ICZ

Annual Report

ICZ N.V. as of December 31, 2017

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The Netherlands

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Opening Statement

Dear Shareholders, Business Partners, Colleagues,

The year 2017 was quite difficult for the ICZ Group for various reasons. It has not met the planned budget and even worse, none of the ICZ divisions had either. As a group, ICZ has ended the year with a very small profit and its turnover was far below the budget. The main reason was that many projects were postponed – especially government projects in the Czech Republic and Slovakia. The other reason was that we are still learning to do business in new territories and there it seems the lead times are much longer than we have previously anticipated. Having said that it is also a positive message for the year 2018. We assume that the projects postponed in 2017 will happen in 2018. ICZ as a group shall put much more effort into the diversification of its customer portfolio. Especially during the last couple of years, the experience has been that government projects are very prone to postponement or cancelation.

2017 overview

The ICZ Group has continued to invest into the development of several products, which are considered important for future growth / territorial expansion. The Air Traffic Control system LETVIS® has been successfully completed and officially certified. It seems to be a successful product on markets in new territories.

The healthcare information system ICZ AMIS*HD® has been modified to allow it to be used in Russian speaking countries where we see quite a large potential in 2018.

Despite all the effort invested in territorial expansion there have not been many commercial successes in this area. Activities have continued in Georgia, Kazakhstan, Kyrgyz Republic, Nepal and Vietnam. Malawi seems to be a success – one contract has been signed last year and another one is about to be signed in the year 2018.

Unfortunately the growth of ICZ Slovakia has continued to slow down in the year 2017. Government IT spending is still almost stalled after years of heavy investments. ICZ Slovakia needs to concentrate on customer portfolio diversification even more than the rest of the group.

The division of Infrastructure is still in the process of a major restructuring. Once this is done in 2018 we believe the results will improve.

Even though the ICZ security division was one of the best performing divisions in the year 2017 it still did not achieve its planned budget. The Security division needs to grow much faster in the year 2018 to keep up with the market development.

The ICZ Group has been evaluating several potential acquisitions during the year 2017. We have made a difficult decision to stop one in the process of due diligence but hopefully will find some sort of special cooperation with the targeted company.

The ICZ Group has been very active in non-commercial/charity activities for many years and its newly established foundation (Nadační fond ICZ) has been quite active in the year 2017.

2018 outlook

The ICZ Group plans substantial growth in 2018 both in profit and in revenue.

The ICZ Group believes it will benefit from the projects that were postponed in the year 2017.

The ICZ Group shall continue its process of territorial expansion with projects in Kazakhstan, Kyrgyzstan, Georgia, Bangladesh, Vietnam and Malawi. After several years ICZ projects in Ukraine seems to be on the right track.

The ICZ Group will put an effort into further growth by successful acquisition.

Pavel Rosendorf, Chief Executive Officer of ICZ N.V.

Amsterdam, 29 March 2018

1 Directors' Report for 2017

1.1 General Information

Company Profile

ICZ Group belongs among the leading CEE suppliers of the integrated software and infrastructure solutions market. Its portfolio consists of tailor-made application software products, services, and solutions to meet the needs of all areas of information and communication technology. Being based on a wide spectrum of platforms and technologies, the offered services are vendor independent. The Group offer includes the custom-made application development, featured by information protection and security projects. The establishing unit, ICZ a.s. company, started its operations on the Czech IT Market in 1997 and since then acquired and successfully integrated more than 30 companies.

Within the broader spectrum of company solutions, ICZ Group manages a wide service portfolio beginning from the classic information systems delivery up to the entire network overhauls, including interdepartmental systems on the basis of outsourcing and managed services. The ICZ's customers come primarily from the governmental sector, healthcare, telecommunications, transportation, utilities, defence, finance, manufacturing & logistics and the solutions do cover the following branches: applications software, system integrations, security, communications, infrastructure, document administration and procedure. Consulting and analytic services are an integral part of the offering, as well.

History and Development

The main operating company ICZ a.s., a joint stock company – established and operating under the laws of the Czech Republic – was incorporated on July 21, 1997. Its business of ICZ a.s. was focused on system integration, network design and complex integrated IT solutions, in that period.

From 1998 through 2001, ICZ a.s. gradually acquired and merged with 14 small and medium-sized Czech IT services companies expanding and strengthening its range of solutions and services into the data network security, healthcare applications, card management, warehouse logistics, application development, web design & applications and network design. ICZ a.s. commenced its operations in the Slovak Republic in 2001.

In 2002, a foreign financial investor became a 35-per-cent shareholder in ICZ a.s. in order to provide the company with new funds to boost ICZ a.s. further strategic growth.

In 2002 and 2003, ICZ a.s. acquired and integrated through mergers further three companies engaged in network design and hardware & software resale. ICZ a.s. also acquired 100 per cent shares in S.ICZ a.s. as a result of these mergers.

In 2003 and 2004, ICZ a.s. enriched its ERP portfolio by becoming a part of the Oracle Partner Network and increasing its spectrum of solutions to include the Oracle E-Business Suite and became the sole partner of Primavera Systems Inc. products (project management solution) in the Czech Republic, too.

In 2005, the acquisition of Expert & Partner engineering CZ, a.s. and its subsidiary Expert & partner engineering spol. s r.o. enabled ICZ a.s. to expand its spectrum with network solutions. Thanks to this acquisition, ICZ a.s. became the largest partner of Cisco Systems in the Czech Republic. Late 2005, ICZ a.s. acquired EXPRIT spol. s.r.o., including its 90%-owned subsidiary Exprit s.r.o., a Slovak IT services company focusing mainly on document management solutions.

In 2006, ICZ a.s. expanded its portfolio into telecommunications field with concentration on the voice communication infrastructure, voice portals, voice detection systems and contact centres.

In 2007, more other companies, namely Amaio Technologies, a.s., a Czech entity focused on the Java based applications development, furthermore Informa MS, s.r.o., a Slovakia-based company developing a hospital information software and also the remaining 10 per cent of Exprit s.r.o. (renamed to ICZ Slovakia s.r.o.) were acquired. In September, ICZ a.s. merged Expert & partner engineering, spol. s r.o. into Expert & Partner engineering CZ, a.s. In addition, ICZ a.s. has expanded its portfolio with a new Consulting Services Division, September 2007, as well.

In October 2007, the ICZ N.V. was established and incorporated in the Netherlands as a public company with limited liability (N.V.). On the basis of a sale and purchase agreement, 100 per cent of the ICZ a.s. shares were acquired by ICZ N.V., in November 2007.

In 2008, a new entity, D.ICZ Slovakia a.s., was established. Further on, ICZ a.s. has taken over 100% ownership of a Czech company ALES, s.r.o., while D.ICZ Slovakia has taken over 100% ownership of ALES a.s., in Slovakia. These two companies together became the leading supplier of the ATM systems and some other special products for both civil and military customers. The companies operated in the region of Central and Eastern Europe and had a branch in Dubai, too.

In December 2008, ICZ a.s. has acquired 100% ownership of DELINFO, spol. s r.o, a company specialized on development and implementation of special command as well as special geographic information systems, especially for the Czech and Slovak Army.

In November 2009, ICZ a.s. moved into new headquarters premises in Prague. In that year, the Oracle E-Business Suite and Primavera Systems solutions were removed from the portfolio.

In May 2010, ICZ N.V. has agreed to purchase back 311 866 of its own shares from a financial investor. The transaction was accomplished successfully in July 2010.

In July 2011, ICZ N.V. has agreed to purchase back 467 800 of its own shares from a financial investor. The transaction was successfully concluded in September 2011.
In the same year, ICZ Group established two new branch offices abroad. The first opening took place in Banja Luka, Bosnia And Herzegovina in November; the other one was in Kiev, Ukraine in December.

In June 2012, ICZ N.V. has agreed to purchase back 779 666 of its own shares from a financial investor. The transaction was successfully concluded in July 2012. In November, the branch office in Kiev, Ukraine has moved into new premises and changed its seat, accordingly.

In 2013, ICZ Group took measures to boost its own effectiveness, namely: partial staff restructuring aiming to operation costs reduction, administrative simplification, internal transfer pricing and project controlling implementation.

In 2014, the steps adopted during previous year brought fruit and continued in effort to reduce the cost of the abroad operation. The Ukrainian office in Kiev was restructured, that of UAE in Dubai was decided to be sold; however, the transaction was not finalized by the year-end, yet.

In 2015, ICZ N.V. changed its seat. The sale of the UAE office was successfully concluded. In October 2015, ICZ N.V. has agreed to purchase back 3 912 of its own shares from a small shareholders. The transaction was successfully concluded in December 2015.

In connection with the running WIM project, to enrich relevant capabilities, a company Bezpečná ulice a.s. was acquired by Amaio Technologies, a.s., in 2016. Apart from that, a new entity within the ICZ Group was established in 2016, too, namely the Nadační fond ICZ, endowment fund. In July 2016, the business premises in České Budějovice were moved into new location in the city.

In December 2017, a new company ICZ Invest a.s. solely owned by ICZ N.V., with a focus onto foreign territories operations, was established. In 2017, the company Bezpečná ulice a.s. merged with its former mother Amaio Technologies, a.s., completely. During the year, two properties, namely the buildings in Strakonice (Czech Republic) and Košické Olšany (Slovakia) were sold, completely.

Quality and Reliability Assessment

Name of the company	Certificate
ICZ a.s.	ISO 9001
	ISO 13485
	ISO 20000-1
	ISO 27001
	AQAP 2110
	AQAP 2210
	NBÚ CR "Confidential"
	Facility Security Clearance Certificate "NATO Confidential"
S.ICZ a.s.	ISO 9001
	ISO 27001
	AQAP 2110
	AQAP 2210
	NBÚ CR "Secret / Top Secret"
	Facility Security Clearance Certificate "NATO Secret"
Expert & Partner engineering CZ, a.s.	ISO 9001
	ISO 14001
ICZ Slovakia s.r.o.	ISO 9001
ALES a.s.	ISO 9001
	AQAP 2110
	NBÚ SR "Secret"
ALES, s.r.o.	ISO 9001
	ISO 27001
	NBÚ CR "Confidential / Secret"
	Facility Security Clearance Certificate "NATO Secret"
DELINFO, spol. s.r.o.	ISO 9001
	NBÚ CR "Secret"
	Facility Security Clearance Certificate "NATO Secret"

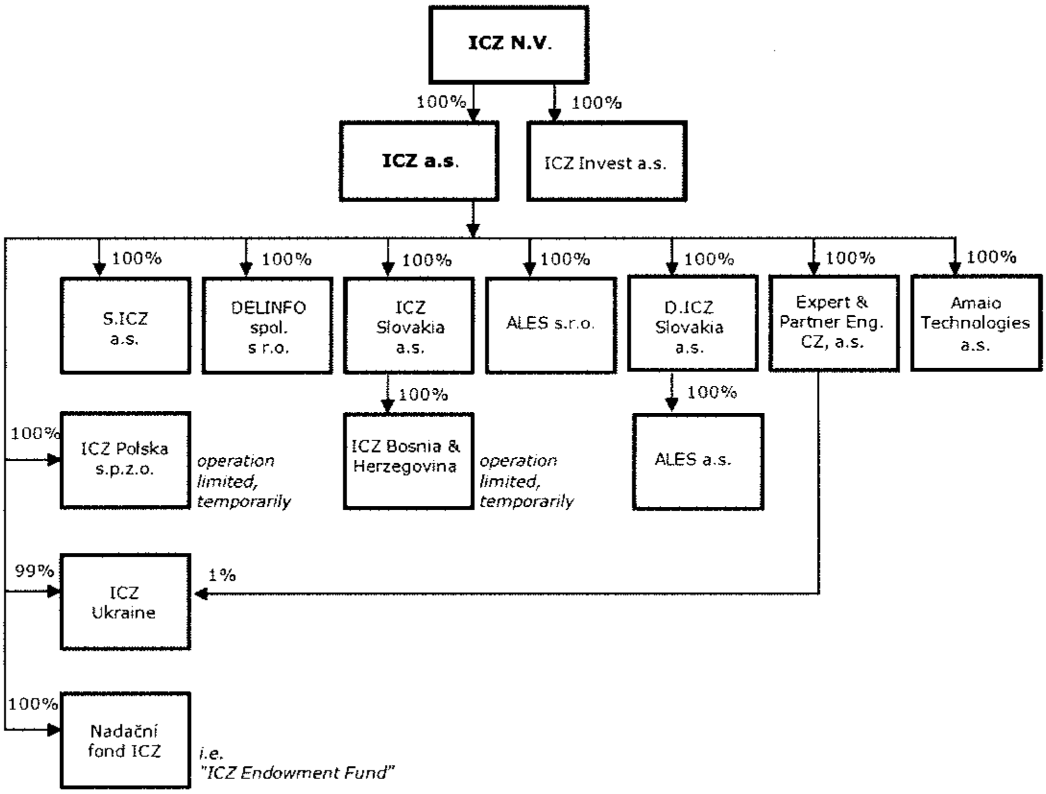
Partnerships with Technology Providers

ICZ enjoys long lasting partnerships with major reputable international technology providers. As a part of these relationships it disposes of ability to constantly raise the qualification level within the partnership programs they provide. The 2017 partnership levels are indicated in the chart below:

Company	**Partnership Level**
Cisco	Gold Certified Partner
Computer Associates	Enterprise Solution Partner
CyberArk	Partner
F5	Registered Partner
Flowmoon	Silver Partner
GreyCortex	Partner
Hewlett Packard	Silver Partner
CheckPoint	Gold Partner
IBM	Reseller
Microfocus	Business Partner
Microsoft	Microsoft Gold Partner (4x Gold, 1x Silver)
Oracle	Gold Partner
Symantec	Registered Partner
VMware	Enterprise Solution Provider
Zabbix	Certified Partner

Organizational Structure

ICZ N.V. is the parent company of the main operating company ICZ a.s., which, directly or indirectly, owns the subsidiaries shown on the chart below. In none of the subsidiaries is the power of voting rights different than the portion of ownership interest as presented below.



Compared to the previous year, the following change happened during 2017: a new company ICZ Invest a.s. solely owned by ICZ N.V., with a focus onto foreign territories operations, was established. Bezpečná ulice a.s. merged with Amaio Technologies a.s.

