ANNUAL REPORT
2020

ZKUŠEBNICTVÍ, a. s.

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INTRODUCTION

The health crisis that exploded in early 2020 has had a dramatic impact on the world, and when implementing the 2020 budget it is necessary and appropriate to remember how the Company - even in the midst of a comprehensive reorganization and integration project recently acquired by KEMA - was able to face and respond to: an epoch-making event, the Covid-19 pandemic, which undermined economic and social priorities at the global level.
The protection of the health and safety of employees was the first priority pursued by CESI, in addition to implementing appropriate measures to protect the production organization, ensure business continuity and provide services to customers, despite the exceptional nature of the context.
However, the Covid-19 pandemic has had a very negative impact on society, especially following the measures taken to reduce travel, albeit to varying degrees, around the world. Therefore, the reading of the financial statements for the year just ended cannot ignore this necessary assumption.
CESI Group closes 2020 with EBITDA of EUR 7.9 million, an operating loss of EUR 9.6 million and a net debt of EUR 87.1 million following the completion of the acquisition of KEMA's European companies in December 2019 and the completion of the acquisition of related US companies in March 2020.
The consequences of the pandemic prevented the efforts to grow activities abroad, which CESI decided to achieve by using the larger production capacity resulting from the acquisition of KEMA laboratories. Revenues reached EUR 121.0 million at the end of 2020, an increase of only EUR 3.2 million compared to 2019. The decline in activity caused by the pandemic almost completely offset the impact of the consolidation of KEMA's volumes. In this context, the modest growth in the Group's consolidated revenues was not sufficient to support a wider range of costs, especially fixed costs.
Despite this unpredictable and exceptional scenario, CESI, partially offsetting the effects of the pandemic on trade volumes, carried out important interventions such as the sale of the SIRF business unit, the sale of Guidonia assets and debt collection, which generated a total EBITDA impact of EUR 7.2 million and cash of EUR 9.6 million and was able to accelerate the actions envisaged in the CESI-KEMA integration plan and achieve important synergies estimated at EUR 4.8 million in EBITDA.
The pandemics and subsequent new ways of organizing work did not in fact hinder KEMA's integration process with CESI, which continued with the definition and implementation of a new Testing Inspection and Certification Division, now operating through the KEMA Laboratory brand through a global coordination structure of various national laboratories. a team for reworking business processes in the logic of best practices, a new and more modern IT architecture for business support, as well as the migration of all major group companies to a single SAP system and the transition to outsourcing (BPO) of business support services (so-called "shared services"), initially, as regards the acquired companies of KEMA. All this has been achieved in nine months, working remotely in digital mode, and has also made it possible to speed up the realization of the synergies envisaged in the integration

plan, to exceed the original 2020 targets and to achieve a workforce reduction of around 9%. total workforce (94 departures in 12 months).
At the end of 2020, the number of employees at the consolidated level was 878, which is 40 units less than at the beginning of the period, thanks to redundancy incentives carried out in accordance with the CESI post-consolidation integration plan within the perimeter of 29 US KEMA companies acquired during 2020.
The COVID emergency confirmed the central role that health and safety plays for the group, which has always been a priority for CESI. During 2020, various initiatives were supported in favor of employee protection: from a massive supply of medical supplies to carrying out tests and analyzes to detect infections, from redefining procedures for using safe workplaces`` extensive use of smart work, organizing vaccination campaigns for employees. In general, the change in the way technology works, which requires a different organization of staff time, has accelerated.

Marcello Biroli
Chairman of the Board

1.1 Mission of Our Company

The mission of our company is to provide testing and engineering services for research, development and manufacture in the energy industry and power-current electrical engineering industry, primarily in the following fields:

- manufacture and use of power-current machinery, equipment and devices;
- electric power generation and transmission;
- quality of power current products.

1.2 Basic Company data

Trade name:	Zkušebnictví, a. s.
Legal form:	Company limited by shares
Registered office:	Podnikatelská 547, 190 11 Prague 9 Běchovice
Date of creation::	1st May 1992
Lines of business:	Production, trading and services not listed in Appendices 1 through to 3 of the Trades Act
Statutory body:	Chairman of the Board Marcello Biroli CESI Group, Italy Member of the Board Domenico Villani CESI Group, Italy

Authorization to act on behalf of the company:	Each member of the Board of Directors may act for the company severally.
Other bodies of the company:	SUPERVISORY BOARD Aaldert David van de HEL The Netherlands
Shares:	2 000 ordinary inscribed shares with nominal value 1,000 CZK. The shares are in the form of materialized shares.
Registered capital:	2 000 000 CZK, paid-up investment 100 %
Balance Sheet date:	31st December 2020
Period under review:	1st January 2020 to 31st December 2020

1.3 ORGANIZATIONAL STRUCTURE

The organizational structure of the company in 2020 is displayed as the chart shown in a Fig 1 below:

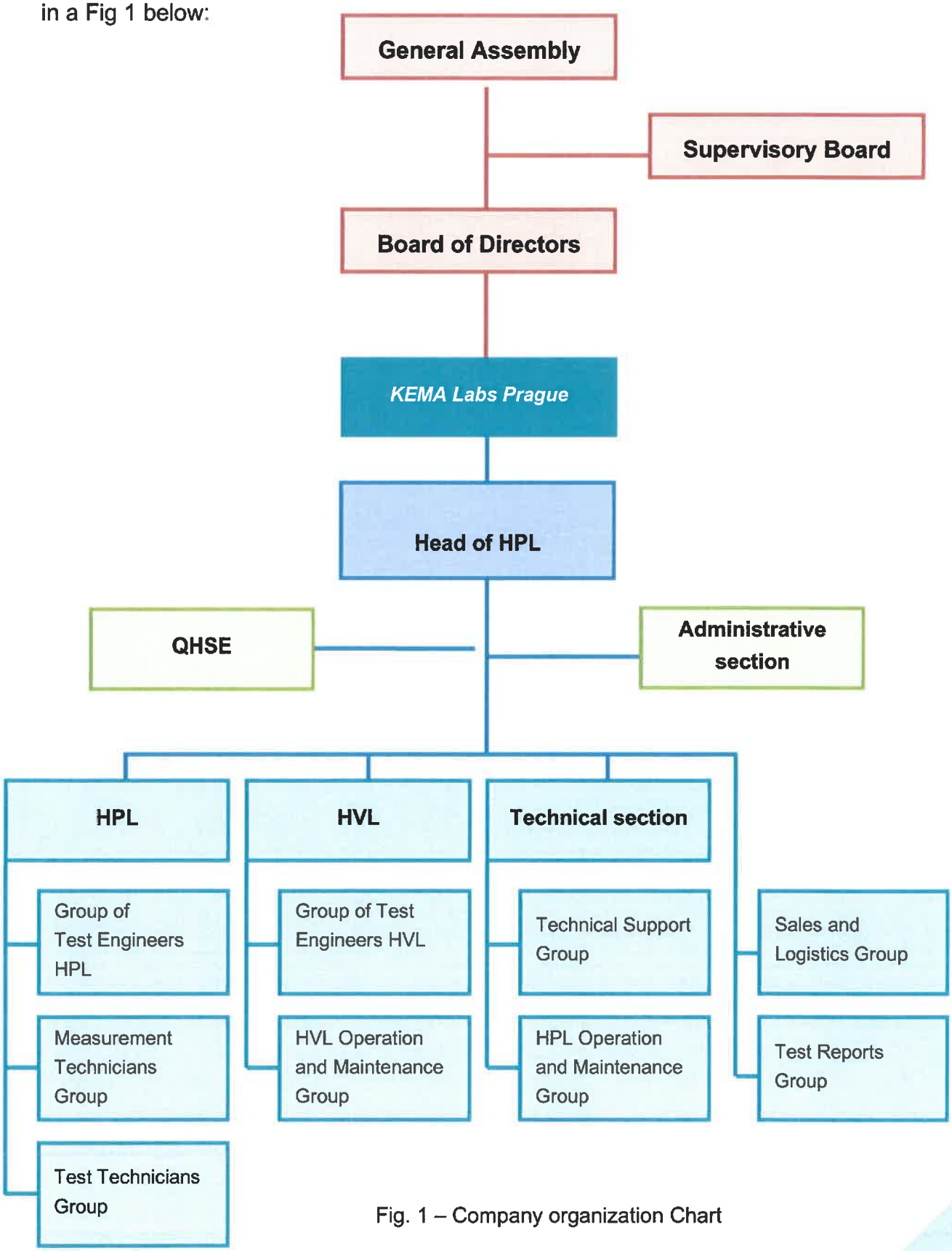

Fig. 1 – Company organization Chart

1.4 CORE ACTIVITIES OF ORGANIZATION UNITS

Head of HPL

The company is led by the Head of HPL, who stands in the position of the company chief executive officer.

