

2019

Micro-Star Netherlands Holding B.V.
located, Son en Breugel
Annual accounts 2018



21 MAR 2019

Mazars Accountants N.V.
Initialed
for identification purposes only

21 March 2019

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DIRECTOR'S REPORT



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Micro-Star Netherlands Holding B.V.
Son en Breugel

21 March 2019

DIRECTOR'S REPORT

The director's report is available at the office of the company.



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CONSOLIDATED FINANCIAL STATEMENTS



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Micro-Star Netherlands Holding B.V.
Son en Breugel

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

(Before appropriation of result)

		2018		2017	
x 1,000		€	€	€	€
ASSETS					
FIXED ASSETS					
TANGIBLE FIXED ASSETS	1				
Buildings and land		4.213		4.367	
Other fixed assets		521		429	
Fixed assets in progress		<u>29</u>		<u>163</u>	
			4.763		4.959
FINANCIAL FIXED ASSETS					
Other financial fixed assets	2		<u>230</u>		<u>100</u>
Accumulated fixed assets			<u>4.993</u>		<u>5.059</u>
CURRENT ASSETS					
RECEIVABLES					
Trade debtors	3	8.330		8.140	
Receivables from group companies		2.786		2.817	
Taxes and social security premiums	4	1.204		746	
Other receivables	5	<u>2.378</u>		<u>2.001</u>	
			14.698		13.704
FINANCIAL CURRENT ASSETS					
	6		2.388		-
CASH AT BANK AND IN HAND					
	7		<u>6.048</u>		<u>11.991</u>
Accumulated current assets			<u>23.134</u>		<u>25.695</u>
			<u>28.127</u>		<u>30.754</u>

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		2018		2017	
x 1,000		€	€	€	€
LIABILITIES					
GROUP EQUITY	8		16.989		20.112
SHORT-TERM LIABILITIES					
Accounts payable		593		596	
Liabilities to related companies	9	8.189		7.789	
Taxes and social security premiums		159		-	
Other liabilities and accrued expenses	10				
		<u>2.197</u>		<u>2.257</u>	
			11.138		10.642

28.127

30.754

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CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2018

x 1,000		2018		2017	
		€	€	€	€
	NET TURNOVER	11	75.296		67.468
	Cost of raw materials		53.579		47.395
	Wages and salaries		10.274		9.918
	Social security premiums		1.740		1.654
	Pension contributions		251		192
	Depreciation of intangible and tangible fixed assets		458		429
	Other operating expenses		<u>7.901</u>		<u>7.415</u>
	Total operating expenses		74.203		67.003
	OPERATING RESULT		1.093		465
	Other interest and similar income		8		637
	Interest and similar expenses		<u>-969</u>		<u>-363</u>
	Financial income and expense		-961		274
	CONSOLIDATED RESULT OF ORDINARY ACTIVITIES BEFORE TAXATION		132		739
	Taxation	12	<u>-87</u>		<u>-196</u>
	NET CONSOLIDATED RESULTS AFTER TAXATION		45		543
	Translation difference foreign participations		<u>-168</u>		<u>-34</u>
	ACCUMULATED RESULT LEGAL ENTITY		<u>-123</u>		<u>509</u>

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NOTES TO THE FINANCIAL STATEMENTS OF THE CONSOLIDATED ANNUAL REPORT

ENTITY INFORMATION

REGISTERED ADDRESS AND REGISTRATION NUMBER TRADE REGISTER

The registered and actual address of Micro-Star Netherlands Holding B.V. is Science Park Eindhoven 5706, 5692 ER in Son en Breugel. Micro-Star Netherlands Holding B.V. is registered at the Chamber of Commerce under number 17108749.

GENERAL NOTES

THE MOST IMPORTANT ACTIVITIES OF THE ENTITY

Micro-Star Netherlands Holding B.V. and its group companies primarily are engaged in the wholesale trade and marketing of computer products. Sales take place both domestically and internationally, whereby the countries in the European Union are the most important markets.

