

CERTICON



# CERTICON ANNUAL REPORT FOR 2020



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# Introduction

Dear shareholders, business partners, employees and friends,

Although very difficult, 2020 was nevertheless another successful year for CertiCon a.s. The company of course had to contend with problems brought on by the pandemic crisis. For most of the year, its operations were restricted in the sense that most employees were working from home. CertiCon was nonetheless completely stable in its operations and modest growth continued in all important parameters.

In recent years, CertiCon has operated as an internationally respected company providing its customers a wide range of services in software design, development and testing, including mobile and embedded systems. This has not changed even in times of pandemic.

CertiCon's work today thus continues to be 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 own proprietary products and services.

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 2020 to expand its business activities with existing long-term partners (Medtronic, Frequentis, and Bosch), substantially broaden its developing cooperation with the Czech branch of the German ZF, and continue in long-term cooperation with Airbus Group. New cooperation was established with BellaDati. The year 2020 brought stabilization in the company's activities abroad, in both the USA and the EU. We achieved overall service and product sales totalling CZK 656.4 million, which is an increase by CZK 84.1 million over 2019. Meanwhile, total operating revenue rose to ca CZK 676.8 million, which represents a 12.5% gain over 2019.

In 2020, 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). We completed development of a wholly new product of our own – a mobile application known as m-care, the first version of which already has been put into experimental testing in one of the departments of Prague's Motol University Hospital. Development of a system for semi-automated biosignal processing (the product Cyber PSG) was also completed, and it is being tested at Mayo Clinic in Rochester, Minnesota, USA. The company sees long-term promise and business potential in the development of its own proprietary products.

CertiCon substantially concentrated the activities of its Applied Research Department on matters related to its proprietary products, and particularly concerning the product CertiConVis. Important is the orientation of our research to machine learning, and especially on industrial applications of neural networks. In coming months, artificial intelligence-based systems will play a decisive role not only in our research but also in the area of proprietary products development.

Total spending on applied research for 2020 was CZK 3.6 million, of which CertiCon covered CZK 1.9 million with its own funds. Several times greater amounts were invested into research and development of proprietary products.

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, CertiCon 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 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. 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.

CertiCon a.s. substantially supports also the non-profit organization Institut Equilibrium, z.ú., the activities of which are directed to clarification of the current situation in the Czech Republic as well as prospective trends in the development of Czech society.

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 to further enhance CertiCon's 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 education 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 National Competence Centre – Cybernetics and Artificial Intelligence 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 at Czech Technical University. Expert cooperation was bolstered also with the Technical University of Ostrava and University of Ostrava. Very important is our direct connection with the Mayo Clinic in the USA.

We dedicated extraordinary attention to the processes of managing the growing company. A matrix management structure has been 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 has enabled even better human resources management through the introduction of line managers.

CertiCon is continuously seeking capable, dynamic, highly qualified professionals. To facilitate this, it operates branches outside of Prague, in Czech regional cities. A new branch that was opened in Olomouc in 2018 was enlarged during 2020. After necessary reconstruction, the Prague branch is already occupying additional space on the sixth floor of the Blox building.

Being aware of its corporate social responsibility, CertiCon has decided to support certain sports and cultural events. It became co-producer of the very successful film "Charlatan". Although opportunities for collective teambuilding activities were very limited in 2020, we also support our employees in their sports, cultural, and social activities.

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 remains to be a Czech company doing high-quality work in areas demanding 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 envisage 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 remain 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 2021 our employees will fulfil the main mission of our company as expressed in the slogan: "Connecting information technology with the real world to make a better life for all of us!" We believe that with the employees' proactive contributions we will overcome all the problems related to the coronavirus crisis and also to the associated economic crisis.

I look forward to another successful year, albeit still in particularly challenging conditions!

Prague, 15 June 2021

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

# Contacts

## PRAGUE HEADQUARTERS

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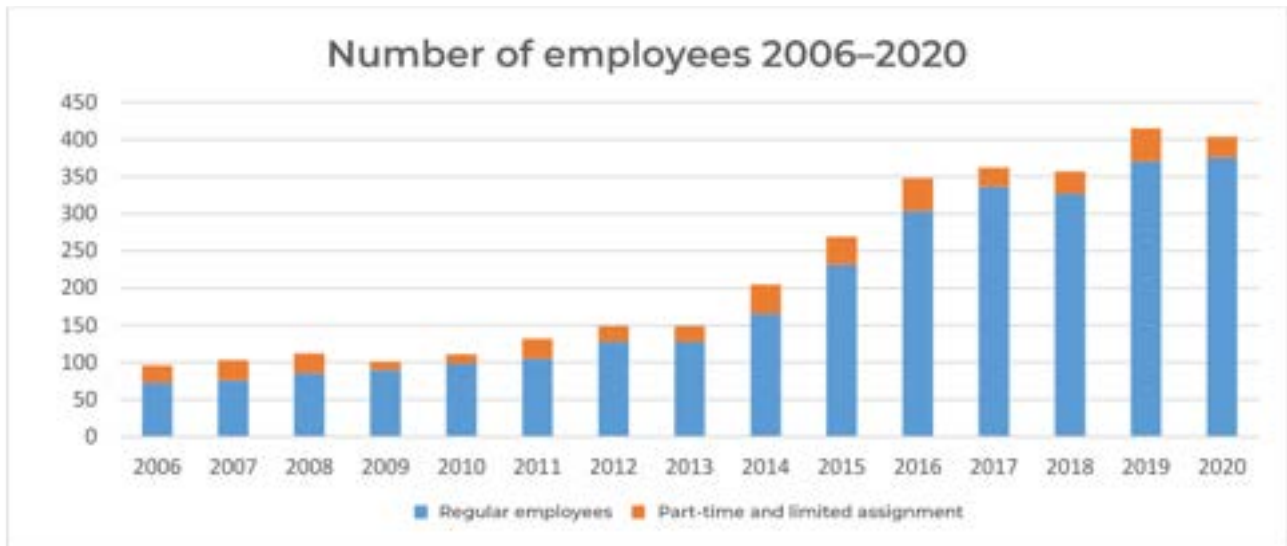
## OLOMOUC BRANCH

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779 00 Olomouc

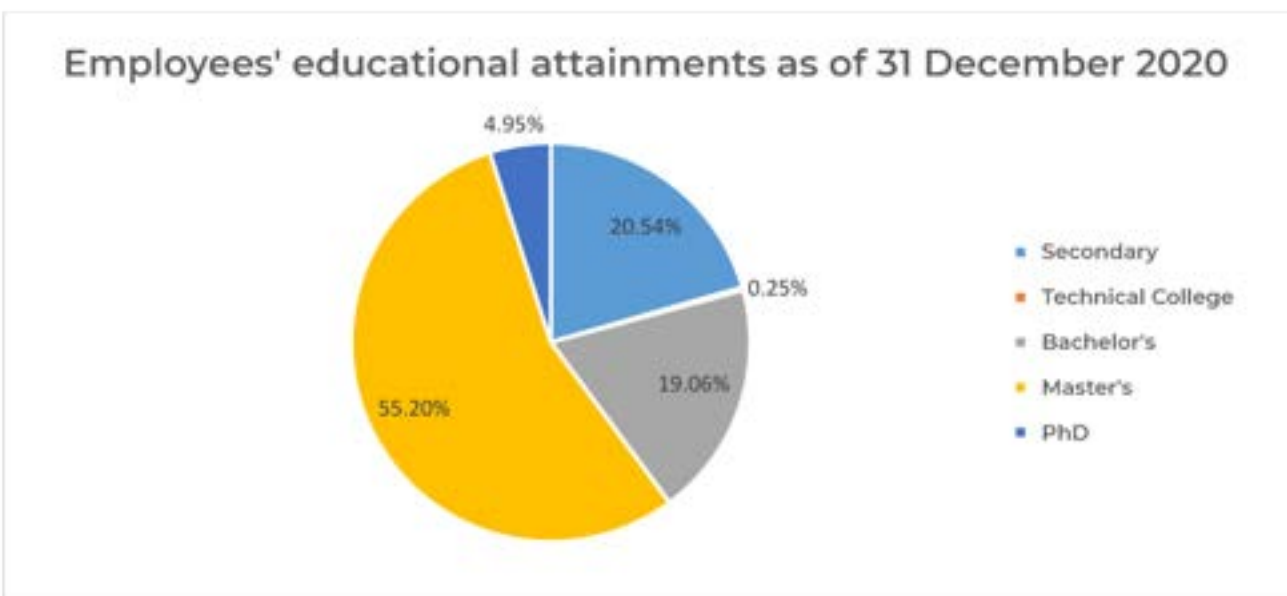
Tel:+ 420 224 904 200

# The Company's Organization and Personnel

Personnel working for CertiCon as at 31 December 2020 totalled 404. With respect to type of contractual relationship, as at that date there were 376 regular employees under employment contract and 28 personnel under agreements outside an employment relationship (so-called "part-time limited workers" and "limited assignment workers"). The average annual recorded number of personnel was 382. 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 2020.

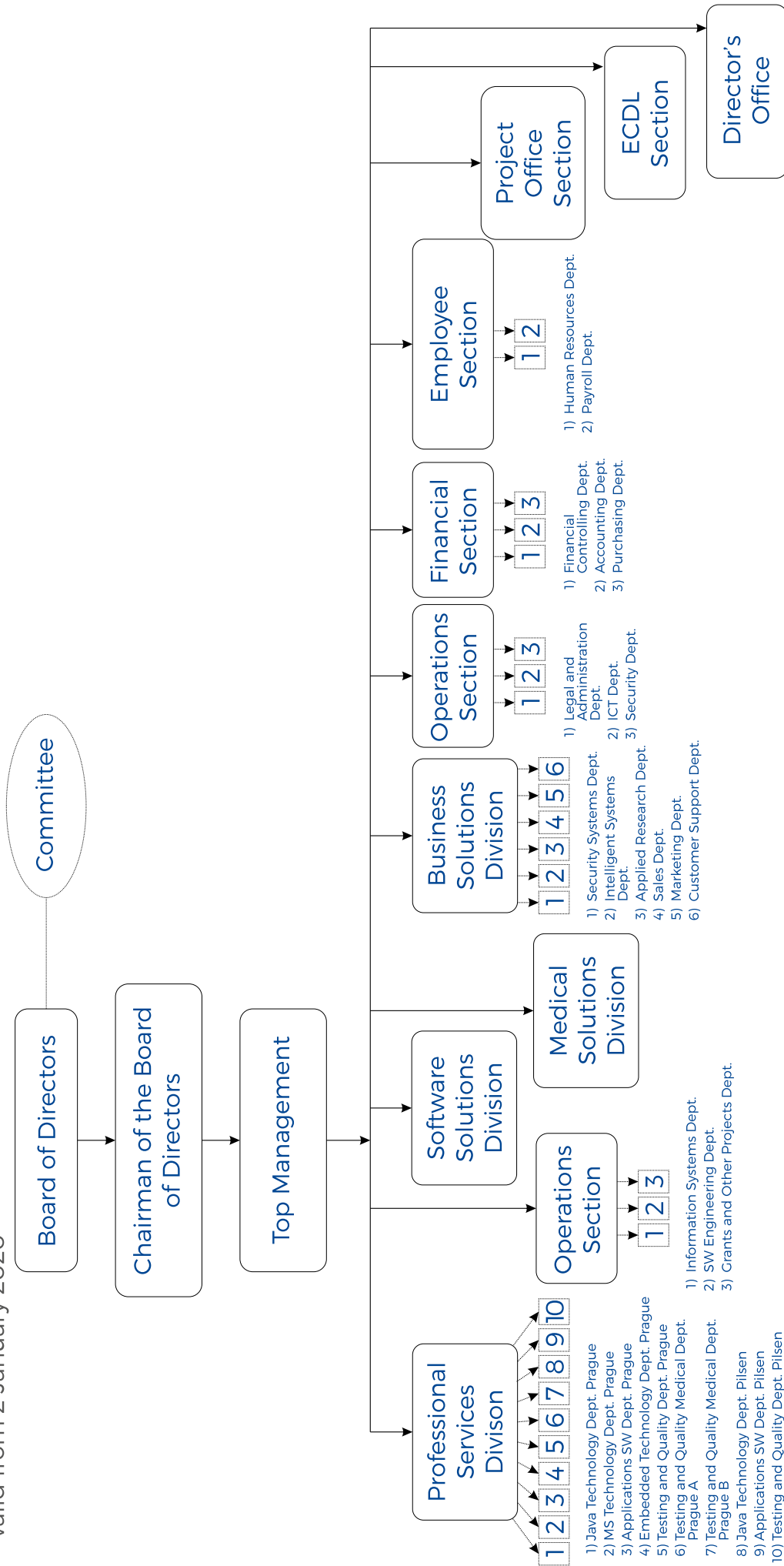


A long-term priority aim of the company is to concentrate capacities for accumulating top-notch technological know-how and therefore to employ in particular highly qualified, individually trained professionals. Such orientation is confirmed by statistics as to the highest levels of educational attainment among the employees and management. As shown in the pie chart, 79% of employees have university educations (Bachelor's degree and higher).



