2. | 017 | 267,616 | 169,459 | 98,157 | 101,577 |
| 2. | 018 | 254,007 | 215,213 | 38,794 | 46,027 |
| 3. | 019 | 0 | 0 | 0 | 0 |
| 4. | 020 | 155 | 155 | 0 | 0 |
| 4. 1. | 021 | 0 | 0 | 0 | 0 |
| 4. 2. | 022 | 0 | 0 | 0 | 0 |
| 4. 3. | 023 | 155 | 155 | 0 | 0 |
| 5. | 024 | 3,072 | 0 | 3,072 | 1,046 |
| 5. 1. | 025 | 625 | 0 | 625 | 94 |
| 5. 2. | 026 | 2,447 | 0 | 2,447 | 952 |
| B. III. | 027 | 172,593 | 0 | 172,593 | 176,636 |
| B. III. 1. | 028 | 164,493 | 0 | 164,493 | 164,362 |
| 2. | 029 | 8,100 | 0 | 8,100 | 12,274 |
| 3. | 030 | 0 | 0 | 0 | 0 |
| 4. | 031 | 0 | 0 | 0 | 0 |
| 5. | 032 | 0 | 0 | 0 | 0 |
| 6. | 033 | 0 | 0 | 0 | 0 |
| 7. | 034 | 0 | 0 | 0 | 0 |
| 7. 1. | 035 | 0 | 0 | 0 | 0 |
| 7. 2. | 036 | 0 | 0 | 0 | 0 |

Balance Sheet – Assets

| in TCZK |

| | | | Current accounting period | | | 2017 |
|--------------|--|------|---------------------------|------------|---------|---------|
| Code | | Line | Gross | Adjustment | Net | Net |
| C. | Current assets | 037 | 359,440 | 14,804 | 344,636 | 382,422 |
| C. I. | Inventory | 038 | 101,473 | 6,536 | 94,937 | 106,024 |
| C. I. 1. | Materials | 039 | 51,911 | 2,246 | 49,665 | 60,006 |
| 2. | Work in progress and semi-products | 040 | 4,771 | 0 | 4,771 | 4,730 |
| 3. | Finished products | 041 | 44,791 | 4,290 | 40,501 | 41,288 |
| 3. 1. | Products | 042 | 42,211 | 3,816 | 38,395 | 39,898 |
| 3. 2. | Merchandise | 043 | 2,580 | 474 | 2,106 | 1,390 |
| 4. | Animals | 044 | 0 | 0 | 0 | 0 |
| 5. | Advance payments for inventory | 045 | 0 | 0 | 0 | 0 |
| C. II. | Receivables | 046 | 235,967 | 8,268 | 227,699 | 260,147 |
| C. II. 1. | Long-term receivables | 047 | 150 | 0 | 150 | 0 |
| C. II. 1. 1. | Trade receivables | 048 | 0 | 0 | 0 | 0 |
| 1. 2. | Receivables from controlled and managed organizations | 049 | 0 | 0 | 0 | 0 |
| 1. 3. | Receivables from accounting units with substantial influence | 050 | 0 | 0 | 0 | 0 |