The Head of HPL manages and carries out company tasks under the authority conveyed onto him by the company's Board of Directors, whereas such tasks primarily include:

a) enforcement of decisions made by the company statutory bodies
b) management of the company business activities
c) administration, control and supervision over the operations of the Kema Labs Prague testing laboratory
d) handling of the company's operational affairs
e) execution of the company's employment rights
f) issuance of internal procedures
g) proposing of organizational structuring and competencies of the relevant organizational sections of the company
h) delegation of authority for the company employees to sign documents on behalf of the company, within their ordinary sphere of competence
i) responsibility for legal compliance of the company business
j) responsibility for keeping records, accounting and other documents of the company as consistent with the law
k) proceeding on behalf of the company, except in affairs reserved for the exclusive authority of the board of directors.

The company is structured as the following organizational sections:

a) Sections
b) Group

Each organizational section is headed by a HoS (Head of Section) fully responsible for all activities, whether performed or procured, by his/her supervised section, as consistent with the Organizational Rules and internal management rules

KEMA Labs Prague

Kema Labs deliver performance testing of high power equipment pursuant to the terms of the laboratory's accreditation and customer requirements.

Administrative Section

Provides personnel agenda, accounting, economic agendas and asset management. This department works with external service provider Accenture to secure its agenda.

QHSE section

It implements and maintains a management system and metrology in accordance with the requirements of ISO 17025 and ISO 9001 and the HSE system according to ISO 14001 and ISO 45001 for KEMA Labs Prague.

HPL Section

HPL Section is in charge of consulting test programs with customers and with Sales Department. HPL participates in preparing the test plans for the High Power Laboratory. HPL also prepares and performs tests in the High Power Laboratory and measuring during testing.

In cooperation with the Head of HPL, it participates in preparing the High Power Laboratory strategy and development concept.

Furthermore, HPL cooperates with Quality Manager and Q HSE Coordinator on the implementation and maintenance of Management and Metrology System and QHSE System.

HVL Section

HVL department is in charge of consulting testing programs with customers and with Sales Department. HVL participates in preparing testing plans for the HV Laboratory. HVL also prepares and performs tests in the High Voltage Laboratory and measuring during the testing.

This department is responsible for the operation and maintenance of the High Voltage Laboratory testing equipment and instruments.

In cooperation with the Head of HPL, Section HVL participates in preparing the Voltage Laboratory strategy and development concept.

Furthermore, HVL cooperates with Quality Manager and QHSE Coordinator on the implementation and maintenance of the Management and Metrology System and QHSE System.

Technical Section

Technical Section is responsible for the operation and maintenance of laboratory test equipment and instruments and associated technologies. It prepares the test objects to be for tests, including handling of the test objects.

In cooperation with the Head of HPL, Technical Department also participates in preparing the Laboratory strategy and development concept.

Furthermore, Technical Department cooperates with Quality Manager and QHSE Coordinator on the implementation and maintenance of the Management System and QHSE System.

Sales and Logistics Group

Sales and Logistics Group is in charge of the company marketing and sales activities. It takes care of customs and transport services, as well as services for foreign customers. The Group consults test programs with customers, and depending on any specific needs and test parameters, they cooperate with HPL and HVL.

Sales and Logistics Group closely cooperates with the sales department of CESI Group.

Test Reports Group

Provides processing and issuance of test reports and sends them to customers.

1.5 Employees

In 2020, the number of full-time employees employed by the company was 41 people; as at 31st December 2020, the company held the staff of 36 employees.

Managerial Staff:

Head of HPL, HVL & Operation:	Ing. Robert Jech
Head of HPL:	Ing. Martin Vaniš
Head of HVL	Ing. Dejan Ćurćić
Head of Assets Management:	Ing. Jan Haramul

2 REPORT OF THE BOARD OF DIRECTORS ON THE COMPANY´S BUSINESS AND ASSETS IN 2020

2.1 BUSINESS ACTIVITIES

In the context of its mission and lines of business, the company operates in the sector of services for manufacturing industries and power engineering. The company provides its services worldwide, whereas the majority of customers come from Europe.

In 2020, 202 companies showed interest in the services of Zkušebnictví, a. s. in the field of testing the high-current equipment from which we received 361 requests, and subsequently we prepared 287 offers in the total volume of approximately CZK 203,400 thousands. The most significant and regular customers were:

Siemens Russia, Togliatti Russia, ABB global (Sweden, Switzerland and the Czech Republic), SVEL Russia, TexPi Brasil, TBEA China, ETI Slovenia, Mersén France, YuAIZ Russia, Altawakol Egypt and others.

Overview of the 30 most important customers, incl. their volume is shown in Fig. 1.

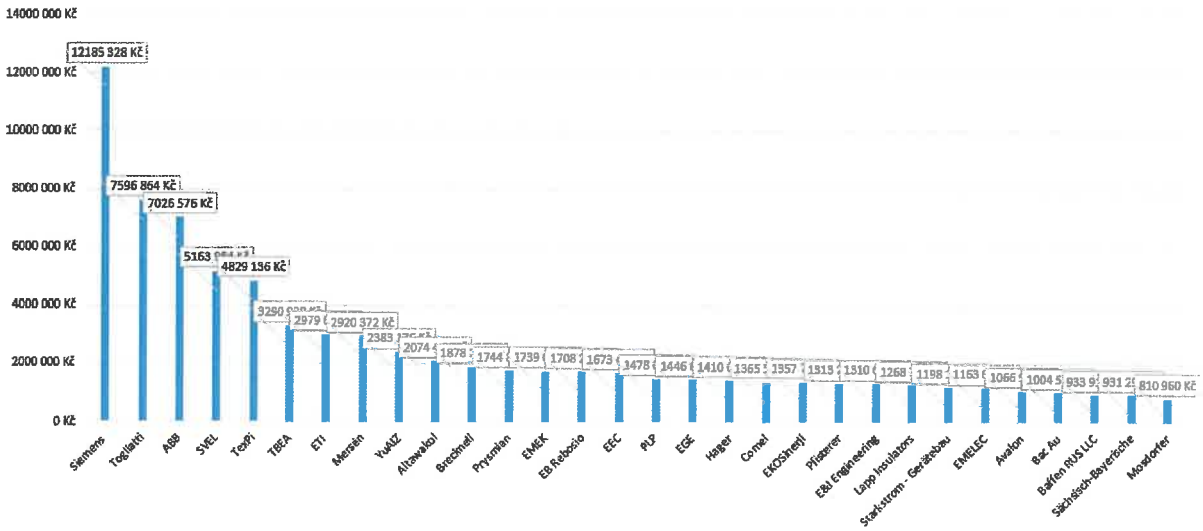

Fig. 1 - 30 most important customers in 2020 in CZK

Furthermore, it contributed to the successful operation of the company in European and non-European markets with regional sales representatives, see Fig.2 .