# ORGANIZATIONAL STRUCTURE - LINE CONFIGURATION

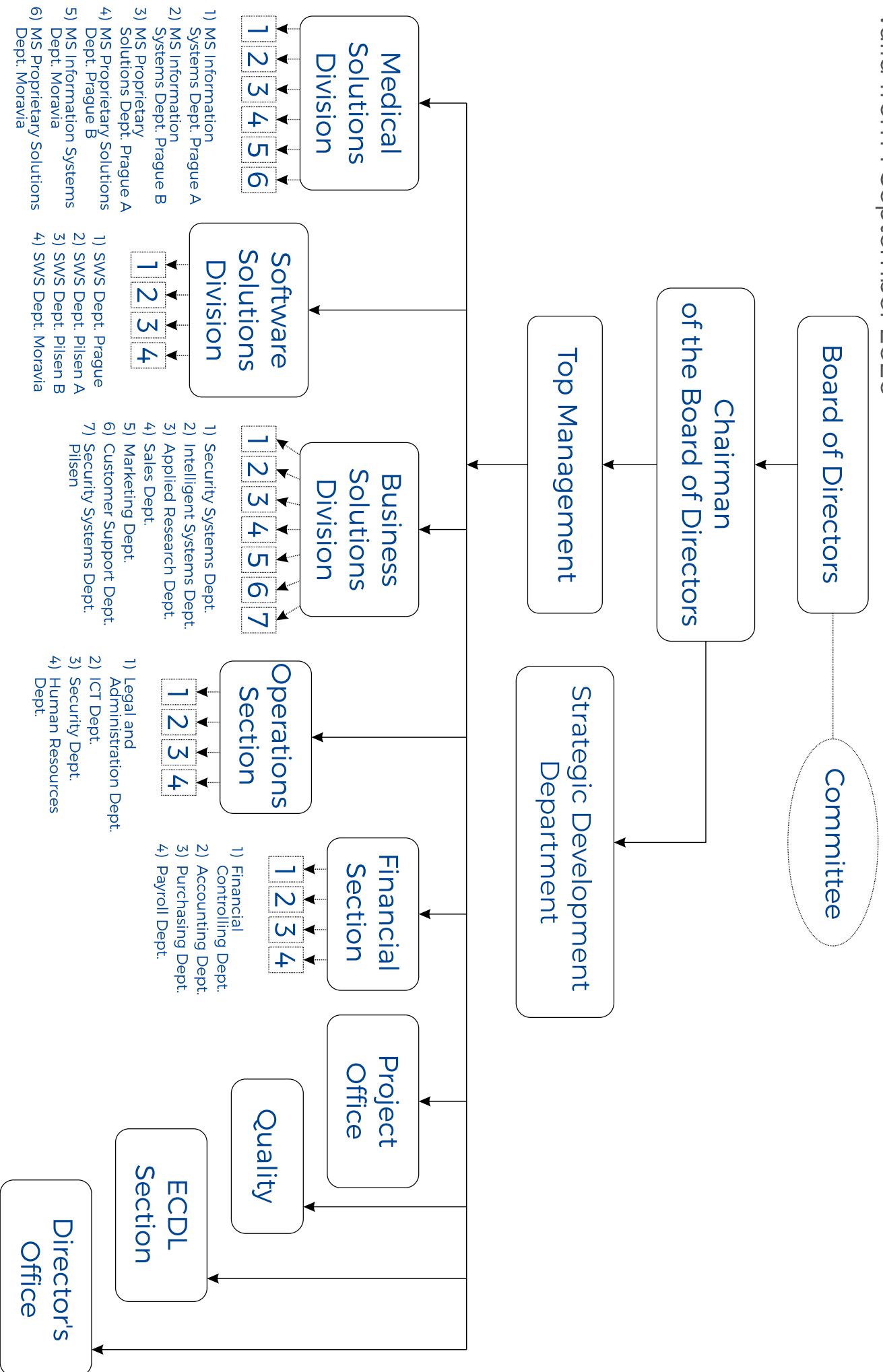
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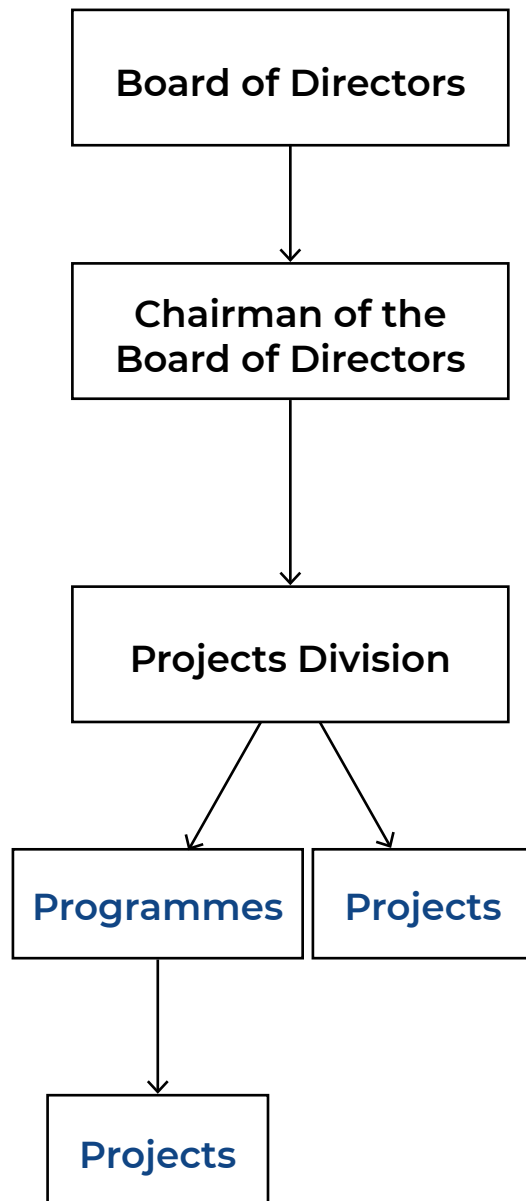


# ORGANIZATIONAL STRUCTURE - LINE CONFIGURATION

valid from 1 September 2020



Organizational structure valid in 2020 (project-based structure)



# Quality Management Systems

## ISO 9001:2016 QUALITY MANAGEMENT SYSTEM AND ISO 13485:2016 MEDICAL DEVICES – QUALITY MANAGEMENT SYSTEM

Process management in accordance with ISO 9001 has been an integral part of CertiCon's operations ever since 2006. The company has a clearly defined context. It knows the needs, requirements, and expectations of all stakeholders – including customers – that may impact the organization's performance

The ISO 13485 quality control system in developing medical devices has been in use by the company since 2011. At the core of this standard is compliance with law and with relevant technical standards in order to ensure maximum possible safety of the developed medical devices.

The implemented quality management system's compliance with the requirements of the ISO 9001 and ISO 13485 standards was most recently confirmed by an external audit conducted in May 2020 by the EZÚ testing institute.

All the system's requirements of the company are reasonable and fully supported by CertiCon's management. Compliance with the requirements of ISO 9001 and ISO 13485 is checked annually by means of internal project audits or audits of parts of the company's system of organizational units.



**The scope of ISO 9001 certification** covers design, research and development, testing, software diagnostics, and supply of software products and electronic circuitry, including technical support and provision of related services, consulting services, and outsourcing services.

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

## ISO 45001:2018 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS AND ISO 14001:2016 ENVIRONMENTAL 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 to the headquarters in Prague as well as to the branches in Pilsen, Ostrava, and Olomouc.

The implemented quality management system's compliance with requirements of the ISO 14001 and ISO 45001 standards was confirmed in a May 2020 external audit by the EZÚ testing institute.

All the system's requirements of the company are reasonable with regard to the company's activities. Compliance with the requirements of ISO 14001 and ISO 45001 is checked annually by internal audits of projects or parts of the company's system of organizational units. Moreover, a compliance check is carried out by the external company CIVOP.



CertiCon contributes actively to environmental protection. It separates paper, plastic, beverage cartons, end-of-life electrical appliances and devices, and batteries at all its branches. In the Prague branch, there is a system for collection of waste light bulbs and elements as well as sorting of metal waste.

No serious workplace accident or emergency occurred during 2020.

**The scope of ISO 14001 and ISO 45001 certification** covers activities to the same extent as did ISO 9001 certification.

# 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 intelligent systems supporting decision-making and management. An all-embracing motto pertaining to the company's activities is to provide services with high added value to its long-term customers, doing so comprehensively across the entire life cycle of a product or service. The company is grounded in its own research potential, which was systematically built up during 2015–2020, 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.

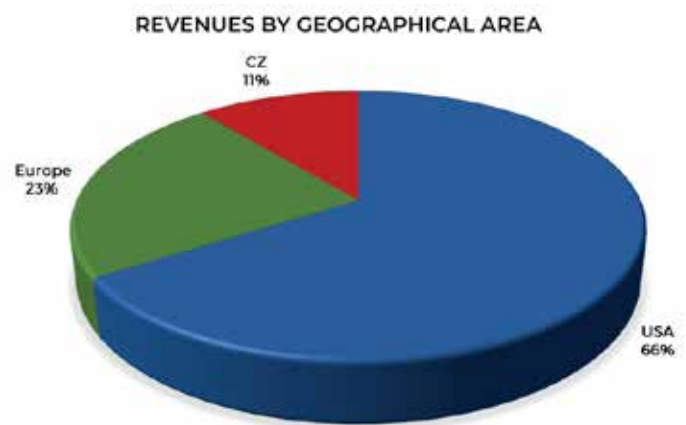
The principal services customers are foreign European and US firms operating internationally. Domestically, the state administration and municipalities are the main customers. In recent years, however, Czech private firms (ProfConsult, Passengera) as well as Czech branches of international firms (IBM,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

Medtronic (USA), Robert Bosch (UK, Germany), and Frequentis (Austria) remained the largest foreign customers during 2020.

A large proportion of domestic activities consists 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 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 has become an important industrial partner to the National Centre of Competence – Cybernetics and Artificial Intelligence financed by the Technology Agency of the Czech Republic and coordinated by the Czech Institute of Informatics, Robotics, and Cybernetics at Czech Technical University.



SWdevelopment



SWtesting



ASICdesign



AppliedResearch

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. Since 2017, CertiCon has been 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, 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.

## TECHNICAL DEVELOPMENT – PRODUCTS

### **CertiConVis (CCV)** – video analytic software

During 2020, the CCV team acquired several new contracts, including additional licences for Rohlík CZ and M2C. We supplied licences for customers/partners VDT and Telmo and carried out promising pilot projects for partners Z.L.D. and Omexom with significant potential to attract new end clients.

We also delivered a project supplying CCV to a new foreign end client through Scanlock, which is a distributor in foreign countries.

We opened specific negotiations with the existing important client BellaDati that yielded an offer to use the CCV product through an exclusive licence for utilization of a chosen CCV module in Asian markets.

Regarding technical aspects, CertiConVis is currently implemented for use in on-premise regime. During 2020, however, we began intensive preparations to enable the possibility for its use in cloud regime.

Furthermore, there continued in 2020 the process of optimizing the entire sales and product team that had been initiated in 2019 in line with the company strategy. Specific negotiations on securing contractual partnerships were continuously ongoing with chosen strategic partners/distributors in order gradually to establish a network of partners encompassing all market segments suited to implementing this type of software. In this process we emphasize, among other things, approaching and choosing partners such that their areas of interest do not overlap and so that their activities are effective to the maximum possible extent. VDT became the main strategic partner/distributor. Others include ABBAS, M2C, SIMAC and Scanlock.

### **ConCoS** – a SW tool interconnecting an electronic construction site diary with the CCV video analytic SW

A very important activity in 2020 was also the launch of development (in cooperation with partner PBWI as creator of the electronic construction site diary SW) of a new and separate module based on the CCV product intended for the building industry. This module/product under the trade name ConCoS is a specific SW tool interconnecting the CCV video analytic SW with the electronic construction site diary.

Specifically, this product is a comprehensive tool enabling construction companies first to satisfy their new legal obligation to keep an electronic construction site diary and in addition it brings advanced video analytic functions of the CCV system developed to meet the need to monitor specific situations typical for the building industry. The product enables recording attendance, recording machines and working tools, generating an electronic record from the inspection day, recording waste management at the building site, and generating daily protocols in PDF format. It has implemented support for electronic signature and more. In addition to all these functions of the construction site diary, its video analytic functions enable ConCoS automatically to detect a number of specific situations on a building site and subsequently draw attention in particular to possible security issues. This most typically relates to detecting a person (or vehicle) entering a previously defined and delimited area, safety vest or helmet absence detection, detection and size recognition of a vehicle entering the building site, detection of vehicle number plates, etc.

Together with preparations of a technical solution for this module/product, we also launched in 2020 preparations of a sales model for going to market that is directly based upon and will utilize the network of partners prepared for launch of the CCV product.

## **EPIQA** – online multi-agent production scheduling system

From the viewpoint of the EPIQA product, cooperation in supplying to the main partner, Airbus Industries, was further developed during 2020. The EPIQA information system is being used in a production environment and the development team is working on its further development. New versions are supplied each quarter of the year. The value of sales to this client was lower in 2020 than in 2019. This decrease was due to the client's significant budget limitations. Its reduced budget was a consequence of the economic crisis in air transport and the airline industry during the Covid-19 pandemic. Despite these crisis impacts, CertiCon continues to be a strategic partner of Airbus Industries for production planning.

