

# LCS International Annual Report

Fiscal Period 2006-2007

MEMBER OF ASSECO GROUP

**helios**  
powered by LCS

# 01

Ladies and gentlemen,  
our discerning LCS shareholders,

Please allow me, over the following few lines, to briefly sum up the business activities of LCS International and its position on the Czech market for company information systems (ERP systems) during the fiscal period from 1 July 2006 to 30 June 2007.

The previous fiscal period, before our shift to the new fiscal year, lasted 18 months. This fact should be particularly taken into account when comparing the company's performance indicators from that period to those from the most recent 12-month accounting period.

Our core activities continue to involve the development of and support for the company's original Helios information systems. The current portfolio includes Helios Red for small companies and entrepreneurs, Helios Orange for small and medium-sized companies and Helios Green for larger companies and large-scale corporations. One important factor during the entire course of the accounting period was a significant reinforcement of awareness of the Helios brand. The most important event of the 2006-2007 fiscal period was without a doubt LCS International's joining the multinational ASSECO group, which obtained a 55 percent stake in our company. The entire process was formally completed only after the end of the accounting period.

The 2006-2007 fiscal year met our anticipations and expectations and I am delighted to say that it can be considered to have been highly successful. For LCS, this year was marked by growth in turnover, profits and market share. In this relation, LCS sees the Slovak market as very promising, with sales increasing by more than 20%.

For the past few years LCS has been included in IDC's ranking of the top 100 Czech ICT companies. Last year, the company moved up four notches to 69th place in the whole industry (including hardware and telecommunications companies).

We should certainly not omit the results of the customer satisfaction survey conducted on a sample of 2,000 companies using Helios Orange. We were highly pleased by the fact that the vast majority of these companies gave our product a 1 (the highest mark possible) or 2.

In conclusion, I would like to express my hopes and expectations that our customers' satisfaction with LCS information systems and services will continue to steadily increase in the years to come, resulting in our company's continued economic growth and making LCS a sound and contributing member of the multinational ASSECO group.

**Stanislav Sýkora**  
CEO and Chairman of the Board  
LCS International, a.s.

## Excerpt from the Board of Directors report

Since the Annual General Meeting held on 20 October 2008, the Board of Directors of LCS International has been composed of: Jan Přerovský – Chairman of the Board of Directors, Ing. Stanislav Sýkora – Vice-Chairman of the Board of Directors, Ing. Petr Mañas – member of the Board of Directors and Ing. Jiří Hub – member of the Board of Directors. The members of the Supervisory Board were: Ing. Jiří Šach, Ing. Ctirad Richter and Ing. Ján Bobovský.

The 2006-2007 fiscal year witnessed several crucial decisions, events and measures, including the following:

- ▶ The company brought all its product names together under the Helios brand. This change had a very positive impact on brand recognition and familiarity with these brands on the Czech market, thus contributing to growth in revenues.
- ▶ The company had successful sales, especially of the Helios Orange system, and continued to develop the Helios systems partner network.
- ▶ Together with 12 partners, the company successfully presented itself at the Invex 2006 trade fair and confirmed its solid market position and positive image.
- ▶ The company continued to develop its business activities and active market involvement in Slovakia.
- ▶ The company took substantial steps towards becoming a part of the multinational ASSECO group.

### Basic economic indicators as of 30 June 2007

- ▶ Revenues from own products and services CZK 241.2 million  
Revenues from goods CZK 9.9 million
- ▶ Total personal costs CZK 103.3 million
- ▶ The company conducted its business with assets at a total net value of CZK 93.7 million
- ▶ Long-term assets amount to CZK 9.5 million, short-term assets to CZK 83.9 million
- ▶ Aggregate value of overdue receivables CZK 9.9 million
- ▶ Aggregate value of overdue payables CZK 1.9 million
- ▶ The company's basic capital is CZK 10.6 million and shareholders' capital is CZK 57.9 million
- ▶ Other economic data for the 2006-2007 accounting period – see Appendices.

In the accounting period from 1 July 2006 to 30 June 2007, LCS International, a.s. posted a profit in the amount of CZK 18,365,833.94. The General Meeting will issue a separate resolution on the profit shown for the 2006-2007 accounting period and the potential further utilization of retained earnings from previous years; this resolution will also contain the Board of Directors' proposal for the payout of dividends and directors' fees.

Prague, 30 August 2007  
Board of Directors  
LCS International, a.s.