Targets for 2017 and their Fulfilment

The following targets were set for 2017:

- **Continuing foreign activities expansion.** The effort to accomplish this really strategic goal kept going in 2017 in an intensive extent. Although the progress is weaker than desired, the ICZ Group reached some success, even so. The delivery and integration of LETVIS ATC system as well as LETVIS SIM simulator for Kamuzu international airport in Lilongwe, Malawi, was an important achievement, definitely. Whole supply itself was subcontracted to NEC Corporation, thus, after the fruitful collaboration in Nepal and Bangladesh, this was the third mutual project, already. Another meaningful success was/is the five-year service contract for LETVIS systems maintenance in Kopitnari and Tbilisi airports, Georgia. Moreover, for Tbilisi airport was concluded another contract, namely for re-location and upgrade of LETVIS ATC a LETVIS SIM systems, as well. Besides the commercial effect, both these contracts prove a very good quality of the long-term cooperation between ICZ Group (namely its daughter ALES) with its Georgian partner, the Sakaeronavigatsia company. Some minor orders were related also to the existing installations in Fujairah airport, UAE and in Kathmandu, Nepal. Regarding other portfolio fields, the completion of Transplantation Registry for Ministry of Healthcare in Kazakhstan is worth mentioning, too. Apart from that, further promising negotiations concerning new opportunities in Georgia and Vietnam, where especially the latter can be perceived as a good step towards long-term cooperation in the region. Nevertheless, there was no really new territory achievement, in 2017. For example, a series of negotiations have begun in Kyrgyzstan, Bulgaria or Romania, however, results depend on their further development.

- **Continuing product portfolio modernization.** This long-term goal was accomplished in rather wide extent. During 2017, the ICZ Group portfolio was modernized in following items: In the security portfolio, the development of the *LANPCSe* solution continued in terms of higher levels of classification; the *ICZ LogManager* product was further enhanced too, and was put into operation in Czech Prison-Service, consecutively. In the healthcare products family, the ongoing development of its "flagship", i.e. of the *ICZ AMIS*HD®* complex system, brought *ICZ AMIS*HD® HOSPITALIZATION* module; in addition, a new 'remote-care' application called *iBD ASSISTANT* intended for patients suffering with Crohn's disease was created, as well; apart from that, a new solution supporting the healthcare facilities in their transition to a new way of reporting called *DRG ASSISTANT* was developed and put on the market, successfully (over 50 per cent market-share in Slovakia). For the government sector, there was a new *EIS (Electronic Identification Services)* 'authentication module' designed to enhance existing governmental registries; another solution, namely the *WORKFLOW SERVICES* module, was developed to manage the typical governmental (but not only those) in-house processes. Further on, a new *UPVS Adapter* was developed to simplify the official Data-Box communication, in Slovakia. Regarding the document and/or content management systems, there was a new *MDU* system for methodology of shredding proceedings for archived data created; the manufacturing and logistics field was enhanced with a solution interconnecting the *WMS (Warehouse Management System)* with *RTLS (Real-Time Locating System)* using the *UWB (Ultra-Wide Bandwidth)* technology. As far as the military portfolio is concerned, rather demanding upgrade of previous *LETVIS* system, lasting for several years, was accomplished with its new certified version *ICZ LETVIS*, successfully. Further, the *ICZ DELINFOS®* solution was upgraded in terms of *geographic data operation ability*, within the Czech Ministry of Defence project framework. The vehicle C2 system *SAMET* was upgraded for the *'Augmented Reality' operation ability*, and, within the project framework for the Czech Military Research Institute, a specialized Land Rover vehicle was enhanced with specific sensors determined for chemical exploration.
- **Complex consolidation of the employees expertise and its sharing both *inside* – as well as proactive offering *outside* of the ICZ Group.** The project of comprehensive consolidation of employee competencies and their sharing both outside and within the ICZ Group, was suspended in 2017 due to other priorities. The professional competencies have been partially consolidated in relation to the professional-technical certifications of the employees and, consecutively, also to the specific needs within the Group divisions. A detailed analysis of professional competencies has taken place only to a limited extent, however, always on the basis of a specific requirement and need. Any complex system or record keeping of professional competencies has not been established, yet. The project is expected to be restored in 2018.

1.2 Product Portfolio

ICZ Group does focus its business on providing the complex IT solutions, which typically involve a wide range of products and services that we supply on a regular basis to our customers. Thanks to its long-term experience and broad market approach, ICZ Group is able to cover the whole project life cycle of complex IT projects mainly by using our own highly qualified professionals or, where needed, by subcontracting partners with whom we experience a long-term business relationship. Our approach towards our customers is to lead and accompany them throughout the entire process and to render our services along the value chain from consultancy services to maintenance and up-selling activities and further development.

IT Security

IT security is the ICZ Group's core competence and, as a rule, it is an integral part of all solutions and services offered. From this point of view, the portfolio covers complex security-oriented IT solutions ranging from infrastructure to applications and their integration.

In terms of the ICZ Group, the core security offering is provided by the S.ICZ a.s. Having been granted a "Top Secret" level certification by the National Security Office, the S.ICZ a.s. is the only leading IT services company on the Czech IT market able to participate in sensitive projects demanding that level of confidentiality. Further, both ICZ a.s. and S.ICZ a.s. have also been granted international certification for Information Security Management Systems (ISMS) according to ISO 27001. A number of the ICZ Group consultants are qualified and certified experts (CISA - Certified Information Systems Auditor) with classified information clearance and extensive local and international experience, including participation in NATO projects.

S.ICZ a.s. performs development, manufacturing and implementation of its own HW and SW cryptographic and security products, both for just sensitive and classified information.

The Group's projects and solutions cover the following areas:

- Security Integration
- Information Security Management System (ISMS)
- Trustworthy Computing Platform®
- Identity and Access Management
- Secure Communication Infrastructure
- Cyber Defense
- Classified Information Systems

IT Infrastructure

The ICZ Group Infrastructure portfolio covers both Information and Communication Technology (ICT) and Security services and solutions. The offering is built on strong architectural pillars of reliable technologies. Broad range of services and technology as well as related tasks like consultancy, planning, designing, implementation, monitoring and operation are included.

The following listing is a summary of selected solutions being offered:

- Enterprise Networks infrastructure including Service Provider and Wireless Networks
- Data Center technologies, Disaster Recovery, Virtualization and cloud systems
- Enterprise, Service Provider and Industrial (SCADA) Network Security
- Next-Generation Firewalls and Anti-X systems
- Supervisory and Performance Management Systems
- Unified Communication, Video and Team Collaboration Solutions

Applications and Industry Solutions

Applications and industry solutions are typically the most visible part of our portfolio. We provide a wide range of applications and industry solutions in the following areas:

Applications and industry solutions for the government and public sectors

- Support of administrative processes
- National registries
- Document Management Systems (DMS)

Applications and industry solutions for the healthcare sector

- Hospital and/or Management Information System (HIS, MIS)
- Picture Archiving and Communication System (PACS)
- Business Intelligence - Solutions and Services
- Clinical Process Information Systems
- Diagnosis Related Group (DRG) Systems Support
- Regional Healthcare Information Systems

Defence Solutions

- Air Command and Control Systems (C2)
- Integration of Civil and Military Air Traffic Control Services
- Ground Forces Tactical Command and Control Systems (GF TCCS)
- Sensor Integration and Interoperability standards implementation
- Virtual Simulation Training for Military, Police, Firefighter and Rescue personnel

Traffic Management Solutions

- Air Traffic Management Systems
- Simulators for Air Traffic Controller's Training
- Radar / Surveillance Data Distribution and Format Conversion Systems
- Consoles and Special Furniture for Air Traffic Control

Enterprise Application Solutions

- Customer Relationship Management
- Warehouse Logistics (WMS) and Automatic Data Capture (ADC)
- Enterprise Content Management (document digitization, workflow, archiving, etc.)
- Traffic issues (Weight-In-Motion (WIM), parking and traffic offenses surveillance, etc.)

Services

ICZ Group renders a broad range of services when delivering our solutions to our customers. The range of services does include:

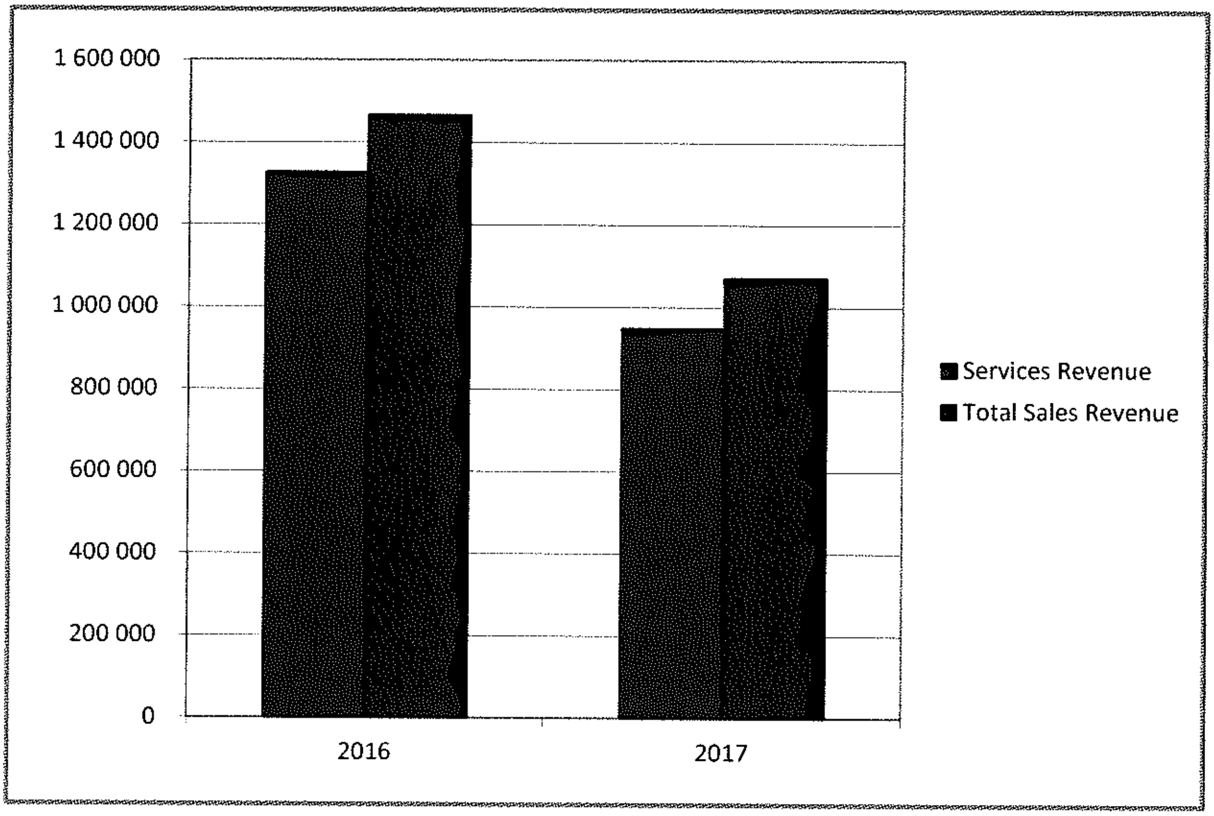
- System Integration
- Customer Application Development
- Support and Installation

- Outsourcing
- ICT Consulting and Analyses
- IT Training and Education

1.3 Financial Performance in 2017

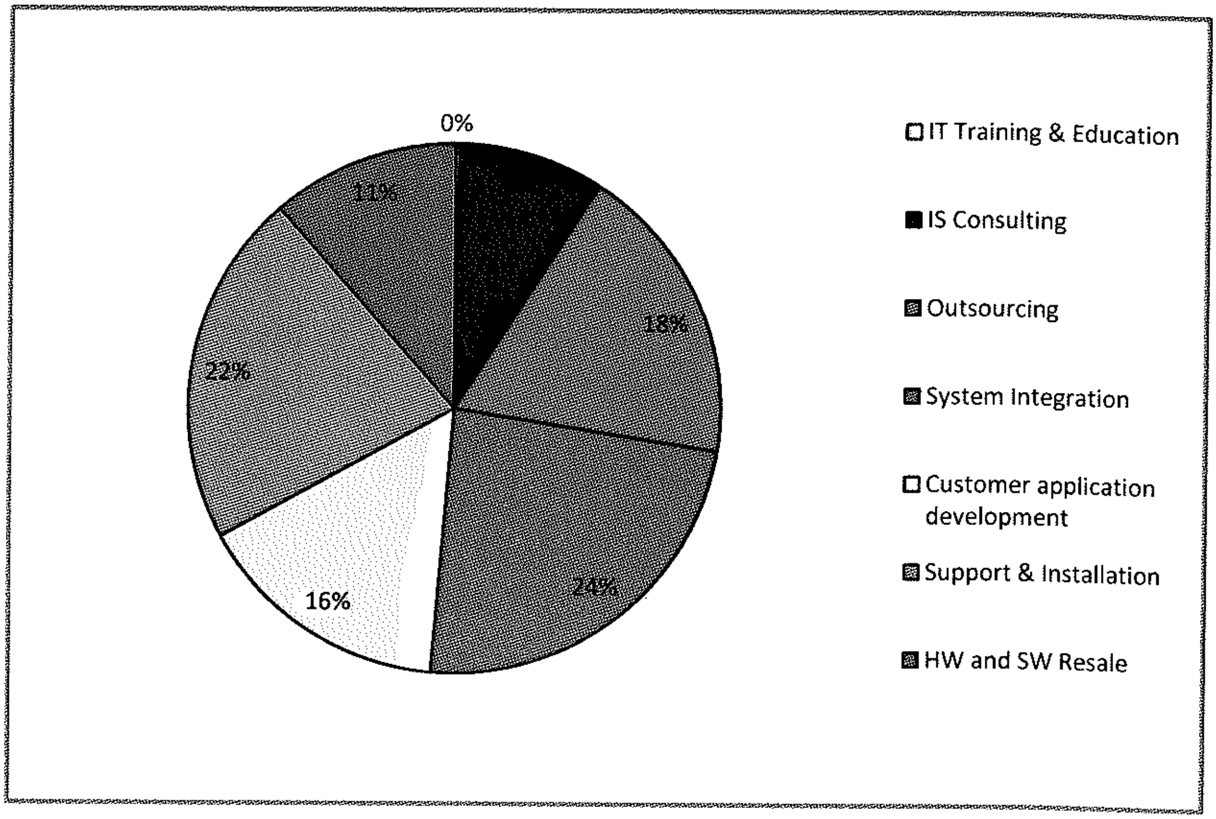
Sales

Reaching CZK 1 070 811 thousands in the year end December 31, 2017, the *total sales revenue* decreased by 26,9% as compared to CZK 1 465 733 thousands in the year end December 31, 2016. The sales *revenue from services* decreased from CZK 1 326 629 thousand in the year ending December 31, 2016 by 28,5% to 948 022 CZK thousand in the year ending December 31, 2017.