The project's main objective is to gradually extend optimization algorithms and especially to adapt the entire system to the needs of additional specific manufacturing plants of Europe's largest aircraft manufacturer. Airbus Industries plans on completing the deployment of EPIQA SW for optimizing airplane production planning across all assembly lines by the end of 2021.

During 2020 a whole range of essential upgrades was implemented. Most notably, the system's performance was improved. It is now more robust and scalable, and it has been integrated with ERP systems in other countries where the client's factories are located. Last but not least, source data editing has been significantly expanded as EPIQA is fully taking over the functionalities of another system whose operation is being discontinued.

Optimization of scheduling algorithms is ongoing. A fundamental change is the use of new technologies in the area of constraint programming. By using new tools and approaches, and with the strategic aim of minimizing resource use, we achieved as much as 20% improvement in the quality of scheduling.

## **MedCare24/7** – an application intended for remote communication between physician and patient

In 2020, the sales department continued in reaching out intensively to those market segments suited to use of this application. This was carried out in part through bilateral meetings with big prospective partners, particularly including clinics, with great potential to utilize the application in their outpatient departments. Specifically, we negotiated with such companies as Innova Health Care, NextClinics, and Nemocnice Na Homilce. At the same time, we prepared and executed a direct email campaign to communicate with about 40 chosen subjects, providing them appropriate promotional materials and offering a presentation in case of interest.

Furthermore, all promotional materials to support launching the application into the market were finalized and the sales strategy, including pricing and licensing policies, was completed.

At the same time, preparations of a licence agreement for pilot operation of the application at Prague's Motol University Hospital were initiated in accordance with provisions of a memorandum signed with this potential client in 2019. The main points of the contract were drafted and agreed with the client at the end of 2020.

The results of all the aforementioned business activities (direct consultations with big players plus the email campaign) were at the end of the year evaluated as inadequate relative to the efforts made and to the estimated market potential of the application. This was mainly due to long-term paralysis of the entire health care sector in relation to new investments and implementing of innovative technical solutions due to its total concentration on the crucial resolution of the pandemic situation. The specific reaction of the market was such that, although the application is prospectively very interesting for many of those entities approached, at the time being and for the next several months, they have no possibility to implement it.

For the reasons described above, CertiCon's management has decided to put a hold on the development and business activities associated with launching this application until the pandemic situation will be under control and the health care sector will return to its standard operating regime.

A modified version of the software was offered to the Health Ministry of the Czech Republic to support communication between medical doctors and patients in the time of pandemic, but this offer was not taken up.



## **CyberPSG** – SW application for analysis and semi-automated analysis of multidimensional time series

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 enables implementing interfaces for multimodal signal input from various types of devices. From input signals, advanced methods extract features necessary for automated and semi-automated classification of the individual record. The system includes cluster methods of learning without teacher that are based on extracted features and offers classification options for expert evaluation based on hierarchically arranged tree of clusters (i.e. a dendrogram). The system evaluates scanned data based on their similarities into a tree structure upon which basis the expert may evaluate key parts of the record. The expert can view the data in a diagnostic space but also as raw data and subsequently adjust the machine 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 combination of manual record classification by an expert with a high degree of automation and objectivity based on evaluating the similarity of signals.

In 2020, another contract on testing was concluded and testing was started at the neurology clinic of another important American university hospital and with a globally recognized team of experts dealing with treatment of Parkinson's disease.

## SUBSIDY PROJECTS IN 2020

**SIDAS** – system for intelligent detection and signalization of collision states for improving track safety

This MPO Trio project, which had as its objective to develop methods for automatic evaluation of traffic safety on a railway crossing, was run in cooperation with the team of Professor Vašínek at the Technical University of Ostrava. The project combined methods using computer vision, including to employ stereo camera systems with optical interferometer measurement techniques and sensors based on the use of optical fibres. The output consisted in algorithms determining the state of the crossing from the viewpoint of collision risk, discerning whether there are any undesirable objects, particularly cars, in the monitored space when the railway crossing is being closed. Simultaneously with this, the state of crossing barriers and light signalization is being checked independently of crossing automation. Throughout the past year, development was ongoing of prototype camera system HW modules and testing of their operating parameters. A testing installation was set up for final evaluation of functionality. The project was completed at the end of September 2019, and a final defence took place in February 2020.

**LaryngoVoice** – automatic voice conservation and reconstruction focusing on patients after total laryngectomy

The Epsilon project from the Technology Agency of the Czech Republic focused on voice modelling and interpretation based upon recordings of a human speaker. The objective was to conserve electronically the voices of patients who will soon lose their natural voices to total laryngectomy. The project was conducted with University of West Bohemia in Pilsen, Charles University in Prague, and Speech Tech s.r.o. as research and commercial partners. This project was completed at the end of 2020.

**BIOS** – device for measuring and processing biosignals using optical-fibre sensors

The project's objective was to develop a device for measuring biosignals using a combination of optical-fibre sensors and an advanced signal-processing system. The system brings advantages based on the principle of using optical-fibre sensors, which offer very high sensitivity in measured values. This property allows 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 existing monitoring methods. This simplifies measurement methods as well as increases patient comfort due to substantial reduction in the number of signalling and powering conduits required.

The proposed project also motivated substantial innovation of the existing product Cyber PSG and creation of a comprehensive solution using entirely new principles for capturing biosignals and supplementing the existing product with completely new functional properties based upon principles of artificial intelligence, machine learning, and decision-making support to clinical diagnostics. The project was completed in 2020 and all results of the project and the final report were reported to the Ministry of Industry and Trade. In February 2021, the project was successfully defended before the Ministry's representatives.

**Smart Camera** – a new-generation supervisory centre

CertiCon had worked on this project supported by the Ministry of the Interior of the Czech Republic since 2017. CIIRC was a cooperating partner in the project. The project's objective was to develop a camera system consisting of several cameras placed within a space so that their fields of vision overlap. The individual cameras cooperate on identifying objects in the scene, detecting their trajectories, and a number of other tasks useful for modern supervisory centres (crowd formation, its static and dynamic analysis, monitoring of its movement). Forensic image analysis from the group of cameras can then use metadata that the cameras exchange. In the final year, preparation and documentation of two functional samples was part of the project works. The project was completed at the end of 2019. This project was officially completed by passing the results on to the awarding authority in May 2020. Due to the pandemic situation, the awarding authority had cancelled the usual form of defence.

## **Cluster 4.0** – methodology of system integration

The Cluster 4.0 project, which was initiated in the second half of 2018, is developing international inter-sector cooperation among innovative businesses, academic centres, and global industrial players. The consortium consists of the research institutes CIIRC at Czech Technical University and DFKI (Germany), as well as the Czech companies SIDAT and CertiCon, with support of the multinational corporations Airbus, ŠKODA, and Siemens, and in connection with the National Centre for Industry 4.0. This research topic is one of the most demanding in the Industry 4.0 field, specifically involving system integration and creating a uniform, flexible software architecture for adaptable production systems. The project has been extended until 2023.

## **NCK KUI** – National Centres of Competence – Cybernetics and Artificial Intelligence (project components 1b, 1f2, and 3a)

The NCK KUI project, which has been ongoing since the beginning of 2019, has focused upon establishing cooperation between research centres and innovative businesses in fields of robotics and cybernetics for Industry 4.0, “Smart cities”, intelligent transportation systems, and cyber security. Within the overall project effort, CertiCon is cooperating on three packages that were loosely interconnected in some parts. The project NCK KUI 1b dealt with questions of camera systems calibration and with detection and classification of objects, mainly to be deployed in the field of autonomous systems. Within packages 1f2 and 3a, there was cooperation with academic partners on utilization of camera recordings to monitor the use of public spaces which may be used for architectural and urban planning, as well as for security purposes. Among further tasks, we were working on evaluating crowd behaviour and modelling and identifying activities in public spaces. Partners for individual packages were CIIRC, the Institute of Computer Science of the Czech Academy of Sciences, and the Faculty of Architecture of Czech Technical University in Prague. The project was completed at the end of 2020. Since the beginning of 2021, it is planned for the project components to continue for another year, thereby following up on the original three-year programme.

## MOST SIGNIFICANT FOREIGN REFERENCES

- **Robert Bosch** (UK) – a British branch of a leading European supplier of systems for automotive companies' after-sales service. Cooperation is focused on developing, implementing, and testing software for after-sales service of leading world car brands.
- **Medtronic Inc.** (USA, MN) – a global producer and leader in medical electronics. Our cooperation centres upon 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. Frequentis has a 30% market share worldwide 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 is directed especially to smart production planning and scheduling in resolving complicated assembly procedures.
- **AF Technology** (Sweden) – an engineering and advisory company in telecommunications, energy, and industrial infrastructure. Cooperation centres upon development and implementation of RT embedded software for telecommunication equipment.

## 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 spol. s r.o.** – a world-leading IT company. CertiCon is supplier for the design and implementation of software solutions for a number of customers.
- **ZF Engineering Plzeň 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.

# 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 for proprietary applied research in order to implement solutions. It does not, therefore, limit itself to a specific industrial sector, but focuses 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.

CertiCon a.s. has built considerable capacities in the area of software verification and testing and is progressively switching to automated testing. Its own SW testing methodology serves as a model for implementation of testing in other companies. The employees provide lectures and courses for other experts.

This majority activity in software solutions is complemented by activities in design and testing of integrated circuits and development of embedded solutions.

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 2020, 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 four products of its own on the market. Among these, especially CertiConVis – a product of CertiCon's proprietary research in security systems based on signals from industrial cameras – has a strong potential for mass application on domestic and foreign markets. This is a key product from which the company expects to earn high returns on investment in coming years. Concurrently with developing the product, therefore, we have established a sales and service base for this product and initiated negotiations with several 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.

The company has 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 challenges during 2020 related in part to the pandemic situation, which made cooperation among team members, searching for new customers, and transfer of know-how more difficult, and in part to the labour market situation, which made it impossible to diminish fluctuation rates. The pressure for increased salaries, supported by some of the media but also by operations of foreign companies and by foreign investments into start-ups, was truly enormous and irrational. The company's management responded adequately to this pressure as conditions allowed, and turnover was maintained within reasonable limits.

In the pandemic situation, the company's management very much appreciated the completed transformation to a matrix management structure. This enabled more efficient management activities in a time when working from home was prevalent. Particularly in the Medical Systems and Software Solutions divisions, the matrix structure proved to be very beneficial. It facilitated on-time adherence to all the company's commitments and continued deliveries of proper quality.

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 achieved a number of successes in 2020, not only in technology areas but also with respect to marketing and sales.

The volume of services provided to traditional domestic customers is around 11%. The monetary volume of services exported abroad increased by more than 15% (in terms of financial volume expressed in CZK). Contributing to this in part were much better exchange rates relative to the euro and dollar. The contribution of foreign customers to the company's turnover thereby remains around 89%. We did not succeed in reversing this trend in favour of the domestic market's contribution to turnover.

An important factor, therefore, was further stabilization of our company's long-term customers. Long-term contracts with top foreign technology partners provide CertiCon 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 cooperates closely, too, with its affiliate ProTyS, a.s. That firm is oriented mainly towards research and development of software systems for real-time industrial control. CertiCon has 10% ownership in this company.

In 2020, CertiCon acquired a 10% stake also in Datis s.r.o.

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 2020, the company's headquarters and branch offices were located in leased premises of the Blox building in the vicinity of Vítězné náměstí in Prague 6 (the lessor is ČMN Blox s.r.o.), in The Orchard office complex in Ostrava (the lessor is BHS Orchard s.r.o.), in the modern RCO office building in Olomouc, and in premises of the Business Centre Hamburk in Pilsen.

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. Payments on a bank loan from UniCredit bank were made during 2020 without problems.