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## Crucial events in the 2006–2007 period

- ▶ LCS unified the names of three LCS products under the Helios brand.
- ▶ LCS obtained the ISO 9001:2000 quality certificate.
- ▶ LCS became a Gold Certified Partner of Microsoft Corporation.
- ▶ LCS presented itself at the Invex Brno and CeBIT Hanover international trade fairs.
- ▶ LCS became a member of the multinational ICT group ASSECO.



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## Basic Economic Indicators

BALANCE SHEET (in thousand CZK):							
	Total assets	Current year 93 706	Previous year 74 946		Total liabilities	Current year 93 706	Previous year 74 946
A	Receivables for subscription	0	0	A	Shareholders' capital	57 850	46 649
B	Fixed assets	9 485	6 710	A.I.	Basic capital	10 630	10 630
B.I.	Intangible fixed assets	656	1 251	A.II.	Capital funds	2 211	2 181
B.II.	Tangible fixed assets	8 402	4 990	A.III.	Funds created from profit	4 881	4 881
B.III.	Financial investments	427	469	A.IV.	Profit/loss of previous years	21 763	17 187
B.III.1	Of which: shares in enterprises with controlling influence	321	363	A.V.	Profit/loss of current period	18 366	11 770
				B	<b>Not-own capital</b>	<b>35 089</b>	<b>28 111</b>
C	Current assets	83 939	67 967	B.I.	Reserves	3 500	3 000
C.I.	Inventory	723	888	B.II.	Long-term payables	239	124
C.II.	Long-term receivables	1 083	0	B.III.	Short-term payables	31 350	24 987
C.III.	Short-term receivables	43 640	52 071	B.IV.	Bank loans and subsidies	0	0
C.IV.	Short-term financial assets	38 493	15 008	B.IV.1.	Of which: long-term bank loans	0	0
D	Accruals	282	268	C	Accruals	767	186

PROFIT AND LOSS ACCOUNT (in thousand CZK)							
I+II	Revenues from merchandise + production	251 104	316 524	*	Operating profit/loss	26 441	17 125
I+II.1.	Of which: revenues from sales of own products, services and goods			M	Additions to reserves and accruals to operating expenses	68	-5
	Change in in-house inventory of own production	251 058	316 037	VI+...+XII	Other financial revenues	1 181	5 562
II.2.	Production consumption + cost of goods sold	46	487	J+...+P	Other financial expenses	1 803	6 636
II.3.	Capitalization	0	0	*	<b>Profit/loss from financial operations</b>		
A+B	Production consumption + cost of goods sold	117 049	152 711		Including income tax on ordinary income	-8 075	-5 355
+	Value added	134 055	163 813	**	Profit/loss from ordinary operations	18 366	11 770
C	Personnel expenses	103 250	143 348	XIII	Extraordinary revenues	0	0
E	Depreciation of intangible and tangible fixed assets	3 935	5 639	R+S	Extraordinary expenses	0	0
G	Additions to reserves and accruals to operating expenses	-204	-2 044	*	Extraordinary profit/loss	0	0
III+IV +V+V	<b>Other operating revenues</b>	2 941	2 875	***	Profit/loss of	18 366	11 770
D+F +H+I	<b>Other operating expenses</b>	3 573	2 621				

In the past fiscal period, LCS International continued its previous dynamic growth in both revenues and profit. It strengthened its position on the local and international markets, with its share of the Slovak market in particular growing very intensely. Corporate financing was provided solely from the company's own resources.

# 05 Revenues in the 2006–2007 period

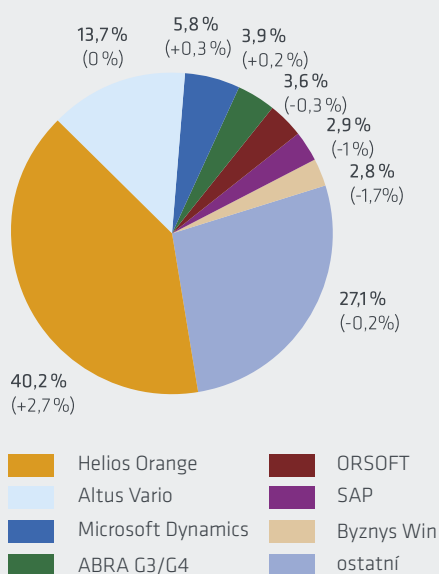
	FY07	2005–06	% FY07/ FY06	FY07–FY06	% of the aggregate
Revenues from Helios Red	12 739	10 350	123 %	2 389	4,99 %
Revenues from Helios Orange	131 252	109 063	120 %	22 189	51,43 %
Revenues from Helios Green	91 155	90 285	101 %	870	35,72 %
Other revenues	6 594	3 520	187 %	3 074	2,58 %
Total revenues	255 226	223 395	114 %	31 831	100 %
Revenues from goods sold	13 486	10 178	133 %	3 309	5,28 %

