

# CERTICON ANNUAL REPORT FOR 2016



CERTICON



## **CERTICON a. s.**

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COMPANY ID NO.: 25083341, TAX ID. NO.: CZ 25083341  
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UNDER FILE REFERENCE B. 4355  
BANKING CONNECTION: 6042009/2700

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## 1. INTRODUCTION

Dear shareholders, business partners, employees and friends,

For CertiCon a.s., 2016 marked the most successful year in its history to date. The company's operations were entirely stable, rapidly expanding, and showed unambiguous growth in all important parameters.

In recent years, CertiCon has matured into an internationally respected company providing its customers with a wide range of services in software design, development and testing, as well as design and verification of integrated circuits. It also has proven its capability to provide software services in the context of Industry 4.0.

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

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

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

We succeeded during 2016 to expand our business activities with existing long-term partners (Medtronic, Frequentis, and Bosch) and to acquire new customers (AF in Sweden, ZF in Germany, and Seznam in the Czech Republic). The year 2016 brought stabilization in the company's activities abroad, particularly in the USA but also in the EU-15. We achieved overall service and product sales of ca CZK 509 million, a gain of 40% in comparison to 2015! Meanwhile, total operating revenue rose to nearly CZK 523 million, which represents a 37.6% gain over 2015 (despite lower subsidy incomes).

We continued cooperation with Health Helm in Boston. As an investment, CertiCon a.s. programmed for this start-up firm additional modules of a mobile system for distributed medical services. Moreover, the first pilot projects were implemented in US hospitals, thereby enhancing Health Helm's attractiveness to American investors.

This orientation towards supporting start-up companies in the early stages of their development in the form of angel capital or other initial investments and their later financially advantageous divestment has become a part of the company's long-term strategy.

Since 2014, CertiCon has been supporting through SW development the newly founded nova-met s.r.o., which specializes in producing distributed heat sensors and services related to remote temperature measurement. In this case, by contrast, CertiCon anticipates a long-term partnership between the two companies. Similarly, CertiCon Group's company portfolio was expanded to include Embitron, s.r.o., which is focused on producing rehabilitation and physiotherapy instruments. The group of related companies was joined also by Passengera, s.r.o., for which CertiCon is also developing several solutions.

We substantially expanded the activities of the Applied Research Department. In addition to implementing two projects for the Technology Agency of the Czech Republic and participating in the Competence Centre CAK III coordinated by the Czech Technical University, considerable problem-solving capacities were required by the EU's DIGICOR project, focused on knowledge integration of a large producer's supplier network (with the first case study for Airbus Industries). The company also developed exceptionally valuable know-how acquired in implementing the EU's ARUM project in previous years.

Total applied research spending for 2016 was CZK 7.5 million, of which CertiCon covered CZK 2.8 million with its own funds. In 2016, we successfully prepared and applied for more than ten research projects in the national and international research area.

The company established a total of four product teams for expanding existing products and developing new ones. These include in particular computer vision, process optimization, and mobile and other applications for medical purposes. In addition to the existing 4Mulcom product line, the company successfully presented publicly in 2016 the new CertiConVis product oriented to smart camera image processing and the CyberPSG system designed for semi-automated biosignal processing.

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

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CertiCon's staff members are preparing for practical activities in the area of technology transfer, where we see considerable potential for the company's future development.

CertiCon has presented itself to the professional public both at home and abroad through innovative technologies as well as professional publications and presentations, and in particular in the United States, where it is represented by the company HSP International based in Milwaukee, Wisconsin. Our participation in the HIMSS trade fair in Las Vegas was especially noteworthy. Moreover, selected results of applied research projects in the area of agile technologies as well as practical experience in modern software technologies were presented at scientific conferences and in professional journals.

A stabilizing factor can be seen in 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 which aims to assist the best students at Czech technical universities to work on leading research projects. CertiCon enabled the Foundation to place its e-Club accelerator at the company's new premises free of charge. In return, among the expected benefits for CertiCon will be access to the findings as well as to young experts who will be crucial for achieving new and innovative solutions in future.

Successful implementation of the quality management system in compliance with the ISO 9001:2000 standard and with the ISO 13485:2003 quality management system for development of medical devices fundamentally influenced the company's internal operations and perceptions among its customers. ISO 13485:2003 certification has been shown further to enhance its competitiveness in the important SW and HW segment.

CertiCon achieves its competitive level of services by continuously developing its staff while enhancing qualifications through language courses and professional training. In addition to the company's high-quality standard, this unquestionably contributes to its international business success. Also of no small importance is its close cooperation with top universities, both domestically within the Centre for Applied Cybernetics and abroad through submitting and implementing EU research projects. CertiCon has strengthened its connection, too, with the prestigious Austria-based Christian Doppler system of research laboratories in cooperation with the Vienna University of Technology. From 2017, CertiCon becomes a part of a second laboratory financed by the Christian Doppler Association. Cooperation was strengthened with the excellent New Technologies for the Information Society research unit at the Faculty of Applied Technology, University of West Bohemia in Pilsen, and the CIIRC (Czech Institute of Informatics, Robotics, and Cybernetics) at the Czech Technical University. Expert cooperation was established also with the Technical University of Ostrava and University of Ostrava.

All the achievements described above have been made possible by the active contributions from all the company's staff, and we wish therefore to express our sincere thanks to the employees.

CertiCon's management endeavours to ensure continuous professional and personal growth for every employee, and so it invested conspicuous effort and no small amount of funds to that end in 2016. We aim to provide the best working conditions for our employees, and at the end of 2014 we therefore moved our Prague branch to The Blox building on Evropská Street in Prague 6. We continue in expanding the premises of our headquarters there. The Pilsen branch had moved into new spaces in summer 2015, and we expect also to grow its space in 2017. In June 2015, we had opened a new branch at The Orchard site in Ostrava and its premises had to be more than doubled by as early as October 2015.

Being aware of its corporate social responsibility, CertiCon decided to support the film by director Jiří Strach "Anděl páně 2" as co-producer. This film was among the most successful Czech films in 2016 and the most visited film (with more than 1 million viewers).

As confirmed by positive evaluations of key projects, 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.

We strive to be a company where employees are satisfied in their work and will see their own growth and future prospects. We endeavour to see all share our values and vision for the company, and that includes our vision for corporate social responsibility. We make every effort to keep a strong focus 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.

We look forward to another successful year in 2017!

Prague, 20 April 2017

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

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## 2. CONTACTS

### PRAGUE HEADQUARTERS

#### **CERTICON a.s.**

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Tel: + 420 224 904 200

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### PILSEN BRANCH

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Teslova 1239/5  
301 00 Pilsen

Tel:+ 420 224 904 411



### OSTRAVA BRANCH

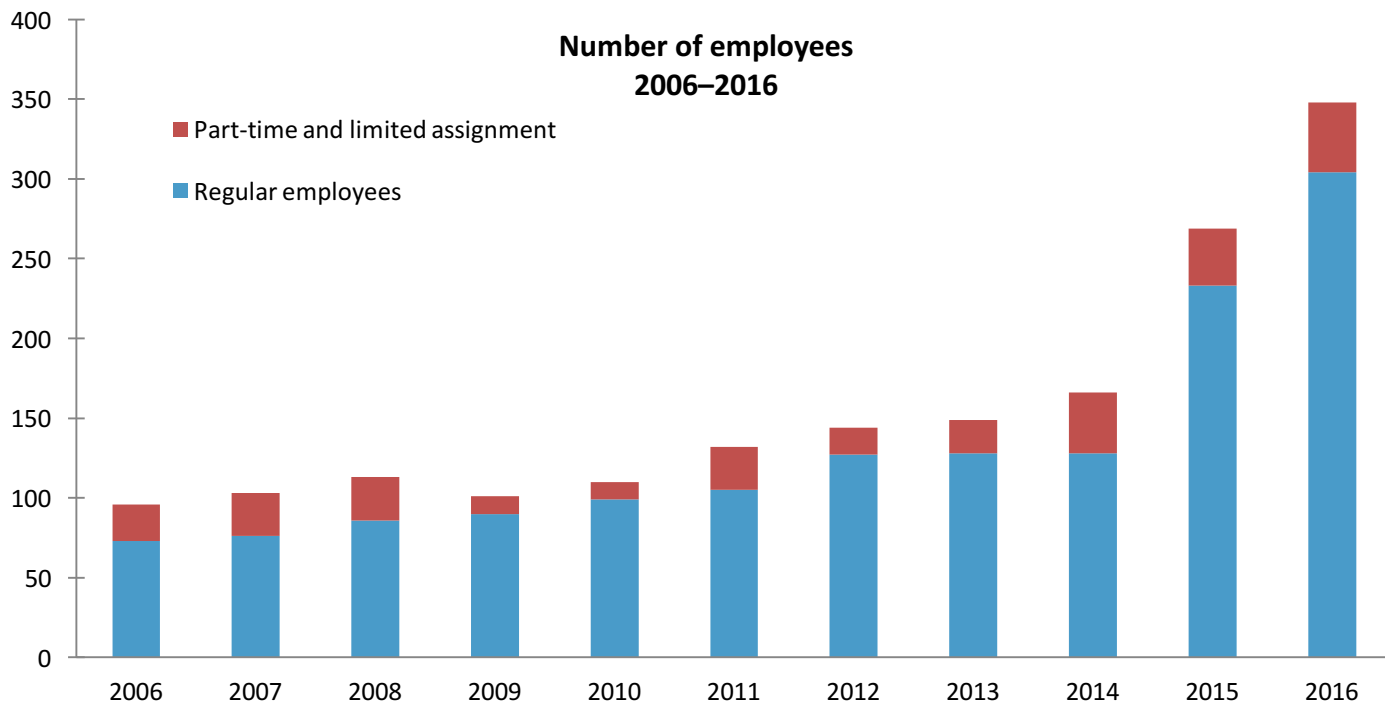
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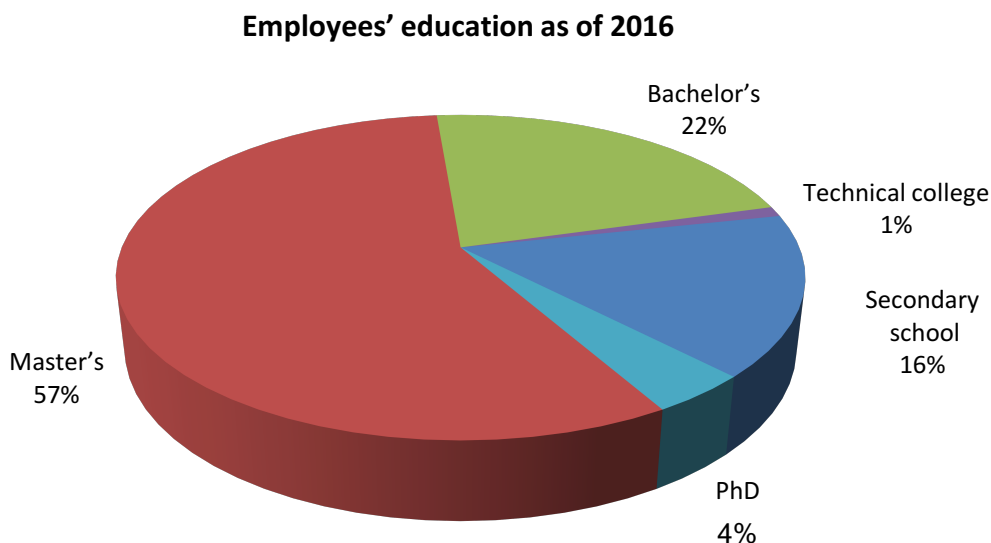


### 3. THE COMPANY’S ORGANIZATIONAL AND PERSONNEL

Personnel working for CertiCon as of 31 December 2016 totalled 348. With respect to type of contractual relationship, as of that date there were 304 regular employees under employment contract and 44 personnel under agreements outside an employment relationship (so-called “part-time limited workers” and “limited assignment workers”). The average annual full-time equivalent number of personnel was 266. Development in the number of employees through recent years is shown in the bar graph. A major increase during 2016 is of course apparent.



A long-term priority aim 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 educational attainment of the employees and management. As shown in the pie chart, 82% of employees have university educations (Bachelor’s degree and higher).



### **Organizational Structure Valid from 1 January 2016 to 31 October 2016**

From 1 July 2015 to the beginning of 2016, the company had in place an organizational structure where individual departments and divisions continued to be independently organized units, each led by a department or division head. This also included the newly formed branch in the Moravian–Silesian Region, which was subsequently transformed into the Ostrava SW Development Centre. The independence of the existing branch was further strengthened and it was transformed into the Pilsen SW Development Centre. Both branches are led by local managers. A new manager of the Pilsen branch joined our ranks on 1 February 2016. The company's executive management still consists of the department and division heads, the Chairman of the Board of Directors, and the Quality Management Representative. From 1 April 2016, the management was expanded to include a new internal processes director who took over responsibility for the HR and payroll accounting, forming a basis for the future Employee Section, and an entirely new matrix management organizational structure began to take shape. Officially from 1 November, this structure including both line- and project-based reporting arrangements became valid (see graphs).