# Key Economic Indicators from 2020

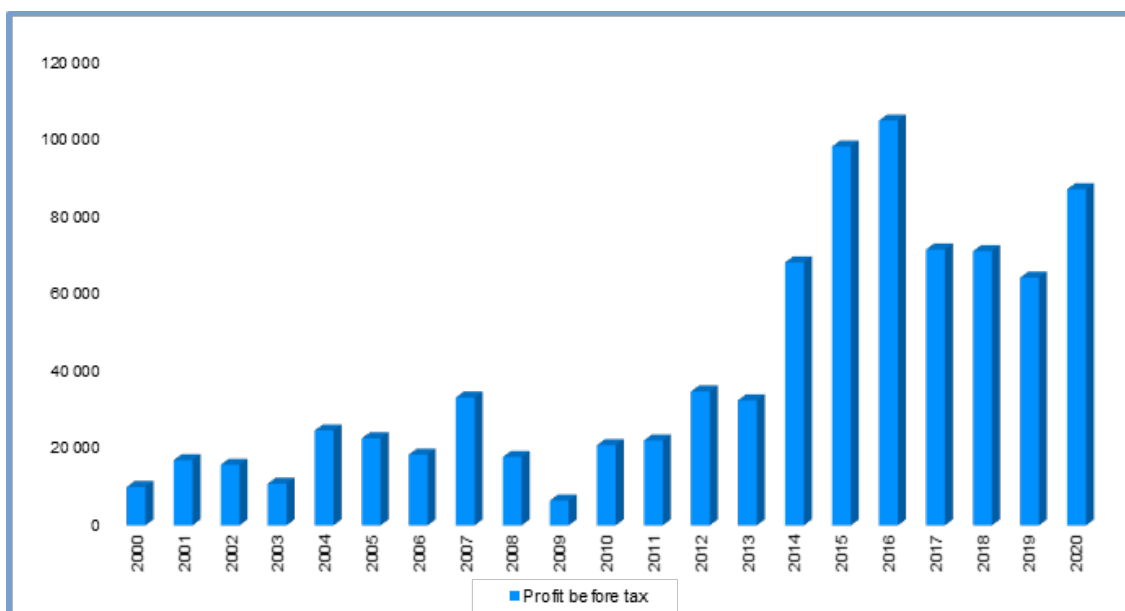
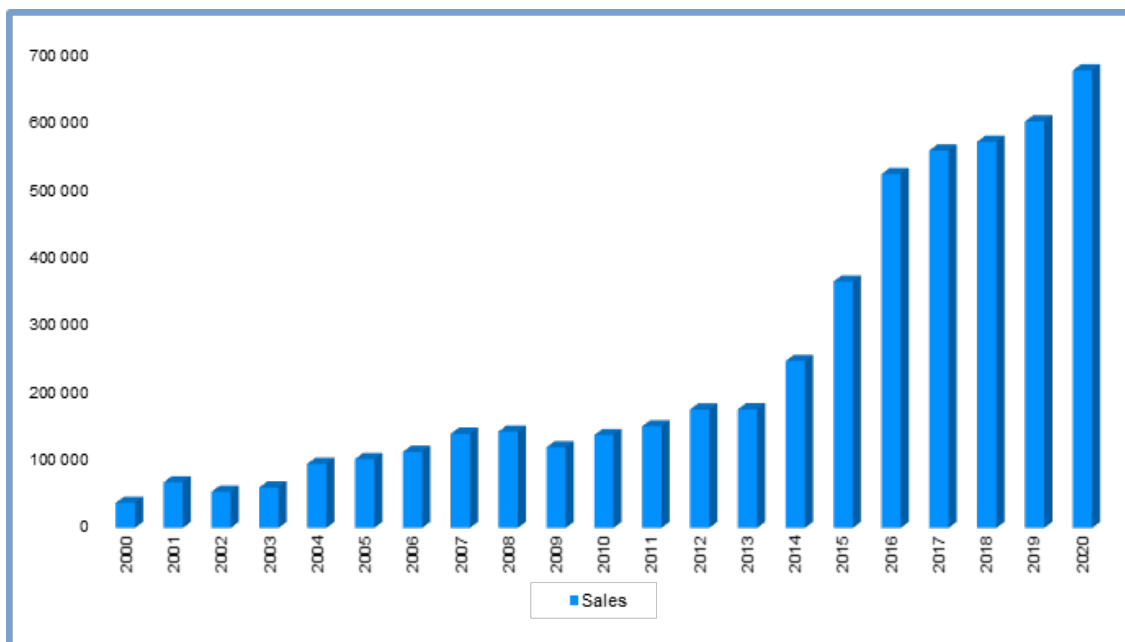
Basic information has been presented already in the Introduction and in the Report on Business Activities. It also is summarized unambiguously in the graphs below. In the year just ended, sales revenues increased by about 12.5%.

Short-term accounts receivable balances consist of receivables both due and past due. Those amounts had been paid as of the date of compiling the financial statements.

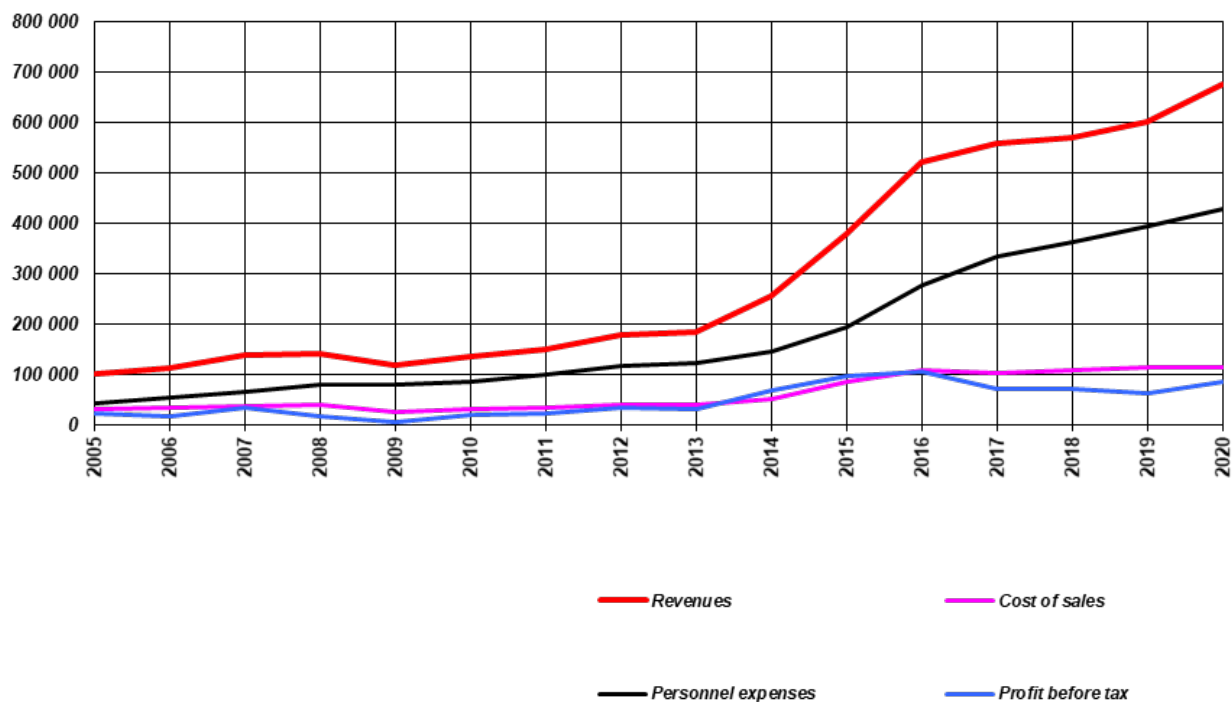
Short-term accounts payable balances consist primarily of trade payables and unpaid wages for December 2020, inclusive of insurance contributions. All reported payables had been settled as of the date of compiling the financial statements. A bank loan payable in 2022 is recorded as a long-term liability.

Provisions totalling CZK 8,828,000 were drawn during 2020, and new provisions totalling CZK 12,435,000 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 2000–2020:



### Development of key performance indicators during 2005–2020 in CZK '000



Detailed data is presented in the financial statements, which constitute an integral part of this annual report.



# Outlook for 2021

Our outlook for 2020 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 anticipated 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 our own products' sales within total revenues in future. Despite the pandemic, large exchange rate changes, investments into proprietary research, and the extremely unstable labour market situation, we managed to maintain profitability at a fairly good level.

The management is aware that the company is growing quickly, and it is adopting specific measures for corresponding changes in CertiCon's structure and in its management methods. In 2021, further strengthening of the matrix management structure can be expected. That structure proved itself during the crisis. Also, there will be increasing autonomy of the individual divisions to ensure effective management of the continuously growing company that is operating in a highly turbulent economic environment. With support of the services unit, which was strengthened in 2020, sale volumes of proprietary products will grow. More vigorous promotion of proprietary products and their growing sales constitute one of the company's key goals for 2021.



From an economic perspective, we proceed from the expectation that the economic situation in the US and EU will develop not too positively in 2021. Impacts of the coronavirus crisis that has become a great obstacle to international trade are to be expected. It is also necessary to expect fluctuations or appreciation of the crown exchange rate, and we stand ready to address these with economizing measures, by revising contracts with our customers, and potentially also 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 2021 are to achieve sales from commercial activities exceeding CZK 680 million and total revenues over CZK 690 million while maintaining the current level of profitability. This can be facilitated particularly by developing sales of proprietary products, offers to assist in implementing Industry 4.0 within Czech businesses, and also by providing innovative solutions based on artificial intelligence to our existing long-standing clients.

We expect to be successful during 2021 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 growth in contracts for the automotive industry despite a crisis in this industrial segment. 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 increase the efficiency of activities in the Business Solutions Division within CertiCon that joins research, product development, service, sales, and marketing. Although we made a good start here already during 2019, speaking objectively, it can be said that 2020 did not help us much in business development.

We also intend to continue supporting or creating promising start-up companies and teams, as well as to support 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 undertake 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 group subordinated directly to the respective director 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 at the new Pilsen premises within the Hamburk building. In 2021, development and implementation of a completely new ERP system will be completed.

Our company's fundamental value remains in the expert and human quality of our employees, their abilities 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, especially after they return to their teams and workplaces. We will rigorously implement agile management in production and development projects while directly connecting into the agile practices of our customers. We also are counting upon stabilization of personnel and an increase in the qualifications of employees at all our branches, cautious growth in the number of IT professionals, and efforts to optimize capacities in non-production professions.

# Additional Information

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

## 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 National Centre of Competence – Cybernetics and Artificial Intelligence coordinated by CIIRC of Czech Technical University. 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 anticipate extensive tendering of additional projects within the European research sector.

## 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.

## EVENTS AFTER THE BALANCE SHEET DATE

Material events as of the annual report date having influence on the company's profitability are discussed within the notes to the financial statements, which constitute a part of this annual report.

## BRANCHES OR OTHER PARTS OF A BUSINESS ESTABLISHED ABROAD

CertiCon a.s. has not established any branch or other part of a business abroad.

### **Report on Relations between the Controlling, Controlled and Related Entities for 2020**

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., in liquidation  
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

### **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: Datis s.r.o.  
Registered office: Chvalova 1577/12, 130 00 Prague 3  
Company ID Number: 27630790  
Owned share: 10%

Business name: Health Helm, Inc.  
Registered office: 51 Melcher Street, Boston, Massachusetts, 02210, USA  
Company ID Number: N/A  
Owned share: 13.78%

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

The controlled entity’s role in the business group is to provide services in software design, development, and testing. 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 presence and 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 of 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)**

In 2020, the controlling company decided on paying out a dividend totalling CZK 40,000,000 to the benefit of the controlling entity.

During 2020, no other acts were effected at the initiative or in the interest of the controlling entity relating to assets exceeding 10% of the controlled entity’s shareholder’s equity.

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

In the year ending 31 December 2020, no contracts were in force between the controlling and controlled entities.

During the year ending 31 December 2020, three (3) contracts with the associate ProTyS, a.s. were in force. These were a sub-lease contract (as amended by three valid annexes) 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 2020, 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 2020, three (3) contracts with the associate Datis s.r.o. were in force. These were a sub-lease contract (as amended by a valid annex), one non-disclosure agreement, and one framework agreement on providing services. The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2020, one (1) contract with the affiliate Health Helm, Inc. was in force. This was a framework agreement on providing software development services. The contract was concluded under standard market conditions.

In addition, during the year ending 31 December 2020, two (2) contracts with the affiliate EnergyCon s.r.o. were in force. These were a sub-lease contract (as amended by two valid annexes) and a contract on provision of consulting services. The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2020, two (2) contracts with the affiliate nova-met s.r.o., in liquidation were in force. These were a licence contract and a contract on liquidation of nova-met s.r.o. (as amended by a valid annex). The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2020, four (4) contracts with the affiliate Passengera s.r.o. were in force. These were a sub-lease contract (as amended by six 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 (as amended by a valid annex). The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2020, 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.

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**

During the year ending 31 December 2020, none of the affiliated companies incurred detriment related to relationships between related entities.

## **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 31 March 2021

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

# Basic Data about the Company

## HEADQUARTERS AND OTHER PREMISES

### Headquarters:

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

### Other premises:

Pilsen, Hamburk Business Center, U Prazdroje 2807/8  
Ostrava, The Orchard III, Hornopolní 3322/34  
Olomouc, RCO, Jeremenkova 40B

## 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.

## COMPANY BODIES

### BOARD OF DIRECTORS

**Chairman:** Prof. Ing. Vladimír Mařík, DrSc., dr. h. c.  
**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, from 25 June 2018

# Extract from the Commercial Register

*This extract is a translation from  
the Czech original.*

## Extract

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

<b>Date of incorporation:</b>	20 November 1996
<b>File designation:</b>	B 4355 maintained by the Municipal Court in Prague
<b>Company:</b>	CertiCon a.s.
<b>Headquarters:</b>	Evropská 2758/11, Dejvice, Postal Code 160 00, Prague 6
<b>Identification number:</b>	250 83 341
<b>Legal form:</b>	Joint-stock company
<b>Subject of business:</b>	Production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act
<b>Statutory body – Board of Directors:</b>	
<b>Chairman of the Board of Directors:</b>	
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	
<b>Vice-Chairman of the Board of Directors:</b>	
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	
<b>Member of the Board of Directors:</b>	
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	
<b>Manner of transacting:</b>	On behalf of the Board of Directors, the Chairman or Vice-Chairman act externally in the name of the company.
<b>Company Secretary:</b>	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.
<b>Supervisory Board:</b>	
<b>Chairman of the Supervisory Board:</b>	
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	
<b>Member of the Supervisory Board:</b>	
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	
<b>Member of the Supervisory Board:</b>	
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	



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<b>Shares:</b>	100 common bearer shares in documentary form, each with a nominal value of CZK 100,000
<b>Share capital:</b>	CZK 10,000,000 Paid-up: 100%
<b>Other information:</b>	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.

