

# ANNUAL REPORT 2018



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# INTRODUCTORY WORDS



Ladies and gentlemen,

Let me share with you the fact that the company BIKE FUN International s.r.o. (“BFI” or the “Company”) had a very challenging fiscal year 2018 (“FY2018”). We were missing employees in production, so the production value was 15% less compared to the FY2017 and also the financial result was negatively influenced by exchange rates compared to the FY2017. We consider positive that the quantity of bikes sold decreased only by 2% and that the average sales price of our own brand bikes increased. In past we were used to grow in turnover each year, however, the FY2018 there was a second year in a row with decrease (by 4%). Despite all this, the Company reached a profit of EUR 389 thousands which is positive. We try to keep an increasing level of our products and we focus on producing bikes using more advanced and complex technology.

We are happy that our customers are interested in our brands Superior, Rock Machine and the youngest member of our BIKE FUN family Frappé. Sales of our brands are again higher 4% year-over-year. We believe that this interest is given mainly by the fact that our bikes are completely manufactured by our Company, from design to the final stages of production. As we are continuously moving forward, we see the future of our business in E-bikes – we intensively focused on their development and production also this year. Sales of E-bikes increased by 21%. Demand for E-bikes is growing every year, and we believe that our Company will, due to continuous development in this area, remain among top tier manufacturers of bikes in upcoming years.

BFI is a limited liability company which was established on 27 June 2001. BFI is registered in Trade Register at Regional Court in Ostrava, insert C/25241. Residence of the Company is in Kopřivnice, Areál Tatry 1445/2, Czech Republic.

Majority of the shares have two Dutch companies:

Owners BFI (more than 20%)	Share (%)
Bike Fun Nederland B.V.	57%
WIDEK Holding B.V.	38.10%

Members of Statutory Body were as of 30th June 2018:

- **Marinus Arie de Kwant** (executive head)
- **Henricus Hulzebos** (executive head)
- **Ing. Marie Matušů** (executive head)

# 1. SELECTED ECONOMIC INDICATORS

In the FY2018 we produced 142,531 bikes and we sold 157,326 bikes.

In the FY2018 the average sales price remained similar compared to prior year (decrease 2%).

Again it was confirmed that our Company is strongly export oriented and in this year, exports accounted for 86% of revenues.

Selected economic indicators in EUR thousands	FY2018	FY2017	FY2016	FY2015
Total Revenues	54,972	57,187	59,098	47,892
Fixed Assets	7,188	7,273	7,582	6,678
Shareholder's Equity	12,902	12,994	11,124	9,108
Not-own capital	26,089	27,000	24,000	19,831
Receivables	12,259	13,024	9,043	7,416
Accounts Payable Trade	2,887	1,810	1,653	3,337
EBIT	591	2,336	3,935	3,339
Bikes produced	142,531	167,204	211,097	191,711
Bikes sold	157,326	161,019	193,732	190,743
Indicator of total revenues rentability	1%	4%	6%	7%
Q bikes / 1 employee	400	449	575	620
Average employees	356	372	367	309
Total revenues per employee	154	154	161	155
Exchange rate CZK/EUR 30 June	26.02	26.195	27.13	27.245



<b>Overview of product sales (ths. EUR)</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Revenues from sold Bikes	51,637	54,109	57,310	46,384
Revenues from Bike services	782	616	163	33
Total Bike Revenues	52,419	54,725	57,473	46,417
Total Q Sold bikes	157 326	161,019	193,732	190,743

<b>Overview of product sales domestic (ths. EUR)</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Revenues of domestic	7,273	9,236	8,251	8,105
Q bikes for domestic	20,755	27,850	30,061	34,579

<b>Overview of product sales for export (ths. EUR)</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Revenues of export	44,364	44,873	49,059	38,279
Q bikes for export	136 571	133,169	163,671	156,164
Contribution of export	86%	83%	86%	83%

## 2. HUMAN RESOURCE

The FY2018 was very challenging for HR in BFI. In the first half of the FY2018 the situation was stabilized and there was no big need to increase the number of employees in low season (July-November). When the top season started, increase in the number of employees was too slow compared to orders received and we were not able to fill the gap till the end of the FY2018.

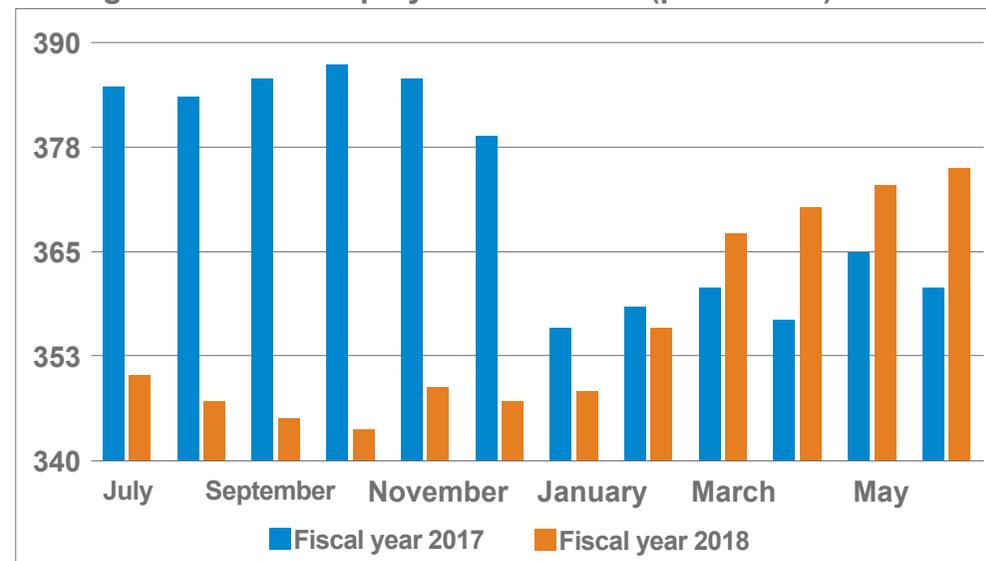
	30 June 2017	30 June 2018
Male	215	224
Female	176	175
<b>Total</b>	<b>391</b>	<b>399</b>
% of female	45%	44%

As of 30 June 2018 BFI had 399 employees (375 long term and 24 temporary). If we compare it with 30 June 2017 there was an increase of 8 employees.

	Employees	Long-term	Temporary
30 June 2017	391	363	28
30 June 2018	399	375	24

The local unemployment rate in the Kopřivnice region decreased in June 2018 to 2.7% (June 2017 – 3.3%, June 2016 – 4.1%). In this economic situation BFI successfully increased the average number of permanent employees. In the graph you can see that in October 2017 we had 344 employees and in June 2018 375 employees. Unfortunately it was not enough to cover full quantity of ordered bikes.

Average number of employees in months (permanent)



We learnt that we too much concentrated on those who like bikes (because “We make the bike”), but we did not sell enough our biggest competitive advantage - one shift and also our company culture with almost family atmosphere. Updated HR marketing strategy and new recommendation system will help us to bring more candidates in. In the past, more than half of new employees were recommended by our current employees. That is a great message because our employees like to work for BFI and recommend it to friends or family members and they are real ambassadors of the BIKE FUN International brand. Over the last weeks we managed to have enough local workers and produce with 7 assembly stable quantity. Good news is that we will start the assembly number 8 in September 2018.



We also changed our strategic decision to rely on local workers only, because this decision limited our flexibility to hire more people in short time. We decided to hire directly 17 recommended friends and family members of our two long-time and trusted employees from Cuba. Great news is that with these Cuban workers we will start the assembly number 9 in October 2018.

We are happy that during the FY2018 we introduced in production TWI - Job Instructions which helped us better and more effectively train newcomers and current employees to new positions as well. Benefits experienced when practicing the Job Instruction program are: reduced training time, less scrap and rework, lower turnover rate (fluctuation) and increased job satisfaction.

This was supported by introduction of the second part of the method TWI - Job Relations, which through the standardized approach helped us to build and develop positive relationships between employees and leaders, contribute to increasing cooperation and motivation. Job Relations training showed us how to handle problems, how to prevent them from occurring and, most importantly, it aids in developing a logical, common sense.

In the second half of the FY2018 we started a project with Trexima focused on innovation of the reward system linked to the goals of the whole company, teams and individuals. We already finished three steps: 1. audit of the existing wage and motivation system, 2. evaluation of job positions, 3. wage comparison (benchmarking). Now we are in the process of setting up a new wage and motivation system which will after trainings start 1 January 2019 and will help us to stay internally fair and be externally competitive also in future.

With all planned changes done and with better workforce planning we can increase our production capacity by starting assembly number 8 and 9 production lines soon to be sure we can process all customers orders.



# 3. LOGISTIC



We could call last year in our BFI Logistics as a year of stabilization and process improvements.

## STOCK OF FINISHED GOODS

Due to higher sales and lower production, our stock of bikes was not under such a big pressure in terms of space and we could focus on processes and staff stabilization.

Despite the tough labor market in the Czech Republic, in logistic we were not affected by higher fluctuation. On contrary due to better processes, we were able to switch back to one shift operation with less employees. Furthermore, with the fact that we reduced external warehouses to only one we significantly also lowered extra warehousing costs.

We have started with strict process controls of internal movements to minimize shortages and stock discrepancies.

During the FY2018 we have changed the logistics process for sample bikes – the most difficult part of bike logistics, because it is always urgent and with minimum time to handle. This will fully affect the next fiscal year.

In the FY2019, we will focus on further improvements in the picking process, reflecting changes in the bike business that we are selling more E-bikes in bigger and heavier boxes and we have to prepare our warehouse and system for increasing business in spare parts and accessories.

## MATERIAL STOCK AND INTERNAL LOGISTICS

The situation in the material warehouse was different from the bike warehouse. Due to missing operators on assembly lines (labor market with very low unemployment rate), we were not able produce according to the plan and materials started to cumulate in the warehouse. Nevertheless, we were able to cope with this situation because already the last year we have started with cleaning and reorganization of the material warehouse including decrease of logistics staff.





