

CERTICON

ANNUAL REPORT FOR 2018



CERTICON



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1. INTRODUCTION

Dear shareholders, business partners, employees and friends,

The year 2018 was another successful one for CertiCon a.s. That is true despite certain problems it had to overcome and which were caused primarily by the freeing up of the Czech crown's exchange rate and the situation on the labour market. The company nevertheless was completely stable in its operations and moderate growth continued in all important parameters.

In recent years, CertiCon has matured into an internationally respected company providing its customers a wide range of services in software design, development and testing, as well as design and verification of integrated circuitry.

CertiCon's work today is thus grounded especially in three types of activities:

- a) co-sourcing in the area of software design, development and testing, which is distinguished by its great flexibility in deploying the company's capacities and by high-quality work;
- b) its proprietary, in-house research; and
- c) development of its proprietary products and services drawing upon the HW design department.

CertiCon's employees are focused on leading-edge technologies in such areas as clouds, mobile computing systems, multi-agent systems, and embedded systems. They endeavour always to combine SW and HW solutions to best advantage and thereby to create substantial added value.

The company succeeded during 2018 to expand its business activities with existing long-term partners (Medtronic, Frequentis, and Bosch), to substantially extend the developing cooperation with ZF in Germany, and initiate long-term cooperation with Airbus Group. The year 2018 brought stabilization in the company's activities abroad, particularly in the USA but also in the EU-15. We achieved overall service and product sales of almost CZK 534 million, a small gain of CZK 1 million over 2017. Meanwhile, total operating revenue rose to ca CZK 571.1 million, which represents a 2.3% gain over 2017.

In 2018, CertiCon supported its efforts in developing proprietary products by substantially strengthening two product teams, particularly in the areas of computer vision (CertiConVis) and optimization of planning and scheduling processes (EPIQA). The development of a system for semi-automated biosignal processing (the product Cyber PSG) continued. This product was submitted for testing at Mayo Clinic, Rochester, Minnesota, USA.

The company substantially concentrated the activities of its Applied Research Department on issues related to its own, proprietary products. Considerable problem-solving capacities were required by the EU's DIGICOR project, focused on knowledge integration of a large manufacturer's supplier network (with the first case study being for Airbus Industries). The company also developed exceptionally valuable know-how acquired in implementing the EU's ARUM project in previous years.

Total applied research spending for 2018 was CZK 25 million, of which CertiCon covered CZK 5.9 million with its own funds.

From a sector viewpoint, the company is focused on the automotive industry, medical technologies, and life-critical applications in communications and transport. Its activities are directed most of all to software for life-critical applications. In this area, it is positioned as a leading provider of consulting, outsourcing, and especially co-sourcing services in the Czech Republic. This has been documented, for example, in publications by CzechInvest, a state agency supporting business and investments, as well as by the company's representation of the Czech Republic through invited lectures at international forums.

A stabilizing factor is the company's continuously developing ECDL (European Computer Driving Licence) activities, carried out in close cooperation with the Czech Society for Cybernetics and Informatics.

In supporting the Czech Technical University Media Lab Foundation, CertiCon is partnering with an organization that aims to assist the best students at Czech technical universities to work on high-level research projects. CertiCon enabled the Foundation to locate its e-Club accelerator at the company's new premises free of charge. In return, among the expected benefits for CertiCon will be access to the results as well as to young experts who will be crucial for achieving new and innovative solutions in future.

Successful implementation of the quality management system in compliance with ISO 9001:2000 and the ISO 13485:2003 quality management system for development of medical devices fundamentally influences

the company's internal operations and perceptions among its customers. ISO 13485:2003 certification has been shown further to enhance its competitiveness in the important SW and HW segment.

In addition to its high quality standards, another factor unquestionably contributing to CertiCon's international business success is the competitive level of its services. This is achieved especially by continuous training and raising the employees' qualifications through language courses and professional training. Also of no small importance is its close cooperation with top universities, both domestically within the Centre for Applied Cybernetics and abroad through submitting and implementing EU research projects. CertiCon has strengthened its connection, too, with the prestigious Austria-based Christian Doppler system of research laboratories in cooperation with the Vienna University of Technology. CertiCon is a part of two laboratories financed by the Christian Doppler Research Association. Collaboration was strengthened with the excellent New Technologies for the Information Society research unit at the Faculty of Applied Technology, University of West Bohemia in Pilsen, and the CIIRC (Czech Institute of Informatics, Robotics, and Cybernetics) at the Czech Technical University. Expert cooperation was reinforced also with the Technical University of Ostrava and University of Ostrava.

We dedicated extraordinary attention to the processes of managing the growing company. A matrix management structure was rigorously implemented throughout the company. CertiCon's management is aware that all the achievements described above have been made possible by the active contributions from all the company's employees. The matrix structure is expected to further improve human resources management through the introduction of line managers.

CertiCon is continuously seeking capable, dynamic, highly qualified professionals. To facilitate this, it has established branches outside of Prague, in Czech regional cities. A new branch in Olomouc was opened during 2018.

In 2019, the Pilsen branch will be moved to a new location at the Hamburk Building, featuring facilities corresponding to the highest standards. The Prague branch will also be expanded in 2019 with additional spaces in the sixth story of the Blox building.

Being aware of its corporate social responsibility, CertiCon has decided to support certain sports and cultural events. We also support our employees in their sports, cultural, and social activities in the forms of teambuilding, training and the like.

As confirmed by positive evaluations from key partners, we are committed to ensuring our customers' satisfaction. I hope and believe they will continue to view CertiCon as a stable, enduring and reliable partner.

Our long-time ambition is to be a Czech company doing high-quality work in areas requiring high professional qualifications and based on research cooperation with universities. We strive to be a company where employees are satisfied in their work and will see their own growth and future prospects. We endeavour to see all share our values and vision for the company, and that includes our vision for social responsibility. We make every effort to keep strongly focused not only on customer satisfaction but also on the satisfaction of our own employees. We want them to pride themselves in the fact that, through their efforts, they contribute to building a unique company with strong technological capacities and capabilities.

I believe that once again in 2019 our employees will fulfil the main mission of our company as expressed in the sentence: **"Connecting information technology with the real world to make a better life for all of us!"**

I look forward to another successful year!

Prague, 12 May 2019

*Prof. Ing. Vladimír Mařík, DrSc., dr.h.c.,
Chairman of the Board of Directors*

2. CONTACTS

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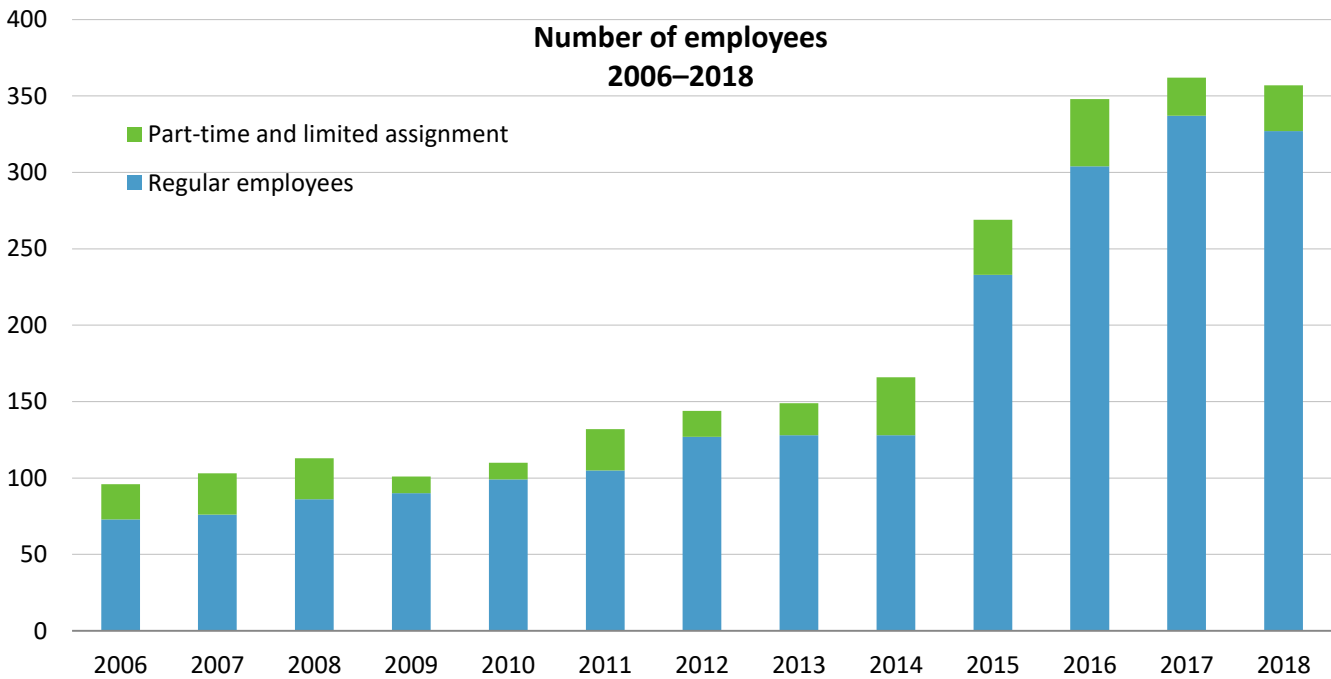


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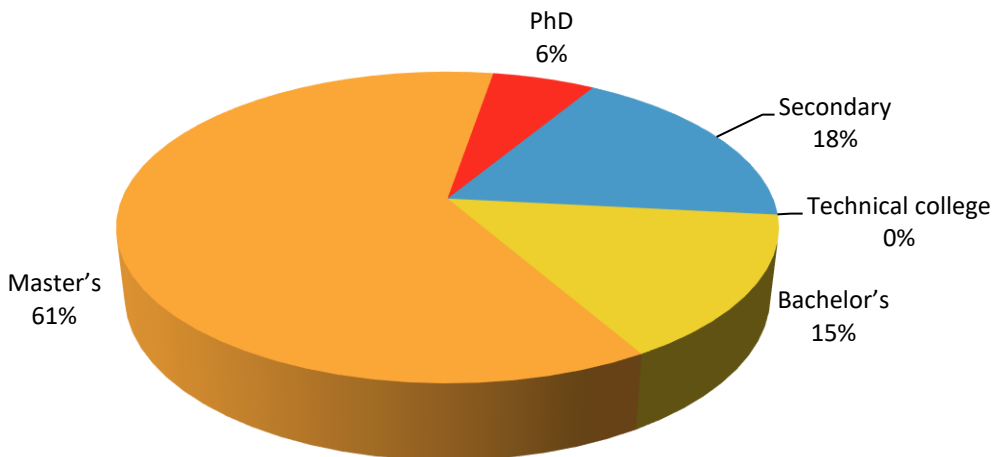
3. THE COMPANY’S ORGANIZATION AND PERSONNEL

Personnel working for CertiCon as of 31 December 2018 totalled 357. With respect to type of contractual relationship, as of that date there were 327 regular employees under employment contract and 30 personnel under agreements outside an employment relationship (so-called “part-time limited workers” and “limited assignment workers”). The average annual full-time equivalent number of personnel was 318. Development in the number of employees through recent years is shown in the bar graph. As can be seen, there was a slight decrease in 2018.

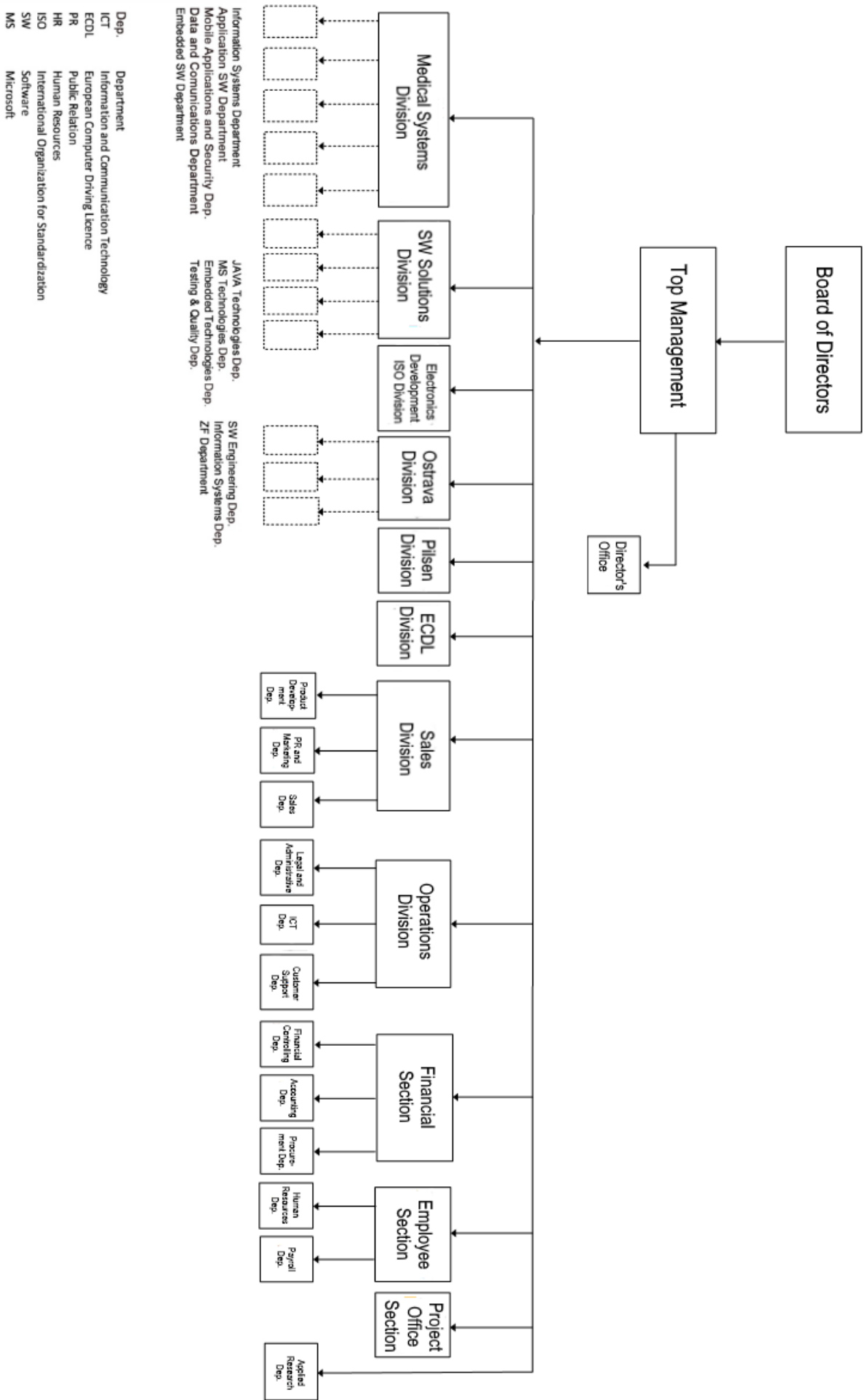


A long-term priority aim of the company is to concentrate capacities for accumulating top-notch technological know-how and therefore to employ in particular highly qualified, individually trained professionals. Such orientation is confirmed by statistics as to the highest levels of educational attainment among the employees and management. As shown in the pie chart, 82% of employees have university educations (Bachelor’s degree and higher).