The basic management structure (see Organization Chart) has two levels. The top management level consists of CertiCon's Chairman of the Board of Directors, to whom all members of the executive management are subordinated. The basic management level is comprised of the executive managers who directly manage organizational units within their competence as stipulated by the organizational rules.

### **Organizational Structure Valid from 1 November 2016 to 31 December 2016**

#### **Basic Line Management Structure**

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

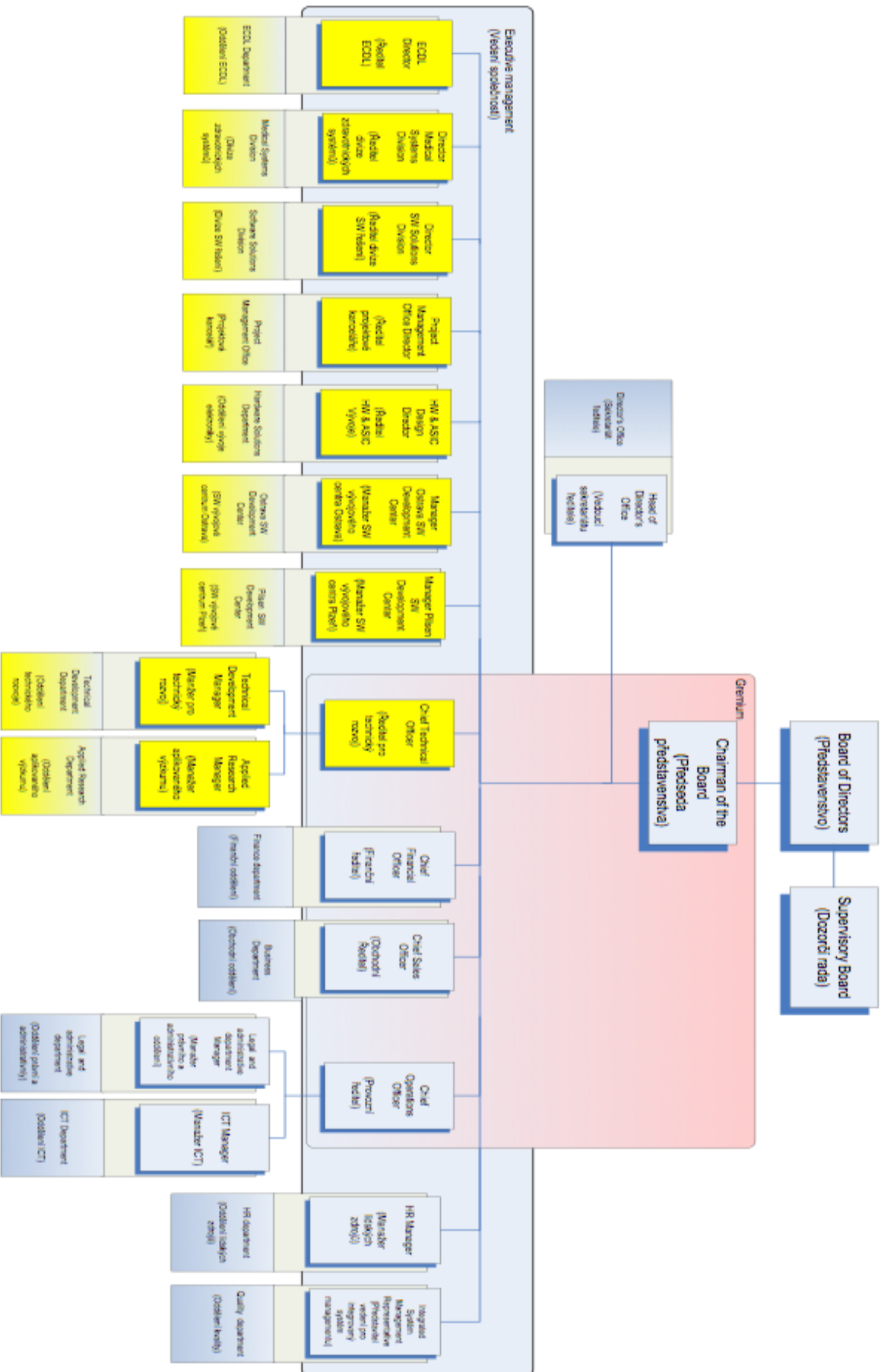
- a) The top management level consists of the Chairman of the Board of Directors to whom all members of the company's management report.
- b) Committee – an advisory body comprising selected members of the company's management (Chairman of the Board of Directors, Chief Operations Officer, Chief Financial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

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

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

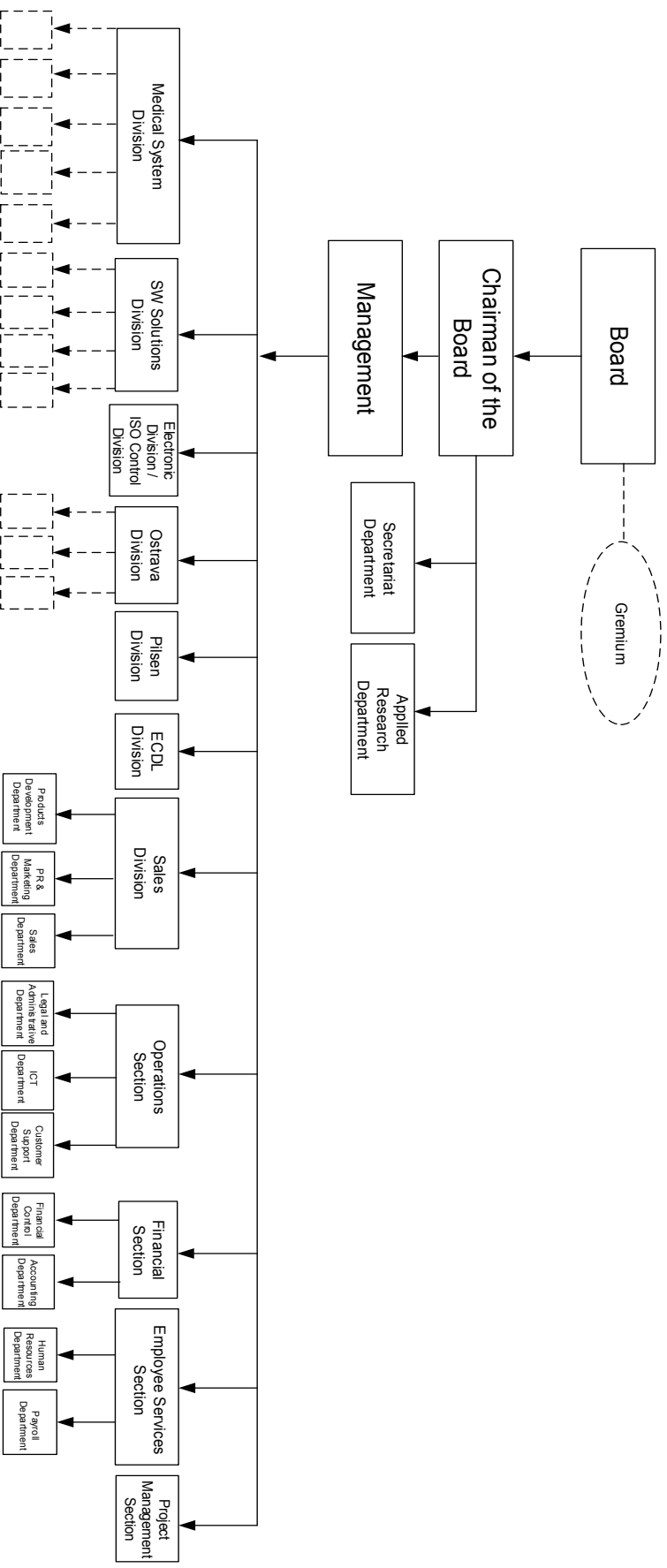
- a) The top management level consists of the Chairman of the Board of Directors.
  - b) The Director of the Project Office and designated members of the management team direct the achievement of project objectives through programme managers.
  - c) The middle level of management is comprised of programme, product, and project managers.
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Organizational structure valid from 1 January 2016 to 31 October 2016



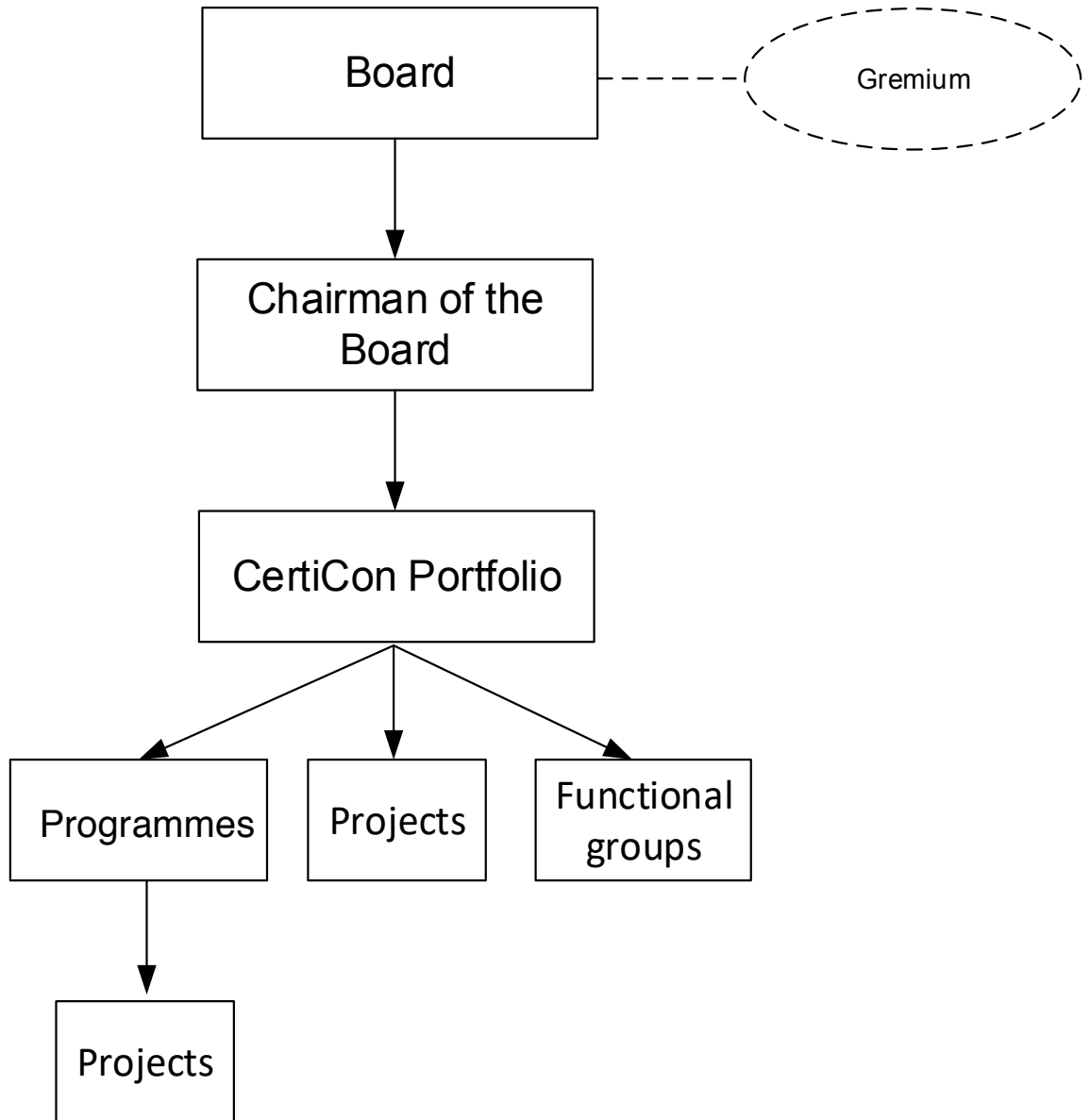


Organizational structure valid from 1 November 2016 to 31 December 2016 (line structure)



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

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



## 4. QUALITY MANAGEMENT SYSTEMS

### 4.1 ISO 9001:2008 QUALITY MANAGEMENT SYSTEMS

The transformation of CertiCon from a medium-sized company to a large one was initiated in 2016 along with the accompanying management changes. The company's organizational structure was changed with a focus on matrix management. All these changes are being progressively implemented into internal processes. At the same time, preparations for certification according to the newly revised ISO 9001:2015 standard were underway. The certification is planned for 2017.

Last year, CertiCon a.s. successfully passed all control audits of the certification company EZÚ (Electrotechnical Testing Institute), thereby confirming that the implemented quality management system complies with the requirements of the ISO 9001:2008 standard. The chosen quality management system is relevant and fully functional. All the system's requirements for the company are adequate and fully supported by its management.

The **scope of certification** covers activities in the following areas:

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



### 4.2 ISO 13485:2012 MEDICAL DEVICES – QUALITY MANAGEMENT SYSTEM

The quality management system according to the ISO 13485 standard has been stable for several years and has served the company's needs.

The main principle of ISO 13485 is adherence to laws and pertinent technical standards in order to ensure the maximum possible safety of the developed medical device.