| 1. 4. | Deferred tax receivable | 051 | 0 | 0 | 0 | 0 |
| 1. 5. | Other receivables | 052 | 150 | 0 | 150 | 0 |
| 1. 5. 1. | Receivables from partners, cooperative and association members | 053 | 0 | 0 | 0 | 0 |
| 1. 5. 2. | Long-term deposits given | 054 | 0 | 0 | 0 | 0 |
| 1. 5. 3. | Estimated receivables | 055 | 0 | 0 | 0 | 0 |
| 1. 5. 4. | Other receivables | 056 | 150 | 0 | 150 | 0 |
| C. II. 2. | Short-term receivables | 057 | 235,817 | 8,268 | 227,549 | 260,147 |
| C. II. 2. 1. | Trade receivables | 058 | 100,945 | 8,268 | 92,677 | 131,239 |
| 2. 2. | Receivables from controlled and managed organizations | 059 | 0 | 0 | 0 | 0 |
| 2. 3. | Receivables from accounting units with substantial influence | 060 | 128,285 | 0 | 128,285 | 123,087 |
| 2. 4. | Other receivables | 061 | 6,587 | 0 | 6,587 | 5,821 |
| 2. 4. 1. | Receivables from partners, cooperative and association members | 062 | 0 | 0 | 0 | 0 |
| 2. 4. 2. | Receivables from social security and health insurance | 063 | 0 | 0 | 0 | 0 |
| 2. 4. 3. | Due from state - tax receivables | 064 | 3,927 | 0 | 3,927 | 4,913 |
| 2. 4. 4. | Short-term deposits given | 065 | 1,667 | 0 | 1,667 | 348 |
| 2. 4. 5. | Estimated receivables | 066 | 573 | 0 | 573 | 152 |
| 2. 4. 6. | Other receivables | 067 | 420 | 0 | 420 | 408 |
| C. III. | Short-term financial assets | 068 | 0 | 0 | 0 | 0 |
| C. III. 1. | Shares - controlled or controlling organization | 069 | 0 | 0 | 0 | 0 |
| 2. | Other short-term financial assets | 070 | 0 | 0 | 0 | 0 |
| C. IV. | Funds | 071 | 22,000 | 0 | 22,000 | 16,251 |
| C. IV. 1. | Cash in hand | 072 | 1,741 | 0 | 1,741 | 1,847 |
| 2. | Bank accounts | 073 | 20,259 | 0 | 20,259 | 14,404 |
| D. | Accruals | 074 | 948 | 0 | 948 | 1,389 |
| D. I. 1. | Deferred expenses | 075 | 948 | 0 | 948 | 1,389 |
| 2. | Complex deferred costs | 076 | 0 | 0 | 0 | 0 |
| 3. | Deferred income | 077 | 0 | 0 | 0 | 0 |