We want to offer our customers better services in the spare parts area and that is why we started projects to improve our internal process including new layout of the spare parts packaging area but also a pilot project with our biggest customer to improve order handling, optimize the spare part stock and shorten spare parts delivery lead times.

As announced in the last annual report we have started to implement the warehouse management system (WMS) in the material warehouse. WMS will create better environment for parts traceability, FIFO and will help us to be more efficient and faster in material handling.

We split the first phase to 2 steps: 1. Goods receipts and warehouse storing; 2. Goods issue to production.

The step number 1 is now fully implemented and the step number 2 is now in the testing phase and planned to go live by the end of summer 2018 after inventory stocktaking.

In the FY2019, we will start with the second phase and we will focus on minimizing paperwork and changing not effective processes. Besides that, we want to focus on internal logistics, which should be in the future a part of the material warehouse and thus allow production fully focus on the assembly process.



## 4. PURCHASE

The purchase area in BFI caters for all the daily work needs in the production area, partly non-production area and takes care of cost optimization.

In the FY2018 BFI purchased raw materials in the total amount EUR 39 million. This corresponds to a year-on-year decrease of EUR 4 million. One of the reasons of the decrease is an extremely low unemployment rate in the country and especially the Moravian region where BFI is located. The lack of employees brought very poor ability to align production abilities with market demands.

The other influencing factor for the decrease is an unstable market situation in Asia. Many small factories were brought into bankruptcy as the side effect of strict pollution controls in China or the share bike project. BFI faced several shut downs of its Far East sources over the year. Supply chain at a whole was in that turbulent environment hardly impacted and the most its inventory management. The value of inventories, especially raw materials, which were acquired and kept on the stock for stable production flow and desired increase of production output achieved year-on-year increase of 49%. Transport costs increased by 26%. Despite these influences the BFI purchase department achieved stable production flow.

### ENTERPRISE RESOURCE PLANNING (ERP)

It is important for each company to have a right and well working ERP system no matter in which supply chain development stage each company is. BFI has been investing into its ERP system continuously.

In the FY2018 we finished the project called BUFFER. The process was designed to meet needs of the key BFI's customer. Features of our ERP were tailored to meet this needs. Finally, BFI provides its customer better flexibility and added value in using materials available on hand. BFI proved with it its willingness to meet customer expectations and that the companies can cooperate well.

The Vendor portal, on ERP system module for sharing ERP system data with selected suppliers, is in its testing stage. The module was implemented successfully. Besides achieving cost optimization also in this field BFI follows trend of current fast developing digital age. Before end of calendar year 2018, our Asian partner should be trained and using the portal in a trial mode. Before end of the FY2019, the portal should be available for suppliers in its live mode.

Lot of efforts have been put into improvements of material resource planning (MRP). Good planning is crucial for well working supply chain. Together with an external company BFI has been running a project aimed to align daily work processes of all BFI's departments involved with defined logistics standards of advanced planning and scheduling (APS).

The purchase team has been involved in designing and adopting the new Warehouse Management System (WMS). Receiving goods, releasing it into production and much more logistics steps related to warehouse management runs online in our ERP with no need of papers. All arrivals of materials are planned in advance and announced on a dashboard in the purchase department and in the warehouse.



### OVERALL SUMMARY OF THE FY2018

BFI was purchasing materials in the production area from 111 direct and 61 indirect, totally 172 suppliers in the FY2018. Compared with last year it is 5 more suppliers used. Starting with new suppliers was necessary to support several innovative products which were introduced in the FY2018 or are coming to the market in the FY2019. Supplies from domestic and European sources were stable with minimum surprises, Far East sources BFI faced lot of difficulties as it was mentioned before.

The purchase team faced several personal changes during the fiscal year. Overall, the required performance has been maintained and the purchase was not affected. This confirms the high level of substitutability and ability of the team to accept and, in a relatively short time, train new team members. BFI uses the rotation system for positions and that ultimately helps team members to be able to represent each other and gain know-how across a range of suppliers.

Due to the unfavorable development of the Taiwan Dollar against the US Dollar in the 4th quarter of the FY2018 we faced an unavoidable price hike in purchased materials. In all other cases, prices remained unchanged throughout the whole year.

In terms of quality of purchased materials, the overall fiscal year can be evaluated positively. Quality issues were encountered with materials for the paint shop in which the quality of surface finishing was often insufficient and had to be repaired to the required standard before production in BFI or with the help of other suppliers. Collaboration with the associated Asia company has evolved well in the FY2018.

Thanks to our Asian colleagues, we have been able to complete many new projects in record time. This has proven the added value of our collaboration. We plan to continue with this cooperation in the years to come and continue to strive for improvement at all levels.

### PLANS FOR THE FY2019

Our main goal is to stabilize the supply chain and the production plan. We will visit selected suppliers to discuss and adopt measures to reduce or totally avoid delivery delays. Furthermore, we will be striving to streamline selected internal processes. The claim process, matching vendor invoices, and customs clearance will be subject to a deeper review. Our goal is to replace some human activities with appropriate technological solutions.



# 5. PRODUCTION

The FY2018 was for production very demanding. We had many nice orders, but the main problem was the lack of employees. Our plan was to run 7 assembly throughout the year, but during top season we ran very often only 6 assembly. This is the main reason why we did not fulfill the production plan and produced only 142,531 bikes.

On the other hand, the 16.5% increase of E-bike production is very positive with 17,030 E-bikes produced (Ecomo system 8,730 bikes and Shimano STePS 8,300 bikes). To be able to do this increase we had to start production of E-bikes on one new assembly line, so now we are able to run E-bikes on three assembly lines in total. In May 2018 we started mass production of the new project of E-bikes Sport Drive which was developed by our Company.



The biggest challenge of the FY2018 was mass production of the Share bike (anti-vandal bike with hidden cabling and bowdens in the frame tube and a belt system used for bike-sharing system).



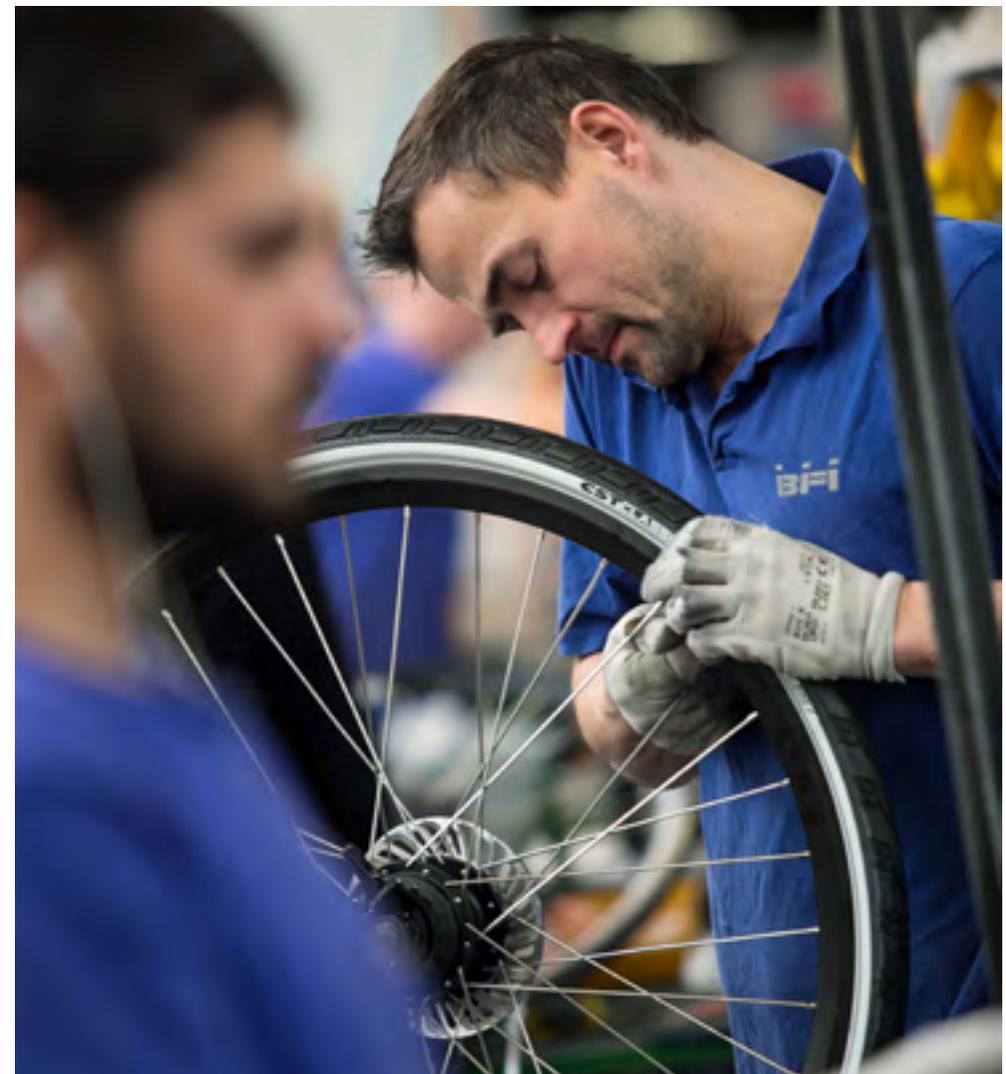
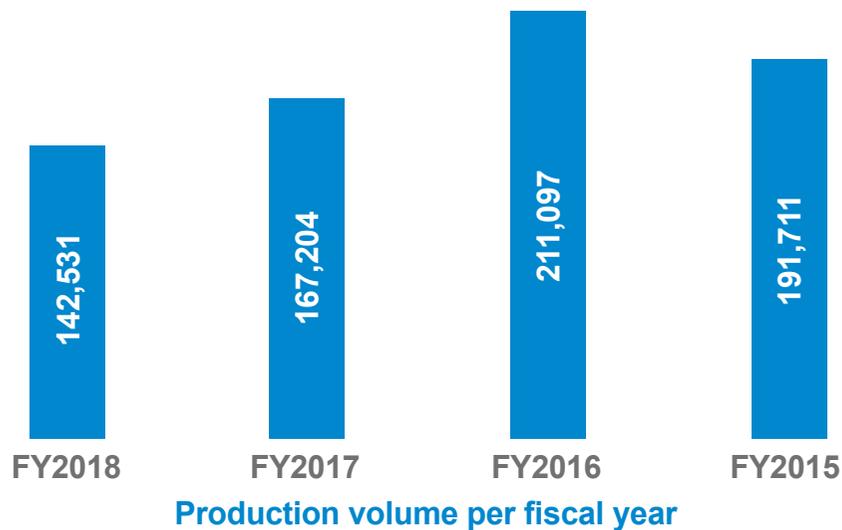
We focused on quality in production this year. Everything starts with the quality of the work of each operator. At the beginning of each operation, working instructions contain a 15 second quality control of the previous operations. Before the start of each shift we introduced 5 minute team meetings with the supervisor and operators (starting with the results of the last day and the plan for the actual day and others points).