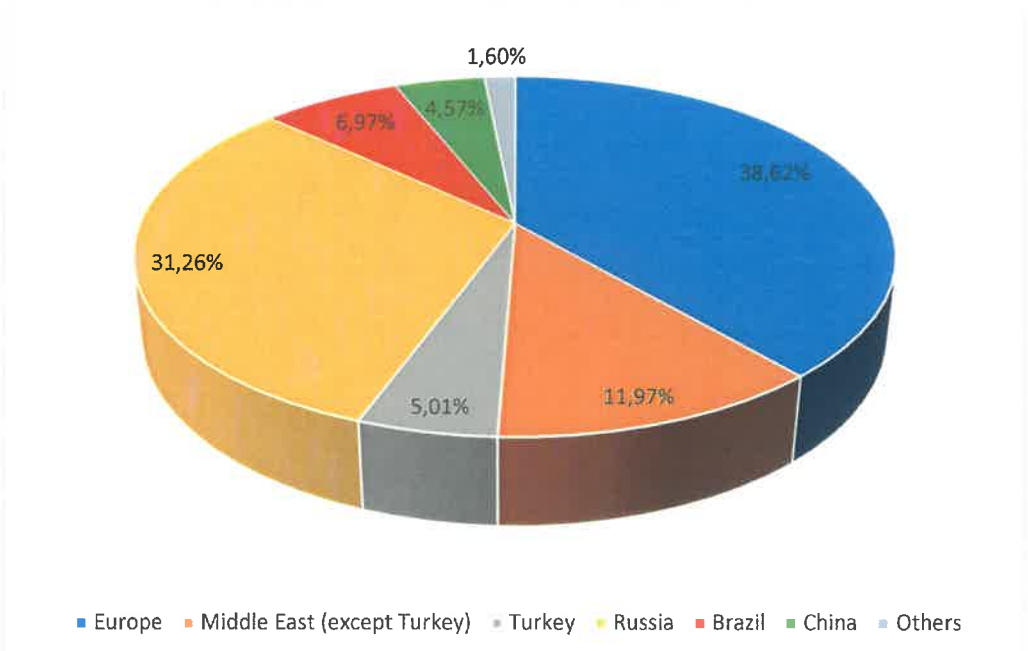

Fig 2 - Distribution of orders by regions

2.2 TEST ACTIVITIES

2020 was significantly marked by the global coronavirus pandemic and COVID-19. The first two months of 2020 proceeded standardly according to the plan, but since March 2020, the restrictions that accompanied the above-mentioned pandemic influenced the services.

The travel restrictions were the most significant effect and we had to deal with the fact that customers could not come to our laboratory. As a result, a number of test projects were postponed or canceled, especially in April, May and June. Meanwhile, thanks to the efforts of our employees, we have managed to develop a test method "without the presence of the customer" in the laboratory, where the test is streamed by using video technology and the preparation of the tested equipment is carried out by our employees or subcontracted.

Due to this fact especially in the second half of the year, a substantial part of the planned test projects was implemented, however, even this approach failed to prevent the decline in achieved revenues compared to the plan.

In 2020, KEMA Labs Prague, the testing laboratory performed a total of 122 test programs, of which 102 programs were implemented in the high-power laboratory (HPL) and 20 programs in the high-voltage laboratory (HVL).

The share of the HPL laboratory in test revenues was 93% and the HVL laboratory 7%. The average price for one test program in the HPL laboratory was CZK 833,200 and in the HVL laboratory CZK 342,800.

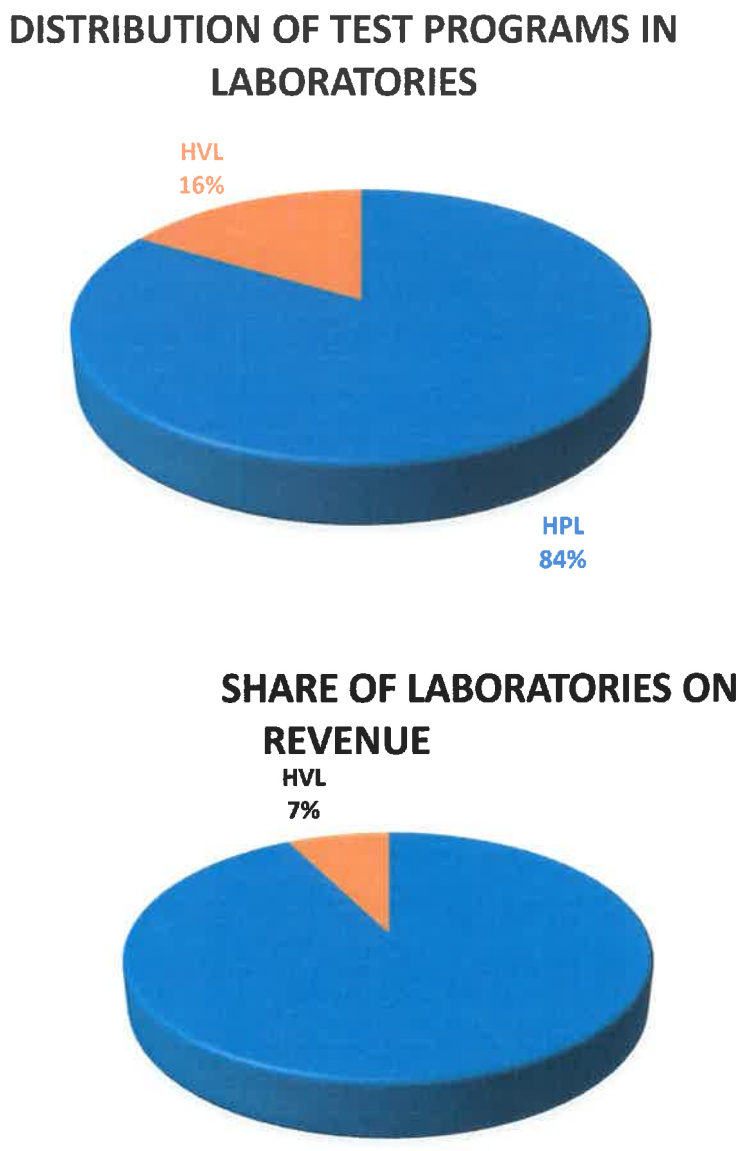

Fig. 3 - The share of Laboratories in the company's results

HPL Section

In 2020, cooperation with Russian customers in the field of power transformers testing was revived. We have continued our successful cooperation with SVEL, Togliatti and Siemens, with whom we have implemented several important projects. Cooperation with external companies, which prepared transformers for testing when the manufacturer was unable to arrive at the laboratory, greatly contributed to the implementation of these projects.

At the time of the COVID restrictions, the area of fuse testing (AC and DC) was successfully developed. Here we have carried out a number of projects for ETI Slovenia and Mersen France.

Another area of testing that had a significant presence in 2020 was power arc short-circuit testing. In addition to the traditional tests of insulator suspensions, we have implemented several internal arc short-circuit test projects in current transformers. One of the most important project was done for ABB Sweden - an internal arc short circuit on an 800 kV transformer.

In addition to these three important areas, we have implemented "traditional" projects - tests of DC devices and tests on switching devices up to 36 kV.

Due to the coronavirus pandemic and the negative impact on the company's revenues, investment projects were suspended, and the main effort was devoted to the possibility of testing without the presence of the customer. The laboratory equipped itself and developed a methodology for communication with the customer during the remote tests - IP cameras were purchased, the possibility of online sharing of measured data and online communication during the test.

Other implemented investment projects were in the nature of renewing existing equipment to ensure standard operation (preparation of server replacement for the MARS system) or completion of already started projects (preparation of the installation of a new Dynex rectifier).

HVL

The coronavirus pandemic also had a negative impact on the operation of the HVL laboratory. This fact was reflected in the number of orders and the total revenues of the laboratory. The inability of customers to arrive and their direct participation in test projects was replaced by the introduction of online transmissions and communication during the test, as well as in the HPL laboratory.