Balance Sheet – Liabilities

| in TCZK |

| Code | Line | Accounting period | |
|-----------|---|-------------------|---------|
| | | 2018 | 2017 |
| | TOTAL LIABILITIES | 705,118 | 757,521 |
| A. | Equity | 329,828 | 327,436 |
| A. I. | Registered capital | 116,340 | 116,340 |
| A. I. 1. | Registered capital | 178,544 | 178,544 |
| 2. | Company's own shares and ownership interests (-) | -62,204 | -62,204 |
| 3. | Changes of registered capital (+/-) | 0 | 0 |
| A. II. | Share premium and capital funds | -44,853 | -44,983 |
| 1. | Share premium | 0 | 0 |
| 2. | Capital funds | -44,853 | -44,983 |
| 2.1. | Other capital funds | 0 | 0 |
| 2.2. | Differences from revaluation of assets and liabilities (+/-) | 644 | 644 |
| 2.3. | Differences from revaluation in transformation of business corporations (+/-) | 3,024 | 2,894 |
| 2.4. | Differences from transformations of business corporations | 0 | 0 |
| 2.5. | Differences from valuation in transformation of business corporations (+/-) | -48,521 | -48,521 |
| A. III. | Reserves from profits | 62,612 | 62,612 |
| 1. | Other reserve funds | 62,204 | 62,204 |
| 2. | Statutory and other funds | 408 | 408 |
| A. IV. | Profit/loss - previous years | 191,693 | 185,697 |
| A. IV. 1. | Retained earnings from previous years | 191,693 | 185,697 |
| 2. | Accumulated losses from previous years(-) | 0 | 0 |
| 3. | Other profit/loss - previous years(+/-) | 0 | 0 |
| A. V. | Profit/loss - current year (+/-) | 4,036 | 7,770 |
| A. VI. | Decision on advance payment of shares in profits (-) | 0 | 0 |
| B. + C. | Other sources | 372,877 | 427,379 |
| B. | Reserves | 0 | 0 |
| B. I. 1. | Reserve for pensions and similar payables | 0 | 0 |
| 2. | Income tax reserves | 0 | 0 |
| 3. | Reserves under special statutory regulations | 0 | 0 |
| 4. | Other reserves | 0 | 0 |
| C. | Payables | 372,877 | 427,379 |
| C. I. | Long-term payables | 37,876 | 40,677 |
| C. I. 1. | Issued bonds | 0 | 0 |
| 1.1. | Convertible bonds | 0 | 0 |
| 1.2. | Other bonds | 0 | 0 |
| 2. | Bank debts | 7,328 | 12,166 |
| 3. | Long-term advances received | 0 | 0 |
| 4. | Trade payables | 0 | 0 |
| 5. | Long-term notes payable | 0 | 0 |
| 6. | Payables to controlled or controlling organizations | 0 | 0 |
| 7. | Payables to accounting units with substantial influence | 0 | 0 |
| 8. | Deferred tax liability | 3,732 | 3,460 |
| 9. | Other payables | 26,816 | 25,051 |
| 9.1. | Payables to partners, cooperative and association members | 0 | 0 |
| 9.2. | Estimated payables | 0 | 0 |
| 9.3. | Other payables | 26,816 | 25,051 |
| C. II. | Short-term payables | 335,001 | 386,702 |
| C. II. 1. | Issued bonds | 0 | 0 |
| 1.1. | Convertible bonds | 0 | 0 |
| 1.2. | Other bonds | 0 | 0 |
| 2. | Bank debts | 132,061 | 134,064 |
| 3. | Short-term deposits received | 0 | 0 |
| 4. | Trade payables | 81,831 | 120,414 |
| 5. | Short-term notes payable | 0 | 0 |
| 6. | Payables to controlled or controlling organizations | 11 | 295 |
| 7. | Payables to accounting units with substantial influence | 0 | 0 |
| 8. | Other payables | 121,098 | 131,929 |
| 8.1. | Payables to partners, cooperative and association members | 25 | 2,739 |
| 8.2. | Short-term financial accommodations | 103,669 | 110,628 |
| 8.3. | Payroll | 1,111 | 1,390 |
| 8.4. | Payables to social security and health insurance | 3,533 | 3,533 |
| 8.5. | Due from state - tax liabilities and subsidies | 1,141 | 1,191 |
| 8.6. | Estimated payables | 4,370 | 3,920 |
| 8.7. | Other payables | 7,249 | 8,528 |
| D. I. | Accruals | 2,413 | 2,706 |
| D. I. 1. | Accrued expenses | 2,378 | 2,681 |
| 2. | Deferred revenues | 35 | 25 |