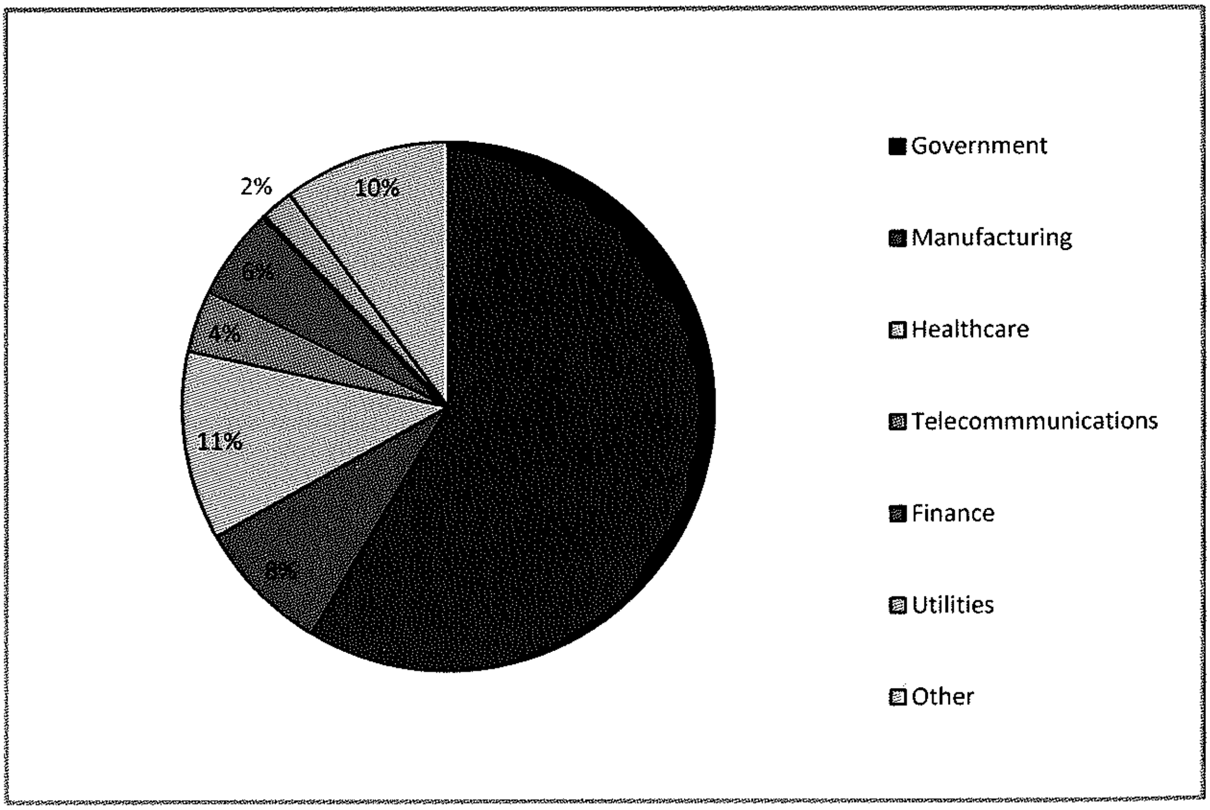
The following table shows the horizontal breakdown of 2016 and 2017 sales revenue by the ICZ's main service areas:

SALES in thousand CZK	2016	2017
IT Training and Education	2 246	2 419
IS Consulting	138 950	94 966
Outsourcing	202 616	197 518
Systems Integration	475 259	254 539
Customer Application Development	240 080	167 260
Support and Installation	267 478	231 320
Sales revenue from services	**1 326 629**	**948 022**
Resale of hardware and software	139 104	122 789
Total sales revenue	**1 465 733**	**1 070 811**



The following table shows the vertical breakdown of 2016 and 2017 sales revenue by the main customer groups:

SALES in thousand CZK	2016	2017
Government	821 189	627 470
Manufacturing	127 526	88 662
Healthcare	203 113	123 407
Telecommunication	69 630	40 488
Finance	54 549	60 958
Utilities	13 413	21 209
Other	176 313	108 617
Total sales revenue	**1 465 733**	**1 070 811**



Profit from Operations

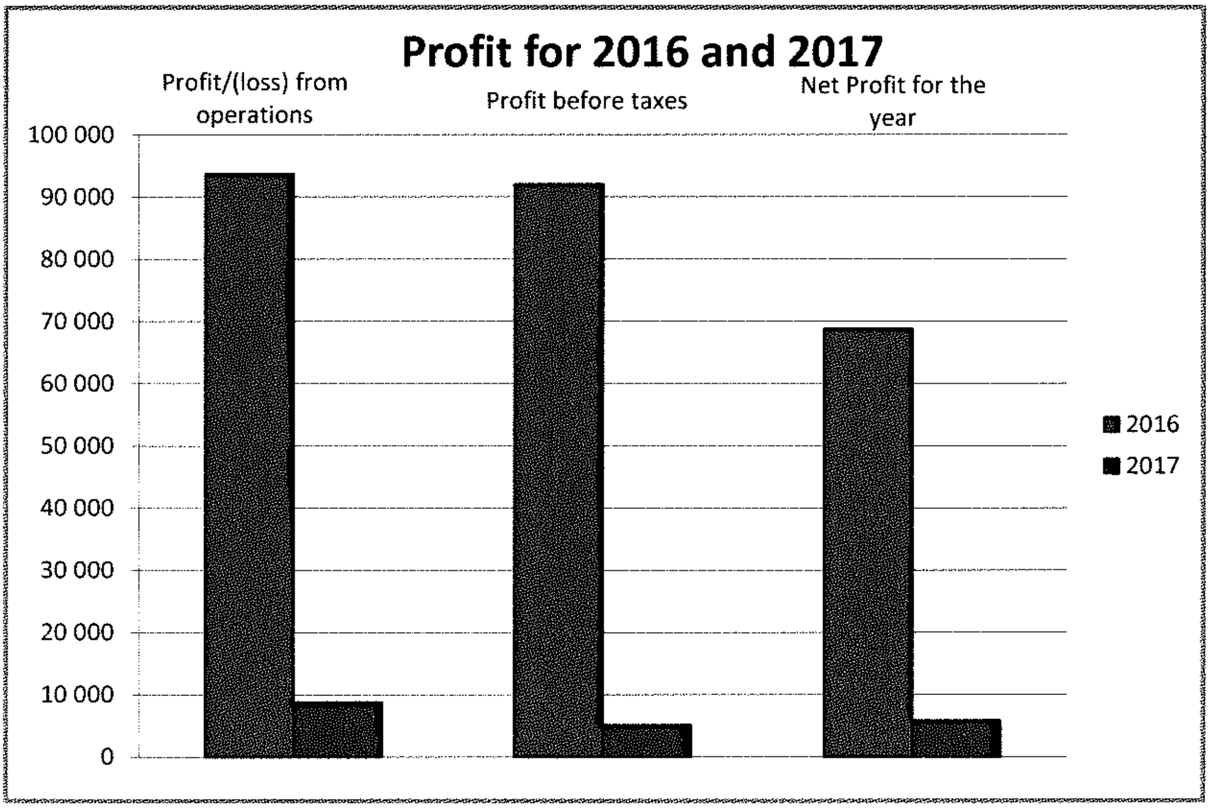
In 2017, the Group reached a profit from operations of CZK 8 739 thousands compared to the profit from operations of CZK 93 658 thousands as achieved in 2016, what means decrease by 90,7%, in fact.

Profit before Taxes

In 2017, the profit before taxes reached a profit of CZK 5 087 thousands, as compared to the profit of CZK 91 991 thousands in 2016, what means decrease by 94,5%, in fact.

Net Profit from the Year

In 2017, the Group reached a net profit of CZK 5 798 thousands compared to the net profit of CZK 68 563 thousands in 2016, what means decrease by 91,5%, in fact.



The chart above shows a '2017 vs. 2016' comparison of the profits acc. to the previous articles.

Cash and Liquidity

Cash and cash equivalents increased from CZK 221 565 thousands as of the year end 2016 to CZK 273 765 thousands as of the year end 2017, what means 1,2 multiple growth, in fact. The equity to total assets ratio was 46,1% as of 31 December 2017 as compared to 43,2% as of 31 December 2016.

Activities in Research and Development

In addition to the third party software that ICZ Group provides as a part of its solutions, the main engagement is in the development of own software. The development can take forms of localization or customization of existing software packages by adding new functionalities and/or modules, or developing completely new software solutions.

The following table shows the cost of our internally developed software solutions over the last two years:

Year	2016	2017
Costs (in thousand CZK)	31 691	26 272

1.4 Selected Financial Information (Key Figures)

The selected financial data provided below have been derived from, and should be read in conjunction with the consolidated financial statements of ICZ N.V. for the years ended December 31, 2017 and December 31, 2016.

	2016	2017	2016(1) (2)	2017(1) (2)
	In CZK thousand	In CZK thousand	In EUR thousand	In EUR thousand
Sales revenue	**1 465 733**	**1 070 811**	**54 220**	**40 669**
Gross profit	**619 154**	**496 932**	**22 904**	**18 873**
Earnings before interest, taxes, depreciation and amortization (EBITDA (3))	**124 179**	**33 913**	**4 594**	**1 288**
Depreciation	12 614	13 750	467	522
Amortization	17 907	11 424	662	434
Impairment	-	-	-	-
Profit/(loss) from operations	**93 658**	**8 739**	**3 465**	**332**
Profit before taxes	**91 991**	**5 087**	**3 403**	**193**
Income tax expense / (benefit)	23 428	-711	867	-27
Profit for the year	**68 563**	**5 798**	**2 536**	**220**
Net cash	**221 565**	**273 765**	**8 200**	**10 719**
Equity	**373 447**	**337 792**	**13 821**	**13 226**
Total assets	**862 508**	**732 165**	**31 921**	**28 667**

(1) The balance sheet for the year ended December 31, 2017 has been converted at the CZK/EUR rate prevailing at the end of respective period as announced by the Czech National Bank. The rate used for the balance sheet for the year ended December 31, 2016 was CZK 27,020 = EUR 1,00 and for the year ended December 31, 2017 was CZK 25,540 = EUR 1,00.

(2) The consolidated income statement has been converted at the CZK/EUR average rate for the years 2017 and 2016. The rate used for the consolidated income statement for the year 2016 was CZK 27,033 = EUR 1,00 and for the year 2017 was CZK 26,330 = EUR 1,00.

(3) EBITDA includes Revenue, Consumed materials, products and services and Change in inventories of finished goods and work in progress, Labour costs, Other operating income and expenses.

Ratios

	2016	2017
Gross margin	42,2%	46,4%
EBITDA margin	8,5%	3,2%
EBIT (4) margin	6,4%	0,8%
Profit before tax margin	6,3%	0,5%
Net profit margin	4,7%	0,5%
Net cash to equity	59,3%	81,0%
Equity to total assets	43,2%	46,1%

(4) EBIT equals profit/(loss) from operations

1.5 Profit/Loss Treatment

According to the Articles of Association of ICZ N.V. the treatment of financial profit or loss is as follows:

- Each year, the Executive Board will determine, with the approval of the Supervisory Board, which part of the profit will be transferred to the reserves. The part of the profit remaining after the reservation above will be distributed as dividend on the Shares.
- Distributions on Shares may be made only up to the amount of the Distributable Equity.
- Distribution of profit will take place after the adoption of the annual accounts evidencing that such distribution is permitted.
- The Executive Board may decide to pay interim dividend on Shares. That resolution will be subject to the approval of the Supervisory Board.
- In calculating the amount of any distribution, the Shares held by the Company in its own capital will not be counted.
- Articles 2:103 2:104 and 2:105 of the Netherlands Civil Code will furthermore apply to distributions to Shareholders.

1.6 Post-Balance-Sheet Events

No significant events occurred since 31 December 2017 that need to be disclosed in the directors' report.

1.7 Employee Relations

As of December 31, 2017, ICZ Group had 531 employees in employment relationship of which 403 were located in the Czech Republic, 125 in the Slovak Republic, 1 in Netherlands, 1 in Ukraine and

1 in the Bosnia and Herzegovina. Additionally, 25 employees work on the basis of working activity agreements and 66 employees on the basis of work performance agreements.

The following table shows the slight decrease of our employees in employment relationship by function as of December 31, 2017:

Function	**Number 2016**	**Number 2017**
Management	36	33
Administration	83	75
Project management	30	30
Software development	173	153
Other experts	178	192
Sales	25	31
Services	10	12
Manual workers	6	5
Total	**541**	**531**

ICZ Group is driven by strategy considering that employees are providing the essential talent, professionalism and energy to fulfil long-term vision, business goals and ambitions. Strategic vision of ICZ Group in the area of human resources is to build long-term partnership with employees based on professional relationship full of respect, confidence, mutual communication, respect for equal opportunities and possibility of professional and career development. The Group strategy puts its focus both on growing revenues and improving productivity while growing employees professionalism.

Employer Branding and talent attracting. In 2017, the ICZ Group was working intensively on project Employer Branding. The main goal of the project was to build the ICZ Group brand as an Attractive Employer within the ITC sector for different target groups of IT professionals. Through specific and focused activities in HR marketing area got the ICZ Group higher level of awareness as an Attractive Employer not only for young IT talents but also for experienced IT professionals. The ICZ Group, thanks to the high level of this awareness, has a possibility to meet a sufficient interest from candidates on labour market to occupy open job positions with specific knowledge, skills and experience which is overall not easy to achieve.

Learning and development. In 2017, the ICZ Group continued with the Internal Development Centre project meeting the principles of self-learning company. The Centre in question prepares and carries out the internal company courses for both hard and soft skills. In 2017, there were about 37 trainings lead by internal lectors with 374 internal participants.

Another priority in development in 2017 was to deliver special workshops focused on legislative novelties. In 2017, it was trained about 150 employees in the new kodex or legal conditions specific area. ICZ Group also continued with tailor made development-programmes for key sales staff members as well as with practical workshops for project managers to share experience and best practice. In 2017, there were made 6 development programs with 63 participants.