All supervisors successfully passed TWI training for areas of Job Instructions (how to quickly and effectively train newcomers) and Job Relations (how to build and maintain relations in the team).

These trainings helped us better and more effectively train new employees, improve the on board process and helped us to reduce their leavings.

For the FY2019 the focus will be on further increasing production of E-bikes with four systems (Sport Drive, Shimano STePS, Bafang and Ecom). Improvement of processes, assembly instructions and overall quality will be other key issues. But for fulfilling the FY2019 plan (based on very good orders) we need to start 8-9 assembly lines very soon.



## 6. PAINTSHOP

For the process of painting in BFI we are using modern technology consisting of two water-based color layers and the last layer as powder.

In the paintshop we focused this year on technical training of our key employees with respect to potential of technology, its economical use with regard to color consumption, while preserving the quality of spray and color shades.



We are working on new hangers and we are also upgrading existing hangers with a view to increase capacity of painting. Based on wishes of our customers, we started to apply QR code under the layer and with that we are able to cover customers requests for their internal system (service - Share bike). We are doing our best to improve and monitor incoming painted material and with that shortening its inter-operational storage to have online overview.

We have recently begun to work with renowned paint manufacturer - German company Wörwag in the field of supplying basic colors. This cooperation should provide us with better know-how, delivery on time and strong technical support with solving problems.

Over the next months, in the paintshop of our Company, there will be replacement of the filtering equipment into powder technology. The existing one no longer fulfills the requirements for 100% functionality and also safety. Replacement of this filter will also contribute to improvement in overall cleanliness in the paintshop and also to decrease consumption of powder coatings.

Due to recent development of the labor market, we have started to work on possibilities to create robotic work place for applying colors before final spraying.

Furthermore, our goal is to provide high quality painting with which we can provide our customers with a guarantee of corrosion protection, color UV stability and colors resistance against mechanical damage. And above all, a nice looking and an appealing bike!

# 7. QUALITY



At the quality control department we are following the increasing demands of our customers for higher quality of delivered bikes. This year we produced new models that required higher quality standards, e.g. share bikes, belt driven bikes and E-bikes with a central drive and a battery located in the frame tube. This means that the complete department is more focused on quality than it used to be. Not only the quality department but also all the other departments in the Company had to deal with these requirements.

## INCOMING INSPECTION

The incoming inspection department began using the quality control module of our Warehouse Management System (WMS) to release purchased parts to the warehouse to speed up incoming inspection. Incoming inspection employees release or reject parts directly in the quality control module, avoiding writing information concerning releasing on paper forms and next rewriting of information to the information system by warehouse administration employees. The incoming inspection department also worked very well on stabilization of the team, when 40% of the team was replaced without any major impact to production and BFI results. We have also bought further necessary measurement equipment for the incoming inspection department such as a laser beam gauge for length measurement and a gauge for measurement of frames rigidity, which we use for inspection of frames for belt driven bikes, where requirements of frames rigidity are very high.

During the FY2018 we built a wall to separate the incoming inspection area from area used for customer complaints solving, as well as we

increased storage capacities for storing non-compliant parts for time of dealing of individual cases with suppliers, which helped us to improve clarity of the stored material and increase the speed of manipulation with material. There were also enlarged storage capacities for storing parts and bikes from customer complaints, which helped us to increase efficiency in solving these complaints.





## FINAL INSPECTION

In order to improve quality of supplied bikes, we implemented during the FY2018 regular inspections of finished bikes prepared to be shipped to our customers. Production employees as well as employees of quality, technical and sales departments and management are involved in these inspections. Another innovation in the FY2018 was implementation of product quality improvements through small changes in production. They were implemented on assembly lines, preparations and wheelbuilding and in the FY2019 they will be implemented also in the paintshop and frames pre-assembly. The main change is transfer of more responsibility for quality of produced bikes directly to production workers after their proper training and continuous support from management of BFI.

## SERVICE CENTER

In the area of service improvement towards to our customers we started to monitor response time for received complaints, as well as average time for customer complaints solving. In cooperation with other departments, we also started to monitor the costs of customer complaints solving and we optimized the customer complaint portal. We also regularly monitor the number of customer complaints with the aim to reduce the ratio of the number of complaints to the number of sold bikes and reduce cost necessary for customer complaints solving compared to bike revenues.

Besides to its standard activity (i.e. responding to customer inquiries), since 1 January 2018 Service Center employees have taken responsibility from the sales department for a part of the spare part process.





In the FY2018 employees responsible for customer complaint solving were more focused to ensure that if a defect was caused by a defective component, necessary corrective actions were taken and compensation of faulty parts was provided by our suppliers.



The quality department was strengthened by a new colleague who took full responsibility for managing standards used in manufacturing and testing of bikes, as well as for arranging tests in external testing centers and administration of components and bikes test results performed by our suppliers as well as in external testing centers. All information is inserted into the information system so that it is easily and quickly traceable. Processes including determination of process targets and indicators for their measurements for regular evaluation of performance of these processes are described in BFI now.

Cooperation with associated China company in the field of quality control of Chinese component suppliers still continues and reinforces. Associated China company employees solves problems directly at our suppliers and they find majority of component defects before sending. They are involved in inspection of parts for mass production as well as in inspection of parts for sample production. Quality of their inspections and inspection reports improved greatly during the FY2018.

Quality department employees are also regularly educated and trained. Most of employees participated in the “Motivation and change implementation” training and employees responsible for customer complaint solving took part in “Maker responsibility for the product” training. We plan further trainings for quality department employees also in the FY2019. However, not only the quality department employees are trained but they also participate in training of our dealers and distributors, especially in solving potential problems with E-bikes.

# 8. RESEARCH AND DEVELOPMENT

BFI continuously invests in developing of new products and also innovates the current products. The results of the mentioned development are new products and innovations, which improve the position of the BFI brands Superior, Rock Machine and Frappé on the market.

In the FY2018 we started or completed following projects:

## **E-BIKE SPORT DRIVE WITH MIDDLE AND REAR MOTOR:**

Production of E-bikes is increasing in BFI every year. In the past two years, BFI sold very successfully many E-bikes with 36V motor located in the front wheel. BFI also produces many models with the Shimano STePS drive unit system. The Sport Drive system has been developed as a more economical version of a nice looking E-bike, with motor located in the middle of the bike, or in the rear wheel with variations of semi-integrated battery on the down tube.

Sample production and development of main parts of E-bike such as frames, docking stations with control units and coolers, and battery continued in the FY2018 as well. In the FY2018 BFI developed a new display, which is against the current one smaller, with simply a switch control placed on the handle bar. An integral part of this project is also development of a diagnostic system that can analyze the problems and the state of the E-bike. 3D technology, including 3D printing and BFI E-lab equipment, was used to develop components. The first mass production was started in the second half of the FY2018.





## SHARE BIKE

The bike sharing system is a network of rental or bicycle stations that can be rented at one location and returned to another one. Development was based on 3D documentation and simulations with many specific requirements on Share bike. BFI invests in development of this bikes concept, as reaction to current trends. In the FY2018 we proceeded with final sampling, the project is enriched with belt drive models and also the first electric Share bike with the motor located in the front wheel. New technological procedures and methods of controls are proposed. The first mass production was started in the second half of the FY2018.



## COMMON BIKE (170 KG)

BFI also invests in development of a bike with total load capacity of 170 kg, to meet all customer requirements. Development is focused on frames development, which will resist the required load of 170 kg compared to existing frames. The project is divided into classic urban models and models with the middle drive unit in several variations. The models with middle motors are fitted with the Bafang drive. The Bafang drive unit was used first time in BFI in the FY2018. Frames were developed using state-of-the-art dynamic load simulation technologies to detect risk spots. Special testing processes and procedures have been proposed for this project as well. The first production of samples will start at the beginning of the FY2019.

## PRODUCTION OF SAMPLES

An integral part of development is construction of sample bikes. Sample bikes are used to verify overall compatibility and functionality, for customer exhibitions and for BFI customers. BFI invests considerable resources in upgrade of equipment of the sample room, equipment and construction of samples. BFI also invests in modernization of the sampler's information system in order to produce samples in demanding terms with high quality processing. In the FY2018 283 samples of the model year 2018 and 718 samples of the model year 2019 were ordered.

# DESIGN CENTRE

## DESIGN CENTRE

Same as with other products, design plays a significant role in market success. Today it is no longer just about the shape and a graphic concept of the bike frame itself, but about the mutual alignment of all components into one harmonic unit. It involves not only a great deal of creative design work but also increased demand for speed, flexibility and close & highly efficient cooperation between designers and product managers and other factory departments which is complicated to achieve with external designers and creative agencies.