The basic legal regulations include Government Regulation No. 268/2014 Coll., defining technical requirements for medical devices, Government Regulation No. 233/2012 Coll., defining technical requirements for in vitro diagnostic medical devices; Government Regulation No. 616/2006 Coll., on technical requirements for products in terms of their electromagnetic compatibility; and Act No. 375/2011 Coll. on Medical Devices.

Procedures pursuant to ČSN EN 62304 are used in developing medical software.

The **scope of certification** covers the company's activities in the following areas:

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



### 4.3 ISO 14001:2009 ENVIRONMENTAL MANAGEMENT SYSTEMS AND ISO 18001:2007 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS

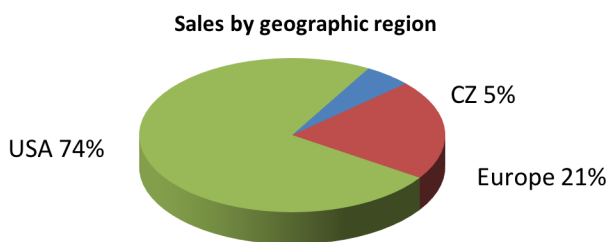
Environmental protection and occupational health and safety are inseparable parts of CertiCon's corporate social responsibility and its integrated quality system. The company has established procedures for handling chemicals, waste recycling, and energy savings. This applies for all three locations of the company's operations. All activities in environmental protection and occupational health and safety were supported by the management. In order to maintain these registrations, the company continued its long-time cooperation with CIVOP s.r.o.

The **scope of certification** covers all of the company's activities and employees.



## 5. THE COMPANY'S PRINCIPAL ACTIVITIES

CertiCon a.s. has long been focused on analysis, design, creation, and testing of software; design, verification, and testing of integrated circuits; and research activities especially in systems supporting decision-making and management. An all-embracing motto pertaining to the company's activities is to provide its customers services with high added value, doing so comprehensively across the entire life cycle of the product or service. The company is grounded in its own research potential, which was substantially reinforced in 2016, and on the knowledge of its employees. Such efforts demand in particular qualified experts, superior equipment and well-managed processes for continuously adopting into practice the fruits of research and development. This strategy is substantially reflected in the cost structure, wherein personnel expenses, hardware and software costs, and outlays on applied research and development constitute the majority of expenditure items.



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

Medtronic (USA), Robert Bosch (UK), and Frequentis (Austria) remained the largest foreign customers in 2016.

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 projects within projects co-financed by the Czech Republic and European Union, comprise a considerable part of CertiCon's activities. In 2016, 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 project of the Technology Agency of the Czech Republic – 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 a been 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.

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, as well as support to individual start-up companies such as Health Helm in Boston, nova-met, s.r.o. in Šumperk, and Passengera, s.r.o. in Prague. CertiCon a.s., along with its parent company SynergyCon, a.s., has established a long-term strategy for cooperation with start-ups as well as for supporting them with expertise and investment.



## 5.1 TECHNICAL DEVELOPMENT

Within CertiCon, technical development is carried forward by the Technical Development Division, comprising the Applied Research Department and the Product Development and Innovations Department, with the strategic objective of developing the company's portfolio of expert solutions and products. The basis of the company's portfolio lies in those areas having the greatest potential. These are the areas where CertiCon can be strongest and for which it has the most enthusiasm. In 2016, two key areas developed were computer vision for security and designing production for Industry 4.0. The vision for 2016 was still to build up the profile as a technology company that is transforming from what was originally an outsourcing firm into a smart partner for accelerating the customers' businesses by creating innovative, tailored solutions. A global objective was to implement our own technological products and apply them into industrial practice.

Technical development is guided by the company's technical development strategy, which came into force in March 2015 and was updated in January 2016. The strategy provides a guiding view of the future, plans, choices, and decisions for the coming months and years. It serves to lead the company to sustained growth, systematic technology development, adaptability to changing market conditions, as well as customer, shareholder and employee satisfaction.

We are attaining the vision of an expert technology company through better profiling and a clearer offer to the market of services and products. Towards this end, a future portfolio of company products was formalized and the view on company operations was clarified both internally and externally. In 2016, two new products were developed in the Technical Development Division:

### 1. CertiConVis – SW application for real-time image data analysis

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

- Development of CertiConVis was initiated according to the internal LEAN approach on 1 March 2016 under the internal project name SmartCam.
  - The first prototype was presented on 30 April 2016 and allowed those interested in this technology to see and try the implemented algorithms by means of a web application.
  - After determining interest in this technology, development of an industrial version of this product was initiated on 1 May 2016.
  - The first product version applicable in practice was presented to the distributor network after three months at the end of June 2016 as SmartCam 2.0.
  - The product name was changed to CertiConVis and its European trademark was registered.
  - At the end of 2016, version CertiConVis 4.0 was presented and negotiations with the first real customers were conducted.
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## 2. CyberPSG – SW application for analysis and semi-automated annotation of polysomnographic signals

CyberPSG is a software framework for semi-automated classification of biosignals optimized for analysing sleep data. The system is independent of hardware type and allows implementation of interfaces for signal input from various types of devices. From input signals, advanced methods extract features necessary for automated classification of the individual recording segments into a hierarchically arranged tree of clusters. The system then classifies the scanned data into a tree structure of hierarchically arranged classes (clusters) and offers the key parts of the recording as recommended for expert evaluation. The system developed by CertiCon allows for a combination of manual recording classification by an expert with a high degree of automation based on evaluating the similarity of signals in a hierarchical clustering format.

Cyber PSG is an instrument applying innovative approaches based on cybernetic procedures and AI in processing biosignals. We see very promising commercial opportunities in this area related to the development of technologies, especially wearables and other types of sensors generating new types of data usable in improving health and well-being. If this will be successful on the European or US market, this area could have great commercial potential. The objective was to create an innovative application for routine use in processing EEG and PSG data.

- Development of the CyberPSG was initiated in cooperation with CIIRK in 2015 under the internal project name EEG Analyzer.
- The first prototype of the application was presented on 28 February 2016 at the HIMSS exposition in Las Vegas in the US and at the CardioSleep conference in Prague.
- After determining the interest of the professional community in this technology, further development of the commercial version under the name CyberPSG was initiated.
- In 2016, CyberPSG was implemented in a pilot test in two professional settings at university hospitals in Hradec Králové and in Ostrava.

We resolved to achieve key values of technological development through making a managed innovations system an integral part of our operations. This system supports diversification away from a static services strategy towards one of proprietary technologies and products. For several years, CertiCon has been boldly investing into developing new technologies in the form of various investment and subsidy-supported programmes. In 2016, we applied specific constructs and procedures created in the previous year that allowed us systematically to manage, as well as more efficiently to use and monetize these endeavours. In the past year, the Technical Development Division focused on developing reusable corporate solutions and especially their commercialization in practice. In doing so, we built upon, among other things, CertiCon's applied research findings from the past 5 years and the newest technology trends.

## 5.2 APPLIED RESEARCH PROJECTS

In 2016, certain research projects from 2015 continued and we were able to acquire new ones both from subsidy sources and in cooperation with commercial partners. Thirteen applications were submitted during 2016 to applied research programmes, and these are currently in various stages of evaluation. Six of these applications were directed to EU programmes. Five applications were successful, and CertiCon will implement four of these.

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## SUBSIDY PROJECTS IMPLEMENTED IN 2016

### 5.2.1. **DIGICOR** – Decentralised Agile Coordination across Supply Chains

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



### 5.2.2. **SIDAS** – System for Intelligent Detection and Signalization of Collision States for Improving Track Safety

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

### 5.2.3. **REBOT** – Development of a Robotic Workplace for Disposal of Hazardous Substances and Disassembly of Taken-back Electrical Equipment with Flat Screens

The Epsilon project from the Technology Agency of the Czech Republic continued from 2015. Its objective is to design and test in a simulated environment the controlling of a robotic line that can automatically disassemble flat screens and separate LCD panels, fluorescent tubes, a plastic screen frame, and the electronics board. The project is being run in cooperation with our business partner Asekol and a research lab at University of West Bohemia, doc. Miloš Železný's team.

### 5.2.4. **Laryngovoice** – Automatic Voice Conservation and Reconstruction Focusing on Patients after Total Laryngectomy

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

### 5.2.5. CENTRE FOR APPLIED CYBERNETICS III

CENTRUM APLIKOVANÉ KYBERNETIKY



Again in 2016, CertiCon cooperated in the Centre for Applied Cybernetics III (CAK III) applied research project, which aims to concentrate the national research potential in this field. In this year, CAK III went through a review process and an application was submitted for its continuation through four more years. The application was successful. The Head of the Centre and the Principal Investigator is Prof. Ing. Vladimír Kučera, DrSc., Dr.h.c. from the CIIRC research institute of the Czech University of Technology. The founding entities are the Czech Technical University in Prague, Brno University of Technology, University of Western Bohemia in Pilsen, Tomas Bata University in Zlin, Technical University of Ostrava, Institute of Information Theory and Automation of the Academy of Sciences of the Czech Republic, Institute of Computer Science of the Academy of Sciences of the Czech Republic, and the companies CertiCon a.s., Camea, spol. s r.o., UniControls a.s., and Unis, spol. s r.o.

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

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### 5.2.6. CHRISTIAN DOPPLER LABORATORY at Vienna University of Technology

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

CertiCon is cooperating with CDL on the project “**Software Engineering Integration for Flexible Automation Systems**”. At the start of 2015, it assisted in successfully defending the results from the project’s second stage. The project continued with its next phase in 2015. CertiCon is responsible for Module 2, entitled “Advanced SCADA Algorithms for Flexible Automation Systems”. It collaborated closely on this project during 2016 with the team of Prof. Dr. Stefan Biffel of the Vienna University of Technology.

### 5.2.7. ER4STEM



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

### 5.3. MOST SIGNIFICANT FOREIGN REFERENCES

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

#### 5.4. MOST SIGNIFICANT DOMESTIC REFERENCES, INCLUDING SLOVAKIA

- **Ministry of Finance of the Czech Republic – General Directorate of Customs** – In addition to customs duties, it also administers selected taxes and fees. Cooperation focuses especially on information systems for tax administration and their integration within the EU.
  - **BERMAN GROUP – služby ekonomického rozvoje, s.r.o.** – an international consulting company providing advisory services for economic development especially for regions, cities, municipalities, and public institutions. CertiCon is the supplier and operator of the information system for administration and management of development products in the Czech Republic, Slovakia, and Ukraine.
  - **Česká společnost pro kybernetiku a informatiku (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.
  - **Slovenská informatická spoločnosť (Slovak Society for Computer Science)** – a non-profit organization popularizing computer science and related fields. It is a pioneer in the ECDL (European Computer Driving Licence) concept and holder of the ECDL licence for Slovakia. CertiCon is the supplier and operator of the information system for administration and management of ECDL testing in Slovakia.
  - **IBM Česká republika** – a world-leading IT company. CertiCon is supplier for the design and implementation of software solutions for certain customers.
  - **ASEKOL CZ, s.r.o.** – part of an international group involved in processing waste electrical and electronic equipment. It is using CertiCon's services in designing a system for separating end-of-life domestic appliances on the basis of processing visual information.
  - **ZF Engineering, s.r.o.** – Pilsen Branch is one of eight important development branches of ZF Friedrichshafen AG. CertiCon provides services especially in developing embedded SW for control units in the automotive area and furthermore cooperates on developing supporting SW instruments on the Java platform.
-

## 6. REPORT ON BUSINESS ACTIVITIES AND SITUATION

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 applications are also 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 proprietary applied research potential in order to implement solutions. It does not, therefore, focus on a specific industrial sector, but primarily on foreign corporate customers seeking solutions with high added-value content based on modern technologies and employing the latest scientific knowledge and research findings. CertiCon's capacities in the area of modern user interfaces and mobile applications have increased significantly since 2011. 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. In the software area, CertiCon offers both comprehensive services taking in the full software development life cycle as well as individual services 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.

Most of this work in software solutions is accompanied by complementary activities in designing and testing integrated circuits (i.e. verification of integrated circuit design and production test development).

The most important contracts 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 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 2016, the company maintained its prestigious position as the software solutions supplier for the Ministry of Finance of the Czech Republic – General Directorate of Customs.

A very important development can be seen in further strengthening during 2016 of the Applied Research Department, which is responsible for acquisition and implementation of research projects financed from public funds of the EU and Czech Republic, as well as for transferring know-how into the company's own products. Especially significant is CertiCon's leading technical role in implementing the EU's DIGICOR project, which follows on from the EU's ARUM project completed during 2015, in cooperation with and for the needs of Airbus Industries. Within the DIGICOR project, CertiCon also is responsible for implementing state-of-the-art algorithms for managing a complicated supply chain. Experience and know-how from this area will be useful in future when CertiCon will offer production planning and scheduling systems on the Czech and foreign markets as part of Industry 4.0 projects. Our proprietary production planning and scheduling project EPIQUA is in preparation.

The company offers three products of its own on the market. Among these, especially CertiConVis – a product of our own research in security systems based on signals from industrial cameras – has a particularly strong chance for mass application on the domestic and foreign markets.