However, as the skills need updating ever more rapidly, the learning strategy has to deliver the professional education, training and further development based on long-term and current needs and perspectives.

Employee Satisfactory Survey. Between April and May 2017, the second run of the Employee Satisfactory Survey was carried out (the first run was in 2015). The survey was focused on four key factors of employee satisfaction: Top Management, strategy and vision; Direct Manager; Team cooperation and Working conditions. ICZ Group is proud, that 85% of employees (438 employees to be exact) got involved in the Survey and gave their feedback. The results of the Survey showed the general satisfaction on level of 78% (which is really high level, to be honest). The employees feel the highest satisfaction in following factors: Direct Manager (87%), Team cooperation (79%) and Working conditions (78%). Based on the analysis and results was prepared the proposal of specific steps, activities and development programme supporting the corporate communication and cooperation as well as the engagement of middle management.

Well-Being. In 2017 the ICZ Group continued with its endeavour to support flexible, friendly and well-being working environment and conditions in every branch office. Concept of well-being and work life balance is long-term vision for employees of the ICZ Group.

Diversity. Within its strategic development priorities, the ICZ Group considers the diversity of its employees as a positive value, which, in the upshot, increases the performance of each team member. Keeping this in mind, the project of building and supporting so-called multi-generation company and corporate culture continued in 2017. The main objective of the project is to create motivating conditions for cooperation of different employee generations (i.e. trainees, juniors, experts and seniors), on a long-term basis. ICZ Group has been dealing with the diversity topic systematically since 2016. This has been organized in the way of a programme covering career management, development and support for specific populations. The ICZ Group chooses its colleagues not only on the qualifications basis, but it gives an opportunity to a wide range of talents, as well.

Remuneration and motivation. The remuneration policy and a reward system (bonus policy) for both technical and sales employees is based on a component principle - basic salary, the variable part (both paid monthly) and the incentive annual bonus (paid yearly) – proved itself and therefore remained in 2017 unchanged.

Human Resources Policy. The fundamental priorities of Human Resources Strategy have not changed from last years and make more sense in everything the ICZ Group does:

- build a depth of professional capability and managerial skills;
- build a performance culture with strong project management orientation;
- build an open, flexible and diverse organisation.

ICZ Group believes that thanks to the continuing qualification, expertise and competency grow, with deep respect of the workplace environment quality, the equal working conditions, internal communication, the high level of social responsibility and the involvement of employees in all company processes, the Group potential will grow constantly.

1.8 Management Policy and Remuneration of Executive Board and Supervisory Board

Executive Board

The Executive Board is responsible for the day-to-day management of our operations under the supervision of the Supervisory Board. The Executive Board is required to keep the Supervisory Board in a timely manner informed in order to allow the Supervisory Board to carry out its task, consult with the Supervisory Board on important matters and submit certain important decisions to the Supervisory Board for its approval.

Supervisory Board

The Supervisory Board is responsible for overseeing the running of the Company as conducted by the Executive Board and the Company's general business affairs. The Supervisory Board shall assist the Executive Board by giving advice. In performing its duties, the Supervisory Board is required to act in the interests of the Issuer and its associated business as a whole. The members of the Supervisory Board are not, however, authorized to represent us in dealings with third parties.

The remuneration of the Executive Board and the Supervisory Board of ICZ N.V. amounted to 63 200 EUR in 2017 (61 497 EUR in 2016).

The Executive Board consists of the following members, currently:

Name	Age	Position	Member since	Term
Pavel Rosendorf	63	Chief Executive Officer	October 6, 2014	unlimited*
Bohuslav Cempírek	56	Executive Officer	October 6, 2014	unlimited*
Zdenek Jirkovec	64	Executive Officer	October 6, 2014	unlimited*

The Supervisory Board is currently composed of the following members:

Name	Age	Position	Member since	Term
Jan Muller	67	Member	July 1, 2008	unlimited*
Miloš Marek	78	Member	June 18, 2014	unlimited*
Anna Hausenblasová	38	Member	June 18, 2014	unlimited*

*re-appointed on Annual General Meeting on April 25, 2017 for unlimited term

1.9 Expected Course of Business in the Following Year (Goals for 2018)

The overall ICZ Group business strategy remains the same, i.e. to provide the customers with customized IT solutions according to the highest level of security standards and service quality, while maintaining and improving the high productivity through a stable staff of highly qualified professionals. Using its deep understanding of the customer's businesses, ICZ Group is competent to supply versatile IT solutions that do enhance customers' competitiveness and security needs. To accomplish that furthermore, even more effectively, the tasks for coming year are following:

- **Continuing foreign activities expansion.** As an essential condition for keeping a steady economic growth of entire ICZ Group, this goal has to stay as a permanent one. To pay a preferential attention to the topic in question is a vital necessity, in particular because the factual progress is slower than needed. Thus, the aim itself remains the same: to turn the opportunities *discovering* into *real projects* in three new territories at least, within 2018. Apart from new prospecting, where a special attention should be turned to the Arab countries of the Middle East, India and Bangladesh, the open negotiations should be finalized for example in Kyrgyzstan, to be specific.
- **Continuing product portfolio modernization.** Regarding the steady economic growth mentioned above, this task represents a-complementary one to the territorial expansion, de facto. Even the previous assignment was accomplished in a satisfactory extent, the task has to stay for the 2018, again. There are following topics planned for further development within 2018: applications for 'remote healthcare' area; enhancement of the *DRG ASSISTANT* capabilities; new *eHealth* solution *EMPATICS* intended to support a home-treatment of chronic patients; upgrade of existing *ICZ DELINFOS® BADIAN* module, namely in terms of the *C2 for the 'dismounted soldier'* in *Android* environment, of its connection onto special sensors and of capturing full scale of *ICZ DELINFOS®* abilities; an upgrade of the *ICZ DELINFOS®* system onto new MIP-4 Interoperability Standard for the Czech Ministry of Defence; enhancement of Czech *Central Registry of Drivers* with necessary new features acc. to new legislation; migration of *Prague Municipal Waste* system onto new database platform; building-up a new *Security Operations Centre (SOC)*. Within the IT Security products, the *LANPCSe* should be finalized incl. its readiness for special ciphering algorithms implementation; another goal should be a building a *SOC (Security Operations Centre)*

solution. Selected products of data management and/or logistics branch should be migrated onto SaaS version. As far as the ATC/ATM systems are regarded, development of *ICZ LETVIS® MIL* should be initiated in terms of general support for Military ATM and C2 systems; besides that, a development of *URDI (Universal Radar Data Interface)* should be commenced, as well.

- **The middle-management development programme.** In 2018, the ICZ Group plans to focus its attention on the Group's middle management, namely in two main fields. The first one is to strengthen and develop managerial skills, the second one aspires to increase the middle-management involvement into group-wide strategic activities and priorities. For this purpose, a long-term development programme called Management Academy will be prepared. The programme in question will focus on strengthening both basic and advanced managerial skills, and the entire middle management of the ICZ Group will take part. In parallel, both basic and complementary activities will be carried out (regular meetings, working groups focusing on solving specific topics, etc.) in order to increase the general awareness of middle management, to strengthen its loyalty - and that way, of course, also to develop the overall satisfaction of this important group of employees.

1.10 Risks and Managing the Risks

The management monitors and manages the financial risks relating to the operations through analyzing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The management analyses the risks, and policies implemented to mitigate risk exposures, regularly. Please refer to consolidated notes, Note 1.5.30, on further information in respect of risks and managing the risks.

1.11 Identification Data

The ICZ N.V. business address is Strawinskylaan 403, Unit 2 WTC, Tower A, 4th floor, 1077XX Amsterdam, the Netherlands (telephone number +31205752767 and fax number +31205752726.

RSIN 818538636, VAT No. 34284333, Establishment No. 000013747800, www.icz.nl

1.12 Companies and Business Premises

Czech Republic:

Company	Address	Contacts
ICZ a.s. (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4	tel.: +420 222 271 111 fax: +420 222 271 112
ICZ a.s. (business premises)	Londýnské náměstí 856/2 Štýřice, 639 00 Brno	tel.: +420 222 272 111 fax: +420 222 272 112
ICZ a.s. (business premises)	Husova tř. 1373/13 370 05 České Budějovice	tel.: +420 222 273 111 fax: +420 222 273 112
ICZ a.s. (business premises)	Beethovenova 179/2 746 01 Opava	tel.: +420 222 276 511 fax: +420 222 276 512
ICZ a.s. (business premises)	Nám. Míru 2363/10 301 00 Plzeň	tel.: +420 222 275 111 fax: +420 222 275 112

Company	Address	Contacts
ICZ a.s. (business premises)	Kostnická 646/6 674 01 Třebíč	tel.: +420 222 276 111 fax: +420 222 276 112
S.ICZ a.s. (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4	tel.: +420 222 271 111 fax: +420 222 271 112
S.ICZ a.s. (business premises)	Husova tř. 1373/13 370 05 České Budějovice	tel.: +420 222 273 111 fax: +420 222 273 112
Amaio Technologies a.s. (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4	tel.: +420 222 271 111 fax: +420 222 271 112
Bezpečná ulice a.s. (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4 *)	tel.: +420 222 271 111 fax: +420 222 271 112
Expert & Partner Engineering CZ, a.s. (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4	tel.: +420 222 271 111 fax: +420 222 271 112
DELINFO, spol. s.r.o. (HQ seat)	Londýnské náměstí 2/856 Štýřice, 639 00 Brno	tel.: +420 222 272 777 fax: +420 222 272 112
ALES, s.r.o. (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4	tel.: +420 383 321 105 fax: +420 383 327 768
Nadační fond ICZ (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4	tel.: +420 222 271 111 fax: +420 222 271 112
ICZ Invest a.s. (HQ seat)	Na hřebenech II 1718/10 Nusle, 140 00 Praha 4 **)	tel.: +420 222 271 111 fax: +420 222 271 112

*) The address was valid until March 31, 2017; the date when the merger of Bezpečná ulice a.s. and Amaio Technologies a.s. was published into Commercial Register

**) The address is valid from December 21, 2017, when the company has been established

Slovak Republic:

Company	Address	Contacts
ICZ Slovakia a. s. (HQ seat)	Soblahovská 2050 911 01 Trenčín	tel.: +421 326 523 544 fax: +421 326 523 506
ICZ Slovakia a. s. (business premises)	Balkán 505/8 960 01 Zvolen	tel.: +421 455 368 057
ICZ Slovakia a. s. (business premises)	Necpalská 243/30 971 01 Prievidza	
ICZ Slovakia a. s. (business premises)	Vojtecha Tvrdého 790/13 010 01 Žilina	
ICZ Slovakia a. s. (business premises)	Družstevná 5 031 01 Liptovský Mikuláš ***)	
ALES a. s. (HQ seat)	Soblahovská 2050 911 01 Trenčín	tel.: +421 326 582 580 fax: +421 326 521 941
ALES a. s. (business premises)	044 42 Košické Olšany 187 °)	tel.: +421 557 998 032 fax: +421 556 717 587
ALES a. s. (business premises)	Popradská 57 040 11 Košice - Západ °°)	tel.: +421 557 998 032 fax: +421 556 717 587
ALES a. s. (business premises)	Družstevná 4 031 01 Liptovský Mikuláš	tel.: +421 445 522 196 fax: +421 445 523 895
ALES a. s. (business premises)	Balkán 505/8 960 01 Zvolen	
D.ICZ Slovakia a. s. (HQ seat)	Karadžičova 8/A 821 08 Bratislava °°°)	tel.: +421 255 422 385
D.ICZ Slovakia a. s. (business premises)	Soblahovská 2050 911 01 Trenčín	

***) The address was valid until May 31, 2017, when the operation in question was closed

°) The address was valid until March 31, 2017, when the property in question was sold

°°) The address is valid from May 1, 2017, from when the premises have been rented

°°°) On March 3, 2018, the company seat was moved to Soblahovská 2050, 911 01 Trenčín

Poland:

Company	Address	Contacts
ICZ Polska s.p.z.o. (HQ seat)	ul. Francuska, nr. 34, 40-028 Katowice	

Ukraine:

Company	Address	Contacts
ICZ Ukraine (HQ seat)	Kiyevskiy Shlyakh 1d-2 083 03 Boryspil, Ukraine	Tel: +38 (044) 221-1880 Fax: +38 (067) 231-2832

Bosnia and Herzegovina:

Company	Address	Contacts
ICZ BH A.D. (HQ seat)	Kralja Petra I Karadorevica br.99a Banja Luka, Bosnia Herzegovina	Tel: +387 62 343 822

Amsterdam, March 29, 2018

The Executive Board

Pavel Rosendorf

Zdenek Jirkovec

Bohuslav Cempírek

2 Annexes

Annex No. 1
CONSOLIDATED FINANCIAL STATEMENTS

Annex No. 2
COMPANY FINANCIAL STATEMENTS

Annex No. 3
OTHER INFORMATION

Annex No. 4
AUDITOR'S REPORT

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1 Consolidated Financial Statements

1.1 Consolidated Statement of Financial Position as at 31 December 2017

(Before appropriation of the result)

ICZ N.V.		2017	2016
	Note	CZK '000	CZK '000
NON-CURRENT ASSETS			
Property, plant and equipment	16	52 267	63 935
Goodwill	17	22 629	22 629
Other intangible assets	18	77 468	62 614
Deferred income tax assets	14	15 852	10 260
Long term receivables	19	6 056	12 663
Financial Investment	20	1 000	1 000
Total non-current assets		**175 272**	**173 101**
CURRENT ASSETS			
Inventories	21	10 175	9 851
Trade and other receivables	22	242 433	413 778
Current income tax assets	14	13 229	12 690
Other assets	23	17 291	24 035
Cash and cash equivalents	24	273 765	221 565
Assets held for sale	25	-	7 488
Total current assets		**556 893**	**689 407**
TOTAL ASSETS		**732 165**	**862 508**

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

ICZ N.V.		2017	2016
	Note	CZK '000	CZK '000
EQUITY			
Issued capital	26	119 790	119 790
Reserves	27	(111 789)	(108 590)
Retained earnings		329 791	362 247
Equity attributable to equity holders of the company		**337 792**	**373 447**
Non-controlling interest		-	-
Total equity		**337 792**	**373 447**
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	14	4 475	3 861
Total non-current liabilities		**4 475**	**3 861**
CURRENT LIABILITIES			
Trade and other payables	28	305 957	406 576
Current income tax liabilities	14	2 771	433
Other liabilities	29	81 170	78 191
Total current liabilities		**389 898**	**485 200**
TOTAL LIABILITIES		**394 373**	**489 061**
TOTAL EQUITY AND LIABILITIES		**732 165**	**862 508**