Even in 2020, the HVL laboratory continued to implement standard test projects. The greatest interest was in the testing of switchboards and busbar systems for low voltage and high voltage switchgear.

The biggest projects in 2020 were Nanyang China, UMR Emeco Egypt a Comel Serbia.

The new workplace for long-term tests with thermal cycles had a positive benefit for the HVL laboratory. This workplace was occupied for a substantial part of 2020.

Other significant achievements in 2020 include the expansion of the test portfolio to verify mechanical resistance (IK code) and the implementation of a temperature rise tests on the highest device ever - 245 kV disconnector, which reached a height of 6 m (the highest possible height of the tested equipment in the HVL laboratory).

The further development and future of our HVL laboratory depends on its position within the CESI group. The cooperation with high-voltage laboratory EGU – that was developed in the past - has been suspended, and no project has been implemented in cooperation with ERDA's Indian laboratory.

Assets Management

Due to the new owner and the coronavirus pandemic, no new investment projects were implemented in 2020. We focused on completing the investment project to replace control cables that had already started and which was successfully completed in the first quarter of the year.

In 2020, the installation of a new DYNEX rectifier for the implementation of DC tests was also planned. For this reason, we moved the old rectifier to a new location and connected it to the test circuit.

Employees of Technical Section also participated in the acceptance tests of the new rectifier, which will be completed in 2021.

During 2020, the existing installation was also improved, when the connection of the North workplace to the test circuit was simplified, new Rogowski coils for the North workplace were installed and an auxiliary switch was installed behind test cell no. 4 to simplify the implementation of tests.

Despite all the restrictions due to the coronavirus pandemic, preventive maintenance of laboratory equipment was performed.

In the first quarter of the year, a complete diagnostic of the North generator was performed.

2.3 Business Results

The company achieved the following economic result in 2020 (in k CZK)

Period	Profit before tax	Revenues	Costs*
Year 2020	**2,543**	101,207	98,664
Year 2019	4,937	129,287	124,350

* Costs are shown without the effect of income tax and deferred tax

In 2020, the turnover from 93.16% is generated from test activities, 1.7% from consulting and engineering activities and 5.14% are financial and other revenues and sales of goods.

Costs in 2020 consist mainly of 33.93% personnel costs, 45.68% power consumption and 13.53% accounting depreciation and 6.86% other costs.

The company's financial situation in 2020 can be characterized as stable. All obligations to the state, social and health insurance companies and employees were fulfilled in time.

2.4 INVESTMENTS

For the above reasons, no new investment projects were launched in 2020.
The company focused on the completion of those projects that have already started:

- HPL lab control cables replacement
- New rectifier for DC tests in HPL
- Installation of Rogowski coils

2.5 OCCUPATIONAL SAFETY AND IMPACT ON THE ENVIRONMENT

HSE - Healthy Safety Environmental - a term describing a wide range of issues across each field of human activity. It mainly includes safety and health protection at work, occupational hygiene, the impact of the implemented activities on the environment and fire protection. Security, reliability, ergonomics, toxicology, epidemiology, occupational medicine, labor law, psychology and many others are closely related to this issue. The implementation of standards in the field of HSE is a

permanent and integral part of the company's management, which is reflected from top management to all executive positions and is taken into account in contracts with external suppliers and is also an integral part of contractual conditions with our customers.

The company is certified according to ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018. In 2020, an external audit was carried out by CQS.

The requirements of the corporate system are implemented into the operational practice of the company (continuous updating of Internal Service Instructions and Operational Procedures) implementing the principles of HSE within the Czech Republic. Daily practice in the field of HSE focused on raising awareness of HSE standards through training and practical exercises of required skills. Inspections, revisions, audits were focused so that the company's operations were in accordance with applicable legislation and standards. An integral part of audits is the control of the elimination of nonconformities and the implementation of the proposed recommendations.

HSE targets which were fulfilled in 2020

- Simplify the QHSE MS documentation (reduction of the number of documents by 10%, simplification of documentation - cancellation of the form of Annex A1 as a document, cancellation of inserting forms into documents as an attachment, etc.;
- Increase the trainings for workers in new skills by 10% compared to 2019 (number of hours per worker);
- Evaluate QHSE KPIs and reward the best achievements in QHSE (no injuries, no near miss, KPIs, correct emergency response, certificates obtained, number of hours of training per employee);
- Accredit the company according to the new standard ČSN EN ISO / IEC 17025: 2018;
- To increase the training of employees in the field of laboratory activities by 10% compared to 2019 (number of hours per employee, seminars and training CAI (Czech Accreditation Institute), metrology, interlaboratory comparisons, internships in Arnhem and Chalfont).
- Increase the training of employees in other professional areas by 10% compared to 2019 (number of hours per employee, Time management, Situational leadership, Assertive behavior, Sales skills...);
- Ensure a 50% success rate in obtaining customer feedback (see "Customer Satisfaction Survey DNV GL");
- Increase the quality of communication with customers during the final meetings - evaluation of the course of the test shift / visit (directly by managers or the director).
- Include measurement uncertainties in HVL protocols based on calculation.

- No deaths;
- No injuries with permanent consequences;
- No occupational diseases;
- Increase safety during tests (visible grounding of test objects, clear and unambiguous light signals, electronic door systems...);
- Increase the number of reported "Near miss" by 10% compared to 2019;
- Increase the number of "HSE visits" by 10% compared to 2019;
- Use and apply the system of rewards and sanctions (contractual HSE requirements...);
- Ensure the identification of visits (customers, suppliers of works and services, other visits) in the form of a company identification card.
- Ensure the access to the office for selected employees
- No oil spills into the sewerage and surroundings;
- Manage waste management with regard to recycling and its further possible use;
- Continuously optimize the regulation of heating and ventilation with regard to the careful use of energy;
- Support alternative ways of transport - public transport;
- Continuously monitor and continuously reduce the company's environmental impact.

For 2021, QHSE Targets will be announced within the integrated QHSE (Quality, Health, Safety and Environment) management system.

2.6 ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

The company did not carry any research or development programs in 2020

2.7 THE COMPANY´S BUSINESS PLAN FOR THE YEAR 2021

The business plan for 2021 is based on the exclusive focus of the company's business activities on test activities. The 2021 plan is affected by the continuation of the global coronavirus pandemic and is based on the assumption that the first half of the year will still be significantly affected. We expect the situation to improve in the third quarter due to the launch and positive impact of coronavirus vaccination, and the fourth quarter, traditionally the strongest commercially expected, should mean a return to normal.

Furthermore, in 2021, the integration process within KEMA Labs and the creation of a unified, integrated and efficient company will be reflected, where each laboratory will have its own place and portfolio of tests.

The main goals for 2021 include:

- Ensure the economic balance of the company's finances by fulfilling the planned revenues
- Harmonization of management processes and full implementation of the SAP system
- Harmonization of business systems and implementation of the SalesForce system
- Harmonization of test protocols and tools for their processing within CESI Group - KEMA Labs
- Increase the efficiency of the local team with a priority focus on the implementation of test projects, integration of HVL and HPL workplaces
- Stabilize testing activities in the area of specialization of the Prague laboratory within KEMA Laboratories
- Increase the DC test parameters by installing a new rectifier - complete the installation of the new rectifier
- Continue to modernize test equipment, incl. increasing the reliability and service life of existing equipment
- Stabilize the employee team and make its operation more effective
- Improve the conditions of safety and health protection at work and reduce the risks of the company's impact on the environment

For the year 2021, it is planned to carry out 150 test shifts in the high-power laboratory and 67 test shifts in the high-voltage laboratory. Total revenues from test activities are planned in the amount of CZK 78,000 thousand.

