

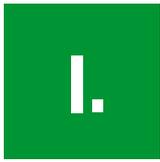
OKsystem

Annual
Report

2019

Table of contents

- I.** General information about the Company
- II.** The Company's development and its market
- III.** Expected future development
- IV.** Financial statements for 2018 and 2019
- V.** Notes to the financial statements
- VI.** Annexes
 - VI. A** Cash flow statement
 - VI. B** Statement of changes in equity
 - VI. C** Report on relations between related entities
 - VI. D** Report on the financial statements and auditor's opinion



General information about the Company



Business name:

OKsystem a.s.
entered in the Commercial Register
maintained by the Municipal Court
in Prague, Section B, file 20326

Legal form:

Joint-stock company

Date of registration:

7 September 2005

Registered office:

Na Pankráci 1690/125
140 21 Prague 4

Company ID No.: 27373665

Tax ID No.: CZ27373665



Subject of business:

- Production, trade and services not listed in Annexes 1 to 3 of the Trade Licensing Act
- Accounting consulting, bookkeeping, tax accounting
- Registry management

Areas of activities:

- Wholesale and retail
- Provision of software, IT advisory, data processing, hosting and related activities, and web portals
- Advisory and consulting, preparing expert studies and opinions
- Research and development in the natural, technical, and social sciences
- Continuing education, organizing courses, training and lectures



Corporate body:

Board of Directors

- Martin Procházka
Chairman of the Board of Directors
- Vítězslav Ciml
Vice-chairman of the Board of Directors
- Zuzana Hořová
Member of the Board of Directors



Banks and accounts:

- UniCredit Bank Czech Republic and Slovakia, a.s.,
IBAN CZ03 2700 0000 0000 4897 3004
- Československá obchodní banka, a. s.,
IBAN CZ79 0300 0000 0002 0939 0820
- Sberbank CZ a.s.,
IBAN CZ47 6800 0000 0042 0023 4301
- Raiffeisenbank a.s.,
IBAN CZ61 5500 0000 0008 3333 3002

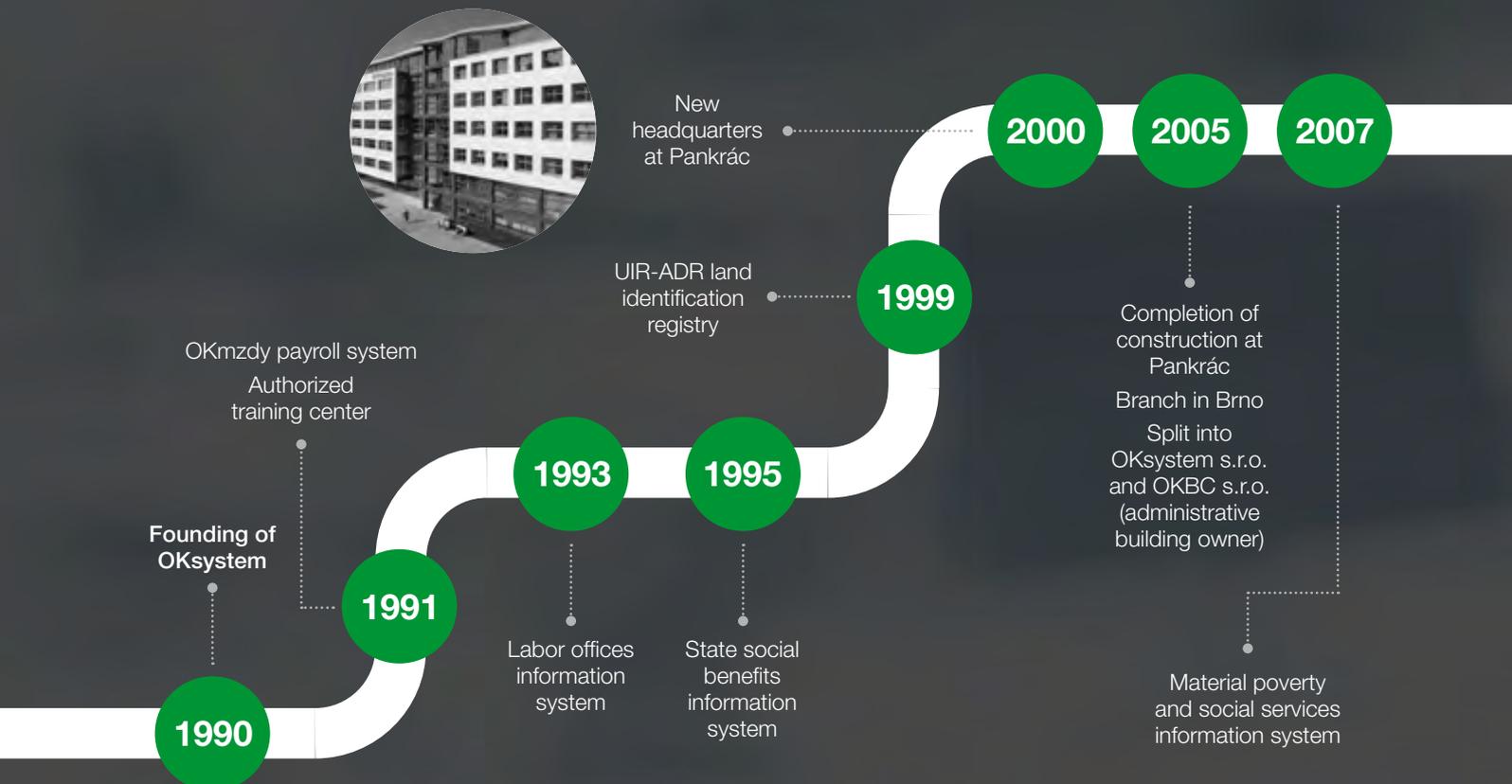
OKsystem a.s. is the successor company of OKsystem, spol. s r. o., Company ID No. 00221970, registered on 27 December 1990. Another successor company, which was formed by splitting the dissolving company OKsystem, spol. s r. o., Company ID No. 00221970, is OKBC s.r.o., having its registered office at Na Pankráci 1690/125, 140 21 Prague 4, Company ID No. 27373703. Effective as of 1 January 2015, OKsystem s.r.o. was transformed to a joint-stock company on the basis of the accepted project to change the legal form in accordance with Act No. 125/2008 Coll., on Conversions of Commercial Companies and Cooperatives.

