

Institut pro testování a certifikaci, a. s.

Annual Report 2014

Chairman of the Board of Directors: Ing. Jiří Heš

Approved by the Shareholder's decision on 26 June 2015



Svět kvality a bezpečnosti
Safety and Quality World

Institut pro testování a certifikaci, a. s.

www.itczlin.cz





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Dear Friends,

Institut pro testování a certifikaci, a. s. (ITC) was founded as a joint-stock company in 1993 and its corporate structure has been preserved until today without any significant changes.

Looking back at the past year 2014, I can't help thinking that our world is changing at an ever faster pace and I am not convinced that all of these changes are for the better. Things that we sometimes take for granted turn out to be fragile and require our day-to-day attention. For example, the things happening in Ukraine and in Russia (which are important export destinations for our Company) show us that in today's world everything is interconnected.

Fortunately, the world is not black only and last year brought some good news, too.

A preliminary estimate from February 2015 as regards the Czech GDP growth in 2014 looks optimistic, indicating the 2014 GDP growth at 2%. The growth was again driven by the manufacturing industry, in particular the manufacturing of means of transport, machinery and equipment. Another factor strongly contributing to this growth was the domestic demand for capital goods and the final consumption of households, which can be assessed as optimism, both in industry and with Czech citizens. This seems to be confirmed by a year-on-year employment growth of 0.8% in the 4th quarter. The GDP growth also applies to the EU, which posted a growth of 1.4%. The euro area posted a nearly one-percent growth. All these results are better than what was expected. The estimated growth of real GDP in 2015 at 2.6% also looks positive.

I consider the year 2014 as a good year for ITC, even though maybe not as successful as the years 2012 and 2013. Sales revenues reached CZK 195,509,000. On a year-on-year basis, they are down by CZK 12.7 million, but on the other hand they are up by CZK 1.05 million from the year 2012. It is the first time since 2006 that we registered a decline in sales. This result was influenced by several factors, in particular by the fact that 2013 was an excellent year in terms of sales revenues and the bar was set very high. Other factors, which I am mentioning further below, were objectively difficult to influence. Through prudent management and good configuration of cooperation with subcontractors, we were able to achieve cost reductions and, in 2014, ITC posted a profit of CZK 4,810,000.

ITC continues to build on testing, certification and related activities - services. In 2014, there were no significant changes in terms of ITC's competences.

In terms of services and achieved sales, the TOP 5 activities at ITC are services in the accredited laboratory, services of the authorized/notified body, services for the area of activities according to Act No. 202/1990 Coll., On Lotteries and Other Similar Games, certification of management systems and certification of products. Other services provided by our Company to customers in the Czech Republic, Europe and the entire world generated roughly the same sales revenues as in 2013. The service where we registered a considerable year-on-year decrease in sales revenues was the activities according to Act No. 202/1990 Coll., On Lotteries and Similar Games, recording a year-on-year decline in sales by CZK 11 million. This decline was especially caused by the legislative uncertainty of our current as well as prospective customers, stemming from the expectations about a new or amended Gambling Act. The situation is also influenced by the endeavours of some towns and municipalities to promote stricter regulation of gambling (sometimes even a prohibition) and by not



entirely objective media hype surrounding gambling issues, which is objectively adding to our customers' uncertainty. Eventually, the above-mentioned situation resulted in a significant decline in the number of the newly assessed gambling (slot) machines and gaming equipment. At the same time, it is possible to register a substantial increase in the occurrence of illegal gaming equipment. However, in spite of these facts, the aforesaid activity was profitable for our Company in 2014.

Another area where we faced a decline in sales in 2014 is the area of assessing the compliance of medical devices. A decrease in sales revenues by approx. CZK 3.6 million compared to 2013 is significant, especially when in the area in question there are ever growing and changing requirements that are directly driving up the costs related to this activity. It was also for this reason why the aforesaid activity posted a significant economic loss in 2014.

It is up to us to do our utmost to bring ITC back on the path of growing sales in 2015, both the Company as a whole and its individual activities. The results for the 1st quarter of 2015 have confirmed that this goal is realistic.

The extent of industries which we serve has basically not changed compared to 2014 in terms of the share of applications and, subsequently, the volume of sales. The most important industries were the automotive industry, chemical industry (plastics, rubber, colours), light industry (footwear, textiles) and the testing of products coming into contact with foods. We must also mention ITC services, as an appointed authorized body in the field of the Lottery Act, the services of assessing conformity in the sector of construction products (including pipeline systems, hygiene goods), medical and electrical engineering products, certification of management systems, assessing the conformity of toys and the services of a calibration service center.

In 2014, ITC continued to provide its services abroad through direct contracts and in cooperation with long-term partners in the territories of Belarus, Brazil, China, Croatia, India, Israel, South Korea, Hungary, Pakistan, Poland, Austria, Russian Federation and Turkey. In the long-term, foreign clients are most interested in certification services, compliance assessment of products pursuant to the relevant EU Directives, as well as quality management systems and voluntary product certifications. In 2014, the volume of sales from foreign cooperation reached CZK 63.8 million and the share of exports in ITC's total sales was 32.6%.

Besides cooperation with partners from the business sector, ITC also has a long-term collaboration with universities. We trust that this cooperation enriches both sides through tangible results as well as through knowledge and experience from a different viewpoint. For example, for ITC it is a viewpoint of academicians and for universities it is a viewpoint from business practice. In 2014, we cooperated in various forms with the following universities:

- Mendel University in Brno
- Tomáš Baťa University in Zlín, Faculty of Technology; Faculty of Applied Informatics; Centre of Polymer Systems
- Technical University in Liberec
- UCEEB (University Centre for Energy Efficient Buildings of the Czech Technical University in Prague)
- Palacký University in Olomouc – Laboratory of Cell Cultures of the Faculty of Medicine



- Czech Technical University in Prague
- Technische Universität Dresden

For a long time, the portfolio of services provided by ITC has also included the provision of technical information and standardisation activity. In 2014, we were actively involved in dealing with tasks under the plan of technical standardisation of the Czech Office for Standards, Metrology and Testing (ÚNMZ), one of the examples being the creation of several sections for the website of the ÚNMZ (including database applications), which are a valuable source of publicly available information. This area also includes activities within SGP-STANDARD (Rubber and Plastic Industry Standard Association) and the creation of a new business website entitled "*Zákony a normy*" (Laws and Standards), which aims to increase the awareness among small and medium enterprises about technical standards and regulations, the compliance with which is of major importance when launching products to market. One of ITC's achievements is defending the competence of a qualified institute of the Ministry of Justice with a broad scope of authority.

As regards projects, in 2014, ITC implemented and successfully completed a project entitled "ITC – Innovations of Thermal Tests". The goal of the project was to introduce and accredit procedures that would allow for the testing of physical and electrical quantities under an extreme thermal load.

As part of the project, ITC acquired testing chambers for climatic tests and for heat shock tests. These chambers are complemented with cooling systems and specialized control software. The costs of the project were CZK 5.52 million. The project received a subsidy of CZK 2.25 million. The project results are currently in full operation.

2014 also saw the payment of a subsidy for the project "Innovation of Static and Dynamic Polymer Material Tests", which was implemented in 2013. This project was supported as part of the programme "Innovation Vouchers of the Zlín Region", which was intended to promote cooperation between companies and universities. The project primarily focused on optimizing injection conditions of testing bodies for a pallet of newly developed plastic materials.