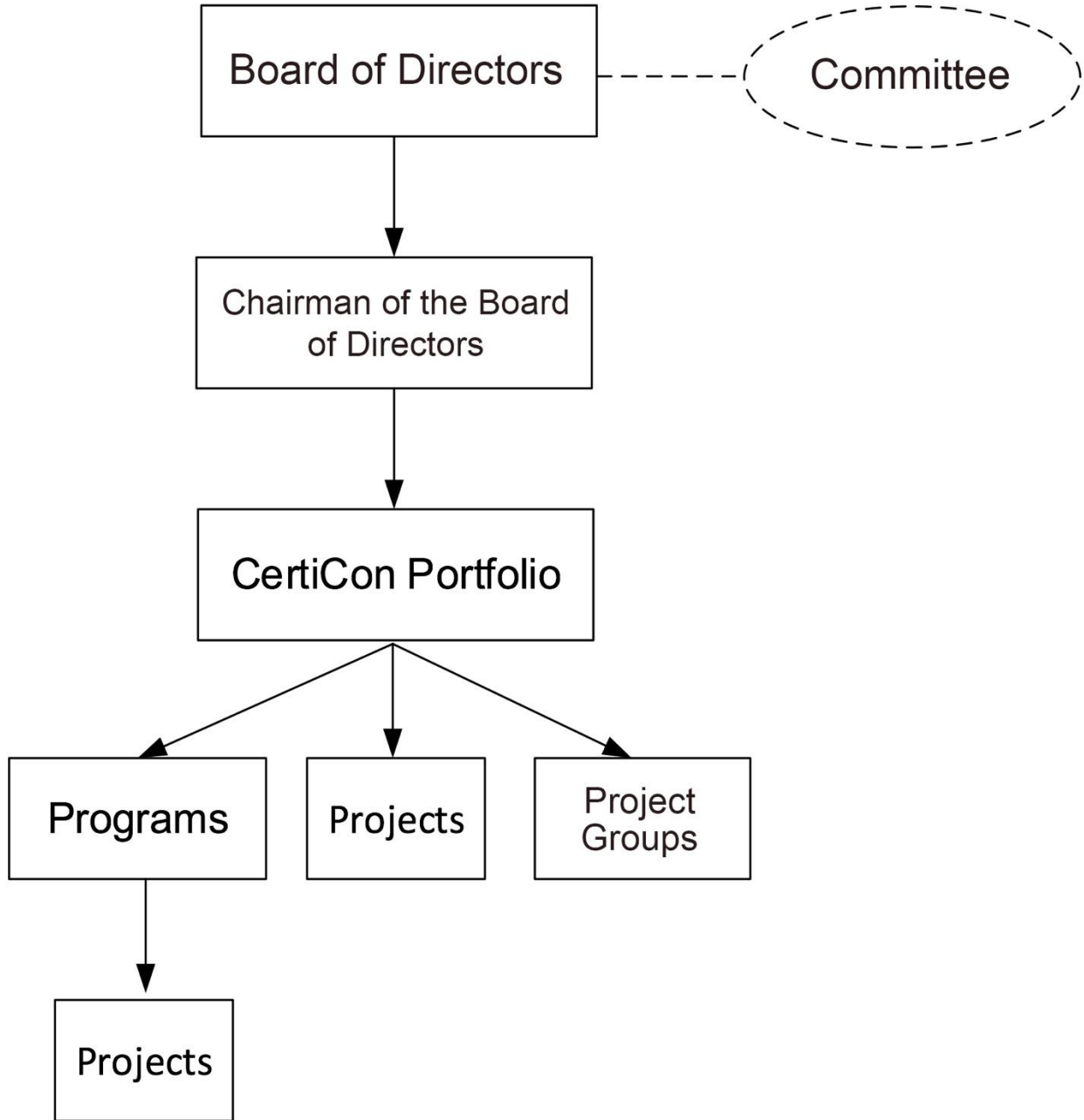
Employees’ educational attainments as of 2018



Organizational structure valid in 2018 (line structure)



Organizational structure valid in 2018 (project-based structure)



4. QUALITY MANAGEMENT SYSTEMS

4.1. ISO 9001:2015 QUALITY MANAGEMENT SYSTEM AND ISO 13485:2016 MEDICAL DEVICES – QUALITY MANAGEMENT SYSTEM

CertiCon is fully aware of its organizational context as well as the needs and expectations of stakeholders, and it is managing risks in accordance with ISO 9001.

The principle of the ISO 13485 standard is compliance with law and appropriate technical standards in order to ensure maximum possible safety of the developed medical devices. The ISO 13485 quality control system has already been used by the company for many years in developing medical devices.

Compliance of the implemented quality management system with the requirements of the ISO 9001 and ISO 13485 standards was confirmed by compliance audit in 2018. All the system's requirements of the company are reasonable and fully supported by the company's management.



The scope of ISO 9001 certification covers activities in the following areas:

1. Design, research and development, testing, diagnostics, and supply of programming products, including provision of related consulting, outsourcing and other services.
2. Design, research, development, and production of analogue, digital, and mixed-signal electronic circuits, including provision of related consulting and outsourcing services.

The scope of ISO 13485 certification covers design, research and development, testing, and diagnostics of software and electronic circuitry (area of Active Medical Devices), including related consulting and outsourcing services.

4.2. ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEMS AND ISO 18001:2007 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS

Environmental protection and occupational health and safety are inseparable aspects of CertiCon's fulfilling its corporate social responsibility. The company has established procedures not only for handling chemicals but also for separating waste. This applies for all four locations where the company has operations. All activities in environmental protection and occupational health and safety are supported by the management. Compliance of the implemented quality management system with the requirements of the ISO 14001 and ISO 18001 standards was confirmed by a compliance audit in 2018. All the system's requirements of the company are reasonable and fully supported by the company's management.

In 2019, the company will undergo certification pursuant to the new occupational safety standard ISO 45001 occupational health and safety management system which will replace the current ISO 18001. There occurred no serious workplace accident or emergency during 2018.

The company's contribution to protection of the environment is summarized in the table below, which states the amounts of separated waste electronic and electric equipment (WEEE) which is handed over to the ASEKOL compliance scheme. At the same time, the company enables its employees to turn in their WEEE into red containers at the workplace.

Year	WEEE handed in (t)	Electricity savings (MWh)	Water savings (m ³)	Oil savings (m ³)	NO production reduction (t)	Primary materials savings (t)	Reduction in greenhouse gas output (t CO ₂ -eq.)
2013	0.273	6.62	25.28	0.47	5.24	0.12	1.22
2014	0.697	16.00	63.00	1.10	13.00	0.00	3.00
2015	0.024	0.58	2.22	0.04	0.46	0.01	0.11
2016	0.041	0.99	3.80	0.07	0.79	0.02	0.18
2017	1.011	24.00	95.00	1.68	19.00	0.00	4.00



The scope of ISO 14001 and 18001 certification covers all of the company's activities and employees.

5. THE COMPANY'S PRINCIPAL ACTIVITIES

CertiCon a.s. has long been focused on analysis, design, creation, and testing of software; design, verification, and testing of integrated circuits; and research activities especially in systems supporting decision-making and management. An all-embracing motto pertaining to the company's activities is to provide its customers services with high added value, doing so comprehensively across the entire life cycle of the product or service. The company is grounded in its own research potential, which was substantially reinforced during 2015–2017, and on the knowledge of its employees. Such efforts demand in particular qualified experts, superior equipment, and well-managed processes for continuously adopting into practice the fruits of research and development. This strategy is substantially reflected in the cost structure, wherein personnel expenses, hardware and software costs, and outlays on applied research and development constitute the majority of expenditure items.

The principal services customers are foreign European and US firms operating internationally. Domestically, the state administration and municipalities are the main customers. In recent years, however, Czech private firms (ProfConsult, Jablotron, Passengera) as well as Czech branches of international firms (IBM, Asekol, ZF, Ingersoll Rand) have begun to feature among domestic customers.

Medtronic (USA), Robert Bosch (UK), and Frequentis (Austria) remained the largest foreign customers in 2018.

A large proportion of domestic activities consist in organizing the ECDL concept in the Czech Republic along with technical IT support of this concept in the Czech Republic and Slovakia.

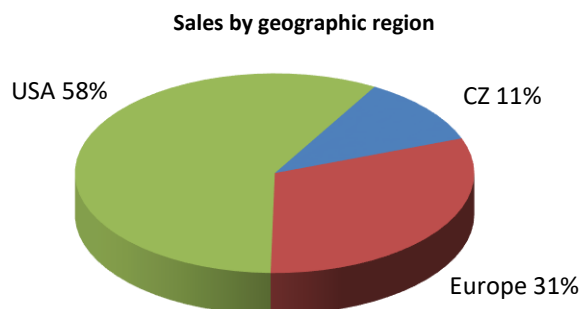
Domestically, the company focuses on such large state administration customers as the General Directorate of Customs (Ministry of Finance) and customers from the private sector, such as IBM Česká Republika.

Research activities, including participation in applied research projects within projects co-financed by the Czech Republic and European Union, comprise a considerable part of CertiCon's activities. In 2018, several rather extensive applications were submitted for projects of the Ministry of Industry and Trade, Technology Agency of the Czech Republic, Ministry of the Interior, and EU to be carried out in coming years.

Active participation in the national project of the Centre for Applied Cybernetics III – a long-term project of the Technology Agency of the Czech Republic – also is important, because it provides CertiCon the possibility to contribute to contemporary scientific knowledge in the areas of automation and artificial intelligence while utilizing that same knowledge to develop unique solutions for its customers. CertiCon became an important industrial partner to the Cybernetics and Artificial Intelligence National Centre of Competence financed by the Technology Agency of the Czech Republic and coordinated by the Czech Institute of Informatics, Robotics, and Cybernetics at the Czech Technical University.

CertiCon has been a full member of the prestigious Christian Doppler Laboratory "Software Engineering Integration for Flexible Automation Systems" in Austria since 1 January 2010, and, together with the Vienna University of Technology and the Austrian firm Logi.cals, it is participating in developing a general tool for design and implementation of SCADA systems. The Laboratory's activities, including CertiCon's participation, are co-financed by the Austrian government. From 2017, CertiCon became a member of another Christian Doppler Laboratory "Model-Integrated Smart Production".

An indispensable component of technological development on the one hand and support of technology transfer on the other is cooperation with the ČVUT Media Lab Foundation, wherein CertiCon a.s. is among the founding partners. So, too, is support to individual start-up companies, such as Health Helm in Boston, nova-met, s.r.o. in Šumperk, and Passengera, s.r.o. in Prague. CertiCon a.s., along with its parent company SynergyCon, a.s., has established a long-term strategy for cooperation with start-ups as well as for supporting them with expertise and investment.



5.1. TECHNICAL DEVELOPMENT – PRODUCTS

5.1.1. **CertiConVis** – SW application for real-time image data analysis

CertiConVis (CCV) is software that analyses images from a camera system in real time or from a recording. At CCV's core is sophisticated software for computer vision. CCV processes video transmission, recognizes situations within a scene, and immediately informs the user in case of suspicious behaviour. In real-time, CertiConVis provides routine and advanced sophisticated methods of image analysis from static shots, series of static shots, video recordings, and live video transmission from cameras. It enables users to set up rules for alarms relating to various parts of the scene and times. The CertiConVis sales article is a server application with all necessary SW so that any IP camera system can be connected. CertiConVis also provides an interface for accessing analytical information and for administration. CertiConVis is suitable for use both on-premises and in CLOUD mode.

- In 2018, CertiConVis was successfully introduced to the market primarily in the preferred form of sales through distributors. Among others, the following sales activities elaborated in 2017 were successfully implemented:
 - Český aeroholding – an important contract totalling CZK 37 million for implementing CCV in the security area of the Václav Havel Airport in Prague, with potential further expansion of the delivery in the order of CZK millions
 - Police Presidium of the Czech Republic – software for merging events from recordings
 - The trend of growing interest in CertiConVis was very apparent again in 2018, when we began to see positive effects especially from the favourable reference for the successful delivery to Český aeroholding. There is increasing interest in distribution sales from partners and also in potential direct sales, in particular as a part of the SmartCity project that meets such needs of municipalities as analysing online streams and/or recordings from security cameras and cameras monitoring traffic volumes.
 - The crux of our activities during 2018 was the successful finalization of contractually securing projects posted by state organizations:
 - Prague Airport (see Český aeroholding above) – software for monitoring of public and non-public premises of the airport in real time and from recordings. This project has already been physically completed.
 - Police Presidium of the Czech Republic – software for merging events from recordings. We successfully won the tender and signed the framework agreement upon the basis of which the CCV system will be progressively delivered to all regional headquarters of the Police of the Czech Republic.
 - In the remaining part of 2018, we focused on both commercial entities, such as shopping malls and industrial enterprises, as well as on government administration entities within the SmartCity project and protecting cultural monuments. These activities resulted in, for example, a contract with the Prague 9 Municipal Office for delivery of CCV for analysing streams from cameras of the municipal camera system and a successfully completed pilot project for CCV delivered by M2C for analysing streams from cameras in a Lidl supermarket.
 - We continued in the process of establishing long-term business partnerships with entities focusing on these same market segments and with a product that may create a more comprehensive analytical system in combination with CertiConVis. The first real implementation of this system is planned cooperation with QuantaSoft in face recognition. If this partnership will be finalized, it will be a typical example of joining know-how and creation of unique products and tools that will extend the range of services and increase sales potential in the areas of monitoring and security.
 - In the context of developing CertiConVis, we continue in optimizing the deployment of personnel as necessary in view of the growing interest in the market.
 - In 2018, we also succeeded in acquiring patent protection for our technologies used within the CCV product under patent name “A method of dynamic distribution of computing processes to one or more graphics processing units (2017-492)”.
-

5.1.2. **EPIQA** – online multi-agent production scheduling system

In 2018, CertiCon completed the process of securing a contract with Airbus Industries for development of the product commercially named EPIQA. The project's main objective is to further extend optimization algorithms and especially adapting the entire system to the needs of the specific manufacturing plants of Europe's largest manufacturer of airliners. Airbus Industries plans on using EPIQA for optimizing airplane production planning in dozens of assembly lines all across the world. A framework agreement was signed in 2018, and the development was initiated to modify the software for its first specific production implementation in the first selected Airbus factory.

To fulfil this plan, the system must be able to calculate in the shortest possible time a valid scheduling of activities that satisfies a number of limiting conditions. Examples of these conditions include, for example, continuity of operations, requirements for concurrence of events, availability of additional resources to fulfil a task, possibility of allocating the required resources exclusively to a specific facility or, to the contrary, their sharing across several facilities to one or more assembly lines, demands for synchronizing operations on two lines, respecting the time necessary to transfer resources between the individual operations in case of sharing of resources, and a number of others. In addition to the activity scheduling itself, EPIQA also supports several optimization strategies. Particularly noteworthy, for example, are strategies to find a solution planned for the shortest production time using all available resources and to find a solution satisfying the given time limitation using as few resources as possible. At its core, the system is built using such artificial intelligence technologies as constraint programming and multi-agent systems.

5.1.3. **Cyber PSG** – SW application for analysis and semi-automated annotation of polysomnographic signals

Cyber PSG is a software framework combining tools for visualizing and manually annotating big physiological data with state-of-the-art artificial intelligence and machine-learning tools for automated, objective, and rapid data analysis. The system is independent of hardware type and allows implementation of interfaces for multimodal signal input from various types of devices. It integrates data formats commonly and currently used in biomedicine (EDF, MEF, etc.) From input signals, advanced methods extract features necessary for automated and semi-automated classification of the individual recording segments into a hierarchically arranged tree of clusters. The system then categorizes the scanned data into a tree structure of hierarchically arranged classes (clusters) and offers the key parts of the recording as recommended for expert evaluation. The expert can view the data in a diagnostic space but also as raw data and subsequently adjust the machine classification. The entire record is then re-evaluated and corrected on the basis of expert re-classification. This achieves objective and rapid classification of long records with high data density captured in several modalities (EEG, iEEG, EKG, EMG, etc.) The system developed by CertiCon allows for a combination of manual recording classification by an expert with a high degree of automation and objectivity based on evaluating the similarity of signals.

In 2018, preparations were completed for initiating a testing demo version of Cyber PSG in a prominent clinic studying this topic in the US. Preparations for a contract with this clinic on non-commercial use of Cyber PSG for demonstration and testing purposes were begun in 2018, and its execution is expected in the first half of 2019.

5.1.4. **MiniDVR** – a miniature recorder of images and sound on an integrated SD card

This is a miniature recording device in the shape of a box with dimensions of 32x28x25 mm. On one side, there is an ethernet connector, a connector for up to four digital microphones, and a micro USB connector for a power bank connection. On the other side, there is a USB connector for the camera, a slot for a micro-SD card, and a micro-USB connector for a network adapter. The device can be easily configured from a computer via ethernet cable through a web graphical interface. At the core of the recording device is the SCHEDULER (a real time calendar) within which recording sequences are set up. In the periods

between these sequences, the device has zero energy consumption, and is therefore suitable to be battery-powered.

The recorded video sequences can be administered via a web GUI, through the WinSCP app or by inserting the SD card into a computer.

The device is configurable with events in the calendar with managed power consumption and allows operation from a common 5V power bank over several months. Internet connection and the web interface are provided by a Linux computer with back-up real-time clock.

- The device's development was initiated in 2016 in cooperation with the Police of the Czech Republic.
- It was completed and delivered for use in 2018.
- Even after delivery for use in 2018 there is ongoing development of additional features as per market requirements so that the device will be usable by a wider range of customers than originally anticipated.
- The customer target group consists primarily of security agencies and security departments of manufacturing enterprises.