DISCLOSURE OF GROUP STRUCTURE

The company is a wholly owned subsidiary of Micro-Star International Co., Ltd. in Taipei, Taiwan. Other subsidiaries owned by Micro-Star International Co., Ltd., excluding those owned by the company are referred to as affiliated companies. Copies of the consolidated financial statements of Micro-Star International Co. Ltd. are available at cost at the office of Micro-Star Netherlands Holding B.V.

DISCLOSURE OF ESTIMATES

In applying the principles and policies for drawing up the financial statements, the directors of Micro-Star Netherlands Holding B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

DISCLOSURE OF CONSOLIDATION

The consolidation includes the financial information relating to group companies and other legal entities controlled by Micro-Star Netherlands Holding B.V. or where central management is conducted. Group companies are entities in which Micro-Star Netherlands Holding B.V. exercises direct or indirect control base on shareholding of more than one half of the voting rights, or of which it has the authority to govern otherwise their financial and operating policies. Potential voting rights that can be exercised directly from the balance sheet date are also taken into account. The consolidated financial statements have been prepared in accordance with the accounting principles of Micro-Star Netherlands Holding B.V.

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Group companies and other entities in which Micro-Star Netherlands Holding B.V. exercises control or whose central management it conducts are consolidated in full. Participating interests in group equity and group result are disclosed separately. Participating interest over which no control can be exercised (associates) are not included in the consolidation.

Intercompany transactions, profits and balances among group companies and other consolidated entities are eliminated, unless these results are realised through transactions with third parties. Unrealised losses on intercompany transactions are also eliminated, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

The consolidated companies are listed below:

MSI Computer Europe B.V., The Netherlands, 100%
Mystar Computer B.V., The Netherlands, 100%
MSI Computer SARL, France, 100%
MSI Technology GmbH, Germany, 100%
MSI Computer (UK) Limited., United Kingdom, 100%
MSI Polska SPO, Poland, 100%
MSI Bilgisayar Ve Teknoloji Ltd. STI, Turkey, 100%
LLC MSI Computer, Russia, 100%
MSI Italy, S.r.l., Italy, 100%

A share of 1% of MSI Polska SPO, MSI Computer LLC and MSI Bilgisayar Ve Teknoloji Ltd. STI is held by MSI Computer Europe B.V.

THE APPLICATION OF ARTICLE 402

Since the income statement for 2017 and 2018 of Micro-Star Netherlands Holding B.V. are included in the consolidated financial statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2 of the Dutch Civil Code.

DETAILS OF RELATED PARTY TRANSACTIONS

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of Micro-Star Netherlands Holding B.V. or the ultimate parent Corporation and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other Information is disclosed if this is necessary in order to provide the required insight.

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GENERAL ACCOUNTING PRINCIPLES

THE ACCOUNTING STANDARDS USED TO PREPARE THE FINANCIAL STATEMENTS

The consolidated financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

The valuation principles and method of determining the results are the same as those used in the previous year. For presentation purposes, where applicable, prior-year figures have been restated for comparison purposes. All the amounts in the consolidated report are shown in EUR 1,000, unless presented otherwise.

CONVERSION OF AMOUNTS DENOMINATED IN FOREIGN CURRENCY

Items included in the financial statements of group companies are measured using the currency of the primary economics environment in which the respective group company operates (the functional currency). The financial statement is presented in euros, which is the functional and presentation currency of Micro-Star Netherlands Holding B.V.

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the consolidated profit and loss account, unless hedge accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Translation differences on intragroup long-term loans that effectively constitute an increase or decrease in net investments in a foreign operation are directly recognised in equity as a component of the legal reserve for translation differences.

Translation differences on foreign currency loans contracted to finance a net investment in a foreign operation are recognised in the legal reserve for currency translation differences if and when such loans effectively hedge the exchange rate exposure on that net investment in a foreign operation.