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# Financial Statements - Independent Auditor's Report

		31 December 2020			31 December 2019 adjusted
		Gross	Adjustment	Net	Net
<b>BALANCE SHEET</b>		<b>CertiCon a.s.</b>			
full version		Company ID 250 83 341			
As at 31 December 2020 (in CZK thousands)		Evropská 2758/11, Dejvice 160 00 Prague 6			
	<b>TOTAL ASSETS</b>	<b>434,223</b>	<b>154,179</b>	<b>280,044</b>	<b>274,108</b>
<b>A.</b>	<b>Receivables for subscribed capital</b>				
<b>B.</b>	<b>Fixed assets</b>	<b>235,354</b>	<b>149,770</b>	<b>85,584</b>	<b>89,722</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>115,289</b>	<b>74,794</b>	<b>40,495</b>	<b>34,402</b>
B.I.1.	Intangible research and development outputs	84,938	55,099	29,839	24,277
B.I.2.	Valuable rights	11,868	10,609	1,259	1,938
B.I.2.1.	Software	11,778	10,519	1,259	1,938
B.I.2.2.	Other valuable rights	90	90		
B.I.4.	Other intangible fixed assets	5,450	3,850	1,600	1,778
B.I.5.	Advances provided on intangible fixed assets and intangible fixed assets under construction	13,033	5,236	7,797	6,409
B.I.5.2.	Intangible fixed assets under construction	13,033	5,236	7,797	6,409
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>78,101</b>	<b>58,839</b>	<b>19,262</b>	<b>29,692</b>
B.II.1.	Land and structures	11,505	4,442	7,063	8,776
B.II.1.2.	Buildings	11,505	4,442	7,063	8,776
B.II.2.	Individual tangible movable assets and sets of tangible movable assets	66,596	54,397	12,199	20,916
<b>B.III.</b>	<b>Long-term financial assets</b>	<b>41,964</b>	<b>16,137</b>	<b>25,827</b>	<b>25,628</b>
B.III.1.	Equity investments in subsidiaries and associates	23,127		23,127	23,127
B.III.5.	Other securities and investments	18,837	16,137	2,700	2,501
<b>C.</b>	<b>Current assets</b>	<b>137,570</b>	<b>4,409</b>	<b>133,161</b>	<b>146,839</b>
<b>C.I.</b>	<b>Inventories</b>	<b>787</b>		<b>787</b>	<b>436</b>
C.I.1.	Material	92		92	85
C.I.2.	Work-in-progress and semi-finished products				19
C.I.3.	Finished products and merchandise	695		695	332
C.I.3.1.	Finished products	354		354	300
C.I.3.2.	Goods	341		341	32
<b>C.II.</b>	<b>Receivables</b>	<b>52,144</b>	<b>4,409</b>	<b>47,735</b>	<b>86,504</b>
C.II.1.	Long-term receivables	7,394		7,394	8,077
C.II.1.4.	Deferred tax asset	3,714		3,714	3,582
C.II.1.5.	Other receivables	3,680		3,680	4,495
C.II.1.5.2.	Long-term prepayments made	3,680		3,680	4,495
C.II.2.	Short-term receivables	44,750	4,409	40,341	78,427
C.II.2.1.	Trade receivables	43,458	4,409	39,049	72,673
C.II.2.4.	Additional receivables	1,292		1,292	5,754
C.II.2.4.3.	Tax receivables due from state	1,124		1,124	4,140
C.II.2.4.4.	Short-term advances made	155		155	1,484
C.II.2.4.6.	Other receivables	13		13	130

<b>C.IV.</b>	<b>Current financial assets</b>	<b>84,639</b>		<b>84,639</b>	<b>59,899</b>
C.IV.1.	Cash on hand	347		347	388
C.IV.2.	Cash at bank	84,292		84,292	59,511
<b>D.</b>	<b>Other assets</b>	<b>61,299</b>		<b>61,299</b>	<b>37,547</b>
D.1.	Deferred expenses	25,696		25,696	27,392
D.3.	Accrued income	35,603		35,603	10,155

		31 December 2020	31 December 2019 adjusted
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>280,044</b>	<b>274,108</b>
<b>A.</b>	<b>Equity</b>	<b>121,316</b>	<b>75,279</b>
<b>A.I.</b>	<b>Share capital</b>	<b>10,000</b>	<b>10,000</b>
A.I.1	Share capital	10,000	10,000
<b>A.III.</b>	<b>Funds from profit</b>	<b>5,119</b>	<b>5,085</b>
A.III.1	Reserve fund	2,000	2,000
A.III.2	Statutory and other funds	3,119	3,085
<b>A.IV.</b>	<b>Retained earnings (accumulated losses) (+/-)</b>	<b>20,194</b>	<b>-2,040</b>
A.IV.1	Retained earnings	23,920	1,271
A.IV.2	Other retained earnings of previous years (+/-)	-3,726	-3,311
<b>A.V.</b>	<b>Profit or loss for the current period (+/-)</b>	<b>86,003</b>	<b>62,234</b>
<b>A.VI.</b>	<b>Decided advance payment of share in profit (-)</b>		
<b>B.+C.</b>	<b>Liabilities</b>	<b>153,423</b>	<b>186,785</b>
<b>B.</b>	<b>Provisions</b>	<b>17,350</b>	<b>13,428</b>
<b>B.IV.</b>	<b>Other provisions</b>	<b>17,350</b>	<b>13,428</b>
<b>C.</b>	<b>Liabilities</b>	<b>136,073</b>	<b>173,357</b>
<b>C.I.</b>	<b>Long-term liabilities</b>	<b>34,021</b>	<b>65,693</b>
C.I.2.	Payables to lending institutions	33,243	64,372
C.I.9.	Additional liabilities	778	1,321
C.I.9.3.	Other liabilities	778	1,321
<b>C.II.</b>	<b>Short-term liabilities</b>	<b>102,052</b>	<b>107,664</b>
C.II.2.	Payables to lending institutions	33,244	32,186
C.II.4.	Trade payables	5,840	7,882
C.II.8.	Additional liabilities	62,968	67,596
C.II.8.1.	Payables to partners	20,000	30,240
C.II.8.3.	Payables to employees	24,800	20,384
C.II.8.4.	Payables to social security and health insurance	12,015	10,531
C.II.8.5.	Taxes and subsidies due to state	5,638	5,107
C.II.8.6.	Estimated payables	515	1,334
<b>D.</b>	<b>Other liabilities</b>	<b>5,305</b>	<b>12,044</b>
D.1.	Accrued expenses	2,789	9,567
D.2.	Deferred income	2,516	2,477

**PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

CertiCon a.s.  
Company ID 250 83 341

Year ended  
31 December 2020  
(in CZK thousands)

Evropská 2758/11, Dejvice  
160 00 Prague 6

		Year ended 31 December 2020	Year ended 31 December 2019 adjusted
<b>I.</b>	<b>Sales of goods and services</b>	<b>656,400</b>	<b>572,300</b>
<b>II.</b>	<b>Merchandise sales</b>	<b>489</b>	<b>1,208</b>
<b>A.</b>	<b>Cost of sales</b>	<b>113,847</b>	<b>121,763</b>
A.1	Cost of merchandise	444	1,175
A.2.	Materials and energy	5,302	7,084
A.3.	Services	108,101	113,504
<b>B.</b>	<b>Change in internally produced inventory</b>	<b>-35</b>	<b>-19</b>
<b>C.</b>	<b>Own work capitalized</b>	<b>-26,078</b>	<b>-20,075</b>
<b>D.</b>	<b>Personnel expenses</b>	<b>430,170</b>	<b>395,177</b>
D.1.	Wages and salaries	316,053	290,780
D.2.	Social security, health insurance and other expenses	<b>114,117</b>	<b>104,397</b>
D.2.1.	Social security and health insurance expenses	107,907	98,419
D.2.2.	Other personnel expenses	6,210	5,978
<b>E.</b>	<b>Depreciation, amortization, and impairments</b>	<b>29,347</b>	<b>26,857</b>
E.1.	Depreciation, amortization, and impairments of fixed assets	36,269	26,785
E.1.1.	Depreciation, amortization, and permanent impairments of fixed assets	31,033	26,785
E.1.2.	Depreciation, amortization, and temporary impairments of fixed assets	5,236	
E.3.	Adjustments to values of receivables	-6,992	72
<b>III.</b>	<b>Other operating income</b>	<b>6,852</b>	<b>21,666</b>
III.1.	Sales of fixed assets	827	465
III.3.	Miscellaneous operating income	6,025	21,201
<b>F.</b>	<b>Other operating expenses</b>	<b>17,430</b>	<b>5,395</b>
F.1.	Net book value of fixed assets		535
F.3.	Taxes and fees	147	397
F.4.	Provisions and adjustments relating to operating activities and complex deferred expenses	3,922	-5
F.5.	Miscellaneous operating expenses	13,361	4,468
*	<b>Operating profit or loss</b>	<b>99,060</b>	<b>66,076</b>
<b>IV.</b>	<b>Income from long-term financial assets</b>	<b>450</b>	<b>550</b>
IV.2.	Other income from equity investments	450	550
<b>VI.</b>	<b>Interest income and similar income</b>		<b>73</b>
VI.1.	Interest income and similar income from subsidiaries and associates		73
<b>I.</b>	<b>Adjustments to values and provisions relating to financial activities</b>	<b>-931</b>	<b>117</b>
<b>J.</b>	<b>Interest expense and similar expenses</b>	<b>1,618</b>	<b>2,120</b>
J.2.	Additional interest expense and similar expenses	1,618	2,120
<b>VII.</b>	<b>Other financial income</b>	<b>12,600</b>	<b>5,533</b>
<b>K.</b>	<b>Other financial expenses</b>	<b>24,410</b>	<b>6,378</b>
*	<b>Profit or loss from financial operations</b>	<b>-12,047</b>	<b>-2,459</b>
**	<b>Profit or loss before tax</b>	<b>87,013</b>	<b>63,617</b>
<b>L.</b>	<b>Income tax</b>	<b>1,010</b>	<b>1,383</b>
L.1.	Income tax due	1,142	1,325
L.2.	Income tax deferred	-132	58
**	<b>Profit or loss from ordinary activities after tax (+/-)</b>	<b>86,003</b>	<b>62,234</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>86,003</b>	<b>62,234</b>
*	<b>Net revenues for the current period</b>	<b>676,791</b>	<b>601,330</b>

# CASH FLOW STATEMENT

CertiCon a.s.  
Corporate ID 250 83 341

Year ended  
31 December 2020  
(in CZK thousands)

Evropská 2758/11, Dejvice  
160 00 Prague 6

		Year ended 31 Dec 2020	Year ended 31 Dec 2019 adjusted
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>59,899</b>	<b>75,041</b>
	<b><i>Cash flows from main activity (operating activity)</i></b>		
Z.	Profit or loss from operating activities before tax	87,013	63,617
A.1.	Adjustments for non-cash transactions	28,310	27,881
A.1.1.	Depreciation and amortization	31,033	26,785
A.1.2.	Change in adjustments and provisions	1,305	184
A.1.3.	Profit or loss from sale of fixed assets	-827	70
A.1.4.	Dividends and like income		-550
A.1.5.	Net interest expense	1,618	2,047
A.1.6.	Adjustments for other non-cash transactions	-4,819	-655
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>115,323</b>	<b>91,498</b>
A.2.	Change in working capital	16,891	1,128
A.2.1.	Change in accounts receivable and other assets	19,986	6,639
A.2.2.	Change in accounts payable and other liabilities	-2,744	-5,402
A.2.3.	Change in inventories	-351	-109
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>132,214</b>	<b>92,626</b>
A.3.	Interest paid	-1,618	-2,120
A.4.	Interest received		73
A.5.	Income tax paid from ordinary operations	896	-2,839
A.6.	Dividends and like expense		550
<b>A.***</b>	<b>Net operating cash flows</b>	<b>131,492</b>	<b>88,290</b>
	<b><i>Cash flows from investing activities</i></b>		
B.1.	Fixed assets expenditures	-26,759	-37,167
B.2.	Proceeds from fixed assets sold	827	465
B.3.	Loans and credits to related parties		-10,073
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-25,932</b>	<b>-46,775</b>
	<b><i>Cash flows from financing activities</i></b>		
C.1.	Change in payables from financing	-30,614	-33,782
C.2.	Impact of changes in equity	-50,206	-22,875
C.2.5.	Payments from capital funds	34	-188
C.2.6.	Profit shares paid	-50,240	-22,687
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-80,820</b>	<b>-56,657</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>24,740</b>	<b>-15,142</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>84,639</b>	<b>59,899</b>

## STATEMENT OF CHANGES IN EQUITY

Year ended  
31 December 2020  
(in CZK thousands)

CertiCon a.s.  
Corporate ID 250 83 341

Evropská 2758/11, Dejvice  
160 00 Prague 6

	Share capital	Statutory and other funds	Other reserve funds	Cumulated profit or loss from previous years	TOTAL EQUITY
<b>Balance at 31 December 2018</b>	<b>10,000</b>	<b>2,277</b>	<b>2,000</b>	<b>65,267</b>	<b>79,544</b>
Correction of error from previous years				-3,311	-3,311
<b>Balance at 1 January 2019 adjusted</b>	<b>10,000</b>	<b>2,277</b>	<b>2,000</b>	<b>61,956</b>	<b>76,233</b>
Distribution of profit or loss		996		-996	
Paid out shares on profit				-63,000	-63,000
Payments from capital funds and other movements		-188			-188
Profit or loss for the current period				62,649	62,649
Correction of error from previous years				-415	-415
<b>Balance at 31 December 2019 adjusted</b>	<b>10,000</b>	<b>3,085</b>	<b>2,000</b>	<b>60,194</b>	<b>75,279</b>
Paid out shares on profit				-40,000	-40,000
Payments from capital funds and other movements		34			34
Profit or loss for the current period				86,003	86,003
<b>Balance at 31 December 2020</b>	<b>10,000</b>	<b>3,119</b>	<b>2,000</b>	<b>106,197</b>	<b>121,316</b>

# CertiCon a.s.

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## Notes to the Financial Statements as at 31 December 2020

*Prepared in accordance with § 18 of Act No. 563/1991 Coll., on Accounting, and § 39 of Decree 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 Licensing Act**  
Incorporation date: **20 November 1996**

In addition to its headquarters, the company has three branches, which are located in Pilsen at Hamburk Business Center, U Prazdroje 2807/8; in Ostrava at The Orchard, Hornopolní 3322/34; and in Olomouc at RCO – Regional Centre Olomouc, Jeremenkova 40B. In addition, the accounting entity has a permanent tax-paying operation in Austria.