The partial goals of individual sections are the following:

<u>Section HPL</u>

- To increase the productivity of testing, especially in the area of our specialization (tests of disconnectors and earthing switches, tests of fuses and DC tests)
- To make the preparation of explosion tests at the workplace NORTH 1 more effective

- Continue to develop new test methods, especially in the area of fuse testing.
- Actively participate in cooperation among test engineers within KEMA laboratories and to develop technical know-how
- Actively cooperate within STL
- Optimize the test team and expand cooperation with the HVL test team
- Development of new devices in the field of measurement, equipping workplaces with measuring sensors

Section HVL

- Expand the portfolio of accredited tests with tests of thermal cycles and IK codes
- Intensify the cooperation on test projects of the HVL workplace, expand the qualification of test engineers with tests implemented in HPL

Technical section

- Implement the investment projects in the category of renovation and improvement of existing test facilities (repair of the test yard, equipment of the NORTH 1 workplace for explosive tests, improvement of work at heights)
- Continuous maintenance and care of test equipment to ensure the smooth implementation of test projects
- Prepare the second stage of 22 kV power cable renewal
- Analyze the cause of the failure of the North short-circuit transformer, phase S, prepare a repair plan
- Streamline cooperation within teams for the preparation of test objects and test circuits, increase substitutability and use of employees
- To increase the knowledge of the group for the preparation of the test circuit about the properties and parameters of individual components of the test circuit and their connection

Sales and Logistics Group

- Participate in the preparation of business strategy and development of KEMA Labs Prague in cooperation with the global sales department
- Implement a new CRM system and Sales Force for sales offers preparation system
- Ensure that the laboratory is occupied in accordance with the business plan

Test Reports Group

- Introduce a uniform format for test documents within the KEMA Labs group
- Streamline the processing of test protocols and reduce the time required for their issuance.

Q HSE targets for the year 2021:

General:

- Convert the QHSE MS documentation to the CESI format and simplify the documentation as part of a new revision (abolition of the form of Annex A1 as an own document, abolition of the insertion of forms into documents as an attachment, etc.)
- Increase the training of workers in new skills by 10% compared to 2020 (number of hours per worker, English lessons...)
- Evaluate QHSE KPIs and reward the best achievements in the field of QHSE (no injuries, Near miss, KPIs, correct emergency response, certificates obtained, number of trained hours per employee...)

Test activities:

- Increase training of employees in the field of laboratory activities by 10% compared to 2020 (number of hours per employee, metrology, interlaboratory comparison, internships within the CESI group)
- Laboratory re-accreditation according to ČSN EN ISO / IEC 17025: 2018

Quality:

- Increase the number of trainings for employees in other professional areas by 10% compared to 2020 (number of hours per employee, seminars and training of CAI, Time management, Situational leadership, Assertive behavior, Sales skills...)
- Ensure a 50% success rate of customer feedback
- Increase the quality of communication with customers during the final meeting - evaluation of test shift/ visit (directly by managers)
- Include measurement uncertainties in the HVL + HPL protocols based on the calculation

Area of work safety and health protection at work:

- No deaths
- No injuries with permanent consequences;
- No occupational diseases;
- Increase safety during tests (visible grounding of test objects, clear and unambiguous light signals, electronic door systems...);

Environment:

- No oil spills into the sewerage and surroundings
- Manage waste management with regard to recycling and its further possible usage
- Continuously optimize the regulation of heating and ventilation with regard to the careful use of energy
- Continuously monitor and continuously reduce the company's environmental impact

To ensure the company's main goals for 2021, the company's development plan in the area of personnel envisages stabilization and streamlining of work teams, which were affected by the resigning of some employees. Furthermore, it presupposes cooperation within the KEMA Labs group and the use of the synergetic effect of harmonized processes.

3 ORGANIZATION BRANCH OF THE ACCOUNTING ENTITY ABROAD (§21 PAR 2 LETTER E) OF ACT NUMBER 563/1991 COLL.)

The company does not have any organizational branch abroad.

4 OTHER INFORMATION (SEC. 21 PAR. (2) LETTER F) OF ACT N. 563/1991 COLL.)

The company did not acquire or ceded its own shares in the period under review.

5 FACTS AFTER THE BALANCE SHEET DATE

Due to the ongoing global pandemic of coronavirus, we were forced to continue in a limited mode of operation - in the regime of obstacles on the part of the employer in connection with the possibility of drawing a grant "Antivirus" in order to protect the employment.

6 FINANCIAL STATEMENTS

Financial statements as of 31st December 2020 is a part of the Annex to this Annual Report.

7 REPORT ON THE RELATIONS BETWEEN RELATED PARTIES

The relations report is a part of the Annex to this Annual Report.

8 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (AUDITOR´S OPINION

Marcello Biroli
Chairman of the Board

Domenico Villani
Member of the Board

Zkušebnictví, a. s.

Financial statements as at 31 December 2020

Zkušebnictví, a. s.

Financial statements as at 31 December 2020

1. DESCRIPTION OF THE COMPANY

Zkušebnictví, a. s., (hereinafter referred to as the "Company") is a joint-stock company, which was established on 1st May 1992 by entering to the Commercial Register kept at the Municipal Court in Prague under file number 1563, Section B and is domiciled in Prague 9 - Běchovice, Podnikatelská 547, Czech Republic, identification number 45274355.

The main subject of its activity is the testing of high-current electrical equipment, machines and devices.

On 20th January 2020, a change of sole shareholder was registered in the Commercial Register with effect from 30th December 2019 from DNV GL AS, 1363 Høvik, Veritasveien 1, Kingdom of Norway, registration number 945 748 931 to CESI SpA, Milan, via Rubattino 54, Italy, registration number 429 222.

On 20th January, 2020, with effect from 30th December, 2019, changes were registered in the Board of Directors - Mr. Marcello Biroli, Chairman of the Board of Directors, Mr. Domenico Villani, Member of the Board of Directors and Mr. Aaldert David van de Hel as a new member of the Supervisory Board.

The parent company and the sole shareholder of the company is CESI S.p.A. Italy.

The company is part of the consolidation unit of the parent company.

The consolidated financial statements of the narrowest group of entities to which the company as a consolidated entity belongs are prepared in accordance with International Accounting Standards by the parent company CESI S.p.A. These consolidated financial statements can be obtained at the registered office of the consolidating company.

Members of statutory, management, control and administrative bodies as at 31st December 2020:

Board of Directors	
Chairman:	MARCELLO BIROLI
Member:	DOMENICO VILLANI

Supervisory Board	
Member:	AALDERT DAVID VAN DE HEL

2. BASICS OF PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the Accounting Act and its implementing decree, as amended for 2020 and 2019.

The financial statements have been prepared on the assumption that the company will continue to operate as a going concern.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform

with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. GENERAL ACCOUNTING PRINCIPLES, ACCOUNTING METHODS AND DEVIATIONS WITH THESE METHODS

The valuation methods used by the Company in preparing the financial statements for 2020 and 2019 are as follows:

a) Intangible fixed assets

Intangible fixed assets are valued at acquisition prices, which include the acquisition price and acquisition-related costs.

Intangible fixed assets over 1 thousand CZK in 2020 and 2019 is depreciated on the basis of the estimated useful life of the relevant asset.

Amortization

Amortization is calculated on the basis of the acquisition price and the estimated useful life of the relevant asset. The expected useful life is determined as follows:

	Number of Years
Software	4
Other intangible fixed assets	3

Amortization is recognized in the income statement in the item " Value adjustments in respect of intangible and tangible fixed assets - permanent".

b) Tangible fixed assets

Tangible fixed assets are valued at acquisition prices, which include the acquisition price, transport costs, customs duties and other acquisition-related costs.

Tangible fixed assets produced by the company are valued at cost, which includes direct material and labor costs and production overheads. Revenues from the sale of products produced during the tests of these assets before their commissioning are recognized in operational revenues.