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FOREIGN CURRENCY TRANSLATION FOR THE BALANCE SHEET

GROUP COMPANIES

Assets, liabilities, income and expenses of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of these subsidiaries and translated at the closing rate. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

OPERATING LEASES

The corporation has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the corporation. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the consolidated profit and loss account for the duration of the contract.

FINANCIAL INSTRUMENTS

Financial instruments be both primary financial instruments, such as receivables and payables, and financial derivatives.

Securities included in financial and current assets are stated at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading, as well as derivatives of which the underlying object is listed on a stock exchange. All other on-balance financial instruments are carried at (amortised) cost.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an at arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and/or option pricing models, making allowance for entity-specific inputs.

RISK MANAGEMENT FINANCIAL INSTRUMENTS

GENERAL

The main financial risks the group is exposed to are the currency risk, the interest rate risk, the credit risk and the liquidity risk. The group's financial policy is not to use financial instruments to reduce the impact of currency risk. The interest rate risk mainly relates to the related party intercompany account with the 100% shareholder Micro Star International Co., Ltd.

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CURRENCY RISK

Products are sold to customers in foreign countries in varying currencies, meaning the company does have assets and liabilities that are denominated in currencies other than the functional currency. The preferred currency is the Euro, followed by USD. The company maintains an USD currency account, and at the company's discretion, may convert or keep cash in USD, whichever is more beneficial to the company. The exchange rate risks are monitored on a daily basis. As a consequence management is of the opinion that the currency risk is limited.

INTEREST RATE RISK

The interest rate risk mainly relates to the party intercompany account with the 100% shareholder Micro-star International Co., Ltd. Management considers the interest rate risk as limited as this is an intercompany loan.

CREDIT RISK

Credit risk mainly refers to the risk relevant to the outstanding receivable balance arising from wholesale trading transactions. The company has credit insurance to reduce the credit risk. There are appropriate limits and controls to guard against excessive exposure to delinquent customers.

For each new client, the credit risk is analyzed before the payment and delivery terms and conditions are offered. Individual credit limit is set based on internal and external ratings. The utilization of credit limit is monitored regularly. The control assesses the credit quality of the client. Credit risk on trade receivables with external customers is taken into account by reserving the bad debt allowances.

LIQUIDITY RISK

Periodically, liquidity budgets are prepared. Liquidity risks are controlled through interim monitoring and possible adjustments. The company manages liquidity risks actively to ensure there are sufficient funds available for both short-term and long-term operations.

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ACCOUNTING PRINCIPLES

LAND AND BUILDINGS

Land and buildings are valued at historical cost plus additional costs or production cost less straight-line depreciation based on the expected useful life. Land is not depreciated. Impairments expected on the balance sheet date are taken into account. With regard to the determination as to whether a tangible fixed asset is subject to an impairment, please refer to the relevant section.

Costs for periodical major maintenance are charged to the result at the moment they arise.

OTHER TANGIBLE ASSETS

Other tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments. Subsidies on investments will be deducted from the historical cost price or production cost of the assets to which the subsidies relate.

FINANCIAL ASSETS

Participations, over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If and insofar as Micro-Star Netherlands Holding B.V. can be held fully or partially liable for the debts of the participation, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired participations are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participation is recognised in the consolidated profit and loss account.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

In the event of an impairment loss, valuation takes place at the recoverable amount; an impairment is recognised and charged to the consolidated profit and loss account.

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NON-CURRENT ASSETS

Other receivables presented under financial assets include deposits and other receivables that will be held to their maturity date. These receivables are initially measured at fair value and subsequently carried at amortised cost.

IMPAIRMENT OF NON-CURRENT ASSETS

On each balance sheet date, Micro-Star Netherlands Holding B.V. assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realisable value and the value in use.

An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

Micro-Star Netherlands Holding B.V. assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

RECEIVABLES

Receivables are initially valued at the fair value of the consideration to be received. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. Provisions for bad debts are deducted from the carrying amount of the receivable.