Profit and Loss Statement in Full Form

| in TCZK |

| | | Accounting period | Accounting period |
|--------|--|-------------------|-------------------|
| Code | | 2018 | 2017 |
| I. | Revenues from sold goods and services | 607,807 | 695,641 |
| II. | Revenues from sold goods | 18,121 | 13,302 |
| A. | Production consumption | 464,929 | 539,880 |
| A.1. | Expenses on sold goods | 16,008 | 12,001 |
| A.2. | Consumption of material and energy | 405,581 | 478,268 |
| A.3. | Services | 43,340 | 49,611 |
| B. | Change in inventory of own products (+/-) | 739 | 7,671 |
| C. | Capitalization | -827 | -939 |
| D. | Personnel expenses | 130,000 | 127,007 |
| D.1. | Wages and salaries | 93,939 | 92,013 |
| D.2. | Social security expenses and health insurance, other expenses | 36,061 | 34,994 |
| D.2.1. | Social security expenses and health insurance | 34,138 | 33,163 |
| D.2.2. | Other expenses | 1,923 | 1,831 |
| E. | Operating adjustments | 14,943 | 15,308 |
| E.1. | Adjustments to intangible and tangible fixed assets | 16,095 | 16,589 |
| E.1.1. | Adjustments to intangible and tangible fixed assets - permanent | 16,095 | 16,589 |
| E.1.2. | Adjustments to intangible and tangible fixed assets - temporary | 0 | 0 |
| E.2. | Adjustments in inventory | -655 | -126 |
| E.3. | Adjustments of receivables | -497 | -1,155 |
| III. | Other operating revenues | 14,702 | 13,458 |
| III.1. | Revenues from disposals of fixed assets | 491 | 1,449 |
| III.2. | Revenues from disposals of materials | 8,884 | 7,610 |
| III.3. | Other operating revenues | 5,327 | 4,399 |
| F. | Other operating expenses | 18,083 | 16,141 |
| F.1. | Net book value of sold fixed assets | 402 | 809 |
| F.2. | Net book value of sold material | 9,714 | 7,781 |
| F.3. | Taxes and fees | 1,598 | 1,352 |
| F.4. | Operating reserves and complex deferred costs | 0 | 0 |
| F.5. | Other operating expenses | 6,369 | 6,199 |
| * | Operating profit/loss | 12,763 | 17,333 |
| IV. | Revenues from long-term financial assets | 0 | 0 |
| IV.1. | Revenues from shares in controlled or controlling organizations | 0 | 0 |
| IV.2. | Revenues from other securities and ownership interests | 0 | 0 |
| G. | Expenses on sold ownership interests | 0 | 0 |
| V. | Revenues from other long-term financial assets | 0 | 0 |
| V.1. | Revenues from other long-term financial assets - controlled or controlling organizations | 0 | 0 |
| V.2. | Revenues from other long-term financial assets | 0 | 0 |
| H. | Expenses associated with long-term financial assets | 0 | 0 |
| VI. | Interest revenues and similar revenues | 242 | 340 |
| VI.1. | Interest revenues and similar revenues - controlled or controlling organizations | 242 | 333 |
| VI.2. | Interest revenues and similar revenues | 0 | 7 |
| I. | Financial adjustments and reserves | 0 | 0 |
| J. | Interest expenses and similar expenses | 7,394 | 6,458 |
| J.1. | Interest expenses and similar expenses - controlled or controlling organizations | 0 | 0 |
| J.2. | Other interest expenses | 7,394 | 6,458 |
| VII. | Other financial revenues | 9,436 | 21,917 |
| K. | Other financial expenses | 10,004 | 22,944 |
| * | Profit/loss from financial operations | -7,720 | -7,145 |
| ** | Profit/loss before tax | 5,043 | 10,188 |
| L. | Income tax on ordinary income | 1,007 | 2,418 |
| L.1. | Due tax | 734 | 1,974 |
| L.2. | Tax deferred | 273 | 444 |
| ** | Profit/loss after tax | 4,036 | 7,770 |
| W. | Transfer profit (loss) to partners (+/-) | 0 | 0 |
| *** | Profit/loss of current accounting period (+/-) | 4,036 | 7,770 |
| **** | Net turnover | 650,308 | 744,658 |



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of COLORLAK, a.s.

Opinion

We have audited the accompanying financial statements of COLORLAK, a.s. (hereinafter also the "Company") prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of COLORLAK, a.s. as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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 the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

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 Statutory Director 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 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 or regulation, in particular, whether the other information complies with law or 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 or 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 Company's Statutory Director for the Financial Statements

The Statutory Director is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Statutory Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Statutory Director 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 Statutory Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above mentioned laws and regulations 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 law or regulation, 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 control.

- Obtain an understanding of internal control 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Director.
- Conclude on the appropriateness of the Statutory Director's 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Director 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.