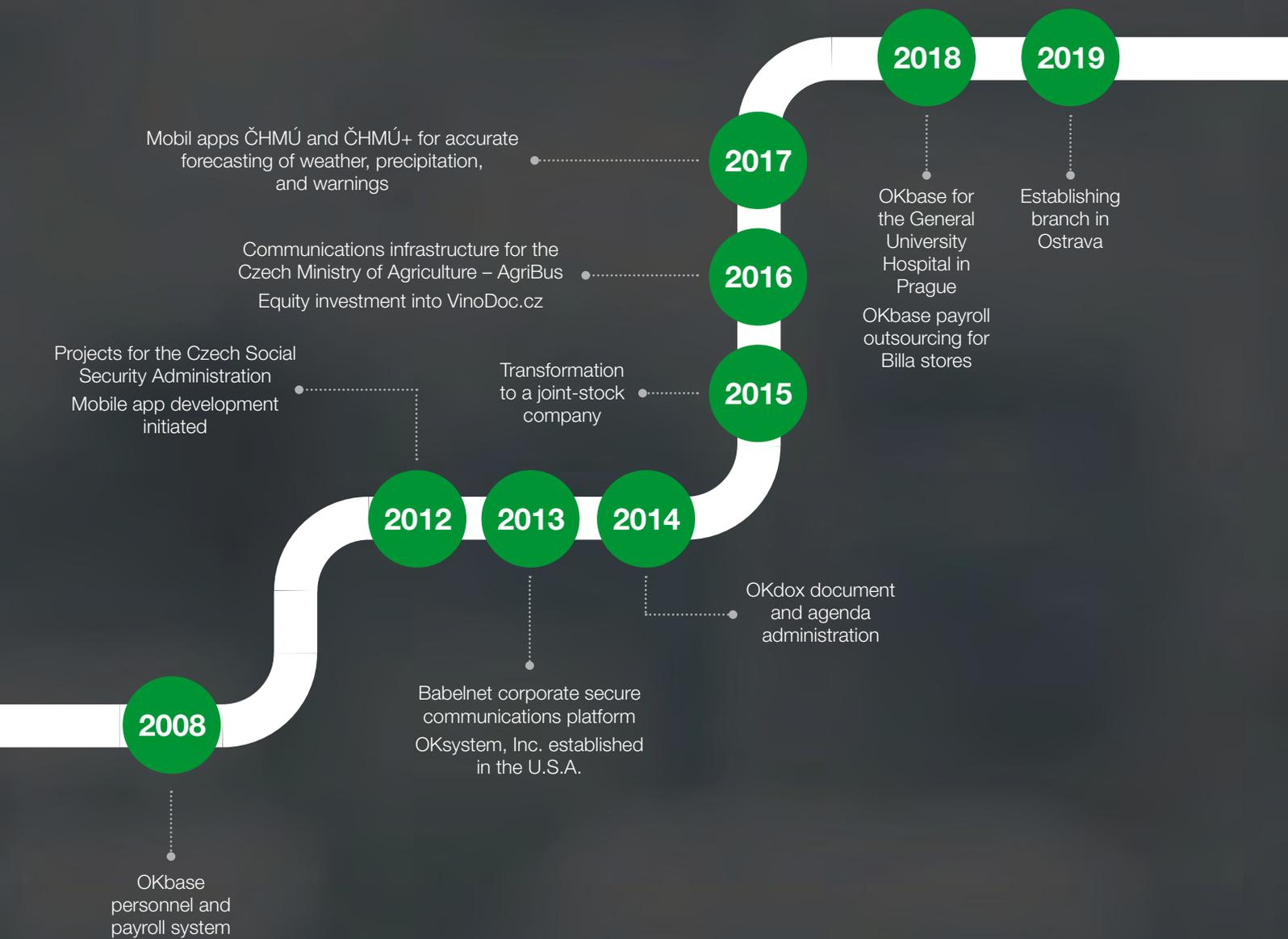


The Company's development and its market

OKsystem is a Czech software company that is entering its 30th year of successful operation on the information technology market. It was established by a group of four programmers in 1990, less than a year after the momentous political and economic changes in what was then still Czechoslovakia. At that time, the obsolete mainframe computers with terminals manufactured in Eastern European countries were coming to the ends of their useful lives and were starting to be replaced by networks of personal computers. In the 1990s, OKsystem filled niches in authorized computer network training, developing application programs in client/server architecture with graphical user interfaces, and developing and implementing extensive program systems for reformed or newly established state administration offices. Before global IT companies established their branches in the Czech Republic, OKsystem

succeeded in taking full advantage of these opportunities and grew into an established and respected medium-sized IT company. In the ensuing years, OKsystem's experts have been carefully following developments in the ICT industry and incorporating new technologies into its program systems and services. Succeeding generations of software and new applications are created in a multilayer architecture while emphasizing cybersecurity and personal data protection, using web services, clouds and mobile devices. OKsystem thereby continues to strengthen its market position and grow its market share. Turnover reached nearly CZK 700 million and the number of employees grew from the 4 founding partners to a workforce of more than 300. Successful acquisitions and implementations of important contracts can be seen below in a timeline of OKsystem's historic milestones:





The original company, OKsystem, spol. s r. o., established late in 1990, was split into two successor companies, OKsystem s.r.o. and OKBC s.r.o., in September 2005 in connection with the construction of an office building in Prague, Pankrác. OKBC is owner of the building at Na Pankráci 1690/125 in Prague 4, and OKsystem is tenant of this office building. In March 2013, the subsidiary OKsystem, Inc. was established in the U.S.A., with its sole shareholder being the Czech company OKsystem.

In January 2015, OKsystem changed its legal form from a limited liability company to a joint-stock company. In 2016, OKsystem a.s. acquired a 50% share in VInoDoc s.r.o., which operates a webstore with the widest offer of premium Italian wines and olive oils on the Czech market. OKsystem has progressively become the leading member in a group of companies connected through capital, statutory representatives, partners, and shareholders.

The change in form to a joint-stock company created conditions for more efficient management, and specifically the separation of strategic and operational management divisions. OKsystem's Board of Directors is comprised of three members, and its Supervisory Board has two members. Martin Procházka, one of the

cofounders of OKsystem and who has managed the Company for more than a quarter century, is Chairman of the Board of Directors. Vice-chairman of the Board of Directors is Vítězslav Címl, the CEO of OKsystem. The Chief Financial Officer Zuzana Hofová became a member of the Board of Directors at the end of 2019.



Corporate Body – Board of Directors



Martin Procházka
Chairman of the Board
of Directors



Vítězslav Címl
CEO and Vice-chairman
of the Board of Directors



Zuzana Hofová
Member of the Board
of Directors



Supervisory Body – Supervisory Board



Eva Vodenková
Chairwoman
of the Supervisory Board



Šárka Cimlová
Member of the Supervisory Board

At the beginning of 2019, OKsystem became a member of the Confederation of Industry of the Czech Republic, within which it participates in several expert teams.

The Company's management as well as its expert, administrative, and sales departments are set up and managed according to a fixed organizational structure. Project teams are also established as needed in order to implement orders and projects. Such teams are comprised of the Company's

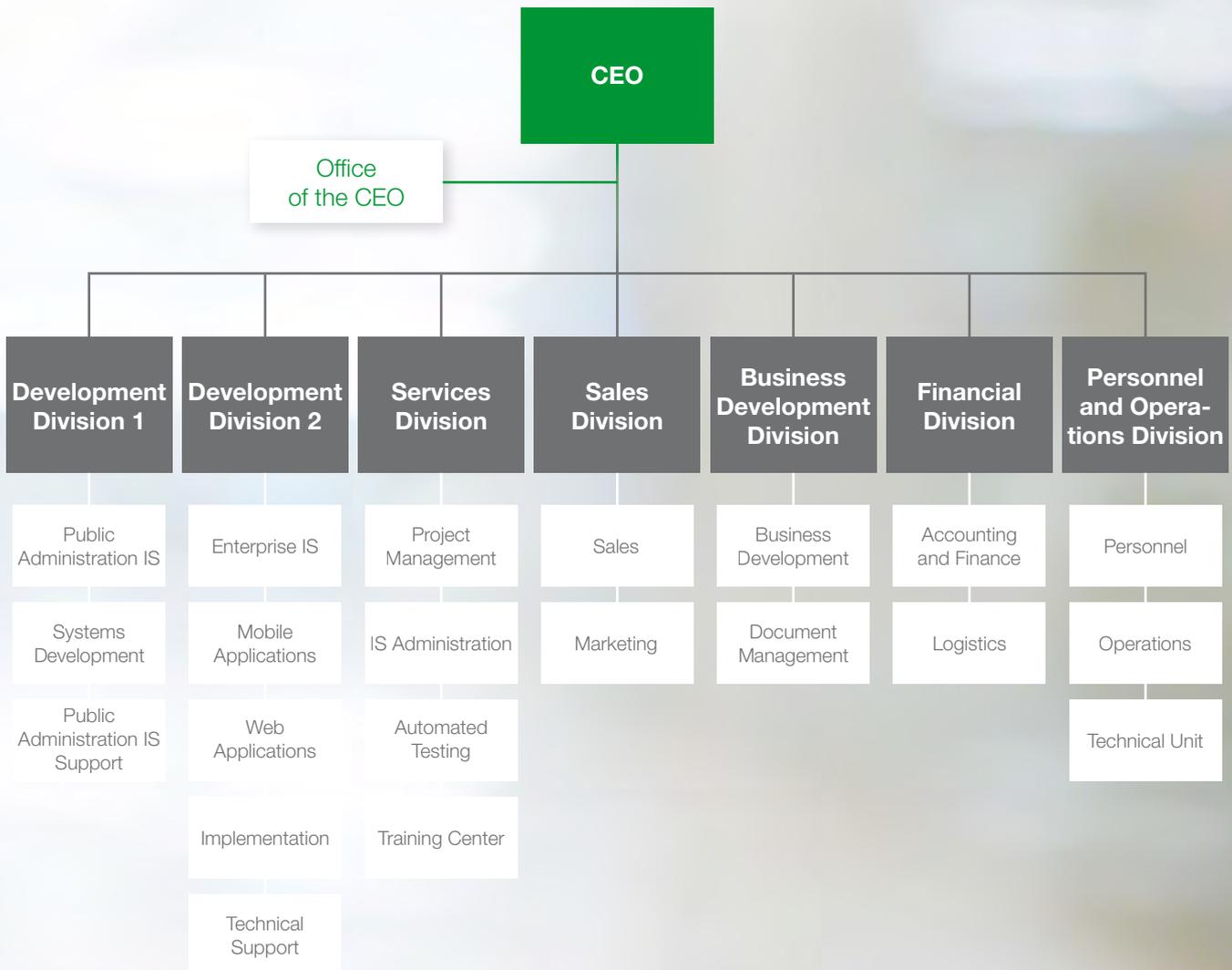
specialists and are led by project managers in case of large projects or lead consultants in case of smaller orders. OKsystem has been awarded a Security Clearance Certificate issued by the National Security Authority at the Confidential level. An integrated management system has been introduced for the conduct of OKsystem's main activities, and this system is being further developed. The system consists of components in accordance with ISO 9001, ISO 14001, and ISO 27001.

Due to the establishment of a branch in Ostrava and a higher level of specialization, a number of organizational changes were made in 2019. Petr Gottesman took over as director of Development Division 1, the number of departments subordinated directly to the director of this division was reduced, and the Automated Testing department resumed its activities as an independent unit. In Development Division 2, the development of web applications was expanded to include also the branch in Brno.

With a view to the gradual taking over of Billa payroll outsourcing, a new separate Payroll Outsourcing unit was created in the Services Division. Through the course of the year, consultants and developers were hired for the Ostrava branch and who participate in the development of information systems for the public sector as well as for the enterprise segment. Moreover, the branch has taken over sales activities and project management in Moravia.



Organizational chart



OKsystem's management, sales personnel, developers, and other in-house experts carefully follow ICT trends and evaluate market niches and commercial opportunities to which it can respond as a software company with its broad know-how. OKsystem can then either participate in a public tender consisting in, for example, designing and developing a custom application program system;

initiate new activities; or develop an original, proprietary product intended for general, repeated application. Such were the origins over time of our OKbase, BabelApp, OKdox, OKmzdy, and OKadresy product lines, mobile applications, public administration orders, payroll outsourcing, professional training courses for IT specialists, and other activities.



OKbase

In 2019, the functions of the OKbase human resources system were expanded, new customers were acquired, and the system's market position was further strengthened. OKbase is designed for HR managers, payroll accountants, managers, and, by means of an interactive web interface, all employees. It is used by leading Czech and multinational companies and government offices, often with dozens of branches across the Czech Republic. Users from the business sector include Allianz pojišťovna, Aon, Billa, BNP Paribas, Carrier, Caterpillar, Contipro, ČMSS, Czechoslovak Group, Direct pojišťovna, Dixons, Eberspächer, Four Seasons, GE Aviation, Global Payments, Huawei, Jan Becher, Konica Minolta, Lagardere, LINET, MOL, Olympus, Omnipol, Porsche Engineering, and Shell. In public administration, users include the Czech Trade Inspection Authority, Czech Statistical Office, Ministry of Culture, Ministry of Regional Development, Ministry of Education, Youth and Sports, Ministry of Foreign Affairs, Ministry of the Environment, National Treasury Shared Services Center, Moravian–Silesian Region, National Gallery, National Cyber and Information Security Agency, State Office for Nuclear Safety, State Veterinary Administration, State Agricultural Intervention Fund, City of Brno, and Military Forests and Farms of the Czech Republic. In the areas of health care and pharmacy, OKbase is used for instance by Česká lékárna holding, a.s. (the largest

pharmacy network operator in the Czech Republic (Dr. Max), EUC a.s., ROCHE, and General University Hospital in Prague. In the areas of science and education, our clients include the Czech Academy of Sciences, Institute of Physics, and Czech Technical University in Prague. New customers who selected and ordered OKbase in 2019 include, for example:

- KRKA ČR
- Penny Market
- Football Association of the Czech Republic
- Czech Geological Survey
- Road and Motorway Directorate
- State Housing Development Fund
- State Land Office
- University of Chemistry and Technology

In 2019, the personnel information system OKbase was improved in the area of hiring new employees, including automatic evaluation and assessment of incoming messages. User forms and approval processes were expanded. OKbase newly supports journey logging for company cars in connection to business trips. Based upon the requirements of important clients, shift planning was universalized to include shifts of agency workers. A number of new, universalized functions were developed for OKbase and enhanced in accordance with custom modifications.



Mobile Application BabelApp

BabelApp (formerly named Babelnet) is a secure corporate communications platform that enables instant messaging (IM) and secure voice communication across the internet (Voice over Internet Protocol – VoIP). It has been developed as an original solution since 2013. BabelApp is useful for anyone who works with confidential or sensitive data on a daily basis – in the financial sector, company management, sales, legal services, international matters, intelligence services, human resources management, health care, media, technologies, research and development, and industry. The BabelApp application can be installed and securely operated in businesses and offices either internally within the client's own network or in the cloud. In the case of an internal installation, advantages for the client include complete oversight and administration as well as the possibility to connect BabelApp to the business information systems and mobile app administration systems. With this platform, users can send and receive encrypted messages, including attachments, on mobile phones and tablets using the iOS or Android operating system and on PC and Mac desktops. Data communication between users is intermediated by the BabelApp Server. The server maintains records of user accounts and devices, provides client licenses, stores public keys, and ensures delivery of encrypted messages and notifications. In case of need, the server also can ensure high accessibility by means of automated replication among servers. The BabelApp Server has no access to private keys and is in no way involved in message encryption, which is performed in end-

to-end mode exclusively between the end devices. BabelApp also provides encrypted calls between mobile devices connected to a data network. In the process of establishing a phone connection, the caller and call recipient exchange public parts of temporary keys and agree on securing the relationship through one-time cryptographic keys. Voice transfer is conducted securely and directly between the end clients, if the clients' internet connection allows it, or through the server in cases that for any reason direct connection cannot be secured. Users whose end devices are connected to a company BabelApp Server also can communicate with users on other BabelApp Servers. Corporate BabelApp also supports synchronization of user accounts with directory services. Integrating the BabelApp corporate platform with third-party applications is also easy. This possibility is used, for example, in connection with the OKbase and OKdox application systems. It is thus possible to ensure secure communication not only between individuals but also between the user and the information system, as well as between information systems. The BabelApp secure communications platform also enables recording of secured notes – a user can use any device to take notes “just for himself or herself” and such notes synchronize automatically on all devices of the user while adhering to all security standards. The application newly enables muting a conversation in situations when notifications about incoming messages are undesirable. This functionality is useful especially in cases of group conversations

when frequent notifications can be disturbing. Making an encrypted call is now faster and easier because the system is setting up the necessary channels already when the phone is ringing. BabelApp is newly protected against attacks using blockchain. To verify private keys, BabelApp uses a unique mechanism that works with a secure repository where data once entered is impossible to modify

in any way. To store and verify public keys, the same blockchain database is used as is used for bitcoin cryptocurrency transactions. In this way, any attempt of a potential attacker to listen in on communication between users of the BabelApp platform by becoming an active intermediary is prevented. In information science and cryptography, this is known as a man-in-the-middle (MITM) attack.

OKdox

OKdox is a state-of-the-art modular document management system that brings order to documents registries and supports work process automation at an advantageous price. Its advantages include intuitive controls and universality. End users greatly appreciate the system's flexibility, as OKdox can be progressively implemented with various document types and corporate processes. OKdox may be used, for example, in keeping records

of and processing incoming mail or as part of the process of searching for sales opportunities, making offers, and approving the final versions of offers by the company management. Customers using the OKdox document management system either separately or in combination with the OKbase human resources system include Billa, DEKRA, Pragoprojekt, and Chládek&Tintěra.

Other products and services

In 2019, OKsystem continued development in the field of e-commerce. VinoDoc, an online store offering more than 300 excellent wines from 64 wineries all over Italy, was improved and reliably delivers wines and olive oils and provides services to an ever growing number of customers. In 2019, a version for Slovakia, VinoDoc.sk, was also launched and, based upon the general platform of this new online store, new projects in the Czech Republic and abroad are being prepared. In addition to the BabelApp secure corporate communications platform, OKsystem designs, develops, and updates a number of other mobile apps according to customer requests for the iOS and Android mobile operating systems. As per requests of the Czech Hydrometeorological Institute and comments from the users, new versions of the ČHMÚ and ČHMÚ+ applications were launched. These applications make weather forecasts available in a clear way and include analyses of current weather conditions, water conditions, atmospheric measurements, UV index, and much more. The ČHMÚ application has been installed and is used by hundreds of thousands of users. OKsystem also offers the tried and tested OKmzdy payroll module. Due to its simplicity, stability, efficiency, and low price, OKmzdy has hundreds of loyal and satisfied customers, ranging from individual entrepreneurs and small and medium-sized employers to accounting agencies. Under the name OKadresy, OKsystem offers, delivers, and supports access to and use of one of the fundamental registers of Czech e-government: the

basic register of territorial identification, addresses and real estate (RUIAN). OKsystem thus has built upon its many years of experience in designing and operating the Regional Identification Address Register (UIR-ADR). Data in the OKadresy system is updated via the internet every day and even can be accessed offline. In contrast to RUIAN, it also saves a history of changes in addresses and non-existent elements in addition to their current status. As a business partner of leading global producers, OKsystem also provides its customers with cryptographic smart cards – together with original third-generation OKsmart program equipment – for secure use of electronic signatures, authentication, and encryption. Customers use the current version with automatic installation and electronic signature support within a (plug-in) web browser. The entire life cycle of the smart cards (personalization, smart cards management, managing keys and certificates) can be managed within OKbase, and thereby it also supports the Attendance and Food Service modules. In 2019, OKsystem's authorized training center operated in six computerized classrooms and, as needed, also in part of the conference hall. It focuses on Cisco, Microsoft, and SUSE Linux products. The Company has a tradition of authorized training dating back to 1991, and this training center is probably the longest running in the Czech Republic. Hundreds of computer experts attend professional training courses led by highly skilled and certified instructors. In 2019, the training center increased its offer of courses and provided a wide range of

trainings for developers of classical applications and technologies as well as mobile and cloud solutions. In addition to training, OKsystem has for many years been an authorized partner of Pearson

VUE for testing ICT knowledge. The training center has obtained and regularly renews its Ministry of Education, Youth, and Sports Accreditation for Continuing Education of Pedagogical Staff.

Public administration

Since its founding, OKsystem has been very active in public administration. In 2019, it delivered solutions for state and public administrative organizations and provided them with the following comprehensive services:

- Custom development and operation of information systems for the Ministry of Labor and Social Affairs and the Czech Labor Office.
- Provision of licenses and operational support for the OKbase personnel system to ministries, central state administrative bodies, and municipal authorities.
- Provision of licenses and operational support for human resources management, payroll administration, and a payment system to the Ministry of Foreign Affairs and all Czech embassies and consulates.
- Interconnection of key information systems and provision of communications structure for the Ministry of Agriculture (AgriBus, based upon Oracle Enterprise Service Bus) and Czech Social Security Administration (Microsoft BizTalk technology).
- ICT expert knowledge training and testing for public administration employees.

Since the 1990s, OKsystem has been providing the Ministry of Labor and Social Affairs and the Labor Office of the Czech Republic with comprehensive maintenance, administration, continuing development of important and very extensive application program systems, processing of legislative changes, and training. These services concern the following applications: Employment (the OKpráce application program system), State Social Support and Social and Legal Protection for Children (OKcentrum), Material Poverty (OKnouze), and Social Services (OKslužby), including a register of social services providers, statistics processing, use of electronic forms, and more. In late 2014, the Ministry of Labor and Social Affairs had announced four separate public tenders for the Employment Information System, Social Benefits Information System, Operational and Integration Environment, and Integrated Support and

Operational Data. However, these four orders, which collectively comprise the Unified Labor and Social Affairs Information System, were not successfully completed and tested by the suppliers and therefore this system was not implemented by the Ministry as a whole with the planned timelines. The development of the Employment Information System (IS ZAM) has been delayed by several years, and the system will probably not be completed, tested and implemented even in 2020. The state of the order for the new Social Benefits Information System (IS DAV) concerns OKsystem. IS DAV was intended to replace substantial parts of the OKcentrum, OKnouze, and OKslužby applications. OKsystem had been selected as the supplier for IS DAV. It initiated analysis and implementation of a new information system, but the Ministry of Labor and Social Affairs unilaterally withdrew from the contract in late 2017. A dispute over the reasons for and validity of such withdrawal between the customer and supplier is ongoing. In 2019, this dispute was resolved neither by a court nor by out-of-court settlement. Shortly after the problematic withdrawal from the IS DAV contract, the Ministry opened another tender, IS DAV II, which has not yet been resolved due to a series of complaints, motions for its review, and decisions of the Office for Personal Data Protection. Although the project Integrated Support and Operational Data was formally completed, due to delay in other agenda systems it has been implemented and used only to a limited extent. The activities of the Labor Office of the Czech Republic therefore continued to be fully dependent on the operation of OKsystem's application program systems during 2019. Operations of the systems OKpráce, OKcentrum, OKnouze, and OKslužby were provided on the basis of a contract on provision of OK applications support, operation, and development services entered into by the Ministry of Labor and Social Affairs and OKsystem in December 2016 and on the basis of an option exercised at the end of 2018 for the years 2019 and 2020. Among greater interventions into the system, we can cite implementation of the amendment to the law concerning parental allowance.

Headquarters and conference hall

OKsystem a.s. has its headquarters at Na Pankráci 125, Prague 4. The building is owned by the sister company OKBC s.r.o. The location has excellent

accessibility from the C subway line and by car from the D1 motorway, the north-south thoroughfare, and the bypass south of the city. Its high-standard office



premises provide space for up to 400 employees, 5 computer classrooms, meeting rooms, a conference hall for 300 people, a cafeteria, a garage for 100 cars, computer rooms and IT technologies, server room cooling, and backup electricity sources. The Brno branch occupies one floor within the Triniti Building on Trnitá Street and includes a lecture room and development center. At the end of 2018, OKsystem began hiring new employees in Ostrava with the objective of opening a new branch there to support selling activities and orders in the Northern Moravia region. This was accomplished in 2019 and the Company's additional branch is located at the Smart Innovation Center building in Ostrava.

At its headquarters in Prague, OKsystem also maintains formal conference premises for organizing congresses, trainings, and other cultural and social events. The conference hall has 385 m² of space and total capacity for 300 people in an auditorium arrangement and 120 people in a banquet arrangement. It is equipped with high-standard technical equipment, including projection

and camera systems and four projection screens. The hall is used both by OKsystem's customers and the general public. Important events organized by OKsystem include the FreshIT conference focusing on new development tools, information security, access blocking, and other methods for defense against cybernetic attacks. Also held here are training events for the Ministry of Labor and Social Affairs and Czech Labor Office, as well as customer events for the OKbase and BabelApp program systems. Other organizations holding important events in the conference hall during 2019 included We Make Media, s.r.o., Český institut pro franchising, Generali CEE Holding, packaging company EKO-KOM, a.s., SKLV_Konference UXZ, KAM DATA_Agile Prague 2019, HR Healthcare Forum 2019, ECE Projektmanagement Praha s.r.o., Česká společnost pro nové materiály a technologie z.s., Alef Distribution CZ s.r.o., and QUALIFOOD s.r.o. Conferences are regularly held in the building also by Novartis, Česká pojišťovna a.s., the Federation of the Food and Drink Industries of the Czech Republic, and EUC a.s.

Financial results

The Company's turnover for the year 2019 was CZK 696 million, the majority of which consisted in revenues from IT services. OKsystem achieved a profit after

tax of CZK 143 million, which represents a modest decrease as compared to 2018. Precise data are provided in tables on the following pages of this Annual Report.



Expected future development

In 2020 and beyond, OKsystem will focus in particular upon:



- development and implementation of original application program systems, especially for human resources management (personnel, payroll, attendance...), with emphasis on web user interface, mobile access, and self-service, and tailored to such sectors as health care, services, retail chains, industry, and public administration;



- development of the BabelApp platform for secure corporate communications while making use of blockchain;



- systems integration and development of extensive program systems made to order, with emphasis on information systems in the areas of employment, social benefits, and social security;



- provision of ICT services in the private sector and public administration, with a larger component of outsourcing and provision of application program systems as a service;



- research and development utilizing approaches and methods of artificial intelligence;



- solutions in administration and archiving of confidential electronic documents;



- application of products and services abroad, strengthening its position as a supplier of Europe-wide and global solutions (with the BabelApp product and/or additional future programs and services);



- training and testing of IT specialists and training for our products' users; and



- information security development and services;



- effectively utilizing our branch in Brno and the newly opened Ostrava branch.



Financial statements for 2018 and 2019

2018

2019

Balance sheet (in thousands of Czech crowns)

Assets

	712 420	553 490
Total assets	712 420	553 490
Fixed assets	30 439	31 283
Intangible fixed assets	14 807	15 492
Software	14 807	15 492
Other intangible fixed assets	0	0
Intangible fixed assets under construction	0	0
Tangible fixed assets	12 360	12 019
Land	0	0
Buildings and structures	811	792
Machinery and equipment	11 323	11 001
Other tangible fixed assets	226	226
Tangible fixed assets under construction	0	0
Long-term investments	3 272	3 772
Ownership interests in controlled or controlling entities	0	0
Loans to controlled or controlling entities	3 272	3 772
Current assets	672 100	519 054
Inventories	5 183	2 801
Materials	786	627
Finished products and merchandise	4 397	2 174
Long-term receivables	230	298
Trade receivables	0	0
Other receivables	230	298
Short-term receivables	93 422	141 944
Trade receivables	84 956	125 300
Receivables from partners and members of an association	0	0
Tax receivables due from state	0	8 615
Short-term advances given	256	77
Estimated receivables	0	0
Other receivables	8 210	7 952
Cash and equivalents	573 265	374 011
Cash	237	271
Bank accounts	573 028	373 740
Short-term securities	0	0
Accruals and deferrals	9 881	3 153
Prepaid expenses	3 097	2 983
Accrued revenue	6 784	170

2018

2019

Liabilities and equity

Total liabilities and equity	712 420	553 490
Owners' equity	634 256	451 156
Share capital	35 000	35 000
Share capital	35 000	35 000
Share premium and capital funds	-234	-234
Gains or losses from revaluation of assets and liabilities	-234	-234
Funds from profit	433	134
Other reserve funds	0	0
Statutory and other funds	433	134
Retained earnings	421 669	272 807
Retained earnings from previous years	421 669	272 807
Profit or loss from current year	177 388	143 449
Liabilities	77 098	101 540
Provisions	6 600	6 428
Other provisions	6 600	6 428
Long-term liabilities	763	807
Deferred tax liability	763	807
Short-term payables	69 735	94 305
Bonds issued	0	0
Convertible bonds	0	0
Other bonds	0	0
Payables to banks	0	0
Short-term advances received	2	100
Trade payables	6 274	10 542
Short-term notes payable	0	0
Payables to controlled or controlling entities	0	0
Payables to associates	0	0
Other payables	63 459	83 663
Payable to partners	0	0
Short-term financial assistance	0	0
Payables to employees	22 998	40 086
Payables to social security and health insurance	8 593	12 608
Tax and subsidies due to state	31 095	30 064
Estimated payables	60	60
Other payables	713	845
Accruals and deferrals	1 066	794
Accrued expenses	208	308
Deferred income	858	486

2018

2019

Income statement (in thousands of Czech crowns)

Revenues from sale of own products and services	622 019	685 750
Revenues from goods sold	6 173	5 479
Cost of sales	92 766	118 407
Cost of goods sold	4 712	4 036
Materials and energy	13 677	21 654
Services	74 377	92 717
Change in inventory of own production	0	0
Own work capitalized	-7 162	-7 511
Personal expenses	308 659	385 060
Wages and salaries	230 183	288 783
Social security, health insurance and other expenses	78 476	96 277
Social security and health insurance expenses	70 471	86 140
Other expenses	8 005	10 137
Value adjustments to fixed and current assets	11 748	11 613
Value adjustments to intangible and tangible fixed assets	11 748	11 613
Permanent value adjustments to intangible and tangible fixed assets	11 748	11 613
Temporary value adjustments to intangible and tangible fixed assets	0	0
Adjustments to inventories	0	0
Adjustments to accounts receivable	0	0
Other operating revenues	601	1 163
Revenues from sale of fixed assets		527
Revenues from sale of materials	34	39
Other operating revenues	567	597
Other operating expenses	1 134	7 230
Net book value of fixed assets sold	0	0
Net book value of materials sold	0	0
Taxes and fees	283	286
Provisions and complex prepaid expenses	-14	-172
Other operating expenses	865	7 116
Operating profit or loss	221 648	177 593
Revenues from long-term investments – shares	0	0
Revenues from shares in controlled or controlling entities	0	0
Other revenues from shares	0	0

	2018	2019
Costs associated with shares sold	0	0
Revenues from other long-term investments	0	0
Revenues from other long-term investments in controlled or controlling entities	0	0
Revenues from other long-term investments	0	0
Costs associated with other long-term investments	0	0
Interest income and similar income	1 770	3 607
Interest income and similar income from controlled or controlling entities	0	0
Other interest and like income	1 770	3 607
Adjustments and provisions in the finance area	1 636	0
Interest expense and similar expenses	0	0
Interest expenses relating to controlled or controlling entities	0	0
Other interest expenses and similar expenses	0	0
Other financial income	457	69
Other financial expenses	2 548	2 423
Profit or loss from financial operations	-1 957	1 253
Profit or loss before tax	219 691	178 846
Income tax	42 303	35 397
Current income tax	42 237	35 353
Deferred income tax	66	44
Profit or loss after tax	177 388	143 449
Transfer of profit to partners	0	0
Profit or loss for the current period	177 388	143 449
Net turnover for the current period	631 020	696 068

I. Basic information (Decree § 39/1/a)

A. Basic information concerning the reporting entity (§ 18, para. 3 of the Accounting Act):

■ Reporting entity identification

Business name:	OKsystem a.s.
Registered office:	Na Pankráci 125, Praha 4, 140 21
Company ID No.:	27373665
Legal form:	Joint-stock company
Subject of business:	Software, training, IT services
Date of reporting entity's founding:	7 September 2005
Balance sheet date:	31 December 2019
Annual report presentation date:	28 May 2020
Reporting entity category (§ 1b of the Accounting Act):	Medium-sized
Signature of the corporate body:	



Martin Procházka
Chairman of the Board of Directors of OKsystem a.s.

Prepared by: Zuzana Hořová

■ Description of changes and amendments made in the Commercial Register within the most recent period

With validity from 1 November 2019, the following changes were made in the Commercial Register:
Changes in the Board of Directors: Pavel Čížek left the Board of Directors. Vítězslav Ciml was appointed as Vice-Chairman of the Board of Directors. Zuzana Hořová was appointed as member of the Board of Directors.
Changes in the Supervisory Board:
Pavel Čížek and Zuzana Hořová left the Supervisory Board. Eva Vodenková was appointed as Chairwoman of the Supervisory Board.

■ Description of organizational structure and substantial changes therein within the most recent period

Organizational structure:
Divisional organization:
Office of the CEO | Development Division 1 | Development Division 2 | Services Division | Business Development Division | Sales Division | Financial Division | Personnel and Operations Division
Within these divisions, departments and units are established directly subordinate to the heads of the divisions.

B. Information on general accounting principles and methods (Decree § 39/1/b)

The financial statements were prepared in accordance with Act No. 563/1991 Coll., on Accounting, as subsequently amended (hereinafter referred to as the Accounting Act), and Decree No. 500/2002 Coll. (hereinafter referred to as the Decree), which implement certain provisions of the Accounting Act for reporting entities that are business enterprises utilizing double-entry accounting.

■ Going concern assumption

The accounting methods were used under the assumption that the reporting entity would continue as a going concern.

The reporting entity assumes that the going concern principle is not at risk and at the same time that there exists no substantial uncertainty that it will be able to continue uninterrupted in its activities.

■ Method of compiling the financial statements as of 31 December 2019

On the basis of an amendment to the Accounting Act and an implementing decree on reporting by business enterprises, effective as from 1 January 2016, there occurred a change in the reporting of certain items on the balance sheet and income statement. In order to ensure comparability of these items with the previous financial year, these items were reclassified accordingly, in conformity with Czech Accounting Standard No. 024.

■ Assets and liabilities valuation methods

General principle: Assets and liabilities are valued at historical acquisition cost (i.e. acquisition price + related costs), with the exceptions of postage stamps, transport tickets and like items (recorded at nominal value), and the items described below.

Valuation of purchased inventories

Methods of accounting for inventories: OKsystem a.s. uses variant "A". Individual stock types:

- **Kitchen stocks**
Purchased stocks are recorded at acquisition cost in account 112 – Materials in inventory. Material consumption is commonly debited in the corresponding accounts within account group 501 – Material consumed, 518 – Other services, 504 – Merchandise sold, or in account 549 – Shrinkage (spoilage) from operating activities.
- **Stocks of other goods, software stocks**
Purchased stocks are recorded at acquisition cost in account 131 – Cost of merchandise. The goods are then transferred to account 132 – Merchandise in warehouse and stores. Sales of merchandise are commonly debited in the corresponding accounts within account group 504 – Merchandise sold
- **Promotional materials inventory**
Purchased stocks are recorded at acquisition cost in account 112 – Materials in inventory. Material consumption is commonly debited in the corresponding accounts within account group 501 – Material consumed.

The reporting entity maintains inventory records continuously and in a verifiable manner so that as of the reporting date for the accounting period and after inventory-taking it may debit the appropriate inventory accounts and credit the accounts for consumed purchases.

Types of expenses included into prices of purchased stocks

Secondary acquisition expenses which are included in acquisition prices of purchased stocks:
Yes = they are included

- **Method of inclusion of transport at the Company's own cost:**
Directly into the valuation of individual items to which they relate.

Valuation of internally produced inventories

There are no internally produced inventories.

■ Method for determining changes in asset values (depreciation, amortization, and adjustments)

Accounting depreciation and amortization are calculated based upon acquisition cost (minus any investment subsidies received) and estimated service life.

The reporting entity depreciates or amortizes asset values over time, always until a zero accounting balance value is reached. Depreciation and amortization rates are determined individually according to the expected useful lives of groups of items and at an annual percentage rate. Depreciation and amortization are on a straight-line basis and recorded monthly, starting from the month following the item's classification.

Expected useful lives for basic groups of fixed assets are specified as follows:

Intangible fixed assets	3 years*	Tangible fixed assets	
		Buildings	50 years
		Furniture	5 years
		Machinery and devices	3 years
		Vehicles	5 years

* unless specified otherwise in a contract

Reporting method for items of small fixed assets

Price limits for amortizing tangible assets acquired

- Expensed directly without subsequent operating record: up to CZK 10,000, inclusive.
- Expensed directly with subsequent operating record: above CZK 10,000 plus assets individually determined to be important for the Company (e.g., mobile phones, keyboards, lamps, etc.).

Price limits for amortizing intangible assets acquired

- Expensed directly with subsequent operating record: No specific limit for recording is defined. Most small intangible assets are recorded.

Deviations from standard accounting methods: none applied.

■ Translation of foreign currency items

During the accounting period, the reporting entity has used for translation of items denominated in foreign currencies the daily exchange rate of the Czech National Bank valid on the day of any particular accounting operation. As of the reporting date, liabilities and assets in foreign currencies were converted using CNB exchange rates, thereby giving rise to gains or losses from translation of exchange rate differences (part of other financial expenses and revenues) as follows:

Currency	Rate	Assets and liabilities
EUR	25,410 CZK/EUR	Trade receivables and payables, loans, cash, bank accounts, temporary and estimated accounts
USD	22,621 CZK/USD	Trade receivables and payables, loans, cash, bank accounts, temporary and estimated accounts

C. Information on valuation model used and technique for fair value recognition

Valuation of ownership shares and holdings by the equity method (according to the share in the owners' equity of the issuer)

Reporting entities in which the reporting entity has a substantial or decisive influence.

Valuation by the equity method for both shareholdings. Because the value of the equity is negative, valued at zero.

Name and registered office, legal form, ID No.	Share in registered capital (%)
OKsystem Inc., 576 Fifth Ave, Suite 903, New York, NY 10036	100 %
VinoDoc s.r.o., Na Pankráci 125, Prague 4, Company ID No. 01991426	50 %

D. Amounts receivable and debts (payables) with repayment period longer than 5 years as of the balance sheet date

Transaction number	Customer	Due date	Amount due in CZK
41131694	Jiří Fiala	5 March 2014	1 000,00
41132534	CREEDO point s.r.o.	2 January 2014	222 710,73

Payables: none.

E. Average full-time equivalent number of employees during the accounting period:

	285
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II. Other information

1. Consolidated and associated reporting entities

(Entities in which the reporting entity has a controlling or substantial influence)

Name and registered office, legal form, ID no.	Share in registered capital (%)
OKsystem Inc., 576 Fifth Ave, Suite 903, New York, NY 10036	100%
VinoDoc s.r.o., Na Pankráci 125, Prague 4, Company ID No. 01991426	50 %

On the basis of a legal opinion of the Chamrád – Laušmanová law office from 7 June 2018, OKsystem a.s. decided not to prepare consolidated financial statements including the aforementioned companies. With a view to the provisions of § 22a, para. 3 of Act No. 563/1991 Coll., on Accounting, as subsequently amended, the subsidiary OKsystem Inc. and company VinoDoc s.r.o. can be regarded as insignificant individually and collectively also for 2019.

2. Entities in which the reporting entity is a partner with unlimited liability: none.

3. Breakdown of the number of employees by categories (breakdown of the number in point E)

Employee category	Average full-time equivalent number for period
Management	61
General staff	209
Administration	15

4. Remuneration during accounting period to members of managing, supervisory, or administrative bodies (in CZK thousands)

Remuneration paid to members of corporate and supervisory bodies

Board of Directors	14 750
Supervisory Board	0

5. Proposed distribution of profit or settlement of loss (in CZK thousands)

Distributable profit for the 2019 accounting period	143 449
Advances to shares in profit paid out	0
Final profit for settlement	143 449

The resulting profit will be assigned to the following item in the owners' equity:

Item in owners' equity	Original balance	+ Allocation	Ending balance
Retained earnings	272 807	143 449	416 256

6. Fixed assets data

■ Additions to and disposals from fixed assets for the accounting period at acquisition costs (CZK thousands)

Intangible assets	Starting balance	Ending balance	Additions	Disposals
Software	6 659	7 220	562	0
Self-produced software	27 277	34 788	7 511	0

Tangible assets	Starting balance	Ending balance	Additions	Disposals
Buildings	945	945	0	0
Machinery and equipment (computers, HW)	40 814	41 421	657	50
Vehicles	16 388	16 507	2 758	2 639
Furniture	2 817	3 287	470	0
Works of art	226	226	0	0

Long-term investments at acquisition cost	Starting balance	Ending balance	Additions	Disposals
Loans and credits – substantial influence	13 333	13 891	558	0

■ Balances of and changes in depreciation, amortization, and adjustments for the accounting period (CZK thousands)

Intangible assets	Amortization		Adjustments	
	Starting balance	Ending balance	Starting balance	Ending balance
Software	-5 829	-6 317	0	0
Self-produced software	-13 300	-20 200	0	0

Tangible assets	Depreciation		Adjustments	
	Starting balance	Ending balance	Starting balance	Ending balance
Buildings	-134	-153	0	0
Machinery and equipment (computers, HW)	-38 721	-40 172	0	0
Vehicles	-7 700	-7 594	0	0
Furniture	-2 276	-2 448	0	0

Item	Acquisition cost	Adjustment	Change in adjustment for period
Loans and credits – substantial influence	13 891	10 119	58

7. Breakdown of deferred income tax (CZK thousands)

Starting balance of deferred tax	763
Change in deferred tax for the current period	44
Ending balance of deferred tax as of balance sheet date	807

The deferred tax for the current period has the character of a liability.

8. Transactions with related entities

See the Report on Relations between Related Entities (separate report)

9. Cash flow statement

The cash flow statement (as a separate report) was prepared using the indirect method

10. Statement of changes in equity

The statement of changes in equity is attached as a separate report.

VI.

Annexes

A

Cash flow statement

B

Statement of changes in equity

C

Report on relations
between related entities

D

Report on the financial statements
and auditor's opinion

A

CASH FLOW STATEMENT

Business name or other name
of reporting entity

OKsystem a.s.

Registered office or address
of reporting entityNa Pankráci 125
140 21 Prague 4

as of 31 December 2019

(in thousands of Czech crowns)

P.	Balance of cash and equivalents at beginning of reporting period	573 265
Cash flows from operating activities		
Z.	Profit or loss before tax	178 846
A. 1	Adjustments for noncash operations	7 307
A. 1 1	Depreciation and amortization of fixed assets and adjustments thereto	11 613
A. 1 2	Change in adjustments and provisions	-172
A. 1 3	Gain or loss from disposal of fixed assets	-527
A. 1 4	Dividends and like income	0
A. 1 5	Net interest expense except as capitalized into fixed assets	-3 607
A. 1 6	Other adjustments for noncash operations	0
A. *	Net cash flow from operating activities before tax and working capital changes	186 153
A. 2	Change in noncash items of working capital	-15 182
A. 2 1	Change in accounts receivable and temporary asset accounts	-41 862
A. 2 2	Change in short-term accounts payable and temporary liability accounts	24 298
A. 2 3	Change in inventories	2 382
A. 2 4	Change in short-term investments not included in cash and equivalents	0
A. **	Net cash flow from operating activities before tax	170 971
A. 3	Interest income except as capitalized into fixed assets	0
A. 4	Interest received	3 607
A. 5	Income tax paid and additionally charged tax	-35 397
A. 6	Dividends and like income received	0
A. ***	Net cash flow from operating activities	139 181
Cash flows from investing activities		
B. 1	Acquisition of fixed assets	-12 457
B. 2	Proceeds from sale of fixed assets	527
B. 3	Loans and credits to related parties	0
B. ***	Net cash flow from investing activities	-11 930
Cash flows from financing activities		
C. 1	Changes in long- and short-term liabilities	44
C. 2	Effect on cash of changes in owner's equity	-326 549
C. 2 1	Increase in cash from increase in share capital, share premium, and funds from profit	0
C. 2 2	Dividends and like payments to partners	-323 750
C. 2 3	Additional contributions from partners and shareholders	0
C. 2 4	Loss coverage by partners	0
C. 2 5	Direct payments by debit from funds	-2 799
C. 2 6	Dividends and like payments made, inclusive of tax paid	0
C. ***	Net cash flow from financing activities	-326 505
F.	Net increase/decrease in cash	-199 254
R.	Balance of cash and equivalents at end of reporting period	374 011

B

STATEMENT OF CHANGES IN EQUITY

Business name or other
name of reporting entity

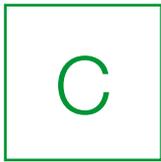
OKsystem a.s.

as of 31 December 2019Registered office or address
of reporting entity

(in thousands of Czech crowns)

Na Pankráci 125
140 21 Praha 4

		Opening balance	Increase	Decrease	Closing balance
A.	Share capital registered in the Commercial Register	35 000	0	0	35 000
B.	Share capital not registered in the Commercial Register	0	0	0	0
C.	Total A ± B	35 000	XX	XX	XX
D.	Own shares and ownership interests	0	0	0	0
*	Total A ± B ± D	XX	XX	XX	35 000
E.	Share premium	0	0	0	0
F.	Reserve funds	0	0	0	0
G.	Other funds from profit	433	2 500	2 799	134
H.	Capital funds	0	0	0	0
I.	Revaluation gains or losses not included in profit or loss	-234	0	0	-234
J.	Retained earnings	599 057	0	326 250	272 807
K.	Accumulated losses	0	0	0	0
L.	Profit or loss for the reporting period after taxation	XX	143 449	XX	143 449
*	Total	634 256	145 949	329 049	451 156



Report on relations between related entities for 2019 prepared in accordance with § 82 et seq. of the Business Corporations Act



Martin Procházka

Structure of relationship:	
a) Controlled entities	OKsystem a.s., having its registered office at Na Pankráci 1690/125, 140 21 Prague 4 – Nusle
b) Controlling person or entity	Martin Procházka Permanent residence: Nad Vavrouškou 709/3, 181 00 Prague 8 – Troja
Role of the controlled entity (in the group of related entities)	Business entity.
Method and means of control (§ 75 of the Business Corporations Act)	In accordance with the bylaws, the possibility of appointing or dismissing the persons in the corporate or supervisory body and a 90% share in voting rights.
Summary of actions taken in the reporting period in the interest of the controlling person or entity in respect of assets exceeding 10% of the controlled entity's equity	None were carried out.
Overview of contracts between the controlled and controlling entities or between controlled entities:	
a) Deliveries of goods	None were carried out.
b) Provisions of services	None were carried out.
c) Loans provided	None were provided.
d) Lease agreements	None were concluded.
e) Other performance or instructions and legal acts of the controlling entity	None.
Assessment whether the controlled entity incurred injury and its recompense in accordance with § 71 and § 72 of the Business Corporations Act	No injury was incurred by the controlled entity.