In accordance with this, an internal BFI Design Centre department was established two years ago, to cover processes related to product and graphic design in BFI and coordinate cooperation with external parties. Design Centre currently consists of three graphic designers, whose activities can be divided into 3 main areas:

**Development and conceptual work** - preparation of overall graphic design of individual product collections in accordance with the latest trends, preparation of simulations and prototypes of appearance of products before the actual realization. Styling of carbon frames, tubes for alloy frames, specific construction elements and design of parts.

**Production design** - primarily solves the transfer of graphics into realizable form, adaptation of the size and shape of decals and stickers for individual types and sizes of bike frames and their optimization for the process of mass production. Creation of graphic materials for design of individual components of bikes (decals for front forks, rims, design of seat covers, etc.).

**Marketing materials** - graphic concept of product promotion, preparation of promotional materials and prints for individual product collections (dealers workbooks, catalogs for end customers), advertising, presentations, videos, newsletters and other marketing materials. Editing and retouching of product photos.



# AFTERMARKET PRODUCT DEPARTMENT

The speed and flexibility of internal Design Centre services is also an added value for OEM customers such as ŠKODA, Volkswagen and others. In short time, it enables to professionally transform basic customer ideas into the final form of their product in computer simulation or a real sample of the bike and to prepare all materials for subsequent mass production.

With newly established Aftermarket Product Department we are planning to extend the team of Design Centre in near future with a specialist for design of parts and accessories. This complex activity will include not only styling of products themselves, but also their packaging, manuals and presentation in stores (presentation stands, etc.).

## BIKE ACCESSORIES, SPARE PARTS AND APPAREL DEPARTMENT – AFTERMARKET PRODUCT DEPARTMENT

In the middle of the FY2018, BFI established a new product development department (Aftermarket product department) focused on spare parts, bike accessories and bike apparel.

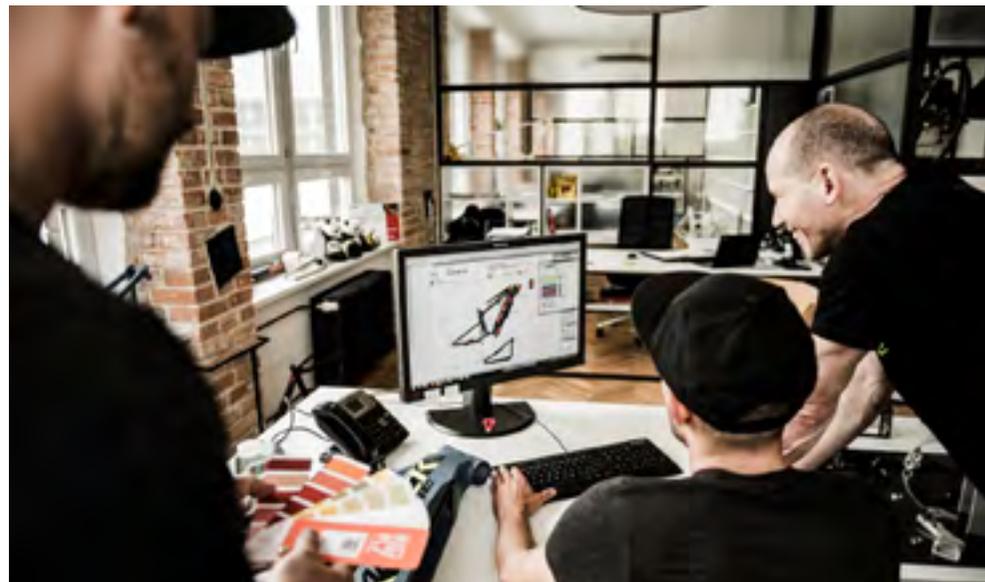
The primary reason why BFI set up the Aftermarket product department is to offer better and complex services to BFI customers by supplying them with a wide range of bike goods together with bike production. The BFI aim is to strengthen relationships with customers, enlarge the volume of trade and increase BFI customers loyalty.

The main goal for the Aftermarket product department is to supply customers (dealers - B2B business) with high quality and function products which will follow a model of Easy Business. Easy business for our customers is to simply understand new portfolio of products

with attractive sale conditions based on excellent sales support (delivery, claim system, manuals).

Consumers of BFI accessories will find out that our products are easy to use which gives them more time on the bike and less time spend on bike care. All accessories will be easy for mounting with excellent picture manuals supported with video manuals.

A new design department will support the Aftermarket product department with high-quality design which will fit design of Superior and Rock Machine bikes. It means that customers can order bike accessories with design and colours which match our bike collection directly.





In the FY2019 BFI is going to present the first part of BFI bike accessories which will be under Superior and Rock Machine brands. First portfolio will be presented at the Distributors Meeting 2019 and will include more than 120 unique products. Collection will be available in the FY2020 and will consist of three segments: bike accessories, spare parts and apparel. Accessories will include bike bags, service tools, bottle cages, water bottles, speed computers, safety helmets, kickstands, lights, locks, pumps, lubricants and cleaners, tire repair kits. Grips, stems, handlebars, seat posts, saddles and pedals will belong to spare parts. Bike apparel will contain racing jerseys, sports jerseys, bib shorts, liners, loose pants, gloves, hoodies and T-shirts.

Since the very beginning of this project, we would like to conceive and craft every piece of accessories with great emphasis on quality and functionality. This project can be realised only with support and teamwork of all BFI teams such as Design department, Marketing department, Purchase department, Supply chain management, Quality management, Sales department, Finance department and Human Resources.

We hope that together as team we will bring on the market portfolio of bike accessories, spare parts and apparel, firmly grounded in product philosophy that values function, eye-catching design, quality, usability and also a green approach to production and packaging to reduce the environmental impact.

# 9. BUSINESS STRATEGY

Business strategy of BFI is patterned on Company values. We do our best to understand customers and develop bikes on the base of their wishes in high quality and for a reasonable price. Teamwork with focus on solutions and openness are integral to our daily work. We take full responsibility for the results and our decisions.

Thanks to long term financial stability of our Company we can invest into new projects and innovative products what is doing our bikes even more competitive and brands stronger.

4 main pillars are base for our success and growing in next years:

- **Individual approach to customer**
- **Service**
- **Marketing support**
- **E-bike development**

## INDIVIDUAL APPROACH TO CUSTOMER

Every customer is different and we are prepared to listen to him to understand requests and wishes which are specific for his country. We can be successful if we prepare the right product for the market and this is possible only in daily mutual cooperation with distributors and dealers which are closer to the final consumer than we are.

Our sales representatives are visiting our customers very often with our products managers and marketing to offer full service and prepare the best possible offer for their sales.

To arrange even deeper service and faster communication we extended our sales team by a new sales representative so we currently have 4 export sales representatives for different markets on our board.

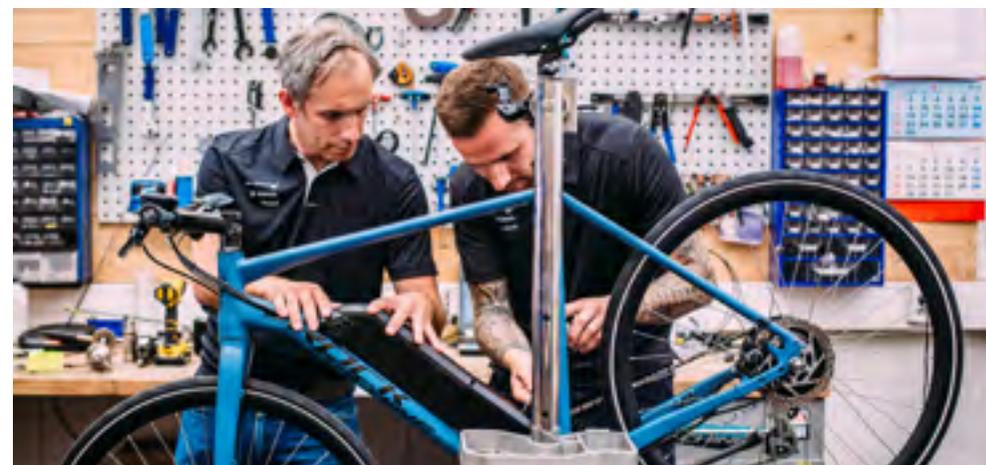


## SERVICE

A smooth and fast after sales service is very important for future success of our Company and therefore we continued with other steps in the FY2018.

More than one year ago we started with the Service Center which helps to our customers with technical questions regarding our products with focus on E-bikes. Our Service Center is also prepared to start with preparation and sending of spare parts to our customers what should shorten delivery time.

Our B2B system for our distributors was updated and our data were connected with their B2B systems on the basis of automatic daily update which is giving full info about the stock of our bikes in BFI and distributor warehouses to dealers. It helps to give right information to the final consumer and deliver bikes as fast as possible.





## MARKETING SUPPORT

From spring 2018 we started with a new marketing manager, who has extensive experience from the bike industry and should help us with stabilization of our marketing activities and bring new ideas.

Individual support, which is combination of our marketing strategy and customer requests, helps our customers on their markets and thus makes our cooperation stronger.

Testing days are more and more popular for final consumers and together with our distributors we offer a lot of testing bikes because our experience is telling us that especially for E-bikes it is necessary to sit on the bike and to feel it.





We also support our customers on their local shows with brand tents or with the BFI trailer which is doing presentation of our bikes even more professional.



## E-BIKE DEVELOPMENT

The assortment of E-bikes produced by BFI is bigger and bigger every year and with our new Sport Drive we introduced E-bikes in the economic category as well. We offer not only bikes but also own diagnostic tool with easy possibility to do set-up of E-bike directly by dealers. Availability of spare parts, support and service is necessary and it should be one of the strong points of our system in upcoming years.

We continue in development of new modern products which is done in combination of Czech and Dutch engineers and designers.

Every E-bike frame is tested in a European laboratory and to prove the quality we test every produced E-bike on a special diagnostic machine to guarantee its full functionality.