CURRENT SECURITIES

Securities which are held for trading are carried at fair value after initial recognition. Changes in the fair value are recognised directly in the consolidated profit and loss account.

Securities classified under the current assets have a maturity of less than twelve months.

CASH AND CASH EQUIVALENTS

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is valued at nominal value.

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GROUP EQUITY

EQUITY

REVALUATION RESERVE

If revaluations have been recognised in the revaluation reserve after the deduction of relevant (deferred) tax liabilities, the gross result of the realised revaluations is recognised in the income statement. The corresponding release of the (deferred) tax liabilities is charged to the operating result as tax on the result from ordinary business activities.

PROVISIONS

Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. Provisions for pension are valued on the basis of actuarial principles. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.


PROVISIONS FOR PENSION OBLIGATIONS

Micro-Star Netherlands Holding B.V. has a number of pension schemes to which the provisions of the Dutch Pension Act ('Pensioenwet') are applicable. Micro-Star Netherlands Holding B.V. pays premiums based on (legal) requirements, a contractual or voluntary basis to pension funds and insurance companies. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

Based on the administration agreement it is assessed whether and, if so, which obligations exist in addition to the payment of the annual contribution due to the pension provider as at balance sheet date. These additional obligations, including any obligations from recovery plans of the pension provider, lead to expenses for the company and are included in a provision on the balance sheet. With final salary pension plans an obligation (provision) for (upcoming) past service is included if future salary increases have already been defined as at balance sheet date.

The pension provision is valued at its best estimate. The obligation includes the present value of the expenditures that are probably required to settle. The present value factor is the current interest rate of high-quality corporate bonds. If the obligation is due within a year, the obligation is not discounted. Additions and withdrawals from the pension provision are recognised in the income statement.

Additions to and release of the obligations are recognized in the profit and loss account. A pension receivable is included in the balance sheet when the company has the right of disposal over the pension receivable and it is probable that the future economic benefits which the pension receivable holds will accrue to the company, and the pension receivable can be reliably established.

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As at year-end 2018 (and 2017) no pension receivables and no obligations existed for the group in addition to the payment of the annual contribution due to the pension provider.

CURRENT LIABILITIES

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

ACCOUNTING PRINCIPLES FOR DETERMINING THE RESULT

The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

REVENUE RECOGNITION

Net turnover represents amounts invoiced for goods and services supplied during the financial year reported on, net of discounts and value added taxes.

Revenues ensuing from the sale of goods are accounted for when all major entitlements to economic benefits as well as all major risks have transferred to the buyer. The cost price of these goods is allocated to the same period.

Revenues from services are recognized in proportion to the services rendered. The cost price of these services is allocated to the same period.

WAGES

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Micro-Star Netherlands Holding B.V. applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the result. Changes in the pension provision are also charged to the result. Please also refer to the valuation principles for assets and liabilities, under Provision for pensions. Reference is also made to the relevant notes with respect to pension schemes of foreign subsidiaries.

APPLIED POLICY OF PENSION COSTS

Micro-Star Netherlands Holding B.V. applies the liability approach to account for all pension schemes. The premium payable during the reporting year is recorded as an expense. Changes in the pension provision are also charged to the result. The contributions are recorded as personnel costs from the date that they become payable. Prepaid contributions are reported as accrual if this results in a repayment or a reduction in future payments. Contributions that are not yet paid are included as a liability in the balance sheet.

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AMORTISATION OF INTANGIBLE ASSETS AND DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Tangible fixed assets are depreciated or amortised from the date of initial use over the expected future economic life of the asset, while taking into account any applicable restrictions with respect to buildings, investment property, other tangible fixed assets and capitalised goodwill. Land is not depreciated.

Future depreciation and amortisation is adjusted if there is a change in estimated future useful life. Gains and losses from the occasional sale of property, plant or equipment are included in depreciation.

OTHER OPERATING EXPENSES

Selling expenses and general and administrative expenses comprise costs chargeable to the year that are not directly attributable to the cost of the goods and services sold.