Just as in other years, in 2014, to maintain competitiveness and to improve the quality of the services provided, ITC invested substantial funds into the buying of new testing equipment, whether through direct purchases or leasing. Largest investments included the acquisition of a climatic chamber for thermal and humidity tests from VÖTSCH, test rooms for cycle tests of sanitary facilities, shock chambers from VÖTSCH and other. Just for illustration purposes: in 2014, ITC acquired fixed assets with the acquisition cost of CZK 10.5 million, of which approx. CZK 8.5 million were investments in testing devices, whether new or existing.

We are aware of the fact that the biggest added value is brought by our employees through their knowledge, invention, initiative and loyalty to our Company. Without their contributions, any such assets would be only a "piece of metal" which exists without any use. Therefore, we also make long-term investments in the expansion of knowledge and competencies of our employees. The system of training of ITC's employees is based on a countrywide system implemented through accredited worksites for employee certification. Most of ITC's employees hold their own personal certificate or confirmation on completion of a similar training course.



The coordination and development of new procedures is internally organized in the form of educational seminars, among other as part of accredited activities such as AZL, AKL, COV and COSM. This ensures that every employee in charge of conformity assessment regularly takes part in training courses related to his/her activities.

In 2014, 14 internal training courses took place at ITC, which were attended in total by 368 of ITC's employees (this does not include training courses for individual centres, training of new staff and other events of a smaller scale). ITC's employees also took part in 64 external training sessions and seminars in a total extent of 234 man-days with the cost of CZK 534,000 (this figure also includes participation in conferences).

Besides employee training our continued goal is to increase technical and legislative knowledge of customers. In 2014, we organized six training events, which were attended by more than 300 people.

Activities focused on customer training in 2014:

- Analytical pyrolyses, thermal desorptions and quantitative desorptions
- Textile product complaints in theory and practice
- Services in support of quality in the automotive industry
- System of management of social responsibility of organizations: new way towards economic prosperity and sustainable development
- Experience with testing and assessing the conformity of toys according to Directive 2009/48/EC on the safety of toys in practice
- Training of foreign auditors – procedures for assessing the conformity of medical devices

To be successful today it is not sufficient to possess knowledge and perfect equipment, but it is also important to make others know what our Company has to offer and what it can do. One of the ways ITC is trying to do this is the participation in fairs and exhibitions. In 2014, ITC presented itself at 8 events focused on toys, construction, electrical engineering and electronics and the automotive industry which were held in the Czech Republic, Poland and Germany.

In 2014, ITC had to face many obstacles and dealt with numerous complicated situations in many respects. Now I can already say that we handled most of them successfully and that we achieved results we don't need to be ashamed of.

I want to say Thank You to all of our customers for their support. It continues to be our main goal to both maintain and further improve the standards of the services we provide.

I want to say Thank You to all of our trading partners, external colleagues and employees for their contributions to the achievement of our good results in 2014.

I look forward to our further cooperation and I wish you all a lot of success in 2015.

RNDr. Radomír Čevelík
Vice-Chairman of the Board of Directors



Key Financial Indicators of the Company

		2012	2013	2014
Total Revenues	tis. Kč	194 448	208 307	195 501
	of the ČR	tis. Kč	131 946	143 723
	of which expc	tis. Kč	62 502	64 584
Value	tis. Kč	120 778	125 978	121 190
Staff costs	tis. Kč	98 953	105 384	103 238
Depreciation	tis. Kč	6 845	7 501	7 786
Profit for the period	tis. Kč	7 999	7 162	4 810
Assets	tis. Kč	77 418	78 356	82 625
Liabilities	tis. Kč	36 725	33 800	35 211
Equity	tis. Kč	38 062	42 424	44 859
Staff costs		151,5	161,4	161,7
Rations				
Sales / of employees	tis. Kč	1 283	1 291	1 209
Value / Equity	tis. Kč	797	781	749
Profit / Equity	%	21,0%	16,9%	10,7%
Liabilities / Assets	%	47,4%	43,1%	42,6%
Sales / Equity	%	510,9%	491,0%	435,8%





Company's Sphere of Business

Institut pro testování a certifikaci, a. s., Zlín (hereinafter referred to as "ITC") is a joint-stock company founded and existing pursuant to the Commercial Code in 1993. Since 2000, ITC is an independent joint-stock company with a sole shareholder – the Czech company ITC-SERVIS, spol. s r. o.

As at 31 December 2014, the sphere of business of ITC, Inc. was defined as follows:

Sphere of business

- Operability certification of prize gaming machines and technical facilities necessary to run betting games, as well as the performance of the subsequent technical inspection of their operation;
- Measurement of pollutants and odours; preparation of scatter studies;
- Manufacturing, trade and services not included in Schedules No. 1 to 3 of the Trade Licensing Act.

Sphere of activities:

- Activities of an authorized (notified) body for product conformity assessment pursuant to Act No. 22/1997 Coll., as amended, in the scope as defined in the authorization issued by the Czech Office for Standards, Metrology and Testing;
- Activities of testing laboratories;
- Activities of calibration laboratories;
- Certification of products;
- Certification of management systems;
- Performance of inspections;
- Testing of living and working environmental components;
- Sampling and examination of product health safety;
- Official measurements;
- Activities of a calibration service centre;
- Verification of regulated measuring instruments;
- Assessment of construction suppliers;
- Activities of an expert institute.



Kompetence společnosti

- The ITC's technical, organizational, personnel and legislative competencies for the above activities are based on the following appointments, authorizations and accreditations (as at 31 December 2013):

- **Authorized Body No. 224**

(see: <http://www.unmz.cz/urad/ao-aktualni-seznam>)

- Government Decree No. 173/1997 Coll. (as amended by the last amendment to Government Decree No. 329/2002 Coll.) laying down selected products for conformity assessment;
- Government Decree No. 163/2002 Coll. (as amended by the last amendment to Government Decree No. 312/2005 Coll.) laying down technical requirements for selected construction products (Directive 89/106/EEC);

- **Notified Body No. 1023**

(see:

http://ec.europa.eu/enterprise/newapproach/nando/index.cfm?fuseaction=notifiedbody.notifybody&refe_cd=EPOS_46625)

- Government Decree No. 336/2004 Coll. laying down technical requirements for medical devices (Directives 93/42/EEC, 2003/12/EEC, 2003/32/EEC), as amended;
 - Government Decree No. 453/2004 Coll. laying down technical requirements for in vitro diagnostic medical devices (Directive 98/79/EC); as amended;
 - Government Decree No. 154/2004 Coll. laying down technical requirements for active implantable medical devices (Directive 90/385/EEC); as amended;
 - Government Decree No. 17/2003 Coll. laying down technical requirements for low voltage electrical equipment (Directive 2006/95/EC; ex - 73/23/EEC); as amended;
 - Government Decree No. 616/2006 Coll. laying down technical requirements for products as regards their electromagnetic compatibility (Directive 2004/108/EC); as amended;
 - Government Decree No. 86/2011 Coll. laying down technical requirements for toys (Directive 2009/48/EEC); as amended;
 - Government Decree No. 21/2003 Coll. laying down technical requirements for personal protective devices (Directive 89/686/EEC); as amended;
 - Government Decree No. 26/2003 Coll. (as amended by the last amendment to Government Decree No. 621/2004 Coll.) laying down technical requirements for pressure devices (Directive 97/23/EC); as amended.
- **Notified Body No. 1023 - Notified Entity**