A closer look at Helios Orange's revenues shows an increase of 20% over the last fiscal year, which represents a considerable reinforcement of the current market share. This trend was most significantly influenced by revenues from system support (year-to-year increase of 23%) and revenues from the sales of Helios Orange system licences (year-to-year increase of 14%). Our "smallest" system, Helios Red, had a successful year as well, with sales considerably exceeding those from the previous period – by almost ¼. A closer look at the structure of revenues shows that they are mainly from sales of Helios Red licences. These sales grew by as much as one half in comparison with the previous period.

Revenues of the largest of the three systems, Helios Green, increased only slightly and can be described as being marked by a relative level of stagnation. This is due in part to the high saturation of the market for information systems for large-scale companies, but primarily because of investments into the system's next generation, which slowed any more massive sales. This strategy should be rewarded by standard growth in the periods to come.

The successful sales of the Helios Orange information system were also reflected in a survey performed by the Centre for the Research of Information Systems at Tomáš Baťa University in Zlín. In 2006–2007, Helios Orange held a significant share of the market for small and medium-sized companies.

All-in-one ERP systems in the segment of small companies by the number of implementations

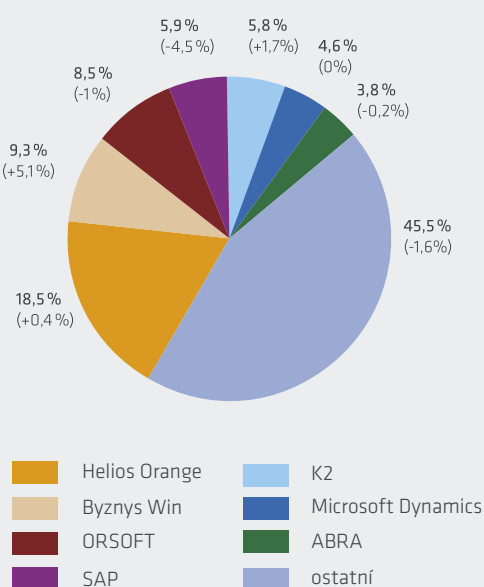


Sources: Petr Sodomka/CVIS 2007

58 all-in-one ERP systems provided in the Czech Republic entered the evaluation (out of the total number of 77 ERP systems). The segment of small companies includes 5823 references. The percentage in brackets expresses a year-to-year change.

Adapted from BIZ monthly

All-in-one ERP systems in the segment of mid-sized companies by the number of implementations



Sources: Petr Sodomka/CVIS 2007

58 all-in-one ERP systems provided in the Czech Republic entered the evaluation (out of the total number of 77 ERP systems). The segment of small companies includes 5823 references. The percentage in brackets expresses a year-to-year change.

Adapted from BIZ monthly

# 06 New customers in the 2006–2007 period

In the course of the accounting period 2006-2007 the Helios systems acquired the total of 549 new clients. The share of the particular products in the total number is as follows

	HELIOS RED	HELIOS ORANGE	HELIOS GREEN
2nd half-year 2006	84 customers	224 customers	7 customers
1st half year 2007	85 customers	133 customers	7 customers
CELKEM	169 new customers	357 new customers	14 new customers

## Selected References

From the large pool of active Helios systems customers, we would like to highlight the following companies:

2N telekomunikace,  
AEV spol. s r.o.,  
Auto Kelly,  
AVOSS, Lázně Bohdaneč - Voleč,  
B a B spol. s.r.o., Chrudim,  
BORCAD CZ s.r.o.,  
Deloitte Advisory s.r.o.,  
DOMA-R s.r.o., Olomouc + pobočky,  
ECONOMIA,  
Euromédia Group,  
Formplast Purkert, s.r.o.,  
Ředitelství silnic a dálnic ČR,  
HUSKY CZ, s.r.o.,  
IRON - ART, Vraclav, Praha,  
KB sport HK spol. s r.o., Hradec Králové,

Lázně Velichovky,  
M.J.Maillis, Czech, s.r.o.,  
Phoenix-Zeppelin,  
Pivovar Svijany,  
Pražské služby,  
Pražské vodovody a kanalizace,  
PROXY, a.s.,  
QUELLE,  
SICO RUBENA,  
Slovenská televízia,  
Správa Pražského hradu,  
TV Prima,  
Velvana,  
ZAPA beton a.s.,  
ZOO Dvůr Králové.