In 2016, the company continued working on technologically and technically sophisticated projects in high-tech areas as part of its research and development activities. This orientation has been successful, and CertiCon's management intends to continue in this direction in future. Cooperation with universities, and particularly within co-organized research projects and using shared laboratories, provides access to the latest scientific knowledge and research findings, which are then applied in commercial projects. The company intends to develop research further in the European area and to expand commercial activities in the USA as well as in the Czech Republic and Europe.

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

The company had a number of successes in 2016 not only in technology areas but also with respect to marketing and sales.

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

The volume of services provided to traditional domestic customers further declined, primarily due to significant growth in exported services. The monetary volume of services exported abroad increased by 51.6% in comparison with the previous year (expressed in CZK)! This was due in particular to the situation of customers in the medical systems sector. Services exports denominated in CZK increased to CZK 481.9 million in 2016 as compared to CZK 317.8 million in the previous year. Foreign customers thus have a 94.6% share in the company's turnover.

Therefore, further stabilization of CertiCon's long-term customers was an important factor. Long-term contracts with top foreign technology partners provide CertiCon with financial stability as well as the economic support necessary for managed growth.

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

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

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

In 2016, the company's headquarters and branch office were located in leased premises – the new The Blox building in the vicinity of Vítězné náměstí in Prague 6 (the lessor is IVG ČR, s.r.o.), in the premises of VTP, a.s. in Pilsen, and in The Orchard office complex in Ostrava (the lessor is Portal Investments, s.r.o.).

CertiCon a.s. has sufficient cash funding at its disposal and has no loans outstanding. The company meets all its obligations to all its suppliers and employees in a due and timely manner.

## 7. KEY ECONOMIC INDICATORS FROM 2016

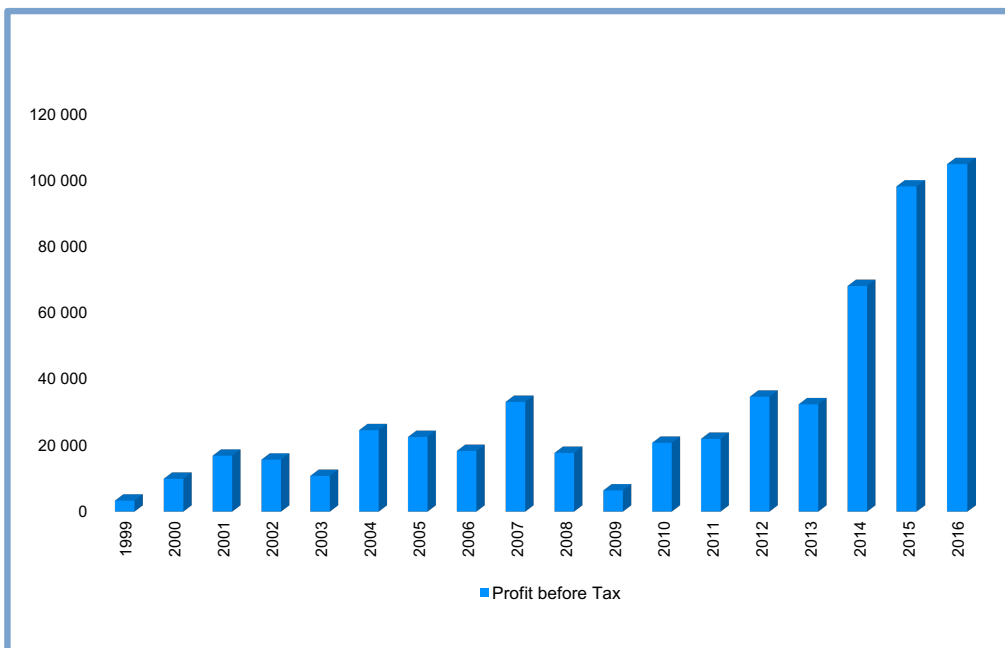
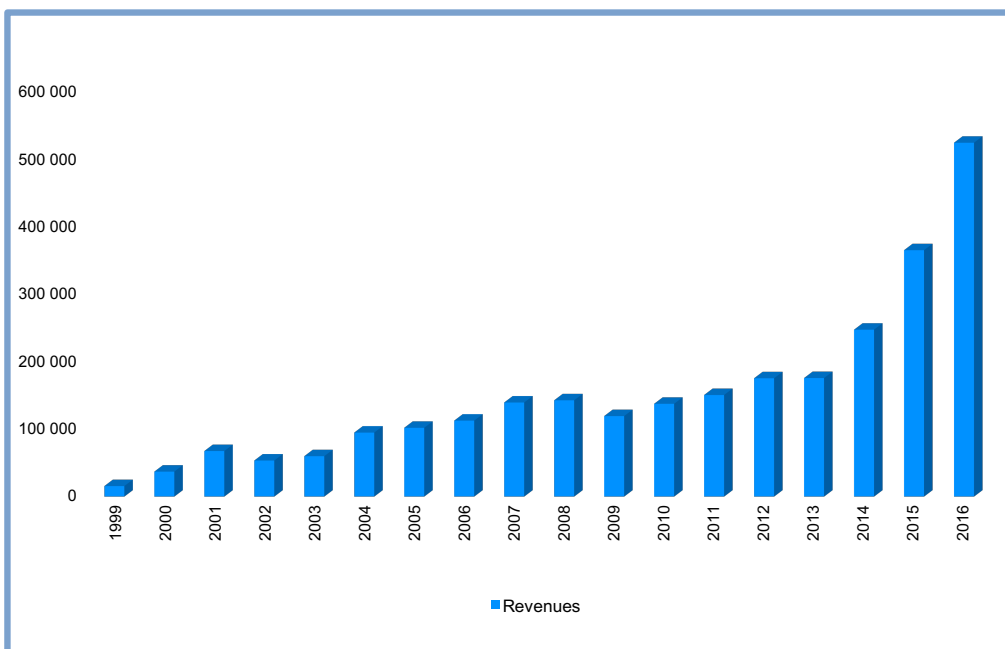
The basic information has been presented already in the Introduction and in the Report on Business Activities. It is also clearly presented in the graphs below. Sales revenues grew by 40%!!

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

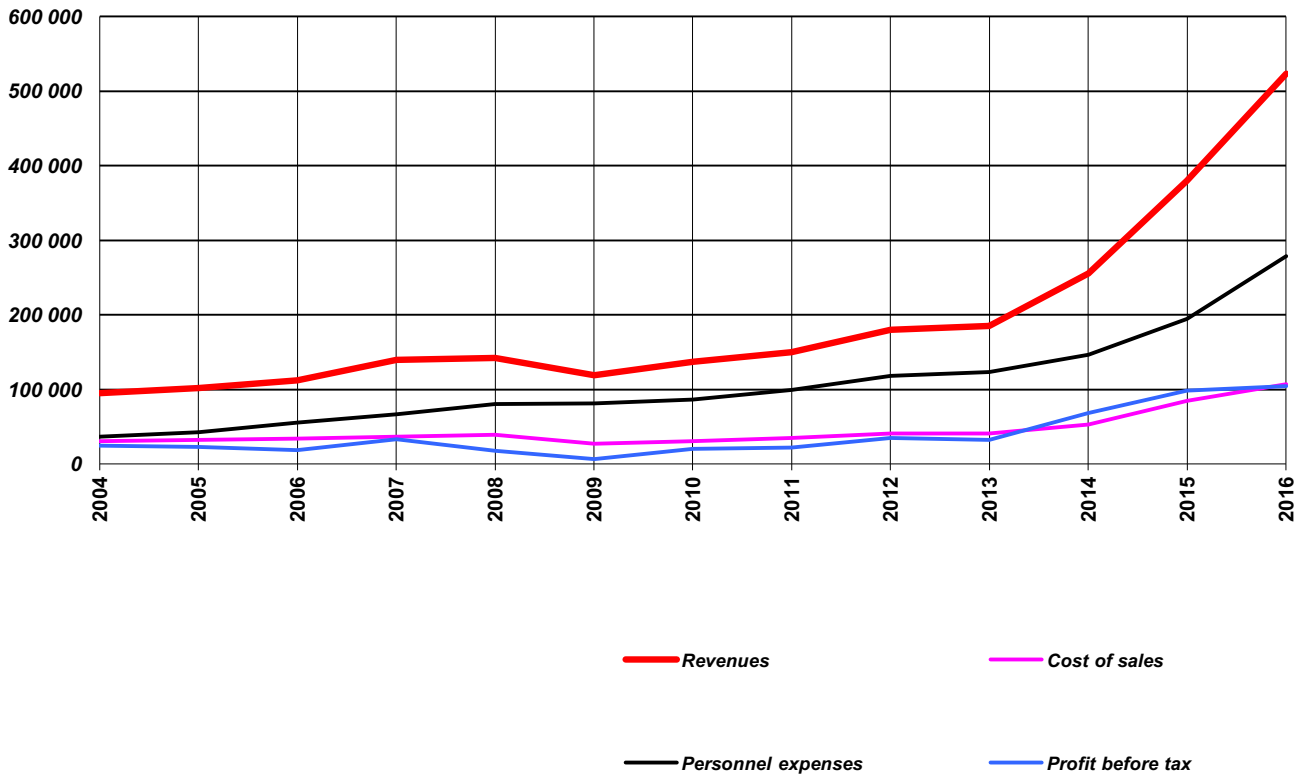
Short-term accounts payable balances consist primarily of trade payables and unpaid wages for December 2016, inclusive of insurance contributions. All reported payables had been paid as of the date of compiling the financial statements.

Provisions amounting to CZK 12,855,000 were drawn during 2016, and new provisions totalling CZK 13,406,000 were created (see the attached financial statements).

The following graphs show the development of selected financial and performance indicators (in CZK '000) for the period 1999–2016:



Development of key performance indicators in 2004–2016 (in CZK '000)



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

## 8. OUTLOOK FOR 2017

The outlook for 2016 had proceeded from modestly optimistic assumptions and anticipated the company's further stabilization and development. CertiCon succeeded in fulfilling its main business objective of growing its turnover (with an actual final figure in excess of 37%), although favourably stable exchange rate developments contributed in part to that growth. Importantly, the company increased its turnover while maintaining its profitability even while making significant investments into its infrastructure and into improving its working conditions. The management is aware that the company is growing very quickly and is adopting specific measures for corresponding changes in CertiCon's structure and in its management methods. In 2016, the system of matrix management was successfully implemented after extensive preparations. In 2017, additional deliberate steps strengthening the matrix structure and directed to the effective management of a continuously growing company can be expected.

From an economic perspective for 2017, we again proceed from relatively optimistic points of departure reflecting the expected continued economic strengthening in the USA and EU. It is, however, necessary to expect strengthening of the koruna exchange rate, and we stand ready to address that with both savings measures and by revising contracts with our customers. CertiCon thus enters the coming period as a stably growing company, with long-term experience in its business relationships with foreign entities and in providing services to EU member states, and with optimistic expectations. The main business objectives are to achieve sales from commercial activities exceeding CZK 600 million and total revenues over CZK 630 million, to increase the proportion of the company's domestic market sales to 10–12% of turnover, all while maintaining the current level of profitability. This can be facilitated particularly by developing sales of proprietary products and offers to help in implementing Industry 4.0 within Czech businesses. To support sales activities in the Czech Republic, we are planning to open a show room at a good location in Prague 6 – Dejvice during 2017.

We expect to be successful during 2017 in extending cooperation with current long-term partners and expanding activities particularly in developing software for sophisticated life-critical and mission-critical applications by developing long-term partnerships and co-sourcing. We also anticipate seeing growth in contracts for integrated circuits design, especially in connection with the orientation towards embedded systems for the automotive industry. We expect heightened effort in completing and distributing proprietary products based on our own research and development. We will continue to devote great attention to this area within the applied research as well as technical development departments, and we expect these units to grow, particularly in relation to an expanding number of applied research projects co-financed from public funds. Among others, an objective is to increase the volume of research and development work not financed by public funds from today's ca 30% to 40%.

We also intend to continue supporting promising start-up companies as well as the teams and activities of the ČVUT Media Lab Foundation.

The company's activities in implementing state-of-the-art ECDL concepts in the Czech Republic will be expanded further.

CertiCon will endeavour to implement audits focused not only on financial activities but particularly on organizational, managerial, and research activities. The objective is to support the company's all-round development by using modern organizational and managerial approaches and with the aim of maximizing management effectiveness.

Our company's fundamental value remains in the expert and human quality of our employees, their ability to respond to customers' requirements, and their abilities to think independently and creatively about optimal solutions and innovative processes. That is why we shall continue also to devote extraordinary attention to the education and training of our staff, in fact doing so even more than in the past.

In order to improve the work environment and overall efficiency of the company's activities, we are expecting to move the Pilsen part into additional new Grade A premises. We are expecting also to add personnel at all our branches.