5.2. SUBSIDY PROJECTS IMPLEMENTED IN 2018

5.2.1. **DIGICOR** – Decentralised agile coordination across supply chains

The European project H2020 loosely follows on from the completed project ARUM. It will consist in developing algorithms for coordinating production across several supplier–customer entities. The main partners are Airbus, University of Manchester, CIIRC, Hanse-Aerospace, Control 2K, Information Catalyst for Enterprise, Almende, fortiss, Comau, and SingularLogic. CertiCon is the technical coordinator and leader of WP4.



5.2.2. **SIDAS** – System for intelligent detection and signalization of collision states for improving track safety

The MPO Trio project has as its objective to determine the state of a railway crossing using computer vision methods and measurements on an optical interferometer. It is necessary to determine the state of the crossing, whether there are any undesirable objects, people, cars, or animals. The situation is evaluated on the basis of detected objects and a warning signal is potentially sent. The project also includes design and implementation of a monitoring centre. The project is being run in cooperation with Technical University of Ostrava, Professor Vašínek's team.

5.2.3. **LaryngoVoice** – Automatic voice conservation and reconstruction focusing on patients after total laryngectomy

The Epsilon project from the Technology Agency focuses on voice modelling and interpretation based upon recordings of a human speaker. The objective is to conserve electronically the voices of patients who will soon lose their voices to total laryngectomy. The project is conducted with research and commercial partners University of West Bohemia in Pilsen, Charles University in Prague, and Speech Tech s.r.o.

5.2.4. **CAK III** – Centre for Applied Cybernetics III

CENTRUM APLIKOVANÉ KYBERNETIKY



Again in 2018, CertiCon cooperated on a Centre for Applied Cybernetics III (CAK III) applied research project which aims to concentrate the national research potential in this field. The Head of the Centre and Principal Investigator is Prof. Ing. Vladimír Kučera, DrSc., Dr.h.c. from the CIIRC research institute of the Czech University of Technology. The founding entities are Czech Technical University in Prague, Brno

University of Technology, University of Western Bohemia in Pilsen, Tomas Bata University in Zlin, Technical University of Ostrava, Institute of Information Theory and Automation of the Academy of Sciences of the Czech Republic, Institute of Computer Science of the Academy of Sciences of the Czech Republic, and the companies CertiCon a.s., Camea, spol. s r.o., UniControls a.s., and Unis, spol. s r.o.

In the second phase of the CAK III project, we focus on methods of controlling robotic missions with special emphasis on coordinating the activities of several robots in the problem of covering a perimeter.

5.2.5. Christian Doppler Laboratory at Vienna University of Technology

This laboratory (established in collaboration with CertiCon) is based at the Vienna University of Technology and is led by Prof. Dr. Stefan Biffl. Its work focuses on researching and developing tools for collecting data from large-scale production systems, including simulations and predictions based on that data, as well as management of operational interventions based on the simulations and predictions. These are tasks based upon SCADA (Supervisory Control and Data Acquisition), for which to date there exists no general solution. The ad hoc development of company-specific SCADA systems is greatly demanding in terms of both investment and technology. The need for SCADA systems is growing rapidly, and a tool for their rapid and effective design could, from a commercial point of view, be a highly desirable product, especially in relation to developing trends in Industry 4.0.

5.2.6. ER4STEM



The project ER4STEM (Educational Robotics for Science, Technology, Engineering, and Mathematics) is motivated especially by the labour market's insufficiency of qualified people with technical educations. Its objective is to stimulate interest in science and technical fields among children and youths. The project is being worked out by a number of experts in education, IT, and robotics. One of the project components is to identify key capabilities and characteristics needed for technical fields and which can be developed. This is followed by a number of interactive experiments with robots that will be designed primarily to inspire interest in science and develop and test the aforementioned characteristics. The output of this project will be a general process for developing workshops that encourage the young generation and motivate it towards technical education. CertiCon's task is to monitor the entire process and evaluate the potential advantage for companies seeking technically educated employees.

The project ended in 2018 as planned.

5.2.7. BIOS – Device for measuring and processing biosignals using optical-fibre sensors

The project's objective is to develop a device for measuring biosignals using a combination of optical-fibre sensors and an advanced signal-processing system. The system under consideration will bring advantages based on the principle of using optical-fibre sensors, which offer very high sensitivity in measured values. This property will allow the final device to provide a non-invasive sensing method with minimal stress on the patient. The advantage of very high sensor sensitivity also allows for designing a probe sensing two or more values simultaneously, thereby reducing the number of probes used in current monitoring methods. This will simplify measuring methods as well as increase patient comfort due to a substantial reduction in the number of signal and powering conduits required.

The proposed project also aims to substantially innovate the existing product Cyber PSG or to create a comprehensive solution using entirely new principles for capturing biosignals and to supplement the existing product with completely new functional properties based on principles of artificial intelligence, machine learning, and decision-making support in clinical diagnostics.

5.2.8. **Smart Camera** – A new-generation supervisory centre

CertiCon has been working on this project supported by the Ministry of the Interior of the Czech Republic since 2017. The project's objective is to develop a camera system consisting of several cameras placed in a space so that their fields of vision overlap. The cameras would cooperate on identifying objects in the scene, detect their trajectories, and a number of other tasks which are commonly part of current supervisory centres (crowd formation, new object on scene, unusual behaviour). Forensic image analysis from the group of cameras can then use metadata that the cameras exchange.

5.2.9. **Cluster 4.0** – Methodology of system integration

The Cluster 4.0 project which was initiated in the second half of 2018 develops international inter-sector cooperation between innovative businesses, academic workplaces, and global industrial players. The consortium consists of research institutes CIIRC at the Czech University of Technology and DFKI (Germany), as well as Czech companies SIDAT and CertiCon, with support of multinational corporations Airbus, ŠKODA, and Siemens, and with connection to the National Centre for Industry 4.0. This research topic is one of the most demanding in the Industry 4.0 field, specifically system integration and creating a uniform flexible software architecture for adaptable production systems.

5.3. MOST SIGNIFICANT FOREIGN REFERENCES

- **Robert Bosch – formerly SPX** (UK) – a European branch of a leading American supplier of systems for after-sales services for car factories. Cooperation is focused on developing, implementing, and testing software for after-sales service of cars from leading world brands.
- **Medtronic Inc.** (USA, MN) – a global producer and leader in medical electronics. Our cooperation centres on services for design and implementation of life-critical software.
- **Frequentis GmbH.** (Austria) – a company with an important position on the market for digital systems and devices using the TETRA telecommunications standard for air traffic control. On a worldwide scale, Frequentis has a 30% market share in the voice communication segment and is a renowned technology leader. Cooperation focuses mainly on developing and integrating software for the operationally critical GSM-R and Air Traffic Control applications.
- **Airbus Group** (Germany) – a world leader in aviation technology. Our cooperation focuses especially on smart production planning and scheduling in resolving complicated assembly procedures. Cooperation on the large EU ARUM project continues on a contractual basis.
- **AF Technology** (Sweden) – an engineering and advisory company in telecommunications, energy, and industrial infrastructure. Cooperation is focused on development and implementation of RT embedded software for telecommunication equipment. Another area of cooperation comprises advanced video processing technologies.

5.4. MOST SIGNIFICANT DOMESTIC REFERENCES, INCLUDING SLOVAKIA

- **Ministry of Finance of the Czech Republic – General Directorate of Customs** – In addition to customs duties, it also administers selected taxes and fees. Cooperation focuses especially on information systems for tax administration and their integration within the EU.
- **Czech Society for Cybernetics and Informatics** – a non-profit organization popularizing cybernetics, informatics, and related disciplines. It is an ECDL (computer literacy certification) pioneer and the ECDL licence holder for the Czech Republic. CertiCon is the supplier and operator of an information system for administration and management of ECDL testing in the Czech Republic.
- **Slovak Society for Computer Science** – a non-profit organization popularizing computer science and related fields. It is a pioneer in the ECDL (European Computer Driving Licence) concept and holder of the ECDL licence for Slovakia. CertiCon is the supplier and operator of the information system for administration and management of ECDL testing in Slovakia.
- **IBM Česká republika** – a world-leading IT company. CertiCon is supplier for the design and implementation of software solutions for certain customers.
- **ASEKOL a.s.** – Czech branch of an international company involved in processing waste electrical and electronic equipment. It is using CertiCon's services in designing a system for separating end-of-life home appliances on the basis of processing visual information.
- **ZF Engineering s.r.o.** – the Pilsen Branch is one of eight important developmental branches of ZF Friedrichshafen AG. CertiCon provides services especially in developing embedded SW for control units in the automotive area and furthermore cooperates on developing supporting SW instruments on the Java platform.

6. REPORT ON BUSINESS ACTIVITIES AND SITUATION ANALYSIS

CertiCon is a joint-stock company primarily oriented towards comprehensive services in custom design, development, diagnostics and verification of software, as well as design, verification and testing of analogue and digital integrated circuitry for challenging applications in information technologies, medical electronics, telecommunication technology, computer vision, and devices for industrial control and decision-making. Modern mobile and cloud applications also are at the centre of its attention.

The company directs its work mainly to fields requiring high-level expertise, knowledge of technologies and processes, flexibility, ability to craft new solutions, and utilization of the potential of proprietary applied research in order to implement solutions. It does not, therefore, focus on a specific industrial sector, but primarily on foreign corporate customers seeking solutions with high added-value content based on modern technologies and employing the latest scientific knowledge and research findings, particularly in the areas of cybernetics and artificial intelligence. CertiCon has substantial capacities in the areas of modern user interfaces and mobile applications. The company also has become a preferred supplier of mobile technologies for the US firm Medtronic. CertiCon is one of the few Czech companies to develop modular software systems utilizing service-oriented architecture, which is of special importance for the development of industrial management, planning, and scheduling systems in accordance with the Industry 4.0 philosophy.

CertiCon places foremost emphasis on developing market-leading, comprehensive systems using innovative, object-oriented software technologies and distributed systems architectures, multi-agent systems, and client/server applications. It is newly orienting itself towards cloud solutions. In the software area, CertiCon offers both comprehensive services taking in the full software development life cycle as well as individual services in areas ranging from consulting, feasibility studies, software architecture designs, analyses and needs specifications to actual implementation and maintenance of software systems (including the necessary training). Prominent customers are listed in the references.

This majority activity in software solutions is accompanied by complementary activities in design and testing of integrated circuits, i.e. verification of integrated circuits design and proposals for production tests.

The most important orders are covered by framework agreements on long-term cooperation. The company continues to expand its circle of customers and the range of services it provides.

Activities in designing, developing, and hosting systems for intranet and internet applications (information systems based on the SQL database system, remote access to an application through the internet, security mechanisms) comprise the technical basis for the majority of CertiCon's activities on the domestic market.

In 2018, the company maintained its prestigious position as software solutions supplier for the Ministry of Finance of the Czech Republic – General Directorate of Customs.

The company offers three products of its own on the market. Among these, especially CertiConVis – a product of our own research in security systems based on signals from industrial cameras – has a particularly strong chance for mass application on the domestic and foreign markets. This is a key product from which the company expects to receive high returns on investment in the coming years. Therefore, concurrently with developing the product, we established a sales and service base for this product and initiated negotiations with certain prominent system integrators, platform owners, and municipalities. We intend to deliver security solutions to the latter directly. We already have successfully implemented prestigious reference projects.

In 2018, the company continued working on technologically and technically sophisticated projects in high-tech areas as part of its research and development activities. This orientation has been successful, and CertiCon's management intends to continue in this direction in future. Cooperation with universities, and particularly within co-organized research projects and using shared laboratories, provides access to the latest scientific knowledge and research findings, which are then applied in commercial projects. The company intends to develop research further in the European area and to expand commercial activities in the US as well as in the Czech Republic and Europe.

CertiCon's main problems in 2018 stemmed from substantial exchange-rate changes due to freeing up of the crown's exchange rates and the situation on the labour market, which caused a significant increase in fluctuation. The company's management has been proactively facing both these trends and endeavours to minimize their impact. In large measure, it succeeded in doing so.

The management also fully completed the implementation of a matrix management structure that brings new opportunities for optimal distribution of resources, greater flexibility of services, and substantially improved and more efficient management activities.

CertiCon's overriding aim is to continue concentrating its capacities for accumulating cutting-edge technological know-how and thus to employ especially highly qualified and individually trained and directed experts.

The company had a number of successes in 2018, not only in technology areas but also with respect to marketing and sales.

As the long-time provider of organizational and expert services for the ECDL (European Computer Driving Licence) concept to the Czech Society for Cybernetics and Informatics (CSKI, the ECDL licence holder for the Czech Republic), CertiCon is authorized based on an exclusive sub-licence to conduct all activities associated with developing and organizing the ECDL concept in the Czech Republic. In accordance with the international rules of that concept, CSKI has retained the exclusive right to inspect accredited entities and remains the guarantor of quality for the ECDL testing process.

The volume of services provided to traditional domestic customers has exceeded 11%. The monetary volume of services exported abroad was reduced by almost 4% in comparison with the previous year (in terms of financial volume expressed in CZK). This was due to a substantially weakened USD exchange rate and therefore a reduced turnover with the largest customer. The contribution of foreign customers to the company's turnover thereby declined to under 89%.

An important factor was therefore further stabilization of our company's long-term customers. Long-term contracts with top foreign technology partners provide the company with financial stability and the necessary economic support for managed growth.

CertiCon was evaluated by Dun & Bradstreet, a worldwide leading provider of business information, and given its highest possible rating ("Top Rating"). The detailed business report may be obtained from Dun & Bradstreet. CertiCon a.s. is registered under DUNS: 36-690-9096. The company also received a high rating from the Czech Credit Bureau. At four stars, it has the highest possible rating for a medium-sized company within its category.

The company cooperates closely, too, with its affiliate ProTyS, a.s. That firm is oriented mainly towards research and development of software systems for industrial control in real time. CertiCon has 10% ownership in this company.

CertiCon is also an important co-owner (70% stake) of HydroCon a.s., which reconstructs and automatizes small hydroelectric power plants. In 2014, HydroCon put into service at Hluboká nad Vltavou an entirely reconstructed 300 kW small hydroelectric power plant.

During 2018, the company's headquarters and branch office were located in leased premises of The Blox building in the vicinity of Vítězné náměstí in Prague 6 (the lessor is CFH Prague s.r.o.), in the premises of Business Centre Bohemia in Pilsen, in The Orchard office complex in Ostrava (the lessor is Portal Investments, s.r.o.), and in the modern RCO office building in Olomouc.

CertiCon a.s. has sufficient cash at its disposal. The company meets all its obligations to all its suppliers and employees in a due and timely manner. It, nevertheless, drew a banking loan in 2018. The details are provided in the financial part of this annual report – see Notes to the Financial Statements.