Prague, 3rd May 2019



BENE FACTUM a.s.
Licence number 480
Kodaňská 1441/46
110 00 Praha 10



Ing. Karel Hampl
Licence number 0005

Definition of the consolidated unit (further referred to as „group“)

| <i>company</i> | <i>registered office</i> | <i>share in registered capital in %</i> | <i>rate of dependence</i> | <i>consolidation method</i> |
|-----------------------------|---|---|---------------------------|-----------------------------|
| COLORLAK, a.s. | Tovární 1076, Staré Město | N/A | N/A | N/A |
| PANTER COLOR a.s. | Pištěkova 22/1171, Praha 4 | 100 | subsidiary | full |
| AAA Barvy, s.r.o. | Velvarská 23, Horoměřice | 100 | subsidiary | full |
| COLORLAK POLSKA Sp. z o. o. | Wrocławska 30, Nowa Sól, Poland | 100 | subsidiary | full |
| COLORLAK SK, s.r.o. | Zvolenská cesta 37, Banská Bystrica, Slovakia | 100 | subsidiary | full |

Financial statements of all companies are kept for presentation purposes in registered office of the parent company at Staré Město, Tovární 1076.

In accordance with the legislation in force, the consolidation unit (group) does not incorporate the subsidiaries MILANO COLOR, a.s., EKOLAK s.r.o. and PANTER COLOR POLSKA Sp. z o. o.

Date of financial statements and balance sheet date of the companies included in the group is December 31, 2018.

Accounting methods and general accounting principles

The account books of the group are kept and consolidated financial statements were drawn up in accordance with the Act No. 563/1991 Coll. on Accounting as amended, executive regulation No. 500/2002 Coll., implementing some provisions of the Act No. 563/1991 Coll. on Accounting as later amended, for those accounting units that are business entities keeping their books in double-entry accounting system as amended, and Czech Accounting Standards for business entities as amended.

The accounting respects general accounting principles, in particular the principle of appraising value of assets by their historical costs, the principle of keeping accounts maintaining timing and subject-matter relations, the principle of precaution and the assumed probability that the accounting unit is capable to continue its activities.

For the purpose of preparing these consolidated financial statements of COLORLAK group some accounting procedures within the group have been unified.

Data contained in the present consolidated financial statements are provided in thousands of Czech Crowns (CZK).

Comments on Subsidiary Companies**PANTER COLOR a.s. Praha**

Main activities of PANTER COLOR a.s. involve wholesale and retail business with paint materials and auxiliary preparations in all regions of the Czech Republic. Products of COLORLAK parent company represent more than half of company revenues from sales. The product assortment is further complemented with paint materials and auxiliary preparations of other producers, both domestic and from abroad. PANTER COLOR runs five wholesale warehouses and owns retail stores in most regions of the Czech Republic.

AAA Barvy s.r.o. Horoměřice

The activities of the company lie in retail trade with paint materials and construction chemical products. Thanks to an expanded network of its own stores and revival in the market of building materials and construction chemical products, the company exhibits a growth of revenues from sales on a regular basis, and also sales of COLORLAK products continue to grow in all premises of the company.

COLORLAK SK, s.r.o. Banská Bystrica

This Slovak subsidiary runs both wholesale and retail business with paint materials and products of construction chemistry. Similarly as in the Czech Republic, also in Slovakia sales of paint and construction materials continue to grow; the company also succeeded to achieve increased sales of products produced by the parent company.

COLORLAK POLSKA, Nowa Sól

The company focuses on sales of paint materials to industries as well as to small fabricants and tradesmen. The company operates particularly in territory of Northwest Poland. It is based in Nowa Sól municipality where also its warehouse is located.

