

ŠKODA TRANSPORTATION a.s.

# ***CONSOLIDATED ANNUAL REPORT 2018***



**Contents:**

Introduction

Škoda Transportation Group

Profile of ŠKODA TRANSPORTATION a.s.

Statutory bodies of the Company

Report of the Board of Directors on Company's business activities and the balance of its assets and liabilities

Significant contracts and bonds

Labour relations

Anti-corruption measures

Research and development

Environment

Major investments

Acquisition of own shares

Material litigations

Subsequent events

Quality, environment and occupational health & safety management systems

Risks and their management

Foreign organisational unit

Company's future

Auditor's fees

Declaration of completeness

**Narrative part of the annual report**

- a) Principles and procedures for internal controls
- b) Description of Board of Directors' decision-making and its procedure
- c) Description of Supervisory Board's decision-making and its procedure
- d) Description of General Meeting's decision-making and its procedure
- e) Audit Committee
- f) Corporate Governance

**Appendices:**

- A Report on relations between related parties
- B Consolidated financial statements for the reporting period
- C Independent auditor's report
- D Separate financial statements for the reporting period
- E Independent auditor's report

## Introduction

Dear friends,

2018 saw a number of changes. First of all, the sale of a 100 % of the Company's shares to its new shareholder, the international financial and investment group PPF, was formally completed. Our Company thus obtained a strong owner, with whom the Company is sure to continue to be one of the leaders of the entire Czech industry.

In connection with the change of Škoda Transportation's shareholder, some substantial changes were made in the Company. The Board of Directors was newly extended to include five members, and changes were also made to the Supervisory Board. We changed the Company's organisational structure and started to reset some of the processes. The Company's new organisation was made primarily in connection with the new vision, values, and strategy that we defined together with the new owner, PPF Group. Škoda Transportation is gradually turning to a new form of concern management with three fundamental pillars – business, implementation, and service. The aim is to achieve the highest possible efficiency of the entire Škoda Transportation Group by using and sharing all resources that the Group has to offer.

One of the Škoda Transportation Group's priorities is to consolidate its position on West European markets. Last year, it therefore became the 100% owner of the only Scandinavian producers of rail vehicles in Finland, the company Transtech Oy. In less than three years, we managed to successfully restructure and stabilise Transtech Oy, obtain new orders, and increase the number of employees. Transtech became an important part of the Škoda Transportation Group and brought further business opportunities on Western markets.

In 2018, the Škoda Transportation Group completed the supply of unique battery-powered trams for the Turkish city of Eskişehir and continued in the production of ForCity trams for Prague, German Chemnitz, Finnish Helsinki as well as of train units and locomotives for Deutsche Bahn. The Company also supplied underground train units to St. Petersburg and before year end delivered nine RegioPanter single-deck electric units, which currently take care of transportation in the Pilsen region.

In 2018, there was an almost double increase in the number of produced trolleybuses and electric buses. These modern environment-friendly vehicles were supplied, among other places, to Budapest, Žilina, Romanian Galati, Bulgarian Pleven, Lithuanian Vilnius and to several Czech cities, including Ostrava, Pilsen and České Budějovice.

In 2018, the Škoda Transportation Group concluded several large contracts. These include, first and foremost, the largest tram order in the Company's history. The Company will supply eighty ForCity Smart trams for the German cities of Mannheim, Ludwigshafen and Heidelberg as part of this contract. The Company will also supply new trams to Ostrava, Pilsen and Finland. In 2018, within the Siemens-Škoda consortium the Company also concluded a contract for the supply of passenger coaches for Czech Railways and a contract for the supply of electric units for Slovak ŽSSK.

Thanks to the first-rate work of over 700 designers and hundreds of millions of Czech crowns invested in the research and development of own vehicles and products, Škoda Transportation can regularly introduce new and cutting-edge products which meet the most recent safety standards. Škoda Transportation successfully presented itself with its products on the prestigious international Innotrans trade fair in Berlin last year.

It also set out the Company's new strategy. This year, Škoda Transportation will follow several main directions focusing on the development of the existing product portfolio, reinforcing its



positions on traditional markets together with increasing its potential in new territories and reinforcing servicing services.

Škoda Transportation has all the prerequisites for further growth – mass transportation is on the rise both in the Czech Republic and abroad, the Company has competitive products, manufacturing and technical capacities, experienced and loyal employees and, last but not least, a strong owner. Thanks to the new strategy, we have the prerequisites to be a sustainably successful company with a healthy profitability of revenues.

I would like to thank all our employees and business associates for the past year and I expect this year, when we will celebrate the 160th anniversary of the Company's establishment, to be even much better.



**Petr Brzezina**

Chairman of the Board of directors and President of the Škoda Transportation Group

## ŠKODA TRANSPORTATION group

The strategy of the ŠKODA TRANSPORTATION a.s. Group ("the Group") is to enhance the transport engineering industry and to strengthen the key competences in this field. One of the prerequisites to fulfil the strategy is through the support of research and development. In 2018, the Group incurred research and development expenditures of TCZK 1 156 079 (2017 – TCZK 973 574). The most significant development projects in 2018 were development of locomotives, push-pull double-deck rail vehicles and low-floor trams and trolleybuses of various types.