7. KEY ECONOMIC INDICATORS FROM 2018

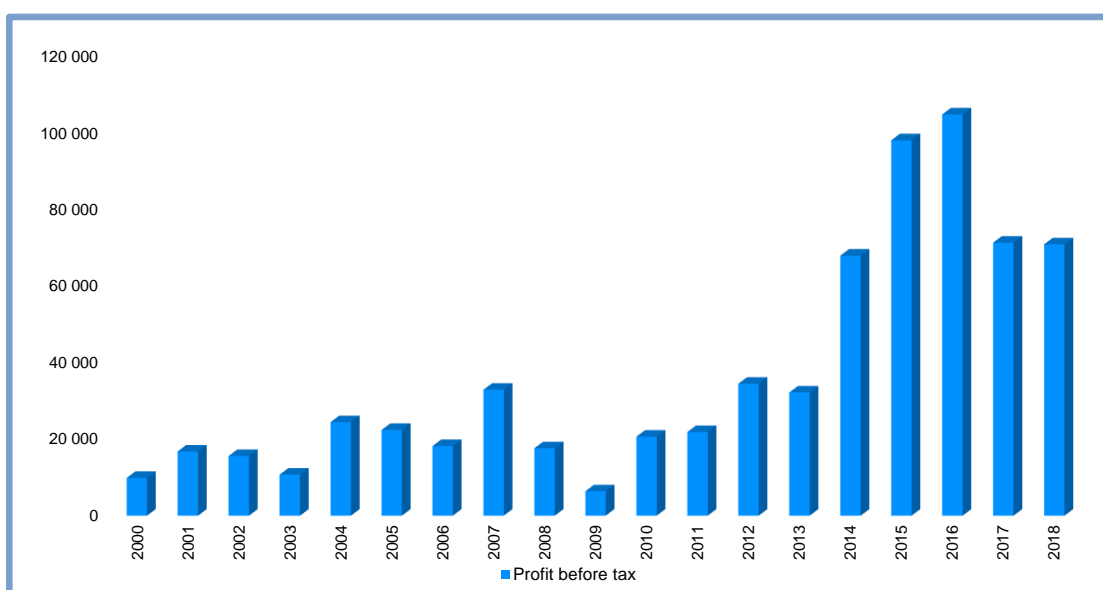
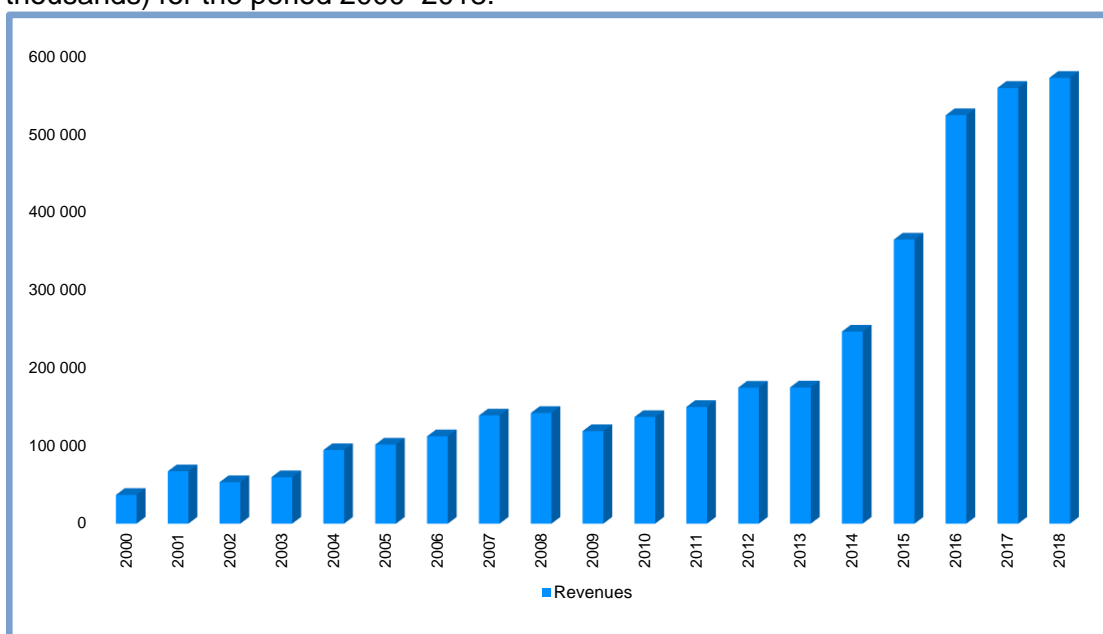
The basic information has been presented already in the Introduction and in the Report on Business Activities. It is also unambiguously summarized in the graphs below. In the year just ended, sales revenues were more or less unchanged. This was mainly due to the much less-favourable year-on-year dollar exchange rate and resulting substantial decline in turnover with the largest customer. We just managed to compensate for that by growth in serving other customers.

Short-term accounts receivable balances consist of receivables both due and past due, and as of the date of compiling the financial statements those amounts had been paid, with the only material exception being the receivables from Health Helm, for which a 100% adjustment has been created.

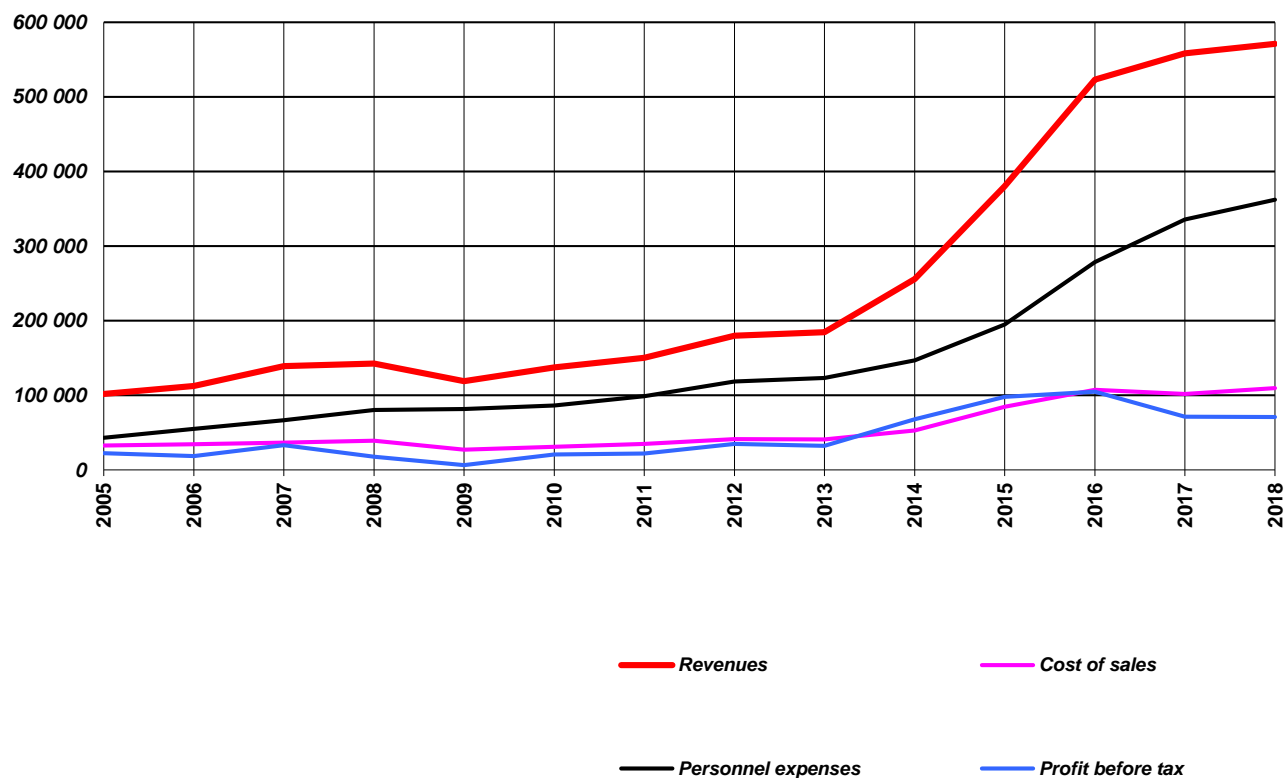
Short-term accounts payable balances consist primarily of trade payables and unpaid wages for December 2018, inclusive of insurance contributions. All reported payables had been paid as of the date of compiling the financial statements. A bank loan payable in 2022 is a long-term liability.

Provisions amounting to CZK 15,202,000 were drawn during 2018, and new provisions totalling CZK 9,346,000 were created (see the attached financial statements).

The following graphs show the development of selected financial and performance indicators (in CZK thousands) for the period 2000–2018:



Development of key performance indicators during 2005–2018 (in CZK '000)



Detailed data is presented in Section 12 of this report. A summary of key performance indicators and related information is provided also within the Notes to the Financial Statements in Section 12 and in the relevant statements themselves (Balance Sheet, Profit and Loss Account, Cash Flow Statement).

8. OUTLOOK FOR 2019

Our outlook for 2018 had proceeded from cautiously optimistic assumptions and anticipated the company's further stabilization and development. CertiCon succeeded in fulfilling its main business objective of growing its turnover, even though the presumed amount of that growth was not achieved due to circumstances beyond our control. Nevertheless, we succeeded gradually to concentrate resources and capacities for our own research and development with the aim of growing the percentage share of sales of our own products in total revenues. Despite large exchange rate changes, investments into proprietary research, and the unstable labour market situation, we managed to maintain profitability at approximately the same level as in 2017.



The management is aware that the company is growing very quickly, and it is adopting specific measures for corresponding changes in CertiCon's structure and in its management methods. In 2019, additional deliberate steps can be expected towards strengthening the matrix management structure and the effective management of a continuously growing company operating in a highly turbulent economic environment. We anticipate establishing a service unit so as to secure the technical support of our products.

From an economic perspective for 2019, we proceed from the expected, not overly positive development of the economic situation in the US and EU. It is necessary to expect fluctuations of the crown exchange rate, and we stand ready to address that with both economizing measures and by revising contracts with our customers, as well as, potentially, with efficient financial instruments. CertiCon thus enters the coming period as a stable company, with long-term experience in its business relationships with foreign entities and in providing services to EU member states, and with modestly optimistic expectations. The main business objectives for 2019 are to achieve sales from commercial activities exceeding CZK 560 million and total revenues over CZK 585 million while maintaining the current level of profitability. This can be facilitated particularly by developing sales of proprietary products and offers to help in implementing Industry 4.0 within Czech businesses.

We expect to be successful during 2019 in further extending cooperation with existing long-term partners and expanding activities particularly in developing software for sophisticated life-critical and mission-critical applications by developing long-term partnerships and co-sourcing. We also anticipate seeing growth in contracts for integrated circuits design, especially in connection with the orientation towards embedded systems for the automotive industry. We expect heightened effort in completing and distributing proprietary products based on our own research and development. We will continue to devote great attention to this area within the applied research as well as technical development departments, and we expect these units to grow, particularly in relation to an expanding number of applied research projects co-financed from public funds. Among other goals, an objective is to boost the volume of research and development work not financed by public funds from today's ca 30% to 40%. To support our proprietary products, we are planning to create a new division within CertiCon connecting research, product development, service, sales, and marketing.

We also intend to continue supporting promising start-up companies as well as the teams and activities of the ČVUT Media Lab Foundation. The company's activities in implementing state-of-the-art ECDL concepts in the Czech Republic will be expanded further.

CertiCon will endeavour to implement audits focused not only on financial activities but particularly on organizational, managerial, and research activities. We have, of course, implemented data protection pursuant to EU's GDPR. A dedicated specialist is focused on strengthening computer and system security. The objective is to support the company's all-round development by pursuing modern organizational and managerial approaches and with the aim to maximize management effectiveness in upholding security principles.

In the IT area, we are planning a substantial modernization of infrastructure, and specifically the construction of a back-up server room in the new Pilsen premises within the Hamburk building. A concept for a new ERP system will be prepared and its implementation will be initiated.

Our company's fundamental value remains in the expert and human quality of our employees, their ability to respond to customers' requirements, and their abilities to think independently and creatively about optimal solutions and innovative processes. That is why we shall continue also to devote extraordinary attention to the education and training of our staff, in fact doing so even more than in the past. We also are counting upon stabilization of personnel and an increase in qualifications of employees in all our branches, cautious growth in the number of IT professionals, and efforts to optimize capacities in non-production professions.

9. ADDITIONAL INFORMATION

Other specific information as required by § 21, para. 2 of Act No. 563/1991 Coll.:

9.1. RESEARCH AND DEVELOPMENT ACTIVITIES

The main scope of business activities at CertiCon a.s. is development of life-critical and mission-critical applications tailored to the needs of its customers. The company conducts applied research and development for its own needs as part of domestic and foreign grant projects. Active participation in the prestigious Christian Doppler Research Association in Austria and participation in the activities of the Centre for Applied Cybernetics III as a pilot centre for transmission of the latest technologies from academic research into industrial practice significantly strengthen the quality and scope of the company's scientific research activities. We are currently integrating into the Cybernetics and Artificial Intelligence National Centre of Competence coordinated by CIIRC of the Czech University of Technology. We will continue to present proposals for research projects to the Technology Agency of the Czech Republic and to agencies falling within the competence of the Ministry of Industry and Trade of the Czech Republic. We currently anticipate extensive tendering of additional projects within the European research sector.

9.2. ENVIRONMENTAL PROTECTION ACTIVITIES

Given the nature of its business activities, CertiCon in no way adversely affects the environment. Internally, the company complies with the proper disposal of waste through entities authorized to undertake such activities. CertiCon a.s. discharges its obligation to collect and utilize packaging materials waste through EKO-KOM, a company authorized by the Ministry of the Environment for jointly fulfilling the obligation to collect and utilize packaging materials waste.

9.3. EVENTS AFTER THE BALANCE SHEET DATE

There occurred no material events that would influence the assets or profitability of the company.

9.4. REPORT ON RELATIONS BETWEEN THE CONTROLLING, CONTROLLED AND RELATED ENTITIES FOR 2018

Report on Relations between the Controlling, Controlled and Related Entities for 2018

prepared in accordance with provisions of § 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Cooperatives (the Business Corporations Act)

Section I. – Structure of relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity

Controlled Entity:

Business name: CertiCon a.s.
Registered office: Evropská 2758/11, 160 00 Prague 6
Company ID Number: 25083341

Controlling Entity:

Business name: SynergyCon a.s.
Registered office: Václavské nám. 808/66, 110 00 Prague 1
Company ID Number: 24764264
100% share in the controlled entity

Related Entities (other entities controlled by the Controlling Entity):

Business name: EnergyCon s.r.o.
Registered office: Evropská 2758/11, 160 00 Prague 6
Company ID Number: 24247065

Business name: nova-met s.r.o.
Registered office: Šumavská 530/8, 787 01 Šumperk
Company ID Number: 02431572

Business name: Passengera s.r.o.
Registered office: Evropská 2758/11, 160 00 Prague 6
Company ID Number: 04276515

Business name: EMBITRON s.r.o.
Registered office: House No. 290, 303 00 Vochoz
Company ID Number: 26361175

Business name: Health Helm, Inc.
Registered office: 51 Melcher Street, Boston, Massachusetts, 02210, USA
Company ID Number: N/A

Related Entities (subsidiary and associates):

Business name: HydroCon a.s.
Registered office: Evropská 2758/11, 160 00 Prague 6
Company ID Number: 24808202
Owned share: 70%

Business name: ProTyS, a.s.
Registered office: Evropská 2758/11, 160 00 Prague 6
Company ID Number: 63077795
Owned share: 10%

Business name: Health Helm, Inc.
Registered office: 51 Melcher Street, Boston, Massachusetts, 02210, USA
Owned share: 15.11%

Section II. – The controlled entity’s role in relations among entities stated in Section I

The entities stated in Section I operate independently but may utilize the research and development capacity of the controlled entity.

Section III. – Method and means of control

Decisive influence is exerted in particular by appointing and recalling members of the statutory body and of the supervisory body in accordance with valid legal regulations and the company’s Articles of Association, as well as by voting at the company’s General Meetings.

Section IV. – Overview of acts effected during the most recent accounting period at the initiative or in the interest of the controlling entity or entities controlled by the controlling entity (relating to assets exceeding 10% of the controlled entity’s shareholders’ equity as determined according to the most recent financial statements)

No such actions were effected.

Section V. – Overview of mutual contracts between the controlled entity and the controlling entity or between controlled entities

In the year ending 31 December 2018, no contracts were in force between the controlling and controlled entity.

During the year ending 31 December 2018, three (3) contracts with the associate ProTyS, a.s. were also in force. These were a sub-lease contract (as amended by a valid annex) and two contracts for the provision of consulting services. The contracts were concluded under standard market conditions

In addition, during the year ending 31 December 2018, one (1) contract with the subsidiary HydroCon a.s. was in force. This was a sub-lease contract (as amended by a valid annex). The contract was concluded under standard market conditions.

In addition, during the year ending 31 December 2018, two (2) contracts with the affiliate EnergyCon s.r.o. were in force. These were a sub-lease contract (as amended by a valid annex) and a contract on provision of consulting services. The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2018, one (1) contract with the affiliate nova-met s.r.o. was in force. This was a licence contract. The contract was concluded under standard market conditions.

In addition, during the year ending 31 December 2018, four (4) contracts with the affiliate Passengera s.r.o. were in force. These were a lease contract (as amended by four valid annexes), one non-disclosure agreement, one contract on non-exclusive use of business premises (as amended by a valid annex), and one framework agreement on providing services. The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2018, four (4) contracts with the affiliate EMBITRON s.r.o. were in force. These included a contract on provision of consulting services (as amended by a valid annex), a contract on non-exclusive use of business premises (as amended by a valid annex), a sub-lease contract (as amended by a valid annex), and a purchase contract on the sale of a passenger car. The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2018, one (1) contract with the affiliate Health Helm, Inc. was in force. This was a framework contract on provision of software development services. The contract was concluded under standard market conditions.

For reasons of trade secrecy, the values of performance and consideration in relation to the contracts stated above are not provided.

Section VI. – Assessment of whether a controlled entity incurred any detriment, and assessment of its settlement pursuant to § 71 and § 72

None of the related entities incurred any detriment in connection with relationships among related entities during the year ending 31 December 2018.