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

1.2 Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2017

ICZ N.V.		2017	2016
	Note	CZK '000	CZK '000
Revenue	5	1 070 811	1 465 733
Consumed material, products and services	6	(600 814)	(878 257)
Change in inventories of finished goods and work in progress	7	26 935	31 678
Labour cost	8	(471 482)	(490 223)
Depreciation	9	(13 750)	(12 614)
Amortization	9	(11 424)	(17 907)
Other operating income	10	23 729	5 144
Other operating expense	11	(15 266)	(9 896)
Profit from continuing operations		**8 739**	**93 658**
Finance costs	12	(1 038)	(1 178)
Other finance income (expense)	13	(2 614)	(489)
Profit before income tax		**5 087**	**91 991**
Income tax (expense) / benefit	14	711	(23 428)
Profit for the period		**5 798**	**68 563**
Other comprehensive income (expense)			
Items that will never be reclassfied to profit or loss		-	-
Items that are or may be reclassfied to profit or loss			
Foreign operations - foreign currency translation differences		(3 199)	105
Other comprehensive income (expense) for the period, net of income tax		**(3 199)**	**105**
Total comprehensive income (expense) for the period		**2 599**	**68 668**
Profit attributable to :			
Owners of the company		5 798	68 563
Non-controlling interests		-	-
		5 798	**68 563**
Total comprehensive income (expense) attributable to:			
Owners of the company		2 599	68 668
Non-controlling interests		-	-
		2 599	**68 668**
Earnings per share (CZK)		1,97	23,35

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

1.3 Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017

ICZ N.V.	No. Of shares	Issued capital	Reserves	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
		CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Balance at 31 December 2015	**4 500 000**	**119 790**	**(115 159)**	**6 464**	**320 565**	**331 660**	-	**331 660**
Foreign exchange translation	-	-	-	105	179	284	-	284
Dividends	-	-	-	-	(27 060)	(27 060)	-	(27 060)
Net profit for 2016	-	-	-	-	68 563	68 563	-	68 563
Total comprehensive income for the period	-	-	-	***105***	***68 563***	***68 668***	-	***68 668***
Balance at 31 December 2016	**4 500 000**	**119 790**	**(115 159)**	**6 569**	**362 247**	**373 447**	-	**373 447**
Foreign exchange translation	-	-	-	(3 199)	86	(3 113)	-	(3 113)
Dividends	-	-	-	-	(38 340)	(38 340)	-	(38 340)
Net profit for 2017	-	-	-	-	5 798	5 798	-	5 798
Total comprehensive income for the period	-	-	-	***(3 199)***	***5 798***	***2 599***	-	***2 599***
Balance at 31 December 2017	**4 500 000**	**119 790**	**(115 159)**	**3 370**	**329 791**	**337 792**	-	**337 792**

The amount of Dividends per share in the year 2017 was 13,06 CZK.

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

1.4 Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

ICZ N.V.		2017	2016
	Note	CZK '000	CZK '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		5 798	68 563
Income tax expense recognised in profit or loss	14	(711)	23 428
Depreciation and amortisation of non-current assets	9	25 174	30 521
Interest income and expenses	12,13	(29)	(29)
Loss (gain) on the sale of non-current assets	10,11	(3 145)	(93)
Increase (decrease) in allowances for assets and provisions	21,22	945	4 326
Adjustments for other non-cash transactions (1)		(16 677)	(45 605)
Net operating cash flow before changes in working capital		11 355	81 111
Decrease (increase) in trade and other receivables	19,22	155 636	(133 628)
Decrease (increase) in inventories	21	(1 231)	4 923
Decrease (increase) in other assets	23	6 744	6 801
Increase (decrease) in current liabilities	28,29	(81 436)	42 741
Income taxes paid	14	(2 468)	(29 505)
Net cash generated by operating activities		**88 600**	**(27 557)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	17,20	-	(1 010)
Payments for non-current assets	16,18	(11 592)	(15 175)
Proceeds from the sale of non-current assets	10	16 616	170
Interest received	13	32	50
Net cash used in investing activities		**5 056**	**(15 965)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	12	(3)	(21)
Dividends paid		(38 340)	(27 060)
Cash generated by (used in) financing activities		**(38 343)**	**(27 081)**
Net effect of currency translation on cash equivalents		**(3 113)**	**284**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**52 200**	**(70 319)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**221 565**	**291 884**
CASH AND CASH EQUIVALENTS, END OF PERIOD		**273 765**	**221 565**

The notes on pages 35 to 69 are an integral part of these consolidated financial statements.

(1) Other non-cash operations include mainly internally generated intangible assets and change in amount due to/from customers under construction contracts.

1.5 Notes to the Consolidated Financial Statements for the Year Ended 31 December 2017

1.5.1 General Information

ICZ N.V. ("ICZ" or "the Company") is a company that was incorporated in the Netherlands as a public company with limited liability on October 2, 2007. The address of its registered office is at Strawinskylaan 403, Unit 2 WTC, Tower A, 4th Floor, 1077XX Amsterdam, Netherlands. The object of ICZ N.V. is to act as a holding company for the entire group. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

These financial statements were approved by the Executive Board and authorised for issue effective on March 29, 2018.

With reference to the separate profit and loss account of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

The information about ownership structure of the group is shown in Note 1.5.32. The information about issued capital of ICZ N.V. is shown in Note 1.5.26. The initial issued capital of ICZ N.V. consisting of 45,000 shares with nominal value of EUR 1.00 per share was paid in cash by Bohuslav Cempírek on October 2, 2007. In November 2007, the former shareholders of ICZ a.s. exchanged all their shares of ICZ a.s. for 4,455,000 shares of ICZ N.V. with no significant change in their proportional ownership interests. There was no change in the operations or business of ICZ a.s. and its subsidiaries.

The principal activities of the Group are project activities in information systems and system integration, consultancy and advisory activities in information systems, provision of IT advisory services and the development and sale of software (sale of ready-made programs on the basis of contracts with their writers or development of made-to-order programs).

Subsidiaries and non-consolidated entities

The information about group entities is shown in Note 1.5.31.

Nadační fond ICZ, an endowment fund, is not consolidated as the ownership interest is immaterial, both alone and in aggregate to the financial position, performance and cash flows of the Group. The information about Nadační fond ICZ is included in Note 1.5.20. There is no risk associated with the interests in the unconsolidated entity neither has the Group any obligation to provide financial support to the entity.

The changes in the group are described in Note 1.5.31.

The addresses of registered offices and principal places of business of the Company's subsidiaries (the Group) are described in Note 1.5.31.

1.5.2 Significant Accounting Policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with Book 2 Title 9 of the Netherlands Civil Code.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

These consolidated financial statements are presented in thousands of Czech Crowns ('CZK').

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all Group entities.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (together referred as "the Group").

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of non-controlling shareholders is based on the non-controlling's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent company.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When necessary, the accounting policies of subsidiaries have been changed to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Any intra-group balances and transactions, any gains and losses or income as well as any expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Foreign currency

Functional currency

Functional currency of the Company is Euro (EUR). Functional currency of the subsidiaries is Czech Crown, except for ICZ Slovakia a.s., D.ICZ Slovakia a.s. and ALES a.s. whose functional currency is Euro, ICZ Polska Sp. z o.o. whose functional currency is Polish Zloty, ICZ Ukraine whose functional currency is UAH (Ukrainian Hryvnia) and ICZ Bosnia & Herzegovina whose functional currency is BAM (Konvertibilna Marka).

Presentation currency

The Group presentation currency is the Czech Crown (CZK). The Group has selected this presentation currency in order to be in compliance with the users of its financial statements because their economic decisions are based on information expressed in CZK.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to CZK at exchange rates at the reporting date. The income and expenses of foreign operations are translated to CZK at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation of foreign operations are recognised directly in a separate component of Other comprehensive income – Foreign operations – foreign currency translation difference. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Cash flows of foreign operations are translated into CZK at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

The following exchange rates were used:

31 December 2017	closing rate	average rate for the 12 month period
EUR / CZK	25,540	26,330
PLN / CZK	6,114	6,185
UAH / CZK	0,756	0,869
BAM / CZK	13,058	13,441

31 December 2016	closing rate	average rate for the 12 month period
EUR / CZK	27,020	27,033
PLN / CZK	6,126	6,198
UAH / CZK	0,950	0,954
BAM / CZK	13,815	13,827

Business combinations

Acquisitions of subsidiaries and businesses are accounted by manner of using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of the present value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss as other operating income.

Contingent consideration is measured at fair value, with subsequent changes recognised in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

In 2016, ICZ a.s. established an endowment fund named Nadační fond ICZ and deposited CZK 1 000 thousand in its capital which was recorded as an investment at cost.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transaction with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

Earnings per share

Basic earnings and diluted earnings per share for each period are calculated equally - by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are accomplished:

- the Group has transferred the significant risks and rewards of ownership of the goods to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the reporting date;
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the accounting policy outlined below.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Construction contracts

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The above described policy is applied to all Group's projects.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the first day of the accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged by manner of writing-off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsequent costs

The Group recognises in the carrying amount the cost of replacing part of an item of property, plant and equipment at the time that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as expenses at the time they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Tangible fixed assets costing less than CZK 40 thousand are recognised in profit or loss in the year that they are acquired. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The costs of improving fixed assets increase their acquisition cost. Repairs and maintenance costs are charged directly to profit or loss.

The estimated useful lives are follows:

Category of assets	2017	2016
Buildings and structures	30 years	30 years
Machinery and equipment	4 years	4 years
Furniture, fixtures and other	2 – 6 years	2 – 6 years

Depreciation methods, useful lives and residual values (if not insignificant) are reviewed at each financial year-end and adjusted if appropriate.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life, amortisation method and residual values are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Category of assets	2017	2016
Intangible assets generated internally	3-5 years	3 years

Amortisation methods, useful lives and residual values (if not insignificant) are reviewed at each financial year-end.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's assets, other than inventory, construction contracts and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

In respect of the goodwill, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of the goodwill is not reversed. In respect of the other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

<u>*Non-derivative financial instruments*</u>

The Group initially recognises loans and receivables on the date that they are originated. All other financial instruments are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments comprise loans and receivables, cash and cash equivalents, and trade and other payables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other payables

Trade and other payables are stated at amortised cost.

<u>*Share capital and share premium*</u>

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares and shares options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal of share capital (own shares)

When share capital recognized as an equity is repurchased, the amount of the consideration paid, which linked directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as own shares and are presented in Reserves. When own shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Net financial income (expenses)

Interest income

Interest income comprises interest income on funds invested (bank interest). Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Interest expense

Interest expense is recognised in the income statement using the effective interest rate method.

Other financial income and expenses

Other financial income and expenses comprise foreign exchange gains and losses that are recognised in the statement of comprehensive income and bank charges.

Foreign currency gains and losses are reported on a net basis.

Cash flow statement

Cash flows is presented from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, accruals and deferrals, and items of income or expense associated with investing or financing cash flows.

1.5.3 Adoption of new and revised standards

List of new EU IFRS Standards, Interpretations and amendments to published Standards (as at 17 January 2018) that are not yet effective

IFRS 9 Financial instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

At 1 January 2018, the Company's financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The Group believes that impairment losses are not likely to significantly change for assets in the scope of the IFRS 9 impairment model.

The Group is currently performing more detailed analysis for trade and other receivables and expect to calculate estimated ECLs based on actual credit loss experience over the past seven years. Exposures will be segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry of the customers.

The ECLs for the cash and cash equivalents is considered to be not significant as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

IFRS 15 Revenue from contracts with customers

The application of the new standard is required for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

The Group will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group launched an IFRS 15 implementation project. As at the date of the authorisation of the financial statements, the Group completed the gap and impact analysis and carried out calculation of the expected impact of the new standard and is in the process of implementation of an IT solution. The main results of the project are as follows:

i. Sales of goods

For the sale of goods, revenue is currently recognized when the Group transferred the significant rewards and ownership of the goods to the buyer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

The Group's assessment does not indicate any changes in this area.

ii. Rendering of services

The Group is involved in performing services such as installations, servicing and other IT services. Revenue is currently recognised using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The services provided by the Group also generally meet the condition for over time revenue recognition.

Based on the Group's assessment, the approach with exception of the matters described under construction contracts are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

iii. *Construction contracts*

The Group provides to its customers complex IT solutions which are currently accounted for as construction contracts. Revenue and cost are recognised by reference to the stage of completion of the contract activity at the reporting date, measured as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

The Group's approach under IFRS 15 is generally expected to be consistent with the current practice with the following exceptions:

a) Combination of contracts - IFRS 15 provides more guidance in the area of combination of contracts. The Group noted that in some cases it concluded multiple contracts for one performance obligation. In such case, implementation of the new standard would lead to their combination. However, as of the date of the transition, no contracts were identified which would require additional combination.

b) Identification of performance obligations - current IFRS include limited guidance on identifying whether a transaction contains separately identifiable components. The new standard introduces comprehensive guidance on identifying separate components which applies to all revenue-generating transactions. The Group assessed the complex IT projects previously recognized under construction contract guidance and noted that in the majority of cases, there will be only one performance obligation as the goods or services provided in the contracts significantly modify or customize or are significantly modified or customized by, one or more of the other goods or services. Furthermore, the Group provides a significant service of integrating the goods or services with other goods or services promised in the contract. Based on the Group's analysis, no retained earnings impact at the transition date is expected.

c) Over time revenue recognition - construction contracts and contracts for rendering services are currently accounted for under the stage-of-completion method. IFRS 15 is expected to result in a broadly similar profile of revenue but it introduces new criteria to determine when revenue should be recognized over time. The Group noted during its implementation project that for some contracts previously recognized over time, the new criteria may not be automatically met. This is mainly the case of those construction contracts when the entity does not have an enforceable right to payment for performance completed to date. The Group carried out legal assessment of its contracts and general legal environment in which it operates and confirmed that it does have the enforceable right for the majority of its projects. The estimated impact on retained earnings at 1 January 2018 of projects, which do not meet the over time criteria and which are currently recognized over time, is not considered to be material.