The Group's consolidated revenue in 2018 amounted to TCZK 11 779 896, i.e. a year-on-year increase of 1.0%. A significant increase was manifested primarily by revenues from the sale of trolleybuses, locomotives and suburban units, while revenues from trams, electrical equipment, traction motors and the underground significantly declined. As regards the split of revenues according to the registered office of the end customer, TCZK 5 572 620 were revenues generated in the Czech Republic while TCZK 6 207 276 were revenues generated from other countries, which constitutes a 13.1% year-on-year decline in exports. Revenues realised in other countries (according to end customers) comprise most deliveries to customers in Finland, Latvia, Germany, Russia, Slovakia, Turkey, Italy, Poland, China and USA.

The 2018 consolidated profit before tax totalled TCZK 267 527.

The Group's profit after tax totalled TCZK 326 956.

### Consolidated entity

As at 31 December 2018, the following entities were included in the consolidated entity:

Entity name: ID no.:	Registered office	Share in equity (in %)	Degree of control	Consolidation method
<b>Parent company</b>				
<b>ŠKODA TRANSPORTATION a.s.</b> 626 23 753	Emila Škody 2922/1 301 00 Plzeň, Jižní Předměstí	--	--	--
<b>Subsidiaries and joint ventures</b>				
<b>ŠKODA ELECTRIC a.s.</b> 477 18 579	Tylova 1/57 301 28 Plzeň	100	Controlling	Full
<b>ŠKODA VAGONKA a.s.</b> 258 70 637	1. máje 3176/102 703 00 Ostrava	100	Controlling	Full
<b>Pars nova a.s.</b> 258 60 038	Žerotínova 1833/56 787 01 Šumperk	100	Controlling	Full

Entity name: ID no.:	Registered office	Share in equity (in %)	Degree of control	Consolidation method
<b>MOVVO spol. s r.o.</b> 468 87 989	Železniční 119/7 326 00 Plzeň, Východní Předměstí	100	Controlling	Full
<b>TRADING RS Sp. z o.o.</b>	Złota 59 00-120 Warszawa Poland	100	Controlling	Full
<b>SKODA TRANSPORTATION UKRAINE LLC</b>	Naberezhna 26-B 490 00 Dnipro Ukraine	100	Controlling	Full
<b>ŠKODA CITY SERVICE s.r.o.</b> 291 19 057	Emila Škody 2922/1 301 00 Plzeň, Jižní Předměstí	100	Controlling	Full
<b>POLL, s.r.o.</b> 629 67 754	Výpadev 1676/4a 153 00 Praha 5 Radotín	100	Controlling	Full
<b>ŠKODA TVC s.r.o.</b> 252 47 964	Tylova 1/57 301 28 Plzeň	100	Controlling	Full
<b>Ganz-Skoda Electric Ltd.</b>	Horváth utca 12-26 H-1027 Budapest Hungary	100	Controlling	Full
<b>ООО Вагонмаш</b>	Leninskij prospekt 160 196 247 Sankt-Peterburg Russian federation	51	Controlling	Full
<b>Transtech Oy</b>	Elektroniikkatie 2 905 90 Oulu Finland	100	Controlling	Full
<b>SKODA Transportation Deutschland GmbH</b>	Leopoldstrasse 244 808 07 München Germany	100	Controlling	Full
<b>ŠKODA RAIL s.r.o.</b> 058 22 149	Emila Škody 2922/1 301 00 Plzeň, Jižní Předměstí	100	Controlling	Full

Entity name: ID no.:	Registered office	Share in equity (in %)	Degree of control	Consolidation method
<b>Skoda Transportation USA, LLC</b> 81-2573769	100 International Drive, 23rd Floor Baltimore MD USA	100	Controlling	Full
<b>LOKEL s.r.o.</b> 017 31 530	Moravská 797/85, Hrabůvka 700 30 Ostrava	100	Controlling	Full
<b>Associated companies</b>				
<b>PRAGOIMEX a.s.</b> 158 88 100	Pod náspem 795/12 190 05 Praha 9	32	Significant influence	Equity
<b>Zaporizkiy Elektrovoz</b>	Vulicyja Zaliznichna 2 690 95 Zaporizha	49	Significant influence	Equity

#### ***Description of changes in the consolidated entity in 2018***

In 2018, the Group established a 100% subsidiary SKODA TRANSPORTATION UKRAINE LLC. The Group sold 100 % of shares in Autobusová doprava-Miroslav Hrouda s.r.o. Further, the Group withdrew from OOO SKODA – R, where it had 99 % of shares.

## Profile of ŠKODA TRANSPORTATION a.s.

ŠKODA TRANSPORTATION a.s. ("the Company") was established as a limited liability company on 23 February 1995 and was recorded in the Commercial Register maintained by the Regional Court in Pilsen on 1 March 1995. The Company's registered office is Emila Škody 2922/1, Plzeň. Its identification number is 626 23 753. The Company's registered capital amounts to TCZK 3 150 000. The Company is a manufacturer and at the same time acts as a parent company managing a group of companies ("the Group").

The Company's principal activities comprise the production, development, assembly, reconstruction and repairs of transport vehicles; repairs of other transport vehicles and machinery; testing of rail vehicles, trams and trolleybuses; testing and check-ups of selected technical equipment; machining, locksmithing and tool making; production, installation, repairs of electric machines and equipment, electronic and communications devices; repairs of road vehicles; production, trade and services not specified in appendices 1 to 3 of the Trade Licensing Act, accounting consulting, bookkeeping and tax accounting.