Section VII. – Assessment of advantages and disadvantages, specification of risks

All of the company's contractual relationships with related entities were concluded under customary contractual conditions. The contractual consideration agreed and provided corresponded to the conditions of customary business relationships, and the company incurred no detriment, substantial risk, or disadvantage from these contractual relationships.

This report was prepared by the Board of Directors as the statutory body of the controlled entity on the basis of data known to Members of the Board of Directors as persons acting with due managerial care.

In Prague on 12 May 2019

Prof. Ing. Vladimír Mařík, DrSc., dr.h.c.
Chairman of the Board of Directors

10. BASIC DATA ABOUT THE COMPANY

10.1. HEADQUARTERS AND OTHER PREMISES

Headquarters:

Prague 6, The Blox, Evropská 2758/11 (registered on 12 March 2015)

Other premises:

Pilsen, Business Center, Anglické nábřeží 2434/1

Ostrava, The Orchard I, Hornopolská 3308/40

10.2. INFORMATION ABOUT SHARES

Share capital: CZK 10,000,000, fully paid up

Shares: 100 ordinary, registered shares in documentary form, each with a nominal value of CZK 100,000
The shares are not publicly traded

10.3. COMPANY BODIES

10.3.1. Board of Directors

Chairman: Prof. Ing. Vladimír Mařík, DrSc., dr.h.c.

Vice-chairman: Ing. Karel Kraus, MBA

Member: Prof. Ing. Josef Psutka, CSc.

10.3.2. Supervisory Board

Chairman: Doc. Ing. Jiří Lažanský, CSc.

Member: Prof. RNDr. Olga Štěpánková, CSc.

Member: Ing. Michal Paulíček, from 25 June 2018

11. EXTRACT FROM THE COMMERCIAL REGISTER

Extract

This extract is a translation from the Czech original.

from the Commercial Register, maintained
by the Municipal Court in Prague
Section B, file 4355

Date of incorporation:	20 November 1996
File designation:	B 4355 maintained by the Municipal Court in Prague
Company:	CertiCon a.s.
Headquarters:	Evropská 2758/11, Dejvice, Postal Code 160 00, Prague 6
Identification number:	250 83 341
Legal form:	Joint-stock company
Subject of business:	Production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act
Statutory body – Board of Directors:	
Chairman of the Board of Directors:	
	Prof. Ing. VLADIMÍR MAŘÍK, DrSc., date of birth: 25 June 1952 Na Křemínku 664/2, Slivenec, 154 00 Prague 5 Date of assuming office: 25 June 2018 Date of assuming membership: 25 June 2018
Vice-Chairman of the Board of Directors:	
	Ing. KAREL KRAUS, MBA, date of birth: 27 August 1964 Velká Skála 678/2, Troja, 181 00 Prague 8 Date of assuming office: 25 June 2018 Date of assuming membership: 25 June 2018
Member of the Board of Directors:	
	Prof. Ing. JOSEF PSUTKA, CSc., date of birth: 20 February 1951 Plaská 1346/55, Bolevec, 323 00 Pilsen Date of assuming membership: 25 June 2018
Manner of transacting:	The Chairman and Vice-Chairman of the Board of Directors act on its behalf and externally on behalf of the company.
Company Secretary:	Ing. PAVEL MAREK, date of birth: 29 September 1968 Prague 9 – Prosek, Litoměřická 405/9, Postal Code 19000 The Company Secretary is authorized to act independently on behalf of the company.
Supervisory Board:	
Chairman of the Supervisory Board:	
	Doc. Ing. JIŘÍ LAŽANSKÝ, CSc., date of birth: 3 March 1947 Třeboradická 47/1075, Kobylisy, 182 00 Prague 8 Date of assuming office: 25 June 2018 Date of assuming membership: 25 June 2018
Member of the Supervisory Board:	
	Prof. RNDr. OLGA ŠTĚPÁNKOVÁ, CSc., date of birth: 23 December 1949 Lukešova 1612/73, Krč, 142 00, Prague 4 Date of assuming membership: 25 June 2018
Member of the Supervisory Board:	
	Ing. MICHAL PAULÍČEK, date of birth 22 March 1982 Na záhonech 1482/65, Michle, 141 00 Prague 4 Date of assuming membership: 25 June 2018

Shares:	100 common bearer shares in documentary form, each with a nominal value of CZK 100,000
Share capital:	CZK 10,000,000 Paid-up: 100%
Other information:	The registered capital is fully paid up. The business corporation conforms to the law as a whole by proceeding according to § 777, para. 5 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives.

12. FINANCIAL STATEMENTS – AUDITOR’S REPORT

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Company Name: **CertiCon a.s.**
Registered Office: **Evropská 2758/11, Dejvice, 160 00 Prague 6**
Legal Form: **Joint-stock company**
Company ID No.: **250 83 341**

Sections of the financial statements:

Balance Sheet
Profit and Loss Account
Statement of Changes in Equity
Cash Flow Statement
Notes

The Financial Statements were prepared on 25 June 2019

Statutory body of the accounting entity	Signature

		31 December 2018			31 December 2017
		Gross	Adjustment	Net	Net
BALANCE SHEET					CertiCon a.s.
full version					Company ID 250 83 341
As of					Evropská 2758/11, Dejvice
31 December 2018					160 00 Prague 6
(in CZK thousands)					
	TOTAL ASSETS	385,897	102,214	283,683	249,610
B.	Fixed assets	170,830	90,956	79,874	82,999
B.I.	Intangible fixed assets	61,725	36,060	25,665	18,836
B.I.1.	Intangible research and development outputs	42,038	25,713	16,325	9,688
B.I.2.	Valuable rights	10,973	8,347	2,626	5,242
B.I.2.1.	Software	10,883	8,257	2,626	5,242
B.I.2.2.	Other valuable rights	90	90		
B.I.4.	Other intangible fixed assets	2,000	2,000		667
B.I.5.	Advances provided on intangible fixed assets and intangible fixed assets under construction	6,714		6,714	3,239
B.I.5.1.	Advances provided on intangible fixed assets				
B.I.5.2.	Intangible fixed assets under construction	6,714		6,714	3,239
B.II.	Tangible fixed assets	66,526	37,944	28,582	29,133
B.II.1.	Land and structures	3,808	1,529	2,279	2,125
B.II.1.2.	Land				
B.II.1.2.	Buildings	3,808	1,529	2,279	2,125
B.II.2.	Individual tangible movable assets and sets of tangible movable assets	62,718	36,415	26,303	26,478
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction				530
B.II.5.1.	Advance payments for tangible fixed assets				530
B.III.	Long-term financial assets	42,579	16,952	25,627	35,030
B.III.1.	Equity investments in subsidiaries and associates	23,127		23,127	23,127
B.III.5.	Other securities and investments	19,452	16,952	2,500	11,903
C.	Current assets	181,983	5,625	176,358	153,511
C.I.	Inventories	327		327	327
C.I.1.	Material	27		27	27
C.I.3.	Finished products and merchandise	300		300	300
C.I.3.1.	Finished products	300		300	300
C.II.	Receivables	106,615	5,625	100,990	86,654
C.II.1.	Long-term receivables	7,374		7,374	6,984
C.II.1.4.	Deferred tax asset	2,862		2,862	3,711
C.II.1.5.	Other receivables	4,512		4,512	3,273
C.II.1.5.2.	Long-term prepayments made	4,512		4,512	3,273
C.II.2	Short-term receivables	99,241	5,625	93,616	79,670
C.II.2.1.	Trade receivables	98,379	5,625	92,754	74,778
C.II.2.4.	Additional receivables	862		862	4,892
C.II.2.4.3.	Tax receivables due from state				3,628
C.II.2.4.4.	Short-term advances made	718		718	1,193
C.II.2.4.6.	Other receivables	144		144	71
C.IV.	Current financial assets	75,041		75,041	66,530
C.IV.1.	Cash on hand	138		138	298
C.IV.2.	Cash at bank	74,903		74,903	66,232
D.	Other assets	33,084	5,633	27,451	13,100
D.1.	Deferred expenses	14,433		14,433	11,622
D.3.	Accrued income	18,651	5,633	13,018	1,478

		31 December 2018	31 December 2017
	TOTAL LIABILITIES & EQUITY	283,683	249,610
A.	Equity	79,544	87,038
A.I.	Share capital	10,000	10,000
A.I.1	Share capital	10,000	10,000
A.III.	Funds from profit	4,277	2,576
A.III.1	Reserve fund	2,000	2,000
A.III.2	Statutory and other funds	2,277	576
A.IV.	Retained earnings (accumulated losses) (+/-)	1,504	2,276
A.IV.1	Retained earnings	1,504	2,276
A.V.	Profit or loss for the current period (+/-)	63,763	72,186
B.+C.	Liabilities	189,020	141,477
B.	Provisions	9,346	15,202
B.IV.	Other provisions	9,346	15,202
C.	Liabilities	179,674	126,275
C.I.	Long-term liabilities	99,524	11,905
C.I.2.	Payables to lending institutions	97,755	
C.I.3.	Long-term prepayments received		11,905
C.I.9.	Additional liabilities	1,769	
C.I.9.3.	Other liabilities	1,769	
C.II.	Short-term liabilities	80,150	114,370
C.II.2.	Payables to lending institutions	32,585	
C.II.3.	Short-term prepayments received	3,439	122
C.II.4.	Trade payables	8,546	3,360
C.II.8.	Additional liabilities	35,580	110,888
C.II.8.1.	Payables to partners		80,500
C.II.8.3.	Payables to employees	19,856	17,383
C.II.8.4.	Payables to social security and health insurance	9,337	8,585
C.II.8.5.	Taxes and subsidies due to state	5,327	3,931
C.II.8.6.	Estimated payables	1,060	489
D.	Other liabilities	15,119	21,095
D.1.	Accrued expenses	11,556	16,599
D.2.	Deferred income	3,563	4,496

PROFIT AND LOSS ACCOUNT
 structured by the nature of expense method

 CertiCon a.s.
 Company ID 250 83 341

 Year ended
 31 December 2018
 (in CZK thousands)

 Evropská 2758/11, Dejvice
 160 00 Prague 6

		Year ended 31 December 2018	Year ended 31 December 2017
I.	Sale of goods and services	533,757	532,714
II.	Merchandise sales	3,848	198
A.	Cost of sales	109,671	101,649
A.1.	Cost of merchandise	3,406	189
A.2.	Materials and energy	5,764	7,575
A.3.	Services	100,501	93,885
B.	Change in internally produced inventory		66
C.	Own work capitalized	-19,756	-10,507
D.	Personnel expenses	362,162	335,801
D.1.	Wages and salaries	268,813	249,232
D.2.	Social security, health insurance and other expenses	93,349	86,569
D.2.1.	Social security and health insurance expenses	88,429	81,548
D.2.2.	Other personnel expenses	4,920	5,021
E.	Depreciation, amortization and impairments	30,268	29,831
E.1.	Depreciation, amortization and impairments of fixed assets	25,848	22,993
E.1.1.	Depreciation, amortization and permanent impairments of fixed assets	25,848	22,993
E.3.	Adjustments to values of receivables	4,420	6,838
III.	Other operating income	25,454	21,186
III.1.	Sales of fixed assets	290	
III.3.	Miscellaneous operating income	25,164	21,186
F.	Other operating expenses	-589	4,999
F.3.	Taxes and fees	336	263
F.4.	Provisions and adjustments relating to operating activities and complex deferred expenses	-5,855	1,796
F.5.	Miscellaneous operating expenses	4,930	2,940
*	Operating profit or loss	81,303	92,259
IV.	Income from long-term financial assets	750	1,200
IV.1.	Income from equity investments in subsidiaries and associates	750	1,200
VI.	Interest income and similar income	1	2
VI.1.	Interest income and similar income from subsidiaries and associates		2
VI.2.	Additional interest income and similar income	1	
I.	Adjustments to values and provisions relating to financial activities	10,290	6,662
J.	Interest expense and similar expenses	1,696	
J.2.	Additional interest expense and similar expenses	1,696	
VII.	Other financial income	7,303	2,966
K.	Other financial expenses	9,262	18,330
*	Profit or loss from financial operations	-13,194	-20,824
**	Profit or loss before tax	68,109	71,435
L.	Income tax	4,346	-751
L.1.	Income tax due	3,497	1,953
L.2.	Income tax deferred	849	-2,704
**	Profit or loss from ordinary activities after tax (+/-)	63,763	72,186
***	Profit or loss for the current period (+/-)	63,763	72,186
*	Net revenues for the current period	571,113	558,266

STATEMENT OF CHANGES IN EQUITY		CertiCon a.s.						
		Corporate ID 250 83 341						
Year ended		Evropská 2758/11, Dejvice						
31.12.2018		160 00 Prague 6						
(in CZK thousands)								
	Share capital	Capital funds	Other funds	Funds from profit, reserve fund	Retained earnings or accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY	
Balance at 31 December 2016	10,000		386	2,000	3,274	100,411	116,071	
Distribution of profit or loss			1,410			-1,410		
Paid out shares on profit					-998	-99,999	-99,999	
Payments from capital funds			-1,220			-1,220	-1,220	
Profit or loss for the current period						72,186	72,186	
Balance at 31 December 2017	10,000		576	2,000	2,276	72,186	87,038	
Distribution of profit or loss			2,958		-772	-2,186		
Paid out shares on profit						-10,000	-70,000	
Payments from capital funds			-1,257				-1,257	
Profit or loss for the current period						63,763	63,763	
Balance at 31 December 2018	10,000		2,277	2,000	1,504	63,763	79,544	

**CASH FLOW
STATEMENT**

CertiCon a.s.

Corporate ID 250 83 341

Year ended
31.12.2018
(in CZK thousands)Evropská 2758/11, Dejvice
160 00 Prague 6

		Year ended 31.12.2018	Year ended 31.12.2017
P.	Opening balance of cash and cash equivalents	66,530	66,980
	<i>Cash flows from operating activities</i>		
Z.	Profit or loss from operating activities before tax	68,109	71,435
A.1.	Adjustments for non-cash transactions	22,342	28,704
A.1.1.	Depreciation and amortization	25,848	22,993
A.1.2.	Change in adjustments and provisions	-1,436	8,634
A.1.3.	Profit or loss from sale of fixed assets	-290	
A.1.5.	Net interest expense	1,695	-2
A.1.6.	Adjustments for other non-cash transactions	-3,475	-2,921
A.*	Net operating cash flow before changes in working capital	90,451	100,139
A.2.	Change in working capital	-108,189	-30,332
A.2.1.	Change in accounts receivable and other assets	-33,956	-16,950
A.2.2.	Change in accounts payable and other liabilities	-74,233	-13,750
A.2.3.	Change in inventories		368
A.**	Net cash flow from operations before tax	-17,738	69,807
A.5.	Income tax paid from ordinary operations	-1,696	-4,066
A.***	Net operating cash flows	1	65,741
	<i>Cash flows from investing activities</i>	-2,045	
B.1.	Fixed assets expenditures	-21,478	-7,188
B.2.	Proceeds from fixed assets sold		
B.***	Net investment cash flows	-18,958	-7,188
	<i>Cash flows from financing activities</i>		
C.1.	Change in payables from financing	130,704	-9,533
C.2.	Impact of changes in equity	-81,757	-49,470
C.2.5.	Payments from capital funds	-1,257	-1,220
C.2.6.	Profit shares paid	-80,500	-48,250
C.***	Net financial cash flows	48,947	-59,003
F.	Net increase or decrease in cash and cash equivalents	8,511	-450
R.	Closing balance of cash and cash equivalents	75,041	66,530

CertiCon a.s.

Notes to the Financial Statements **as at 31 December 2018**

Prepared in accordance with § 18 of Act No. 563/1991 Coll., on Accounting, and § 39 of Regulation No. 500/2002 Coll.

1. REPORTING ENTITY

Company Name:	CertiCon a.s.
Registered Office:	160 00 Prague 6 – Evropská 2758/11
Legal Form:	Joint-stock company Company ID No.: 25083341
Subject of Business:	Production, Trade, and Services Not Listed in Appendices 1–3 of the Trade Licencing Act
Incorporation date:	20 November 1996

The company has three branches, two of which are located in Pilsen at Teslova 5 and at Anglické nábřeží 1, and one in Ostrava at Hornopolní 34. In addition, the accounting entity has a permanent tax-paying operation in Austria.

The regular financial statements for the accounting period from 1 January to 31 December 2018 were prepared on **25 June 2019**.