Tangible fixed assets over CZK 10 thousand in 2020 and 2019 is depreciated over the economic service life.

The costs of technical revaluation of tangible fixed assets increase their acquisition cost. Reparation and maintenance are expensed.

Depreciation

Depreciation is calculated on the basis of the acquisition price and the estimated useful life of the relevant asset. The expected service life is determined as follows:

	Number of Years
Buildings	30-50
Machinery and Equipment	5-10
Means of transport	4-10
Inventory	5-10
Other tangible fixed assets	10-26

Depreciation is recognized in the income statement in the item "Value adjustments in respect of intangible and tangible fixed assets - permanent".

c) Financial assets

Long-term financial assets consist mainly of 3 shares of Pražská energetika a.s., the value of which as at 31st December is determined on the basis of valuation in the RM System.

Securities are valued at acquisition prices, which include the acquisition price and direct acquisition-related costs, such as fees and commissions to brokers and exchanges. As at 31st December, they are revalued at fair value; the change in fair value is recognized in equity as gain or loss from the revaluation of assets and liabilities.

d) Cash

Cash consists of valuables, cash and money in bank accounts.

e) Supplies

Purchased inventories are valued at cost using the "first in, first out" method (FIFO - the first price for valuing the increase in inventories is used as the first price for valuing the decrease in inventories). The cost of inventories includes the costs of acquisition, including costs associated with the acquisition (eg transportation costs, customs duties, commissions, etc.).

f) Receivables

Receivables are valued at nominal value. Doubtful receivables are written down to their realizable value through allowances.

The creation and settlement of provisions is reported in the income statement in the item "Value adjustments in respect of receivables".

g) Equity of a company

The basic capital of the company is reported in the amount registered in the Commercial Register of the Municipal Court. Any increase or decrease in share capital based on a decision of the General Meeting that was not registered as at the balance sheet date is reported as changes in share capital.

h) Foreign sources

The Company creates provisions for losses and risks in cases where it is possible with a high degree of probability to determine the title, amount and date of performance in compliance with the material and temporal context.

Long-term and short-term liabilities are reported at nominal values. Other liabilities also include values determined as a result of valuing financial derivatives at real value.

i) Leasing

The Company accounts for leased assets by including lease payments in costs and, in the case of a finance lease, capitalizing the relevant value of the leased assets at the time the lease expires and the purchase option is exercised. Rent payments made in advance are accrued.

j) Foreign exchange operations

Assets and liabilities acquired in foreign currency are valued in Czech crowns at the exchange rate of the Czech National Bank valid on the date of their origination and as at the balance sheet date, monetary items were valued at the exchange rate valid on 31st December announced by the Czech National Bank.

Realized and unrealized foreign exchange gains and losses are recognized in financial income or financial expenses of the current year.

k) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses for the period. Management has made these estimates and assumptions based on all relevant information available to it. However, as the nature of the estimate suggests, actual values in the future may differ from these estimates.

l) Revenue and expense recognition

Revenues and expenses are recognized on an accrual basis, ie until the period to which they are materially and temporally related.

Revenues from the main activity are from testing of high-current electrical equipment, machines and devices. On the basis of binding orders confirmed by clients and after clarification of technical parameters, the company will realize the tests. As of the date of the individual tests, final tax documents are issued and revenues are recorded.

m) Income tax

Income tax for the period consists of current tax and changes in deferred tax.

Current tax includes the estimated tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is based on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, or other temporary differences (tax losses), using tax rates enacted or substantively enacted at the balance sheet date.

n) Subsequent events

The effect of events that occurred between the balance sheet date and the date of preparation of the financial statements is recorded in the financial statements if these events provided additional information about the facts that existed at the balance sheet date.

If significant events have occurred between the balance sheet date and the date of preparation of the financial statements, taking into account events that occurred after the balance sheet date, the consequences of these events are described in the notes to the financial statements, but are not recognized in the financial statements.

4. FIXED ASSETS

a) Intangible fixed assets (in CZK thousands)

COST

	Opening balance	Disposals	Final balance
Software	894	-	894
Other intangible fixed assets	565	-	565
Total 2020	1 459	-	1 459
Total 2019	1 492	-33	1 459

ALLOWANCES AND ACCUMULATED AMORTIZATION

	Opening balance	Amortiz ation	Disposals	Final balance	Net book value
Software	-866	-28	-	-894	-
Other intangible fixed assets	-565	-	-	-565	-
Total 2020	-1 431	-28	-	-1 459	-
Total 2019	-1 297	-167	33	-1 431	28

b) Tangible fixed assets (in thousands CZK)

COST

	Opening balance	Additions	Disposals	Transfers	Final balance
Land	14 764	-	-	-	14 764
Buildings, halls	81 953	-	-	124	82 077
Machines, devices and equipment	187 636	238	-	10 565	198 439
Means of transport	8 490	-	-	-	8 490
Inventory	1 732	-	-	4	1 736
Minor Tangible Investment Property	3 107	-	-	-4	3 103
Advances granted for tangible fixed assets	1 846	-	-	-1 846	-
Tangible fixed assets in progress	16 838	-	-	-8 843	7 995
Total 2020	316 366	238	-	-	316 604
Total 2019	305 096	11 575	-305	-	316 366

ALLOWANCES AND ACCUMULATED DEPRECIATION

	Opening balance	Depreci ation	Disposals	Final balance	Net book value
Land	-	-	-	-	14 764
Buildings, halls	-46 462	-2 256	-	-48 718	33 359

Machines, devices and equipment	-126 842	-10 378	-	-137 220	61 219
Means of Transport	-7 612	-464	-	-8 076	414
Inventory	-949	-208	-	-1 157	579
Minor Tangible Investment Property	-3 089	-14	-	-3 103	-
Advances granted for tangible fixed assets	-	-	-	-	-
Tangible fixed assets in progress	-	-	-	-	7 995
Total 2020	-184 954	-13 320	-	-198 274	118 330
Total 2019	-172 541	-12 718	305	-184 954	131 412

c) Long-term financial assets (in CZK thousands)

Other long-term securities and shares as at 31 December (in CZK thousands):

	2020			2019		
	Number of shares / Nominal value	The market value	Revenues	Number of shares / Nominal value	The market value	Revenues
Pražská energetika a.s. ČR	3	54	8	3	46	5

5. RECEIVABLES

A provision for receivables from ENGINEERING, Egypt in the amount of CZK 1,708 thousand was created in 2020 for outstanding receivables that are considered doubtful and in 2019 a provision was created for receivables from ELMASH in the amount of 79 thousands CZK.

As at 31st December 2020 and 31st December 2019, overdue receivables amounted to CZK 8,716 thousand and CZK 4,128 thousands.

The company has no receivables 5 years or more overdue.

As at 31st December 2020 and 31st December 2019, tax receivables mainly include VAT receivables.

Receivables from related parties (see Note 12).

6. ALLOWANCES

Allowances reflect a temporary diminution in the value of assets (listed in Note 5).

Changes in the allowance accounts (in CZK thousands):

Correction items to:	Balance at 31st December 2018	Creating a correction item/provision	Settlement of correction item	Balance at 31st December 2019	Creating a correction item/provision	Settlement of correction item	Balance at 31st December 2020
receivables - other	-	79	-	79	1,708	(79)	1,708

7. EQUITY

Summary of changes in equity (in CZK thousands):

	Balance at 31st December 2018	Increase / decrease	Transfers	Balance at 31st December 2019	Increase / decrease	Transfers	Balance at 31st December 2020
Basic capital	2 000	-	-	2 000	-	-	2 000
Other capital funds	1 033	-151	-	882	-27	-	855
Gain or loss on revaluation of assets and liabilities	30	5	-	35	8	-	43
Other reserves	8 411	-	-	8 411	-	-	8 411
Retained earnings	119 767	-	-2 149	117 618	-1	3 296	120 913
Profit/ (loss) for the year	-2 149	3 296	2 149	3 296	1 911	-3 296	1 911
Total equity	129 092	3 150	-	132 242	1 891	-	134 133

8. PROVISIONS

The movements in the provision accounts (in CZK thousands):

Reserves	Balance at 31st December 2018	Creation of reserves	Settlement of reserves	Balance at 31st December 2019	Creation of reserves	Settlement of reserves	Balance at 31st December 2020
others	448	464	-448	464	530	-464	530

Other provisions are created for the cost of untaken holiday leave of employees.

