

HMM

Annual Report 2021





Contents

Company details	1
Foreword by executive manager	2
Organizational structure	3
Company management	4
Human resources	6
Vision and mission	8
Values	9
Milestones in history	10
Scope of business activities	12
Key partnerships	13
Integrated management system	14
Current situation in company	15
Expectation of future development	16
Evaluation of the company's results	18
Special relevance events	20
Significant risks and uncertainties	20
Profit sharing proposal	20
Other essential information	21
Attachments	21

Company details



Business name:	HMH, s.r.o.
Company's ID No.:	31 356 273
TAX ID No.:	2020345679
VAT registration No.:	SK2020345679
Headquarters address:	Tavarikova osada 39 841 02 Bratislava, Slovakia
Commercial Register:	District Court Bratislava I in Section Sro, Insert No. 5576/B
Executive manager:	Ing. Tomáš Horváth Čs. Parašutistov 21, Bratislava
Partners:	Ing. Tomáš Horváth
e-mail:	hmh@hmh.sk
Paid-up capital (account 411):	20,000 EUR
Legal reserve fund (account 421):	2,000 EUR
Average number of employees:	76

Main activity (according to Business Register of SR):

- automated data processing
- software procurement – sale of ready-made programs based on contract with the authors or creation of programs to order
- production, assembly, repair of consumer electronics products and devices
- assembly and repair of office and reproduction equipment
- production, installation, repairs of electrical machines and devices
- consulting, teaching activities in the field of computer technology, measurement and control technology
- publishing activity
- design, assembly, revision, repair and maintenance of measuring equipment, regulating and control technology

The management body of HMH, s.r.o. is an executive manager.

The company's accounting period is a calendar year.

The company does not have a branch plant or an organizational unit in the country.

The company does not own a business share in another company, nor is it owned by another company.



Foreword

The topics and challenges that the company dealt with in 2021 followed on from the most frequently mentioned topic of 2020, the pandemic. It was the second turbulent year in a row. The tasks of these two years differed significantly in their character and difficulty from the tasks of previous successful and stable periods. This annual report captures all the essential facts and events that took place at HMM, s.r.o. in the 2021 financial year.

The ongoing pandemic has affected the company in two areas. In the quantitative area, demand for the company's products decreased. In the qualitative area, the company had to deal with logistical and organizational limitations in the organization of work and human resources management.

In absolute numbers, there was a non-negligible decrease in the company's net turnover in 2021. The reason was changes in the project schedules of the companies' customers and their pre-stocking from previous periods. The good news is that a more detailed analysis of the company's net turnover shows a change from a negative trend to a positive one. The decline on a monthly basis reached its bottom already in January 2021, and subsequently throughout the year the company's net turnover grew with a positive outlook for the next periods.

In the area of work organization and human resources management, the company made full use of the processes set by the COVID-19 action plan. A prudent, reasonable and responsible approach eliminated the occurrence of critical situations that would have a fundamental impact on the supply of products and the provision of services. I can proudly state that the company's self-confidence, resulting from a thorough risk analysis and well-set crisis management, was in place.

The third significant area in which changes took place in 2021 was the change in the ownership structure of the company and the related change in the organizational structure. The implemented changes opened the way to standardization and transparency of internal processes and relationships. The changes were implemented as planned, without negative impacts on the company's activities. Last year, the company strengthened its capacities in the area of process management with the aim of optimizing internal processes and developing an integrated management system.

The fourth, but certainly no less important, topic of 2021 was activities in the field of social responsibility. The themes of sustainability, philanthropy and care for the environment were reflected in the concrete, successfully achieved goals of 2021. I want to thank the entire team of HMM s.r.o. for their responsible and wise approach to these topics, but also for their overall determination, perseverance and excellent work.

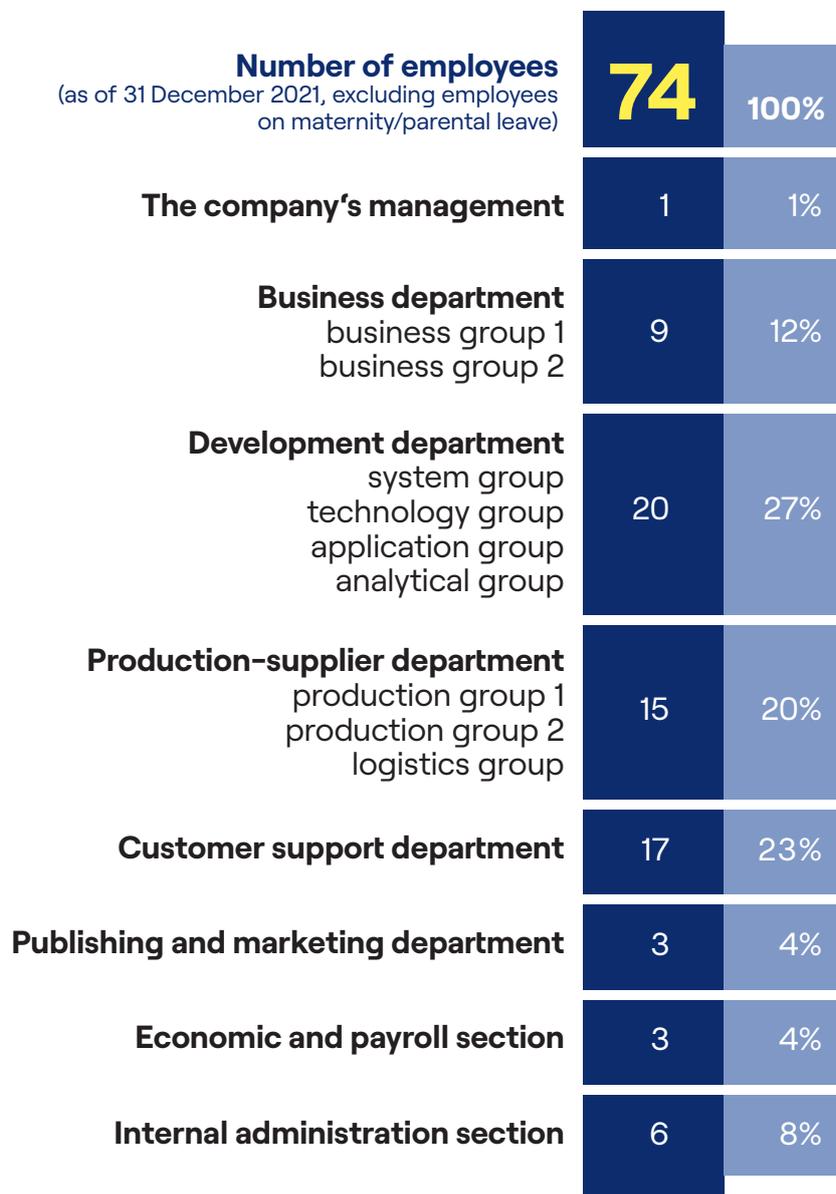
I am also grateful to our partners and customers, with whom we managed to realize the planned projects, for the trust and support they showed.