Shares: **100 ordinary registered shares in dematerialized form with a nominal value of CZK 100,000.**

Persons and entities holding equity in the company:

The company's General Meeting changed the form of all shares issued by the company from certificate form to dematerialized form by a decision from 26 September 2016.

Information regarding individuals and legal entities having significant or decisive influence on the accounting entity:

SynergyCon a.s., Company ID No. 24764264 – 100%.

Changes in and Amendments to the Commercial Register:

Change in the person of a Member of the Supervisory Board: Ing. Michal Paulíček was newly appointed in place of Ing. Aleš Říha.

Statutory and Supervisory Bodies of the Company:

Board of Directors:

Chairman: Prof. Ing. Vladimír Mařík, DrSc.
Vice-Chairman: Ing. Karel Kraus, MBA
Member: Prof. Ing. Josef Psutka, CSc.

Supervisory Board:

Chairman: Doc. Ing. Jiří Lažanský, CSc.
Member: Prof. RNDr. Olga Štěpánková, CSc.
Member: Ing. Michal Paulíček

Organizational Structure

A new organizational structure officially became effective as from 1 November 2016. The basic management structure (see Organizational Chart) has two levels. The top management level consists of CertiCon's Chairman of the Board of Directors, to whom all members of the executive management report directly. The basic management level is comprised of the executive managers who directly manage organizational units within their competence as stipulated by the organizational rules.

Basic Line Management Structure

The company's three-level organizational and management structure:

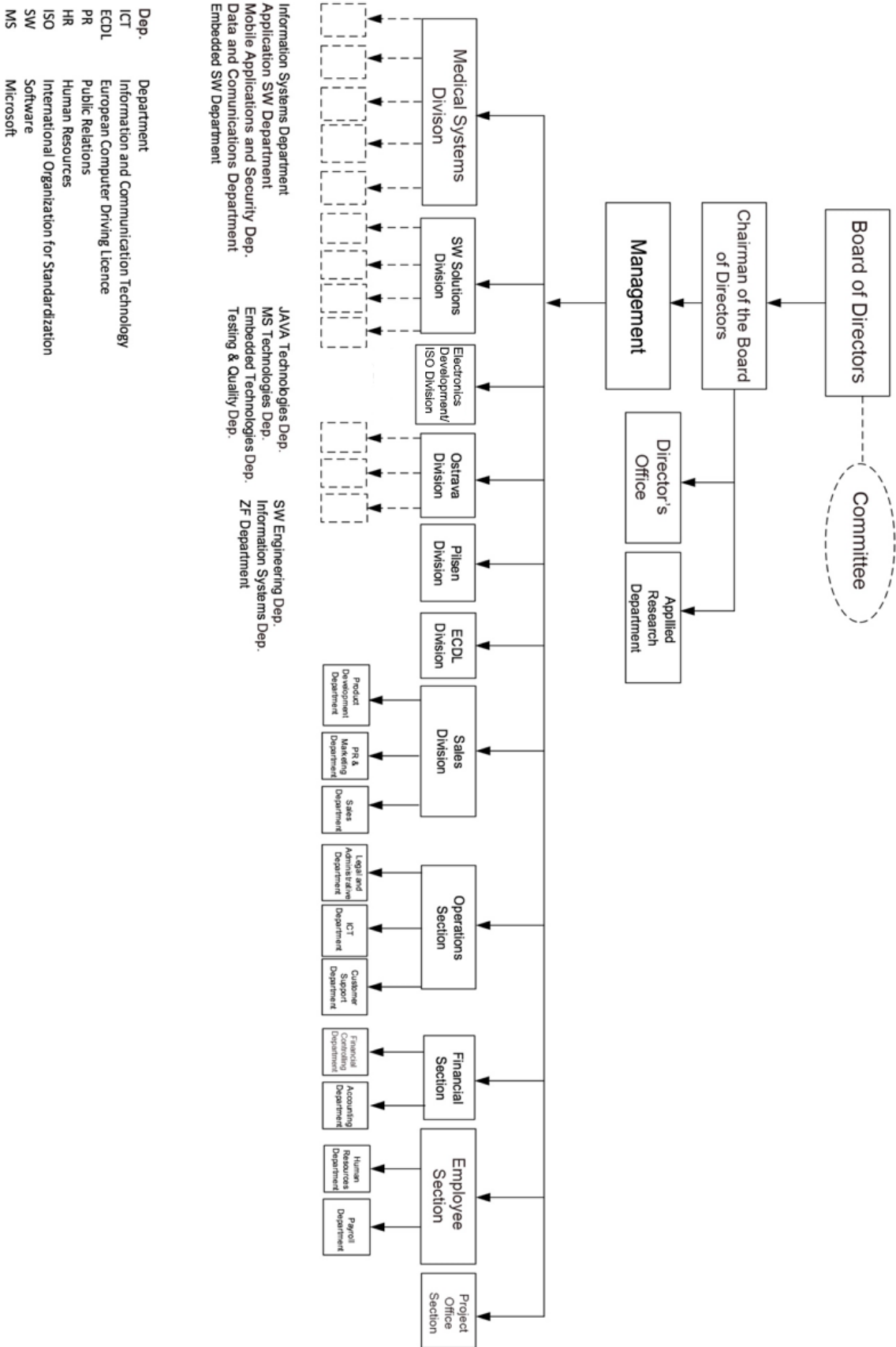
- a) The top management level consists of the Chairman of the Board of Directors to whom all members of the company's management report directly.
- b) Committee – an advisory body comprising selected members of the company's management (Chairman of the Board of Directors, Chief Operations Officer, Chief Financial Officer, Chief Sales Officer, and Chief Technical Officer).
- c) The middle level comprises directors of divisions and sections.
- d) The basic level of management comprises department managers.

Basic Structure of Project-based Management

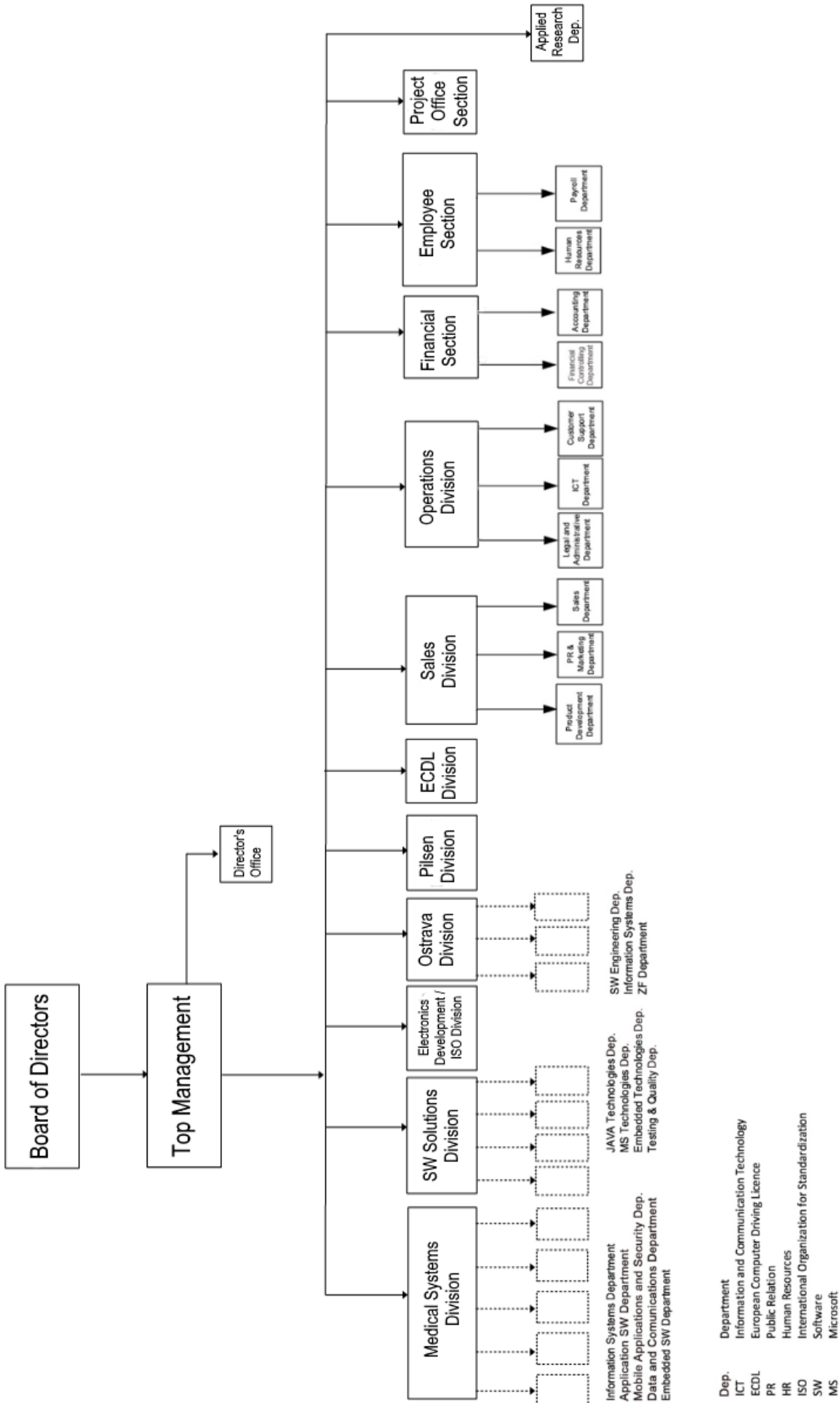
Project management is the operational principle of the project-based arrangement:

- a) The top management level consists of the Chairman of the Board of Directors.
 - b) Committee – an advisory body comprising selected members of the company's management (Chairman of the Board of Directors, Chief Operations Officer, Chief Financial Officer, Chief Sales Officer, and Chief Technical Officer).
 - c) The middle level of management is comprised of programme and project managers.
-

Organizational structure valid from 1 November 2016 to 31 July 2017 (line structure)

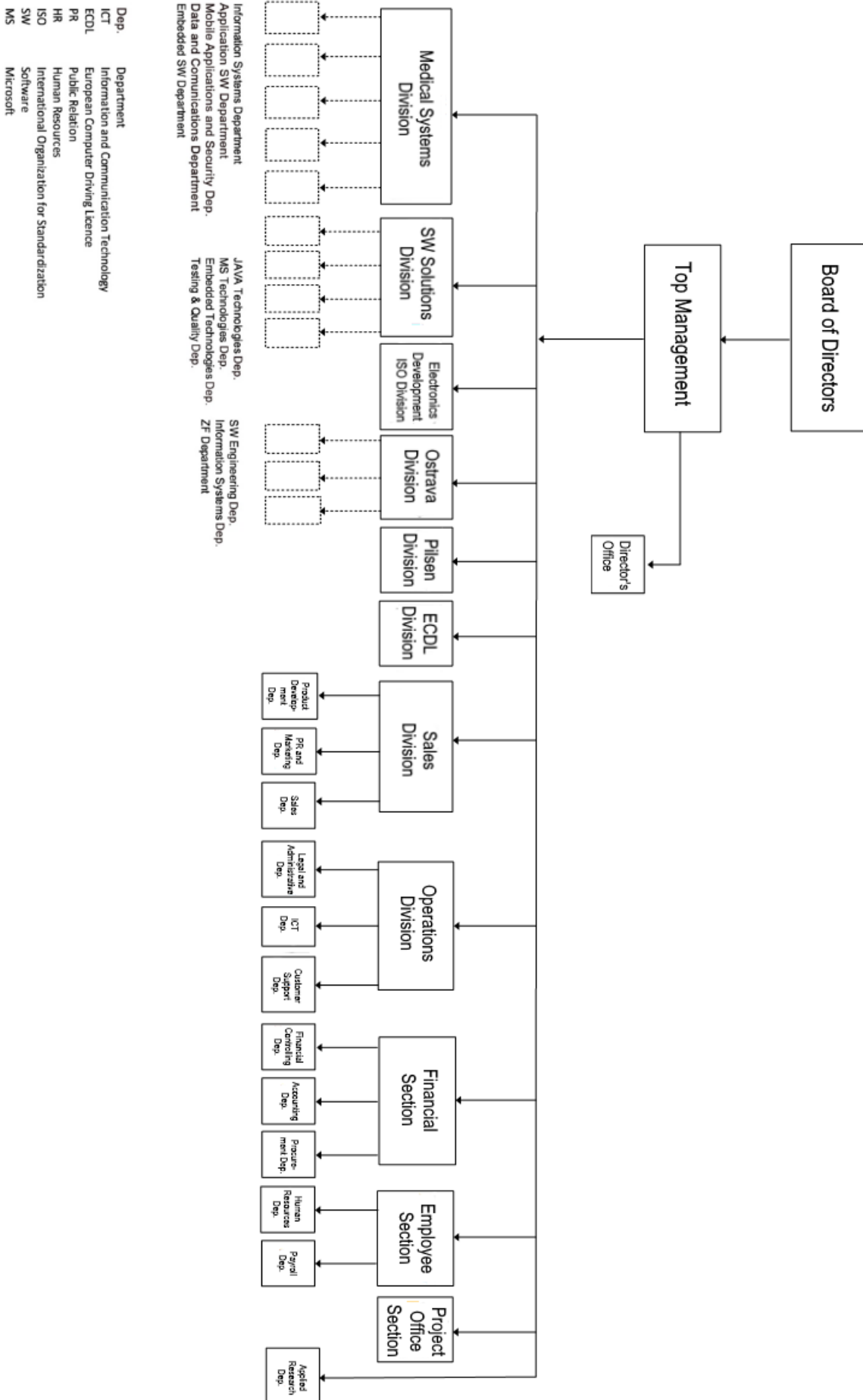


Organizational structure valid from 1 August 2017 to 31 August 2017 (line structure)

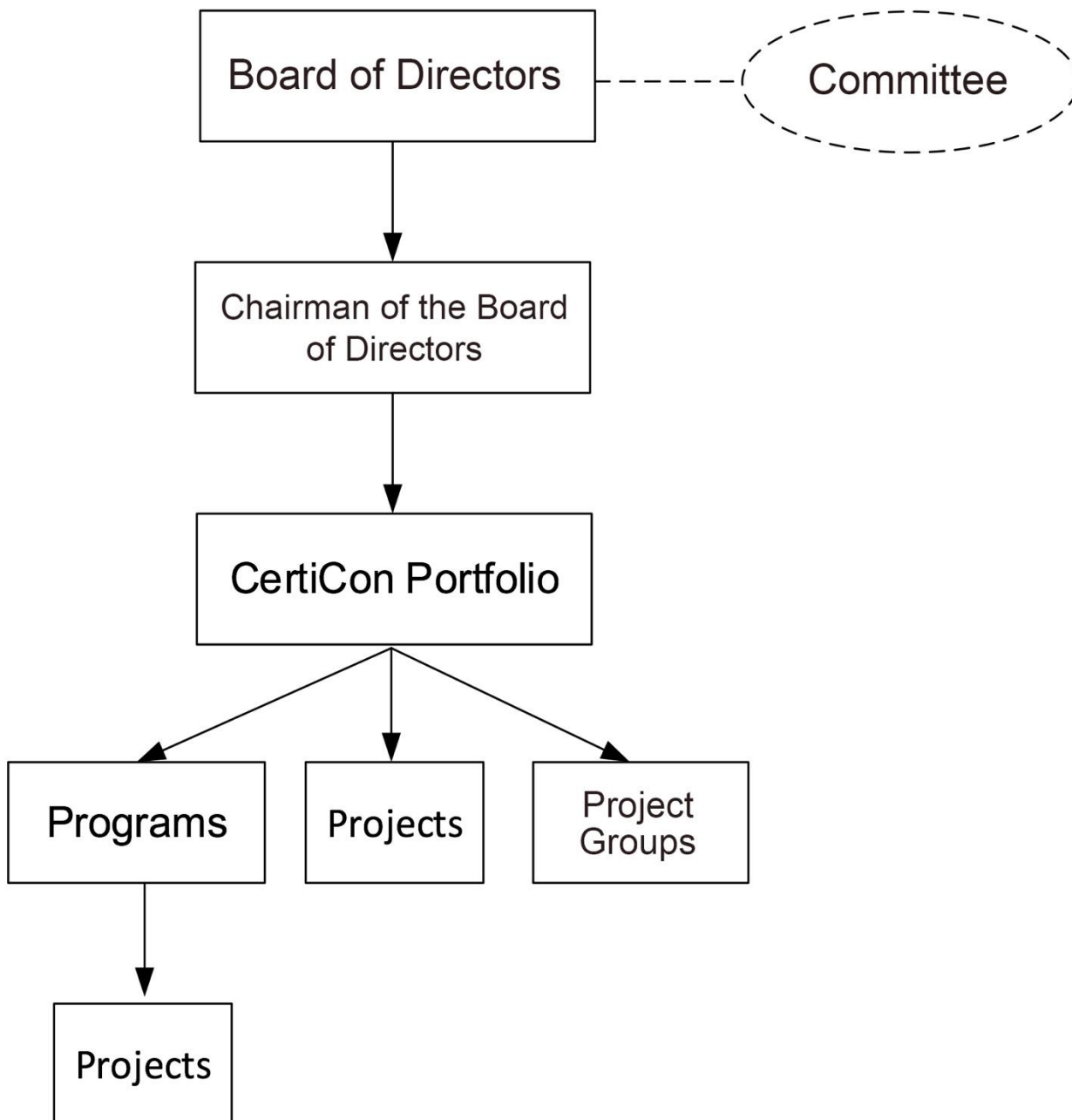


- Dep. Information and Communication Technology
- ICT European Computer Driving Licence
- ECDL Public Relation
- PR Human Resources
- HR International Organization for Standardization
- ISO Software
- SW Microsoft
- MS

Organizational structure valid from 1 September 2017 to 31 December 2018 (line structure)



Organizational structure valid from 1 November 2016 to 31 December 2018 (project-based structure)



2. BASIS OF ACCOUNTING, ACCOUNTING PRINCIPLES, AND VALUATION AND DEPRECIATION POLICIES

- a/ The company's accounting is maintained and the financial statements were prepared in accordance with Act No. 563/1991 Coll. on Accounting, as amended; Regulation No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll. for accounting units that are entrepreneurs keeping accounts in a double-entry bookkeeping system, as amended; and the Czech Accounting Standards for Entrepreneurs, as amended.