9. CURRENT LIABILITIES

As at 31st December 2020 and 31st December 2019, the company had short-term overdue liabilities in the amount of CZK 157 thousand and CZK 1,795 thousand.

The company does not record long-term liabilities with a maturity of more than five years (as at 31st December 2019 – CZK 0 thousand).

Short-term advances received amount to CZK 3,804 thousand (2019 – CZK 7,773 thousand) and mainly represent payments of customers in advance for services in the ordinary scope of business.

As at 31st December 2020 and 31st December 2019, the company records payables of social security and health insurance premiums in the amount of CZK 825 thousand and CZK 1,057 thousand.

Unbilled deliveries in the amount of CZK 1,869 thousand (as at 31st December 2019 - CZK 4,485 thousands) mainly include uninvoiced deliveries of services.

Short-term liabilities to related parties (see Note 12).

10. INCOME TAX

Based on the preliminary calculation, the company calculated the tax as follows (in thousands of CZK):

	2020	2019
Profit before tax	**2 543**	**4 937**
Differences between Accounting and Tax Depreciation	-1 439	-3 062
Non-deductible costs	2 459	3 793
Creation of allowances	1 629	79
Creation of provisions	66	16
Others (eg entertainment costs, defects and damages)	764	3 698
Taxable income	**3 563**	**5 668**
Application of tax loss of previous years	-2 595	-5 668
Tax base	**968**	-
Tax due	184	-

The company calculated deferred tax as follows (in thousands of CZK):

	2019		2020	
Deferred tax items	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
The difference between the carrying amount and the tax base of fixed assets	-	9 881	-	10 155
Other temporary differences:				
Allowances for receivables	15	-	325	-
Provisions	87	-	100	-
Tax loss carried forward	497		-	-
Total	599	9 881	425	10 155
Net		9 282		9 730

As at 31st December 2020 and 31st December 2019, the company recorded a deferred tax expense in the amount of CZK 448 thousand and CZK 1,641 thousand.

11. PERSONNEL COSTS

The average number of employees in 2020 was - 41 and in 2019 - 46.

In 2020, the members of the statutory and management bodies and the employees did not receive any annual remuneration, and in 2019 they received remuneration and a salary in the amount of CZK 2,324 thousand.

12. RELATED PARTY INFORMATION

In 2020 and 2019, the members of the management, control and administrative bodies did not receive any loans nor advances.

Other advantages are the fact that 2 senior employees had company cars available for private use in 2020 and 2019.

The Company normally sells services to related parties. In 2020 and 2019, this sales volume reached CZK 1,761 thousand and CZK 11,134 thousands.

Short-term receivables from related parties as at 31 December (in CZK thousands):

Related Party	Deadlines / Due dates	2020	2019
KEMA B.V, NL	within 30 days of the date of issue	577	108
Total		577	108

The company purchases products and uses the services of related parties in the ordinary course of business. In 2020 and 2019, purchases (including management fees) amounted to CZK 18,592 thousand and CZK 36,687 thousand.

The Company also purchases assets from related parties. In 2020 and 2019, purchases amounted to CZK 228 thousand and CZK 117 thousand.

Short-term liabilities to related parties as at 31st December (in thousands CZK):

Related Party	Deadlines / Due dates	2020	2019
KEMA B.V., NL	within 30 days of the date of issue	-	2 318
CESI, IT	within 30 days of the date of issue	102	-
Total		102	2 318

13. GOING CONCERN

The results in 2020 were affected by the global COVID-19 pandemic, in particular by the absence of the expected improvement in the third quarter, traditionally the strongest part of the year. The most significant effect was the restriction of traveling, as a result of which a number of pilot projects were postponed or canceled, especially in the spring. In the meantime, we managed to develop a test method "without the presence of the customer" in the laboratory, where the test is streamed using video technology and the preparation of the tested equipment is carried out by our employees or subcontractors. Due to this fact, especially in the second half of the year, a substantial part of the planned pilot projects was implemented, however, even this approach failed to prevent the decline in revenues from those planned. The company's management considered the potential impacts of COVID-19 on its activities and business and concluded that they did not have a significant impact on the going concern assumption.

14. SUBSEQUENT EVENTS

As at the date of preparation of the financial statements, the Company's management is not aware of any other significant subsequent events that would affect the financial statements as at 31st December 2020.

15. STATEMENT OF CHANGES IN EQUITY (SEE NOTE 7)

Day:	Signature of the statutory body of the entity:
25 June 2021	Marcello Biroli

Report on Relations among Related Parties

executed by the statutory body of

ZKUŠEBNICTVÍ, a. s.

(controlled party)

with the registered office at
Podnikatelská 547, 190 11 Praha 9 Běchovice

Company Identification No.: 452 74 355

for the accounting period
1. 1. 2020 – 31. 12. 2020

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I. Introduction and Explanation of Terms

The Report on Relations between the controlling and controlled party and other parties controlled by the controlling party (Report on Relations among Related Parties) is executed in the meaning of § 82 et seq. of the Act No. 90/2012 Coll., on Business Corporations, by the statutory body of the company (controlled party) and is attached to the company's annual report.

This Report is executed in case the controlled party has not concluded a Controlling Agreement.

Report contains

- Description and explanation of other legal acts taken by the company in the interest of related parties,
- Description and explanation of other transactions realized or measures taken in the interest or at the initiative of some of the related parties,
- In case of performances provided by the company it is specified what kind of consideration was provided,
- In case of realized or adopted measures their advantages or disadvantages for the company are specified as well,
- If there was a loss incurred from the concluded contracts, realized or adopted measures, it is described and evaluated and specified whether it was paid during the given accounting period, eventually whether a contract for payment of such loss was concluded during the given accounting period.

Explanation of Some Terms

- Controlling party

  Is a party which factually or legally executes, directly or indirectly (by means of another party or parties), a decisive power over the management or operation of an undertaking of another party.

  Controlling party is always a party which:
  - Is a majority partner unless the controlling party is determined according to the next point,
  - Has the majority of voting rights based on an agreement concluded with another partner or partners, or
  - Can enforce the appointment or election or revocation of the majority of persons who are statutory bodies or their members, or of the majority of persons who are members of a supervisory body of the legal entity where this party is a partner.

  Unless it is proved that another party has the same or higher amount of voting rights, it is deemed the party having at least 40 % of voting rights within a certain party is a controlling party.

  Controlling parties are always:
  - Parties acting in agreement and having jointly the majority of voting rights within a certain party

  Unless it is proved that another party has the same or higher amount of voting rights, it is deemed the parties acting in agreement and having at least 40 % of voting rights within a certain party are controlling parties.

- Controlled party

Is a party, whose undertaking management is being decided by another (controlling) person - factually or legally, directly or indirectly.

- Related parties

- Controlling party (parties) and
- Controlled party (its statutory body executed this Report) and
- Parties controlled by the same controlling party (parties).

- Acting in agreement

Is acting by one and more parties, realized in mutual agreement with the objective to acquire or assign or exercise the voting rights within a certain party, or dispose of them to enforce the joint influence on the management or operation of an undertaking of such party or on the election of a statutory body or of the majority of its members or the majority of members of a supervisory body of such party, or to influence otherwise the acting of a certain party.