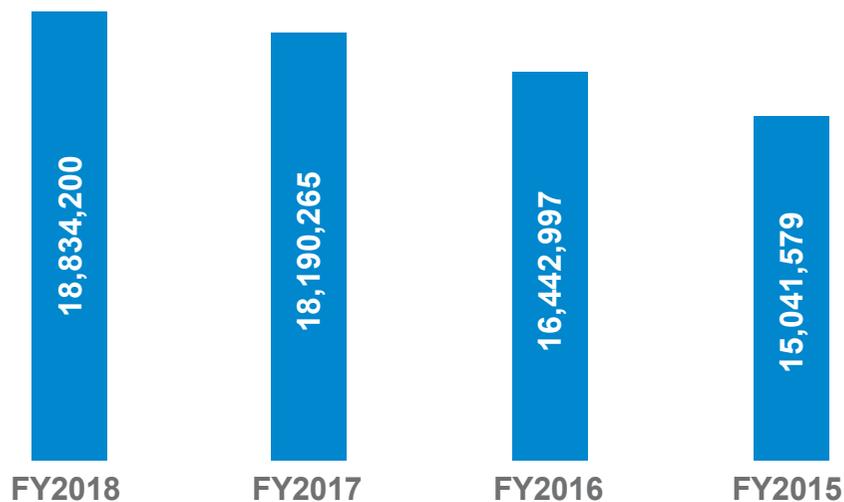
Our E-bikes also received some awards, for example Rock Machine eBlizzard Shimano STePS model with the middle motor was on 2<sup>nd</sup> place and eStorm Sport Drive model with the middle motor on 3<sup>rd</sup> place in the category of "Best E-bike" on show ForBikes in Prague in April 2018.

The FY2019 will bring us higher orders from our customers and we have to start with assembly line number 8 and 9 very soon. To produce high quality bikes and deliver them just in time to the market is the main challenge for the FY2019.

# 10. BRANDS OWNED BY BFI

Superior, Rock Machine and Frappé – these bikes are brands owned by BFI which are sold in many European countries. Own development with many unique frames and modern design are important prerequisites for good sales.

In the FY2018 turnover of our own brands was EUR 18,8 million and increased in comparison with the FY2017 by 4%.



Sales of own brands (FY 2015 – 2018 in EUR)

We are supporting our brands a lot and every June a new collection of bikes is presented to our customers on the European Distributor meeting. This year the meeting was held in Slovakia and we had a possibility to show new products to the biggest number of distributors ever and also to dealers from some countries which were invited by distributors.





As every year we also introduced our brands in Friedrichshafen in Germany on the Eurobike exhibition which was this year almost 2 months earlier than in previous years. Our booth was a little bit changed and the exhibition of our bikes, mainly Frappé, was more clear and nicer.



# SUPERIOR

The vision of the Superior brand is to be a European brand, which is perceived and marketed as a quality sports brand.

To accurately understand our customers across Europe, their requirements and needs need to be understood, including small but important details and country differences. We have combined the activities of various departments in Teamwork across BFI. Thanks to Teamwork we create the model line Superior for the FY2019. This collection is highly rated, but also primarily ordered.

The cornerstone of this collection are three basic points:

1. **Ready to Race**
2. **Race image for middle class**
3. **Extend the model line of E-bikes**



## READY TO RACE

The goal for the FY2019 was to prepare models based on customer requirements and expectations. In this mission racing models were created.



Models RR are prepared without further adjustments for the racing start, without any compromises.



## RACE IMAGE

We used brand promotion and positive perception in racing ambience. In the middle class we created the same design and style bikes as for more expensive racing models. That is how we created a family look for the MTB collection while maintaining the same price for middle-class models.

## RACE STYLE

2019

All sports models with the SUP logo



## EXTENDED THE MODEL LINE OF E-BIKES

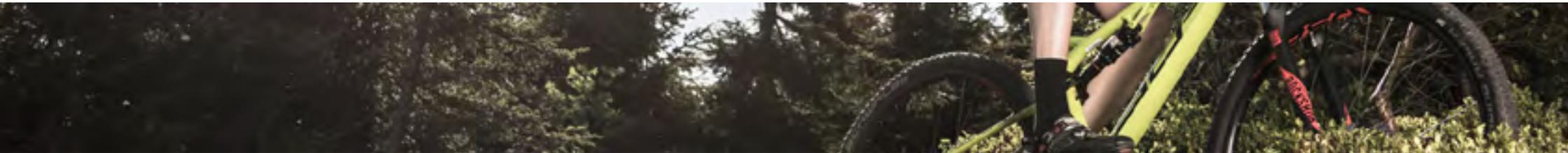
also the E-bike sector, we focused on the end customer and his habits, needs and requirements with the E-bikes using.

### E-BIKES

Focus on individual riders' needs



This is why we have expanded our collection of more expensive full-suspension models for technical riding. But on the other hand, there have been eRX touring models that have become, thanks to their high usability, the bestseller E-bikes of 2019 collection.



Thanks to our close collaboration with our Sales department and the Innovation & Support department, we managed to create a high-quality model line with some of the highlights.



**Bestseller models Superior in the FY2019**

- Team Elite XF
- XP909
- eRX 690 Touring
- Team 27 Junior

These models are not only the basic pillars of the Superior collection but also the basics of models for OEM models.

**NEW TRENDS**

Due to the current situation, there is a strong demand to integrate the battery into the frame to make the bikes “same” look like a standard bike.

In the race environment, there is a trend of increasing the technical difficulty of tracks, which requires a change of geometries and equipment of the MTB bikes.

We see, also from the sales figures point of view, that there is an evident request for a high-quality children bike.

**NEXT STEPS**

For next year the goal is to create a 2<sup>nd</sup> generation of full-suspension frames. These frames platform we are creating for XC race usage, but also we will use the suspension system for new E-bikes.

New E-bikes will be not just with the new suspension system but also with the integrated battery into the frame. In the first step, we will create an integrated battery for top models of E-bikes and as a next step we intend to create a middle class of E-bikes with an integrated battery.

# FRAPPÉ

Due to globalization and an ever-growing awareness of sustainability, the demand for bikes in urban areas is still rising. With the Frappé brand, BFI likes to play a role in this international trend.

Compared to the many competitors aiming for a part of this interesting market, Frappé wants to stand out with producing and selling beautiful, colorful and clean bikes. Frappé combines new trendy frames and tubing with modern and sometimes challenging color combinations. Furthermore, the Frappé bikes select the finest and perfect fitting parts and accessories.

## TARGET GROUP

A Frappé bike feels itself most comfortable in the city. If it is for a relaxing ride, go out for shopping or even for commuting, there is always a perfect Frappé model suiting desired needs.

With the newly developed and introduced Sport Drive system, Frappé offers many interesting and affordable E-bikes, which increases the possibility for anyone to ride an E-bike.

Frappé is focusing on anyone who is bike oriented, for any reason, and likes to distinct himself or herself from the crowd. Biking with a Frappé bike is age-independent!



*Frappé City Classic model*



## MARKETING ACTIVITIES

In the FY2018 BFI introduced the new Sport Drive E-bike system and the corresponding website [www.sportdrive.eu](http://www.sportdrive.eu). This new system has been introduced during the annual BFI-dealer show and it has been shown

on several national and international bike shows. We will continue with showing Frappé models at different national and international events. During the late 2018 BFI will launch a complete new Frappé-website.



*Frappé E-City Classic model with Sport Drive*



*Frappé E-City Sport model with Sport Drive*

# ROCK MACHINE

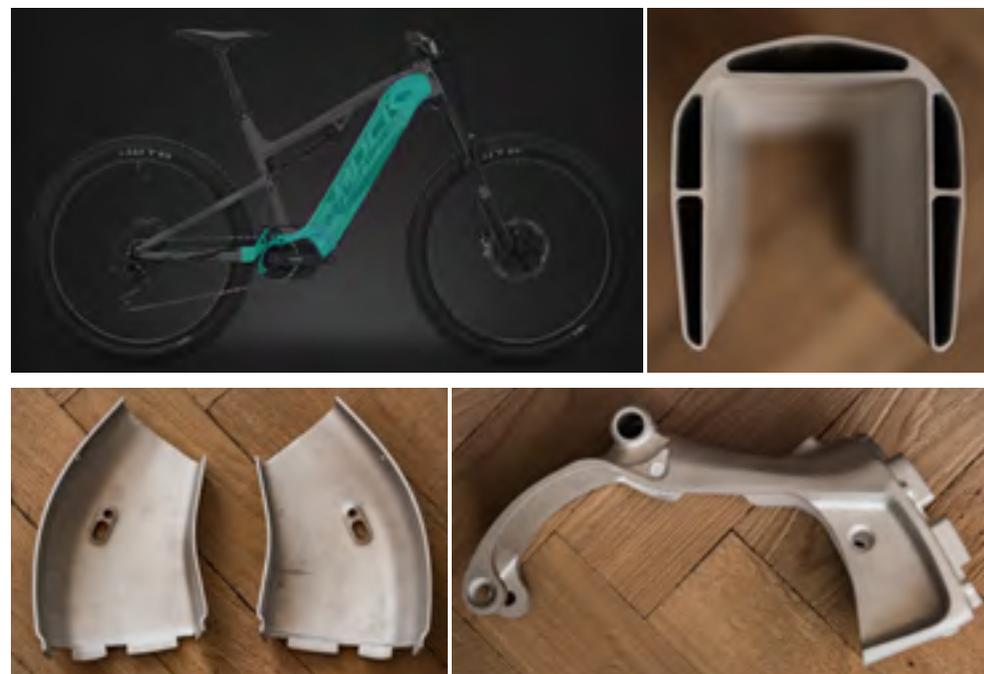
The model year 2018 was launched with the motto #POWERAGE. In other words it means the new stage of the brand Rock Machine begun. With this powerful launch we introduced not only plenty of new models, but technologies and engineering solutions as well for both categories of electric and non-electric bikes.



## IN-HOUSE DEVELOPMENT – FLASH SERIES

Literally, as one of the few brands in the world only, we developed our own downtube mid-section, which is an essential piece of our new

e-Blizzard and e-Blizz frames with a fully integrated battery. In-house developed Advanced Chamber Tubing allowed us to design a super stiff battery bay while keeping the weight within the limits. The unique five chamber tubing is one of its kind in the world to this date.