## 9. ADDITIONAL INFORMATION

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

### 9.1 RESEARCH AND DEVELOPMENT ACTIVITIES

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

### 9.2 ENVIRONMENTAL PROTECTION ACTIVITIES

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

### 9.3 EVENTS AFTER THE BALANCE SHEET DATE

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

### 9.4 REPORT ON RELATIONS BETWEEN THE CONTROLLING, CONTROLLED AND RELATED ENTITIES FOR 2016

#### **Report on Relations between the Controlling, Controlled and Related Entities for 2016**

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  
75% share in the controlled entity

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

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

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

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

Business name: EMBITRON s.r.o.  
Registered office: Borská 2718/55, 301 00 Pilsen  
Company ID Number: 26361175

Business name: SALUTIFER MEDICA s.r.o.  
Registered office: Slavíkova 155/27, 120 00 Prague 2  
Company ID Number: 04411153

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

**Related Entities (Subsidiaries):**

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

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

Business name: Health Helm, Inc.  
Registered office: 51 Melcher Street, Boston, Massachusetts, 02210, USA  
Owned share: 13.78%

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

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

**Section III. – Method and means of control**

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

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

No such actions were effected.

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

In the year ending 31 December 2016, one (1) contract was valid between the controlling and controlled entity for the provision of business representation services on domestic and foreign markets. The controlling entity provides these services to the controlled entity for payment that is in proportion to the costs incurred by the controlling entity for providing these services (i.e. performance and consideration by both sides reflect prices and conditions usual in business relationships with all other partners).

During the year ending 31 December 2016, three (3) contracts with the associate ProTyS, a.s. were also valid. These were a lease contract 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 2016, one (1) contract with the subsidiary HydroCon a.s. was valid. This was a lease contract. The contract was concluded under standard market conditions.

In addition, during the year ending 31 December 2016, two (2) contracts with the affiliate EnergyCon s.r.o. were valid. This was a lease contract and a contract on provision of consulting services. The contracts were concluded under standard market conditions.

In addition, during the year ending 31 December 2016, one (1) contract with the affiliate nova-met s.r.o. was valid. This was a licence contract. The contract was concluded under standard market conditions.

In addition, during the year ending 31 December 2016, five (5) contracts with the affiliate Passenera s.r.o. were valid. These were a lease contract (as amended by two valid amendments), two contracts on work, 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 2016, one (1) contract with the affiliate EMBITRON s.r.o. was valid. This was a contract on provision of consulting services. The contract was concluded under standard market conditions.

In addition, during the year ending 31 December 2016, one (1) contract with the affiliate Health Helm, Inc. was valid. This was a framework contract on provision of software development services. The contract was concluded under standard market conditions.

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

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

None of the related entities incurred any detriment in connection with relationships among related entities during the year ending 31 December 2016.

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

All of the company's contractual relationships with related entities were concluded under standard contractual conditions. The contractual consideration agreed and provided corresponded to the conditions of standard 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 2016

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

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## 10. BASIC DATA ABOUT THE COMPANY

### 10.1 HEADQUARTERS AND OTHER PREMISES

**Headquarters:**

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

**Other premises:**

Pilsen, Business and Innovation Centre, Teslova 1239/5

Ostrava, The Orchard I, Hornopolní 3308/40

### 10.2 INFORMATION ABOUT SHARES

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

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

### 10.3 COMPANY BODIES

#### 10.1.1 BOARD OF DIRECTORS

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

**Vice-chairman:** Ing. Karel Kraus, MBA

**Member:** Prof. Ing. Josef Psutka, CSc

#### 10.1.2 SUPERVISORY BOARD

**Chairman:** Doc. Ing. Jiří Lažanský, CSc.

**Member:** Prof. RNDr. Olga Štěpánková, CSc.

**Member:** Ing. Aleš Říha (member elected by the company's employees in 2010)

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## 11. EXTRACT FROM THE COMMERCIAL REGISTER

This extract from the Commercial Register was signed electronically by the "MUNICIPAL COURT IN PRAGUE [ID 00215660]" on 23 November 2016 at 12:13:51 EPVid: iOPgJyAhDSh5BWjkR+3nA

### Extract

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

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

<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, Slivenec, Postal Code 15400 Prague 5 Date of assuming office: 23 September 2008
<b>Member:</b>	
	Prof. Ing. JOSEF PSUTKA, CSc., date of birth: 20 February 1951 Pilsen, Plaská 55, Pilsen-City District
<b>Vice-Chairman of the Board of Directors:</b>	
	Ing. KAREL KRAUS, MBA, date of birth: 27 August 1964 Prague 8 – Troja, Velká Skála 678/2, Postal Code 181 00 Date of assuming office: 25 June 2009 Date of assuming membership: 24 June 2009
<b>Manner of transacting:</b>	The Chairman and Vice-Chairman of the Board of Directors act on its behalf and externally on behalf 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 Prague 8 – Kobylisy, Třeboradická 47/1075, Postal Code 18200 Date of assuming office: 29 June 2009 Date of assuming membership: 24 June 2009
<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 office: 24 June 2009 Date of assuming membership: 24 June 2009
<b>Member of the Supervisory Board:</b>	
	Ing. ALEŠ ŘÍHA, date of birth 13 August 1976 Nučice, Paderlíkova 522, Postal Code 25216 Date of assuming membership: 22 July 2010

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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 <b>Paid-up:</b> 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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Data valid as of: 23 November 2016 06:45

## 12. FINANCIAL STATEMENTS – AUDITOR’S REPORT

### Financial Statements as at 31 December 2016

Company Name: **CertiCon a.s.**  
Registered Office: **Evropská 2758/11, Dejvice, 160 00 Prague 6**  
Legal Form: **Joint-stock company**  
Company ID No.: **25083341**

Sections of the financial statements:  
Balance Sheet  
Profit and Loss Account  
Statement of Changes in Equity  
Cash Flow Statement  
Notes

The Financial Statements were prepared on 26 May 2017

Statutory body of the accounting entity	Signature

Balance Sheet		CertiCon a.s.			
full version		31.12.2016		Corporate ID 250 83 341 31.12.2015	
As of 31.12.2016 (in CZK thousand)		Evropská 2758/11 160 00 Prague 6			
		31.12.2016			31.12.2015
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>280,062</b>	<b>31,891</b>	<b>248,171</b>	<b>213,215</b>
<b>B.</b>	<b>Fixed assets</b>	<b>125,449</b>	<b>31,891</b>	<b>93,558</b>	<b>77,175</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>33,924</b>	<b>13,691</b>	<b>20,233</b>	<b>19,201</b>
B.I.1.	Intangible research and development outputs	17,874	9,171	8,703	14,661
B.I.2.	Valuable rights	13,732	4,520	9,212	4,540
B.I.2.1.	Software	13,642	4,430	9,212	4,540
B.I.2.2.	Other valuable rights	90	90		
B.I.4.	Other intangible fixed assets	2,000		2,000	
B.I.5.	Advances provided on intangible fixed assets and intangible fixed assets under construction	318		318	
B.I.5.2.	Intangible fixed assets under construction	318		318	
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>48,694</b>	<b>18,200</b>	<b>30,494</b>	<b>25,119</b>
B.II.1.	Land and structures	2,915	497	2,418	1,171
B.II.1.1.	Land				
B.II.1.2.	Buildings	2,915	497	2,418	1,171
B.II.2.	Individual tangible movable assets and sets of tangible movable assets	45,779	17,703	28,076	22,600
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction				1,348
B.II.5.1.	Advance payments for tangible fixed assets				1,348
<b>B.III.</b>	<b>Long-term financial assets</b>	<b>42,831</b>		<b>42,831</b>	<b>32,855</b>
B.III.1.	Equity investments in subsidiaries	23,127		23,127	23,127
B.III.5.	Other securities and investments	19,704		19,704	9,728
<b>C.</b>	<b>Current assets</b>	<b>122,178</b>		<b>122,178</b>	<b>114,150</b>
<b>C.I.</b>	<b>Inventories</b>	<b>695</b>		<b>695</b>	<b>940</b>
C.I.1.	Material	32		32	110
C.I.2.	Work in progress and semi-finished goods	297		297	
C.I.3.	Finished products and merchandise	366		366	830
C.I.3.	Finished products	366		366	830
<b>C.II.</b>	<b>Receivables</b>	<b>54,503</b>		<b>54,503</b>	<b>75,250</b>
C.II.1.	Long-term receivables	2,906		2,906	2,742
C.II.1.4.	Deferred tax asset	1,007		1,007	1,344
C.II.1.5.	Other receivables	1,899		1,899	1,398
C.II.1.5.2.	Long-term prepayments made	1,899		1,899	1,398
<b>C.II.2</b>	<b>Short-term receivables</b>	<b>51,597</b>		<b>51,597</b>	<b>72,508</b>
C.II.2.1.	Trade receivables	49,334		49,334	66,686
C.II.2.4.	Additional receivables	2,263		2,263	5,822
C.II.2.4.3.	Tax receivables due from state	1,912		1,912	2,620
C.II.2.4.4.	Short-term advances made	179		179	12
C.II.2.4.5.	Estimated receivables				3,115
C.II.2.4.6.	Other receivables	172		172	75
<b>C.IV.</b>	<b>Current financial assets</b>	<b>66,980</b>		<b>66,980</b>	<b>37,960</b>
C.IV.1.	Cash on hand	230		230	361
C.IV.2.	Cash at bank	66,750		66,750	37,599
<b>D.I.</b>	<b>Other assets</b>	<b>32,435</b>		<b>32,435</b>	<b>21,890</b>
D.I.1.	Deferred expenses	14,066		14,066	14,674
D.I.3.	Accrued income	18,369		18,369	7,216



	TOTAL LIABILITIES & EQUITY	248,171	213,215
<b>A.</b>	<b>Equity</b>	<b>116,072</b>	<b>146,840</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>2,386</b>	<b>2,680</b>
A.III.1	Reserve fund	2,000	2,000
A.III.2	Statutory and other funds	386	680
<b>A.IV.</b>	<b>Retained earnings (accumulated losses) (+/-)</b>	<b>3,275</b>	<b>48,195</b>
A.IV.1	Retained earnings	3,275	48,195
<b>A.V.</b>	<b>Profit or loss for the current period (+/-)</b>	<b>100,411</b>	<b>85,965</b>
<b>B.+C.</b>	<b>Liabilities</b>	<b>105,675</b>	<b>44,613</b>
<b>B.</b>	<b>Reserves</b>	<b>13,406</b>	<b>12,854</b>
B.IV.	Other reserves	13,406	12,854
<b>C.</b>	<b>Liabilities</b>	<b>92,269</b>	<b>31,759</b>
<b>C.I.</b>	<b>Long-term liabilities</b>	<b>21,438</b>	
C.I.3.	Long-term prepayments received	21,438	
<b>C.II.</b>	<b>Short-term liabilities</b>	<b>70,831</b>	<b>31,759</b>
C.II.3.	Short-term prepayments received		337
C.II.4.	Trade payables	3,332	6,291
C.II.8.	<b>Additional liabilities</b>	<b>67,499</b>	<b>25,131</b>
C.II.8.1.	Payables to partners	32,500	
C.II.8.3.	Payables to employees	19,933	12,580
C.II.8.4.	Payables to social security and health insurance	8,254	6,221
C.II.8.5.	Taxes and subsidies due to state	4,941	6,330
C.II.8.6.	Estimated payables	1,871	
<b>D.I.</b>	<b>Other liabilities</b>	<b>26,424</b>	<b>21,762</b>
D.1.	Accrued expenses	23,831	20,839
D.2.	Deferred income	2,593	923

**PROFIT AND LOSS ACCOUNT**

structured by the nature of expense method

CertiCon a.s.  
Corporate ID 250 83 341Year ended  
31.12.2016  
(in CZK thousand)Evropská 2758/11  
160 00 Prague 6

		Year ended 31.12.2016	Year ended 31.12.2015
I.	Sale of services	509,172	363,891
II.	Sales of goods	108	587
A.	Cost of sales	<b>107,263</b>	<b>80,304</b>
A.1	Cost of goods	108	588
A.2.	Materials and energy	9,907	9,443
A.3.	Services	97,248	70,273
B.	Change in internally produced inventory	<b>83</b>	-449
C.	Own work capitalized	6,613	-5,205
<b>D.</b>	<b>Personnel expenses</b>	<b>278,368</b>	<b>194,788</b>
D.1.	Wages and salaries	207,869	145,560
D.2.	Social security, health insurance and other expenses	70,499	49,228
D.2.1.	Social security and health insurance expenses	65,814	46,876
D.2.2.	Other personnel expenses	4,685	2,352
E.	Depreciation, amortization and impairments	<b>17,271</b>	<b>8,285</b>
E.1.	Depreciation, amortization and impairments	17,271	8,285
E.1.1.	Depreciation, amortization and impairments	17,271	8,285
<b>III.</b>	<b>Other operating income</b>	<b>9,338</b>	<b>12,510</b>
III.1.	Sales of fixed assets	16	250
III.3.	Miscellaneous operating income	9,322	12,260
<b>F.</b>	<b>Other operating expenses</b>	<b>3,783</b>	<b>7,537</b>
F.1.	Net book value of sold fixed assets	16	
F.3.	Taxes and fees	248	270
F.4.	Provisions and adjustments relating to operating activities and complex deferred expenses	551	5,414
F.5.	Miscellaneous operating expenses	2,968	1,853
<b>*</b>	<b>Operating profit or loss</b>	<b>105,237</b>	<b>91,728</b>
IV.	Income from long-term financial assets	780	250
IV.1.	Income from equity investments in subsidiaries and associates	780	250
VI.	Interest income and similar income	<b>258</b>	<b>36</b>
VI.1.	Interest income and similar income from subsidiaries and associates	258	
VI.2.	Other interest income and similar income		36
VII.	Other financial income	3,703	3,032
K.	Other financial expenses	5,171	4,143
<b>*</b>	<b>Profit or loss from financial operations</b>	<b>-430</b>	<b>-825</b>
<b>**</b>	<b>Profit or loss before tax</b>	<b>104,807</b>	<b>90,903</b>
L.	Income tax	<b>4,396</b>	<b>4,938</b>
L.1.	Income tax due	4,060	5,486
L.2.	Income tax deferred	336	-548
<b>**</b>	<b>Profit or loss from ordinary activities after tax (+/-)</b>	<b>100,411</b>	<b>85,965</b>
<b>***</b>	<b>Profit or loss for the current period (+/-)</b>	<b>100,411</b>	<b>85,965</b>
<b>*</b>	Net revenues for the current period	<b>523,359</b>	<b>380,306</b>