FINANCIAL INCOME AND EXPENSES

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur, unless hedge-accounting is applied.

INCOME TAX EXPENSE

Tax on the result is calculated based on the result before tax in the consolidated profit and loss account, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

CASH FLOW STATEMENT

Based on the DAS 360.104 the company did not prepare a cash flow statement. The ultimate parent company Micro-Star International Co. Ltd located in Taiwan prepared a consolidated financial statement 2018 which includes a consolidated cash flow statement 2018. Micro-Star International Co. Ltd is listed on the Taiwan Stock Exchange (TWSE) and the financial statement 2018 is available at the financial supervisory commission (FSC) in Taipei, Taiwan.

NOTES TO THE CONSOLIDATED BALANCE SHEET

FIXED ASSETS

1 TANGIBLE FIXED ASSETS

	Buildings and land	Other fixed assets	Fixed as- sets in pro- gress	Total
x 1,000	€	€	€	€
Balance as at 1 January 2018				
Acquisition costs	8.664	2.400	163	11.227
Cumulative depreciation	-4.297	-1.971	-	-6.268
Book value as at 1 January 2018	<u>4.367</u>	<u>429</u>	<u>163</u>	<u>4.959</u>
Investments	67	173	29	269
Depreciation	-271	-187	-	-458
Reclassification	50	-	-50	-
Disposals	-	-1.028	-113	-1.141
Disposals cumulative depreciation	-	1.134	-	1.134
Balance movements	<u>-154</u>	<u>92</u>	<u>-134</u>	<u>-196</u>
Balance as at 31 December 2018				
Acquisition costs	8.781	1.545	29	10.355
Cumulative depreciation	-4.568	-1.024	-	-5.592
Book value as at 31 December 2018	<u>4.213</u>	<u>521</u>	<u>29</u>	<u>4.763</u>
Depreciation percentages	<u>4%</u>	<u>20%</u>	<u>0%</u>	

	2018	2017
x 1,000	€	€
2 OTHER FINANCIAL FIXED ASSETS		
Other financial fixed assets (primarily relates to deposits)	<u>230</u>	<u>100</u>

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x 1,000	2018
	€
OTHER FINANCIAL FIXED ASSETS (PRIMARILY RELATES TO DEPOSITS)	
Book value as at 1 January	100
Movements	130
Book value as at 31 December	<u>230</u>

RECEIVABLES

3 TRADE DEBTORS

The trade debtors are short-term in nature and include an amount of EUR 6 (2017: EUR 55) for a provision for bad debts.

x 1,000	2018	2017
	€	€
4 TAXES AND SOCIAL SECURITY PREMIUMS		
Value added tax	809	595
Company tax	-	30
Current income tax	395	121
	<u>1.204</u>	<u>746</u>

5 OTHER RECEIVABLES

Prepaid expenses	1.084	387
Other receivables	1.294	1.614
	<u>2.378</u>	<u>2.001</u>

Of the other receivables € 1,251 are receivables at related parties (2017: € 1,459).

x 1,000	2018	2017
	€	€
6 SECURITIES		
Securities held for trading	<u>2.388</u>	-

7 CASH AT BANK AND IN HAND

Cash balances are at free disposal of the group.

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8 GROUPEQUITY

Reference is made to the note on shareholders' equity in the company only financial statements.

SHORT-TERM LIABILITIES

9 LIABILITIES TO RELATED COMPANIES

The liabilities to affiliated companies mainly relate to the shareholder Micro-Star International Co., Ltd. No interest is charged on these balances.

CONTINGENT ASSETS AND LIABILITIES

THE OFF-BALANCE SHEET LIABILITIES RELATING TO THE FISCAL UNITY

The company is the head of the Dutch fiscal unity with MSI Computer Europe B.V. and Mystar Computer B.V. for corporate income tax purposes and is part of the Dutch Fiscal unity with MSI Computer Europe B.V. for VAT purposes. For that reason it is jointly and severally liable for tax liabilities of the whole fiscal unity.