Thanks to our complex frame innovations new e-Blizzard and e-Blizz share up to 99.9% geometry as their well acclaimed non-electric models. Featuring one of the shortest chain stays on the market, 2018 e-Blizzard and e-Blizz with integrated battery deliver true riding experience with focus on the direct traction, responsive handling and high speed confidence.



On top of that we can proudly declare the above written is simply race proven, because the Rock Machine rider Jiri Fikejz won eMTB Challenge 2018 at Garda, Italy and finished 2<sup>nd</sup> in Germany at the same race series on the Blizzard INT e90-27+ model.





### SPORT DRIVE – ORIGINAL E-SYSTEM BY BFI

Times where the battery and the drive unit were added to slightly modified frame are gone forever. We actually formed our proven Sharkspine EVO frame around the battery and innovative Sport Drive units to get the most satisfying experience no matter if you are riding a mid motor - eMTB or a rear motor - eCross. Still we managed to keep the end consumer prices at a very affordable level for all Sport Drive models.





## PROJECTS FOR THE FY2018 FULL SUSPENSION BIKES – EDGE SERIES (29" WHEELS)

Blizzard platform with 29" wheels is the last piece of puzzle in to the Blizzard family offering. With 120 mm travel on both ends this particular frame design aims on those who demand advantages of the 29" wheel size but do not want to give up easy and precise handling.



## HARDTAIL BIKES – PEAK SERIES

Combining latest industry standards on our in-house developed lightweight carbon frame, new Blizz CRB offers balanced riding position, instant speed and excellent handling for both wheel sizes – 29" and 27.5". The enormous demand from end consumer's side, for this original carbon frame platform, overcame our expectations.



## HARDTAIL BIKES – ANYROAD SERIES

Completely new Anyroad Series is introducing Gravelride models, which feature everything you can expect from bikes of this category: disc brakes & dropper post, plus tires friendly tubing, 1x11 shifting and thru-axles to name few. Based on the reaction from bike medias and end consumers we managed to bring to the market a very much welcome product for adventure seekers.





### HARDTAIL BIKES – TEENS AND KIDS SERIES

We have got two all new platforms to our Teens & Kids Series. A sub 10-kilo Thunder models 20”, 24” and 26” are ready for longer family adventures, where every gram down counts. Bombproof Blizz 16”, 20”, 24” and 26” boasts his bigger brother DNA and aims to young shredders with a bit more ambitious riding style.



In the FY2018 we decreased the number of ambassadors to work with the best only and to raise the quality of photo and video content for social media. This approach is paying off in term of getting new followers on Instagram and Facebook every day.

On the race field we celebrated overall 2<sup>nd</sup> place finish in Enduro World Series 2017 in category Under 21 managed by Rock Machine rider Vojta Blaha who shown his amazing skills and fitness the whole racing season aboard his Blizzard 90-27.

In the race season 2018, after races in Columbia, Chile, Slovenia, France and Italy, Vojta is on the 6<sup>th</sup> place, but focusing to battle for the overall podium finish with last three races ahead.



# 11. OEM CUSTOMERS

## CORTINA AND SHARE BIKES SHORT ARTICLE NEW DEVELOPMENTS/ TRENDS

### CORTINA

The urban lifestyle bike segment is well established in Europe. In the Netherlands this bike segment is covered by the Dutch bicycle brand Cortina.

Cortina has been the BFI's biggest OEM customer in turnover and number of bikes since many years.

Cortina offers trendy city bikes and E-bikes that appeal to young adults and young people and suit their lifestyle. The world of fashion is Cortina's greatest source of inspiration and meanwhile 'fashion' has turned out the firmest foundation of Cortina's bike-styling concepts and success in the market.

Fashion trends are translated into a contemporary bike design, vivid and trendy frame colours and styling details and fashionable bike accessories.

In 2018, Cortina introduced a new bike concept: the Cortina Common bike. Unlike its name, the bike's frame design can be characterized as 'non-common', distinguished, eccentric, challenging and unique.

The Common concept was introduced together with a variety of accessories such as carrier baskets and fashionable carrier bags. On the Eurobike 2018, the Common concept was the award winning 'hip transportation city bike'.



### CORTINA E-BIKES

The newly introduced Cortina E-bike 36 Volt system has landed very well in the market.

The new E-bike system offers a unique riding performance and high system reliability for an affordable, competitive price level. Dealers like the system's modern diagnostic software which allows for fine tuning and setting customized support behaviour of each individual E-bike. Sales figures develop progressively and will further boost our E-bike sales. The outlook looks very promising.



## BIKE SHARING

A relatively new phenomenon in the bike world is the 'shared bike', a public service which provides 'bike rides' to commuters and citizens.

The central concept is to provide free or affordable access to bikes for short-distance trips in an urban area as an alternative to motorised public transport or private vehicles, thereby reducing traffic congestion, noise, and air pollution. Bike-sharing systems can solve the "last mile" problem of the long distance commuters and connect them to public transit networks.

The advantages of shared bikes are that users do not have worries or concerns about theft, vandalism, parking or storage and maintenance.

Nevertheless, the success of the share bike system does not depend so much on the quality and technical configuration of share bikes produced by BFI.

Much more important for a successful rollout is how bike users judge the userfriendliness of the smartphone-app offered by the bike sharing company (our customer) to enter and use the bike sharing services.

And, obviously, the bike sharing companies need to have their IT-infrastructure in place to manage the real-time tracking and tracing of all bicycles in use, the billing to the bike users, the bike maintenance & repair and the logistics to keep a balanced availability of the service throughout the covered urban area.

In the FY2018 BFI has started with 3 bike sharing projects: one E-Bike-To-Go sharing E-bike for a Dutch company and two projects for the cities Trondheim and Bergen for a Norwegian company. For sure both customers will continue with new projects in the FY2019.

This new type of customers comes up with sometimes odd technical requirements. Bike sharing companies generally lack technical knowledge of bikes and therefore are not bike experts. Also BFI needs time to understand the bike sharing market, which requires sturdy, tamper proof bikes with anti-theft provisions and real time wireless connections to the IT-infrastructure of the bike sharing company back office.

Although the bike sharing market seems to be growing, the number of bikes that BFI has produced is still limited. Development costs for bike sharing projects are borne by the customer.



# 12. MARKETING

**BFI** BikeFun International



The marketing department is responsible for presentation and communication of all brands owned by BFI: BFI – bike manufacturer, Superior and Modo, Rock Machine, Frappé and Sport Drive. Currently, a structure of marketing department consists of 2 marketing executive employees: Zuzana Gerykova – responsible for operations and office, Viktor Bolek – responsible for event organization and shop design and Magdalena Klepacka – Marketing Manager. We plan to enlarge the department in the FY2019.

## EUROBIKE AND DISTRIBUTORS MEETING

The FY2018 can be summed up as full of success from the point of view of activities organised by the marketing department. As every year, this year also BFI presented a selection of our Superior, Rock Machine and Frappé brands for the upcoming season at Europe's largest Eurobike Cycling Fair in Friedrichshafen, Germany. BFI's bike brands presentation was at a high level and the feedback from our customers was very positive.

Among the most important, we can certainly include the organisation of Distributors Meeting at the beginning of June 2018. The event took place in Bratislava, Slovakia in X-bionic® congress centre - multifunctional resort for sports and conferences. BFI was one of the first companies on the market who showed to customers full 2019 bike collection of our brands Superior, Rock Machine and Frappé. The Distributors Meeting was attended by the most significant number of our customers in history – more than 130 participants. The collection met with very positive reactions of customers and the whole event was evaluated as a most successful and best organized for the last years.







## SPORT DRIVE PRESENTATION

In the FY2018 the marketing department prepared a presentation of the uniquely designed E-bike system Sport Drive, which is used in Rock Machine and Frappé bikes. It is also offered to OEM customers as an economically effective alternative to currently available solutions on the market. The marketing department was responsible for creating the logo and design manual, preparing online presentations and graphic works for printed materials. In the FY2019, we plan to continue work on the communication of the Sport Drive system and its visual presentation.



## BRANDS STRATEGY

Our goal is to build strong brands our customers want to work with. BFI already started with researches needed to set up a clear strategy for each brand. The next step is to define values and vision and set up processes internally and with external environment – B2B and B2C. In the FY2019 the marketing department will focus on:

### **Clear and unified Brand presentation with a long-term perspective**

Why? This shows a real strength of a brand and we have to be sure that our brands look the same in every country and everyone presents it in the same manner.

### **Communication with customers – B2B system upgrade, newsletter, road shows**

Why? We want to communicate with our customers more often, give them relevant information they need to know the product better, to sale more.

### **Shop design concept**

Why? We believe that better presentation of our product makes them easier to sell, easier to work with.

## SUMMARY

Every year the marketing department has a more essential function in the BFI structure. It is not only about organisation and execution but more about strategic planning and evaluating. The marketing department aims to increase brands image, support excellent products of all BFI's brands and give the sales department tools to boost sale and improve customer service.

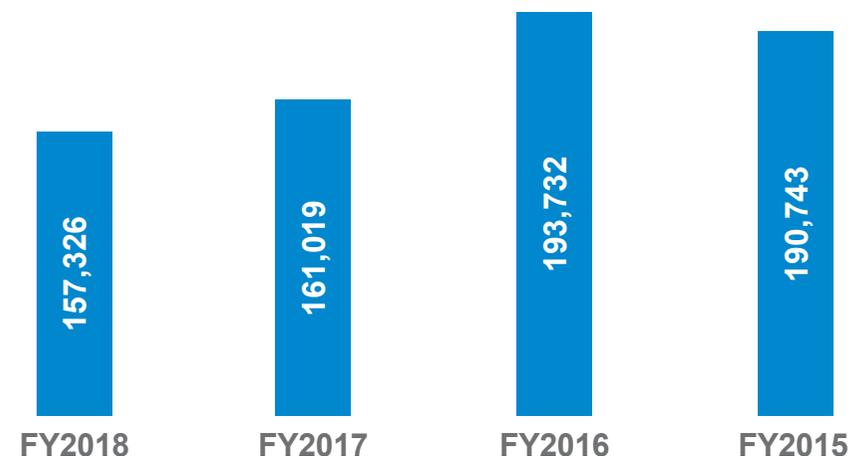
# 13. SALES IN THE FY2018

One of the main goals for the FY2018 was decreasing of the number of bikes on our stock. In total we sold 157,326 bikes with turnover EUR 52.419 million what was a little bit less than last year - but on the other hand, we sold 14 795 bikes more than we produced in the FY2018 and achieved the goal to decrease significantly the level of bikes on our stock.