Until 23 April 2018, the sole shareholder of the Company was CEIL (CENTRAL EUROPE INDUSTRIES) LTD. As of 24 April 2018, the sole shareholder of the Company is PPF Beer Topholdco B.V. The sole shareholder owns 1 common registered book-entered share of TCZK 3 134 100 and 1 common registered book-entered share certificate of nominal value of TCZK 15 900.

Before 23 April 2018, the Company was part of the group controlled by CEIL (CENTRAL EUROPE INDUSTRIES) LTD. As of 24 April 2018, the Company is part of the group controlled by PPF Beer Topholdco B.V.

## Statutory bodies of the Company as at 31 December 2018

### **Board of Directors**

- **Petr Brzezina** – chairman of the Board of Directors
- **Tomáš Ignačák** - vice-chairman of the Board of Directors
- **Jaromír Šilhánek** – member of the Board of Directors
- **Jan Menclík** – member of the Board of Directors
- **Zdeněk Sváta** – member of the Board of Directors

### **Supervisory Board**

- **Ladislav Chvátal** – chairman of the Supervisory Board
- **Michal Korecký** – member of the Supervisory Board
- **Jaroslav Zoch** - member of the Supervisory Board

## Report of the Board of Directors on Company's business activities and the balance of its assets and liabilities

In 2018, revenue from own products and services totalled TCZK 4 496 541, which is a year-on-year decline of 12.8%. Sales were lower in particular in the segment of trams. On the other hand, higher sales were achieved in the segment of locomotives, suburban units and underground coaches. Domestic customers bought products worth TCZK 3 032 808. Exports totalled TCZK 1 463 733 and reported a year-on-year decline of 32.7%.

The operating profit in 2018 totalled TCZK 367 956, which is a year-on-year decline of 56.9%. The decline was mainly due to a year-on-year decline in sales. The most significant item of expenses was the cost of material in the amount of TCZK 2 132 235, with a year-on-year decline of 7.7%. Another significant item of expenses were the cost of services in the amount of TCZK 971 568, which is a year-on-year increase of 4.2% (homologation of new products, rental, cooperation, etc.) and personnel expenses, which amounted to TCZK 815 757 in 2018.

In 2018, the profit from financial operations amounted to TCZK 23 071.

Profit before tax in 2018 amounted to TCZK 391 027.

Company's profit after tax amounted to TCZK 426 154 in 2018.

Total assets of the company increased from TCZK 20 062 635 to TCZK 21 713 589, i.e. a year-on-year increase of 8.2%. Intangible fixed assets increased from TCZK 1 570 758 in 2017 to TCZK 1 919 317 in 2018 mainly thanks to development costs capitalisation and the purchase of technical documentation. Further, shares in subsidiaries increased from TCZK 6 454 134 in 2017 to TCZK 8 699 613 in 2018, in particular due to the acquisition of the remaining 25% of Transtech Oy and loan capitalisation in the form of a contribution of TCZK 2 150 000 made outside the registered capital of ŠKODA VAGONKA a.s. Inventories recorded a year-on-year increase from TCZK 1 697 287 in 2017 to TCZK 1 698 127 in 2018. Short-term trade receivables and other receivables decreased from TCZK 7 119 827 in 2017 to TCZK 5 691 766 in 2018. This decrease reflects in particular the lower value of provided loans and a decline in receivables from contracts with customers.

Total liabilities increased from TCZK 20 062 635 to TCZK 21 713 589, i.e. a year-on-year increase by 8.2%. Equity increased by TCZK 195 651. Short-term liabilities reported a major year-on-year decrease from TCZK 3 591 312 in 2017 to TCZK 2 869 981 in 2018. This was due in particular to the decrease of short-term loans and borrowings. Long-term liabilities increased by TCZK 2 176 634 year-on-year. Long-term loans and borrowings increased year-on-year from TCZK 3 203 429 in 2017 to TCZK 3 555 035 in 2018. The volume of received long-term advance payments from customers increased as well. As at the year-end, the provisions amounted to TCZK 678 318 and were established in particular for project risks, warranties, etc.

One of the key Company objectives is the continuous expansion to Western markets and geographical diversification. This objective has also been achieved successfully by means of the acquisition of Transtech Oy – a leading producer of rail vehicles in Finland. The Company's priorities for the upcoming years remain the growth on the export markets and major investments into research and development of new products.

## **Description of rights and obligations pertaining to shares**

Among other things, the ownership of shares grants the shareholder the right to participate in Company's management. This right is exercised primarily at general meetings. The shareholder is entitled to a share on profit (a dividend) which the general meeting approved for distribution in line with the result of operation and in accordance with the relevant provisions of the Commercial Code. The shareholder is not obliged to return any dividend received in good faith.



## Remuneration of members of statutory bodies

The fees to members of Company's statutory bodies are governed by the respective service agreements which are fully in line with s. 59 and subs. of Act no. 90/2012 Coll., on Commercial Companies and Cooperatives (the Business Corporations Act). As regards the members of the Board of Directors, service agreements are classified as executive and non-executive. In accordance with the approved responsibilities of individual members of the Board of Directors and in accordance with s. 156 (2) of Act no. 89/2012 Coll., the Civil Code, as amended, certain members of the Board of Directors are responsible for the management of individual Company's vocational departments. All service agreements and their amendments are approved by the Company's general meeting.

Total fees paid out:

Board of directors:	CZK 22 954 596
Supervisory board	CZK 6 839 431
Audit committee:	CZK 180 000

## Significant contracts and bonds

The Group has concluded the following significant contracts (and their amendments) the termination or breach of which and failure to comply with which by the other contractual party would have significant impact on Company's operations and economic results and its ability to pay debts.