- Regulation of the European Parliament and the Council (EU) 305/2011 (CPR) (Construction products)
- Accredited Testing Laboratory No. 1004
- Accredited Testing Laboratory No. 1004.3
- Accredited Calibration Laboratory No. 2222
- Accredited certification body for management systems No. 3002
- Accredited certification body for products No. 3020
- Accredited certification body for qualification in the system of certified construction suppliers pursuant to Act No. 137/2006 Coll.
- Accredited inspection body No. 4035
- Operator of the Technical Standardization Association for Rubber and Plastics Industry (SGP - Standard)
- Technical Standardization Centre authorized by the Czech Standardization Institute
- Based on a decision of the Ministry of Justice ref. No. 163/2005-ODS-ZN/2 dated 25 July 2005, ITC is registered in the first section of the list of institutes qualified for expert activities in electronics, with the authorization covering expert assessments required by state authorities and self-government authorities for gaming machines and technical facilities necessary to run betting games and lotteries as regards hardware and software, expert assessments to verify the functional and technical requirements of cash registers including the fiscal memory;
- Based on a decision of the Ministry of Justice ref. No. 218/2004-ODS-ZN/16/2 dated 29 April 2005, ITC is registered in the second section of the list of institutes qualified for expert activities in air cleanliness, transport, economy, power industry, chemistry, leather and fur, packages, environmental protection, food industry, services, sport, construction, engineering, various technical fields, textiles, art crafts, water management, health care and agriculture;
- Authorization by the Ministry of Finance to perform expert assessments and to certify the operability of technical facilities and systems to operate lotteries and other similar games, and to perform the subsequent technical inspection of such operated facilities and systems;
- OPEL/GM recommendation as a testing laboratory for automotive components;
- Authorization by the Civil Aviation Authority L-3-061/5 for verification tests of electrical and electronic aircraft components and devices;
- Authorization by the National Institute of Public Health No. Z0040100812 pursuant to Act No. 258/2000 Coll. for authorisation sets D 2 - Sampling and examination of health



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safety of products intended for children up to three years of age and D 3 - Sampling and examination of health safety of products coming into contact with food and foodstuffs;

- Administrator of the "Safe Toys" mark registered in the Czech Quality program;
- Administrator of the "ITC Certified Quality" mark
- Authorized Certified Body KEYMARK No. 032 for awarding the "SOLAR KEYMARK" mark;
- Cooperation with the Alliance of Construction Testing Laboratories (www.szv.cz) in awarding the "Proven for Construction" mark



prošl jsem jako zástupce a zastupitel, a zastupitelka a zmocněnec a zmocněnka v otázkách souvisejících s
Institut pro testování a certifikaci, a.s.
 IC 4790281, tř. T. Bati 299, 764 21 Zlín - Louky
 Standardní dle: EN ISO 17025:2005, část 1, 11.2.1995
 (pro laboratorní rozbor vlna
 a účinnosti od 1. ledna 2011 do 31. prosince 2011)

Prošel jsem
 1. Tímto prohlášením se zavazuji poslat na prověřitel metodu pro úlohy hodnocení a zajištění vlna v rámci Sítě referenčních a referenčních institucí pro hodnocení a zajištění vlna.
 2. Dále tímto prohlášením se zavazuji postupovat v souladu s Podmínkami poskytnutými a poskytnutými laboratorními rozborů hodnocení a zajištění vlna ze dne 10.12.2010 a Organizací a jednotným řádem Komise Státního zdravotního ústavu pro hodnocení a zajištění vlna, v platném znění. Součástí prohlášení je také na vlastní odpovědnost prohlášení poskytnutí, a to v případě nedodržení poskytnutých podmínek stanovených v tomto prohlášení.

V Brně, dne 11. 11. 2010
 Ing. Jaroslav Štěpánek
 zástupce ředitele



Overview of Membership in Associations

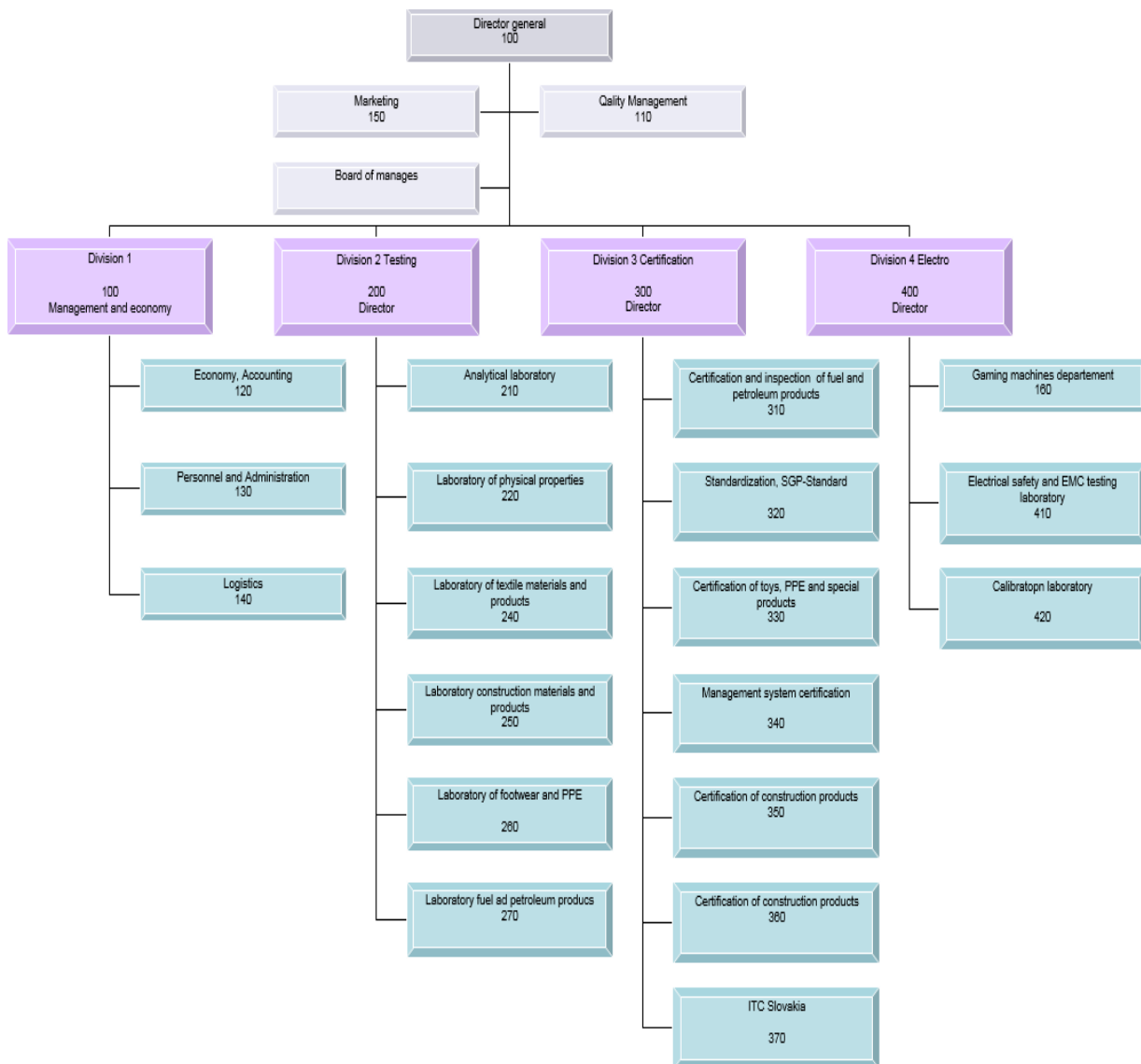
ITC is actively engaged in various technical activities in the Czech Republic, which is demonstrated by its membership in many professional as well as social associations and confederations.