Income taxes are processed on a stand alone basis in the respective annual accounts.

OFF-BALANCE SHEET COMMITMENTS RELATING TO GUARANTEES

As of December 31, 2018 the legal entities that are part of the group granted guarantees amounting to EUR 100 (2017: EUR 100).

DISCLOSURE OF OPERATING LEASES

The group entered into lease contracts for buildings with varying terms. The obligations from leases at the end of the reporting period can be specified as follows:

Obligations to pay:

Within one year EUR 419

After one year EUR 1,206

Over five years EUR 15

Total EUR 1,640

The group entered into lease contracts for vehicles with varying terms. The obligations from leases at the end of the reporting period can be specified as follows:

Obligations to pay:

Within one year EUR 106

After one year EUR 83

Total EUR 189

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

11 NET TURNOVER

	2018	2017
	€	€
x 1,000		
GEOGRAPHIC SEGMENTATION TURNOVER		
Benelux	63.655	56.821
Rest of Europe	11.641	10.647
	<u>75.296</u>	<u>67.468</u>

AVERAGE NUMBER OF EMPLOYEES

2018

	Active within the Netherlands	Active outside the Netherlands	Total
Sales and marketing	46,00	105,00	151,00
Repair and logistical services	30,00	112,00	142,00
Administration and other	25,00	17,00	42,00
Average number of employees	<u>101,00</u>	<u>234,00</u>	<u>335,00</u>

2017

	Active within the Netherlands	Active outside the Netherlands	Total
Sales and marketing	49,00	88,00	137,00
Repair and logistical services	32,00	119,00	151,00
Administration and other	22,00	21,00	43,00
Average number of employees	<u>103,00</u>	<u>228,00</u>	<u>331,00</u>

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	2018	2017
	€	€
x 1,000		
INTEREST AND SIMILAR EXPENSES		
Exchange rate result	8	-363
Interest income	-	2
Interest expense	-5	-3
Other	-60	63
Result on securities	-903	575
Total	-960	274

During the financial year, no financial income and expense was related to affiliated companies.

12 TAXATION

Income tax expense from current financial year	-32	-196
Income tax expenses from previous financial years	-55	-
	-87	-196
	%	%
Effective tax rate	24,20	26,50
Applicable tax rate	25,00	25,00

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COMPANY-ONLY FINANCIAL STATEMENTS



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COMPANY-ONLY BALANCE SHEET AS AT 31 DECEMBER 2018

(Before appropriation of result)

ASSETS

		2018		2017	
x 1,000		€	€	€	€
FIXED ASSETS					
TANGIBLE FIXED ASSETS	13		3.049		3.227
FINANCIAL FIXED ASSETS	14		8.690		11.051
CURRENT ASSETS					
RECEIVABLES					
Trade debtors		-		4	
Taxes and social security premiums		395		113	
Other receivables		<u>1.083</u>		<u>1.135</u>	
			1.478		1.252
FINANCIAL CURRENT ASSETS			2.388		-
CASH AT BANK AND IN HAND			1.524		5.025
			<u>17.129</u>		<u>20.555</u>

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LIABILITIES

		2018		2017	
		€	€	€	€
x 1,000					
SHAREHOLDERS' EQUITY	15				
Issued share capital	16	1.102		4.102	
Revaluation reserves	17	114		114	
Legal reserve and currency translation reserve	18	-1.215		-1.047	
Other reserve		16.943		16.400	
Result for the year		<u>45</u>		<u>543</u>	
			16.989		20.112
SHORT-TERM LIABILITIES	19		140		443

17.129

20.555

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COMPANY-ONLY ABRIDGED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2018

	2018		2017	
x 1,000	€	€	€	€
Result of participations	902		309	
Company result after taxes	-857		234	
Net result after taxation		45		543

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NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY-ONLY ANNUAL REPORT

GENERAL ACCOUNTING PRINCIPLES

THE ACCOUNTING STANDARDS USED TO PREPARE THE FINANCIAL STATEMENTS

The company-only financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes.