- Parties acting in agreement

are, unless a contrary is proven:

- legal entity and its statutory body or its member, persons with direct managing competences, member of a supervisory body, liquidator, trustee, administrator or any group of such persons,
- Controlling party and parties controlled by the controlling party,
- Parties controlled by the same controlling party,
- Parties constituting a concern,
- Limited liability company and its partners or only its partners,
- General partnership and its partners or only its partners,
- Limited partnership and its general partners or only its general partners,
- Close persons,
- Investment company and investment fund or pension fund managed by the investment company, or only funds managed by the investment company.

II. General Data concerning Related Parties

The Controlled party, whose identification data is specified in Clause II.1, is aware of the following controlling parties (Clause II.2) and other parties controlled by such controlling parties (Clause 0).

II.1. Controlled Party Submitting the Report & its task in the Group

company:	**ZKUŠEBNICTVÍ, a. s.**
registered office:	Podnikatelská 547 190 11 Praha 9 - Běchovice
Company Identification No.:	452 74 355
Incorporation in the Companies Register/another register:	Municipal Court in Prague, Section B, Insert 1563

Accredited Laboratory providing comprehensive services in the field of electrical testing throughout the Group.

II.2. Controlling Party

The following party executes factually or legally, directly or indirectly (by means of another party or parties), a decisive power over the management or operation of an undertaking of the controlled party.

company:	**CESI S.p.A., Italy**
registered office:	Milan, via Rubattino 54 IT-429222 Italy
relation to the controlled party:	Parental company of the group
Method of controlling:	Executes indirectly the managing competence

II.3. Parties Controlled by the Same Controlling Parties

- IPH GmBH
- Istedil S.p.A.
- CESI Middle East FZE
- CESI do Brasil Consultoria LTDA.
- GCC Laboratory for Electrical Energy Limited
- CESI USA, Inc.
- KEMA B.V.

III. Contracts Concluded between the Related Parties and Valid in the Last Accounting Period

III.1. Contracts Concluded between the Controlled and Controlling Party

The following contracts were concluded and the following performance were provided in the last accounting period between the controlling and controlled party.

a) Provision of services

Counterparty of the controlled party	CESI, S.p.A.	
Description of legal act	**Corporate insurance - travelling, assets**	
Controlled party acts as	Consumer	
Performance of the controlled party	Corporate insurance	
- verbal description - financial expression	Purchase in 2020: Liabilities as of 31/12/2020:	CZK76 thousand CZK26 thousand

The management of the controlled party believes the above-mentioned contracts were concluded based on standard business terms and conditions. No financial or another loss incurred to the controlled party from the above-mentioned contracts, performances, considerations and measures.

Counterparty of the controlled party	CESI, S.p.A.	
Description of legal act	**Purchase of services - Global ICT**	
Controlled party acts as	Consumer	
Performance of the controlled party	Service Level Agreement	
- verbal description - financial expression	Purchase in 2020: Liabilities as of 31/12/2020: Accrual as of 31/12/2020:	CZK 1,462 thousand CZK 0 thousand CZK 924 thousand

The management of the controlled party believes the above-mentioned contracts were concluded based on standard business terms and conditions. No financial or another loss incurred to the controlled party from the above-mentioned contracts, performances, considerations and measures.

b) Other performances

The controlling party, CESI S.p.A. supplied to the controlled party ZKU tangible assets (IT SERVER & WI-FI Controller) in the amount of CZK 228 thousand.
The price corresponded to the standard market conditions. No loss incurred to the controlled party.

The controlling party, CESI S.p.A. provided to the controlled party ZKU the HSE/COVID-19 materials (respirators, face masks) in the amount of CZK 185 thousand.
The price corresponded to the standard market conditions. No loss incurred to the controlled party.

III.2. Contracts Concluded between the Controlled Party and Parties Controlled by the Same Controlling Parties

The following contracts were concluded in the prior period between the controlled party and party controlled by the same controlling parties, whereas the contracts are important, are concluded for an indefinite period and affect the accounting period of 2020:

c) Provision of services

Counterparty of the controlled party	KEMA B.V.
Description of legal act	**Trial exchanges and other services**
Controlled party acts as	Contractor
	Realization of trial exchanges based on an order
	Revenues in 2020: CZK 1,761 thousand Receivables as of 31/12/2020: CZK 577 thousand

The price of services corresponded to the standard market conditions. No loss incurred to the controlled party.

d) Service Level Agreements for KEMA B.V.

Counterparty of the controlled party	KEMA B.V.
Description of legal act	**Trial exchanges-cooperation and other services**
Controlled party acts as	Consumer
Performance of the controlled party	Purchase of trial exchanges based on an order
- verbal description - financial expression	Purchase in 2020: CZK 2,132 thousand Liabilities as of 31/12/2020: CZK 0 thousand

The management of the controlled party believes the above-mentioned contracts were concluded based on standard business terms and conditions. No financial or another loss incurred to the controlled party from the above-mentioned contracts, performances, considerations and measures.

e) Service Level Agreements for KEMA B.V.

Counterparty of the controlled party	KEMA B.V.
Description of legal act	**Purchase of services - IT leasing and SW maintenance**
Controlled party acts as	Consumer

Performance of the controlled party	Service Level Agreements	
- verbal description - financial expression	Purchase in 2020: Liabilities as of 31/12/2020:	CZK 6,214 thousand CZK 0 thousand

f) Service Level Agreements for KEMA B.V.

Counterparty of the controlled party	KEMA B.V.	
Description of legal act	**Purchase of services - PTSA+Global FI+HR**	
Controlled party acts as	Consumer	
Performance of the controlled party	Service Level Agreement	
- verbal description - financial expression	Purchase in 2020: Liabilities as of 31/12/2020:	CZK 8,936 thousand CZK 0 thousand

The management of the controlled party believes the above-mentioned contracts were concluded based on standard business terms and conditions. No financial or another loss incurred to the controlled party from the above-mentioned contracts, performances, considerations and measures.

IV. Other Legal Acts Taken in the Interest of Related Parties

No legal acts that would be beyond the framework of contracts specified in Article IV.1. hereof were taken between the controlled party and the controlling party during the monitored accounting period of 2020.

V. Other Measures Adopted or Implemented in the Interest or at the Initiative of Related Parties

No other measures, that would have significant impacts on parties controlled by the same controlling party or that would cause them a loss, were implemented in the last accounting period by the controlled party in the interest or at the initiative of parties controlled by the same controlling party.

VI. Evaluation of relationships and risks, benefits, advantages and disadvantages arising from the Company´s participation in the Group

The CESI Group is the world´s leading technical consulting and engineering player in the field of technology and innovation for the electricity sector. KEMA Labs Division of CESI

Group is the world leader for the independent Testing, Inspection and Certification activities in the power industry.

The Company, which is part of KEMA Labs Division, benefits from the strong brand (KEMA Labs) and top know-how of the Division and from the commercial and operational synergies among other testing European KEMA labs.

The Company is not aware of any significant risks or disadvantages arising from its participation in the CESI Group.

VII. Conclusion

This Report was executed in compliance with Section 82 of the Act No. 90/2012 Coll., on Business Corporations, and it contains all the data we are aware of and data concerning the relations between the related parties, considering their relevancy.

Unless provided expressly otherwise, the sums are specified in thousands of CZK (TCZK).

In Prague, on 11th March 2021

Marcello Biroli	Domenico Villani
Chairman of the Board of Directors	Member of the Board of Directors

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Zkušebnictví, a. s.:

Opinion

We have audited the accompanying financial statements of Zkušebnictví, a. s. (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2020, and the income statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

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

Other Matters

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 29 July 2020.

Other Information

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

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

Building a better working world

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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has been incorporated in the Commercial Register administered by the Municipal Court in Prague,
Section C, entry no. 88504, under Identification No. 26704153.

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- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young Audit, s.r.o.
License No. 401

Jiří Křepelka, Auditor
License No. 2163

29 June 2021
Prague, Czech Republic

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