- AAAO – Association of Accredited and Authorized Organizations, Prague;
- SZV - Svaz zkušeben pro výstavbu (Alliance of Construction Testing Laboratories), Prague;
- Sdružení českých zkušeben a laboratoří (Association of Czech Testing Stations and Laboratories), Zlín;
 - the aforementioned associations form the Eurolab-CZ alliance which has been a full member of EUROLAB since 1 May 2004 (<http://www.eurolab.org>)
- ČSJ – Czech Society for Quality, Prague;
- Sdružení pro hračky a hru (Toy and Game Association), Prague;
- Regional Chamber of Commerce of the Zlín Region
- CQS – Sdružení pro certifikaci systémů jakosti (Quality System Certification Association), Prague, member of the international IQNET association;
- ČOKA – Czech Footwear and Leather Association based in Zlín;
- EURACHEM ČR, Řež near Prague;
- ATOK – Association of Textile, Clothing and Leather Industry, Prague;
- SCOV – Sdružení certifikačních orgánů pro certifikaci výrobků (Association of Product Certification Bodies), Dobrá; SCJ – Sdružení pro cenu České republiky za jakost, Praha
- Road Contractors Association, Prague;
- Česká společnost průmyslové chemie (Czech Society for Industrial Chemistry), Gumárenská skupina (Rubber Industry Group) Zlín;
- České kalibrační sdružení (Czech Calibration Association), Brno;
- SGP STANDARD – Sdružení technické normalizace gumárenského a plastikářského průmyslu (Association for Technical Standardization in Rubber and Plastic Industry).
- Svaz průmyslu a dopravy ČR (Confederation of Industry of the Czech Republic), Prague;
- Svaz podnikatelů ve stavebnictví v ČR (Association of Building Entrepreneurs of the Czech Republic)
- Československá společnost pro sluneční energii (Czech Association for Solar Energy)
- TEAM-NB, Liège, Belgique
- LVD Notified Bodies Forum, Paris, France



Company's Organizational Chart

The Company pursues its activities in a divisional organizational structure – the diagram below shows the organizational chart as at 31 December 2014.





Persons Holding the Key Functions in the Company

The members of the Board of Directors and the Supervisory Board did not change in 2013. Company's bodies still include representatives from various fields of the civic association of the Czech Republic. The emphasis is put on professional qualification and on the representation of the Zlín Region

Board of Directors

Position	Held by
Chairman of the Board of Directors	Ing. Jiří Heš
Vice chairman of the Board of Directors	RNDr. Radomír Čevelík
Member of the Board of Directors	MgA. Pavlína ÚlehlaSenić

Supervisory Board

Position	Held by	
Chairman of the Supervisory Board	Mgr. Jiří Heš	Head of the ITC Division
Member of the Supervisory Board	Ing. Petr Karlík	Head of a ITC centre, a company employees' representative
Member of the Supervisory Board	Magdaléna Čevelíková	Manager of PAP-OIL, s.r.o.

Commission for assurance of impartiality

Commission for assurance of impartiality which supervise the assurance of activities associated with certifications of products, conformity assessment and management systems certification in ITC consisted of the following members in 2014:

Funkce	Obsazení	
Chairman of the Board	RNDr. Anna Christianová, CSc.	Institut pro testování a certifikaci, a. s., Zlín – expert for environment, ekodesign, National Register of Qualifications
Vice chairwoman of the Board	Ing. Jaroslav Toufar	Plasticcluster
Member of the Certification	MUDr. Milena Dostálková	Practitioners association, Zlín

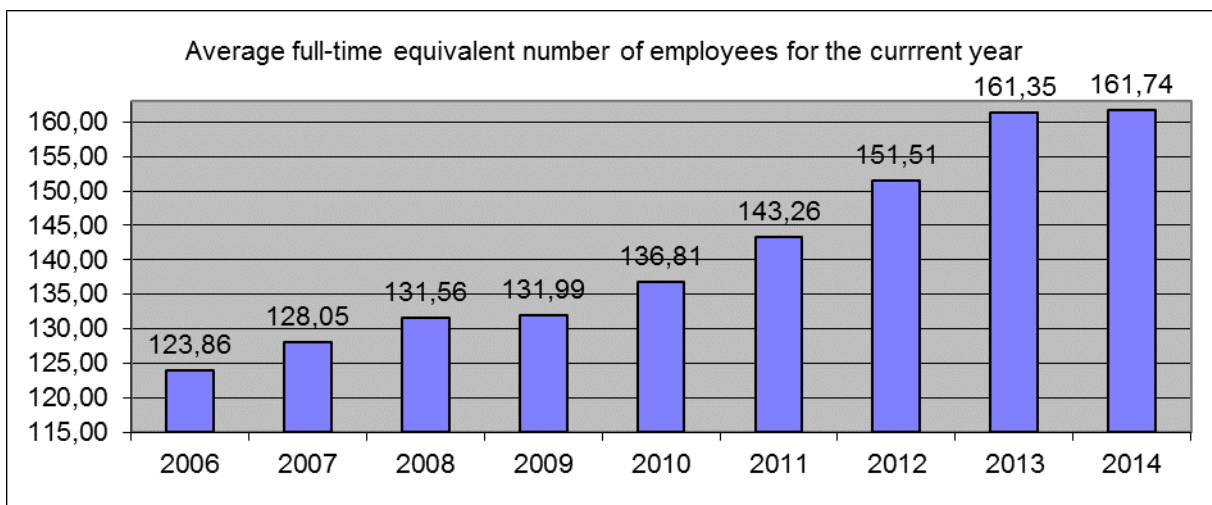


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Funkce	Obsazení	
Board		
Member of the Certification Board	Zdeněk Krul	CTI, Principal Administrator of the Central Inspectorate of the CTI in Prague
Member of the Certification Board	Ing. Petr Houdek	Academic institutions (Pilsen University nominations) - Systems management + IT, ITSM and information security, risk management.
Member of the Certification Board	Ing. Milan Báša	Consumer sector (FEP nomination) - manufacturing sector, the plastic industry, wood industry
Member of the Certification Board	RNDr. Vlastislav Trnka	Consumer sector (nominated by GESOS, spol. s r.o.)
Member of the Certification Board	Ing. Alena Chalupová, MBA.	Institut pro testování a certifikaci, a. s., Zlín
Member of the Certification Board	Ing. Milan Kovář	Institut pro testování a certifikaci, a. s., Zlín

In 2013 the average full-time equivalent number of employees was 161.35.





Company's Quality Policy

The ITC Quality Policy as adopted by the Company's Board of Directors and effective since 1 January 2010 remains valid without any change, focussing on the following areas of development:

The basic principle of the Company's activities is to generate intellectual and material values through permanent satisfaction of the needs of the customers and other persons interested in the Company's products, with a highly professional, quick, perfect and complex output. The satisfaction of the customer's needs and expectations must be the driver of the Company's development.