### Loan contract of 7 August 2018

This contract was concluded on 7 August 2018 between the Company, ŠKODA ELECTRIC a.s., ŠKODA VAGONKA a.s., Transtech OY and Pars nova a.s. as the loan recipients, and Československá obchodní banka and Komerční banka as the coordinators, HSBC BANK PLC – branch Prague, COMMERZBANK Aktiengesellschaft, branch Prague, Československá obchodní banka, Česká spořitelna, ING BANK N.V., Prague branch, UniCredit Bank Czech Republic and Slovakia a.s. and Komerční banka a.s. as principal lead arrangers, Citibank Europe PLC, Oberbank AG branch Česká republika and Sberbank CZK a.s. as the arranger and Československá obchodní banka as the loan and security agent. The loan maturity is 3 years. The loan was provided to refinance indebtedness. It consists of two revolving lines of credit and a draft line of credit – B1 revolving line of up to CZK 1 900 000 000 and B2 revolving line of up to CZK 200 000 000 to finance general corporate needs. The draft line of credit of up to CZK 300 000 000 are used to finance general corporate needs. None of the lines of credit above were used as at 31 December 2018. The interest comprises bank margin and referential rate derived from the referential interest rates on the inter-bank markets – relevant EURIBOR, PRIBOR or Moscow Mosprime rates.

### Loan contract for up to CZK 313 000 000

This contract was concluded on 11 October 2013 between ŠKODA CITY SERVICE s.r.o. and Bammer trade a.s. as the loan recipients and ČSOB as the loan provider with the loan maturity of 20 years. The loan instalments are paid monthly, with the first instalment paid on 30 June 2016. The loan maturity date is set as at 30 June 2036. This is a long-term bank loan to finance the investments into a PPP project, i.e. the construction of a new technological facility of Pilsen City Transport Company. As at 31 December 2018, the outstanding principal amounted to CZK 280 389 050. The total interest rate including the interest swap effect was 4.815% p.a.

**Loan contract for up to CZK 1 155 112 505**

The loan was provided by PPF Beer Topholdco B.V. to the Company on 30 November 2017. The loan's maturity is defined in a subordination agreement as the date of full, unconditional and final repayment of the debt (Parri-passu). As at 31 December 2018, the interest rate was 8.5% p.a. and the outstanding principal amounted to CZK 1 155 112 505.

**Issued bonds**

On 26 June 2015, ŠKODA TRANSPORTATION a.s. issued bonds of total nominal value of CZK 2.310 billion, with an issue exchange rate of 99.13% of nominal value, maturity of 5 years and fixed annual coupon payment of 3.00% p.a. The issued bonds are quoted on the Regulated market of the Prague Stock Exchange.

**Labour relations**

Given the complexity of the new projects, the critical focus was on the recruitment process. Firstly, activities promoting professional education and explaining job opportunities for secondary school and university graduates were intensified. A solid HR marketing policy was further supported by participation in the 'Students in Enterprises' project, traditional participation on Job Fairs as well as by broader presentation at universities both in the Czech Republic and abroad (Great Britain, Slovakia and Ukraine). These activities had a direct impact on the results achieved in the Czech Republic's Most Attractive Employers competition. Besides recruiting skilled professionals in the field of rail vehicles, the hardest task proved to be to fill the welders and electricians vacancies in the production due to the situation on the market. Employee training and further education plan aimed in particular at employee professional growth and language skill improvement. The expertise, interest in the field and flexibility were considered the key employee prerequisites to be able to fulfil tasks and to fill in the gaps in the schedules of individual projects.

**Anti-corruption measures**

All companies within the Group comply with the Code of Ethics. In order to check the compliance with the Code of Ethics, the internal CORPORATE COMPLIANCE INTERNAL INVESTIGATION regulation was issued and a compliance officer was appointed. ŠKODA TRANSPORTATION and selected companies of the Group go through regular audits of anti-corruption measures by a certified independent auditor.

**Research and development**

In 2018, the Company incurred research expenses of TCZK 767 988 (2017 – TCZK 632 429).

**Environment**

Newly acquired technology concerns in particular machining, welding, manipulation technology and testing devices and has no adverse impact on the environment. The purchased equipment selected is environment-friendly. When modernising the equipment, the technologies are less energy consuming and more environment-friendly than the original ones, thus having a positive impact on environment.



## Major investments

The major investment carried out in 2018 included production halls with land and roads, reconstruction of offices for the technical department and new equipment, e.g. a test rig for static strength tests. In the area of intangible assets, technical documentation of rail vehicles was purchased and development costs were capitalised. The remaining 25% of Transtech Oy in Finland was acquired as part of financial investments. The renovation of production technologies (new laser, assembly platforms, a chassis washing machine etc.), purchase of SW and an update of the ERP system are being considered for the next period.

## Acquisition of own shares

In 2018, the Company did not acquire any of its own shares.

## Material litigations

Information on litigations is part of the Company's unconsolidated financial statements as at 31 December 2018.

## Subsequent events

On 1 February 2019, Jaromír Šilhánek was removed from the post of Board of Directors member. This change was not recorded in the Commercial Register as at the issue date of this Annual report.

On 1 February 2019, Zdeněk Majer was elected member of the Board of Directors. This change was not recorded in the Commercial Register as at the issue date of this Annual report.