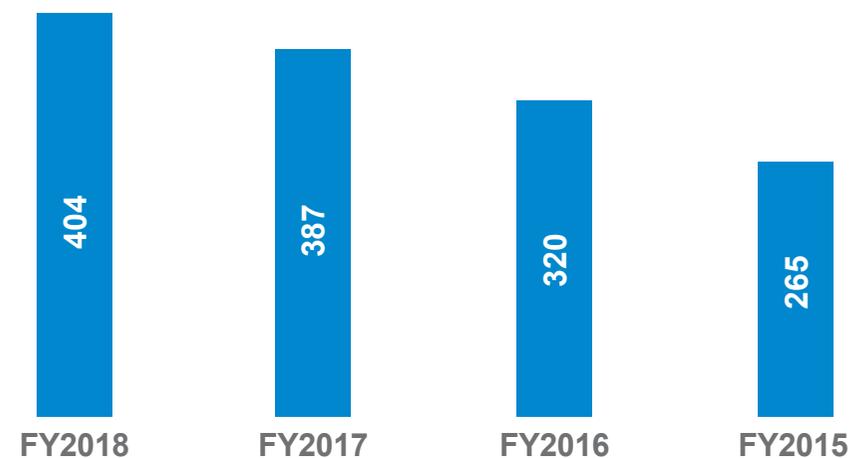
After the FY2017 our distributors had a lot of bikes on their stocks and the goal of them was same as our main goal and therefore they were more careful with ordering of new bikes. It was the main reason why we produced less bikes in the FY2018.

Due to good weather in whole Europe a lot of bikes were already sold in April and May 2018 and the situation on stock of our business partners is much better than one year ago. It is promising if we are looking forward to the new season and we expect much higher orders from our customers in the FY2019.

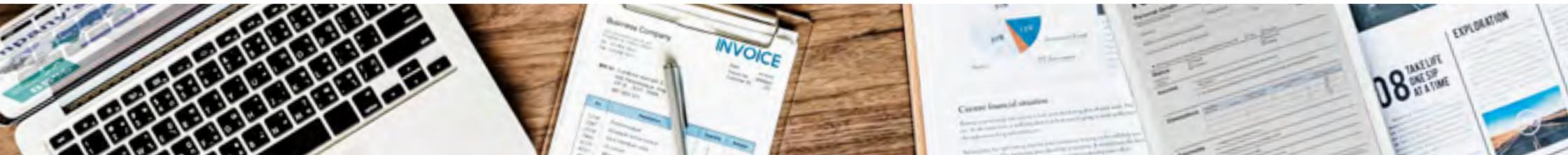
Although we sold less bikes turnover of our own brands increased by 4% and the average price of sold Superior, Rock Machine and Frappé bike was higher by 4% in comparison with the previous fiscal year as well. More expensive bikes and E-bikes were sold in the FY2018 in bigger quantities again and this is a good signal for sales in next years.



Quantity of sold bikes BFI (FR 2015 – 2018 in pcs)



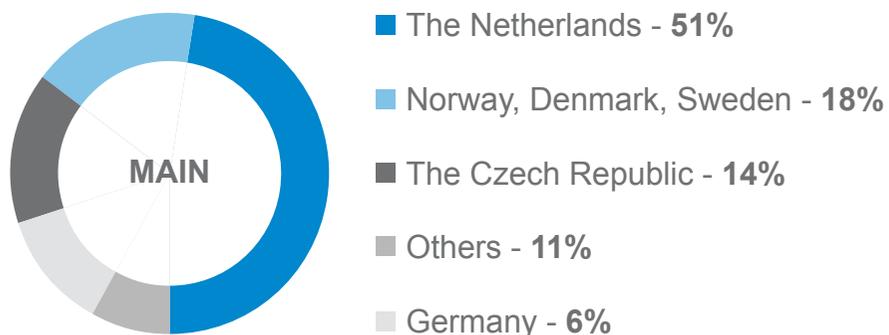
Average price of sold bikes our brands (FR 2015 – 2018 in EUR)



In the FY2018 we sold more bikes in Scandinavia and especially in Sweden we rapidly increased the sales. We still see extra space for selling of even more bikes in Nordic countries and would like to increase our market share there.

The percentage of sold bikes in the Netherlands little bit increased in comparison with last year and we found very good distributor and sold much more Superior bikes there than last seasons. Czech Republic and Germany are still one of our key markets and we are trying to find the way how to increase sales in Poland, UK and Switzerland where we feel the potential for future.

### SALES 2018 PER TERRITORY (in %)



We are selling our bikes in more than 20 countries in serious quantities. Our TOP 10 customers are from different regions.

In the FY2018 we more than doubled the quantity of sold bikes in Italy and Sweden. We would like to find new long-term distributors and partners in some countries as for example in the UK or France. This is the goal for our sales representatives who are in direct daily contact with our customers.

We are continuing in development of new E-bikes what is the main segment for future sales. In our own brands we have much more models of E-bikes now and our portfolio is really huge. The quantity of sold E-bikes was increased in the FY2018 and this trend will continue for sure in the FY2019.

In June 2018 we produced first bikes with rear and middle motor of our own E-bike system called Sport Drive and we continue in production of many Shimano STePS middle motor models which will be even widen in the FY2019 when Shimano introduces 2 new middle motors.

# 14. OUTLOOK FOR 2018

## OUTLOOK FOR 2019

Turnover and profit in the FY2018 were not good and this is simply not enough and must be improved.

Every year we are facing new challenges. The FY2018 has been one of the most difficult years for BFI and not easy to explain why. Sometimes several unpleasant points come together in one year. Besides quality issues from which the Continental belt was by far the worst, in combination with changing several main suppliers, terrible late deliveries from suppliers, lack of employees and many other issues, we were taking care of many issues and could not focus on real business. Luckily, we have been solving a lot and we do not believe they will happen again.



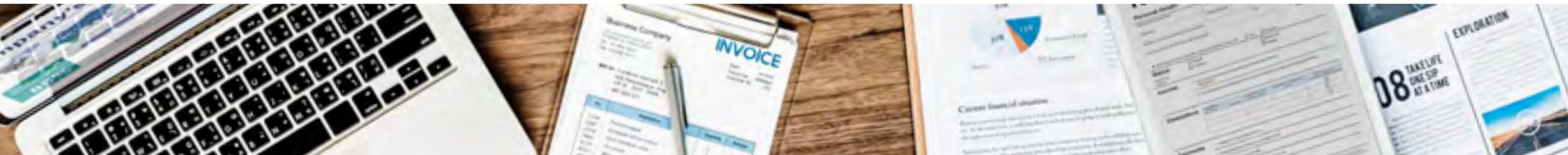
Quantity of sold E-bikes BFI (fiscal years 2015 – 2018 in pcs)

## The most important difficulties have been:

1. Not enough employees to produce ordered bikes
2. Unstable supply chain

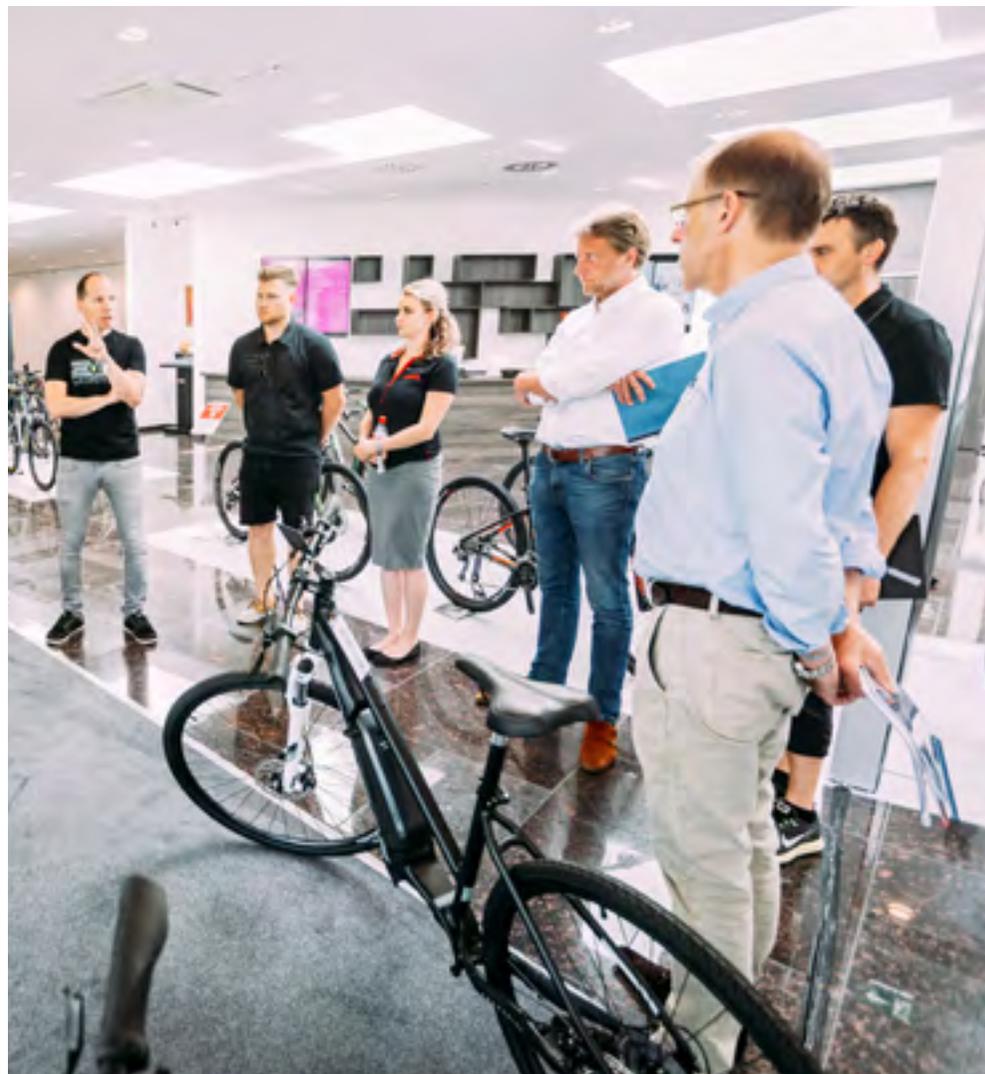
We started the FY2018 with the idea to bring our finished products stock down, what we did, but expected to have more or less same turnover and acceptable profit, what we both did not achieve.