Ing. Tomáš Horváth

Organizational structure

The effort to apply a process approach in the management of the company has a direct impact on the organizational structure. The company's main process, order acquisition – development – production – service provision, directly corresponds to the 4 key departments of the organizational structure.

The company is divided into departments and sections, departments can be further divided into groups. The company's organizational structure uses a three-level management system.



Company management



Ing. Rudolf Michalec

Development department

The main theme of the development department in 2021 was the continued integration of the MIREL VZ1 system with the functional gateway MIREL STB into the interoperable concept of the European train control system ETCS as a national STM module. The innovation in 2021 had three dimensions:

1. Obtaining the safety assessment report for MIREL STB in version v03 compilation 13.
2. Integration of STB with new compilation 13 with ETCS of leading manufacturers such as THALES, ALSTOM, SIEMENS for standard deployment.
3. Concept specification and laboratory verification of MIREL STB integration with a binary interface for long sets.

The top management of the company, apart from the company director, consists of senior managers of all departments and a human resources manager. Professional competence, internal motivation and rich experience are the key qualities of this team.



Dagmar Votavová

Publishing and marketing department

The year 2020 already indicated and confirmed in 2021 that COVID-19 will not cause a significant decrease in the evaluated indicators of the ATP Journal. Rather, the impact of the pandemic reinforced the importance of automation in the industry, which managed to maintain the interest of advertisers in publishing and readers in information of this kind. ATP Journal's early orientation to the online media environment also proved to be prescient.

The results of the transition of HMH's marketing activities from the business department to the publishing house will not be fully realized until 2022, but this change in the organizational structure can already be evaluated as a good decision.



Ing. David Drozd

Business department

2021 was a year of two different half-years with a rousing conclusion. Mainly the second part of the year revealed what awaits us in the following periods. Growing customer demands and increasing complexity of projects on the one hand, along with promising economic potential on the other. Hand in hand with the mentioned increasing complexity of the projects, there was a strengthening of the professional capacities of the department and an inevitable change in the approach to management, so that we are constantly able to respond promptly to market demands.



Mgr. Marek Cidorik

Production-supplier department

For production-supplier department, 2021 was a year in which the department was hit by the measures and impacts of COVID-19 in full. The production year began with the most significant year-on-year decrease in orders in the company's history. Nevertheless, we kept the production team and did not proceed with layoffs. We handled the situation in solidarity and for safety reasons, we worked divided into work shifts. The availability of electronic components has also worsened, delivery dates have been extended several times. During this difficult period, we changed the method of production from production oriented to fulfilling orders to the production of controlled production batches, thereby strengthening warehouse capacities.



Ing. Andrej Hoffer

Customer support department

The key event of 2021 in the customer support department, in addition to the restrictions related to the pandemic, was the expansion of the management „base“. Providing services is a process that ends with a satisfied customer. It was therefore important when changing a key position to follow up on this goal, to define and start other processes in the department and to continue to provide quality services to customers, which represents a big challenge not only for this department.



Jana Haršániová

Economic and payroll section

A significant event in 2021 was the implementation of a new information system, which brought increased time and organizational demands for communication with the supplier as well as between departments. The successful implementation affected the processes in the economic and payroll section, as well as across the entire company.



Bc. Ľubomíra Beličková

Internal administration section

The year 2021 brought new, unexpected challenges as well as the successful completion of planned activities.

Since the beginning of the year, it was necessary to deal with a shortfall in the position of receptionist, while the concept of covering by part-timers from the ranks of students proved to be only partially and short-term.