Effective from 1 February 2019, MOVO spol. s r.o. was terminated due to the implementation of merger by acquisition. Its assets, rights and obligations, receivables, liabilities and employees were transferred to ŠKODA TRANSPORTATION a.s.

## Quality, environment and occupational health & safety management systems

Since 1997, the Company has held the certificate of the ISO 9001 standard, which specifies the requirements on the quality management system. Since 2010, the Company has incorporated the elements of the IRIS standard into its quality management system, implemented environment management system in compliance with the ISO 14001 standard and occupational health and safety management system in compliance with OHSAS 18001. Further, the Company underwent certification audits in 2010 and received all the following certificates (IRIS review 02, ČSN EN 9001:2009, ČSN EN ISO 14001:2005, ČSN OHSAS 18001:2008). All certificates are monitored annually by certification authorities, and regularly re-certified every three years in compliance with the amended standards. In 2018 the Company implemented the revised ISO/TS 22163 (formerly IRIS), ČSN EN ISO 9001:2016 and ČSN EN ISO 14001:2016 standards into its quality and environmental management systems. At the same time, the Company successfully underwent transition audits, thus ensuring it is certified for the new standards. The Company also monitors and analyses quality parameters of its products. The outcome is used to define individual objectives in the area of reliability and final product quality. The Company also strives at life-long or at least long-term product service and at reducing the cost of vehicle life cycle (e.g. acquisition costs, maintenance costs, vehicle operation and its disposal).

## **Risks and their management**

### **Subsidiary-related risks**

The Company is subject to risks arising in respect of the specific relations to entities controlled by means of direct or indirect share in registered capital or in voting rights of such entities, by means of the right to appoint and remove the majority of the members of the statutory and/or supervisory bodies of such entities, or based on an agreement with third parties or otherwise controlled ("the Subsidiaries"). Any potential deterioration of the economic results and the financial position of the Subsidiaries may have an adverse impact on the Company's economic results and its financial position. The Company is also exposed to the risk that it will be obliged to pay the debts of its subsidiaries in accordance with its guarantee. The Company has issued guarantees for ŠKODA ELECTRIC a.s., ŠKODA VAGONKA a.s., TRANSTECH OY, and Pars nova a.s. with which it concluded a club loan contract with banks. In addition, the Company also provided guarantees for the off-balance-sheet liabilities of certain other Subsidiaries. The total volume of guarantees as at 31 December 2018 amounted to CZK 423 998 166. Any subsidiary may also face any of the below described risks, which would have an indirect adverse impact on the Company's economic results or financial position.

### **Risk of external supplier dependence**

Given the specific nature of Company's products, the Company may only trade with a limited number of suppliers. This unique position and relative difficulty in replacing long-term suppliers may have an adverse impact on the production process. Any failure of supplies or delayed delivery of key materials from external suppliers, any failures with technology equipment or technology support for the Company's production line, any failure or restriction in transport of raw materials or finished products may also have an adverse impact on Company's economic results.

The Company also faces the risk that the suppliers fail to comply with technology standards, criteria or use obsolete technologies. Despite every Company's effort to comply with the expected development of the standards as early as in the design and development stage in order to prevent that its products become unsaleable upon their launch on the market, the Company is unable to guarantee that the suppliers will also comply with the relevant technical criteria and standards.

### **Risk of contractual non-performance**

The economic result of individual projects in which the Company participates derives, among other things, from whether other contractual parties involved fulfil their share of obligation arising to them in respect of the particular project. Although a significant portion of Company's revenues is generated from a rather restricted portfolio of specialised customers, no significant concurrence generally occurs; it is a diversified portfolio of contracts the volume of which, with certain exceptions, does not exceed 20% of all Company contracts in a particular year. It is nevertheless worth noting that the portfolio of customers and their share in Company's revenues differ from year to year in relation to the contract which the Company wins in that particular year. In exceptional cases (mostly on a short-term basis), individual projects and contracts may concur. Breaches of contractual obligations and possible contractual party's insolvency may result in contract termination, inability to complete the project concerned and losses incurred. Any such discrepancies may also have an adverse impact on Company's economic results, its financial position and its ability to pay debts.

### **Operational risks**

The operations may have an adverse impact on the condition of production equipment and certain components of Company's operational and production equipment. Wear and tear and obsolescence of used equipment and technologies pose a risk to Company's operational activities. Unplanned shutdowns and production equipment and line repairs or overhauls may also have an adverse impact on Company's economic results.

### **Credit risk**

The credit risk comprises a risk that a debtor is unable to pay its debts arisen from financial or business relations, which may result in financial losses. The Company faces credit risks in particular in respect of contractual relations with a limited number of customers in a highly specialised and closed industry. Since the customers are mostly entities owned by public administration authority, the Company evaluates the credit risk before it takes part in a public tender or before it responds to an individual call for proposals. Nevertheless, the risk can never be fully eliminated. Elimination of risk factors related to the political and territorial risk is assessed and where necessary insured with Exportní garanční a pojišťovací společnost, a.s., or Lloyds. As at 31 December 2018, the ratio of overdue receivables to trade receivables and other receivables (gross) was 12.1%.

### **Liquidity risk**

The liquidity risk comprises the risk of a temporary shortage of liquid funds to pay Company's debts as they fall due, i.e. a misbalance between Company's assets and liabilities due to a gap between the due dates of Company's debts and the portfolio of Company's sources of funding. In particular, the Company faces the risk of income loss since a large portion of Company's revenue is generated based on contracts concluded with only a narrow portfolio of customers. As at 31 December 2018, the ratio of liquid assets, i.e. cash and cash equivalents to bank and non-bank loans was 32.6%.