# 07

## New technical and functional features of the Helios systems

At the 2006 Invox international trade fair, we presented new versions of the Helios systems containing a large number of attractive new features. This section offers a summary of the most important new features for each product.

### Helios Green:

- ▶ New module Manufacturing, featuring among other things capacity planning
- ▶ New conception of Business Case
- ▶ Option of generating graphs directly above the list of entries
- ▶ Utilizes the latest version of Microsoft .NET Framework 2.0 and supports MS SQL Server 2005
- ▶ Refactoring of many processes and functions

### Helios Orange:

- ▶ Workflow
- ▶ EDI connector
- ▶ Foundation for Document Management
- ▶ Cash flow prediction
- ▶ Additional related costs
- ▶ Extended functionality of Customs Software – Electronic Export

### Helios Red:

- ▶ Makes use of the new Visual Foxpro 9.0 development environment
- ▶ Visual appearance of application upgraded to make it even more user-friendly
- ▶ Improvement to lists of entries
- ▶ Possibility of standard export of all graphic outputs into Word and PDF
- ▶ Improved graphic output forms
- ▶ Expanded definition of report generator
- ▶ Improved functionalities of Income Tax Return
- ▶ Expanded electronic communication with state authorities via the Portal of Public Administration
- ▶ New module: Orders



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## Branch Solutions

In addition to the basic modules and functionalities, in the 2006-2007 period the Helios systems offered their customers these specialized branch solutions:

- ▶ Automotive industry
- ▶ Security agencies
- ▶ Customs services
- ▶ Transport, forwarding
- ▶ Electronics, electrotechnics
- ▶ Retail
- ▶ Plastic materials
- ▶ Food industry
- ▶ Building industry
- ▶ Engineering
- ▶ Accounting
- ▶ Wholesale
- ▶ Agriculture



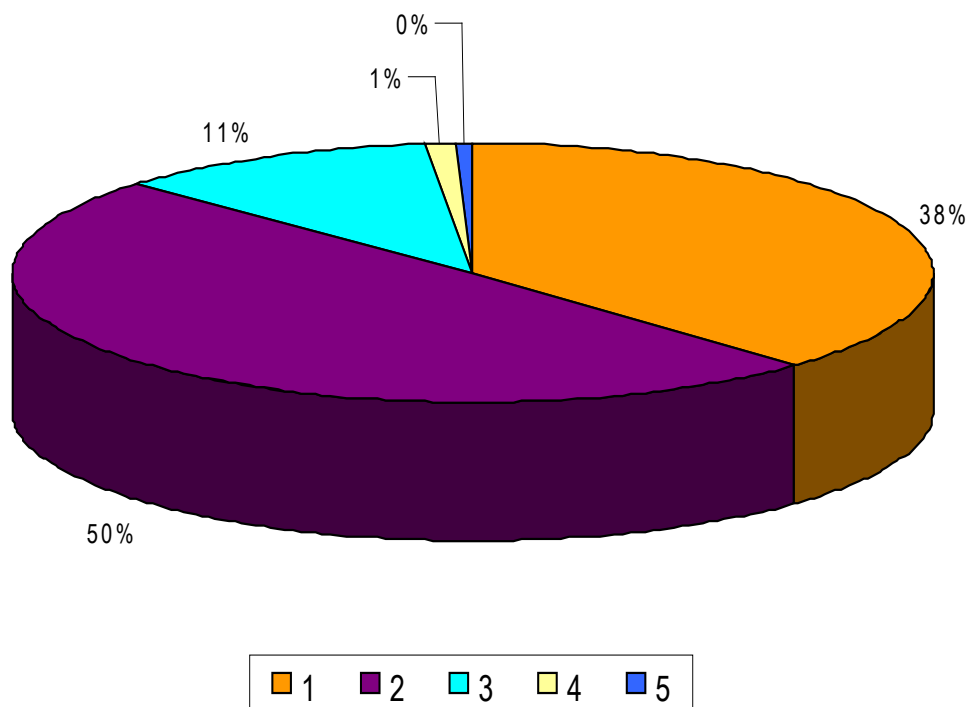
## Customer satisfaction survey

In August 2007, LCS conducted a survey of customers' satisfaction with the Helios Orange system. Customers' opinions reflected in the survey applied mainly to the previous fiscal period. The survey was carried out by the LCS Call Centre, whose staff asked customers about their satisfaction with our information systems and customer care, what additional features they would like our information systems to have, and about concrete concerns which the customer needs to resolve.