The valuation principles and method of determining the results are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections. Prior-year figures have been restated for comparison purposes.

NOTES TO THE BALANCE SHEET

ASSETS

FIXED ASSETS

13 TANGIBLE FIXED ASSETS

	Buildings and land €	Other fixed assets €	Total €
x 1,000			
Balance as at 1 January 2018			
Acquisition costs	5.758	143	5.901
Cumulative depreciation	-2.594	-80	-2.674
Book value as at 1 January 2018	<u>3.164</u>	<u>63</u>	<u>3.227</u>
Investments	-	26	26
Depreciation	-174	-30	-204
Balance movements	-174	-4	-178
Balance as at 31 December 2018			
Acquisition costs	5.758	169	5.927
Cumulative depreciation	-2.768	-110	-2.878
Book value as at 31 December 2018	<u>2.990</u>	<u>59</u>	<u>3.049</u>
Depreciation percentages	<u>4%</u>	<u>20%</u>	

	2018 €	2017 €
x 1,000		
14 FINANCIAL FIXED ASSETS		
Participations in group companies	8.688	11.066
Other financial fixed assets	<u>2</u>	<u>-15</u>
	<u>8.690</u>	<u>11.051</u>

FINANCIAL FIXED ASSETS

	Participa- tions in group com- panies	Other financial fixed assets	Total
	€	€	€
x 1,000			
Balance as at 1 January 2018	11.066	-15	11.051
	-	15	15
Investments	-	2	2
Result for the year	902	-	902
Dividend received from participations	-3.280	-	-3.280
Balance as at 31 December 2018	<u>8.688</u>	<u>2</u>	<u>8.690</u>

REGISTER OF PARTICIPATIONS

	Share in is- sued capital in %	Sharehol- ders' equity	Result
		€	€
x 1,000			
Mystar Computer B.V., The Netherlands	100,00	3.838	441
MSI Computer Europe B.V., The Netherlands	100,00	1.241	137
MSI Computer SARL, France	100,00	1.422	135
MSI Technology GmbH, Germany	100,00	-	-24
MSI Computer (UK) Limited, United Kingdom	100,00	355	45
MSI Polska SPO, Poland	100,00	925	65
MSI Bilgisayar Ve Teknoloji Ltd. STI, Turkey	100,00	-3	-
LLC MSI Computer Russia, Russia	100,00	865	75
MSI Italy S.r.l., Italy	100,00	45	28

MSI Computer (UK) Ltd, Company Registration Number 04089303, a subsidiary of our company, is taking advantage of exemption from audit in accordance with Section 479A of the Companies Act 2006 of United Kingdom.

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15 SHAREHOLDERS' EQUITY

Movements in equity were as follows:

	Issued share capital	Revaluation reserves	Legal reserve and currency translation reserve	Other reserve	Result for the year
x 1,000	€	€	€	€	€
Balance as at 1 January 2018	4.102	114	-1.047	16.400	543
Result for the year	-	-	-	-	45
Appropriation of result	-	-	-	543	-543
Capital decrease	-3.000	-	-	-	-
Currency translation differences	-	-	-168	-	-
Balance as at 31 December 2018	1.102	114	-1.215	16.943	45
				Total	
x 1,000				€	
Balance as at 1 January 2018					20.112
Result for the year					45
Appropriation of result					-
Capital decrease					-3.000
Currency translation differences					-168
Balance as at 31 December 2018					16.989

16 ISSUED SHARE CAPITAL

Per January 1, 2018 Micro-Star Netherlands Holding B.V. had issued and paid up 1,577,762 shares representing a value of EUR 4,102 million with a nominal amount of EUR 2.60. During 2018 the shareholders determined to reduce share capital EUR 3 million by withdrawal of 1,153,762 shares each share having a nominal amount of EUR 2.60. Per December 31, 2018 Micro-Star Netherlands Holding B.V. had issued and paid up 424.000 shares representing a value of EUR 1,102 million with a nominal amount of EUR 2.60.