### **Market risk**

Basic (and material) market risks, which the Company faces, comprise currency, interest rate and commodity risks. Any risks, which could prevent the Company from achieving its business objectives are considered material market risks. The Company's key objective in market risk management is to mitigate the impact of the market risks on Company's economic results and its cash flows (taking into account the cost aspect of the measures leading towards the mitigation of the particular adverse impact).

### **Currency risk**

The Company faces currency risks in respect of foreign currency transactions and assets and liabilities denominated in foreign currencies. The principal Company's foreign-currency exposure is linked to euro (EUR). Since the Company prepares its financial statements in Czech crowns (CZK), any changes to the exchange rates of CZK and foreign currencies affect the Company's financial statements. The Company hedges currency risks so that the net exposure to the currency risk is the lowest possible. Despite the Company's policy of exchange risk hedging and the efforts to implement natural currency hedging, the Company may fail to cover all currency risks, in particular in the long run.

### **Interest rate risk**

Due to fluctuations of interest rates, the Company's business activities may be subject to fluctuations of cash flows from assets and liabilities with floating interest rate. The Company maintains the risk at acceptable level, and where necessary, negotiates interest swaps to hedge future cash flows arising from the loans with floating interest rates.

### **Commodity risk**

The Company faces the commodity risk due to the fluctuation of commodity prices, relating in particular to the cost of material used in the supplier chain, which represents major expenses. The materials used include for instance aluminium, copper, steel, electricity and natural gas. The prices of material can adversely influence the price of Company's finished products and their sales. The Company makes sure that the net exposure to the commodity risk remains the lowest possible.

### **Risks of losing key individuals**

Key individuals of the Company, i.e. members of the management, in particular the senior management, contribute to the development and realisation of key strategies and business of the Company. Their activity is crucial for the overall management of the Company, its business activities and ability to introduce and implement the defined strategies. The Company cannot guarantee that it is able to retain and motivate these key individuals. Yet their possible departure could have an adverse impact on Company's business activities, its economic results and financial position.

### **Personnel-related risk**

The Company may also face the risk of a shortage of skilled professional staff as a result of changes in the need to fill such positions. The Company is bound by the Collective Agreement, and therefore incurs rather high fixed expenses even if the production capacities are not made full use of. If employees go on a strike, interrupt their work or the production is slowed down for any other reason, the Company's operations could be significantly disrupted. In addition, a new collective agreement could significantly increase Company's expenses on health care, payroll and other expenses. Any of the above listed factors could have an adverse impact on Company's financial position, result of operations or liquidity in the relevant accounting period.

### **Risk of insolvency proceedings**

Act No. 182/2006 Coll., on Bankruptcy and Settlement, as amended (the "Insolvency Act") prescribes that a debtor is bankrupt if it has more creditors, financial obligations more than 30 days overdue and is unable to fulfil these obligations, or is insolvent. The insolvency proceedings can be opened upon a request by the debtor or its creditors. Where a bankruptcy is imminent, the insolvency proceedings opening can only be requested by the debtor.

Despite certain measures, which should prevent unjustified and groundless request to open the insolvency proceedings, it cannot be fully prevented that such requests will be filed. The insolvency proceeding is opened by a court decree no later than 2 hours after the receipt of the request to open the insolvency proceedings. Since the publication of the insolvency proceeding notice to the issuance of court's decision about the insolvency request (unless the court decides otherwise), the debtor is required to refrain from using the assets where major changes to their composition, usage or purpose or its significant diminishment may occur. In accordance with the Insolvency Act, the Court should rule on the insolvency request from a third party without delay; the Act prescribes no specific deadline.

Although the restriction of using the assets does not apply to, among other, acts necessary to ensure regular enterprise operations or to prevent a potential loss, it is impossible to rule out that a groundless request to open the insolvency proceedings against the Company is made and that the Company will, for a certain period of time, be restricted in its rights to dispose with its assets. This could have an adverse impact on Company's financial position and the results of operations, and subsequently also on Company's ability to fulfil its obligations.

**Risk pertaining to the control of the Company**

Until 23 April 2018, the Company was controlled by Tomáš Krsek, Michal Korecký, Petra Humlová, Elena Divis and Valeska Divis (these persons acted in unison). The controlling relation was based entirely on the indirect ownership of 100% of shares with the voting rights of the Company's single shareholder. As of 24 April 2018, the Company is controlled by Petr Kellner, with the controlling relation based on the indirect ownership of 98.93% of shares with the voting rights of the Company's single shareholder (PPF Beer Topholdco B.V.) via PPF Group N.V. The Company is not aware of any measure which would prevent a potential abuse of control by the controlling person (except for the mandatory statutory provisions of the Act on consequences of influence and creditor protection).

**Risk pertaining to investment incentives and subsidies received by the Company**

The Company receives tax exemption in the form of investment incentives. Drawing investment incentives in the form of tax deductions is subject to the fulfilment of certain statutory prerequisites. If the Company fails to fulfil any of the prerequisites, the entitlement to tax deductions could be partially or fully lost. Given the nature of the breach, the entitlement could be either withheld retrospectively, or the entitlement to the remaining portion of the incentive not yet drawn could be lost. Where the entitlement to the tax deduction is withheld retrospectively, the tax administrator would assess the Company the relevant tax including accessions (penalty and default interest). Where the entitlement to a future tax deduction is withdrawn, the Company would lose the future tax deductions. The loss or reduction of the entitlement to tax deduction would thus have an adverse impact on the Company's profits, either in the form of increased tax expenses for the current period or a reduced tax deduction in the upcoming period.