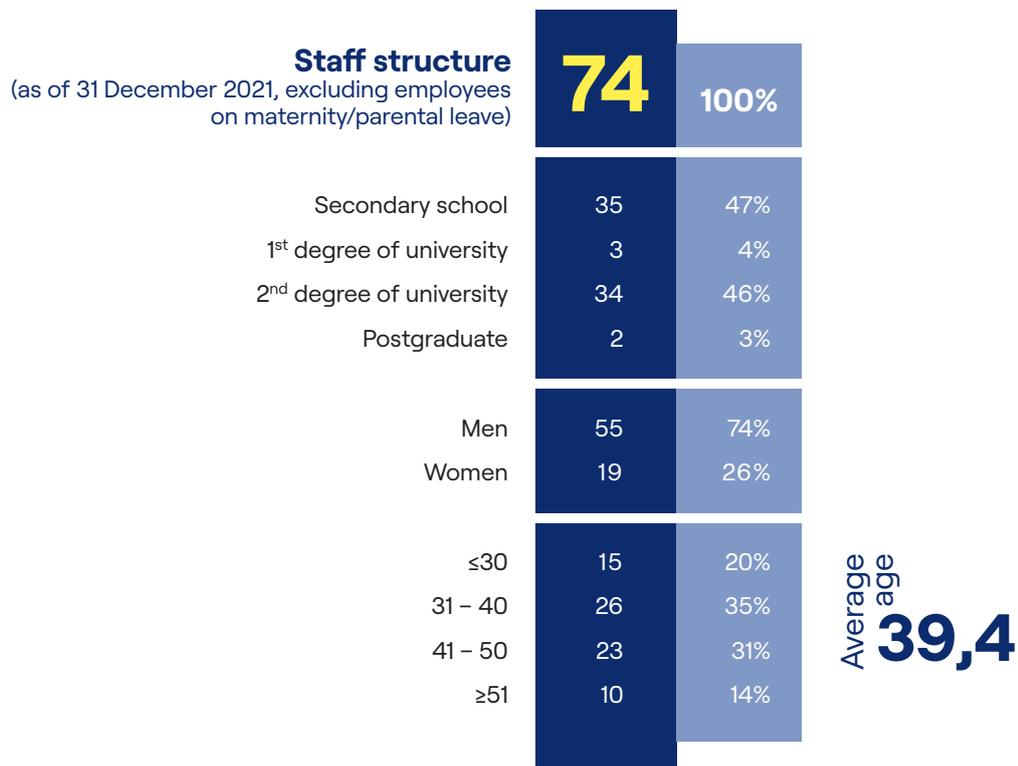
A problem-free exchange of servers and a general transition to MS365 can certainly be considered a success.

Human resources

In the area of human resources, the year 2021 was carried out in a spirit of continuity despite fundamental changes in the organizational structure and the ongoing COVID-19 pandemic. The area of human resources is one of the company's priorities. Activities in this area aim to create a stable, high-quality work environment in which employees have the opportunity for self-realization and growth.

The key topics in the area of human resources management were:

- Change in the organizational structure in the management of the company – on January 1, 2021, there was a change in the organizational structure, which merged the functions of technical and business director into a single function of director. From the point of view of human resources management, it was crucial to ensure clear and understandable communication of this change towards employees.
- Expansion of two-level management – after the successful implementation of two-level management in 2019 in the development department, the implementation continued in 2020 in the business department and in 2021 with the addition of the management line in the production and supply department. Almost all positions within the 2nd management line were filled from internal sources. The intention of implementing two-level management was to create a greater capacity for employee care on the one hand, and at the same time to create more space for the company's management to shift its attention from operative to strategic topics.





Mgr. Katarína Prieložná
Human resources manager

The past year was marked by organizational changes that took place at several levels in the company – from management to departments. One of them was the expansion of the HR section in the Internal Administration Section, which reflects the importance of this topic in the company. All this happened against the background of the ongoing COVID-19 pandemic, which was coordinated by HR in terms of measures and procedures.

- Development of leaders and key employees – in order to constantly advance and improve the level of leadership, the company followed up on the previous development of leaders. For those who only took up this role in 2021, an intensive management skills development program was prepared, the aim of which was to support their management skills and provide them with support.
- Qualitative development of the organizational structure – with the ongoing COVID-19 pandemic, in 2021 the company focused on qualitative development and replenishment of non-production job positions. The intention was to increase the quality of the internal environment, which was reflected in the growth of capacities in the Internal Administration Section.
- Building corporate culture – internal communication continued to be one of the focus topics in the area of human resources management. Also in 2021, the company expanded its communication channels, which partially succeeded in completing the „white spaces“ created by restrictions in connection with the COVID 19 pandemic and the effort to prevent its spread. In 2021, the company started implementing the MS Office 365 cloud solution, which offers new ways of collaboration and communication between employees. The company’s internal magazine HMH.sk also began to be published, which, in addition to information from the life of the company, also brings interesting information about employees or draws attention to topics that resonate in the company.

The year 2021 was carried out in the spirit of streamlining the organizational structure with a maximum effort to preserve job positions. The average number of employees in 2021 was 76.

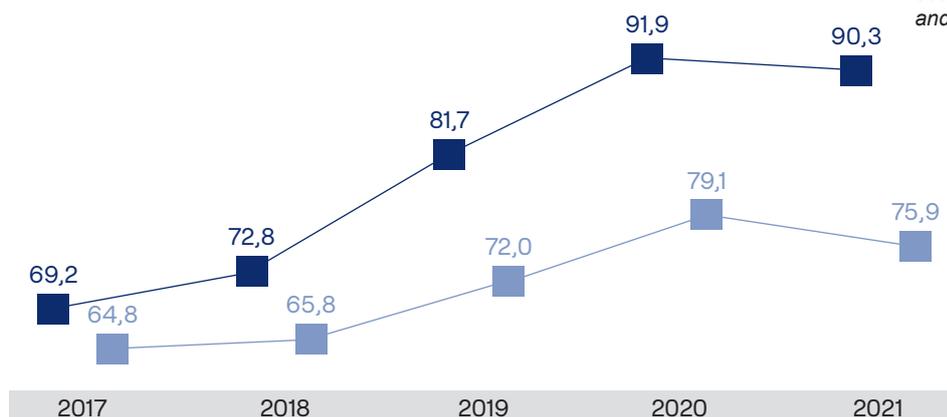
Number of jobs vs number of employees

	Average number of jobs	Average number of employees
2017	69,2	64,8
2018	72,8	65,8
2019	81,7	72,0
2020	91,9	79,1
2021	90,3	75,9

Personal expenses

	Annual personal expenses*
2017	2 157 600 €
2018	2 232 000 €
2019	2 698 700 €
2020	2 644 900 €
2021	2 641 000 €

*Wage costs including social insurance costs and social costs.



Vision

As a professionally competent, healthy self-confident and well-managed company, we want to develop partnership cooperation with key companies in the field of rail transport in Europe through an innovative and unique portfolio of our own products.

As a professionally competent,

Competence is a prerequisite for really good, industrial solutions. However, it is not static and it is necessary to constantly build it through development and education.

healthy self-confident and

If we want to be useful to our customers, we must be their partners. This is not possible without awareness and confidence in our qualities and the value we can add.

well-managed company,

Permanent and sustainable growth requires systematization of processes and quality management. This subsequently brings transparency and reliability in internal and external relations.

we want to develop partnership cooperation with key companies in the field of rail transport in Europe

We strive for the technological maturity and adaptability of our solutions in order to be the first choice of key companies in the field of rail transport in Europe and a sought-after partner.

through an innovative and unique portfolio of our own products.

Complex topics, impact on the entire life cycle of products, innovations reflecting new technological possibilities and customer needs are the basis of our approach.

Mission

We are co-creating a world in which rail transport is attractive, safe and environmentally friendly.

We are co-creating a world

We are active co-creators of the world we live in, we positively influence it to make it a better place to live. We do not want to be in the position of passive spectators.

in which rail transport is attractive, safe and environmentally friendly.

Transport is about movement and movement is a manifestation of life. We deliver solutions that our partners, customers and users can rely on. Their added value makes rail transport safe and attractive. We develop our systems with an emphasis on sustainability. We support „green transport“ to preserve our wonderful planet.

Values

Solutions and innovations with added value

Our solutions are built on our ideas. We are not afraid to do things differently, to explore the established ways in order to arrive at surprising results with high added value.

Perseverance

We believe in long-term partnerships and quality, durable solutions. They require determination, effort, strength to face even complications and willingness to find a way.

Partnership and respect

We build mutual trust honestly and openly. We strive for relationships that are beneficial for everyone – internally and externally, so that cooperation brings joy and benefit.

Responsibility

Whatever we do, we perceive the consequences of our actions. We strive to make them positive. We feel responsible for the environment in which we live – interpersonal, business, social and life.

Quality

We approach everything we do in a systematic, thoughtful way and look for effective, elegant solutions. We are constantly improving – from the point of view of products, processes and competence. We have high demands on ourselves and the results of our work.



Milestones in history

1993

History of HMH s.r.o. began to be written after the change in social conditions in the former Czechoslovakia after 1989. The limited liability company was established with its seat in the Slovak Republic in Bratislava by a memorandum of association dated 1 March 1993. It was registered in the business register on 27 July 1993.

The company's focus on the field of industrial automation was due to the expertise of the founding partners – graduates of the Faculty of Electrical Engineering of the Slovak University of Technology, today STU. In its beginnings, the company implemented custom projects for industry and energy and founded the professional magazine ATP Journal for the field of industrial automation. In the second half of the 90s, the orientation towards automation in railway transport became dominant. The development of the 1st generation of control systems for locomotives took place, and the company began to use the MIREL trade mark.

2000

In 2000, changes to the ownership and management structure were completed. The organizational structure of the company was adapted to the growing turnover and requirements. The development and homologation processes were separated from the production process. Piece production was transformed into controlled small batch production. A customer support department providing service throughout the entire life cycle of supplied products was created.

The company continued the development and homologation of the 2nd generation of MIREL systems, which were put into operation on the railway network of the Slovak Republic in dozens and hundreds of implementations. The developed systems had a high commercial potential for the following period. In addition to control systems, the product portfolio has been expanded to include protection and registration systems.

2005

The company's strategic effort in the period after 2005 was to establish itself with MIREL systems on the Czech and Hungarian railway network. The systems were supplemented with specific functions required for operation in Hungary. In the Czech Republic and Hungary, the demanding process of verification, homologation and commissioning was successfully completed. The developed and approved integrated solution of the MIREL VZ1 national train protection system has become a long-term competitive advantage. The number of MIREL systems in operation exceeded 1,000.

The company introduced a quality management system according to the ISO 9001 standard with the aim of permanently improving the quality of the products and processes implemented and achieving the required safety in terms of the relevant technical standards.

In 2009, the increasing requirements for the performance of new systems led to the start of work on the concept of the 3rd generation of MIREL systems based on a multi-processor hardware platform combining 32-bit and 8-bit processors.



2010

The MIREL product portfolio has been expanded to include 3rd generation systems. The new system platform was used for complex control systems of electric locomotives and systems of technological protection. At the same time, the company carried out further development of the MIREL VZ1 train protection system. It supplemented its functional features with the STM ETCS module for the LS system.

As part of the publishing activities, in addition to the print edition of the ATP Journal, activities in the online space have increasingly started to be promoted. This trend continued in the following periods.

Diversification of business activities led to the fact that between 2010 and 2015, the company's exports to the EU markets permanently exceeded the turnover on the domestic Slovak market. The company moved its operations within Bratislava to new perspective premises that met the needs for modern office and production premises. This change enabled further growth of the company's capacities and the quality of the working environment in the following period.

2015

The company continued the further development of the MIREL VZ1 train protection system. It supplemented its functional features with the STM ETCS module for the EVM system. It has implemented its system integration with many types of ETCS on-board units from most major manufacturers of this system.

In order to permanently improve its internal environment, the company introduced new management systems according to the ISO 18001 standard for occupational safety and according to the ISO 14001 standard for the environmental area. Together with the quality management system according to the ISO 9001 standard, it integrated these activities into a unified management system. Growing demands and a growing number of employees led to a change in the organizational structure of the company. The company has introduced a three-level management system.

2020

The technological components of the national train control system for the Polish infrastructure, which were developed in the company in the previous period, were integrated with the MIREL VZ1 system and extended its features with SHP and STM SHP functions required in Poland. Homologation of these functions is in process.

The total number of MIREL systems introduced to the domestic and European markets is close to 5,000. The first production series of still active systems were put into operation before the year 2000. With regard to their high-quality functional properties and the interest in operating in further periods, the company is solving the concept of extending their technical lifespan.



The HMH company participated in the world's most prestigious competition for entrepreneurs – EY Entrepreneur of the Year, which pays tribute to exceptional personalities. Its goal is to show the public excellent personal examples in the field of business. This special award is given to the candidates by an independent jury judging their business history and integrity. The competition has been held in Slovakia since 2006. Ing. Tomáš Horváth was not only nominated as one of the 6 finalists in the main category of EY Entrepreneur of the Year 2021, but also received the EY Technology Entrepreneur of the Year 2021 award.

Scope of business activities

HMH, s.r.o. has been operating since the beginning in the field of industrial automation, where it gradually specialized in two lines – technological solutions for ensuring safety in rail transport and publishing.



Products for traction vehicles under the MIREL brand are the result of our own know-how, from design to production and deployment and cover the following areas:

- Protection systems: MIREL VZ1
- Registration and indication systems: MIREL RM1, RM2
- Control systems: MIREL RS350, RS361, RS363, RS812, RS813
- Cooperating MIREL devices

In order to achieve the required level of safety in the operation of rail vehicles, not only the phase of development and production of the supplied systems is important, but also their deployment and the performance of regular inspections. HMH provides the following comprehensive services in connection with the deployment, operation and maintenance of MIREL systems:

- Technical support during system implementation
- Warranty and post-warranty service of devices
- Systems training
- Scheduled and unscheduled service

A special service is the homologation of railway vehicles.



The result of the company's publishing activity is the provision of services related to the publication of the magazine on industrial automation – ATP Journal and the publication of book publications.

Key partnerships

Export share

	SK	EU
2017	31%	69%
2018	23%	77%
2019	19%	81%
2020	22%	78%
2021	25%	75%

Customers

The company HMH s.r.o. purposefully and successfully strives for long-term and stable partnership relations with its customers on the European market.

Last year, the company's products were directed to most major European manufacturers of new railway vehicles, to companies that carry out general renovations and modernizations of existing railway vehicles, and to companies that provide operational maintenance of railway vehicles. Customers of the company's services are railway vehicle operators or companies providing operational maintenance. A significant volume of services was provided in connection with the commissioning of new systems.

In 2021, the company's key foreign customers included Siemens Mobility, Alstom, ČMŽO elektronika, Škoda Transportation, CZ Loko, ČD Group, Stadler, Newag and others. In the domestic market, long-term customers include Železničná spoločnosť Slovensko, Železničná spoločnosť Cargo Slovakia, ŽOS Vrútky, ŽOS Trnava, ŽOS Zvolen and others. Customers of HMH s.r.o. are active on the entire European railway network, specifically focusing on the operation of vehicles in the countries of Central Europe. In 2021, 25% of the production was placed on the domestic market, 75% of the production was delivered by the company to foreign customers.

Suppliers

As on the customer side, the company is also interested in developing long-term partnerships in the supply chain. In order to achieve the necessary high quality and reliability of products, the company HMH s.r.o. controls the entire basic process of development and production of its own products. All key stages of the life cycle of MIREL systems are implemented by the company with its own resources. The company's suppliers provide the necessary material and component base for these processes. Another group of suppliers are cooperatives in specific areas such as mechanical engineering, production of printed circuit boards and other supporting areas.

The basic strategy when choosing suppliers is quality management, long-term business relationships and diversification of risks. In the area of the component base and production of electronic components, the main suppliers of the company are SOS electronic, s.r.o., IC BLUE limited, Premier Farnell Ltd, Ch-print a.s., Amset a.s. Among the key suppliers in the field of engineering cooperation is the company Bedrich spol. s.r.o. The main supplier of operational services for HMH s.r.o. is Aruba Business Center s.r.o.

Integrated management system

Every year, the management of the company conducts a review of the established Integrated Management System (IMS), which includes:

- quality management system in accordance with the requirements of STN EN ISO 9001:2016,
- environmental management system in accordance with the requirements of STN EN ISO 14001:2016,
- occupational health and safety management system in accordance with the requirements of STN EN ISO 45001:2019;

The company's interest is to constantly improve the Integrated Management System, taking into account the internal and external environment and the expectations of interested parties. Also in this way, the company wants to strengthen its position as a preferred supplier of control and protection systems for rail transport.



Ing. Ida Divékyová
Process coordinator

In the past year, HMH successfully managed to expand its capacities in the field of IMS Management and coordination of company processes. Despite the ongoing pandemic, all internal and external IMS audits were managed in person, while no significant non-conformities were detected in the established IMS. The success is also due to the active participation of employees in the improvement of IMS. A more effective setting of internal processes is an ongoing challenge.

Quality management system

As part of the Quality Management System, the company focuses on continuous improvement of products, bringing innovative solutions and also on providing high-quality services in the field of taking care of the functionality and safety of designed and integrated systems. Through the optimization of internal processes and the inspiration of partners in the area of improvement, the company's effort is to achieve an increase in quality throughout the supply chain.

Environmental management system

The company perceives its responsibility for monitoring and reducing the negative impact on the environment throughout the life cycle of products and when providing services. Through internal communication, it emphasizes to employees the importance of environmental behaviour and awareness of their impact on the environment. For the company, it is important not only to systematically communicate the need for sustainability, but it considers it to be crucial when designing new systems.

Occupational health and safety management system

The company's unequivocal goal in the field of health and safety is to provide safe working conditions for all its employees. Proactively identify risks associated with work activities and, after analysing them, introduce and implement measures to prevent occupational accidents. We are building a safe working environment in which our employees can focus on the effective performance of work tasks aimed at improving the quality of products and services provided.

In 2021, the topic of social responsibility (CSR) resonated significantly in the communication with the company's partners. The company has decided to accept voluntary commitments and establish a strategy in this area as well, which is closely connected with the activities within the IMS.

The company strives to develop activities both in the direction of strengthening the corporate culture and improving the surrounding environment in which it actively operates. In connection with the strengthening of capacities in the field of management and improvement of IMS, the company plans to expand its activities within the framework of the development of the region and the local community with the aim of sustainable business and positive motivation of all its employees.

Current situation in company

The ongoing factor for the development of the situation in the company in 2021 was clearly the crisis caused by the COVID-19 pandemic. Its dominance and impact on the development of the railway market and the railway industry was essential for most areas of the company's operations.

With regard to the lag of the processes, the impact on the company's production in 2021 was more fundamental than in 2020. The decrease in sales reached its bottom at the beginning of the year. The company made repeated deliveries of its own products according to long-term agreed orders. The change in business reality and the drop in orders together with protective pandemic measures led to a reduction in production volume. Active work with existing production capacities compensated for the situation. The production of part of the production for storage was carried out selectively. During the year, the company used free capacities for internal development in the field of logistics and warehouse management. The product line that dominated sales was the MIREL VZ1 train protection system and its integration with the ETCS system.

The consequences of the pandemic were also manifested in the field of service provision. Significantly more in the field of service services than in the field of publishing services. Border closures, lockdowns and other measures that have been taken at the national and international level have had a negative impact on the ability to travel, provide services and meet customers. The impact on the provision of services replicated the epidemiological situation in various countries with individual waves of the pandemic. The need to immediately react to changing mobility conditions fully tested the capabilities of crisis management and operational management. These challenges have been handled at a high level.

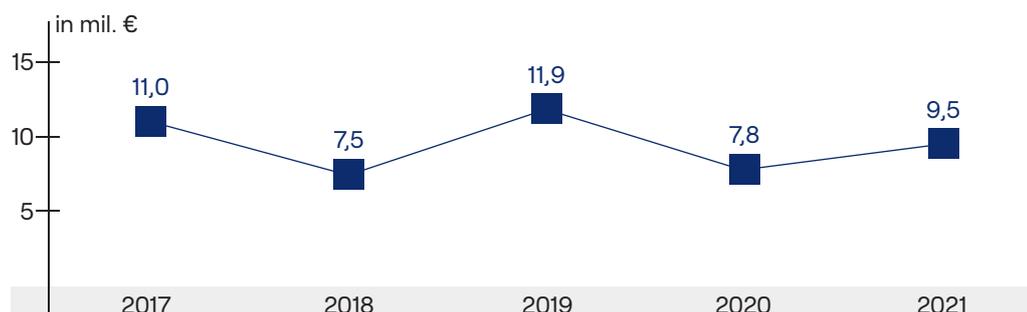
In the field of publishing activities, the situation was stable. The established processes, the technologies used and a stable editorial team enabled the systematic continuation of the publishing activities of both periodical and non-periodical press and the achievement of the set goals.

The structure of customers was stable. During the year, there was no fundamental change in the structure. The customers' interest in the supply of the company's products was affected by changes in their projects related to the pandemic. The number of new orders after a decline in 2020 did not reach the level of 2019, but during the whole of 2021 it had an upward trend. The resulting situation did not have a negative impact on customers' payment discipline.

On the side of suppliers, serious problems were noted in the supply of production material and the necessary component base. The reason was the lack of technological components on world markets, rising prices, long delivery times and overall logistical problems. The constraints that the company had to face were offset by continued lower expectations on the sales side and sufficient inventory that the company had pre-stocked. The availability of cooperation capacities was unchanged and sufficient.

Equity

2017	11 031 747 €
2018	7 545 760 €
2019	11 872 176 €
2020	7 843 540 €
2021	9 463 524 €



Expectation of future development

The dominant factors affecting the company's development in the following period are the growth of interest in the company's products on the part of customers and the worsening, sometimes even critical, situation on the global market for semiconductor components and production materials.

In 2022, the company expects a continuing positive trend from the previous year on the demand side, which partially compensates for the drop in production from 2020 and 2021. With regard to the ongoing COVID-19 pandemic and the worsening situation on world markets, the company's management has chosen a conservative approach in planning in this situation. The company plans year-on-year net sales growth of 15% with identified opportunities to exceed those targets.

The unavailability of components on the market, the extension of delivery dates, multiple price increases and global logistics outages fundamentally complicate the functionality and efficiency of the supply chain and the company's logistics. The situation in the field of computer chips and semiconductor components in general is particularly unfavourable. The plan to manage these risks is based on the effective use of existing stock and early purchase strategies for the following periods. No complications or mobility restrictions are expected in the field of service provision.

The plan for 2022 is to stabilize existing production capacities, increase the efficiency of production processes, and implement process and technological innovations. The aim of the planned innovations is to improve the competence and position of the company in the field of protection systems for railway transport on the domestic and foreign markets.

The product line that continues to dominate is the MIREL VZ1 train protection system and its integration with the ETCS system. A large part of the development activities is also linked to this product line. The innovations planned by the company in 2022 are oriented towards the system integration of the unified European train control system ETCS from various manufacturers with the MIREL system. Taking into account the nature of the projects, their implementation is expected to take an average of 2 to 3 years.

Another goal that the company has set for 2022 is the development of process management in the company and the capacity strengthening of the integrated management system for the area of quality, safety at work and the area of environmental safety.

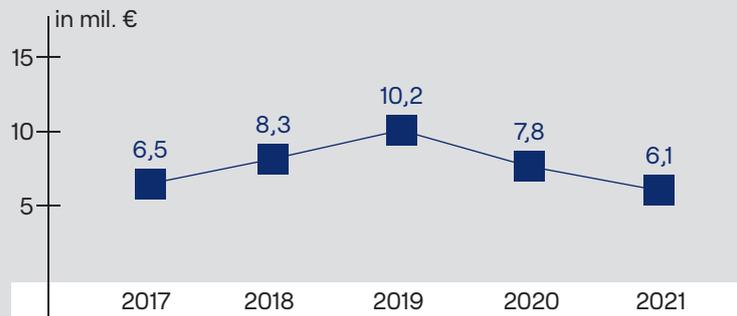
Assets

	Gross	Net
2017	12 442 689 €	11 851 301 €
2018	9 071 612 €	8 440 533 €
2019	13 580 173 €	12 812 569 €
2020	9 894 043 €	8 996 744 €
2021	11 168 815 €	10 237 864 €



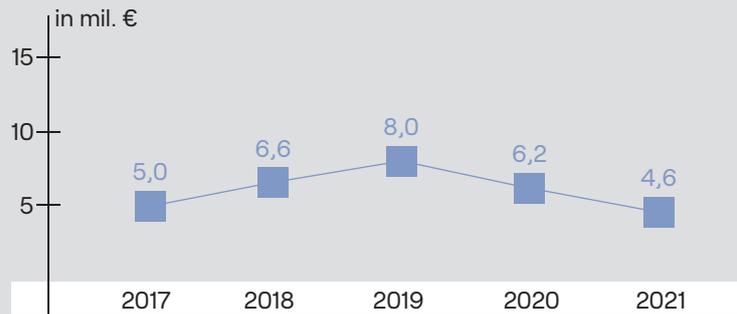
Income from economic activity – sales

2017	6 513 020 €
2018	8 283 626 €
2019	10 175 613 €
2020	7 779 847 €
2021	6 079 109 €



Added value

2017	5 019 012 €
2018	6 609 017 €
2019	8 045 595 €
2020	6 201 847 €
2021	4 597 730 €



Economic result before taxation

2017	2 808 951 €
2018	4 299 889 €
2019	5 272 142 €
2020	3 561 596 €
2021	2 101 311 €



Evaluation of the company's results

Balance sheet – asset side

Tag	Description	2021 (net in €)	2020 (net in €)
	Total assets	10 237 864	8 996 744
A. I.	Intangible assets	71 499	63 308
A. II.	Tangible fixed assets	270 475	293 827
B. I.	Inventory	2 436 389	2 457 910
B. II.	Long-term receivables	133 422	168 272
B. III.	Short-term receivables	2 145 463	2 390 101
B. V.	Financial accounts	5 168 176	3 595 355

Commentary on the Balance Sheet – assets side

Total assets increased by 13.80%. The growth is mainly due to the growth of non-current assets and financial accounts. The growth of non-current assets is caused by investments in new software in 2021. The value of long-term tangible assets is stable and reflects the needs of technical security of the company's operation. Inventories decreased due to the decrease in production and sales revenue. The mentioned fact is the impact of the pandemic situation and restrictions, respectively postponement of contract dates. Short-term receivables decreased due to the decrease in sales. The growth of available financial resources was caused by loan repayment and prudent and economical cash flow management.

Balance sheet – liability side

Tag	Description	2021 (net in €)	2020 (net in €)
	Total equity and liabilities	10 237 864	8 996 744
A.	Equity	9 463 524	7 843 540
A. I.	Share capital	20 000	20 000
A. IV.	Legal reserve funds	2 000	2 000
A. VII.	Economic result of previous years	7 657 441	4 849 678
A. VIII.	The economic result for the accounting period after tax (+-)	1 783 585	2 971 364
B. I.	Long-term liabilities	42 187	35 842
B. II.	Long-term surplus	17 836	14 424
B. IV.	Short-term liabilities	270 808	709 920
B. V.	Short-term surplus	440 904	391 332

Commentary on the Balance Sheet – liabilities side

Total liabilities in 2021 increased by 13.80%. The increase is caused by the growth of long-term liabilities and reserves. Equity growth was caused by the accounting of part of the profit of the previous period into retained earnings. The profit of the current period had the opposite impact on the development of equity. The growth of long-term liabilities is due to the increase in the value of the social fund without its significant drawdown in the current year. In the current year, reserves for retirement benefits, unused vacation and bonuses increased. Short-term liabilities from trade relations have increased, but the company does not record overdue liabilities. The overall decrease in short-term liabilities is caused by a decrease in tax liabilities due to lower payable tax.

Selected indicators of income and expenses

Tag	Description	2021 (net in €)	2020 (net in €)
*	Net turnover	6 055 345	7 779 556
**	Revenues from economic activity in total	6 365 559	8 702 735
II.	Revenues from the sale of own products	4 145 967	5 822 394
III.	Revenues from the sale of services	1 909 378	1 957 162
IV.	Change in internal organizational inventory (+/-)	10 431	820 309
VII.	Other income from economic activity	250 770	98 579
**	Total costs of economic activity	4 293 146	5 185 602
B.	Consumption of material, energy and other non-storable supplies	899 720	1 818 737
D.	Services	591 986	571 064
E.	Personal expenses	2 641 043	2 644 935
G.	Depreciation and impairment loss for long-term intangible assets and long-term tangible assets	100 685	97 023
***	The result of management from economic activity (+/-)	2 072 413	3 517 133
*	Added value	4 597 730	6 201 847
**	Income from financial activity	35 499	50 019
***	The result of management from financial activity	28 898	44 463
****	The economic result for the accounting period before taxation	2 101 311	3 561 596
R.1.	Income tax payable	332 875	558 781
2.	Deferred income tax	-15 149	31 451
****	The economic result for the accounting period after tax	1 783 585	2 971 364

Commentary on incomes and expenses

The company's economic result decreased by 39.97% compared to the previous period. The decrease in profit is caused by a decrease in sales by 22.16%. The decrease in turnover was influenced by the decrease in sales of products by 28.79%. In 2021, sales for the company's services decreased by 2.44%, the reason being the change in the structure of the services provided and the required periodicity. This is believed to be a temporary drop. Income from economic activity decreased by 26.86%. On the other hand, the costs of economic activity decreased by only 17.21%, i.e. costs decreased at a slower pace than revenues by 2021, which affected the resulting profit for the year. Material and energy consumption decreased due to the decrease in production, but the cost of services even increased in 2021. The costs of rent and services related to rent increased due to the expansion of company and warehouse premises. Publishing costs and the costs of promotion and advertising also increased. Depreciation also increased due to the increase in the value of investments in 2021.

Special relevance events

An important event in 2021 was the change in the ownership structure and the related change in the organizational structure of the company. Starting from January 1, 2021, the organizational structure of the company at the top management level has changed. The functions of the technical and business manager have been merged into a single function of the director, who is also the statutory representative of the company. The subsequent change in the ownership structure took place in the first half of 2021. The implemented changes were planned and managed without a negative impact on the implementation of the company's processes.

An important factor that occurred after the end of the accounting period, affecting the outlook for the next period, is the changed geopolitical and security situation in connection with the war in Ukraine. Considering the fact that the company does not carry out any activities on the territory of Ukraine and the Russian Federation, the war itself and accompanying sanctions do not have a direct impact on the company's activities. Secondary risks and impacts, such as rising energy prices, unavailability of specific components on the market, changes in customer expectations, will be continuously monitored and analysed. The company will take any measures to eliminate risks on an ongoing basis.

Significant risks and uncertainties to which the accounting entity is exposed

The company systematically analyses risk factors in the area of market, technical factors, economic and financial factors, human resources, environmental factors and safety. With the exception of generally known business risks, or force majeure events and with the exception of the events described above, the company has not identified any other specific significant risks and uncertainties for the following periods.

The unavailability of components on the market, the extension of delivery dates, multiple price increases and global logistics outages fundamentally complicate the functionality and efficiency of the supply chain and the company's logistics. The situation in the field of computer chips and semiconductor components in general is particularly unfavourable. The plan to manage these risks is based on the effective use of existing stock and early purchase strategies for the following periods. No complications or mobility restrictions are expected in the field of service provision.

Profit sharing proposal

The only partner at the general assembly of HMM, s.r.o. discussed the financial statements compiled as of 31.12.2021 at the regular general meeting on March 29, 2022 and subsequently discussed the following proposal for the distribution of the profit achieved in the 2021 financial year.

- Achieved profit: €1,783,585.01
- Distribution to the retained earnings account of previous periods: €1,783,585.01
- Distribution of profit shares among partners: €0.00
- Distribution to the social fund from the company's profit: €0.00

Other essential information

There is no company that prepares consolidated financial statements for the largest group of companies for which HMH, s.r.o. is a subsidiary.

There are no companies in which the company HMH, s.r.o. is a partner with unlimited liability.

The company HMH, s.r.o. does not have an established foreign branch.

Company HMH, s.r.o. had costs related to research and development in the amount of €926,746.22, of which €309,472.87 was projects under consideration. The subject of development was Control and protection technology for railway transport.

Company HMH, s.r.o. did not account for the acquisition of any own shares, temporary bonds or business shares and shares, temporary bonds or business shares of the controlling person.

Company HMH, s.r.o. its activity does not have a significant impact on the environment, it does not emit exhalates into the air or create water pollution or particularly hazardous waste, and it proceeds in accordance with the certification of the Environmental Management System according to the international standard ISO 14001.

Attachments

Financial statements of HMH, s.r.o. compiled from data as of 31.12.2021 is in full wording in accordance with § 23 of Act no. 431/2002 Collection of Acts on Accounting filed and published in the Register of Financial Statements on March 30, 2022.

Report of the independent auditor to the shareholders and the statutory body of HMH, s.r.o. for the year 2021 from the audit of the financial statements issued by the company RENAUDIT CONSULTING, s.r.o. Nitra on March 30, 2022 is in its full wording in accordance with § 23 of Act no. 431/2002 Coll. on accounting filed and published in the Register of Financial Statements on April 27, 2022.

Appendix of the report of an auditor related to the annual report dated August 16, 2022 to the partners and statutory body of HMH, s.r.o. for 2021 issued by RENAUDIT CONSULTING, s.r.o. Nitra.

HMH, s.r.o. Annual Report 2021