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 decisive influence on the accounting entity:

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

Consolidated financial statements of the broadest and narrowest group of accounting units to which the company as a consolidated accounting unit belongs are prepared by SynergyCon a.s., having its seat at Václavské náměstí 808/66, Prague 1 – Nové Město, Czech Republic. These consolidated financial statements can be obtained at the address of the consolidating unit.

### **Changes in and Amendments to the Commercial Register:**

There were no changes in the Commercial Register during 2020.

### **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**

The company is managed under a matrix management structure. The basic organizational tree is the line management structure wherein each employee belongs to a single organizational line department and has a single line manager. The additional organizational tree is a project-based structure operating on the principle of creating goal-directed groups (programmes, projects, groups). In this project-based structure, each employee may be a part of “n” project-based groups and may have “n” managers (programme and project managers).

### **Basic Line Management Structure**

The company’s management structure has three levels:

- a) The Board of Directors – determines the strategy of the organization.
- b) The top management comprises directors of divisions and selected sections who are responsible for the running of the organization as a whole. The top management is directed by the Chairman of the Board of Directors.
- c) The middle-level leadership comprises section managers who ensure fulfilment of tasks and goals defined by the top management. The middle management level is directed by the top management.

### **Basic Structure of Project-based Management**

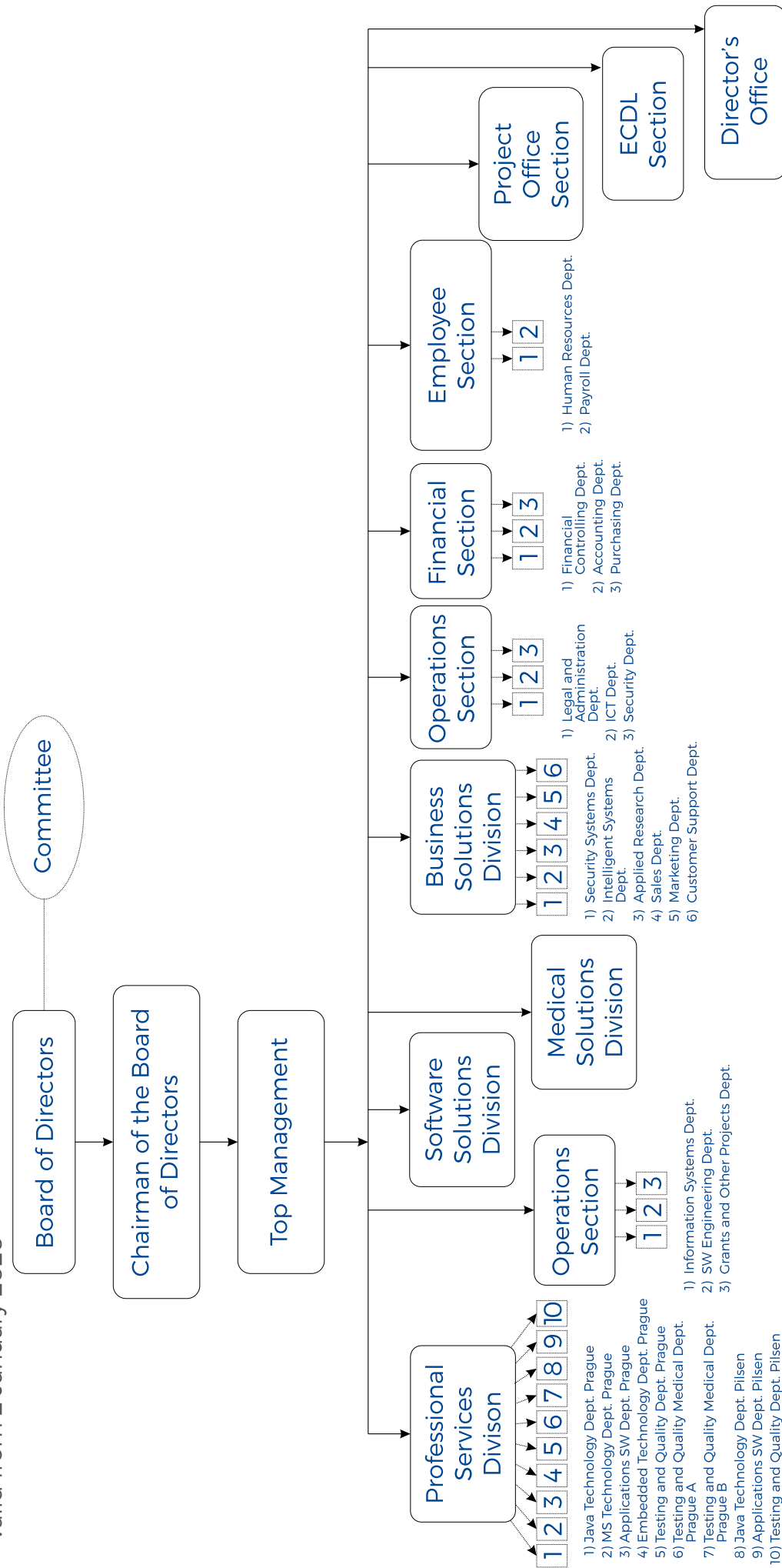
The project-based structure operating on the principle of creating project-based groups (programmes, projects, groups, and other specialized groups) has three levels:

- a) Project-based division – a specific division responsible for carrying out selected programmes and projects. A division director is responsible for achieving objectives of the respective project-based division.
- b) Programme – a group of projects. An appointed programme manager directed by the respective project-based division director is responsible for managing the programme and achieving its objectives.
- c) Project – a basic delivery unit. An appointed project manager directed by a superior programme manager or alternatively directly by the project-based division director is responsible for managing the project and achieving its objectives.



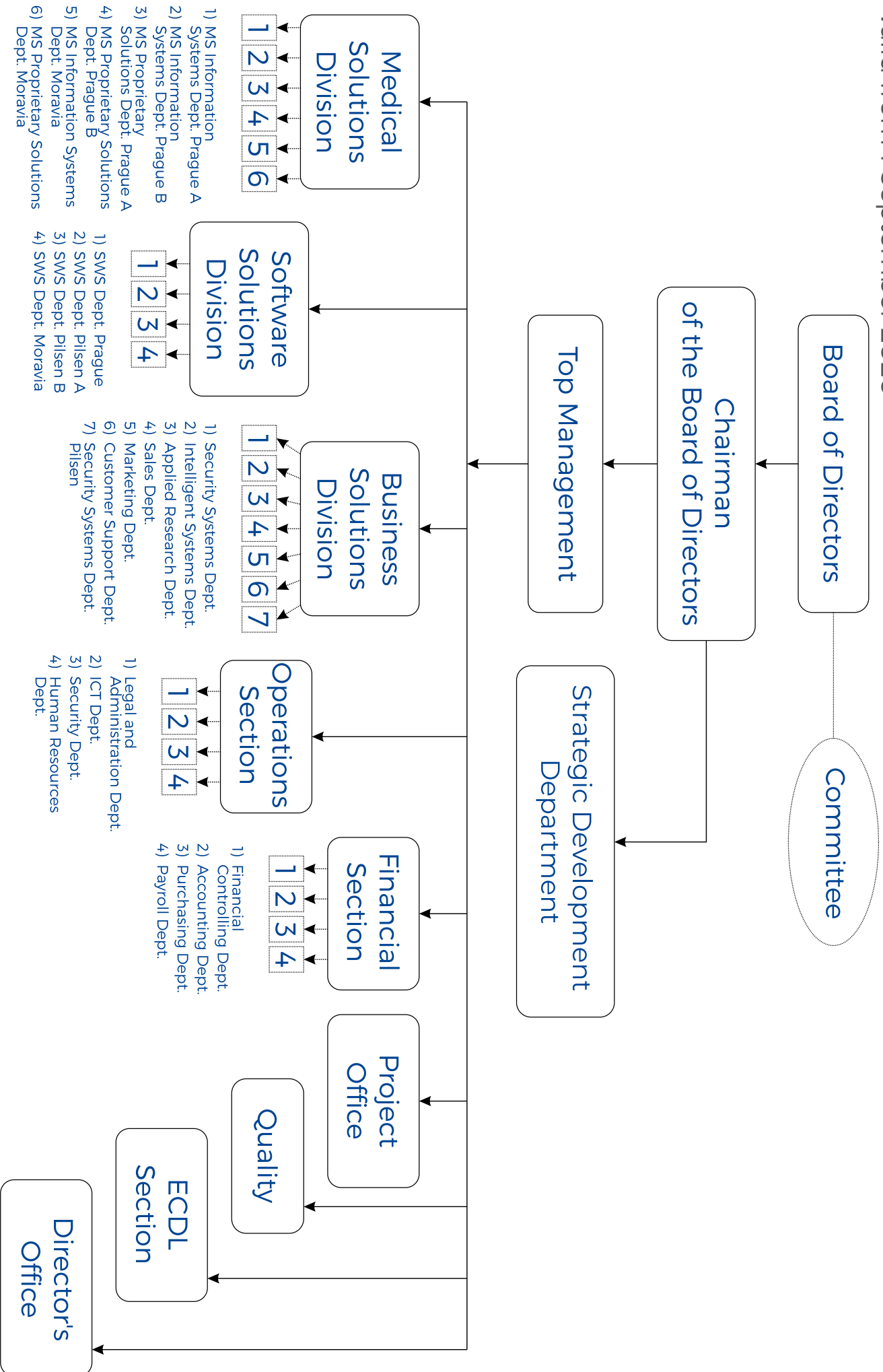
# ORGANIZATIONAL STRUCTURE - LINE CONFIGURATION

valid from 2 January 2020

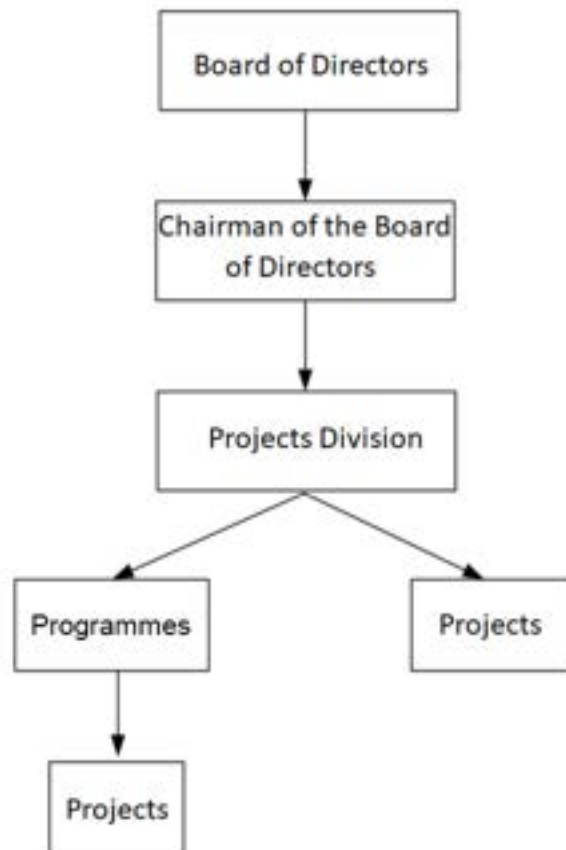


# ORGANIZATIONAL STRUCTURE - LINE CONFIGURATION

valid from 1 September 2020



Organizational structure valid from 1 January 2020 to 31 December 2020 (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; Decree 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 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 (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.

Any 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/ **Research and development**

Research and development costs are incurred with the view of obtaining completely new technical knowledge that may lead to improvement of products or entire processes in future the economic utilization of which, however, is not yet clear. These costs are recognized in the profit and loss account for the period in which they were incurred.

Each grant project is from the accounting point of view recorded in a separate cost centre up to the level of differentiation between the company's own contribution and grant support. The percentage amount of grant support and own contribution is specified by contract. Costs on the level of support equal the grant received. Costs on the level of own

investment are activated for the entire project period if all the following conditions are met. When the project is finished, tangible and/or intangible assets are put into use and depreciated or amortized across the time of the project's assumed duration.