A team of satisfied, qualified and motivated employees is a warranty for quality and reliability of all provided products.

Customer focus:

- Customer satisfaction is a priority for the Company.
- A non-discriminatory approach is always applied when providing our products.
- The customer's requirements concerning the quality of the provided product, the compliance with the contractual terms and conditions, duties and liabilities in relation to the customer must be fully met. Respecting the agreed deadlines forms an integral part of the basic principles behind the Company's activities.
- Every employee should know what the customer requires or might require, as the case may be, what the customer needs or might need, as the case may be, what we can offer to the customer in addition, and what can be done to this end by the organizational unit, which that employee belongs to.
- Every employee is obliged to seek ways for permanent improvement of activities and procedures in the Company in order to retain or expand its current competencies, ensuring – in addition to the required quality and professional level of the products offered – also their complexity.
- Every employee must make every effort to satisfy the customer's wishes.
- Every delivery of a product should generate recommendations for further business at the destination.

Staff focus:

- The managers and the Company as a whole shall create suitable conditions for a stable team of professionally competent and motivated employees striving for permanent improvement of the expert level and complexity of the products offered.
- Through internal cooperation between the employees, we generate synergies externally, multiplying the Company's reputation as a homogeneous cluster of top-class professionals who know what the customer needs, wants or might want, as well as what they may fairly require for their work.
- The Company requires its employees to show pro-active approach, loyalty and personal contributions to the further development of the Company, including interest in enhancing their professional qualifications.
- As regards industrial relations, the Company applies the fundamental principles of the Corporate Social Responsibility.



Focus on processes and process management:

- The Company generates sufficient own resources as a prerequisite for its future development.
- Searching for ways leading towards high profitability, improved efficiency of the management system and to continuous quality improvement of products and all activities forms an integral part of the corporate culture. The organization and method of work are both subject to that culture.
- The principles of the management system are seen by the Company as a means to meet the expectations of the stakeholders (employees, shareholders, customers, public administration bodies and general public).

Supplier focus:

- The Company cooperates with its suppliers based on the principle of a long-term partnership, which brings benefits to all stakeholders.
- The Company requires a high quality of the products delivered by the suppliers.

Focus on the environment:

- The Company pays attention to environmentally responsible behaviour and to efficient energy use.
- The Company requires all its employees to ensure environmentally responsible behaviour.
- The Company undertakes to efficiently use all kinds of energy resources.
- When providing services, the Company makes every effort to prevent wastage of all kinds of resources, materials and energy.

Company's Balance Sheet – Comments

As at 31 December 2014, the total balance sheet sum of assets and liabilities was CZK 82,4 million. On the asset side, total fixed assets increased by CZK 5,2 million. The growth resulted especially from the growth of fixed assets by CZK 2.4 million in the residual value. This was driven by the Company's strong investment activity in 2014 (in total, new investments reached CZK 11.1 million, with depreciation of fixed assets amounting to CZK 7.8 million). Current assets recorded a year-on-year growth of CZK 1.6 million with a decrease of inventories (by CZK 1.4 million) and short-term receivables (by CZK 1.3 million). The Company's financial assets (the money stock) increased by CZK 4.3 million.

The Company's equity was up CZK 6.8 million on a year-on-year basis, mainly driven by the result of operations for 2014 (a profit of CZK 4.8 million) and higher retained earnings from previous periods.

Not-own capital increased by CZK 1.4 million with a decrease in trade payables (past due invoices) by CZK 4.2 million and an increase in bank loans by CZK 2.6 million (a loan for the purposes of a grant from public resources entitled "ITC – Innovations of Thermal Tests") and an increase in short-term advances received (by CZK 3.3 million).

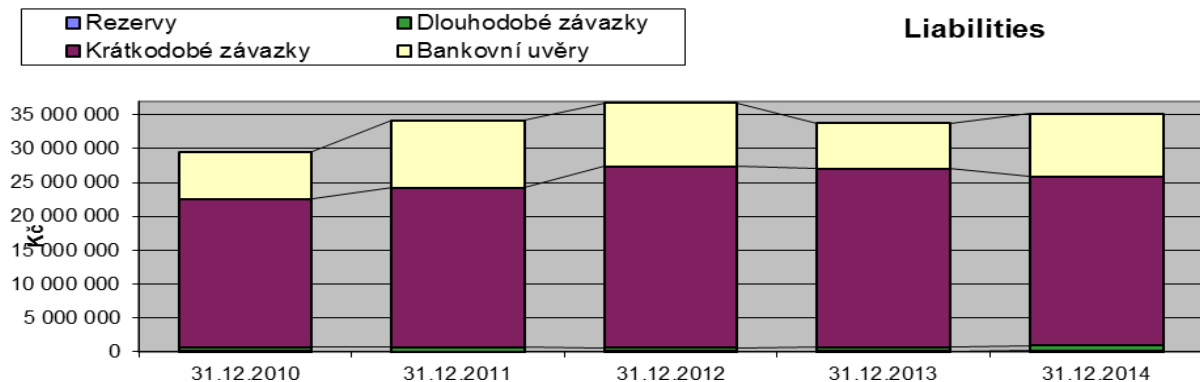


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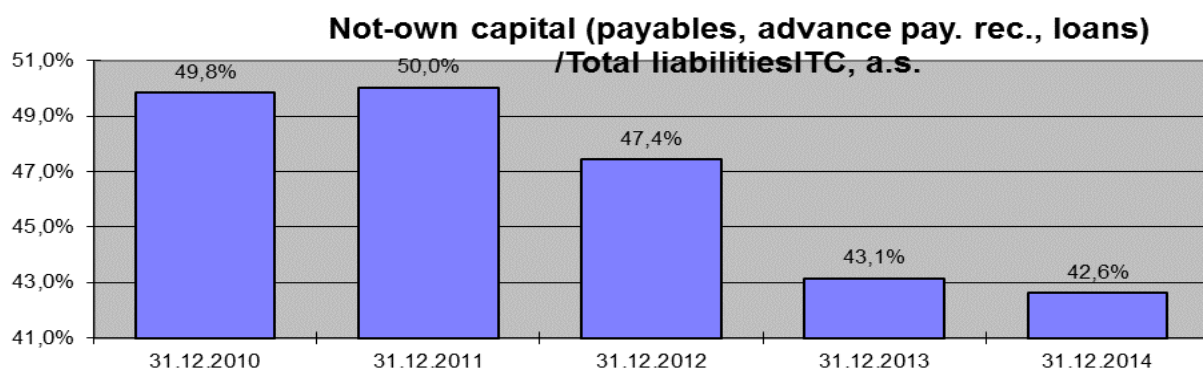


	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014
Kč					
Total assets	59 325 511	68 368 997	77 417 897	78 356 242	82 625 485
Subscription receivables	0	0	0	0	0
Fixed assets (devices, buildings etc.)	22 217 693	26 896 732	31 782 431	30 981 051	34 274 602
Current assets (money, receivables)	34 025 409	38 571 870	42 585 403	44 287 947	44 208 249
Sundry assets - temp. accounts of assets	3 082 410	2 900 395	3 050 063	3 087 244	4 142 634
Total liabilities	59 325 511	68 368 997	77 417 897	78 356 242	82 625 485
Owner's equity (registered capital, funds)	28 858 015	32 031 308	38 061 935	42 424 219	44 858 926
Not-own capital (payables, advance payments received, loans)	29 570 089	34 212 546	36 725 383	33 800 308	35 210 871
Sundry liabilities	897 408	2 125 143	2 630 578	2 131 715	2 555 687

Liabilities continue to constitute a major part of the Company's total liabilities, their development is illustrated in the chart below for comparison.