During the FY2018 we really tried hard to do fast improvement for both important issues, but we simply did not manage to produce (E-) bikes which we had to produce. At the end of June 2018 we simply had still not produced a quantity of (E-)bikes of roughly 12,500, majority of which could have been sold. Producing on time would give extra turnover CZK 90 million (9,000 bikes) and production value CZK 26 million (3,500 bikes extra on stock most probably), because many customers were asking to have the bikes. We believe that we improved a lot and the first signs for the FY2019 are very positive. During the months July and August we produced on schedule with 7 assembly lines. In July and August 2017 we produced 11,346 (E-) bikes and the same period in the FY2019 in total 17,208! We still have to increase production seriously and start the assembly line number 8 and 9 on short notice. Our plans are to start the assembly line number 8 in the middle of September 2018 and 1 month later the assembly line number 9. In total our orders including forecast are above 190,000 bikes and E-bikes to be produced from 1 July 2018 till the end of June 2019!



We are running several internal projects such as supply chain in combination with sales planning and improved capacity planning. Over the last months since early June we are producing according to the plan. We expect our supply chain will be more stable, because we take more care together with our partners in Far East. The majority of suppliers are the same and we did not change many products and both will help to keep our production plan.

The outlook for the FY2019 is very challenging - we have to produce many products and if we do, turnover will be highest ever. To have enough workers we decided to have 17 new workers from Cuba and run in total 9 assembly lines. The main goal is to focus of all in BFI on employees, how to keep them and especially give attention and train them, to be sure we will produce over 190,000 bikes and E-bikes.



## Company Profit & Loss Account in EUR Actual 30 June 2018

	FY2018	FY2017	FY2016	FY2015
Bike Revenues	52,419	54,725	57,473	46,416
Sales goods	1,575	1,236	275	352
Sales materials	649	818	1,138	797
Revenues- rent	11	12	18	24
Other Revenues	318	395	194	304
<b>Total Revenues</b>	<b>54,972</b>	<b>57,187</b>	<b>59,098</b>	<b>47,892</b>
Change in Inventories	(2,625)	2,771	4,511	1,489
<b>Total production value</b>	<b>52,347</b>	<b>59,958</b>	<b>63,609</b>	<b>49,381</b>
Cost of Bike Revenues	(38,735)	(44,861)	(46,883)	(35,278)
Cost of Sales goods	(1,426)	(1,129)	(252)	(310)
Cost of Sales materials	(420)	(588)	(939)	(661)
Cost of Revenues rent	(26)	(25)	(21)	(16)
Cost of Other Revenues	(12)	(11)	(5)	(8)
<b>Total direct Cost of Sales</b>	<b>(40,620)</b>	<b>(46,614)</b>	<b>(48,100)</b>	<b>(36,274)</b>
<b>Gross Margin</b>	<b>11,728</b>	<b>13,345</b>	<b>15,510</b>	<b>13,108</b>
Payroll costs	(4,418)	(4,180)	(4,021)	(3,101)
Social insurance	(1,562)	(1,503)	(1,426)	(1,111)
Services	(3,493)	(3,563)	(4,584)	(3,775)
Taxes and fees	(25)	(24)	(22)	(19)
Other operating expenses	(621)	(557)	(435)	(763)
Depreciation receivables/stock	50	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>(10,068)</b>	<b>(9,827)</b>	<b>(10,488)</b>	<b>(8,769)</b>

## Company Profit & Loss Account in EUR Actual 30 June 2018

	FY2018	FY2017	FY2016	FY2015
<b>EBITDA</b>	<b>1,659</b>	<b>3,518</b>	<b>5,022</b>	<b>4,338</b>
Amortisation	(178)	(213)	(246)	(261)
Depreciation	(891)	(969)	(841)	(656)
<b>Total Amort/Depr</b>	<b>(1,068)</b>	<b>(1,183)</b>	<b>(1,087)</b>	<b>(917)</b>
<b>EBIT</b>	<b>591</b>	<b>2,336</b>	<b>3,935</b>	<b>3,422</b>
Result on foreign exchange	215	833	(429)	(893)
Interest income	1	3	4	7
Interest Senior Debt	(63)	(81)	(87)	(68)
Interest Subordinated Debt	-	-	-	(29)
Interest on Short Term debt	(271)	(346)	(281)	(202)
<b>Net Financial expenses</b>	<b>(119)</b>	<b>410</b>	<b>(794)</b>	<b>(1,185)</b>
<b>EBT</b>	<b>472</b>	<b>2,745</b>	<b>3,142</b>	<b>2,236</b>
Income tax on ordinary activities	(57)	(512)	(574)	(523)
Net income ordinary activities	415	2,234	2,567	1,713
Extr. Expense against provisions	(26)	60	(59)	8
<b>Extraordinary results after tax</b>	<b>(26)</b>	<b>60</b>	<b>(59)</b>	<b>8</b>
<b>Net earnings</b>	<b>389</b>	<b>2,294</b>	<b>2,508</b>	<b>1,721</b>

## Company Balance Sheet in EUR Actual 30 June 2018

ASSETS	FY2018	FY2017	FY2016	FY2015
Goodwill	80	151	173	171
Other intangibles	18	97	204	329
<b>Intangible fixed assets</b>	<b>98</b>	<b>248</b>	<b>377</b>	<b>500</b>
Buildings & Land	5,360	5,456	5,367	4,636
Machinery & Equipment	1,547	1,405	1,634	1,388
Other tangibles	158	164	205	141
<b>Tangible fixed assets</b>	<b>7,066</b>	<b>7,025</b>	<b>7,206</b>	<b>6,165</b>
Participations	24	-	-	-
<b>Financial fixed assets</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FIXED ASSETS</b>	<b>7,188</b>	<b>7,273</b>	<b>7,582</b>	<b>6,665</b>
Raw Materials	9,283	6,246	7,986	8,767
Work in progress	1,567	1,609	2,032	1,413
Finished goods	8,600	11,729	8,459	4,690
Prepayments to suppliers	73	66	-	-
<b>Inventories</b>	<b>19,524</b>	<b>19,650</b>	<b>18,478</b>	<b>14,869</b>
Trade receivables	11,342	12,892	8,693	6,914
Due from taxes etc.	532	-	-	-
Other debtors	160	(41)	13	61
Prepayments	224	173	337	464
<b>Receivables</b>	<b>12,259</b>	<b>13,024</b>	<b>9,043</b>	<b>7,439</b>
Cash at bank and in hand	21	47	21	10
<b>Total Cash items</b>	<b>21</b>	<b>47</b>	<b>21</b>	<b>10</b>
<b>TOTAL CURRENT ASSETS</b>	<b>31,803</b>	<b>32,721</b>	<b>27,542</b>	<b>22,319</b>
<b>TOTAL ASSETS</b>	<b>38,992</b>	<b>39,994</b>	<b>35,124</b>	<b>28,984</b>

## Company Balance Sheet in EUR Actual 30 June 2018

<b>EQUITY &amp; LIABILITIES</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>	<b>FY2015</b>
Share capital	1,265	1,265	1,265	1,265
Revaluation reserve	142	(58)	(1)	55
Exchange rate reserve	219	209	158	152
Legal reserves	148	147	142	142
Retained earnings A.P.	11,519	9,878	7,529	6,172
Net earnings crt year after dividend	(389)	1,553	2,031	1,321
<b>Equity</b>	<b>12,902</b>	<b>12,994</b>	<b>11,124</b>	<b>9,106</b>
Provision for deferred tax	4	11	22	(14)
Provision for others	44	102	492	138
Provision for holiday	269	241	291	268
Provision for profit tax	105	245	154	271
<b>Total provisions</b>	<b>423</b>	<b>599</b>	<b>959</b>	<b>663</b>
Bike Fun Nederland BV	-	-	-	1,100
<b>Total Subordinated Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100</b>
Total Long term senior debt	2,490	3,445	3,902	3,248
<b>Total Long term senior debt</b>	<b>2,490</b>	<b>3,445</b>	<b>3,902</b>	<b>3,248</b>
Bank overdrafts	17,889	18,594	14,971	9,607
Accounts payable trade	2,887	1,810	1,653	3,342
Current portion senior debt	958	983	866	576
Other short term debt	19	11	12	9
Taxes and social security	692	642	781	641
Factoring	731	917	857	693
<b>Short term debt</b>	<b>23,176</b>	<b>22,956</b>	<b>19,139</b>	<b>14,867</b>
<b>EQUITY AND LIABILITIES</b>	<b>38,992</b>	<b>39,994</b>	<b>35,124</b>	<b>28,984</b>
<b>Exchange rate CZK/EUR</b>	<b>26.02</b>	<b>26.20</b>	<b>27.13</b>	<b>27.25</b>