**Risk of insufficient insurance coverage**

The Company faces the risk of damage, loss or destruction of its assets. Taking into account the nature of the Company's production programme (transport vehicles), the Company faces the risk that third parties will claim compensations in respect of general liability or product warranty. These risks are mitigated by means of a comprehensive insurance programme designed in cooperation with insurance broker. Insurance contracts are concluded with renowned Czech and foreign insurance companies. The insurance coverage and underlying terms and conditions are regularly reviewed to reflect the Company's current needs. The Company maintains the insurance coverage at the minimum level required to ensure the due managerial care. The indemnity from the insurance contracts may not fully cover the losses which the Company would suffer in respect of the relevant insurance accident. The Company is therefore unable to guarantee that the existing insurance coverage will sufficiently protect Company's business against any potential risk of loss.

**Risk pertaining to IT systems**

In its operations, the Company uses IT systems which control or support most of Company's processes. The Company may face system failures, in particular due to power or system outage, virus infection or system security breach from the outside. In addition, the Company also faces the risk that the IT systems which it uses in its activities become obsolete and the need to regularly service these systems or substitute them in order to meet the new requirements. When implementing new IT systems, labour productivity may also decline temporarily. Any failure of IT system may result in production activity interruption, which may have an adverse impact on Company's revenues and its relations with customers.



**Risk pertaining to the change of strategy and inability to realise the business plan**

The Company faces a potential risk in case the strategy is changed and subsequently production capacities may be incorrectly allocated, resulting in delays in product deliveries to customers. This may again have an adverse impact on Company's result of operations. In its business plan, the Company has set particular objectives. However, the Company cannot guarantee that it will be able to carry out the business plan and achieve the objectives set. The fact that the Company may not be able to carry out its strategy and to achieve the expected results may have a major adverse impact on the Company's business, financial position and results.

**Risk pertaining to Company's participation in public tenders as a consortium member**

The Company and its subsidiaries regularly participate in tenders in conjunction with other entities in the form of consortiums, associations or other similar groupings. As a member of these consortiums, associations or other similar groupings, the Company or the subsidiary may, depending on the provisions or legal regulations applicable to such consortiums, associations or other groupings, become liable for the obligations to perform of other entity or entities which are also members (e.g. for a contractual partner in a particular project). This exposes the Company to the risk of unexpected expense or liabilities which may have adverse impact on the overall financial position.

**Environmental risk**

The Company is obliged to carry out its activities in accordance with statutory requirements in the field of environmental protection. Given the nature of Companies activities, the Company is exposed to the risk that it fails to meet the environmental obligations, which may result in fines being levied. This, again, may have an adverse impact on Company's economic results and its reputation among the general public.

**Political, economic, legal and social factors**

Factors concerning the Czech Republic, other EU Members States, Russia, United States of America, China and other relevant markets on which the Company and its subsidiaries operate ("relevant markets") may also have an adverse effect on Company's business activities and its financial position. These factors, which cannot be objectively estimated, can be classified as political, economic, legal and social. In particular changes in the extent of legal regulation or the interpretation thereof applicable to the Company or subsidiaries may have an adverse impact on Company's business and financial position. The Company cannot at all influence the above listed factors, and cannot possible ensure that the political, economic or legal development of the relevant markets will be favourable to its business and the business of its subsidiaries.

**Risks pertaining to the performance of relevant market economy**

The growth of the Group's profit reflects to a large extent the performance of the relevant markets' economies. Any change to the applicable economic, regulatory, administrative or other policies, as well as the political and economic development on the appropriate relevant market which the Group has no control over, may have a significant impact on the relevant market economy and subsequently on Group's business, economic and financial position or its ability to achieve its business objectives. The share of Group's revenues from the principal relevant markets in 2018 were as follows: 47% the Czech Republic, 23% Finland, 7% Germany, 4% Latvia, 4% Slovakia, 4% Turkey, 4% Russia, 3% Poland, 2% USA and 1% China. The shares on other Group's relevant markets did not exceed 1% in 2018.

**Force majeure risk**

Force majeure (e.g. natural disaster, terrorist attack, war conflict) which causes a disruption on financial markets and/or abrupt changes of the exchange rates may have an impact on bonds. The adverse impact of such events may lead to a reduced return on capital invested by the Company, thus threatening Company's ability to fulfil its liabilities.

**Risk of failures, breakdowns, production interruptions, sabotages and other adverse events**

Distribution networks, IT systems and other devices owned or operated by the Company and its subsidiaries may experience a failure, break-down, planned or unplanned interruption, capacity cutback, security breach or physical damage as a result of natural disasters (such as storms, fires, floods or earthquakes), sabotage, terrorism or computer virus. Such events may result in equipment malfunction, revenue reduction and additional expenses related to the repair or replacement of the default equipment. This may have an adverse impact on the Company's ability to fulfil its liabilities.

**Risk pertaining to the financial crisis**

The consequences of a potential financial crisis may have an adverse impact on Company's revenues. This concerns in particular the concurrence of a decline in domestic and foreign demand and the deterioration of customer payment ethics. Creditor and investor risk aversion tends to increase with a decline in economic activity, which may result in stricter loan terms and conditions, lower loan accessibility and the ultimate increase of financial resources costs. Stricter regulation of the financial sector may have a similar adverse impact.