The chart shows, in particular, that the liabilities consist of short-term trade liabilities (invoices, leasing, advance payments for contract solutions), bank loans (see the comments in the previous paragraph). As of 31 December 2014, the bank loans totalled CZK 9.3 million.



The above chart demonstrates a long-term decrease in the ratio (liabilities v. total liabilities), which proves the Company's ability to meet all its financial liabilities.



Company's Economic Results – Comments

The Company's result of operations for 2014 was a profit of CZK 4.81 million after tax on sales of CZK 195.5 million. This profit is roughly 32% lower than in the previous year.

Profit and Loss Account [CZK]	2010	2011	2012	2013	2014
I. Revenues from sold goods	4 998	0	0	1 157	1 400
A. Costs on sold goods	0	0	0	0	-1 383
II. Performance (sales+/-inventories change)	163 705 640	176 952 090	196 262 254	208 650 848	195 226 327
B. Production consumption	-67 965 550	-73 771 708	-75 484 225	-82 673 610	-74 036 492
Added value	95 745 088	103 180 383	120 778 029	125 978 395	121 189 851
C. Persibal costs	-81 409 992	-86 930 452	-98 953 401	-105 383 706	-103 238 279
D. Taxation and charges	-162 326	-122 813	-126 259	-125 663	-135 013
E. Depreciations of intang. And tangible assets	-7 741 648	-6 781 196	-6 845 446	-7 501 135	-7 785 681
VI. Other operating revenues	373 624	807 858	1 188 252	716 141	1 240 563
I. Other operating expenses	-3 607 506	-3 859 141	-3 865 088	-4 386 720	-4 154 843
Economic results from financial operations	-1 671 880	-1 212 202	-2 077 726	-391 276	-1 288 095
R. Income tax on ordinary activities	-484 837	-1 192 302	-2 023 644	-1 936 628	-1 389 597
Extraordinary economic results	118 653	0	0	0	0
Economic results of current year	1 237 308	3 996 232	7 999 354	7 161 749	4 810 049

The above table clearly implies the following:

- There was a year-on-year decrease in output by 6.4% (on a decline in sales revenues from own services by 6.1%).
- There was a decrease in production consumption by 10.4%, with the main item being external cooperation in dealing with the issues of assessing the conformity of gambling (slot) machines and subcontracted work of cooperating partners abroad.
- The Company's added value decreased by 3.8% compared to 2013 and reached CZK 121.1 million.
- Labour productivity (expressed as CZK sales revenues / CZK wages) grew by 1.9% to 2.72 on average annual sales revenues of CZK 1,207,000 per employee (a decline of 6.6% compared to 2013).
- The decline in profit was especially driven by a decrease in sales revenues in the area of assessing the conformity of gambling (slot) machines and other games of chance according to Act No. 202/1990 Coll., On Lotteries and Other Similar Games and a negative result in the area of assessing the conformity of medical devices, with the latter area recording a loss of CZK 2.8 million in 2014.





The following table provides an overview of the Company's key accounts in terms of the type of contract:

Major Clients

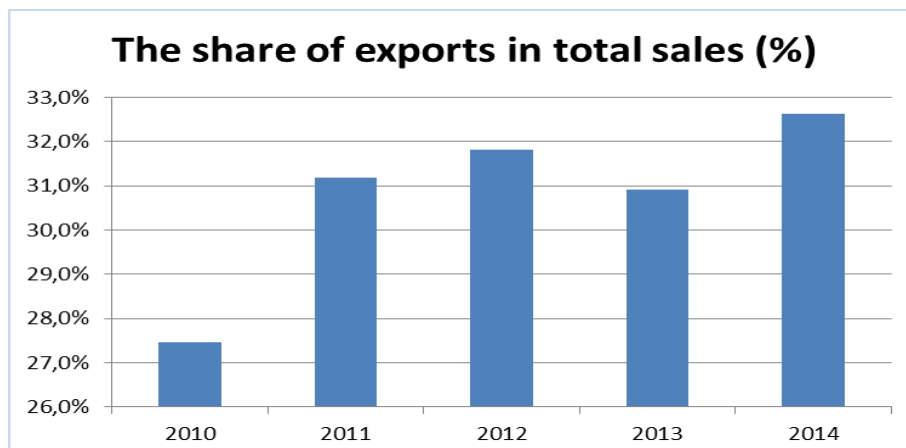
The following table provides an overview of the Company's key accounts in terms of sales volume in 2013:

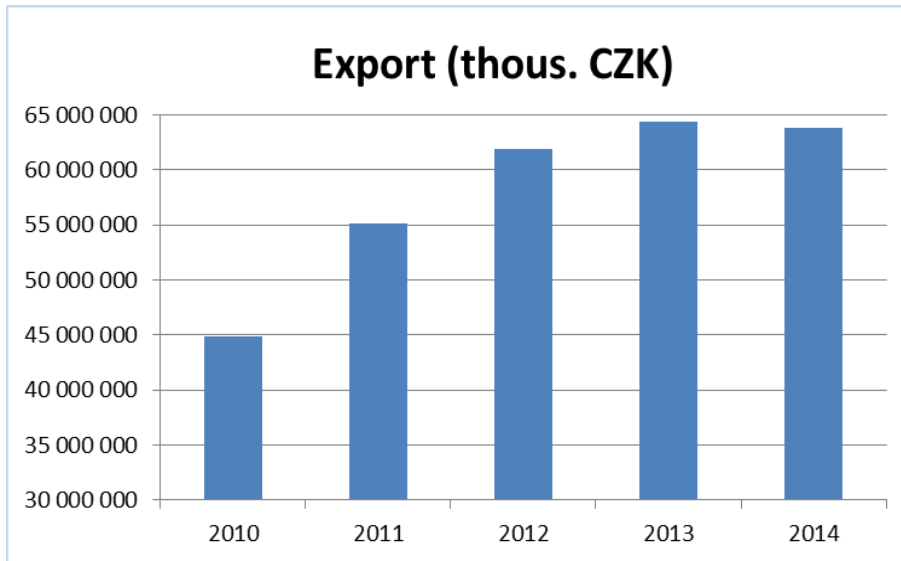
TESCOMA s.r.o.	Zlín	Testing, household
C.S.G. SOFTWARE GROUP LIMITED	Brno	Assessment of gaming machines
ITC ASIA Co. Ltd.	Soul (Korea)	CE conformity assessment, certification of QMS
SYNOT TIP, a.s.	Uherské Hradiště	Assessment of gaming machines
Magna Exteriors & Interiors (Bohemia) s.r.o.	Liberec	Testing, Automotive industry
Synot W, a.s.	Uherské Hradiště	Assessment of gaming machines
GUMOTEX, akciová společnost	Břeclav	Testing, Automotive industry
KASKO spol. s r.o.	Horní Němčí	Testing, Automotive industry
Gumárny Zubří, akciová společnost	Zubří	Testing, Automotive industry
BONVER WIN, a.s.	Ostrava	Assessment of gaming machines
Fatra, a.s.	Napajedla	Testing plastic products
Zenith Quality Assessors Pvt. Ltd.	Maharashtra (Indie)	CE conformity assessment, certification of QMS
APOLLO SOFT k.s.	Praha	Assessment of gaming machines

The average price of a contract invoiced in 2014 was CZK 20,264– with a total of 9,648 contracts (in 2013, the average contract price was CZK 21.972with a total of 9476contracts).

Company's Exports – Comments

The following charts indicate the percentage share of exports in the Company's total sales in the relevant period and the total export volumes, respectively.





Auditor's Report - translation

Identification of audited Financial Statements

We have audited the attached Financial Statements as at 31 December 2014 of the business company identified in the attached Financial Statements which consists of the Balance Sheet as at 31 December 2014, Profit and Loss Statement for the year ending on 31 December 2014 and Notes to the Financial Statements containing the description of used significant accounting methods and other explanatory information. The prevailing subject of business activity of the company is quality system, EMS and product certification.

Responsibility of the statutory body of the accounting unit for the Financial Statements

The statutory body of the accounting unit is responsible for compiling the Financial Statements which provide true and fair picture in compliance with Czech accounting regulations, and for the internal control system which it considers necessary for compiling the Financial Statements so as not to contain material deficiencies caused by fraud or error.

Auditor's responsibility

Our responsibility is to give our statement to these Financial Statements on the basis of our audit.

The audit has been performed in accordance with Act on Auditors, International Auditors' Standards and related application amendments of the Auditors' Chamber of the Czech Republic. We are obliged to keep ethical standards in accordance with these regulations and to schedule and perform the audit in such a way so that to have a relevant confidence the Financial Statements do not include any essential (material) irregularities.

The audit includes auditor procedures aimed at acquiring evidence information on figures and facts given in the Financial Statements. The selection of procedures depends on auditor's opinion, including the evaluation of risks of important (material) irregularities of data stated in the Financial Statements, caused by fraud or error. When evaluating these risks, the auditor assesses the internal control system relevant for compiling the Financial Statements, providing the true and fair picture. The goal of this assessment is to propose suitable audit procedures, not to express opinion of the effectiveness of the internal control system of the accounting unit. The audit also includes the assessment on suitability of accounting methods being used as well, the



adequacy of accounting estimations having been performed by the company's management and the assessment of the whole Financial Statements presentation.

We believe the evidence information we obtained provide sufficient and suitable basis for the expression of our statement.

Auditor's statement to the Financial Statements

In our opinion the Financial Statements in all essential aspects reflect truly and fairly the assets, liabilities and the financial position of the company Institut pro testování a certifikaci, a.s. as of 31 December 2014 and costs, revenues and the economic result for the year of 2013007 in accordance with the accounting regulations in the Czech Republic.

II. Auditor's Report to the Report on Relationships among Interconnected Entities

We have also audited the objective accuracy of data stated in Report on Relationships among Entities Interconnected with Institut pro testování a certifikaci, a.s. as of 31 December 2014. The management of Institut pro testování a certifikaci, a.s. is responsible for compiling this Report on Relationships. Our task is to issue a statement to this Report on Relationships on the basis of the performed review.

We performed the review in compliance with the International Auditors' Standards regulating the review and related application amendments of the Auditors' Chamber of the Czech Republic. These standards require from us to schedule and perform the review with the goal to achieve a mean rate of certainty that the Report on Relationships does not contain any significant irregularities. The review is especially focused on questioning workers of the company and analytical procedures and randomly performed checks of factual correctness of data. The review therefore gives a lower degree of certainty than the audit. We did not perform an audit of the Report on Relationships, therefore we do not express auditor's statement.

On the basis of our review we did not found any significant factual irregularities of the figures stated in the Report on Relationships among Entities Interconnected with Institut pro testování a certifikaci, a.s. as at 31 December 2014.

III. Auditor's Report to the Verification of the Annual Report

We have also audited the compliance of the Annual Report with the Financial Statements. The management of Institut pro testování a certifikaci, a.s. is responsible for the correctness of the Annual Report. Our task is to issue a statement to the compliance of the Annual Report with the Financial Statements on the basis of the performed verification.

We performed the verification in compliance with the International Auditors' Standards regulating the review and related application amendments of the Auditors' Chamber of the Czech Republic. These standards require from the auditor to schedule and perform the review to achieve reasonable certainty that the information given in the Annual Report, taken from the Financial Statements or used from it, are in compliance with these Financial Statements in all significant aspects. We believe the performed verification provides adequate basis for expressing the auditor's statement.

In our opinion the information given in the Annual Report for 2014 is in compliance with the aforementioned Financial Statements in all significant aspects.



ZPRÁVA NEZÁVISLÉHO AUDITORA

Auditorská zpráva pro společníka a vedení účetní jednotky

Institut pro testování a certifikaci, a.s.

Zlín, tř. T. Bati 299, 763 02, IČ 479 10 381

I. Zpráva auditora o ověření roční účetní závěrky

Identifikace auditované účetní závěrky

Provedli jsme audit přiložené účetní závěrky k 31.12.2014 obchodní společnosti identifikované v přiložené účetní závěrce, která se skládá z rozvahy k 31.12.2014, výkazu zisku a ztráty za rok končící 31.12.2014 a přílohy této účetní závěrky obsahující popis použitých podstatných účetních metod a další vysvětlující informace. Převažujícím předmětem činnosti obchodní společnosti je provádění certifikace systému jakosti, EMS a výrobků.

Odpovědnost statutárního orgánu účetní jednotky za účetní závěrku

Statutární orgán účetní jednotky je odpovědný za sestavení účetní závěrky, která podává věrný a poctivý obraz v souladu s českými účetními předpisy, a za takový vnitřní kontrolní systém, který považuje za nezbytný pro sestavení účetní závěrky tak, aby neobsahovala významné (materiální) nesprávnosti způsobené podvodem nebo chybou.

Odpovědnost auditora

Naší odpovědností je vyjádřit na základě našeho auditu výrok k této účetní závěrce. Audit jsme provedli v souladu se zákonem o auditorech, mezinárodními auditorskými standardy a souvisejícími aplikačními doložkami Komory auditorů České republiky. V souladu s těmito předpisy jsme povinni dodržovat etické požadavky a naplánovat a provést audit tak, abychom získali přiměřenou jistotu, že účetní závěrka neobsahuje významné (materiální) nesprávnosti.

Audit zahrnuje provedení auditorských postupů k získání důkazních informací o částkách a údajích zveřejněných v účetní závěrce. Výběr postupů závisí na úsudku auditora, zahrnujícím i vyhodnocení rizik významné (materiální) nesprávnosti údajů uvedených v účetní závěrce způsobené podvodem nebo chybou. Při vyhodnocování těchto rizik auditor posoudí vnitřní kontrolní systém relevantní pro sestavení účetní závěrky podávající věrný a poctivý obraz. Cílem tohoto posouzení je navrhnout vhodné auditorské postupy, nikoli vyjádřit se k účinnosti vnitřního kontrolního systému účetní jednotky. Audit též zahrnuje posouzení vhodnosti použitých účetních metod, přiměřenosti účetních odhadů provedených vedením i posouzení celkové prezentace účetní závěrky.

Jsme přesvědčeni, že důkazní informace, které jsme získali, poskytují dostatečný a vhodný základ pro vyjádření našeho výroku.

Výrok auditora k účetní závěrce

Podle našeho názoru účetní závěrka ve všech významných ohledech podává věrný a poctivý obraz aktiv, pasiv a finanční pozice obchodní společnosti Institut pro testování a certifikaci, a.s. k 31.12.2014 a nákladů, výnosů a výsledku hospodaření za rok 2014 v souladu s českými účetními předpisy.