The Group further assessed other areas of potential impact compared to the current guidance (such as principal vs. agent, customer options, loss-making contracts, etc.) and does not expect any impact on retained earnings at 1 January 2018. The Group will continue to closely monitor all new contracts with respect to this areas.

iv. *Transition*

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented. The actual impact of adopting the standard at 1 January 2018 may change because:

- as of the date of authorisation of financial statements for issue the Group is still in the implementation phase of the new IT solution;
- the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 Leases

The new standard will be effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Group is currently assessing concrete impacts of the new standards, however the Group expects potential increase of assets and liabilities as a result of the recognition of most leases on the balance sheet and classification impact on the statement of profit and loss. The Group plans to adopt the new standard on the required effective date.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application is permitted. This interpretation is not yet endorsed by the EU.

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted. This interpretation is not yet endorsed by the EU.

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group does not have material uncertain tax positions.

New standards effective in 2017

The Group has adopted the following new and amended IFRSs as of 1 January 2017 that have no material impact on the Group:

- Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12 (Effective for annual periods beginning on or after 1 January 2017): Recognition of Deferred Tax Assets for Unrealised Losses

1.5.4 Critical Accounting Judgments and Key of Estimation Uncertainty

The preparation of financial statements in compliance with IFRS requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

<u>Revenue recognition</u>

The major judgment applied in revenue recognition is related to the percentage of completion of construction contracts which is set by the Group based on the estimated cost to complete of the individual construction contracts.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

<u>Recoverability of internally-generated intangible assets</u>

During the year, the management considered the recoverability of its internally-generated intangible assets. The projects continue to progress in a very satisfactory manner, and customer reaction has reconfirmed the directors' previous estimates of anticipated revenues from the projects.

Impairment of goodwill

To determine whether the goodwill is impaired or not, it requires to estimate the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

1.5.5 Revenue

The Group considers its business to be one segment in terms of operating segments. However, the Group's revenue can be broken down based on industry practice as:

Sales of Goods and Services by Geographical Region

	Czech Republic		Slovakia		Other		Total	
	2 017	**2 016**	**2 017**	**2 016**	**2 017**	**2 016**	**2 017**	**2 016**
Customer application development	140 543	159 241	18 471	15 824	8 246	65 015	167 260	240 080
IS Consulting	80 223	90 501	3 034	2 785	11 709	45 664	94 966	138 950
Outsourcing	94 592	97 012	98 159	105 491	4 767	113	197 518	202 616
Support & Installation	215 062	252 422	14 115	13 290	2 143	1 766	231 320	267 478
System Integration	233 064	451 234	8 267	13 640	13 208	10 385	254 539	475 259
IT Training & Education	1 351	1 802	1 068	15	-	429	2 419	2 246
Total Services	**764 835**	**1 052 212**	**143 114**	**151 045**	**40 073**	**123 372**	**948 022**	**1 326 629**
Goods resale	118 761	125 260	718	574	3 310	13 270	122 789	139 104
Total Revenue	**883 596**	**1 177 472**	**143 832**	**151 619**	**43 383**	**136 642**	**1 070 811**	**1 465 733**

Sales of Goods and Services by Buyer's Industry

	Czech Republic		Slovakia		Other		Total	
	2 017	**2 016**	**2 017**	**2 016**	**2 017**	**2 016**	**2 017**	**2 016**
Government	514 536	691 073	110 301	120 166	2 633	9 950	627 470	821 189
Healthcare	109 778	172 763	13 233	9 262	396	21 088	123 407	203 113
Telecom.	40 029	68 915	459	715	-	-	40 488	69 630
Manufacturing	52 290	51 990	2 848	2 443	33 524	73 093	88 662	127 526
Utilities	21 104	13 079	105	334	-	-	21 209	13 413
Finance	45 418	39 932	15 540	14 617	-	-	60 958	54 549
Other	100 441	139 720	1 346	4 082	6 830	32 511	108 617	176 313
Total Revenue	**883 596**	**1 177 472**	**143 832**	**151 619**	**43 383**	**136 642**	**1 070 811**	**1 465 733**

The Group is using IDC service structure as a basis for its revenue analysis. IDC is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets.

1.5.6 Consumed Material, Products and Services

	31 December 2017	31 December 2016
Costs of goods sold	103 844	114 694
Material and energy consumption	21 024	36 553
Services purchased for projects	301 370	539 291
Other Purchased services	174 576	187 719
Total	**600 814**	**878 257**

1.5.7 Change in Inventories of Finished Goods and Work in Progress

	31 December 2017	31 December 2016
Change in work in progress	577	-
Change in finished goods	86	(13)
Change in internally generated intangible assets	26 272	31 691
Total	**26 935**	**31 678**

1.5.8 Labour Cost

	31 December 2017	31 December 2016
Wages, salaries and other employee benefits	357 644	372 880
Mandatory state-managed social and health insurance	113 838	117 343
Total	**471 482**	**490 223**

The Company did not provide any post-employment benefits, share-based payments, or termination benefits.

1.5.9 Depreciation and Amortisation

	31 December 2017	31 December 2016
Depreciation of property, plant and equipment	13 750	12 614
Total depreciation	**13 750**	**12 614**

Amortisation of intangible assets	11 424	17 907
Total amortisation	**11 424**	**17 907**

In 2017 and 2016, the entity did not incur any research and development costs that were immediately expensed. All development activities are either part of current customer projects, or they are capitalized as other intangible assets.

1.5.10 Other Operating Income

	31 December 2017	31 December 2016
Grants from the state	1 755	-
Proceeds from the sale of fixed assets and material	4 116	170
Compensation from the insurer	40	929
Sundry operating income	5 318	4 045
Proceeds from the sale of assets held for sale	12 500	-
Total	**23 729**	**5 144**

Other operating income from grants for the period ended 31 December 2017 consisted of grant which was realized by DELINFO, spol. s r.o.

1.5.11 Other Operating Expenses

	31 December 2017	31 December 2016
Write-offs of receivables, net of income from the sale of receivables, establishment/(release) of bad debt provision, write-downs of inventory to net realizable value	1 056	9 171
Indirect taxes	426	563
Net book value of fixed assets sold	5 983	77
Late payment charges and fines	637	328
Sundry operating expenses	(324)	(243)
Net book value of fixed sold assets held for sale	7 488	-
Total	**15 266**	**9 896**

1.5.12 Finance Costs

	31 December 2017	31 December 2016
Interest expenses	3	21
Banking fees	1 035	1 157
Total	**1 038**	**1 178**

1.5.13 Other Finance Income (expense)

	31 December 2017	31 December 2016
Interest income	32	50
Foreign exchange gains (losses) net	(2 646)	(539)
Total	**(2 614)**	**(489)**

1.5.14 Income Tax

Tax expense comprises:

	31 December 2017	31 December 2016
Current tax expense	4 267	17 092
Deferred tax expense (income)	(4 978)	6 336
Total tax expense / (benefit)	**(711)**	**23 428**

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	31 December 2017	31 December 2016
Profit before income taxes	5 087	91 991
Tax at the statutory rate 19 % (2016 - 19 %)	967	17 478
Effect of tax rates in foreign jurisdictions	74	12 376
Recognition of tax effect of previously unrecognised tax losses	(638)	(3 043)
Tax effect of expenses that aren't deductible in determining taxable profit	(1 033)	(3 620)
Tax expense/(income) relating to prior periods	(81)	237
Tax charge of the year	**(711)**	**23 428**

Most of taxable profit is generated in the Czech Republic and therefore 19,00% of the tax rate is used in the tax reconciliation.

The effect of expenses that aren't deductible comprise permanently tax non-deductible expenses and research and development expenses which decrease the tax base.

The following tax rates were used in individual entities:

	2016	**2017**	**2018**
Czech Republic	19	19	19
Netherlands	20	20	20
Slovakia	22	21	21
Poland	19	15	15
Ukraine	18	18	18
Bosnia a Herzegovina	10	10	10

Deferred tax assets/ (liabilities) arise from the following:

	Property, plant and equipment	Provisions and allowances	Outstanding social security and health insurance	Tax losses brought forward	Other	Total
Balance at 31 Dec 2015	**(1 151)**	**3 299**	**2 373**	**519**	**7 695**	**12 735**
Movement in 2016 (including currency translation effect)	(2 710)	(2 276)	(907)	1 140	(1 583)	(6 336)
Deferred tax liability at 31 Dec 2016	(3 861)	-	-	-	-	(3 861)
Deferred tax asset at 31 Dec 2016	-	1 023	1 466	1 659	6 112	10 260
Balance at 31 Dec 2016	**(3 861)**	**1 023**	**1 466**	**1 659**	**6 112**	**6 399**
Movement in 2017 (including currency translation effect)	(614)	6 057	(1 466)	3 124	(2 123)	4 978
Deferred tax liability at 31 Dec 2017	(4 475)	-	-	-	-	(4 475)
Deferred tax asset at 31 Dec 2017	-	7 080	-	4 783	3 989	15 852
Balance at 31 Dec 2017	**(4 475)**	**7 080**	**-**	**4 783**	**3 989**	**11 377**

The remaining unrecognised deferred tax assets as at 31 December 2017 amount to CZK 14 705 thousand (2016: CZK 21 035 thousand). It arises from the Tax loses brought forward and can be recognised from 2017 to 2024.

Current tax assets and liabilities

Current income taxes are paid by the Group companies on a non-consolidated basis.

	31 December 2017	31 December 2016
Current taxes receivable	13 229	12 690
Current taxes payable	2 771	433

The current taxes receivable includes the advances for corporate income tax which the Group companies paid based on prior years income tax returns, net of income tax expense of companies with a lower tax expense than advances paid.

The current taxes payable includes the income tax liability net of advances paid of companies with a higher tax expense than advances paid.

1.5.15 Earnings per Share

The Company has only one class of ordinary shares which carry no right to fixed income.

Basic and diluted earnings per share are therefore equal.

	31 December 2017	31 December 2016
Profit / (loss) for the period (CZK thousand) attributable to the owners of the company	5 798	68 563
Weighted average number of shares (pcs)	2 936 756	2 936 756
Earnings per share (CZK)	**1,97**	**23,35**

1.5.16 Property, Plant and Equipment

Cost

	Land, buildings and structures	Machinery and equipment	Furniture, fixtures and other	Total
Balance at 31 December 2015	**100 337**	**116 734**	**2 842**	**219 913**
Currency translation effect	(70)	200	(62)	68
Additions	781	11 793	383	12 957
Reclassification to Assets held for sale	(9 935)	-	-	(9 935)
Disposals	1 335	4 938	1 414	7 687
Balance at 31 December 2016	**89 778**	**123 789**	**1 749**	**215 316**
Currency translation effect	(3 593)	(518)	(40)	(4 151)
Additions	-	9 835	274	10 109
Disposals	11 841	13 524	2	25 367
Balance at 31 December 2017	**74 344**	**119 582**	**1 981**	**195 907**

Accumulated depreciation and impairment losses

	Land, buildings and structures	Machinery and equipment	Furniture, fixtures and other	Total
Balance at 31 December 2015	**40 364**	**107 386**	**998**	**148 748**
Currency translation effect	(272)	262	86	76
Additions	3 950	8 458	206	12 614
Reclassification to Assets held for sale	(2 447)	-	-	(2 447)
Disposals	2 828	4 760	22	7 610
Balance at 31 December 2016	**38 767**	**111 346**	**1 268**	**151 381**
Currency translation effect	(1 263)	(840)	(4)	(2 107)
Additions	2 797	10 687	266	13 750
Disposals	5 873	13 509	2	19 384
Balance at 31 December 2017	**34 428**	**107 684**	**1 528**	**143 640**

Depreciation is recorded on line Depreciation in Profit and loss account in the total amount of CZK 13 750 thousand (2016: CZK 12 614 thousand).

Carrying amount

	Land, buildings and structures	Machinery and equipment	Furniture, fixtures and other	Total
Balance at 31 December 2015	59 973	9 348	1 844	71 165
Balance at 31 December 2016	51 011	12 443	481	63 935
Balance at 31 December 2017	39 916	11 898	453	52 267

The Group did not capitalise any borrowing costs during 2017 and 2016.

For detail disclosure on Assets held for sale refer to Note 1.5.25.

1.5.17 Goodwill

Balance at 31 December 2015	21 457
Additions from new acquisition	1 172
Recognised impairment loss	-
Balance at 31 December 2016	22 629
Recognised impairment loss	-
Balance at 31 December 2017	22 629

Goodwill has been allocated for impairment testing purposes to individual cash-generating units. Carrying amounts of goodwill allocated to cash-generating units ("CGU") that are significant individually or in aggregate are as follows:

	2017	2016
ICZ Group excluding ICZ Slovakia a.s.	16 061	16 061
ICZ Slovakia a.s.	6 568	6 568
Total	22 629	22 629

The acquired companies Exprit s.r.o. in the Czech Republic and Bezpečná ulice a.s. were fully integrated into the company ICZ a.s. and its subsidiaries based in the Czech republic. Therefore the related goodwill is assessed at the CGU of ICZ Group excluding operations of ICZ Slovakia a.s.

Goodwill assigned to ICZ Slovakia a.s. is assessed on the basis of the recoverable amount of this CGU.

The recoverable amounts of both cash-generating units were based on their value in use which use cash flow projections based on financial budgets approved by management covering a three-year period, and a discount rate of 12,68% per annum for 2017 (2016: 10,22%). This rate was determined on the basis of the calculation of WACC, which took into consideration especially risk-free interest rate, expected market growth of ICT, expected inflation etc. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of value in use were as follows:

%	**2017**	**2016**
Discount rate	12,68%	10,22%
Terminal value growth rate	1,00%	1,00%
Budgeted EBITDA growth rate (average of next 3 years)	1,00%	1,00%

Sensitivity analysis of the value in use as at 31 December 2017.

The crucial elements influencing the value in use of assets within individual units responsible for generating cash flows are: operating profit plus depreciation and amortization (known as EBITDA) and the discount rate.

The effects of impairment sensitivity (whether and if so, what amount would be accounted for) in relation to changes in these factors are presented below:

		EBITDA		
Discount rate	Changes	-5%	0%	5%
	-0,5 p.p	no impact	no impact	no impact
	0,0 p.p	no impact	no impact	no impact
	0,5 p.p	no impact	no impact	no impact

1.5.18 Other Intangible Assets

Cost

	Intangible assets generated internally	Other intangible assets	Total
Balance at 31 December 2015	**398 093**	**62 001**	**460 094**
Currency translation effect	(4)	(2)	(6)
Additions	31 691	2 561	34 252
Disposals	-	2 695	2 695
Balance at 31 December 2016	**429 780**	**61 865**	**491 645**
Currency translation effect	(1 781)	(433)	(2 214)
Additions	26 272	1 483	27 755
Disposals	-	1 605	1 605
Balance at 31 December 2017	**454 271**	**61 310**	**515 581**

The amount of expenditures recognised in the carrying amount of CZK 29 914 thousand in Intangible assets generated internally, represents the internally generated software under construction.