STATEMENT OF CHANGES IN EQUITY		CertiCon a.s. Corporate ID 250 83 341					
Year ended		Evropská 2758/11					
31.12.2016		160 00 Prague 6					
(in CZK thousand)							
	Share capital	Capital funds	Funds from profit, reserve fund	Other funds	Retained earnings	Profit or loss for the current period	TOTAL EQUITY
<b>Balance at 31 December 2014</b>	<b>10,000</b>		<b>2,000</b>	<b>726</b>	<b>35,080</b>	<b>65,157</b>	<b>112,963</b>
Distribution of profit or loss				42	13,115	-65,157	-52,001
Payments from capital funds				-88			-88
Profit or loss for the current period						85,965	85,965
<b>Balance at 31 December 2015</b>	<b>10,000</b>		<b>2,000</b>	<b>680</b>	<b>48,195</b>	<b>85,965</b>	<b>146,840</b>
Distribution of profit or loss				886		-886	
Paid out shares on profit					-44,921	-85,079	-130,000
Payments from capital funds				-1,180			-1,180
Profit or loss for the current period						100,411	100,411
<b>Balance at 31 December 2016</b>	<b>10,000</b>		<b>2,000</b>	<b>386</b>	<b>3,274</b>	<b>100,411</b>	<b>116,071</b>

<b>CASH FLOW STATEMENT</b>		<b>CertiCon a.s. Corporate ID 250 83 341</b>	
Year ended 31.12.2016 (in CZK thousand)		Evropská 2758/11 160 00 Prague 6	
		Year ended 31.12.2016	Year ended 31.12.2015
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>37,961</b>	<b>49,177</b>
	<b><i>Cash flows from operating activities</i></b>		
Z.	Profit or loss from operating activities before tax	104,807	90,903
A.1.	Adjustments for non-cash transactions	17,246	13,413
A.1.1.	Depreciation and amortization	17,271	8,285
A.1.2.	Change in adjustments and provisions	551	5,414
A.1.3.	Profit/(loss) on the sale of fixed assets		-250
A.1.5.	Net interest expense	-258	-36
A.1.6.	Adjustments for other non-cash transactions	-318	
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>122,053</b>	<b>104,316</b>
A.2.	Change in working capital	-21,970	23,337
A.2.1.	Change in accounts receivable and other assets	9,866	-45,614
A.2.2.	Change in accounts payable and other liabilities	-32,081	69,493
A.2.3.	Change in inventories	245	-542
<b>A.**</b>	<b>Net cash flow from operations before tax</b>	<b>100,083</b>	<b>127,653</b>
A.4.	Interest received		36
A.5.	Income tax paid from ordinary operations	-7,765	-2,115
<b>A.***</b>	<b>Net operating cash flows</b>	<b>92,318</b>	<b>125,575</b>
	<b><i>Cash flows from investing activities</i></b>		
B.1.	Fixed assets expenditures	-19,202	-24,826
B.2.	Proceeds from fixed assets sold	16	250
<b>B.***</b>	<b>Net investment cash flows</b>	<b>-19,186</b>	<b>-24,576</b>
	<b><i>Cash flows from financing activities</i></b>		
C.1.	Change in payables from financing	21,439	-60,303
C.2.	Impact of changes in equity	-65,552	-51,912
C.2.5.	Payments from capital funds	-1,180	88
C.2.6.	Profit shares paid	-64,372	-52,000
<b>C.***</b>	<b>Net financial cash flows</b>	<b>-44,113</b>	<b>-112,215</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>29,019</b>	<b>-11,216</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>66,980</b>	<b>37,961</b>

# CertiCon a.s.

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Notes to the Financial Statements  
as at 31 December 2016

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

## 1. REPORTING ENTITY

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

The company has two branches, the first of which is located at Pilsen, Teslova 5, and the second of which, established in 2015, is at Ostrava, Hornopolní 3308/40. In addition, the accounting entity has a permanent tax-paying operation in Austria.

The regular financial statements for the accounting period from 1 January to 31 December 2016 were prepared on **31 March 2017**.

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

Persons and entities holding equity in the company:

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

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

SynergyCon a.s., Company ID No. 24764264: 75%.

### Changes in and Amendments to the Commercial Register

The change of share form from registered shares in certificate form to registered in dematerialized form was recorded at 28 September 2016.

### 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. Aleš Říha

**Organizational Structure Valid from 1 January 2016 to 31 October 2016**

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From 1 July 2015 to the beginning of 2016, the company had in place an organizational structure where individual departments and divisions continued to be independently organized units, each led by a department or division head. This also included the newly formed branch in the Moravian–Silesian Region, which was subsequently transformed into the Ostrava SW Development Centre. The independence of the existing branch was further strengthened and it was transformed into the Pilsen SW Development Centre. Both branches are led by local managers. A new manager of the Pilsen branch joined our ranks on 1 February 2016. The company's executive management still consists of the department and division heads, the Chairman of the Board of Directors, and the Quality Management Representative. From 1 April 2016, the management was expanded to include a new internal processes director who took over responsibility for the HR and payroll accounting, forming a basis for the future Employee Section, and an entirely new matrix management organizational structure began to take shape. Officially from 1 November, this structure including both line- and project-based reporting arrangements became valid (see graphs).

The basic management structure (see Organization Chart) has two levels. The top management level consists of CertiCon's Chairman of the Board of Directors, to whom all members of the executive management are subordinated. The basic management level is comprised of the executive managers who directly manage organizational units within their competence as stipulated by the organizational rules.

### **Basic Line Management Structure**

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

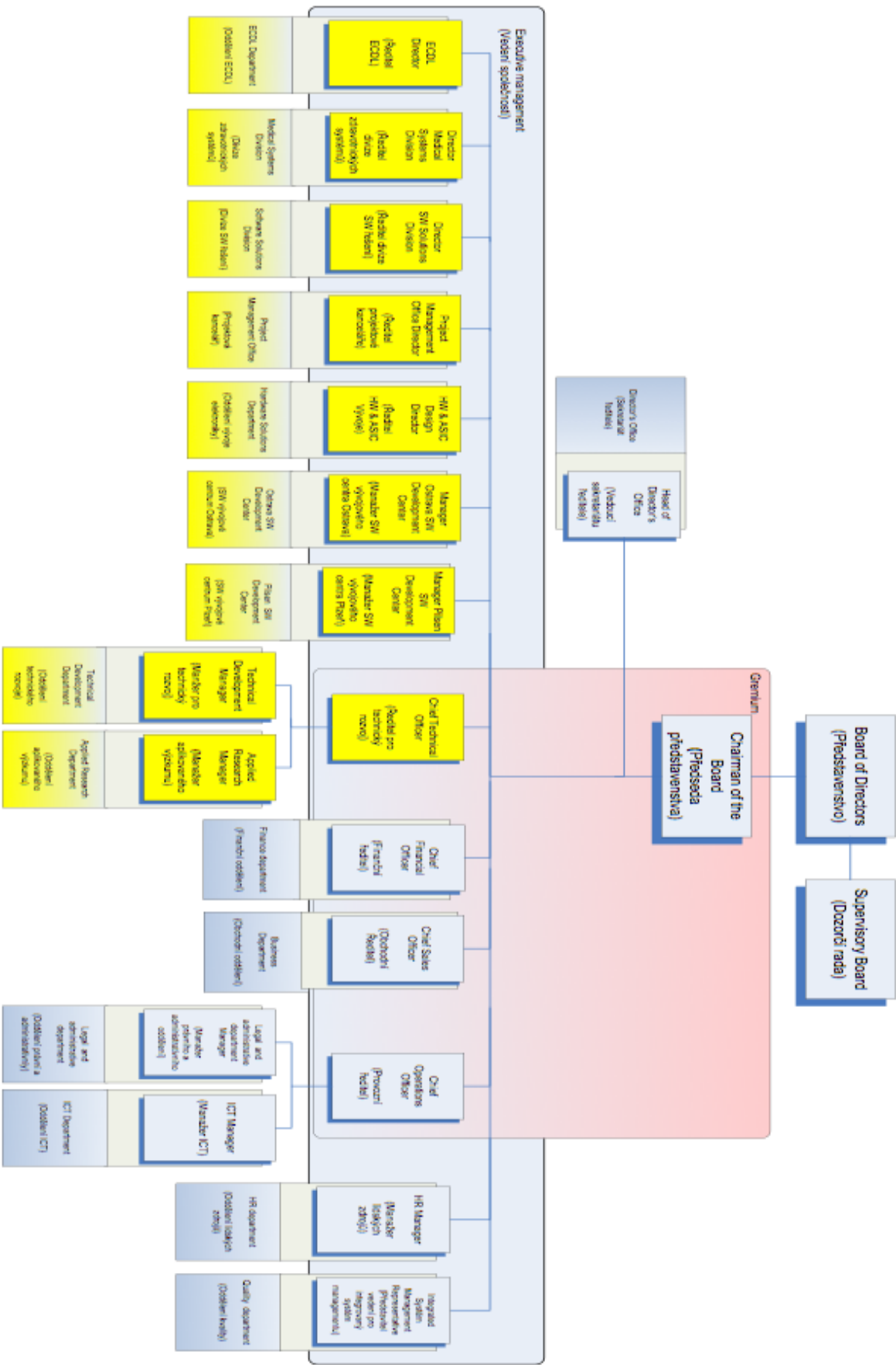
- a) The top management level consists of the Chairman of the Board of Directors to whom all members of the company's management report.
- b) Committee – an advisory body comprising selected members of the company's management (Chairman of the Board of Directors, Chief Operations Officer, Chief Financial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

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

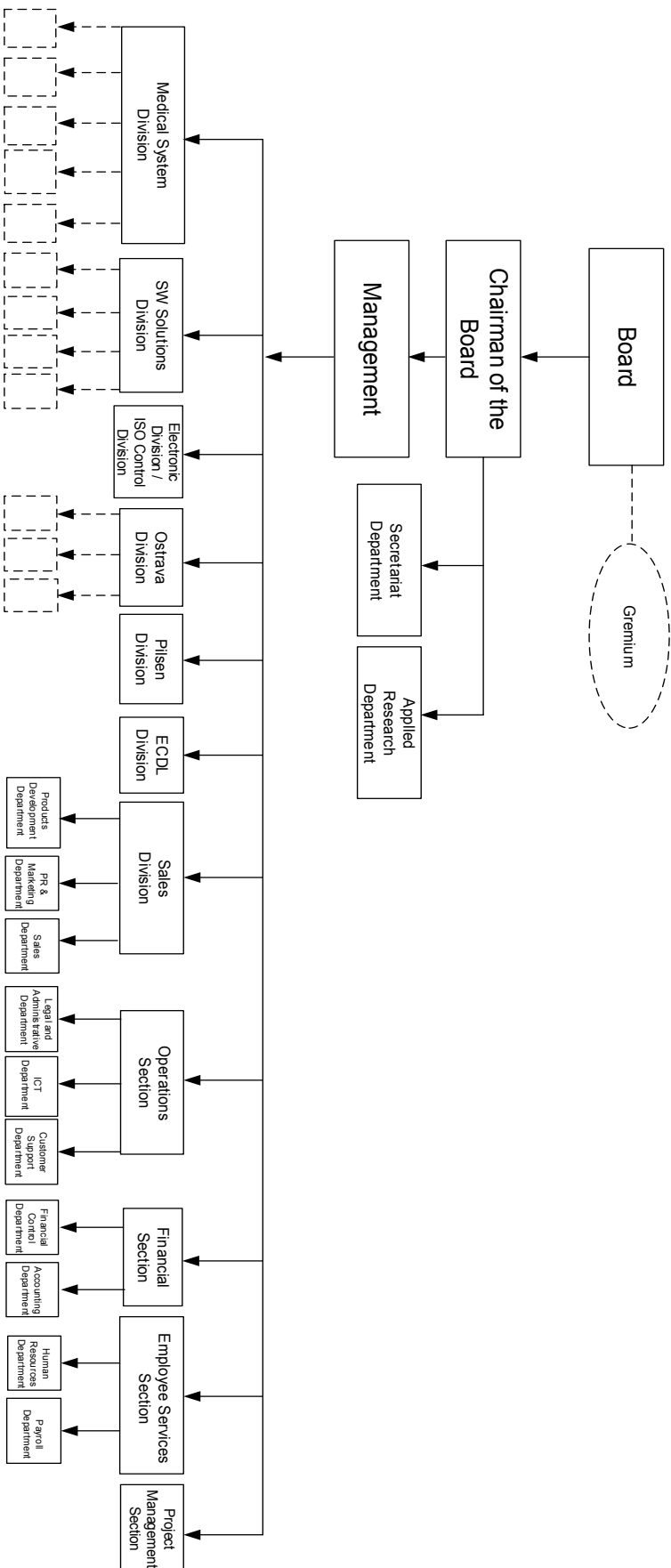
Project management is the operational principle of the project-based arrangement:

- a) The top management level consists of the Chairman of the Board of Directors.
  - b) The Director of the Project Office and designated members of the management team direct the achievement of project objectives through programme managers.
  - c) The middle level of management is comprised of programme, product, and project managers.
-

Organizational structure valid from 1 January 2016 to 31 October



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



Information Systems Department  
 SW Application Department  
 Mobile & Security Department  
 Data & Communication Department  
 Embedded SW Department

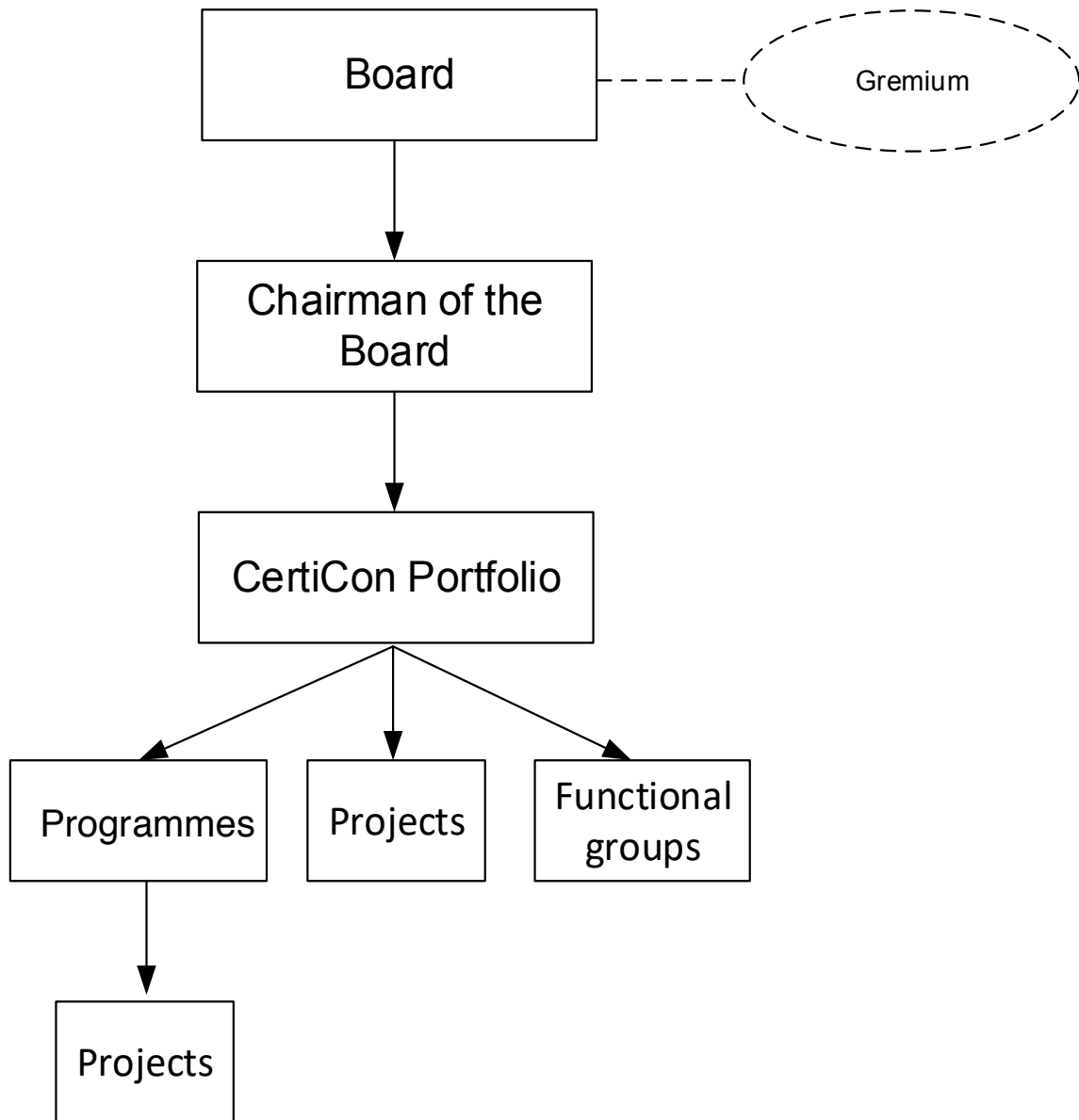
JAVA Technologies Dt.  
 MS Technologies Dt.  
 Embedded Technologies Dt.  
 Testing & Quality Dt.

SW Engineering Dt.  
 Information Systems Dt.  
 ZF Department

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



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



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

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

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

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

Information in these financial statements is expressed in CZK thousands.

- b/ **Departures** from the policies determined in accordance with § 7, para. 5 of the Accounting Act were not applied. There occurred no changes to the accounting principles and methods applied.
- c/ **Valuation** of individual assets and liabilities is made using the methods defined in § 25 of the Accounting Act.
- d/ **Tangible fixed assets** are assets with useful lives exceeding one year and value greater than CZK 40,000 in each individual case.

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

Low-value assets with cost below CZK 5,000 are treated as material. Low-value assets costing between CZK 5,000 and CZK 40,000 are treated as inventory and are accounted for using method B (i.e. directly expensed) and maintained in operating records.

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 one year and value greater than CZK 60,000 in respect of start-up costs on an individual basis.

Low-value intangible assets with cost below CZK 60,000 are directly expensed and maintained in operating records.

Purchased intangible fixed assets are stated at acquisition cost.

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

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

Intangible fixed assets:	- software, intangible assets in use	3 years
Individual movable assets:	- computers, office technology	3 years
	- other devices and equipment, vehicles	5 years
	- technical improvements of real property	6 years

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

- h/ **Adjustments** are not made against asset accounts. The company holds no assets the net book values of which would differ significantly from their market values. The depreciation of fixed assets for accounting purposes determined in the depreciation plan reflects the wear and tear of such assets.

No adjustments against receivables were made.

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

- j/ **Payables** are stated at their nominal value.

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

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

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

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

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

- n/ **Use of estimates** – Preparation of the financial statements requires management to make estimates and assumptions that influence the reported values of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses in the current period. The company's management believes that the estimates and assumptions used will not markedly differ from the actual values in the succeeding accounting periods.
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- o/ **Government grants** for offsetting costs are recognized as other operating and financial income over the period necessary to match them with the related costs. Grants received to acquire intangible and tangible fixed assets and technical improvements and grants towards interest expenses included in the acquisition cost are deducted in reporting their acquisition costs or internal costs.
- p/ **Foreign currency translation** – Transactions denominated in foreign currencies during the accounting period and as at 31 December are translated using the foreign exchange rate announced by the Czech National Bank as at the specific date.
- q/ **Cash flow statement** – The statement was prepared using the indirect method. Cash equivalents consist of current liquid assets that can easily and readily be converted into an amount of cash which is known in advance.

Cash and cash equivalents can be analysed as follows:

	(in CZK thousand)	
	31 Dec 2016	31 Dec 2015
Cash on hand and cash in transit	230	361
Bank accounts	66,750	37,599
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>66,980</b>	<b>37,960</b>

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

- r/ **Changes in arrangement and naming of line items in the balance sheet and profit and loss account and in their definitions as compared to the previous accounting period**  
 In preparing these financial statements, the company acted in accordance with Czech Accounting Standard 024 – comparable period for the accounting period beginning in 2016.

### 3. Equity Investments or Contract-based Ownership Interests in Other Companies

At 17 December 2009, the company purchased 50 bearer shares in the nominal value of CZK 10,000 of ProTyS, a.s., Company ID No. 63077795, for CZK 5,000,000, which constituted a 20% ownership interest. At 22 December 2014, a Contract on transfer of the shares of ProTyS a.s. was concluded, and, on its basis, 25 shares were sold and the company's ownership interest in ProTyS a.s. decreased.

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

At 15 April 2016, the company bought 588,228 shares of the US company Health Helm Inc. in the amount of USD 511,856. At 1 December 2016, CertiCon increased its ownership share by another 150,156 shares valued at USD 159,165. Its total ownership share is 13.78%.

Company	Registered office	Equity investment at net book value	Ownership percentage at 31 Dec 2016	Shareholders' equity at 31 Dec 2016	Profit/loss for 2016
HydroCon a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 23,127,000	70%	CZK 24 684,000	CZK 366,000
ProTyS, a.s.	Evropská 2758/11, 160 00 Prague 6	CZK 2,500,000	10%	CZK 27,984,000	CZK 15,564,000
Health Helm Inc.	51 Melcher Street, Boston, MA 02210	USD 671,000	13.78%	USD -728,000	USD -408,000

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

### a/ Significant Balance Sheet and Profit and Loss Account Items

#### aa) Fixed Assets

##### Intangible Fixed Assets (IFA)

###### Acquisition cost

(in CZK thousand)

	Starting balance	Additions	Disposals	Transfers	Final balance
Intangible results of R&D	17,874	0	0	0	17,874
Software	21,097	7,334	14,789	0	13,642
Valuable rights	90	0	0	0	90
Other IFA	-	2,000	-	-	2,000
<b>Total 2016</b>	<b>39,061</b>	<b>9,334</b>	<b>14,789</b>	<b>-</b>	<b>33,606</b>
<b>Total 2015</b>	<b>16,632</b>	<b>22,527</b>	<b>98</b>	<b>-</b>	<b>39,061</b>

###### Adjustments and depreciation

(in CZK thousand)

	Starting balance	Additions	Disposals	Transfers	Final balance	Adjustments	Accounting value
Intangible results of R&D	3,213	5,958	-	-	9,171	-	-
Software	16,558	2,661	14,789	-	4,430	-	-
Valuable rights	90	-	-	-	90	-	-
<b>Total 2016</b>	<b>19,861</b>	<b>8,619</b>	<b>14,789</b>	<b>-</b>	<b>13,691</b>	<b>-</b>	<b>-</b>
<b>Total 2015</b>	<b>16,276</b>	<b>3,683</b>	<b>98</b>	<b>-</b>	<b>19,861</b>	<b>-</b>	<b>-</b>

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

##### Tangible Fixed Assets (TFA)

###### Acquisition cost

(in CZK thousand)

	Starting balance	Additions	Disposals	Transfers	Final balance
Buildings	1,216	1,699	0	0	2,915
Tangible movables and sets of tangible movables	32,129	13,694	44	0	45,779
Advances provided for TFA	0	0	0	0	0
<b>Total 2016</b>	<b>33,345</b>	<b>8,668</b>	<b>44</b>	<b>0</b>	<b>48,694</b>
<b>Total 2015</b>	<b>22,360</b>	<b>13,616</b>	<b>2,631</b>	<b>0</b>	<b>33,345</b>

###### Adjustments and depreciation

(in CZK thousand)

	Starting balance	Additions	Disposals	Transfers	Final balance	Adjustments	Accounting value
Buildings	46	451	0	0	497	0	0
Tangible movables and sets of tangible movables	9,530	8,217	44	0	17,703	0	0
Advances provided for TFA	-	-	-	-	-	-	-
<b>Total 2016</b>	<b>9,576</b>	<b>8,668</b>	<b>44</b>	<b>0</b>	<b>18,200</b>	<b>0</b>	<b>0</b>
<b>Total 2015</b>	<b>7,604</b>	<b>4,603</b>	<b>2,631</b>	<b>0</b>	<b>9,576</b>	<b>0</b>	<b>0</b>

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

Additions to / classifications for use in intangible fixed assets in 2016:

- SW licences for CZK 7,051,000
- Audiovisual work for CZK 2,000,000
- Telephone licences for CZK 90,000
- Technical assessment for SW Money S5 for CZK 190,000

Additions to tangible fixed assets in 2016:

- IT hardware with acquisition cost of CZK 4,839,000
- Vehicles with acquisition cost of CZK 2,633,000
- Office furniture with acquisition cost of CZK 5,796,000
- Technical improvements to leased real property with acquisition cost of CZK 1,700,000
- Other devices with acquisition cost of CZK 426,000

A physical inventory-taking as at 31 December 2016 was made during 2 January–28 February 2017 at all workplaces and no differences were found between the physical situation and the accounting records.