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17 REVALUATION RESERVE, HEDGED

In 2004 Mystar Computer B.V. sold land to Micro-Star Netherlands Holding B.V. Before this transaction Mystar Computer B.V. revaluated this land. As a result of this, the revaluating of the land is released into the other reserves by Mystar Computer B.V. Therefore Micro-Star Netherlands Holding B.V. has formed a revaluation reserve on the participation. No deferred tax position has been included for the revaluation.

18 LEGAL RESERVE AND CURRENCY TRANSLATION RESERVE

This reserve is required by the French law. It is 10% of the issued capital of the group company MSI Computer SARL.

The currency translation reserve is obligatory in accordance with Dutch-GAAP for translation differences of group companies denominated in another functional currency.

	2018
x 1,000	€
LEGAL RESERVE	
Balance as at 1 January	73
	-
Balance as at 31 December	<u>73</u>
	2018
x 1,000	€
CURRENCY TRANSLATION RESERVE	
Balance as at 1 January	-1.120
Currency translation differences	-168
Balance as at 31 December	<u>-1.288</u>

19 SHORT-TERM LIABILITIES

The current liabilities include an amount due to group companies of EUR 40 (2017: EUR 96). No interest is charged on the liabilities.

PROPOSAL APPROPRIATION OF RESULT

The management of the company proposes to appropriate the result as follows:

The appropriation of profit for the year 2018 in the amount of EUR 45 will be added to in full to the other reserves.

This proposal needs to be determined by the General Meeting and has therefore not yet been processed in the annual accounts 2018 for the company.

NOTES TO THE COMPANY-ONLY PROFIT AND LOSS ACCOUNT

Remuneration of directors

In accordance with article 2:383 of The Netherlands Civil Code remuneration of the sole statutory director is not disclosed.

Auditor's remuneration

In 2018 the audit fee for the financial statement amounts to EUR 33 In 2017 the audit fee for the financial statement amounted EUR 26.

Son en Breugel, 21 March 2019

Hsu, Hsiang

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OTHER INFORMATION



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OTHER INFORMATION

PROVISIONS OF THE ARTICLES OF ASSOCIATION RELATING TO PROFIT APPROPRIATION

Article 19 of the Articles of Association states that the net result is at the disposal of the Annual Meeting of Shareholders. If in any year it is apparent from the profit and loss account that a loss has been incurred which cannot be covered from a reserve or settled in any other way, no dividend will be paid out in the following years until such a loss has been made up.



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INDEPENDENT AUDITOR'S REPORT

To the board of directors of Micro-Star Netherlands Holding B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2018 of Micro-Star Netherlands Holding B.V., based in *San en Breugel*.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Micro-Star Netherlands Holding B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 December 2018;
2. the consolidated and company profit and loss account for 2018; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Micro-Star Netherlands Holding B.V. in accordance with the *Wet toezicht accountantsorganisaties* (Wta, Audit firms supervision act), the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the *Verordening gedrags- en beroepsregels accountants* (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management board's report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

FLIGHT FORUM 760 - P.O. Box 8692 - 5605 KR Eindhoven
TEL: +31 88 277 17 00 - EINDHOVEN@MAZARS.NL

MAZARS ACCOUNTANTS N.V.

WITH ITS REGISTERED OFFICE IN ROTTERDAM (TRADE REGISTER ROTTERDAM NR 24402415)

Praxity
ALUMNER
ONDERZOEK
INDEPENDENT



Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

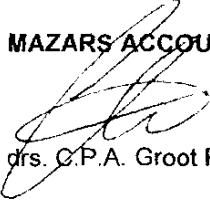
- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk 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;
- obtaining 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management'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 a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Eindhoven, 21 March 2019

MAZARS ACCOUNTANTS N.V.


drs. C.P.A. Groot RA

Initials for identification purposes:

