

OKsystem

Annual Report 2021



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I.

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

Corporate body

Board of Directors

- | | | |
|--|---|---|
| ■ Martin Procházka Chairman of the Board of Directors | ■ Vítězslav Címl Vice-chairman of the Board of Directors | ■ Zuzana Hořová Member of the Board of Directors |
|--|---|---|

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

Banks and accounts

- | | | | |
|--|---|---|--|
| <ul style="list-style-type: none"> ■ UniCredit Bank Czech Republic, a. s. | <ul style="list-style-type: none"> ■ ČSOB, a. s. | <ul style="list-style-type: none"> ■ Raiffeisenbank a.s. | <ul style="list-style-type: none"> ■ Česká spořitelna, a.s. |
| <p>IBAN CZ03 2700 0000 0000 4897 3004</p> | <p>IBAN CZ79 0300 0000 0002 0939 0820</p> | <p>IBAN CZ61 5500 0000 0008 3333 3002</p> | <p>IBAN CZ35 0800 0000 0000 0892 7572</p> |

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,

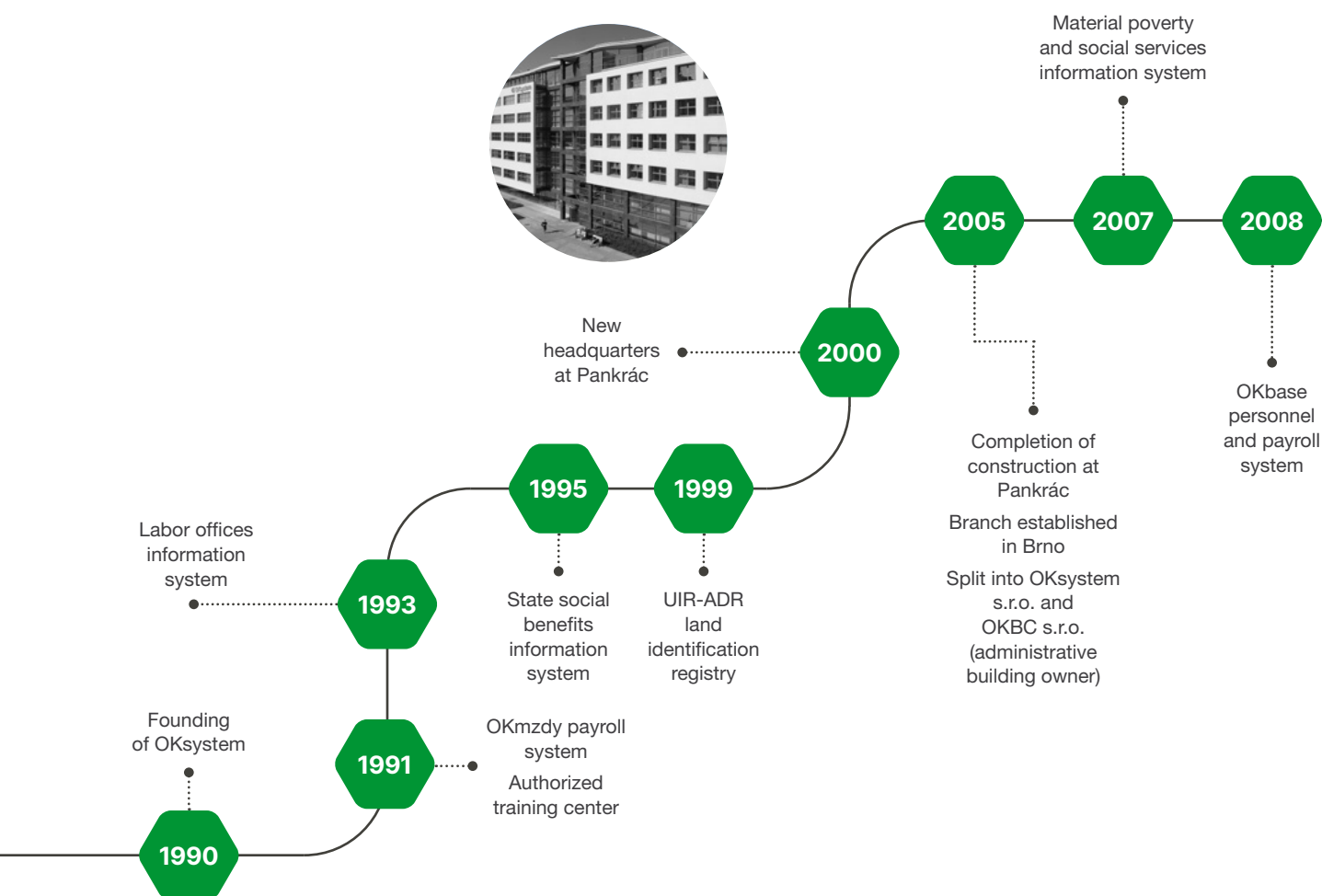
140 21 Prague 4, Company ID No. 27373703. Effective as of 1 January 2015, OKsystem s.r.o. was transformed into a joint-stock company on the basis of an accepted project to change the legal form in accordance with Act No. 125/2008 Coll., on Conversions of Commercial Companies and Cooperatives.

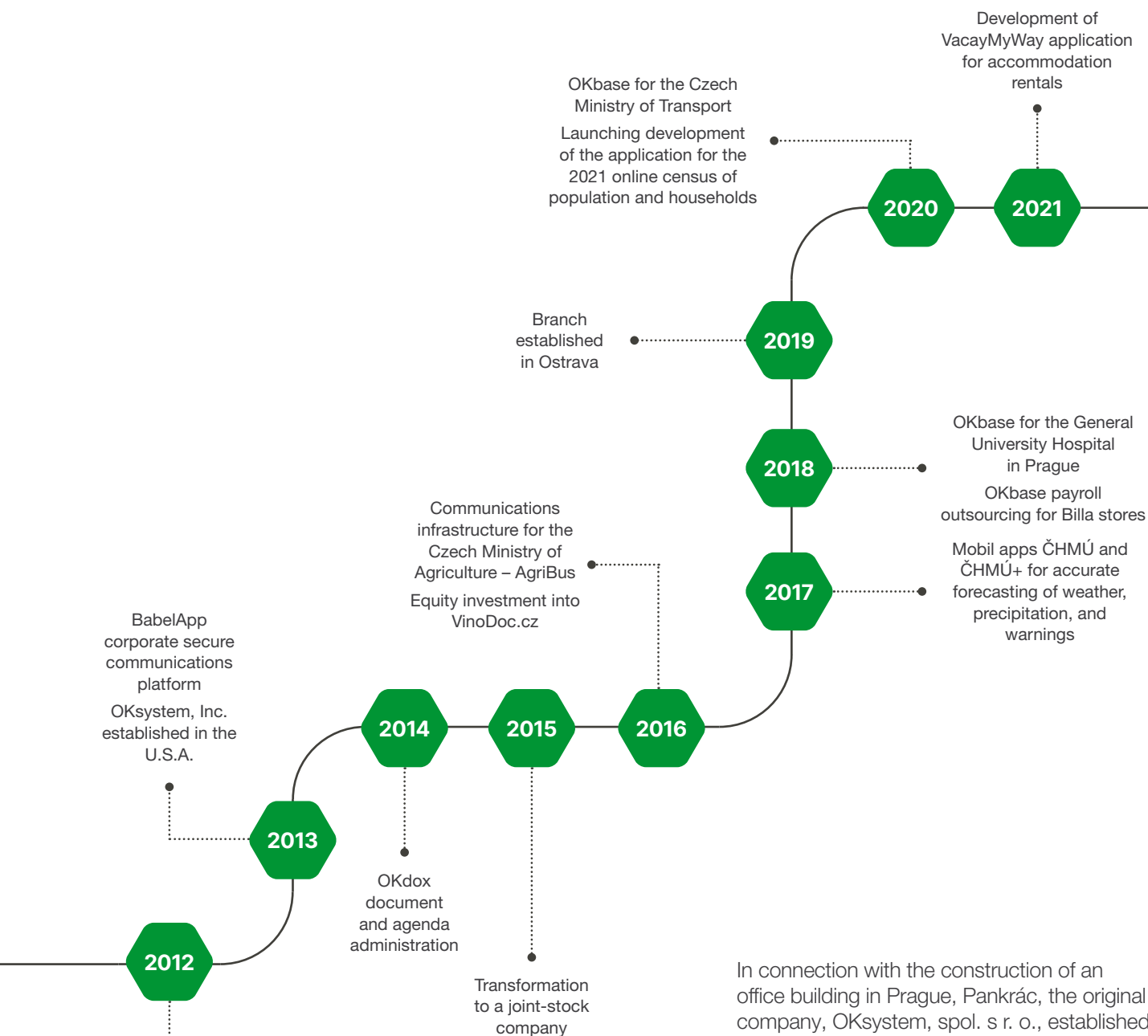
II.

The Company's development and its market

OKsystem is a Czech software company founded in 1990, right after the momentous political and economic changes in what was then still Czechoslovakia. In the changing conditions of the transition to a market economy, networks of personal computers began to be widely used. During the 1990s, OKsystem took advantage of this opportunity and filled niches in authorized computer network training, developing application programs in client/server architecture with graphical user interfaces, as well as 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 already had gained a significant market share and it grew into a larger, well-established, and respected IT company.

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 modern multilayer architecture while emphasizing cybersecurity and personal data protection and while utilizing cloud and web services as well as mobile devices. OKsystem thereby continues to strengthen its market position and grow its market share. Annual turnover has reached roughly CZK 700 million and the number of employees has progressively grown from the 4 founding partners to a workforce of 400. Development of key products and successful implementations of important contracts can be seen below in a timeline of OKsystem's historic milestones:





OKsystem's program systems are utilized by hundreds of thousands of users in the private sector and in public administration. OKsystem has an ever-growing customer base in the Czech Republic and supplies innovative software also abroad.

Hundreds of employees – analysts, developers, consultants, and technical support staff – do their very best to ensure that OKsystem's original programs are useful, inventive, secure, and, in conjunction with the newest technologies, that they make the work of our customers easier and more effective.

In connection with the construction of an office building in Prague, Pankrác, the original company, OKsystem, spol. s r. o., established late in 1990, was in September 2005 split into two successor companies: OKsystem s.r.o. and OKBC s.r.o. 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 webstores with the widest offer of premium Italian wines on the Czech market and sells wines from other countries as well as top-class olive oils. 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 enabled the separation of strategic and operational management and thus created conditions for more efficient management. OKsystem's Board of Directors is comprised of three members, and its Supervisory Board has two members. Martin Procházka, who together with other partners cofounded OKsystem at the beginning of the 1990s 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 Ciml, the CEO of OKsystem. Chief Financial Officer Zuzana Hofová is a Member of the Board of Directors. Chairwoman of the Supervisory Board is Eva Vodenková, personnel and operations director. Šárka Cimlová is a Member of the Supervisory Board.



Corporate Body – Board of Directors



Martin Procházka
Chairman of the Board
of Directors



Vítězslav Ciml
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

OKsystem is 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 cases of large projects or lead

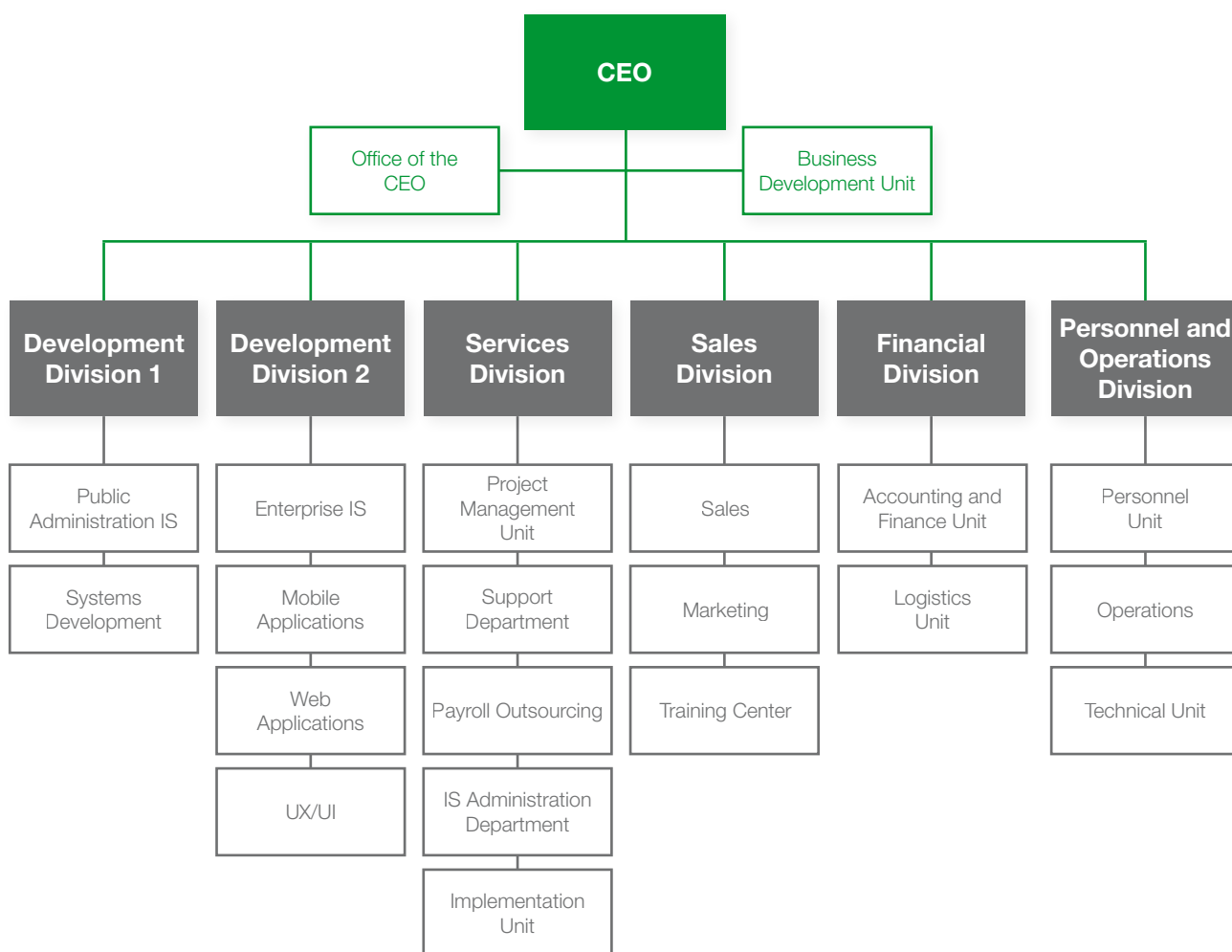
consultants in cases of smaller orders. OKsystem has been awarded a Security Clearance Certificate issued by the National Security Authority at the Confidential level. The certificate allowing the Company access to classified information both generated within the Company and provided to it is valid until January 2029. 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.

As of 1 July 2021, a significant change took place in the organization of the sales and marketing teams of OKsystem. Prior to this date, the business activities were divided into divisions according to which respective services were provided to end customers. Since mid-2021, sales and marketing has been fully concentrated into the Sales Division, which has grown significantly with this move. The former Business Development Division has been incorporated into the Sales Division, as has the entire Training Center, which formerly was part of the Services Division. Vladimír Fuchs, who joined OKsystem at the beginning of 2021, has been appointed to

head the new, stronger, and more important Sales Division. Prior to becoming the new Sales Director, Mr. Fuchs worked as a director of Europ Assistance, a leader in the provision of assistance services on the Czech market. These changes were made with the aims of improving the quality of provided services, supporting OKsystem's further growth, and applying sales tactics to boost the Company's turnover through greater cross-selling of related goods and services. Mr. Fuchs is naturally within the circle working very closely with the Company's top management and has clear responsibility for sales performance, marketing, and communication.



Organizational chart of the company OKsystem a.s. as of 31 December 2021



OKsystem's management, sales personnel, developers, and other in-house experts search for 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, Checkbot, OKdox, OKmzdy, and OKadresy product lines, mobile applications, public administration contracts, payroll outsourcing, professional training courses for IT professionals, and other activities.

OKbase

In 2021, 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 and mobile 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, for example, Allianz pojišťovna, Aon, Billa, BNP Paribas, Carrier, Caterpillar, Contipro, ČMSS, Czechoslovak Group, Direct pojišťovna, Dixons, Eberspächer, ELECTROLUX, Four Seasons, GE Aviation, Global Payments, Huawei, Jan Becher, John Crane, Konica Minolta, Lagardere, LINET, MOL, Olympus, Omnipol, Penny Market, Porsche Engineering, and Shell. In public administration, users include the Prague Botanical Garden, Czech Geological Survey, Czech Trade Inspection Authority, Czech Statistical Office, Ministry of Transport, Ministry of Culture, Ministry of Regional Development, Ministry of Education, Youth and Sports, Ministry of Foreign Affairs, Ministry of the Environment, State Housing Development Fund, National Treasury Shared Services Center, Moravian–Silesian Region, National Gallery, National Cyber and Information Security Agency, Road and Motorway Directorate, State Office for Nuclear Safety, State Veterinary Administration, State Agricultural Intervention Fund, City of Brno, State Land Office, 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 pharmacies), KRKA ČR, EUC a.s., SMITHS Medical, 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, Masaryk

Institute, Archives of the CAS, Czech Technical University in Prague and University of Chemistry and Technology in Prague. New customers who selected and ordered OKbase in 2021 include, for example:

- C.S.CARGO a.s.
- CENTRA a.s.
- Honor Technologies (Czech) s.r.o.
- LE & CO - Ing. Jiří Lenc, s.r.o.
- Parfumerie DOUGLAS, s.r.o.
- Skyport a.s.
- ŠKODA AUTO VYSOKÁ ŠKOLA o.p.s.
- TENZA cast, a.s.
- VELKÁ PECKA s.r.o.
- STÁTNÍ TISKÁRNA CENIN, státní podnik
- Diecézní charita Plzeň
- ALTRON, a.s.
- Central Glass Czech s.r.o.
- CE Industries a.s.
- max promotion s.r.o.
- DER Touristik Eastern Europe a.s.

In 2021, the OKbase human resources system was significantly expanded and improved for payroll processes digitalization. Employees can electronically download pension registration certificates and can also electronically submit their "Taxpayer declaration" and "Request for annual tax account" forms via a web client. The Payroll Accounting Documents module has been added to the OKbase information system and 60 companies immediately ordered it in the fourth quarter of 2021. Application and user-defined setup management has been connected to various document services. For shift operations, the needed capacities can now be planned, the shifts can be filled and plan fulfillment checked. Since 2021, elements of artificial intelligence have also been applied in shift planning.

Checkbot

OKsystem has been further developing Checkbot, an application for tracking Yaskawa robots in real time. New versions are being used primarily in the automotive segment. The application is useful not only for technical managers, as from a managerial perspective it is a welcome tool also for production control and efficiency improvement. The collected data can be filtered, grouped, and displayed by selected periods and in different types of graphs. Key advantages include, in particular, central overview of planned and performed maintenance, easy creation of monitoring and data collection plans, signals and variables such as temperatures, torque values, pressure drop, and number of pieces produced. In

2021, the OKsystem developers delivered and made operational new versions of the Checkbot application with useful features. In addition to usual operations data, it is now possible also to continuously control each product and save its production data. If an alarm is triggered or production stops, the camera recording of the event as well as of 30 seconds prior to the event is stored. It is then possible to investigate how the delay occurred. The backup of files from control units has been significantly improved: it is possible to set a backup schedule for each of them, to record incremental backups, and to make older versions available. For management use, the calculation of OEE (Overall Equipment

Effectiveness) based on available time, expected production time, and measured production time has been implemented. The asynchronous communication (backend-remote) was redesigned separately for individual control systems (previously, it had been possible to enter only one request for all control systems). It is now possible to control the sequence of requests to dispatcher from the application. Users can configure the controls according to their own needs (configure the dashboard) via visual interactive elements (widgets) on the screen. The database storage of collected data has been optimized. The mechanism for assigning user access roles has been modified, with the possibility of defining custom access roles. The installations at Doosan Bobcat

EMEA s.r.o. and Borgers CS spol. s r.o., which had already started using Checkbot on a pilot basis, were extended. New customers are, for example, Mubea Stabilizer Bar System s.r.o. and PUREM Rakovník spol. s r.o. In August 2021, Checkbot was provided free of charge and installed in the robotics classroom of Secondary Technical School of Electrical Engineering Ječná in Prague, where students can learn about state-of-the-art Yaskawa robots in practical lessons. The new websites checkbot.cz and checkbot.eu were launched. Negotiations have been initiated with the Yaskawa Europe headquarters on the possible integration of Checkbot into the Yaskawa Ecosystem. Checkbot won the Quality Innovation Awards 2021 in the SME category.

BabelApp and other mobile applications

BabelApp is a secure corporate communications platform that has been developed as an original solution since 2013. It enables instant messaging (IM) and secure voice communication across the internet (Voice over Internet Protocol – VoIP). BabelApp is useful for anyone who works with confidential or sensitive data on a daily basis. The BabelApp application can be installed and securely operated either internally within the client's own device 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 automatically exchange public parts of temporary keys and agree on securing the relationship through one-time cryptographic keys. Voice transfer is then 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. The corporate version of 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 disruptive. BabelApp is 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. BabelApp has become the first app of its kind in the world to use in practice the features of blockchain to enhance security and limit potential attacks on the communication platform.

In 2021, a feature of calling from Windows desktop client was added to the application. Moreover, it is now possible to make conference calls from mobile phones as well as from Mac client. Simply plan the conference call and add contacts of the participants. BabelApp sends out invitations and keys necessary for encrypting. A conference call set up in this way fulfills the security functions of Perfect Forward Secrecy, meaning it is impossible to decipher a potentially recorded call after the connection has ended. Also, the BabelApp server performance was improved and it is now ready for installation in larger corporations.

BabelApp was supplied and installed in 2021 for a number of customers in the Czech Republic and abroad operating in the following areas:

- financial services and insurance,
- law firms,
- information and communication services,
- other technology companies,
- public sector and local administration,

- nonprofit organizations and entities,
- sports associations,
- marketing and media agencies,
- private persons and entities.

OKsystem is not authorized to disclose specific names of customers due to the product's focus and confidentiality.

In addition to the BabelApp platform for secure corporate communications, OKsystem is designing, developing, and updating a number of other mobile apps in accordance with customer requests for the iOS and Android mobile operating systems. As per requests of the Czech Hydrometeorological Institute, the applications ČHMÚ and ČHMÚ+ displaying weather forecasts, weather conditions analysis, water conditions, atmospheric measurements, UV index, and other data were further developed and adjusted. The ČHMÚ applications used by hundreds of thousands of users can display radar data and use mini-apps (widgets).

VacayMyWay

During 2021, OKsystem developed and helped launch VacayMyWay, a web-based service application for short-term accommodation rentals. This application system was designed by the eponymous American company based in Denton, Texas. The founders of VacayMyWay have many years of experience in the property rental industry. They set out to simplify the booking process, eliminate unnecessarily high fees, improve communication options and strengthen trust between landlords and their clients. By means

of VacayMyWay, landlords can offer their houses and apartments for short-term rentals easily and on favorable terms, with no flat-rate listing fees, a transparent cancellation policy, customer support, and damage insurance. The booking system is linked to specialized information systems, such as Hostfully, NextPax and Hostaway, which manage tens of thousands of properties. Tourists save as much as 20% on the price of their stays compared to services provided by other booking systems.

OKdox

OKdox is a state-of-the-art modular document management system that brings order to documents handling 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 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

During 2021, OKsystem continued in developing e-commerce systems. The online stores **VinoDoc.cz** in the Czech Republic and **VinoDoc.sk** in Slovakia offer more than 300 select wines from over 60 wineries all across Italy. The cooperation with the media house Economia on promoting and

operating the online store for European wines called **HNvino.cz** is ongoing. Based upon a contract, OKsystem focuses on development of the online store **HNvino** while the subsidiary **VinoDoc** manages sales activities and **Economia** attends to marketing through its periodicals and news servers. In addition

to Italian wines, it offers and delivers wines with an excellent quality/price ratio from Spain, France, Germany, Austria, and Moravia. A fourth online store, OKvino.cz, offers a similarly varied selection.

Bigboard, the leader in the outdoor advertising market, became a new customer in the development of a custom information system. OKsystem has designed and developed an extensive in-house system for Bigboard to manage reservations and sales of advertising spaces, including related modules for managing advertising production, invoicing, and more. The gradual replacement of Bigboard's existing system, which is already functionally and technologically inadequate, is scheduled over several years. OKsystem uses the very newest technologies for the development of web applications and, due to the high volume of data managed on the customer's side, is working on the project with advanced data tools to ensure fast loading and real-time filtering.

OKsystem also continues to offer the tried and tested **OKmzdy** payroll processing system. 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 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.

OKsystem's **training center** is focused on training administrators and users in its own program systems and is authorized to provide professional training for Cisco, Microsoft, and SUSE Linux products. It has six computerized classrooms and, as needed, also a conference hall or a part thereof. The Company has a tradition of authorized training in the ICT field dating back to 1991, and this training center is probably the longest running of its kind in the Czech Republic. Hundreds of computer experts annually attend professional training courses led by highly skilled and certified instructors. In addition to training, OKsystem has for many years been an authorized partner of Pearson VUE for testing ICT knowledge. The training center is renewing its Ministry of Education, Youth, and Sports Accreditation for Continuing Education of Pedagogical Staff. In-person training sessions were for several months of 2021 supported with or replaced by online training using remote access, videoconferencing, and screen sharing. After the Covid-19 pandemic crisis subsided, the training center gradually returned to normal operations. A lockdown of several months was replaced in the second half of the year by a gradual return of customers to full-time courses. During the year, several classrooms were refurbished and upgraded in terms of technical equipment and the standard of classroom facilities for both full-time and hybrid teaching is thus set at a very high level. Microsoft, CISCO, and SUSE Linux courses have seen the highest number of customers. In the third quarter of 2021, a new Cyber Security training course for employees was added to the training center's offering. Cooperation was successfully initiated with enovation s.r.o., which helps OKsystem customers to secure funding for selected courses from relevant subsidy titles.

Public administration

Since its founding, OKsystem has been very active in public administration. In 2021, 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.
- Development and operation of the Czech Social Security Administration information system for collecting social insurance from self-employed persons and control activities.
- 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. The Ministry of Labor and Social Affairs remains OKsystem's biggest customer. The 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. Since 2014, the Ministry of Labor and Social Affairs has announced public tenders for a new Employment Information System (IS ZAM), new Social Benefits Information System (IS DAV), and other program systems that collectively should comprise the Unified Labor and Social Affairs Information System. The Ministry has not been successful, however, in concluding key contracts and the suppliers in making the information systems operational within planned timelines.

The development of the Employment Information System (IS ZAM), which should have been completed in 2016, has been delayed by several years. The status of orders for IS DAV, or rather for IS DAV II, which were intended to replace substantial parts of the program systems OKcentrum, OKnouze, and OKslužby, is also complicated. After a series of complaints, motions for review, and decisions of the Office for Personal Data Protection, it was not decided about parts of these orders even in 2021. 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 known also as OKaplikace.

In 2021, it was necessary to resolve a situation wherein the contract for the provision of support, development, and operation of applications provided by OKsystem for the entire area of labor and social affairs was coming to an end. Negotiations were therefore initiated during February 2021 with the aim of concluding a new contract for the provision of services, at least for the period until the Ministry of Labor and Social Affairs would succeed in selecting a supplier through an open tender. This procedure was challenged by a competitor, which filed objections with the Office for the Protection of Competition. The Ministry of Labor and Social Affairs was forced to suspend the negotiations and to start negotiations for another contract, this time for a contract that would ensure provision of the services at issue pending resolution of the administrative procedure before the Office for the Protection of Competition. At the end of February, a contract ensuring the continued smooth

operation and development of the system for the payment of non-insurance social benefits and unemployment benefits was signed. Subsequently, in October 2021, the Office for the Protection of Competition confirmed that the objections raised by the competitors in February 2021 against the procedure for concluding the contract were invalid and OKsystem was thus able to commence continuation of the negotiations, which had been suspended at the beginning of 2021 by the filing with the antimonopoly office. The new contract, which also is valid for 2022, was thus finally and successfully concluded at the end of October 2021.

Applications of the Labor Office of the Czech Republic were further adjusted so that the clients would not have to visit offices and expose themselves and the office workers to the risk of Covid-19 infection. Based on legislative changes and resolutions of the government, administrative procedures were simplified, validity of certificates extended, and new electronic forms introduced. As a result of the state of emergency due to the pandemic, the entitlement to state social support benefits and care allowance was extended.

The law's validity was prolonged in 2021 and the Antivirus system was in use for another several months. Antivirus is a system through which employers apply for wage subsidies for their employees in order to maintain employment in the country. A subsidy is granted on the basis of an agreement. The employer simply fills out an application form on the web application and the agreement is immediately approved if conditions are met. As part of the settlement of wage subsidies, which also is done through Antivirus, successful payment of state support totaling tens of billions of Czech crowns was carried out. Antivirus was rated as the most successful government program, having supported more than 1 million employees and significantly helping employers to overcome impacts of the coronavirus crisis.

In addition to the complex contractual negotiations, OKsystem faced challenges in the further development of systems within the Ministry of Labor and Social Affairs in relation to the ongoing pandemic situation and accompanying legislative changes in the area of social benefits. Significant development of the OKpráce system was necessitated by a legislative change that brings about an agreement between the employer, the employee, and the state on the possibility of reducing working hours, which is at the same time financially compensated by the state (so-called Kurzarbeit).

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. An extended tramway line newly leads directly to the building and in the future the Pankrác metro station will become a transfer point to the new line D. Its high-standard office premises provide space for up to 400 employees, 6 computer classrooms, meeting rooms, a conference hall, 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. Another OKsystem branch for business activities, program development, and support for contracts in the Northern Moravia region has been in Ostrava since 2019 within the modern building of the Smart Innovation Center.

At its headquarters in Prague, OKsystem also maintains formal conference premises for organizing congresses, trainings, and social events. The conference hall has about 400 m² of space and total capacity for 300 people in an auditorium arrangement and 120 people in a classroom 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. There were fewer events and conferences in 2021 than prior to Covid-19, but more than in the pandemic year of 2020. The conference premises were nonetheless used by, for instance, ECE Projektmanagement Praha s.r.o (Arkády Pankrác), Novartis s.r.o., and CACIO s.r.o. After a two-year pause caused by Covid-19, OKbase Day was organized in autumn and was visited by more than 200 customers. During the day, we introduced in detail the new Capacity Planning and Payroll Accounting Documents.

Financial results

The Company's turnover in 2021 was CZK 698 million, the majority of which consisted in revenues from IT services. OKsystem achieved a profit after tax of CZK 111 million, increasing by 16% in

comparison to the 2020 financial results. Precise data are provided in tables on the following pages of this Annual Report.

III.

Expected future development

Upon loosening the restrictive measures related to Covid-19, OKsystem will be returning to normal operations. Hybrid working will be applied to a greater extent than before 2021. Recruitment will be strengthened to respond to new opportunities and increased demand. In 2022 and beyond, the activities of OKsystem will focus in particular on:



- The area of applied research and development utilizing methods of artificial intelligence and blockchain technology, for example in OKbase and BabelApp



- Utilizing a combination of organic growth and potential acquisition of a Czech or foreign company



- Organizational changes leading to strengthening the roles of product managers



- Custom software development for projects abroad, such as VacayMyWay, through the subsidiary OKsystem, Inc. in the U.S.A.



- Development, deployment, and support of the Checkbot application for monitoring and work analysis of robots, mainly as per requirements of multinational companies



- Further development of the BabelApp secure communication platform with emphasis on security, performance, and larger numbers of users, including selling activities abroad



- Development of OKbase for human resources management (personnel management, payroll accounting, attendance...), expanded web user interface, mobile access, self-servicing, paperless processes, customization for additional sectors



- Participation in digitalization in the field of employment, social benefits, social security, and other projects in public administration



- Solutions in administration and archiving of confidential electronic documents



- 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



- Information security and e-commerce development and services



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



- Effective utilization of our branches in Brno and Ostrava

IV. Financial statements for 2020 and 2021

2020

2021

Balance sheet (in thousands of Czech crowns)

Assets

| | | |
|---|----------------|----------------|
| Total assets | 558 510 | 644 145 |
| Fixed assets | 34 829 | 48 487 |
| Intangible fixed assets | 16 008 | 17 000 |
| Software | 16 008 | 17 000 |
| Other intangible fixed assets | 0 | 0 |
| Intangible fixed assets under construction | 0 | 0 |
| Tangible fixed assets | 13 289 | 17 175 |
| Land | 0 | 0 |
| Buildings and structures | 773 | 754 |
| Machinery and equipment | 12 290 | 16 195 |
| Other tangible fixed assets | 226 | 226 |
| Tangible fixed assets under construction | 0 | 0 |
| Long-term investments | 5 532 | 14 312 |
| Ownership interests in controlled or controlling entities | 0 | 0 |
| Loans to controlled or controlling entities | 5 532 | 14 312 |
| Current assets | 517 517 | 587 196 |
| Inventories | 31 766 | 19 237 |
| Materials | 657 | 503 |
| Finished products and merchandise | 2 088 | 1 086 |
| Unfinished production | 29 021 | 17 648 |
| Long-term receivables | 0 | 579 |
| Trade receivables | 0 | 0 |
| Other receivables | 0 | 579 |
| Short-term receivables | 143 621 | 208 503 |
| Trade receivables | 122 190 | 201 205 |
| Receivables from partners and members of an association | 0 | 0 |
| Tax receivables due from state | 15 767 | 3 024 |
| Short-term advances given | 80 | 12 |
| Estimated receivables | 0 | 0 |
| Other receivables | 5 584 | 4 262 |
| Cash and equivalents | 342 130 | 358 877 |
| Cash | 395 | 301 |
| Bank accounts | 341 735 | 358 576 |
| Accruals and deferrals | 6 164 | 8 462 |
| Prepaid expenses | 5 994 | 8 444 |
| Accrued revenue | 170 | 18 |

2020

2021

Liabilities and equity

| | | |
|--|----------------|----------------|
| Total liabilities and equity | 558 510 | 644 145 |
| Owners' equity | 473 400 | 551 061 |
| Share capital | 35 000 | 35 000 |
| Share capital | 35 000 | 35 000 |
| Capital funds | -234 | -234 |
| Gains or losses from revaluation of assets and liabilities | -234 | -234 |
| Funds from profit | 1 459 | 2 594 |
| Other reserve funds | 0 | 0 |
| Statutory and other funds | 1 459 | 2 594 |
| Retained earnings | 341 506 | 402 675 |
| Retained earnings from previous years | 341 506 | 402 675 |
| Profit or loss from current year | 95 669 | 111 026 |
| Liabilities | 83 381 | 91 129 |
| Provisions | 9 218 | 9 663 |
| Other provisions | 9 218 | 9 663 |
| Long-term liabilities | 1 023 | 1 142 |
| Deferred tax liability | 1 023 | 1 142 |
| Short-term payables | 73 140 | 80 324 |
| Bonds issued | 0 | 0 |
| Convertible bonds | 0 | 0 |
| Other bonds | 0 | 0 |
| Payables to banks | 0 | 0 |
| Short-term advances received | 0 | 0 |
| Trade payables | 17 220 | 9 908 |
| Short-term notes payable | 0 | 0 |
| Payables to controlled or controlling entities | 0 | 0 |
| Payables to associates | 0 | 0 |
| Other payables | 55 920 | 70 416 |
| Payable to partners | 0 | 0 |
| Short-term financial assistance | 0 | 0 |
| Payables to employees | 21 828 | 26 166 |
| Payables to social security and health insurance | 10 177 | 10 879 |
| Tax and subsidies due to state | 22 778 | 32 563 |
| Estimated payables | 30 | 30 |
| Other payables | 1 107 | 778 |
| Accruals and deferrals | 1 729 | 1 955 |
| Accrued expenses | 659 | 284 |
| Deferred income | 1 070 | 1 671 |

2020

2021

Income statement (in thousands of Czech crowns)

| | | |
|---|----------------|----------------|
| Revenues from sales of own products and services | 617 188 | 691 294 |
| Revenues from goods sold | 5 163 | 3 675 |
| Cost of sales | 137 929 | 131 502 |
| Cost of goods sold | 3 868 | 3 045 |
| Materials and energy | 15 155 | 10 031 |
| Services | 118 906 | 118 426 |
| Change in inventory of own production | | |
| Own work capitalized | -7 812 | -8 943 |
| Personnel expenses | 358 516 | 419 440 |
| Wages and salaries | 263 609 | 308 540 |
| Social security, health insurance, and other expenses | 94 907 | 110 900 |
| Social security and health insurance expenses | 84 037 | 98 960 |
| Other expenses | 10 870 | 11 940 |
| Value adjustments to fixed and current assets | 11 763 | 13 964 |
| Value adjustments to intangible and tangible fixed assets | 11 763 | 13 964 |
| Permanent value adjustments to intangible and tangible fixed assets | 11 763 | 13 964 |
| Temporary value adjustments to intangible and tangible fixed assets | | |
| Adjustments to inventories | | |
| Adjustments to accounts receivable | | |
| Other operating revenues | 1 315 | 1 169 |
| Revenues from sale of fixed assets | 836 | 793 |
| Revenues from sale of materials | 87 | 23 |
| Other operating revenues | 392 | 353 |
| Other operating expenses | 4 137 | 1 733 |
| Net book value of fixed assets sold | 518 | 64 |
| Net book value of materials sold | 0 | 0 |
| Taxes and fees | 481 | 671 |
| Provisions and complex prepaid expenses | 2 790 | 445 |
| Other operating expenses | 348 | 553 |
| Operating profit or loss | 119 133 | 138 442 |
| Revenues from long-term investments – shares | 0 | 0 |
| Revenues from shares in controlled or controlling entities | 0 | 0 |
| Other revenues from shares | 0 | 0 |

| | 2020 | 2021 |
|---|----------------|----------------|
| 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 | | |
| Interest income and similar income | 2 370 | 1 265 |
| Interest income and similar income from controlled or controlling entities | 0 | 0 |
| Other interest and like income | 2 370 | 1 265 |
| Adjustments and provisions in the finance area | 0 | 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 | 491 | 457 |
| Other financial expenses | 3 078 | 2 847 |
| Profit or loss from financial operations | -217 | -1 125 |
| Profit or loss before tax | 118 916 | 137 317 |
| Income tax | 23 247 | 26 291 |
| Current income tax | 23 031 | 26 173 |
| Deferred income tax | 216 | 118 |
| Profit or loss after tax | 95 669 | 111 026 |
| Transfer of profit to partners | 0 | 0 |
| Profit or loss for the current period | 95 669 | 111 026 |
| Net turnover for the current period | 626 527 | 697 860 |

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

for the year ending 31 December 2021

(in thousands of Czech crowns)

| | | |
|--------------------------------------|---|---------|
| P. | Balance of cash and equivalents at beginning of reporting period | 342 130 |
| Cash flows from operating activities | | |
| Z. | Profit or loss before tax | 137 317 |
| A. 1 | Adjustments for noncash operations | 12 415 |
| A. 1 1 | Depreciation and amortization of fixed assets and adjustments thereto | 13 964 |
| A. 1 2 | Change in adjustments and provisions | 445 |
| A. 1 3 | Gain or loss from disposal of fixed assets | -729 |
| A. 1 4 | Dividends and like income | 0 |
| A. 1 5 | Net interest expense except as capitalized into fixed assets | -1 265 |
| A. 1 6 | Other adjustments for noncash operations | 0 |
| A. * | Net cash flow from operating activities before tax and working capital changes | 149 732 |
| A. 2 | Change in noncash items of working capital | -47 820 |
| A. 2 1 | Change in accounts receivable and temporary asset accounts | -67 759 |
| A. 2 2 | Change in short-term accounts payable and temporary liability accounts | 7 410 |
| A. 2 3 | Change in inventories | 12 529 |
| A. 2 4 | Change in short-term investments not included in cash and equivalents | 0 |
| A. ** | Net cash flow from operating activities before tax | 101 912 |
| A. 3 | Interest paid except as capitalized into fixed assets | 0 |
| A. 4 | Interest received | 1 265 |
| A. 5 | Income tax paid and tax additionally charged | -26 291 |
| A. 6 | Dividends and like income received | 0 |
| A. *** | Net cash flow from operating activities | 76 886 |
| Cash flows from investing activities | | |
| B. 1 | Acquisition of fixed assets | -27 622 |
| B. 2 | Proceeds from sale of fixed assets | 729 |
| B. 3 | Loans and credits to related parties | 0 |
| B. *** | Net cash flow from investing activities | -26 893 |
| Cash flows from financing activities | | |
| C. 1 | Changes in long- and short-term liabilities | 119 |
| C. 2 | Effect on cash and equivalents of changes in owner's equity | -33 365 |
| 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 | -31 500 |
| 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 | -1 865 |
| C. 2 6 | Dividends and like payments made, inclusive of tax paid | 0 |
| C. *** | Net cash flow from financing activities | -33 246 |
| F. | Net increase/decrease in cash | 16 747 |
| R. | Balance of cash and equivalents at end of reporting period | 358 877 |

STATEMENT OF CHANGES IN EQUITY

for the year ending 31 December 2021

(in thousands of Czech crowns)

Business name or other
name of reporting entity

OKsystem a.s.

Registered office or address
of reporting entity

Na Pankráci 125
140 21 Prague 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 fund | 0 | 0 | 0 | 0 |
| G. | Other funds from profit | 1 459 | 3 000 | 1 865 | 2 594 |
| 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 | 437 175 | 0 | 34 500 | 402 675 |
| K. | Profit or loss for the reporting period after taxation | XX | 111 026 | XX | 111 026 |
| * | Total | 473 400 | 114 026 | 36 365 | 551 061 |

VII.

Notes to the financial statements for the financial year from 1 January 2021 to 31 December 2021

(prepared in accordance with §39 et seq. of Decree No. 500/2002 Coll.)

I. Basic information (Decree §39/1/a)

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

■ A. 1. Reporting entity identification

| | |
|--|--|
| Business name: | OKsystem a.s. |
| Registered office: | Na Pankráci 125, 140 21 Prague 4 |
| 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 2021 |
| Annual report presentation date: | 22 April 2022 (day of completing financial statements) |
| Reporting entity category (§1b of the Accounting Act): | Large |
| Signature of the corporate body: |  |

Prepared by: Zuzana Hořová

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

■ A. 2. Description of changes and amendments made in the Commercial Register within the most recent period

During the period 1 January 2021 to 31 December 2021 no changes occurred in the Commercial Register.

■ A. 3. 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
Sales Division | Financial Division | Personnel and Operations Division

As of 1 July 2021, the Business Development Division has been dissolved after reorganization.

Within 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)

B. General accounting principles

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.

■ B. a. 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.

■ B. b. Method of compiling the financial statements as of 31 December 2021

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.

■ B. 1. 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), as well as the items described below.

B. 1. a) 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.

B. 1. b) Valuation of internally produced inventories

There are no internally produced inventories.

■ B. 2. Method for determining changes in asset values (depreciation, amortization, and adjustments)

B. 2. a) Depreciation and amortization of tangible fixed assets

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

Basic principles of the accounting depreciation and amortization plan:

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 follow:

| Intangible fixed assets | 3 years* | Tangible fixed assets | |
|--|----------|-----------------------|----------|
| * unless specified otherwise in a contract | | Buildings | 50 years |
| | | Furniture | 5 years |
| | | Machinery and devices | 3 years |
| | | Vehicles | 5 years |

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).