Accumulated amortisation and impairment losses

	Intangible assets generated internally	Other intangible assets	Total
Balance at 31 December 2015	**359 490**	**54 376**	**413 866**
Currency translation effect	(41)	(6)	(47)
Corrections	-	-	-
Additions	12 569	5 338	17 907
Disposals	-	2 695	2 695
Balance at 31 December 2016	**372 018**	**57 013**	**429 031**
Currency translation effect	(372)	(365)	(737)
Additions	7 349	4 075	11 424
Disposals	-	1 605	1 605
Balance at 31 December 2017	**378 995**	**59 118**	**438 113**

Carrying amount

	Intangible assets generated internally	Other intangible assets	Total
Balance at 31 December 2015	38 603	7 625	46 228
Balance at 31 December 2016	57 762	4 852	62 614
Balance at 31 December 2017	75 276	2 192	77 468

Intangible assets generated internally represent primarily results of development that meet the conditions noted in respective accounting policy under Note 1.5.2 and Note 1.5.4. The most significant items recorded as of the year end are SW AMIS*HD in carrying amount of CZK 32 982 thousands and remaining amortization period of 5 years and SW Letvis of the net carrying amount of CZK 29 914 thousands that will be put in use in 2018 and will be amortized over period of 5 years. The Group develops software that is sold to the customers.

Other intangible assets contains predominantly other software.

1.5.19 Long term Receivables

Balance at 31 December 2017	1-5 years	5+ years	Total
Trade and other receivables	6 056	-	6 056
Total	**6 056**	**-**	**6 056**

The amount of Long term Trade receivables consist of payment schedule relating to one project. The amount will be paid monthly. Last payment is due in November 2019.

1.5.20 Financial Investment

In 2016, the ICZ a.s. company established an endowment fund named Nadační fond ICZ. Its mission is supporting of various charitable activities and generally beneficial goals. The deposit to its capital was CZK 1 000 thousand. Nadační fond ICZ is not involved into the consolidation group.

1.5.21 Inventories

	31 December 2017	31 December 2016
Material	876	941
Products	736	650
Goods	11 711	10 501
Total gross inventory	13 323	12 092
Write-downs to net realisable value	(3 148)	(2 241)
Total	**10 175**	**9 851**

Write-downs of inventory to net realisable value during the period ended 31 December 2017 and 2016 in the amount of CZK 907 thousand and CZK (2 853) thousand, respectively, have been recognised in other operating expenses.

The cost of inventories recognised as an expense during the period ended 31 December 2017 and 2016 was CZK 103 844 thousand and CZK 114 694 thousand, respectively.

1.5.22 Trade and Other Receivables

	31 December 2017	31 December 2016
Trade receivables	199 987	350 548
Construction contracts in progress	31 998	54 276
Short term advances paid	3 461	2 855
Other receivables	17 567	16 641
Gross short-term receivables	253 013	424 320
Allowances	(10 580)	(10 542)
Total	**242 433**	**413 778**

Trade receivables ageing

	31 December 2017	31 December 2016
Receivables before due	173 914	295 649
Receivables overdue less than 180 days	*23 289*	*47 450*
Receivables overdue more than 180 days	*2 784*	*7 449*
Total receivables overdue	26 073	54 899
Totel receivables	**199 987**	**350 548**

Change of allowances

	31 December 2017	31 December 2016
Change in allowances to Trade receivables	38	7 179
Total change in allowances	**38**	**7 179**

The increase resp. decrease in allowances against receivables has been recognised in other operating expenses.

The average credit period on sales of goods is 60 days. Provisions are established on the basis of an ageing analysis - receivables past due from 180 to 365 days are provisioned at 50 percent, receivables past due by greater than 365 days are provisioned in full. Provisions are also charged on the basis of an assessment of individual debts in terms of the status of legal proceedings, financial health of the debtor, information provided by legal counsel, etc.

Construction contracts

	31 December 2017	31 December 2016
Construction costs incurred plus recognised profits less recognised losses to date	1 070 811	1 537 819
Less: progress billings	1 054 319	1 482 139
Amount due from customers under construction contracts	31 998	54 276
Amount due to customers under construction contracts less amounts pre-paid to sub-contractors	15 506	1 404

Amounts due from and to customers are included in trade and other receivables and trade and other payables, respectively.

As at 31 December 2017 and 2016 there were no retentions held by customers for contract work.

1.5.23 Other Current Assets

	31 December 2017	31 December 2016
Deferred expenses	14 404	21 577
Accrued income	2 887	2 458
Total	**17 291**	**24 035**

Deferred expenses in 2017 and 2016 primarily include prepaid expenses for engagements.

1.5.24 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	31 December 2017	31 December 2016
Cash and current accounts with banks	273 765	221 565
Total current financial assets	**273 765**	**221 565**

All cash and cash equivalents are readily available as at 31 December 2017.

1.5.25 Assets held for sale

	31 December 2017	31 December 2016
Land, buildings and structures	-	7 488
Total	**-**	**7 488**

In 2016 it was decided to sell all real estate that company owned in Strakonice. Net book value of the properties was CZK 7 488 thousands as of 31 December 2016. This asset was sold in 2017. The sale price was CZK 12 500 thousands.

1.5.26 Issued Capital

The authorised share capital of ICZ N.V. is EUR 20 million and is divided into 20 million shares with a nominal value of EUR 1 each. As of 31 December 2017, the Company has issued 4 500 000 shares with nominal value of EUR 1.00 each amounting to EUR 4 500 000 (CZK 119 790 thousand).

1.5.27 Reserves

	31 December 2017	31 December 2016
Additional paid in capital	78 960	78 960
Legal reserve	(1 061)	(1 061)
Own shares	(193 058)	(193 058)
Translation reserve	3 370	6 569
Total	**(111 789)**	**(108 590)**

In October 2015, ICZ N.V. agreed to purchase back 3 912 of its own shares from a small shareholders for EUR 47 thousands (equivalent of CZK 1 268 thousands). The transaction was successfully concluded in December 2015. Own shares are presented as a decrease of reserves.

In June 2012, ICZ N.V. agreed to purchase back 779 666 of its own shares from a financial investor CEE IT Holdings (Luxembourg) S.A. for EUR 2 500 thousands (equivalent of CZK 63 500 thousands). The transaction was successfully concluded in July 2012. Own shares are presented as a decrease of reserves.

In July 2011, ICZ N.V. agreed to purchase back 467 800 of its own shares from a financial investor CEE IT Holdings (Luxembourg) S.A. for EUR 3 000 thousands (equivalent of CZK 77 400 thousands). The transaction was successfully concluded in September 2011.

In May 2010, ICZ N.V. has agreed to purchase back 311 866 of its own shares from a financial investor CEE IT Holdings (Luxembourg) S.A. for EUR 2 000 thousands (equivalent of CZK 50 890 thousands). The transaction was successfully concluded in July 2010.

1.5.28 Trade and Other Payables

	31 December 2017	31 December 2016
Trade accounts	166 024	231 225
Payables to employees	19 621	20 291
Social security and health insurance payables	11 841	12 191
Tax payables (other than corporate income taxation)	25 963	44 594
Construction contracts liabilities	15 506	31 710
Other short-term payables	67 002	66 565
Total	**305 957**	**406 576**

Trade accounts payable typically fall due for settlement within 14 - 60 days.

Trade accounts ageing

	31 December 2017	31 December 2016
Trade accounts before due	153 161	222 806
Trade accounts overdue less than 180 days	*12 752*	*8 326*
Trade accounts overdue more than 180 days	*111*	*93*
Total Trade accounts overdue	12 863	8 419
Totel Trade accounts	**166 024**	**231 225**

1.5.29 Other Liabilities

Other current liabilities

	31 December 2017	31 December 2016
Accrued expenses	9 239	7 948
Estimated liabilities and provisions	71 931	70 243
Total	**81 170**	**78 191**

Accrued expenses principally consist of accruals for outstanding vacation days, including social security and health insurance, accrued audit expense.

Estimated liabilities primarily include employee bonuses, expected billing from suppliers and expected provision for customer claims.

1.5.30 Financial Instruments

The Group manages its capital to ensure that entities in the Group are able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2007.

The company and its subsidiaries are not subject to externally imposed capital requirements.

Financial risk management objectives

The management of the Group monitors and manages the financial risks relating to the operations of the Group through analysing exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The management analyses the risks, and policies implemented to mitigate risk exposures, regularly.

Foreign currency risk management

The Company is exposed to currency risk to a limited extent as a predominant part of transactions are denominated in Czech crowns. The entity uses no currency hedging instruments.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

31 December 2017

The CZK thousand equivalents of assets and liabilities in foreign currencies are as follows:	**EUR**	**USD**	**Total**
Short-term receivables	54 388	31 078	85 466
Cash	18 327	13 053	31 380
Other assets	4 024	128	4 152
Total assets	**76 739**	**44 259**	**120 998**
Short-term payables	81 646	43 700	125 346
Accruals and other liabilities	7 314	1	7 315
Total liabilities	**88 960**	**43 701**	**132 661**

31 December 2016

The CZK thousand equivalents of assets and liabilities in foreign currencies are as follows:	**EUR**	**USD**	**Total**
Short-term receivables	197 814	15 079	212 893
Cash	37 423	7 793	45 216
Other assets	10 479	3	10 482
Total assets	**245 716**	**22 875**	**268 591**
Short-term payables	163 576	58 343	221 919
Accruals and other liabilities	12 255	-	12 255
Total liabilities	**175 831**	**58 343**	**234 174**

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies. The following table details the Group's sensitivity to a 10% increase and decrease of CZK against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit if CZK weakens against the relevant currency.

in CZK thousand equivalents	**31 December 2017**	**31 December 2016**
EUR	(1 222)	6 989
USD	56	(3 547)
Total	**(1 166)**	**3 442**

Interest rate risk management

The Company is exposed to interest rate risk to a limited extent due to an insignificant use of short-term financial instruments. The entity uses no interest hedging instruments.

Other price risks

The Company doesn't have any financial assets and liabilities that are exposed to price risk.

Credit risk management

Credit risk refers to the risk that counterparty might default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed monthly and approved by management.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Executive Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 1.5.33 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2017						
Trade and other payables	150 966	72 146	337	-	-	223 449
Non-financial liabilities - Current income tax liabilities	-	-	2 771	-	-	2 771
Other liabilities	21 454	20 680	39 036	-	-	81 170
Non-interest bearing	**172 420**	**92 826**	**42 144**	**-**	**-**	**307 390**
31 December 2016						
Trade and other payables	229 303	77 070	1 928	-	-	308 301
Non-financial liabilities - Current income tax liabilities	-	-	433	-	-	433
Other liabilities	77 840	351	-	-	-	78 191
Non-interest bearing	**307 143**	**77 421**	**2 361**	**-**	**-**	**386 925**

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
31 December 2017						
Trade and other receivables	99 664	98 331	40 977	6 056	-	245 028
Non-financial assets - Current income tax assets	-	-	13 229	-	-	13 229
Other assets	2 887	-	-	-	-	2 887
Non-interest bearing	**102 551**	**98 331**	**54 206**	**6 056**	**-**	**261 144**
31 December 2016						
Trade and other receivables	290 016	112 753	11 009	12 663	-	426 441
Non-financial assets - Current income tax assets	-	-	12 690	-	-	12 690
Other assets	18 513	2 228	3 294	-	-	24 035
Non-interest bearing	**308 529**	**114 981**	**26 993**	**12 663**	**-**	**463 166**

Fair value of financial assets and liabilities

A number of the Company´s accounting policies and disclosures require the measurement of fair value, both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values are categorized, in accordance with the requirements of IFRS 13, into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

(1) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

(2) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

(3) Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values of level 3.

1.5.31 Subsidiaries

Details of the Company's subsidiaries at 31 December 2017 were as follows:

Name of the company	Registered office	Ownership interest
ICZ a.s.	Na hřebenech II 1718/10, Praha 4	100%
S.ICZ a.s.	Na hřebenech II 1718/10, Praha 4	100%
Expert & Partner engineering CZ, a.s.	Na hřebenech II 1718/10, Praha 4	100%
DELINFO, spol. s r.o.	Londýnské náměstí 856/2, Brno	100%
ALES, s.r.o.	Na hřebenech II 1718/10, Praha 4	100%
Amaio Technologies, a.s.	Na hřebenech II 1718/10, Praha 4	100%
D.ICZ Slovakia a.s.	Karadžičova 8/A, Bratislava	100%
ALES a.s.	Soblahovská 2050, Trenčín	100%
ICZ Slovakia a.s.	Soblahovská 2050, Trenčín	100%
ICZ Polska Sp.z o.o.	Ul. Fransuska, nr. 34, 40-028 Katowice	100%
ICZ Ukraine	Kiyevskiy Shlyakh 1d-2, Boryspil, Ukraine	100%
ICZ BH	Kraja Petra I Karadordevica br. 99a, Banja Luka	100%
ICZ Invest a.s.	Na hřebenech II 1718/10, Praha 4	100%
Nadační fond ICZ	Na hřebenech II 1718/10, Praha 4	100%

Proportion of voting power held equals the proportion of ownership interest.
The principal activities of the subsidiaries match the principal activities of the parent company except for Nadační fond ICZ, a charity organization.
ICZ Invest a.s. was established as of 21 December 2017.

ICZ Polska Sp. z o.o. ceased its activities during 2004. Similarly, ICZ Ukraine and ICZ BH are dormant entities.

1.5.32 Related Party Transaction

The following table shows individuals and legal entities with an equity interest greater than 20 percent and the amount of their equity interest:

Shareholder	Ownership percentage 31 Dec 2017	Ownership percentage 31 Dec 2016
Jitka Rosendorfová	47,66%	47,66%
ICZ N.V. (Note 27)	34,74%	34,74%
Other (individuals)	17,60%	17,60%
Total	**100,00%**	**100,00%**

The voting power held by the shareholders matches their holdings of the issued share capital of the Company.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	31 December 2017	31 December 2016
Short-term benefits (remuneration)	51 283	50 168
Total	**51 283**	**50 168**

Members of the management can use Company cars for private purposes.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The remuneration described above was fully paid within a year except following amounts which was recognized in other payables.