Consolidated Balance Sheet

| in TCZK |

| Code | 2018 | 2017 |
|--|----------------|----------------|
| Total Assets | 707,938 | 749,631 |
| A. Receivables from subscriptions | 0 | 0 |
| B. Fixed assets | 294,248 | 303,100 |
| B.I. Intangible fixed assets | 41,403 | 40,727 |
| B.II. Tangible fixed assets | 182,667 | 193,601 |
| B.III. Long-term financial assets | 23,993 | 17,994 |
| B.IV. Positive difference on consolidation | 46,185 | 50,777 |
| (-) Negative difference on consolidation | 0 | 0 |
| B.V. Securities and ownership interests under the equity method | 0 | 0 |
| C. Current assets | 411,957 | 443,671 |
| C.I. Inventory | 212,584 | 221,124 |
| C.II. Long-term receivables | 2,477 | 680 |
| C.III. Short-term receivables | 170,580 | 201,448 |
| C.IV. Short-term financial assets | 26,316 | 20,419 |
| D.I. Accruals | 1,733 | 2,860 |
| Total Liabilities | 707,938 | 749,631 |
| A. Equity | 212,565 | 206,887 |
| A.I. Registered capital | 116,340 | 116,340 |
| A.II. Capital funds | -42,813 | -42,943 |
| A.III. Reserve funds, statutory reserve account for cooperatives and other retained earnings | 75,205 | 75,464 |
| A.IV. Retained earnings | 63,833 | 58,026 |
| A.V. Profit/loss from operations using the equity method (+/-) | 0 | 0 |
| A.VI. Consolidation reserve fund | 0 | 0 |
| B. Other sources | 492,907 | 539,996 |
| B.I. Reserves | 1,048 | 1,072 |
| B.II. Long-term payables | 11,446 | 17,740 |
| B.III. Short-term payables | 157,241 | 199,654 |
| B.IV. Bank loans and financial accommodations | 323,172 | 321,530 |
| C.I. Accruals | 2,466 | 2,748 |
| D. Minority registered capital | 0 | 0 |
| D.I. Minority registered capital | 0 | 0 |
| D.II. Minority funds including retained earnings from previous years | 0 | 0 |
| D.III. Minority profit/loss - current year (+/-) | 0 | 0 |

Consolidated Profit and Loss Statement

| in TCZK |

| Code | 2018 | 2017 |
|--|---------------|---------------|
| I. Revenues from sold goods and services | 347,640 | 444,417 |
| II. Revenues from sold goods | 706,577 | 659,379 |
| A. Production consumption | 789,816 | 841,806 |
| B. Change in inventory of own products (+/-) | 739 | 7,671 |
| C. Capitalization | -827 | -966 |
| D. Personnel expenses | 222,586 | 215,585 |
| Accounting (write-off) of the positive or negative difference on consolidation (+/-) | -4,592 | -4,592 |
| E. Operating adjustments | 22,443 | 21,567 |
| III. Other operating revenues | 16,207 | 12,947 |
| F. Other operating expenses | 23,278 | 20,338 |
| * Operating profit/loss (+/-) | 7,797 | 6,150 |
| IV. Revenues from long-term financial assets - ownership interests | 0 | 0 |
| G. Expenses on sold ownership interests | 0 | 0 |
| V. Revenues from other long-term financial assets | 0 | 0 |
| H. Expenses associated with long-term financial assets | 0 | 0 |
| VI. Interest revenues and similar revenues | 111 | 31 |
| I. Financial adjustments and reserves | 0 | 0 |
| J. Interest expenses and similar expenses | 8,991 | 7,700 |
| VII. Other financial revenues | 9,890 | 22,683 |
| K. Other financial expenses | 12,754 | 25,159 |
| * Profit/loss from financial operations (+/-) | -11,744 | -10,145 |
| * Profit/loss before tax (+/-) | -3,947 | -3,995 |
| L. Income tax | 1,583 | 2,926 |
| * Profit/loss after tax (+/-) | -5,530 | -6,921 |
| M. Transfer profit (loss) to partners (+/-) | 0 | 0 |
| *** Consolidated profit/loss of current accounting period before equity share | -5,530 | -6,921 |
| *** Profit/loss of current accounting period before minority interests | 0 | 0 |
| *** Share of minority owners in profit/loss (+/-) | 0 | 0 |
| *** Consolidated profit/loss of current accounting period (+/-) | -5,530 | -6,921 |
| * Net turnover for the accounting period (I. + II. + III. + IV. + V. + VI. + VII.) | 1,080,425 | 1,139,457 |

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Total Quality Assured.