The accounting respects general accounting principles, in particular the historical-cost convention, the accruals principle, the prudence concept, and the going concern assumption.

The information in these notes is based on accounting records of the accounting unit and other documents at the disposal of the accounting entity. The notes include only information significant for assessing the financial, property and income situation of the company from the perspective of external users.

Information in these financial statements is expressed in CZK thousands.

- b/ **Departures** from the policies determined in accordance with § 7, para. 5 of the Accounting Act were not applied. There occurred no changes to the accounting principles and methods applied.

- c/ **Valuation** of individual assets and liabilities is made using the methods defined in § 25 of the Accounting Act.

- d/ **Tangible fixed assets** are assets with useful lives exceeding 1 year and value greater than CZK 40,000 in each individual case.

The cost of fixed asset improvements exceeding CZK 40,000 for the taxation period increases the acquisition cost of the related tangible fixed asset.

Purchased tangible fixed assets are stated at acquisition cost.

Tangible fixed assets developed internally are valued at direct costs plus incidental costs directly attributable to the internal production of those assets (production overheads).

- e/ **Intangible fixed assets** are assets with useful lives exceeding 1 year and value greater than CZK 60,000 in respect of start-up costs on an individual basis.

Purchased intangible fixed assets are stated at acquisition cost.

Intangible fixed assets developed internally are valued at direct costs plus incidental costs directly attributable to the internal production of those assets (production overheads).

f/ **Depreciation of fixed assets for accounting purposes** is performed according to the method established by the depreciation plan. Straight-line accounting depreciation is used and is reported on a monthly basis. The depreciation period is determined according to the useful lives of fixed assets as follows:

Intangible fixed assets :	- software, intangible assets in use	36 months
	- audio-visual work	18 months
Individual movable assets:	- computers, office technology	36 months
	- other devices and equipment, vehicles	60 months
	- technical improvements of real property	72 months

g/ **Receivables** are stated upon their origination at nominal value, which is subsequently reduced by adjustments.

h/ **Adjustments** to asset accounts are created if an asset's accounting value is substantially different from its market value. The depreciation of fixed assets for accounting purposes determined in the depreciation plan reflects the wear and tear of such assets.

i/ **Merchandise inventories** are accounted for using method B upon the purchase for each specific order. Purchased inventories are valued at acquisition cost.

j/ **Liabilities** are stated at their nominal values.

k/ **Cash and cash equivalents** are stated at their nominal values.

l/ **Long-term financial assets** principally consist of loans with maturities exceeding 1 year, equity investments, securities and equity investments available for sale, and debt securities with maturities exceeding 1 year held to maturity.

As at the balance sheet date, equity investments are valued at acquisition cost less adjustments.

m/ **Revenues** are recognized as at the date when services are rendered or goods received or delivered and accepted by the customer or at the date when title has passed to the customer. They are reported net of discounts and VAT.

Revenues are recognized on an accrual basis (i.e. in the period to which they relate).

n/ **Use of estimates** – Preparation of the financial statements requires management to make estimates and assumptions that influence the reported values of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses in the current period. The company's management believes that the estimates and assumptions used will not markedly differ from the actual values in the succeeding accounting periods.

o/ **Government grants** for offsetting costs are recognized as other operating and financial income over the period necessary to match them with the related costs. Grants received to acquire intangible and tangible fixed assets and technical improvements and grants towards interest expenses included in the acquisition cost are deducted in reporting their acquisition costs or internal costs.

p/ **Foreign currency translation** – Transactions denominated in foreign currencies during the accounting period and as at 31 December are translated using the foreign exchange rate announced by the Czech National Bank as at the specific date.

q/ **Derivatives** are primarily valued at acquisition cost. In the attached balance sheet, derivatives are recognized as part of other short-term/long-term receivables and liabilities.

Derivatives are classified as either derivatives held for trading or hedging derivatives. Hedging derivatives are concluded for the purpose of hedging fair value or securing cash flows. For a derivative to be classified as a hedging derivative, changes in fair value or changes in cash flows resulting from the hedging derivatives must entirely or in part compensate for changes in fair value of the hedged item or changes in cash flows resulting from the hedged item, and the company must document and demonstrate the existence of the hedging relationship and that it can be expected to be highly effective as a hedge. In all other cases, they are considered derivatives held for trading.

At the balance sheet date, derivatives are subsequently measured at fair value. Changes in fair value of derivatives held for trading are recognized in financial expenses and incomes. Changes in fair value of derivatives classified for fair value hedging are also recognized in financial expenses and incomes along with an appropriate change in fair value of the hedged asset or liability which relates to the risk being hedged.

r/ **Cash flow statement** – The statement was prepared using the indirect method. Cash equivalents consist of current liquid assets that can easily and readily be converted into an amount of cash which is known in advance.

Cash and cash equivalents can be broken out as follows:

(in CZK thousand)

	31 Dec 2018	31 Dec 2017
Cash on hand and cash in transit	138	298
Bank accounts	74,903	66,232
Current account debit balance included in current bank loans	0	0
Cash equivalents included in current financial assets	0	0
Total cash and cash equivalents	75,041	66,530

Cash flows from operating, investing, and financing activities are not offset as presented in the cash flow statement.

3. EQUITY INVESTMENTS OR CONTRACT-BASED OWNERSHIP INTERESTS IN OTHER COMPANIES

At 17 December 2009, the company purchased 50 bearer shares in the nominal value of CZK 10,000 of ProTyS, a.s., Company ID No. 63077795, for CZK 5,000,000, which constituted a 20% ownership interest. At 22 December 2014, a Contract on transfer of the shares of ProTyS a.s. was concluded, and, on its basis, 25 shares were sold and the company's ownership interest in ProTyS a.s. decreased. The total nominal value of the ownership share as at 31 December 2018 is CZK 2,500,000 (31 December 2017: CZK 2,500,000).

At 15 June 2012, the company purchased 210 registered shares in certificate form in the nominal value of CZK 100,000 of HydroCon a.s., Company ID No. 24808202, which constitute a 70% ownership interest, for the amount of CZK 23,127,000.

At 15 April 2016, the company bought 588,228 shares of the US company Health Helm Inc. in the amount of USD 511,856. At 1 December 2016, CertiCon increased its ownership share by another 150,156 shares valued at USD 159,165. In 2017, the company purchased shares in the amount of USD 83,525. Total nominal value of the ownership share as at 31 December 2018 is USD 754,546 (31 December 2017: USD 754,546). The company created an adjustment to this investment amounting to 100% of its nominal value.

Company	Registered office	Equity investment at net book value	Ownership percentage at 31 Dec 2018	Shareholders' equity at 31 Dec 2018	Profit/loss for 2018
HydroCon a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 23,127,000	70%	CZK 23,258,000	CZK -960,000
ProTys, a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 2,500,000	10%	CZK 22,606,000	CZK 5,635,000
Health Helm Inc.	51 Melcher Street, Boston, MA 02210	USD 0	13.78%	USD -561,000	USD -141,000

Company	Registered office	Equity investment at net book value	Ownership percentage at 31 Dec 2017	Shareholders' equity at 31 Dec 2017	Profit/loss for 2017
HydroCon a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 23,127,000	70%	CZK 24,219,000	CZK -465,000
ProTys, a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 2,500,000	10%	CZK 27,997,000	CZK 15,608,000
Health Helm Inc.	51 Melcher Street, Boston, MA 02210	USD 754,000	15.11%	USD -404,000	USD -403,000

4. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

a/ Significant Balance Sheet and Profit and Loss Account Items

aa/ Fixed Assets

Intangible Fixed Assets (IFA)

Acquisition cost

(in CZK thousands)

	Starting balance	Additions	Disposals	Transfers	Ending balance
Intangible results of R&D	25,757	16,281	0	0	42,038
Software	14,301	2,750	6,168	0	10,883
Valuable rights	90	0	0	0	90
Other IFA	2,000	0	0	0	2,000
Total 2018	42,148	19,031	6,168	0	55,011
Total 2017	33,606	8,542	0	0	42,148

Adjustments and amortization

(in CZK thousands)

	Starting balance	Additions	Disposals	Transfers	Ending balance	Adjustments	Accounting value
Intangible results of R&D	16,069	9,644	0	0	25,713	0	16,325
Software	9,059	5,366	6,168	0	8,257	0	2,626
Valuable rights	90	0	0	0	90	0	0
Other IFA	1,333	667	0	0	2,000	0	0
Total 2018	26,551	15,677	6,168	0	36,060	0	18,951
Total 2017	13,691	12,860	0	0	26,551	0	15,597

Intangible fixed assets comprise software, copyrights (logo), audio-visual work, and results of research and development.

Tangible Fixed Assets (TFA)**Acquisition cost**

(in CZK thousands)

	Starting balance	Additions	Disposals	Transfers	Ending balance
Buildings	3,121	687	0	0	3,808
Tangible movables and sets of tangible movables	53,400	10,577	1,258	0	62,718
Advances provided for TFA	530	0	530	0	0
Total 2018	57,051	11,264	1,788		66,526
Total 2017	48,694	8,734	377	0	57,051

Adjustments and depreciation

(in CZK thousands)

	Starting balance	Additions	Disposals	Transfers	Ending balance	Adjust-ments	Accounting value
Buildings	996	532	0	0	1,529	0	2,729
Tangible movables and sets of tangible movables	26,922	10,752	1,258	0	36,415	0	26,303
Total 2018	27,918	11,284	1,258	0	37,944	0	28,582
Total 2017	18,200	10,094	376	0	27,918	0	29,133

Tangible fixed assets comprise IT equipment, devices, vehicles, office furniture (furnishing new office spaces), and technical improvements to leased real property.

Additions to / classifications for use in intangible fixed assets in 2017 were:

- SW licences for CZK 2,750,000
- proprietary products CCV and EPIQA for CZK 16,281,000

Additions to tangible fixed assets in 2018:

- IT hardware with acquisition cost of CZK 8,509,000
- Vehicles with acquisition cost of CZK 1,098,000
- Office furniture with acquisition cost of CZK 970,000
- Technical improvements to leased real property with acquisition cost of CZK 687,000

A physical inventory-taking as at 31 December 2018 was made during 2 January–28 February 2018 at all workplaces and no differences were found between the physical situation and the accounting records.

For comments on intangible fixed assets under construction, see Note 4f below.

ab/ Inventories

Merchandise inventories are recorded using method B upon purchase according to individual order.

ac/ Receivables

Long-term receivables in 2018 consisted of rental security deposits in the amount of CZK 4,281,000, prepayments for a share in revenues from sale of equipment in the amount of CZK 182,000, prepayments for CCS cards in the amount of CZK 35,000, prepayment for Go parking cards in the amount of CZK 6,000 and for Fontana drinking water barrels of CZK 8,000.

Long-term receivables in 2017 consisted of rental security deposits in the amount of CZK 3,042,000, prepayments for a share in revenues from sale of equipment in the amount of CZK 182,000, prepayments for CCS cards in the amount of CZK 35,000, prepayment for Go parking cards in the amount of CZK 6,000 and for Fontana drinking water barrels of CZK 8,000.

Rental security deposits increased as compared to previous years. A security deposit was provided for the new Hamburg building in Pilsen. Lease contracts for Prague are backed by bank guarantees, which were

recalculated in accordance with current leased area on 15 March 2018. At the same time, a term deposit was recalculated at 10% of the value of the bank guarantee (i.e. in the amount of CZK 1,283,000).

Short-term trade receivables not yet due as at 31 December 2018 totalled CZK 81,927,000 (CZK 63,930,000 as at 31 December 2017). As at 31 December 2018, the company had receivables past due in the amount of CZK 16,452,000 (CZK 11,853,000 as at 31 December 2017).

ad/ Liabilities

Long-term liabilities as at 31 December 2018 totalled CZK 97,755,000. This is the balance of the bank loan which was drawn in 2018 and for which repayment was underway. The subsidized DIGICOR project will be terminated in September 2019, and therefore the balance of the advance as at 31 December 2018 is a short-term prepayment received.

Long-term liabilities as at 31 December 2017 totalled CZK 11,905,000. These included a short-term advance for the DIGICOR project, the ending balance of which as at 31 December 2017 was EUR 466,000 (CZK 11,905,000 after conversion to CZK).

Balances on short-term liabilities as at 31 December 2018 consist of trade payables, short-term prepayments received, and additional liabilities.

Additional liabilities comprise payables to partners, unpaid salaries for December 2018, including insurance contributions (paid on 8 January 2019), estimated payables, and amounts due for 2018 road tax and corporate income tax prepayments.

Additional liabilities comprise payables to partners, unpaid salaries for December 2017, including insurance contributions (paid on 8 January 2018), estimated payables, and amounts due for 2017 road tax and corporate income tax prepayments.

The company reported short-term trade payables past due as at 31 December 2018 in the amount of CZK 13,000. These have been paid as at the date of preparing the financial statements.

The company reported short-term trade payables past due as at 31 December 2017 in the amount of CZK 49,000. These have been paid as at the date of preparing the financial statements.

b/ Deferred Taxation

The deferred tax asset in the amount of CZK 2,862,000 (CZK 3,711,000 as at 31 December 2017) arises from a difference between the accounting and tax net book values of the fixed assets of CZK 8,991,000 (CZK 9,170,000 as at 31 December 2017), and the provisions for management bonuses and for undrawn vacation in the total amount of CZK 9,346,000 (CZK 15,202,000 as at 31 December 2017) as well as accounting adjustments to the financial investment and receivables of CZK 14,710,000 (CZK 13,499,000 as at 31 December 2017). The amount was calculated as at 31 December 2018 from these items multiplied by the corporate income tax rate for 2018 of 19% (19% also for 2017).

c/ Income Tax Payable

Income tax payable for 2018 and paid in the Czech Republic amounts to CZK 2,215,000 (CZK 1,037,000 as at 31 December 2017).

Income tax payable for 2018 and paid in Austria amounts to CZK 1,247,000 (CZK 916,000 as at 31 December 2017).

d/ Provisions and Adjustments

In the year ended 31 December 2018, a provision was created for payment of bonuses for 2018 to be paid in 2019 in the amount of CZK 8,939,000 and a provision for payment of bonuses in the amount of CZK 14,391,000 from 2017 was utilized. The provision created for outstanding vacation was recalculated in 2018, and it decreased as compared to 2017. In 2017, the provision created for outstanding vacation of CZK 811,000 was released and a new one created in the amount of CZK 407,000.

e/ Bank Loans

On 26 July 2016, the company concluded a loan contract with UniCredit Bank Czech Republic and Slovakia, a.s. for an authorized overdraft in an amount up to CZK 20,000,000. The company has not yet drawn this loan.