The results of the survey proved to be highly favourable.

Among other things, customers were asked to indicate their satisfaction with our system by giving it marks like the ones used in school. The survey results can be seen in the following graph:

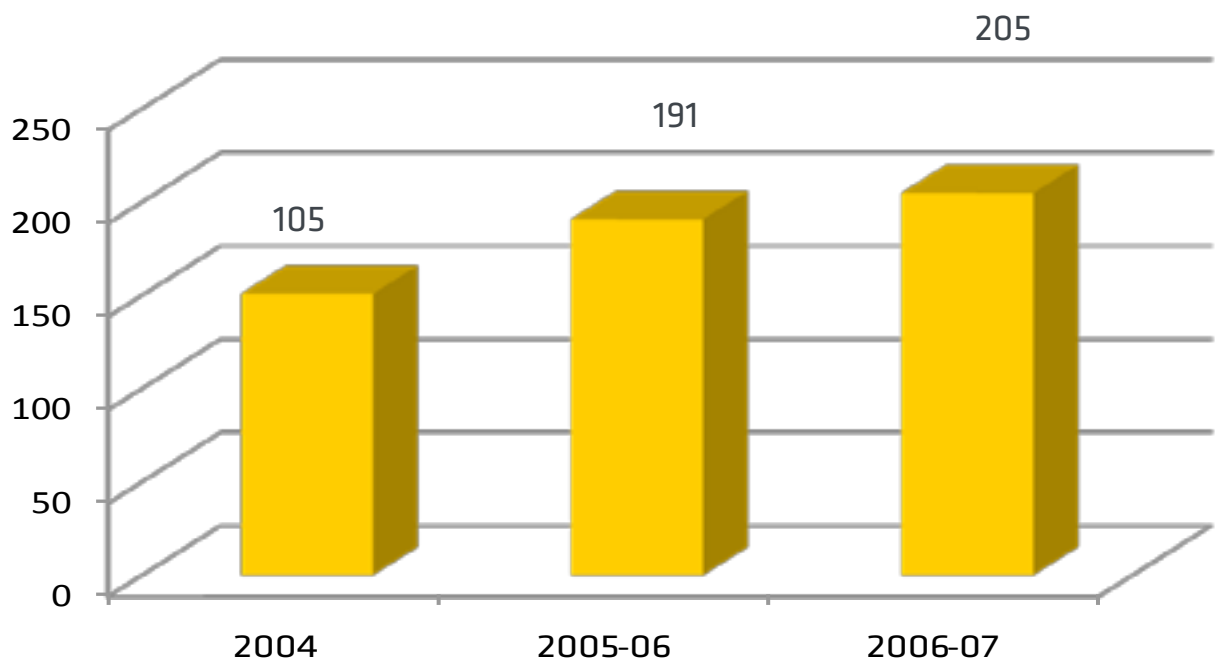
### How satisfied are you with our information system?



# 10

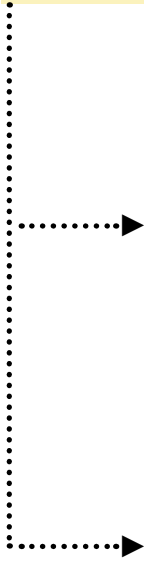
## Number of Employees

The number of permanent LCS employees both in the Czech Republic and in Slovakia has been growing continually. At the end of the 2006-2007 fiscal year, LCS had 205 employees.