II. Zpráva auditora ke zprávě o vztazích mezi propojenými osobami

Prověřili jsme též věcnou správnost údajů uvedených ve zprávě o vztazích mezi propojenými osobami společnosti Institut pro testování a certifikaci, a.s. k 31.12.2014. Za sestavení této zprávy o vztazích je zodpovědné vedení společnosti Institut pro testování a certifikaci, a.s. Naším úkolem je vydat na základě provedené prověrky stanovisko k této zprávě o vztazích.

Prověrku jsme provedli v souladu s Mezinárodními auditorskými standardy vztahující se k prověřce a souvisejícími aplikačními doložkami Komory auditorů České republiky. Tyto standardy vyžadují, abychom plánovali a provedli prověrku s cílem získat střední míru jistoty, že zpráva o vztazích neobsahuje významné nesprávnosti. Prověrka je omezena především na dotazování pracovníků společnosti a na analytické postupy a výběrovým způsobem provedené prověření věcné správnosti údajů. Proto prověrka poskytuje nižší stupeň jistoty než audit. Audit zprávy o vztazích jsme neprováděli, a proto nevyjadřujeme výrok auditora.

Na základě naší prověrky jsme nezjistili žádné významné věcné nesprávnosti údajů uvedených ve zprávě o vztazích mezi propojenými osobami společnosti Institut pro testování a certifikaci, a.s. k 31.12.2014.

III. Zpráva auditora o ověření výroční zprávy

Ověřili jsme také soulad výroční zprávy s účetní závěrkou. Za správnost výroční zprávy je zodpovědné vedení společnosti Institut pro testování a certifikaci, a.s. Naším úkolem je vydat na základě provedeného ověření výrok o souladu výroční zprávy s účetní závěrkou.

Ověření jsme provedli v souladu s Mezinárodními auditorskými standardy a souvisejícími aplikačními doložkami Komory auditorů České republiky. Tyto standardy vyžadují, aby auditor naplánoval a provedl ověření tak, aby získal přiměřenou jistotu, že informace uvedené ve výroční zprávě, které byly převzaty z účetní závěrky či z ní použity, jsou ve všech významných ohledech v souladu s touto účetní závěrkou. Jsme přesvědčeni, že provedené ověření poskytuje přiměřený podklad pro vyjádření výroku auditora.

Podle našeho názoru jsou informace uvedené ve výroční zprávě za rok 2014 ve všech významných ohledech v souladu s výše uvedenou účetní závěrkou.

Datum vydání zprávy

Ve Zlíně dne 25. května 2015

Alois BERKA s. r. o.
auditorská a daňová kancelář
tř. T. Bati 640, 760 01 ZLÍN
DIČ: CZ60701331 -2-

odpovědný auditor ing. Berka Alois
osvědčení KA ČR č. 0249
auditorská firma: Alois Berka s.r.o.
osvědčení KA ČR č. 108

za auditovanou účetní jednotku

RNDr. Radomír Čevelík
místopředseda představenstva

Příloha: auditovaná rozvaha
auditovaný výkaz zisku a ztráty
auditovaná příloha k účetní závěrce





Foreign Branch of Institut pro testování a certifikaci, a. s. Extract from the Commercial Register in Slovakia

Trade name of the foreign branch:	Institut pro testování a certifikaci, a.s., branch of a foreign entity business	(since: 30. 01. 2007)
Registered office of the foreign branch:	MlynskéNivy 54 Bratislava 821 05	(since: 30 January 2007)
Comp. reg. No.:	36,731,307	(since: 30 January 2007)
Registration date:	30 January 2007	(since: 30 January 2007)
Legal form:	Joint-stock company, a foreign entity business (organisational unit of a foreign entity business)	(since: 30 January 2007)
Sphere of activities:	Business consulting services in the scope of a non-regulated trade	(since: 30 January 2007)
	Letting of real-estates combined with provision of complementary services and procurement services related to the letting, in the scope of a non-regulated trade	(since: 30 January 2007)
	Purchase of goods for their resale to the end consumer (retail trade)	(since: 30 January 2007)
	Purchase of goods for their resale to other trade operators (wholesale trade)	(since: 30 January 2007)
	Rental of movable assets in the scope of a non-regulated trade	(since: 30 January 2007)
	Automated data processing	(since: 30 January 2007)
	Computer network administration	(since: 30 January 2007)
	Activities related to the Notified Body No. 1023 of the European Union	(since: 31 May 2007)
	Assessment and certification of management systems	(since: 31 May 2007)
	Activities of testing laboratories in the scope of a non-regulated trade	(since: 31 May 2007)
	Product certification in the scope of a non-regulated trade	(since: 31 May 2007)
	Impartial control of status check of certain matters, or verification of results of certain activities and issue of control certificates	(since: 31 May 2007)
	Head of the branch:	Ing. Jiří Heš Louňovice 231 Mukařov 251 62 Czech Republic
Acting on behalf of the company:	In matters related to the branch, the Head of the branch shall individually represent and sign on behalf of the branch by attaching his authorized signature to the written or printed trade name of the branch.	(since: 30 January 2007)
Established by:	Institut pro testování a certifikaci, a.s. Comp. reg. No.: 47 910 381 třídaTomášeBati 299, Louky, 763 02 Zlín	(since: 30 January 2007)
Any other legally relevant facts:	The branch of a foreign entity business was established on the basis of a decision of the founding entity of 21 December 2006 in accordance with Section 21 et seq. of the Commercial Code No. 513/1991 Coll., as amended. Decision by the founding entity of 29 March 2007.	(since: 30 January 2007)



Company's Balance Sheet

CZK	31 Dec. 2012	31 Dec. 2013	31. Dec. 2014
Total Assets	77 417 897	78 356 242	82 625 485
Receivables from subscribed capital	0	0	0
Fixed assets	31 782 431	30 981 051	34 274 602
Intangible assets	165 422	532 810	645 435
Tangible fixed assets	31 617 009	30 448 241	33 629 167
Long-term investment	0	0	0
Current assets (ř.31 + 38 + 48 + 58)	42 585 403	44 287 947	44 208 249
Inventories	5 284 079	4 363 246	3 852 310
Long-term receivables	509 358	518 563	514 593
Short-term receivables	20 786 644	22 537 267	19 489 403
Short-term financials assets	16 005 323	16 868 872	20 351 943
Accruals	3 050 063	3 087 244	4 142 634
	31 Dec. 2012	31 Dec. 2013	31. Dec. 2014
Total liabilities	77 417 897	78 356 242	82 625 485
Equity	38 061 935	42 424 219	44 858 926
Register capital	5 455 000	5 455 000	5 455 000
Capital funds	10 847 208	10 847 208	10 847 208
Reserve funds and other reserves	1 160 137	1 060 672	1 085 330
Retained earnings	12 600 237	17 899 591	22 661 339
Profit/lost - current year	7 999 354	7 161 749	4 810 049
Liabilities	36 725 383	33 800 308	35 210 871
Reserves	91 094	96 508	202 912
Long-term liabilities	529 960	593 517	710 768
Short-term liabilities	26 722 248	26 382 183	24 967 003
Bank loans and overdrafts	9 382 081	6 728 100	9 330 188
Accruals	2 630 578	2 131 715	2 555 687