Additions to / classifications for use in intangible fixed assets in 2015:

- Results from 3 research and development projects for CZK 17,873,000
- Visual Studio software licence for CZK 4,386,000
- Telephone licences for CZK 268,000

Additions to tangible fixed assets in 2015:

- IT hardware with acquisition cost of CZK 2,318,000
- Vehicles with acquisition cost of CZK 1,301,000
- Office furniture with acquisition cost of CZK 8,117,000
- Technical improvements to leased real property with acquisition cost of CZK 1,216,000
- Other devices with acquisition cost of CZK 664,000

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

### **ab/ Inventory**

Inventory of goods is recorded using method B upon purchase according to individual order.

### **ac/ Receivables**

Long-term receivables in 2016 included rental security deposits in the amount of CZK 1,666,000, prepayments for a share in revenues from sale of equipment in the amount of CZK 187,000, prepayments for CCS cards in the amount of CZK 35,000, prepayment for Go parking cards in the amount of CZK 6,000, and CZK 2,000 for Fontana drinking water barrels.

Long-term receivables in 2015 included rental security deposits in the amount of CZK 1,155,000, prepayments for a share in revenues from sale of equipment in the amount of CZK 200,000, prepayments for CCS cards in the amount of CZK 35,000, prepayments for Go parking cards in the amount of CZK 6,000, and CZK 2,000 for Fontana drinking water barrels.

Rental security deposits increased as compared to previous years. Lease contracts for Prague are backed by bank guarantees concluded on 14 April 2016 in the amount of CZK 10,041,000, CZK 3,165,000, and CZK

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948,000. At the same time, a term deposit was established at 10% of the value of the bank guarantee (i.e. in the amount of CZK 1,415,000).

The amount of short-term trade receivables not yet due as at 31 December 2016 was CZK 48,548,000 (CZK 64,831,000 as at 31 Dec 2015). As at 31 December 2016, the company had receivables past due in the amount of CZK 763,000 (CZK 2,538,000 as at 31 December 2015).

#### **ad/ Payables**

Long-term payables in 2016 included advances received for foreign subsidies. The final advance balance as at 31 December 2016 is EUR 790,000 for the DIGICOR project (CZK 21,357,000 after conversion to CZK) and EUR 3,000 for the ER4STEM project (CZK 81,000 after conversion to CZK).

Balances on short-term accounts payable as at 31 Dec 2016 include trade payables, short-term advances received, and other payables.

Other accounts payable comprise payables to partners, unpaid salaries for December 2016, including insurance contributions (paid on 6 January 2017), estimated payables, and amounts due from road tax for 2016.

Balances on short-term accounts payable as at 31 December 2015 included trade payables, unpaid salaries for December 2015 inclusive of insurance payments (paid on 8 January 2016), additional payments of Austrian salaries for 2015 (including fees to Austrian offices) calculated in relation to salaries already paid (paid on 29 February 2016), and an amount due for road tax for 2015. All the reported payables had been paid as at the date of preparing the financial statements.

The company reported short-term trade payables past due as at 31 December 2016 in the amount of CZK 63,000. These have been paid as at the date of preparing the financial statements.

The company reported short-term trade payables past due as at 31 December 2015 in the amount of CZK 239,000. These had been paid as at the date of preparing the financial statements.

#### **b) Deferred Taxation**

The deferred tax asset in the amount of CZK 1,007,000 (CZK 1,344,000 as at 31 December 2015) arises from the difference between the accounting and tax net book values in the amount of CZK 8,104,000 (CZK 6,238,000 as at 31 December 2015) and the provisions for management bonuses and for undrawn vacation in the total amount of CZK 13,406,000 (CZK 12,855,000 as at 31 December 2015). The amount was calculated as at 31 December 2016 from these items multiplied by the corporate income tax rate for 2016 of 19% (19% also for 2015).

#### **c/ Income Tax Payable**

Income tax payable for 2016 and paid in the Czech Republic amounts to CZK 3,018,000 (CZK 4,233,000 as at 31 December 2015).

Income tax payable for 2016 and paid in Austria amounts to CZK 1,042,000 (CZK 1,253,000 as at 31 December 2015).

#### **d/ Provisions and Adjustments**

In the year ended 31 December 2016, a provision was created for payment of bonuses for 2016 to be paid in 2017 in the amount of CZK 12,336,000, and a provision for payment of bonuses in the amount of CZK 12,541,000 from 2015 was utilized. The provision created for outstanding vacation was recalculated in 2016, and it increased as compared to 2015. In 2015, the provision created for outstanding vacation of CZK 314,000 had been released and a new one created in the amount of CZK 1,070,000.

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#### e/ Bank Loans

On 26 July 2016, the company concluded a loan contract with UniCredit Bank Czech Republic and Slovakia, a.s. for an authorized overdraft in an amount up to CZK 20,000,000. The company has not yet drawn this loan. To secure this loan, the company concluded a contract on security assignment of receivables with UniCredit Bank Czech Republic and Slovakia, a.s. on 26 July 2016. On the basis of this contract, the company assigns to the bank all its existing and future receivables from all sub-debtors in an amount up to CZK 20,000,000 plus appurtenances ensuing from the loan contract.

#### f/ Grants

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

(in CZK thousand)

Provider	Purpose of grant	Current period	Previous period
Technology Agency of the Czech Republic	CAK III	806	784
Technology Agency of the Czech Republic	REBOT	1,614	1,577
Ministry of Industry and Trade	SIDAS	836	0

In addition, the company received from EU funds the second payment under the H2020 programme (ER4STEM) during 2016 in the amount of EUR 7,000 and for the new H2020 (DIGICOR) programme it drew the first advance payment in the amount of EUR 828,000.

Revenues related to drawing grants in the amount of CZK 4,773,000 in 2016 (CZK 10,162,000 in 2015) are presented in the "Other operating income" line of the profit and loss account.

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

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

#### g/ Accrued Income

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

#### h/ 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.

#### i/ Accrued Expenses

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

## 5. ASSETS AND LIABILITIES

### a/ Leased Assets

The company holds no assets under lease.

### b/ Assets under Pledge or Encumbered by Lien

Except for the collateral stated in point f/ below, no assets of the company were encumbered by lien or subject to easement.

### c/ Assets Maintained Off-Balance Sheet

“Low-value assets” with acquisition cost up to CZK 5,000 are considered material.

“Low-value tangible assets” with acquisition cost between CZK 5,000 and CZK 40,000 are treated as inventories, accounted for using method B (i.e. directly expensed), and are maintained in operating records. In 2016, such assets totalling CZK 6,951,000 were acquired, and in 2015 that total was CZK 6,567,000.

“Low-value intangible assets” costing up to CZK 60,000 are expensed directly and maintained in operating records.

In 2016, software was purchased at total cost of CZK 7,334,000, and in 2015 at total cost of CZK 3,377,000. A large amount of software is acquired under OEM licences and included in the acquisition cost of the acquired IT devices, in particular operating systems and office software.

In 2016, 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 2,866,000 as at 31 December 2016.

### d/ Third-party Assets Maintained on the Balance Sheet

The company holds no third-party assets.

### e) Tangible Fixed Assets Acquired by Financial Lease

	Current period	Previous period
Leasing costs for the year	57,000	57,000
Scheduled future payments: due within 1 year	57,000	57,000
Due in following years	0	0

In 2013, the company concluded a leasing contract to acquire an upgraded version of the Money S4 accounting software with a payment period of 36 months (from 1/2014 to 12/2016). The total payment exclusive of VAT was CZK 171,000.

**f/ Off-Balance Sheet Commitments**

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

As described in note 5 c/, during 2016 there were records made in off-balance sheet accounts in relation to importing components from the US company Medtronic.

The balance of the off-balance sheet account 'Commitment for assets held for safekeeping' is CZK 2,866,000 as at 31 December 2016.

**g/ Significant Post-Balance Sheet Events**

There occurred no significant post-balance sheet events that would impact the company's assets or profits.

**h/ Significant Transactions**

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

**i/ Transactions with Related Parties**

In this accounting period, no significant transactions or transactions concluded at arm's length were undertaken with related parties.

Consulting services were invoiced between the majority shareholder SynergyCon a.s. and CertiCon a.s. during 2016 totalling CZK 503,000 exclusive of VAT. In 2015, consulting services totalling CZK 420,000 exclusive of VAT were invoiced.

On 8 February 2016, a loan contract was concluded. This loan was drawn in the amount of CZK 28,000,000. Interest revenue in the amount of CZK 253,000 was recorded in connection with the provided loan. The loan was repaid in full at 14 June 2016 in the form of a credit against a liability of CertiCon a.s. to make a dividend payment.

As at 31 December 2016, the company records trade payables to SynergyCon a.s. in the amount of CZK 73,000 (CZK 145,000 as at 31 December 2015) and a payable from unpaid share in the company's profit in the amount of CZK 32,500,000.

During the 2016 accounting period, consulting services and refunding of costs were invoiced to the related company ProTyS in the total amount of CZK 92,000 for use of passenger cars. In 2016, the company recognized revenues from services rendered to ProTyS, a.s. in the amount of CZK 783,000 (CZK 212,000 as at 31 December 2015). In 2016, a dividend was received in the amount of CZK 780,000.

As at 31 December 2016, the company records payables to ProTyS, a.s. in the amount of CZK 111,000.

The company records no other receivables from or payables to the related company HydroCon a.s. as at 31 December 2016. In 2016, the company recorded revenues for services rendered to HydroCon a.s. in the amount of CZK 192,000 (CZK 55,000 as at 31. December 2016).

In connection with purchasing shares of the related company Health Helm, Inc., USD 671,021 was accounted for as revenues (converted to CZK 17,204,000 at the exchange rate from 31 December 2016) for work performed for this company. The receivable amount was set off against a payable due from the purchase of shares. No transactions (direct or indirect) were entered into between the reporting entity and the members of its managing and supervisory bodies.

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

	Total	
	Current period	Previous period
Average recalculated number of employees	266	191
Average recalculated number of managers	12.5	7.5
Total personnel expenses, including insurance and social expenses	CZK 278,368,000	CZK 189,338,000
Remuneration to board members	CZK 7,044,000	CZK 5,450,000

Nine members of 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 was provided to members of the company's Board of Directors, the Supervisory Board or the managing bodies.

According to internal regulations, the company contributes regularly to supplementary pension savings and loans for housing purposes for its employees. In 2016, eight new loans were provided for in the total amount of CZK 1,744,000. Repayment of existing loans is being made in accordance with the repayment schedules. A total of CZK 564,000 was repaid in 2016 (CZK 113,000 in 2015).

## 7. INFORMATION ON COSTS FOR FEES TO THE AUDIT COMPANY

The audit company did not change in 2016.

The costs for auditing the 2016 financial statements by Deloitte were CZK 240,000, including a preliminary audit for 2016 (CZK 240,000 for 2015).

## 8. EQUITY

### a) Changes in Equity

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

### b) Share Capital

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

In accordance with the Commercial Code, the company established a statutory reserve fund from its profits. The statutory reserve fund has been fully paid in and amounts to 20% of the company's share capital.

On the basis of the company's Articles of Association and a resolution of the General Meeting from 29 June 2001, the company established a social motivation fund from its net profits used in providing for the social, cultural, educational, sports and health needs of its employees in the extent defined by the rules for the use of and drawing from the social motivation fund. A contribution of CZK 886,000 was provided into this fund during 2016 based upon a resolution of the General Meeting (CZK 42,000 in 2015).

### c) Distribution of Net Profit

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

## 9. SALES OF PRODUCTS AND SERVICES

Sales of the company's own products and services increased by CZK 145,281,000 as compared to 2015.

(in CZK thousand)

Activity*	Current period			Previous period		
	Total	Domestic	Foreign	Total	Domestic	Foreign
Sales of own products	78	78	-	70	70	-
Sales of goods	108	-	108	587	484	103
Sales of services	509,094	27,536	481,558	363,822	46,036	317,786
Other income	14,079	13,245	1,464	21,485	21,485	-

## 10. COSTS OF SERVICES

In 2016, costs of services consisted primarily of travel expenses in the amount of CZK 14,168,000 (CZK 11,566,000 in 2015); leasing of CZK 47,489,000 (CZK 22,236,000 in 2015); building cleaning, security and maintenance of CZK 1,589,000; other overheads of CZK 21,132,000; IT services and other overheads related to projects of CZK 11,245,000 (CZK 20,616,000 in 2015); and internet, telephones, and postal fees of CZK 1,725,000 (CZK 1,555,000 in 2015).

## 11. CASH FLOW STATEMENT

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

## 12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs totalled CZK 93,624,000. Due to the year-on-year increase of costs, 110% of this increase can be applied for tax purposes. The company thereby realized an increase in the deductible item of CZK 1,721,000 and the total amount of tax-deductible costs came to CZK 95,345,000 (CZK 76,415,000 in 2015).



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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of CertiCon a.s.

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

#### Opinion

We have audited the accompanying financial statements of CertiCon a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2016, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CertiCon a.s. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

#### Basis for Opinion

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

#### Other Information in the Annual Report

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

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

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

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

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

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

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

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

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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

In Prague on 26 May 2017

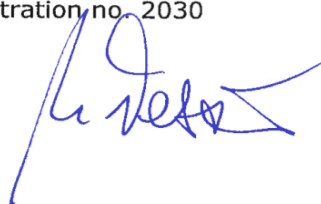
Audit firm:

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



Statutory auditor:

Martin Tesař  
registration no. 2030





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