Assessment of advantages and disadvantages ensuing from relationships between related entities

The Supervisory Board has assessed all relationships existing between the related entities and reached the following conclusion: No advantages or disadvantages ensue from the stated relationships between the related entities. No risks ensue from the stated relationships for the controlled entity.

Statement in accordance with § 82, para. 3 of the Business Corporations Act:
The corporate body had sufficient information to prepare this report.

The report was discussed by the Supervisory Board on 8 April 2020

On behalf of the Supervisory Board:

Eva Vodenková
Chairwoman of the Supervisory Board

Assessment of advantages and disadvantages ensuing from relationships between related entities

The Supervisory Board has assessed all relationships existing between the related entities and reached the following conclusion: **No advantages or disadvantages ensue from the stated relationships between the related entities. No risks ensue from the stated relationships for the controlled entity.**

Statement in accordance with § 82, para. 3 of the Business Corporations Act: The corporate body had sufficient information to prepare this report.

 OKsystem Inc.	 VINOdoc s.r.o.	 OKBC s.r.o.
OKsystem Inc., having its registered office at 1133 Broadway, Suite 903, New York, NY 10010, United States of America	VINOdoc s.r.o., having its registered office at Na Pankráci 1690/125, 140 21 Prague 4 – Nusle	OKBC s.r.o., having its registered office at Na Pankráci 1690/125, 140 21 Prague 4 – Nusle
OKsystem a.s., having its registered office at Na Pankráci 1690/125, 140 21 Prague 4 – Nusle	OKsystem a.s., having its registered office at Na Pankráci 1690/125, 140 21 Prague 4 – Nusle	OKsystem a.s., having its registered office at Na Pankráci 1690/125, 140 21 Prague 4 – Nusle
Intermediating sales of software and provision of services abroad.	Broadening of the controlling company's activities to include e-commerce systems.	Lease of office premises.
Possibility to appoint or dismiss persons in the corporate or supervisory body, 100% share in voting rights.	50% share in voting rights, possibility to appoint or dismiss persons in the corporate or supervisory body with the agreement of at least one other partner.	35.5% share in voting rights, possibility to appoint or dismiss persons in the corporate or supervisory body with the agreement of at least one other partner.
None were carried out.	None were carried out.	None were carried out.
None were carried out.	Based upon customary customer-supplier relationships.	None were carried out.
None were carried out.	None were carried out.	None were carried out.
A contract on provision of a loan was concluded between the controlled and controlling entities.	A contract on provision of a loan was concluded between the controlled and controlling entities.	None were carried out.
None were concluded	None were concluded.	A lease contract concluded as of 21 September 2005. Lease price determined on the basis of an expert opinion.
None.	None.	None.
No injury was incurred by the controlled entity.	No injury was incurred by the controlled entity.	No injury was incurred by the controlled entity.

The Report on Relations between Related Entities was presented in Prague on 31 March 2020



Martin Procházka
Chairman of the Board of Directors of OKsystem a.s.

D

Report on the financial statements and auditor's opinion

Report of the independent auditor on auditing the financial statements

of OKsystem a.s., having its registered office at Prague 4 – Nusle, Na Pankráci 1690/125, Postcode 140 21 for the financial year from 1 January 2019 to 31 December 2019.

Annexes: Balance sheet
Income statement
Notes to the financial statements in full format
Cash flow statement
Statement of changes in equity

Recipient: Shareholders of OKsystem a.s., having its registered office at Na Pankráci 1690/125, Prague 4 – Nusle, Postcode 140 21

Auditor's opinion

We have audited the attached financial statements of OKsystem a.s. (hereinafter referred to as the "Company") prepared on the basis of Czech accounting regulations and comprising the balance sheet as of 31 December 2019, the income statement, statement of changes in equity, and cash flow statement for the year ending 31 December 2019, as well as the notes to these financial statements containing a description of significant accounting policies used and other explanatory information. Information on the Company is provided in the notes to these financial statements.

In our opinion, the financial statements present a true and fair view of the assets, liabilities, and owners' equity of OKsystem a.s. as of 31 December 2019, as well as of its expenses, revenues, profit, and cash flows for the year ending 31 December 2019 in accordance with Czech accounting regulations.

Basis for the opinion

We conducted our audit in accordance with the Act on Auditors and the Auditing Standards of the Chamber of Auditors of the Czech Republic, which comprise the International Standards on Auditing, as supplemented by the related application guidelines. Our responsibilities under this law and these regulations are further described in the section "Responsibility of the Auditor for Auditing the Financial Statements." In accordance with the Act on

Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, we are independent of the Company 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 audit opinion.

Other information presented in the annual report

In compliance with § 2 b) of the Act on Auditors, the other information comprises that information included in the annual report other than the financial statements and our auditor's report thereupon. The Company's 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, we are nevertheless responsible 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 laws and regulations. This assessment is to

determine whether the other information complies with the requirements of laws and regulations in terms of formal requirements and procedures for preparing the other information in the context of materiality (i.e., whether any non-compliance with the stated requirements could influence judgments made on the basis of such other information).

Based upon the procedures performed, and to the extent we are able to assess it, we state 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 was prepared in compliance with applicable laws and regulations.

In addition, it is our responsibility to report, based upon the knowledge and understanding of the Company obtained in the audit, as to whether the other information contains any material misstatement of fact. Based upon

the stated procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibility of the Company's Board of Directors and Supervisory Board for the financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting regulations and for such internal control as it determines 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 Com-

pany's Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to its continuing as a 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 if it has no realistic alternative but to do so.

Responsibility of the auditor for auditing the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, be that due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the aforementioned laws and regulations 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 economic decisions of users taken on the basis of these financial statements.

In conducting an audit in accordance with the aforementioned laws and regulations, it is our responsibility to exercise expert judgment and maintain professional skepticism throughout the audit. It is our responsibility also to:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform auditing 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 greater 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 the Company's 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 internal control system.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based upon 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 notes to the financial statements and, if such disclosures are inadequate, to modify our opinion. Our conclusions regarding the Company's ability to continue as a going concern are based upon the audit evidence we have obtained up to the date of our auditor's report. Nevertheless, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the notes thereto, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are responsible also to inform the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

From the matters communicated with the Board of Directors and Supervisory Board, we are responsible to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws and regulations preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The auditor performing the audit was **František MEIERL**, Lačnovská 377/8, 155 21 Prague 5 – Zličín, entered in the list of auditors maintained by the Chamber of Auditors of the Czech Republic with Certificate No. 1160.

Prague 5 – Zličín, 5 June 2020



From 1 January 2020 to May 2020, there occurred no new circumstances that could substantially influence OKsystem's economic situation. All working teams coped successfully with the global crisis arising from the worsening epidemiological situation of Covid-19, with the majority of employees switching temporarily to a home office regimen.

In the organizational structure, a new and separate UX/UI department was created within Development Division 2.

In January 2020, the National Security Authority awarded OKsystem an additional, successive certification for a business enterprise enabling access to classified information up to the Confidential level, valid until 22 January 2029.

OKsystem did not take part during 2019 in any international or Czech projects relating to applied research or experimental development. No subsidy or tax advantage was used for research and development. OKsystem utilizes in its products the results from research and development achieved in previous years. Internal research focused on possibilities for using artificial intelligence methods and blockchain databases and on information security in products and services.

OKsystem does not acquire its own ownership shares and has no organizational unit abroad.

Prague, 28 May 2020



Martin Procházka
Chairman of the Board of Directors

Key customers



Ministerstvo zahraničních věcí
České republiky



MINISTERSTVO ZEMĚDĚLSTVÍ



SZIF

Státní zemědělský intervenční fond



**ČESKÝ
STATISTICKÝ
ÚŘAD**



VŠEOBECNÁ FAKULTNÍ
NEMOCNICE V PRAZE



OKsystem

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