	31 December 2017	31 December 2016
Short-term benefits (remuneration) payables	2 703	3 337
Total	**2 703**	**3 337**

Other related party transactions

Jitka Rosendorfová, a major shareholder of the Company, has been employed by ICZ a.s. Her remuneration for 2017 and 2016 amounted to CZK 133 thousand and CZK 133 thousand, respectively.

Bohuslav Cempírek, who is a member of the Executive Board of ICZ N.V., 1 % shareholder of ICZ N.V. and Chief Executive Officer of ICZ a.s., subscribed 45,000 shares of ICZ NV at nominal value of EUR 1 per share, paid in cash in total amount of EUR 45 000, on October 2, 2007. These shares represent 1% of issued shares of ICZ N.V. as of 31 December 2016 and 31 December 2017.

1.5.33 Financing Facilities

Financing facilities

The Group has unsecured bank overdraft facility, reviewed annually and payable at call as follows:

	31 December 2017	31 December 2016
Amount used for covering bank guarantees	20 681	33 529
Amount unused	144 319	131 471
Total	**165 000**	**165 000**

1.5.34 Operating Lease Arrangements

The Group as Lessee

Leasing arrangements

The Group has entered into operating lease contracts in respect of cars and non-residential premises.

Payments recognised as an expense

Operating lease payments recognised in the income statement for the years ended 31 December 2017 and 2016 amounted to CZK 70 955 thousand and CZK 72 590 thousand, respectively. The Group anticipates paying operating lease payments in similar amounts in the following years.

	Less than 1 year	1 - 5 years	5+ years	Total
2017				
Car operating lease arrangements	22 321	20 204	-	42 525
Equipment operating lease	1 039	504	-	1 543
Tenancy agreements	40 987	127 094	-	168 081
Contractual obligations	**64 347**	**147 802**	**-**	**212 149**
2016				
Car operating lease arrangements	24 384	21 421	-	45 805
Equipment operating lease	1 389	745	-	2 134
Tenancy agreements	46 628	169 324	20 820	236 772
Contractual obligations	**72 401**	**191 490**	**20 820**	**284 711**

Non-cancellable operating lease commitments

The table above includes also non-cancellable operating leases.

	Less than 1 year	1 - 5 years	5+ years	Total
2017				
Tenancy agreements	32 807	112 118	-	144 925
Contractual obligations	**32 807**	**112 118**	**-**	**144 925**
2016				
Tenancy agreements	37 712	150 678	20 820	209 210
Contractual obligations	**37 712**	**150 678**	**20 820**	**209 210**

1.5.35 Contingent Liabilities and Contingent Assets

ICZ a.s. and its subsidiaries have provided performance bonds for public sector projects upon customer's request. The performance bonds are in form of a bank guarantee and are not recorded in the statement of financial position. As of 31 December 2017, they have provided performance bonds in a form of bank guarantees totalling CZK 6 457 thousand (2016: CZK 18 481 thousand). Furthermore, ICZ a.s. has provided rent related bank guarantee in the amount EUR 557 thousand (2016 - EUR 557 thousand).

As of 31 December 2017, the group is involved in one legal dispute with former employee as a defendant. The potential amount of claim has been covered by a provision in the amount of CZK 100 thousand (2016: CZK 563 thousand). Furthermore there is potential threat that will be taken legal steps against the group in connection with warranty claim. The group has provisioned for the potential future liability of 18 CZK million.

2 Company Financial Statements

2.1 Company Balance Sheet as at December 31, 2017

Before the result appropriation

(Expressed in EUR 1 000)

	Note	2017	2016
ASSETS			
NON-CURRENT ASSETS			
Investments	3	12 866	14 362
Total non-current assets		**12 866**	**14 362**
CURRENT ASSETS			
Trade and other receivables	4	2 670	1 352
Deferred income tax receivables		33	20
Other assets		2	-
Cash and cash equivalents	5	11	13
Total current assets		**2 716**	**1 385**
TOTAL ASSETS		**15 582**	**15 747**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity	**6**		
Issued capital		4 500	4 500
Share premium		7 178	7 178
Own shares		(7 547)	(7 547)
Translation reserve		931	300
Retained earnings		8 727	7 691
Net result for the year		220	2 536
Equity attributable to equity holders of the company		14 009	14 658
NON-CURRENT LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	1 511	1 026
Other liabilities	7	62	63
Total current liabilities		**1 573**	**1 089**
TOTAL LIABILITIES		**1 573**	**1 089**
TOTAL EQUITY AND LIABILITIES		**15 582**	**15 747**

The notes on pages 71 to 75 are an integral part of these company financial statements.

2.2 Company Income Statement for the Year Ended December 31, 2017

(Expressed in EUR 1 000)

	Note	2017	2016
Share in results from participating interests, after taxation		103	2 526
Other result after taxation		117	10
NET RESULT FOR THE YEAR		**220**	**2 536**

The notes on pages 71 to 75 are an integral part of these company financial statements.

2.3 Notes to the Accounts

2.3.1 General

ICZ N.V. is a public limited liability company, incorporated under the laws of The Netherlands on October 02, 2007, having its registered seat in Amsterdam, The Netherlands. The Company mainly acts as a holding and finance company and has its office address at Strawinskylaan 403, WTC, Tower A, 4th floor, 1077XX, Amsterdam, The Netherlands.

The current accounting period started on January 1, 2017 and ended on December 31, 2017.

The comparative accounting period started on January 1, 2016 and ended on December 31, 2016.

The company financial statements are part of the 2017 financial statements of ICZ N.V.

The description of the Company's activities and the group structure, as included in the notes to the consolidated financial statements, also applies to the company financial statements.

2.3.2 Significant Accounting Policies

The company financial statements have been prepared in accordance with the requirements as set forth in Title 9, Book 2 of the Netherlands Civil Code.

For the principles for the recognition and measurement of assets and liabilities and determination of the results for its company financial statements, ICZ applies the possibility of article 2:362, paragraph 8 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of results ("accounting policies") of the company financial statements of ICZ N.V. are the same as those applied for the consolidated financial statements under IFRS as adopted by the European Union. For details reference is made to the notes to the consolidated financial statements on pages 36 to 46. The investments in subsidiaries are stated applying the equity method as of when control can be exercised over the subsidiaries' operational and financial activities. Dividends from investments are recorded as deduction of the investment in the year they are declared.

Assets and liabilities are stated at face value unless indicated otherwise.

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity method. Refer to the basis of consolidation accounting policy in the consolidated financial statements.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realised.

2.3.3 Investments

31 December 2017 *(Expressed in EUR 1 000)*

	ICZ a.s.	**ICZ Invest a.s.**	**Total**
%	100	100	
Beginning of the year	14 362	-	14 362
New shares	-	78	78
Net result of the year	104	(1)	103
Dividend received	(2 307)	-	(2 307)
Translation adjustment	630	-	630
End of the year	**12 789**	**77**	**12 866**

2.3.4 Receivables

(Expressed in EUR 1 000)

	31 December 2017	**31 December 2016**
Current receivables	2 662	1 347
VAT	6	5
Other receivables	2	-
Total	**2 670**	**1 352**

Current receivables include the receivables from group undertakings:

(Expressed in EUR 1 000)

	31 December 2017	**31 December 2016**
ICZ Cashpooling	2 662	1 345
Other IC receivables	-	2
Total	**2 662**	**1 347**

2.3.5 Cash at Banks

(Expressed in EUR 1 000)

	31 December 2017	**31 December 2016**
KBC Bank Nederland N.V. - current account	11	13
Total	**11**	**13**

2.3.6 Shareholders' Equity

The Company's authorised share capital amounts to EUR 20 000 000 divided into 20 000 000 ordinary shares of EUR 1 each. At the balance sheet date a total of 4 500 000 ordinary shares were issued and fully paid.

In October 2015, ICZ N.V. agreed to purchase back 3 912 of its own shares from a small shareholders for EUR 47 thousands (equivalent of CZK 1 268 thousands). The transaction was successfully concluded in December 2015.

In June 2012, ICZ N.V. agreed to purchase back 779 666 of its own shares from a financial investor CEE IT Holdings (Luxembourg) S.A. for EUR 2 500 thousands (equivalent of CZK 63 500 thousands). The transaction was successfully concluded in July 2012.

In July 2011, ICZ N.V. agreed to purchase back 467 800 of its own shares from a financial investor CEE IT Holdings (Luxembourg) S.A. for EUR 3 000 thousands (equivalent of CZK 77 400 thousands). The transaction was successfully concluded in September 2011.

In May 2010, ICZ N.V. agreed to purchase back 311 866 of its own shares from a financial investor CEE IT Holdings (Luxembourg) S.A. for EUR 2 000 thousands (equivalent of CZK 50 890 thousands). The transaction was successfully concluded in July 2010.

Movements in shareholders' equity are as follows:

(Expressed in EUR 1 000)

	Issued and fully paid share capital	Share premium	Translation reserve	Retained earnings	Net result for the year	Total
31.12.2015	**4 500**	**7 178**	**295**	**(1 655)**	**2 798**	**13 116**
Profit current accounting period	-	-	-	-	2 536	2 536
Appropriation of result	-	-	-	2 798	(2 798)	-
Differences from revaluation of foreign consolidated companies	-	-	5	1	-	6
Own shares	-	-	-	-	-	-
Dividend distribution	-	-	-	(1 000)	-	(1 000)
31.12.2016	**4 500**	**7 178**	**300**	**144**	**2 536**	**14 658**
Profit current accounting period	-	-	-	-	220	220
Appropriation of result	-	-	-	2 536	(2 536)	-
Differences from revaluation of foreign consolidated companies	-	-	631	-	-	631
Own shares	-	-	-	-	-	-
Dividend distribution	-	-	-	(1 500)	-	(1 500)
31.12.2017	**4 500**	**7 178**	**931**	**1 180**	**220**	**14 009**

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2017 profit after tax: the net result will be allocated to the retained earnings based on final decision of the shareholders during the General Meeting. This proposal has not been reflected in the accompanying annual accounts.

Reconciliation of shareholders' equity and net result per the consolidated financial statements with shareholders' equity and net result per the company financial statements:

	31 December 2017	31 December 2015
Shareholders' equity according to the consolidated balance sheet (in CZK '000)	**337 792**	**373 447**
Closing exchange rate	25,540	27,020
Translation into EUR	13 226	13 821
Translation difference	783	837
Shareholders' equity according to the separate balance sheet (in EUR '000)	**14 009**	**14 653**

	31 December 2017	31 December 2015
Net result according to the consolidated profit and loss account (in CZK '000)	**5 798**	**68 563**
Average rate for the 12-month period	26,330	27,033
Translation into EUR	220	2 536
Net result according to the separate profit and loss account (in EUR '000)	**220**	**2 535**

As stipulated by the Article 2.362 (Title 9, Book 2 of the Netherlands Civil Code), different presentation currencies are used for consolidated financial statements and standalone financial statements in view of nature of the operations of the Group.

The foreign exchange rate is based on the historical rates and this results in a translation difference.

The reconciliation of the equity has been performed to disclose the translation of equity expressed in CZK in the consolidated financial statement into the presentation currency of standalone financial statements which is EUR.

2.3.7 Other Liabilities and Accrued Expenses

(Expressed in EUR 1 000)

	31 December 2017	31 December 2016
Account payable	-	17
Payable salary expense	7	7
Accrued expenses	62	63
Dividends payable to shareholders	1 500	1 000
Other	4	2
Total	**1 573**	**1 089**

Accounts payable includes the liabilities to group undertakings:

(Expressed in EUR 1 000)

	31 December 2017	31 December 2016
Total	-	-

2.3.8 Provision for Corporate Tax

The corporate tax is based on the fiscal result, taking into account that certain income and expenses as reported in the profit and loss account are exempted from taxation.

2.3.9 Directors and Employees

The Company has one employee and three executive directors. The Company has three supervisory directors. (2016: the same)

The remuneration of the Executive Board amounted to 31 600 EUR in 2017 (31 600 EUR in 2016).

The remuneration of the Supervisory Board amounted to 31 600 EUR in 2017 (29 897 EUR in 2016).

2.3.10 Related Party Transaction

In 2017 the Company provided management services to its subsidiaries for the total fee of EUR 232 794 (EUR 222 352 in 2016), incurred interest income of EUR 25 658 (EUR 8 231 in 2016) and interest expense of EUR 5 467 (EUR 6 096 in 2016) related to intercompany cash-pooling.

The outstanding balances with the related parties are disclosed in the notes 2.3.4 and 2.3.7. For the information about the dividends received and paid refer to notes 2.3.3 and 2.3.6 respectively.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the end of the reporting period. None of the balances is secured. No expense has been recognised in the current year or prior year for bad of doubtful debts in respect of amounts owed by related parties.

2.3.11 Audit Fees

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants NV to the Company, its subsidiaries and other consolidated entities:

(Expressed in EUR 1 000)

	2017	**2016**
KPMG Accountants N.V.	33	31
KPMG Czech Republic	83	71
KPMG Slovakia	20	32
Total KPMG	**136**	**134**

2.3.12 Post Balance Sheet Events

No matters or circumstances of importance have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.

Amsterdam, 29 March 2018

The Executive Board

P. Rosendorf

Z. Jirkovec

B.Cempírek

The Supervisory Board

J. Muller

A. Hausenblasova

M. Marek

3 Other Information

3.1 Provisions in the Articles of Association governing the appropriation of profit

Subject to the provision under Dutch law that no dividends can be declared until all losses have been recovered, profits are at the disposal of the Annual General Meeting of Shareholders in accordance with the Company's Articles of Incorporation.

3.2 Independence auditor's report

The independence auditor's report is set out on the next page.

4 Auditor's Report

KPMG

Independent auditor's report

To: The General meeting of ICZ N.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2017 of ICZ N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of ICZ N.V. as at 31 December 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

— the accompanying company financial statements give a true and fair view of the financial position of ICZ N.V. as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2017;

2 the following consolidated statements for 2017: the statements of comprehensive income, changes in equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company balance sheet as at 31 December 2017;

2 the company income statement for 2017; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of ICZ N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— director's report;

— other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the director's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

KPMG

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 29 March 2018

KPMG Accountants N.V.

A.P.A. Greebe RA