## Structure and management of the LCS Group in the 2006–2007 period

Registered name:	LCS International, a.s.
Registered office:	Zelený pruh 1560/99, 140 02 Praha 4
Company identification number:	64 94 95 41
Shares:	non-registered common bearer shares with a nominal value of CZK 50, in the form of stock certificates
Basic capital:	CZK 10,630,000
Shareholders' capital :	CZK 50,850,000
Board of Directors:	Jan Přerovský, Ing. Stanislav Sýkora, Ing. Petr Maňas, Ing. Jiří Hub
Supervisory Board:	Ing. Ján Bobovský, Ing. Ctirad Richter, Ing. Jiří Šach
Interest of 20% or more:	LCS Slovensko, s.r.o., 100%, LCS Deutschland GmbH, 100 %



Registered name:	LCS Slovensko, s.r.o.
Registered seat:	Stromová 13, 831 01 Bratislava
Company identification number:	35 83 51 76
Basic capital:	SKK 200.000,-
Legal Executives:	Ing. Petr Maňas, Bc. Petr Hampl
Supervisory Board:	not stipulated
Shareholders holding 10 or more %:	LCS International, a.s., 100 %

Registered name:	LCS Deutschland, GmbH
Registered seat:	Hönower Straße 98, 12623 Berlin – Mahlsdorf
Company identification number:	27/428/03686
Basic capital:	EUR 25.000,-
Legal Executives:	Ing. Petr Maňas, Ing. Ján Bobovský
Supervisory Board:	not stipulated
Shareholders holding 10 or more %:	LCS International, a.s., 100 %

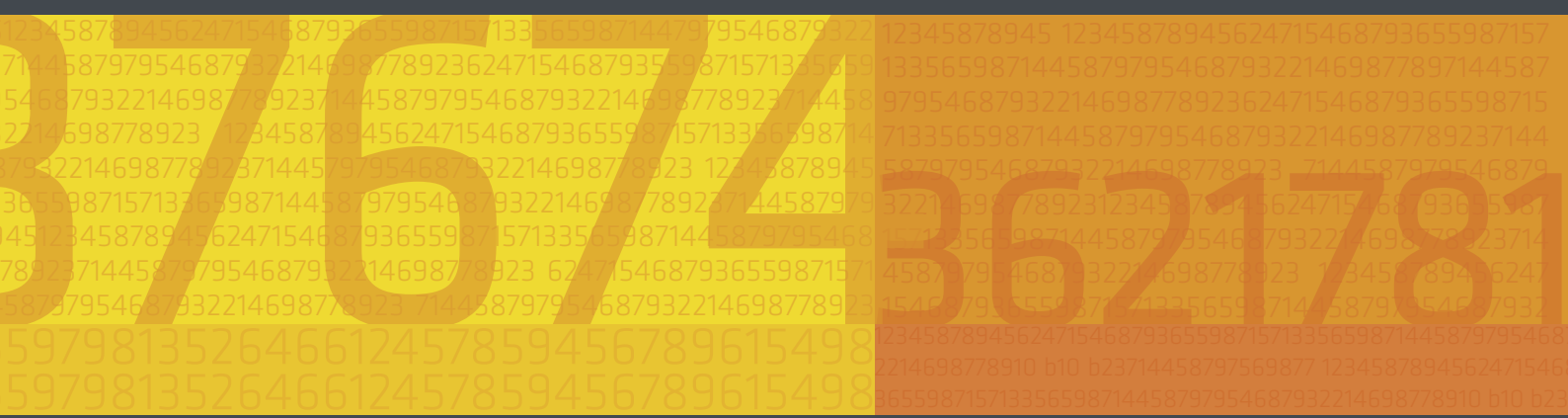
## Financial results of subsidiary companies

For several years, LCS Slovensko, s.r.o. has been successful in increasing sales by tens of percent yearly. In addition to the remarkable growth in sales of Helios Orange, another factor influencing this massive growth in revenues in Slovakia is the expansion of sales of Helios Green. The company also saw a considerable strengthening of personnel. As a result, our Slovak subsidiary has proven to be a dynamically developing member of the group.

Our subsidiary LCS Deutschland, GmbH has been active on the German market for several years. During the period in question, the company performed several installations of the Helios Orange system, in particular for customers with sister, parent or subsidiary companies in the Czech Republic or Slovakia. Simultaneously, intensive work continues on the high-quality integration of German law in the Helios systems.

Name of the company	Seat	Share in basic capital	Amount of basic capital	Accounting profit/loss
LCS Slovensko, s.r.o.	Bratislava	100 %	SKK 1.105.000,-	SKK 425.000,-
LCS Deutschland, GmbH	Berlin	100 %	EUR 5.000,-	EUR 300,-





## Kontakty

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