Conditions for activation of the company's own contribution:

- A. The project is feasible – there must be a real chance that a tangible or intangible product or article will be created.
- B. The product will create a benefit in the form of sales or help to the company internally.
- C. The company endeavours to sell the final product, use it internally, or generate sales from operation of the product and its provision to customers.
- D. The company endeavours to complete the final product.
- E. The company has the possibility to value the product at its own costs.

g/ **Depreciation or amortization of fixed assets for accounting purposes** is carried out according to the method established by the depreciation and amortization plan. Straight-line accounting depreciation or amortization is used and is reported on a monthly basis. The depreciation or amortization 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:	- other devices and equipment, vehicles	36 months
	- computers, office technology	60 months
	- technical improvements of real property	72 months

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

i/ **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 and amortization plan reflects the wear and tear on such assets.

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

k/ **Liabilities** are stated at their nominal values. The company classifies as short-term that portion of long-term liabilities, bank loans, and financial assistance payable in less than 1 year from the balance sheet date.

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

m/ **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.

n/ **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).

o/ **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.

p/ **Government grants** for offsetting costs are recognized as other operating and financial income over the period necessary to match them with costs relating to the defined purpose. 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.

q/ **Foreign currency translation** is carried out during the accounting period and as at 31 December using the foreign exchange rate announced by the Czech National Bank as at the specific date.

r/ **A derivative** is a financial instrument meeting the following conditions:

- Its fair value changes in response to changes in an interest rate (i.e. an underlying asset).
- In comparison to other types of contracts that would react similarly to changes in market conditions, it requires little or no initial investment.
- The contract will be settled at a future date while the period from concluding the transaction until its settlement is longer than in the case of a spot transaction.

The company has concluded a swap derivative contract to hedge the interest rate of a loan. Derivatives are reported on the balance sheet at fair value. Positive fair values of derivatives are recorded as assets in the line item "Other Assets". Negative fair values of derivatives are recognized in liabilities at line item "Other liabilities". The fair value of financial derivatives is determined as the present value of expected cash flows ensuing from these transactions. With a view to the derivatives' maturity, they are classified as long term.

At the balance sheet date, derivatives are subsequently measured at fair value. 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 relating to the risk being hedged, because the company does not apply the hedge accounting rules (no hedging documentation is drawn up).

s/ **Income tax** for the current period consists of tax payable and change in deferred tax. Tax payable consists of estimated tax calculated from the tax base using the tax rate valid as

at the first day of the accounting period and all additional charges and refunds from previous periods.

The company creates an income tax liability in light of the fact that the time of compiling the financial statements is similar to that of establishing the amount of the tax obligation. The company therefore does not create income tax provisions.

On the balance sheet, the income tax liability is decreased by income tax advances paid and is recognized in the line item "Taxes and subsidies due to state". In case of an outstanding receivable, that is recorded in line item "Tax receivables due from state".

Deferred tax arises from all temporary differences between accounting and tax values of assets and liabilities or other temporary differences (tax loss) using the tax rate expected to be valid for the period in which the tax liability or receivable will be applied.

A deferred tax asset is recorded only in cases when it is probable that it will be applied in subsequent accounting periods.

t/ **Provisions**

Provision for unused vacation are created as at the balance sheet date based on an analysis of unused vacation for the given accounting period and average wage expenses inclusive of costs for social security and health insurance according to individual employees.

Provisions for bonuses inclusive of costs for social security and health insurance are created based on internal rules.

u/ **Leased assets**

The company recognizes leased assets by including lease payments into expenses on a straight-line basis over the term of the lease.

v/ **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 that is known in advance.

Cash and cash equivalents can be broken out as follows:

(in CZK thousands)

	31 Dec 2020	31 Dec 2019
Cash on hand and cash in transit	347	388
Bank accounts	84,292	59,511
Current account debit balance included in current bank loans	0	0
Cash equivalents included in current financial assets	0	0
<b>Total cash and cash equivalents</b>	<b>84,639</b>	<b>59,899</b>

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

w/ **Consolidation** – In accordance with the provisions of § 22aa of Act No. 563/1991 Coll., on Accounting, the financial statements of the company and all its consolidated accounting units are included into the consolidated financial statements of the company SynergyCon a.s., having its seat at Václavské náměstí 808/66 Prague 1 – Nové Město, Czech

Republic. Its consolidated financial statements will be published in accordance with § 22aa (2c) and § 21a of Act No. 563/1991 Coll., on Accounting.

### **3. Correction of errors from previous years**

In 2020, the company discovered and corrected an error relating to previous years that consisted in imprecise reporting of provisions for undrawn vacation. As a result of this correction, "Other provisions" should have been CZK 4,088,000 higher as at 31 December 2018 and at the same time also "Deferred tax asset" should have been CZK 777,000 higher. The total effect in the amount of CZK 3,311,000 is recognized in "Other retained earnings of previous years" as at 31 December 2019.

In making this correction, "Other provisions" as at 31 December 2019 were increased by CZK 4,600,000 and "Deferred tax asset" was adjusted as a result of increasing the amount of provision by CZK 874,000 as at 31 December 2019. As a result of the corrections stated above, corrections also were made in the profit and loss account, where the line "Provisions and adjustments relating to operating activities and complex deferred expenses" was increased by CZK 512,000 and at the same time "Income tax deferred (+/-)" was decreased by CZK 97,000.

Based on the corrections stated above, comparative data for 2019 were adjusted correspondingly and due to this correction they are different from data reported for the current period in the financial statements compiled for 2019. As a result of this correction, equity is lower by CZK 3,726,000 in total and this amount is reported on the balance sheet for the current period in the line "Other retained earnings of previous years".

At the same time, the "Statement of changes in equity" was adjusted to reflect the corrections stated above.

### **4. 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 2020 is CZK 2,500,000 (31 December 2019: 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. The total nominal value of the ownership share as at 31 December 2020 is CZK 23,127,000 (31 December 2019: 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 stake as at 31 December 2020 is USD 754,546 (31 December 2019: USD 754,546), and stated in Czech crowns it is CZK 16,137,000 as at 31 December 2020 (31 December 2019: CZK 17,069,000). A change in the CZK gross value is due to USD/CZK exchange rate translation as at the balance sheet date. The company has created an adjustment to this investment in the amount of 100% of its nominal value.



At 14 January 2020 a contract on transferring a partial ownership share of Datis s.r.o. was concluded. Transferred to CertiCon was a 10% share in Datis s.r.o., the accounting value of which is CZK 200,000. Total value of the share as at 31 December 2020 is CZK 200,000 (31 December 2019: CZK 0).

Company	Registered office	Equity investment at net book value	Ownership percentage at 31 Dec 2020	Shareholders' equity at 31 Dec 2020	Profit/loss for 2020
HydroCon a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 23,127,000	70%	CZK 21,892,000	CZK 783,000
ProTyS, a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 2,500,000	10%	CZK 28,292,000	CZK 9,098,000
Health Helm Inc.	51 Melcher Street, Boston, MA 02210	USD 0	13.78%	USD -741,000	USD -63,000
Datis s.r.o.	Chvalova 1577/12, 130 00 Prague 3	CZK 200,000	10%	CZK 2,202,000	CZK 11,000

Company	Registered office	Equity investment at net book value	Ownership percentage at 31 Dec 2019	Shareholders' equity at 31 Dec 2019	Profit/loss for 2019
HydroCon a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 23,127,000	70%	CZK 21,109,000	CZK -2,149,000
ProTyS, a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 2,500,000	10%	CZK 24,209,000	CZK 7,810,000
Health Helm Inc.	51 Melcher Street, Boston, MA 02210	USD 0	13.78%	USD -660,000	USD -99,000

## 5. Fixed assets

### Intangible Fixed Assets (IFA)

#### Acquisition cost

	(in CZK thousands)				
	Starting balance	Additions	Disposals	Transfers	Ending balance
Intangible results of R&D	62,487	16,042	0	6,409	84,938
Software	11,317	461	0	0	11,778
Valuable rights	90	0	0	0	90
Other IFA	4,000	1,450	0	0	5,450
Advances provided and IFA under construction	6,409	13,033	0	-6,409	13,033
<b>Total 2020</b>	<b>84,303</b>	<b>30,986</b>	<b>0</b>	<b>0</b>	<b>115,289</b>
<b>Total 2019</b>	<b>61,725</b>	<b>22,578</b>	<b>0</b>	<b>0</b>	<b>84,303</b>

#### Adjustments and amortization

	(in CZK thousands)					
	Starting balance	Additions	Disposals	Transfers	Ending balance	Accounting value
Intangible results of R&D	38,210	16,889	0	0	55,099	29,839
Software	9,379	1,140	0	0	10,519	1,259
Valuable rights	90	0	0	0	90	0
Other IFA	2,222	1,628	0	0	3,850	1,600
Advances provided and IFA under construction	0	0	0	0	0	5,236
<b>Total 2020</b>	<b>49,901</b>	<b>19,657</b>	<b>0</b>	<b>0</b>	<b>69,558</b>	<b>40,495</b>
<b>Total 2019</b>	<b>36,060</b>	<b>13,841</b>	<b>0</b>	<b>0</b>	<b>49,901</b>	<b>34,402</b>

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

Additions to intangible fixed assets and classifications for their use in 2020 were:

- SW licences for CZK 461,000,
- proprietary products CCV and EPIQA for CZK 15,480,000,
- audio-visual work totalling CZK 1,450,000, and
- the company's own contribution to a research and development project in the amount of CZK 6,971,000.

## Tangible Fixed Assets (TFA)

### Acquisition cost

	(in CZK thousands)				
	Starting balance	Additions	Disposals	Transfers	Ending balance
Buildings	11,348	258	101	0	11,505
Tangible movables and sets of tangible movables	68,937	751	3,092	0	66,596
<b>Total 2020</b>	<b>80,285</b>	<b>1,009</b>	<b>3,193</b>	<b>0</b>	<b>78,101</b>
<b>Total 2019</b>	<b>66,526</b>	<b>14,589</b>	<b>830</b>	<b>0</b>	<b>80,285</b>

### Adjustments and depreciation

	(in CZK thousands)						
	Starting balance	Additions	Disposals	Transfers	Ending balance	Adjust-ments	Accounting value
Buildings	2,572	1,971	101	0	4,442	0	7,063
Tangible movables and sets of tangible movables	48,021	9,468	3,092	0	54,397	0	12,199
<b>Total 2020</b>	<b>50,593</b>	<b>11,439</b>	<b>3,193</b>	<b>0</b>	<b>58,839</b>	<b>0</b>	<b>19,262</b>
<b>Total 2019</b>	<b>37,944</b>	<b>12,944</b>	<b>295</b>	<b>0</b>	<b>50,593</b>	<b>0</b>	<b>29,692</b>

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

Additions to tangible fixed assets in 2020 were:

- IT hardware with acquisition cost of CZK 643,000,
- audio technology with acquisition cost of CZK 62,000,
- office furniture with acquisition cost of CZK 46,000, and
- technical improvements to leased real property with acquisition cost of CZK 257,000.

A physical inventory-taking as at 31 December 2020 was made at all workplaces and no differences were found between the physical situation and the accounting records.

## Assets under Pledge or Encumbered by Lien

Except for the collateral stated in Notes 8 and 9, no assets of the company were encumbered by lien or subject to easement.

## **Assets Maintained Off-Balance Sheet**

In 2020, 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 5,750,000 as at 31 December 2020 (CZK 5,083,000 as at 31 December 2019).

## **Third-party Assets Maintained on the Balance Sheet**

The company holds no third-party assets.

## **Leased Assets and Assets under Lease**

The company does not lease out any of its assets.

The company did not have any assets during 2020 or 2019 that had been acquired by financial leasing.

The company concluded an operating lease contract during 2019 with the lessor UniCredit Fleet Management, s.r.o. The subject of the lease was a Mazda passenger car, for duration of 48 months, with lease beginning 2 July 2019. The monthly lease payment exclusive of VAT is CZK 13,500.

The company concluded a framework agreement on motor vehicles lease in 2020 with the lessor ARVAL CZ s.r.o. The subject of lease was a long-term lease of motor vehicles for indefinite period. As at 31 December 2020, the company had leased 5 vehicles based on this agreement, monthly lease payment for all vehicles was CZK 66,000 exclusive of VAT. Total annual costs related to vehicles lease were CZK 650,000 in 2020.

The company leases offices for all its branches for defined time periods (expiration of individual contracts ranges between 2025 and 2027). Total annual expenses for these leases were CZK 58,976,000 in 2020 (CZK 50,920,000 in 2019).

The company leases IT technology and office equipment. Total annual costs for these were CZK 2,365,000 in 2020 (CZK 2,610,000 in 2019).

## **6. Trade receivables and trade payables**

Short-term trade receivables not past due as at 31 December 2020 total CZK 36,537,000 (CZK 68,278,000 as at 31 December 2019) and receivables past due total CZK 6,921,000 (CZK 10,293,000 as at 31 December 2019). Adjustments to doubtful receivables as at 31 December 2020 totalled CZK 4,409,000 (CZK 5,898,000 as at 31 December 2019). The company did not create new adjustments in 2020.