To secure this loan, the company concluded a contract on security assignment of receivables with UniCredit Bank Czech Republic and Slovakia, a.s. on 26 July 2016. On the basis of this contract, the company assigns to the bank all its existing and future receivables from all sub-debtors in an amount up to CZK 20,000,000 plus appurtenances ensuing from the loan contract.

On 15 February 2018, the company concluded a bank loan with UniCredit Bank Czech Republic and Slovakia, a.s. for an amount of EUR 6,000,000, which was drawn in two tranches of EUR 3,000,000 each. The loan is being repaid quarterly since 29 March 2018 in 20 quarterly instalments. The last instalment is due 30 December 2022. The loan incurs interest at an interest rate defined as the sum of the 3-month EURIBOR rate and a 1.3% p.a. surcharge. The parent company SynergyCon a.s. is a co-creditor and guarantor of the loan.

The company issued a blank promissory note to the bank to secure the loan, a lien was issued on the receivable from current accounts of both CertiCon a.s. and SynergyCon a.s., and the aforementioned contract on security assignment of receivables was extended with an amendment to also cover this loan.

f/ Derivatives

The Company has concluded a contract on a swap derivative for hedging the interest rate of the loan. As at 31 December 2018, the company revalued the derivative to fair value, and the positive and negative fair values of the derivatives are recognized in other liabilities and receivables, respectively. The fair value of the credit swap as at 31 December 2018 was CZK -1,768,000.

g/ Grants

The company received grants for conducting applied research projects (Czech Republic):

Provider	Purpose of grant	Current period	Previous period
Technology Agency of the Czech Republic	CAK III	830	829
Technology Agency of the Czech Republic	REBOT	0	1,552
Ministry of Industry and Trade	SIDAS	2,575	2,842
Ministry of the Interior	SMART CAMERA	1,288	1,364
Technology Agency of the Czech Republic	LARYNGO VOICE	600	600
Ministry of Industry and Trade	BIOS	2,105	1,259

The H2020 programme (ER4STEM) from EU funds was concluded in 2018. The first payment after the first settlement arrived for the H2020 programme (DIGICOR) totalling EUR 110,000.

Revenues related to drawing grants in the amount of CZK 19,184,000 in 2018 (CZK 17,084,000 in 2017) are presented in the "Other operating income" line of the profit and loss account.

The company reports capitalization of such grant projects on the balance sheet line "Intangible fixed assets under construction" on the condition that the capitalized projects fulfil the following conditions:

- the project is feasible,
- the project's results will provide a benefit to the company in the form of sales or use for internal purposes and the company intends to use the project results in such way,
- the company endeavours to complete the final products, and
- the company is capable to calculate a value for the project's output.

h/ Accrued Income

Accrued income comprises programming work not yet invoiced and accrued amounts of sub-leases.

i/ Deferred Expenses

Deferred expenses include services invoiced, especially services related to lease of new office spaces at Evropská 11, insurance, and SW licences related to future reporting periods.

j/ Accrued Expenses

Accrued expenses comprise accrued expenses of the current period invoiced in the following reporting period, especially lease-related services. Another important amount is accrual of lease related to uneven lease payments for the duration of lease contracts.

5. ASSETS AND LIABILITIES

a/ Leased Assets

The company holds no assets under lease.

b/ Assets under Pledge or Encumbered by Lien

Except for the collateral stated in points 4e) Bank Loans and 5f) Off-Balance Sheet Commitments, no assets of the company were encumbered by lien or subject to easement.

c/ Assets Maintained Off-Balance Sheet

In 2018, transactions related to import of components from the US company Medtronic were recorded to off-balance sheet accounts.

These were components and devices necessary for software development for Medtronic. We did not become their owners and did not pay for them. In accordance with the contract on cooperation, if the owner (Medtronic) requests that these components be returned, CertiCon is obliged to do so or to destroy them.

The balance of the off-balance sheet account 'Assets held for safekeeping' was CZK 4,862,000 as at 31 December 2018 (CZK 3,613,000 as at 31 December 2017).

d/ Third-party Assets Maintained on the Balance Sheet

The company holds no third-party assets.

e/ Tangible Fixed Assets Acquired by Financial Lease

The company holds no tangible fixed assets acquired by financial lease.

f/ Off-Balance Sheet Commitments

The company provides a guarantee to UniCredit Bank Czech Republic, a.s. on behalf of EnergyCon s.r.o. for a loan provided to EnergyCon s.r.o. The guarantee commitment is limited to CZK 20,000,000.

As described in note 5 c/, during 2017 there were records made in off-balance sheet accounts in relation to importing components from the US company Medtronic.

The balance of the off-balance sheet account 'Commitment for assets held for safekeeping' is CZK 4,862,000 as at 31 December 2018 (CZK 3,613,000 as at 31 December 2017).

g/ Significant Post-Balance Sheet Events

There occurred no significant events between the balance sheet date and the date of preparing the financial statements.

h/ Significant Transactions

The company did not undertake any significant transactions concerning the company's assets.

i/ Transactions with Related Parties

No services were invoiced between the majority shareholder SynergyCon a.s. and CertiCon a.s. during 2018. During 2017, no services were invoiced.

The company records no trade payables to SynergyCon a.s. as at 31 December 2018 (CZK 0 as at 31 December 2017), and does not record a payable from unpaid share in the company's profit as at 31 December 2018 (CZK 80,500,000 as at 31 December 2017).

During the 2018 accounting period, consulting services and refunding of costs were invoiced to the related company ProTyS in the total amount of CZK 197,000 exclusive of VAT (CZK 94,000 exclusive of VAT in 2017). In 2018, the company recognized revenues from services rendered to ProTyS, a.s. totalling CZK 786,000 (CZK 788,000 as at 31 December 2017). In 2018, a dividend was received in the amount of CZK 750,000.

As at 31 December 2018, the company records liabilities to ProTyS, a.s. totalling CZK 142,000 (CZK 38,000 as at 31 December 2017).

The company records no receivables from or payables to the related company HydroCon a.s. as at 31 December 2018. In 2018, the company recorded revenues for services rendered to HydroCon a.s. in the amount of CZK 191,000 (CZK 193,000 as at 31 December 2017).

In 2018, the company recorded revenues from services with Health Helm, Inc. totalling USD 125,000 and converted to CZK 3,205,000 at the exchange rate as at 31 December 2018 (USD 86,000 as at 31 December 2017, converted to CZK 1,831,000 at the exchange rate as at 31 December 2017).

No transactions (direct or indirect) were entered into between the reporting entity and the members of its managing and supervisory bodies.

6. EMPLOYEES, PERSONNEL EXPENSES, CASH AND NON-CASH BENEFITS PROVIDED

	Total	
	Current period	Previous period
Average recalculated number of employees	318	318
Average recalculated number of managers	11.6	12.1
Total personnel expenses, including insurance and social expenses	362,162	335,801
Remuneration to board members	9,217	8,334

Eleven members of the Executive Management use company cars also for private purposes. Therefore, 1% of the vehicles' initial costs is charged monthly to their salaries.

No loans or other remuneration in kind were provided to members of the company's Board of Directors, the Supervisory Board or the managing bodies.

In accordance with internal regulations, the company contributes regularly to supplementary pension savings and loans for housing purposes for its employees. In 2018, 17 new loans were provided (11 in 2017) in the total amount of CZK 2,950,000 (CZK 2 094,000 in 2017), Repayment of existing loans is being made in accordance with the repayment schedules. A total of CZK 1,693,000 was repaid in 2018 (CZK 874,000 in 2017).

7. INFORMATION ON COSTS FOR FEES TO THE AUDIT COMPANY

The audit company did not change in 2018.

The costs for Deloitte's auditing of the 2017 financial statements were CZK 445,000, including a preliminary audit for 2018 (CZK 350,000 for 2017).

8. EQUITY

a/ Changes in Equity

See the Statement of Changes in Equity in the financial statements.

b/ Share Capital

The share capital of CZK 10,000,000 comprises 100 shares in the value of CZK 100,000 per share. The share capital has been fully paid up.

The company has established a reserve fund from its profits. The reserve fund has been fully paid in and amounts to 20% of the company's share capital.

On the basis of the company's Articles of Association and a resolution of the General Meeting from 29 June 2001, the company established a social motivation fund from its net profits used in providing for the social, cultural, educational, sports and health needs of its employees in the extent defined by the rules for the use of and drawing from the social motivation fund. A contribution of CZK 2,958,000 was provided into this fund during 2018 based upon a resolution of the General Meeting (CZK 1,410,000 in 2017).

c/ Distribution of Net Profit

The company will decide upon the distribution of net profit at the General Meeting

9. SALES OF PRODUCTS AND SERVICES

Sales of the company's own products and services grew by CZK 1,043,000 as compared to 2017.

	Current period			Previous period		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Sales of own products	0	0	0	52	52	0
Merchandise sales	3,848	3,848	0	198	198	0
Sales of services	533,757	56,632	477,125	532,662	56,936	475,726
Other income	33,508	22,114	11,394	25,354	16,677	8,677

10. COSTS OF SERVICES

In 2018, costs of services consisted primarily of travel expenses in the amount of CZK 10,923,000 (CZK 12,824,000 in 2017); leasing CZK 47,185,000 (CZK 42,773,000 in 2017); building cleaning, security and maintenance of CZK 2,484,000 (CZK 1,824,000 in 2017); other overheads of CZK 26,309,000 (25,631,000 in 2017); IT services and other overheads related to projects of CZK 10,128,000 (CZK 8,696,000 in 2017); and internet, telephones, and postal fees of CZK 3,424,000 (CZK 2,137,000 in 2017).

11. ADJUSTMENTS

In 2018, the company created accounting adjustments in a total amount of CZK 4,420,000 (CZK 6,838,000 in 2017), of which adjustments to receivables totalled CZK 4,620,000 (CZK 1,005,000 in 2017) and adjustments to accrual accounts (uninvoiced deliveries) were reduced by CZK 200,000 (CZK 5,833,000 in 2017).

In addition, an adjustment to the investment in Health Helm in the amount of CZK 10,290,000 was created (CZK 6,662,000 in 2017). An adjustment has been created for the full invested amount of CZK 16,952,000.

12. CASH FLOW STATEMENT

The Cash Flow Statement is a separate annex to the financial statements.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs totalled CZK 69,069,000 (CZK 84,940,000 in 2017). Due to the year-on-year decrease in these costs, the costs cannot be applied for tax purposes at the beneficial 110% rate.



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ZPRÁVA NEZÁVISLÉHO AUDITORA Pro akcionáře společnosti CertiCon a.s.

Se sídlem: Evropská 2758/11, Dejvice, 160 00 Praha 6

Výrok auditora

Provedli jsme audit přiložené účetní závěrky společnosti CertiCon a.s. (dále také „společnost“) sestavené na základě českých účetních předpisů, která se skládá z rozvahy k 31. prosinci 2018, výkazu zisku a ztráty, přehledu o změnách vlastního kapitálu a přehledu o peněžních tocích za rok končící k tomuto datu a přílohy této účetní závěrky, která obsahuje popis použitých podstatných účetních metod a další vysvětlující informace.

Podle našeho názoru přiložená účetní závěrka podává věrný a poctivý obraz finanční pozice společnosti CertiCon a.s. k 31. prosinci 2018 a její finanční výkonnosti a peněžních toků za rok končící k tomuto datu v souladu s českými účetními předpisy.

Základ pro výrok

Audit jsme provedli v souladu se zákonem o auditorech a standardy Komory auditorů České republiky pro audit, kterými jsou mezinárodní standardy pro audit (ISA), případně doplněné a upravené souvisejícími aplikačními doložkami. Naše odpovědnost stanovená těmito předpisy je podrobněji popsána v oddílu Odpovědnost auditora za audit účetní závěrky. V souladu se zákonem o auditorech a Etickým kodexem přijatým Komorou auditorů České republiky jsme na společnosti nezávislí a splnili jsme i další etické povinnosti vyplývající z uvedených předpisů. Domníváme se, že důkazní informace, které jsme shromáždili, poskytují dostatečný a vhodný základ pro vyjádření našeho výroku.

Ostatní informace uvedené ve výroční zprávě

Ostatními informacemi jsou v souladu s § 2 písm. b) zákona o auditorech informace uvedené ve výroční zprávě mimo účetní závěrku a naši zprávu auditora. Za ostatní informace odpovídá představenstvo společnosti.

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

Na základě provedených postupů, do míry, jež dokážeme posoudit, uvádíme, že:

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

Dále jsme povinni uvést, zda na základě poznatků a povědomí o společnosti, k nimž jsme dospěli při provádění auditu, ostatní informace neobsahují významné (materiální) věcné nesprávnosti. V rámci uvedených postupů jsme v obdržených ostatních informacích žádné významné (materiální) věcné nesprávnosti nezjistili.

Odpovědnost představenstva a dozorčí rady společnosti za účetní závěrku

Představenstvo společnosti odpovídá za sestavení účetní závěrky podávající věrný a poctivý obraz v souladu s českými účetními předpisy a za takový vnitřní kontrolní systém, který považuje za nezbytný pro sestavení účetní závěrky tak, aby neobsahovala významné (materiální) nesprávnosti způsobené podvodem nebo chybou.

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

Za dohled nad procesem účetního výkaznictví ve společnosti odpovídá dozorčí rada.

Odpovědnost auditora za audit účetní závěrky

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

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

- Identifikovat a vyhodnotit rizika významné (materiální) nesprávnosti účetní závěrky způsobené podvodem nebo chybou, navrhnout a provést auditorské postupy reagující na tato rizika a získat dostatečné a vhodné důkazní informace, abychom na jejich základě mohli vyjádřit výrok. Riziko, že neodhalíme významnou (materiální) nesprávnost, k níž došlo v důsledku podvodu, je větší než riziko neodhalení významné (materiální) nesprávnosti způsobené chybou, protože součástí podvodu mohou být tajné dohody (koluze), falšování, úmyslná opomenutí, nepravdivá prohlášení nebo obcházení vnitřních kontrol.
- Seznámit se s vnitřním kontrolním systémem společnosti relevantním pro audit v takovém rozsahu, abychom mohli navrhnout auditorské postupy vhodné s ohledem na dané okolnosti, nikoli abychom mohli vyjádřit názor na účinnost jejího vnitřního kontrolního systému.
- Posoudit vhodnost použitých účetních pravidel, přiměřenost provedených účetních odhadů a informace, které v této souvislosti představenstvo společnosti uvedlo v příloze účetní závěrky.
- Posoudit vhodnost použití předpokladu nepřetržitého trvání při sestavení účetní závěrky představenstvem a to, zda s ohledem na shromážděné důkazní informace existuje významná (materiální) nejistota vyplývající z událostí nebo podmínek, které mohou významně zpochybnit schopnost společnosti nepřetržitě trvat. Jestliže dojdeme k závěru, že taková významná (materiální) nejistota existuje, je naší povinností upozornit v naší zprávě na informace uvedené v této souvislosti v příloze účetní závěrky, a pokud tyto informace nejsou dostatečné, vyjádřit modifikovaný výrok. Naše závěry týkající se schopnosti společnosti nepřetržitě trvat vycházejí z důkazních informací, které jsme získali do data naší zprávy. Nicméně budoucí události nebo podmínky mohou vést k tomu, že společnost ztratí schopnost nepřetržitě trvat.
- Vyhodnotit celkovou prezentaci, členění a obsah účetní závěrky, včetně přílohy, a dále to, zda účetní závěrka zobrazuje podkladové transakce a události způsobem, který vede k věrnému zobrazení.

Naší povinností je informovat představenstvo a dozorčí radu mimo jiné o plánovaném rozsahu a načasování auditu a o významných zjištěních, která jsme v jeho průběhu učinili, včetně zjištěných významných nedostatků ve vnitřním kontrolním systému.

V Praze dne 25. června 2019

Auditorská společnost:

Deloitte Audit s.r.o.
evidenční číslo 079

Statutární auditor:

Michal Černý
evidenční číslo 2483



This report is a translation
from the Czech original

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INDEPENDENT AUDITOR'S REPORT To the Shareholders of CertiCon a.s.

Having its registered office at: Evropská 2758/11, Dejvice, 160 00 Prague 6

Opinion

We have audited the accompanying financial statements of CertiCon a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2018, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CertiCon a.s. as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

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

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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This report is a translation
from the Czech original

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

In Prague on 25 June 2019

Audit firm:
Deloitte Audit s.r.o.
registration no. 079

Statutory auditor:
Michal Černý
registration no. 2483



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