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.

■ B. 3. 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:

| Rate | Assets and liabilities |
|----------------|--|
| 24.860 CZK/EUR | Trade receivables and payables, loans, cash, bank accounts, temporary and estimated accounts |
| 21.951 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

C. 1. a) 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., 580 5th Ave, Suite 820, New York, NY 100 36 | 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

Receivables: none

Payables: none

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



333

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., 580 5th Ave, Suite 820, New York, NY 100 36 | 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 Section 22a (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 2021.

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

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

| Employee category | Average full-time equivalent number for period |
|-------------------|--|
| Management | 63 |
| General staff | 251 |
| Administration | 19 |

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 | 16 270 |
| Supervisory Board | 0 |

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

| | |
|---|----------------|
| Distributable profit for the 2021 accounting period | 111 026 |
| Advances to shares in profit paid out | 0 |
| Final profit for settlement | 111 026 |

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 | 402 675 | 111 026 | 513 701 |

6. Fixed assets data

6. a. 1. Additions to and disposals from fixed assets for the accounting period at acquisition costs (CZK thousands)

| Intangible assets (CZK thousands) | Starting balance | Ending balance | Additions | Disposals |
|---|------------------|----------------|-----------|-----------|
| Software | 7 641 | 7 641 | 0 | 0 |
| Self-produced software | 42 600 | 31 428 | 8 943 | 20 115 |
| Tangible assets (CZK thousands) | Starting balance | Ending balance | Additions | Disposals |
| Buildings | 945 | 945 | 0 | 0 |
| Machinery and equipment (computers, HW) | 45 502 | 50 139 | 4 637 | 0 |
| Vehicles | 16 007 | 18 627 | 5 327 | 2 707 |
| Furniture | 3 287 | 3 287 | 0 | 0 |
| Works of art | 226 | 226 | 0 | 0 |
| Long-term investments at acquisition cost (CZK thousands) | Starting balance | Ending balance | Additions | Disposals |
| Loans and credits – substantial influence | 15 181 | 24 180 | 8 999 | 0 |

6. a. 2. 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 | -6 840 | -7 296 | 0 | 0 |
| Self-produced software | -27 393 | -14 773 | 0 | 0 |
| Tangible assets | Depreciation | | Adjustments | |
| | Starting balance | Ending balance | Starting balance | Ending balance |
| Buildings | -172 | -191 | 0 | 0 |
| Machinery and equipment (computers, HW) | -41 196 | -43 760 | 0 | 0 |
| Vehicles | -8 644 | -9 227 | 0 | 0 |
| Furniture | -2 666 | -2 871 | 0 | 0 |
| Long-term investments – balance and change of adjustments (CZK thousands) | Acquisition cost | Adjustment | Change in adjustment for period | |
| Loans and credits – substantial influence | 24 180 | 9 868 | 219 | |

7. Breakdown of deferred income tax (CZK thousands)

Character of deferred tax: liability. Starting balance of deferred tax: CZK 1,023,000 (L)

| Deferred tax title (CZK thousand) | Amount | Income tax rate | Deferred tax | L = Liability |
|---|--------|---|--------------|---------------|
| Difference between accounting residual value and tax residual value of fixed assets | 6 008 | 19 % | 118 | L |
| Ending balance of deferred tax as of balance sheet date | | CZK 1,141,000 (Liabilities × tax rate) | | |
| Change in deferred tax for current period | | CZK 118,000 (Ending balance - Starting balance) | | |

8. Transactions with related entities

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

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.

VIII.

Other information

From 1 January 2022 to May 2022, there occurred no new circumstances that could substantially influence OKsystem's economic situation. OKsystem has financially supported Ukraine, opposes the incursion of Russian troops into Ukraine, and condemns military conflicts waged anywhere in the world. A financial donation for Ukraine was made through the charity organization Charita Česká republika. Together with the expert management of the Ministry of Labor and Social Affairs, OKsystem's specialists designed and made operational in record time the receiving of applications, processing, and payment of the humanitarian benefit and the contribution for solidarity households. The going concern principle as it relates to the accounting entity has not been compromised in any way.

OKsystem did not take part during 2021 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 projects the results from research and development achieved in previous years. Internal research and development 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, 5 May 2022



Martin Procházka
Chairman of the Board of Directors

Key customers



Ministerstvo zahraničních věcí
České republiky



MINISTERSTVO ZEMĚDĚLSTVÍ



Státní zemědělský intervenční fond

SZIF



VŠEOBECNÁ FAKULTNÍ
NEMOCNICE V PRAZE

Dr.Max⁺



IX.

Report on relations between related entities for 2021 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 during 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(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 31 March 2022

On behalf of the Supervisory Board:

Eva Vodenková




Chairwoman of the Supervisory Board of OKsystem a.s.

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 (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 580 5th Ave, Suite 820, New York, NY 100 36, 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. |
| Custom SW development under standard conditions. | None were carried out. | Supplied as part of a contract for lease. |
| 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. 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 2022



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

X.

Report on the financial statements and auditor's opinion

Ing. František MEIERL - auditor's certificate no. 1160

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 2021
to 31 December 2021.**

Annexes: Balance sheet

Income statement

Notes to the financial statements

Cash flow statement

Statement of changes in equity

Prague 5 Zličín, 22 April 2022

Lačnovská 377/8
155 21 Praha 5 – Zličín
Fax no : 257 952 310

Mobile: 602 360 426
Phone : 257 950 609
KB current account no: 195800410297/0100

ID NO.: 44350325
Tax ID No.: CZ6404192366
Email: meierl@meierl.cz

REPORT OF THE INDEPENDENT AUDITOR

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 also as the "Company") prepared on the basis of Czech accounting regulations and comprising the balance sheet as of **31 December 2021**, the income statement, statement of changes in equity, and cash flow statement for the year ending **31 December 2021**, 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 2021, as well as of its expenses, revenues, profit, and cash flows for the year ending 31 December 2021 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 noncompliance 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 Company'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 further 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.

Prague 5 Zličín, 22 April 2022

*The auditor performing the audit was **Ing. 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
under Certificate No. 1160.*



*Ing. František MEIERL
Auditor Certificate No. 1160*

OKsystem

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