The company recorded short-term trade payables past due in the amount of CZK 8,000 as at 31 December 2020 (CZK 154,000 as at 31 December 2019). These were fully paid in 2021 (or 2020).

The company records no long-term accounts receivable or payable with payment due dates longer than 5 years.

## **7. Long-term advances made**

Long-term advances as at 31 December 2020 consisted mainly of rental security deposits in the amount of CZK 3,454,000 (CZK 4,262,000 as at 31 December 2019).

Lease contracts for Prague are backed by bank guarantees, and there occurred a change in 2020. A term deposit in the amount of 10% of the value of the bank guarantee was increased to CZK 1,513,000 (CZK 1,283,000 as at 31 December 2019).

## **8. Off-balance sheet commitments**

As stated in Note 5, transactions related to import of components from the US company Medtronic were recorded to off-balance sheet accounts in 2020. The balance of the off-balance sheet account "Commitment for assets held for safekeeping" totals CZK 5,750,000 as at 31 December 2020 (CZK 5,083,000 as at 31 December 2019).

## **9. Bank loans**

At 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 35,000,000. The company has drawn a loan in the amount of CZK 6,000.

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 35,000,000 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 has been in quarterly repayment (20 instalments) since 29 March 2018. The last instalment is due 30 December 2022. The loan incurs interest at a rate defined as the sum of the 3-month EURIBOR rate plus a 1.3% p.a. premium. The parent company SynergyCon a.s. is a co-creditor and guarantor of the loan.

	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Amount payable in less than 1 year	CZK 33,244,000	CZK 32,186,000
Amount payable in 1–5 years	CZK 33,243,000	CZK 64,372,000
Amount payable in longer than 5 years	CZK 0	CZK 0
<b>Total</b>	<b>CZK 66,487,000</b>	<b>CZK 96,558,000</b>

The company issued a blank promissory note to the bank securing the loan. Further, 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 also to cover this loan.

## **10. Derivatives**

The company revalued the interest rate swap relating to the bank loan to fair value. The fair value of the derivative as at 31 December 2020 in the amount of CZK 778,000 (CZK 1,321,000 as at 31 December 2019) was recognized in other liabilities.

## **11. Accrued Income**

Accrued income comprises programming work not yet invoiced and accrued amounts of sub-leases. The company released an adjustment to accrued income in 2020. Significant increase in comparison to the previous year is due to services carried out in December 2020 for the largest foreign customer but which, in contrast to the situation as at 31 December 2019, had not been invoiced.

## **12. 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.

## **13. Accrued Expenses**

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

## **14. Other provisions**

In the 2020 accounting period, a provision was created for payment of bonuses for 2020 to be made in 2021 in the amount of CZK 12,435,000 and a provision for payment of bonuses in the amount of CZK 8,247,000 from 2019 was utilized.

An important part of other provisions is also provision for outstanding vacation, which as at 31 December 2020 comes to CZK 4,915,000 (the adjusted amount as at 31 December 2019 is CZK 5,181,000). Comparative data for 2019 were adjusted as a result of corrected errors as described in detail in Note 3.

## **15. Income tax**

### **Income Tax Payable**

Income tax payable for 2020 paid in the Czech Republic totals CZK 267,000 (CZK 396,000 as at 31 December 2019).

Income tax payable for 2020 paid in Austria totals CZK 875,000 (CZK 929,000 as at 31 December 2019).

In 2020, income tax liability totalling CZK 1,142,000 was decreased by income tax advances paid totalling CZK 1,083,000 and the amount payable of CZK 59,000 was recognized in the line item "Taxes and subsidies due to state".

In 2019, income tax liability totalling CZK 1,325,000 was decreased by income tax advances paid totalling CZK 2,927,000 and the amount receivable of CZK 1,602,000 was recognized in the line item “Tax receivables due from state”.

## Deferred Taxation

A deferred tax asset in the amount of CZK 3,714,000 (adjusted amount as at 31 December 2019: CZK 3,582,000) arises from a difference between the accounting and tax net book values of fixed assets of CZK 2,209,000 (CZK 5,907,000 as at 31 December 2019), provisions for management bonuses and for undrawn vacation totalling CZK 17,350,000 (adjusted amount as at 31 December 2019: 13,428,000), and accounting adjustments in the amount of CZK 4,409,000 (CZK 11,330,000 as at 31 December 2019). Comparative data for 2019 were adjusted as a result of corrected errors as described in detail in Note 3.

In compliance with accounting methods stated in Note 2s/, the deferred taxation amount was calculated using a tax rate of 19% (19% also for 2019).

## 16. Grants

The company received the following grants (in CZK thousands) for conducting applied research projects (Czech Republic):

Provider	Purpose of grant	Current period	Previous period
Technology Agency of the Czech Republic	CAK III	0	852
Ministry of Industry and Trade	SIDAS	0	1,910
Ministry of Interior	SMART CAMERA	0	1,316
Technology Agency of the Czech Republic	LARYNGO VOICE	540	585
Ministry of Industry and Trade	BIOS	868	1,823

The H2020 – DIGICOR programme from EU funds was completed in 2019. A balance due after its conclusion should have come to EUR 201,300. Due to overdrawing of funds by other partners, it was decided that the balance due will be decreased for all participants. The balance due was decreased to EUR 195,600 and was paid in 2020.

In 2020, the ECDL department received a grant from the Ministry of Education, Youth and Sport in the amount of CZK 239,000 (CZK 241,000 in 2019) as a partner of the main applicant. The grant relates to creation of an education module for leading employees of schools and is focused on digital technologies.

Revenues related to drawing grants in the amount of CZK 1,496,000 in 2020 (CZK 15,603,000 in 2019) are presented in the “Other operating income” line of the profit and loss account.

## 17. Employees, personnel expenses, cash and non-cash benefits provided

	Total	
	Current period	Previous period
Average recalculated number of employees	365	337
<i>of which average recalculated number of managers</i>	12	12
Total personnel expenses, including insurance and social expenses	430,170	395,177

Gross remuneration to board members exclusive of health and social insurance was CZK 11,372,000 in 2020 (CZK 9,669,000 in 2019).

Nine 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 2020, 14 new loans were provided (14 in 2019) in the total amount of CZK 2,298,000 (CZK 2,330,000 in 2019). Repayment of existing loans is being made in accordance with the repayment schedules. A total of CZK 2,332,000 was repaid in 2020 (CZK 2,142,000 in 2019).

## **18. Information on costs for fees to the audit company**

There was a change in audit company in 2019. Audit is now carried out by KPMG Česká republika Audit, s.r.o. (up to 2018 it was Deloitte Audit s.r.o.).

The costs for KPMG's auditing of the 2020 financial statements were CZK 490,000, inclusive of a preliminary audit for 2020 (CZK 490,000 for 2019).

## **19. Equity**

Changes in equity are described in the statement of changes in equity within the financial statements.

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 totals 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.

In 2020, the fund was not replenished, its value as at the date of a Decision of the Sole Shareholder did not fall below CZK 3,000,000 (a contribution of CZK 996,000 was made in 2019).

No decision about the distribution of net profit for 2020 had yet been made as at the date of preparing the financial statements.

## **20. Sales of products and services**

Sales of the company's own products and services grew by CZK 84,100,000 as compared to 2019 (shown below in CZK thousands).

Activity	Current period			Previous period		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Sales of own products	0	0	0	70	70	0
Merchandise sales	489	489	0	1,208	1,208	0
Sales of services	656,400	70,563	585,837	572,230	61,601	510,629
Other income	19,902	19,902	0	27,822	18,946	8,876

## **21. Services costs**

Services costs during 2020 consisted primarily of travel expenses in the amount of CZK 3,668,000 (CZK 14,752,000 in 2019); leases of CZK 61,990,000 (CZK 53,615,000 in 2019); building cleaning, security and maintenance of CZK 2,774,000 (CZK 2,349,000 in 2019); other services of CZK 27,993,000 (27,035,000 in 2019); IT services and other overheads related to projects of CZK 5,687,000 (CZK 8,392,000 in 2019); internet, telephones, and postal fees of CZK 2,384,000 (CZK 3,639,000 in 2019); and marketing and recruitment of employees of CZK 3,185,000 (CZK 3,722,000 in 2019).

## **22. Transactions with related parties**

In this accounting period, no material transactions or transactions were concluded with related parties under other than normal market conditions.

In the 2020 accounting period, the following accounting operations were recorded between the majority shareholder SynergyCon a.s. and CertiCon a.s.: Based on profit generated in the previous year, the parent company decided in 2020 on paying out a dividend in the total amount of CZK 40,000,000 (63,000,000 in 2019). As at 31 December 2020, the company is recording a payable in the amount of CZK 20,000,000 reflecting an unpaid share in the company's profit (CZK 30,240,000 as at 31 December 2019).

During the 2020 accounting period, consulting services were invoiced to the related company ProTyS in the total amount of CZK 20,000 exclusive of VAT (CZK 121,000 exclusive of VAT in 2019). In 2020, the company recognized revenues from services rendered to ProTyS, a.s. totalling CZK 786,000 (CZK 722,000 as at 31 December 2019). In 2020, a dividend was received in the amount of CZK 450,000 (CZK 550,000 in 2019).

As at 31 December 2020, the company records liabilities to ProTyS, a.s. totalling CZK 12,000 (CZK 36,000 as at 31 December 2019).

The company records no receivables from or payables to the related company HydroCon a.s. as at 31 December 2020. During 2020, the company recorded revenues for services rendered to HydroCon a.s. in the amount of CZK 192,000 (CZK 192,000 as at 31 December 2019).

During 2020, the company recorded no revenues from services in relation to Health Helm, Inc. (CZK 0 in 2019).

During the 2020 accounting period, software services were invoiced to the related company Datis s.r.o. in the total amount of CZK 1,963,000 exclusive of VAT (CZK 0 exclusive of VAT in 2019). During 2020, the company recorded revenues for services rendered to Datis s.r.o. in the amount of CZK 159,000 (CZK 0 as at 31 December 2019). The company records no receivables from or payables to the related company Datis s.r.o. as at 31 December 2020.

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

As at 31 December 2020, the company had no pension liabilities to former members of managerial, supervisory, or administrative bodies.



### **23. Cash flow statement**

The cash flow statement is a separate annex to the financial statements.

### **24. Research and development costs**

Research and development costs totalled CZK 101,554,000 (CZK 70,173,000 in 2019). Due to year-on-year increase in these costs, the costs can be applied for tax purposes at the beneficial 110% rate. In this manner, the company achieved a CZK 3,138,000 increase in the deductible amount and so the total amount of tax deductible costs comes to CZK 104,692,000.

### **25. Significant events in 2020**

On 11 March 2020, the World Health Organization declared the spreading of coronavirus infection to be a pandemic. In response to the potentially serious threat to public health posed by COVID-19, state administration authorities of the Czech Republic adopted measures to stop the spread of the pandemic. Restrictions on free movement of people and temporary closures of certain industries were imposed. These measures are being gradually tightened or relaxed as the pandemic evolves.

The company is active in an industry that has not been seriously impacted by the COVID-19 pandemic. In 2020, the company's activities were not interrupted and the company achieved record sales and higher profit than in previous years. The company has a very strong financial position and very strongly positive working capital.

The company's management does not expect a significant impact of the COVID-19 pandemic in 2021. The management therefore assumes that use of the going-concern assumption is appropriate in compiling these financial statements.

A bargaining unit was established in October 2020. The collective agreement will be signed in the first half of 2021.

### **26. Significant post-balance sheet events**

The following significant events occurred between the balance sheet date and the date of preparing the financial statements:

- Signing of a new 5-year agreement with Medtronic that enables rates to increase in May 2021 and May 2022.
- Extension of Medtronic invoice payment due dates from 30 to 90 days, as a result of which the company will utilize in the second half of the year an overdraft facility from UniCredit Bank Czech Republic and Slovakia, a.s. the amount of which was increased as at 23 April 2021 from CZK 35 million to CZK 70 million.

Prepared on 15 June 2021

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

Ing. Karel Kraus, MBA  
Vice-Chairman of the Board of Directors

## Independent Auditor's Report to the Shareholder of CertiCon a.s.

### 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 at 31 December 2020, and the profit and loss account, statement of changes in equity and cash flow statement for the year ended on 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. Data about the Company are stated in Note 1 to these financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the assets, liabilities and owner's equity of the Company as at 31 December 2020, and of its costs and revenues and net income and cash flows for the year ended on 31 December 2020 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 and adjusted 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 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 Company's statutory body 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, however, it is our responsibility to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements and 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 judgements 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, it is our responsibility to report, based on the knowledge and understanding of the Company obtained in the audit, whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

### Responsibilities of the Company's Statutory Body and Company's Supervisory Board for the Financial Statements

The statutory body of the Company 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 statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 judgement 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 override of the 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 system of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body'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. Nevertheless, 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 persons entrusted with administration and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

### **Statutory Auditor Responsible for Audit**

Ing. Karel Charvát is the statutory auditor responsible for audit of the financial statements of CertiCon a.s. as at 31 December 2020 based on which this independent auditor's report was prepared.

In Prague on 15 June 2021

Audit firm:  
KPMG Česká republika Audit s.r.o.  
Registration no. 071

Statutory auditor:  
Ing. Karel Charvát  
Partner  
Registration no. 2032

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