CERTIFICATE OF REGISTRATION

This is to certify that the management system of:

COLORLAK, a.s.

Main Site: Tovární 1076, 686 03 Staré Město,
Czech Republic

Additional Site: středisko EKOLAK, Blůvce 497, 687 12 Blůvce,
Česká republika

has been registered by Intertek as conforming to the requirements of:

ISO 9001:2015

The management system is applicable to:
Development, production and sale of paints, facade, interior and floor
materials, waterproofing and thermal insulation systems.

Certificate Number:
QMS 24476-05

Issue Date:
17 November 2017

Original Issue Date:
20 November 2006

Certificate Expiry Date:
19 November 2020



014



Calin Moldoveanu
President, Business Assurance

Intertek Certification Limited, 10A Victory Park,
Victory Road, Derby DE24 8ZF, United Kingdom



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Česká republika

has been registered by Intertek as conforming to the requirements of:

ISO 14001:2015

The management system is applicable to:
Development, production and sale of paints, facade, interior and floor
materials, waterproofing and thermal insulation systems.

Certificate Number:
EMS 24476-05

Issue Date:
17 November 2017

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SCHP ČR
SVAZ CHEMICKÉHO PRŮMYSLU ČESKÉ REPUBLIKY
ASSOCIATION OF CHEMICAL INDUSTRY OF THE CZECH REPUBLIC


Responsible Care®
DŮVĚRYHLAVNÍ PRŮMYSL

awards the member company

COLORLAK, a.s., Staré Město

CERTIFICATE

of results achieved in fulfilling voluntary aims and goals in the program
RESPONSIBLE CARE - ODPOVĚDNÉ PODNIKÁNÍ V CHEMII

This program aims to improve environmental protection and health
and safety of all activities of the company.

pronouncement from 1996
first vindication 1997
eighth vindication 2016

Along with this certificate, the company has the right to use the logo
RESPONSIBLE CARE - ODPOVĚDNÉ PODNIKÁNÍ V CHEMII

until October 2020

in accordance with conditions announced
by the European Chemical Industry Council (CEPIC)

In Prague, September 22th, 2016



President

CZECH REPUBLIC
**DEFENCE STANDARDIZATION, CODIFICATION
AND GOVERNMENT QUALITY ASSURANCE AUTHORITY**



issues in compliance with the Act No. 309/2000 Coll., Section 30 para 5

CERTIFICATE

No. 43/8-2017
to
COLORLAK, a.s.
Tovární 1076, 686 03 Staré Město
Company Registration Number: 49444964

of quality system compliance as required by
ČSN EN ISO 9001:2016
ČOS 051672 (AQAP 2110)

Scope of validity:

**Development, Production and Sale of Paints, Facade, Interior
and Floor Materials, Waterproofing and Thermal Insulation
Systems.**

1. This Certificate is issued by DSCGQA after quality system audit carried out from October 17th, 2017 to October 18th, 2017. The
Authority is not responsible for quality system changes implemented by the contractor after this Certificate has been issued.
2. This Certificate is valid solely for verified scope of activities and must not be used for other scope of activities than for which it is issued.
3. The Authority is responsible neither for unauthorized use of the Certificate nor for damage which could be caused by both authorized or
unauthorized use to a third party.
4. This Certificate does not replace quality guarantee and contractor's responsibility for flaws and damage resulting from generally accepted
legal regulations nor does it replace official verification in accordance with other generally accepted regulations.

This Certificate is valid till: **October 31st, 2020**

As far as foodstuff suppliers are concerned, the title to avail of this certificate is subject to continuous observance of hygienic
norms and recommendation for supplying the Armed Forces of the Czech Republic with foodstuff that is issued as a part of Protocol of an
inspecting authority on behalf of the Military Veterinary Service.

In Prague on: November 20th, 2017



Ing. Martin Dvořák, Ph.D.
Director DSCGQA

COLORLAK, a.s.

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686 03 Staré Město
Czech republic

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Information Line: 800 145 555

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