**Risk pertaining to sanctions against the Russian Federation**

In relation to the sanctions imposed on the Russian Federation by the EU and USA, the position of businesses in the countries concerned has deteriorated and the return on their investments and business plans in Russia is in danger. This has also had a negative impact on the investments and projects of the Company and its subsidiaries in Russia (e.g. the contract to supply a new underground train units to St. Petersburg). In 2018, Group's revenues from Russia amounted to CZK 412 855 000. The Company has no guarantee that the situation is not going to deteriorate further (e.g. should the Russian Federation adopt certain countermeasures against EU business), nor that, should the sanctions be removed, they will not be re-imposed in the future with further adverse impact on Company's or subsidiaries' investments not yet made.

**Risk pertaining to inflation, interest rate and their changes**

Company's economic results may also be affected by inflation. Major inflation changes or interest rate fluctuations may have an adverse impact on Company's business and its financial position. Due to interest rate fluctuations, Company's activities may suffer from fluctuations of cash flows from assets and liabilities bearing floating interest rate. The Company retains the risk at an acceptable level. Where necessary, the Company negotiates interest rate swaps to secure future cash flows from the loans with floating interest rate, yet the risk cannot be completely mitigated.

**Risk pertaining to legal regulation in different jurisdictions**

This risk concerns the changes to the existing regulation or the interpretation thereof, in particular in the area of tax regulation and the VAT rate, labour law (including changes concerning occupational safety), social security law, changes to industry or production regulations, and environmental law changes. The interpretation of tax legislation by the tax authorities may vary, in particular with respect of possible differences in the development of Czech and EU tax law. Any changes to and the development of economic, regulatory,

administrative and other policies in the Czech Republic and other jurisdictions, to which the Company or the subsidiaries supply their products, and which it cannot influence, could have a significant and unpredictable adverse impact on Company's business, its outlooks, financial position and results of operations.

#### **Risk of concentration and customer behaviour**

Given the specifics of the market with vehicles for city and railway transport, a significant portion of Group's revenues is generated from transactions with a narrow group of specific customers, including Dopravní podnik hl.m. Prahy, a.s., České dráhy, a.s. or Rīgas Satiksme. The number of such specific customers on a relevant market does not change in the long run and it cannot be expected that the market could open up to new customers in the future. Losing one or more of the current customers could have a strong adverse impact on Group's economic results. Since the majority of Group's customers are regions or municipalities, which depend on public budgets and subsidies, unfavourable structural changes affecting municipalities may result in the reduction of the number of Group's customer and subsequent decline in demand for Group's products.

The Group strives to tailor its products to customer needs and requirements, which entails the risk of increasing costs on well-established product. The risk is also posed by customers with low financial standing, who due to the lack of funds, purchase fewer products from the Group or purchase their cheaper alternatives.

#### **Competition risk**

The Company carries out its business on the market of city and railway vehicles. Since the Company focuses on highly-specialised products, the competition on relevant markets is low. The risk is that any possible association with a competitor on any relevant market may be rejected by the anti-monopoly office due to the low number of competitors. The risk is also posed by the newly emerged competitors, which may be more price-oriented, thus forcing the Company to lower its prices, which may result in lower quality of Company's products.

#### **Risk pertaining to fault rate and new product development**

Company's activities focus in particular on the production of vehicles for city and railway transport. This type of production is demanding from the technology point of view. Such vehicles are therefore more defect-prone. Removing defects is costly and time consuming and may have adverse impact on Company's economic results.

The Company is exposed to the risk that, should the development and testing of the new products be insufficient, the defect rate may increase. Another risk is that where the time interval between the development of a new product prototype and the launch of its serial production is too short, the defects may not show until the product is sold to the customer. Accordingly, the risk of fines and compensations claimed by the customers rises.

If the continuous development of new products lags behind the competitors who rely on modern technologies, or if this development is not rightly focused, the customers' interest in the Company's products may decline.

The Company strives to meet technical criteria and standards for both newly developed and well-established products. However, the Company is unable to guarantee that all older products will be compliant with the new technical criteria. The development of new products in conjunction with a longer development phase may also result in failure to meet delivery deadlines and subsequently may have an adverse impact on customer relations and Company's results of operations.



## Foreign organisational unit

In 2018, the Company operated no foreign organisational unit.

## Company's future

The development of ŠKODA TRANSPORTATION a.s. has shown so far that the Company has become a stable player in the Czech market and continues to expand its export activities.

Innovation and new product development is a necessary prerequisite to retain and strengthen its competitive position on global markets. The Company's objective is to promote new products the technical and utility profile of which exceeds those of the products in the current production programme. This concerns in particular new locomotives, new single-deck units, low-floor trams in various modifications, etc.

## Auditor's fees

The auditor of the Company's separate financial statements and consolidated financial statements is KPMG Česká republika Audit, s.r.o. and companies of the same network. In the period reviewed, the total audit cost amounted to TCZK 9 053 and the cost of other services amounted to TCZK 5 527 (including cost of other assurance services of TCZK 2 914, other non-audit services of TCZK 872 and cost of tax advisory of TCZK 1 741). These expenses comprise expenses on the audit of companies' statutory financial statements, Group entities' annual reports, consolidated financial statements for 2018 and other services.

## Declaration of completeness

The consolidated annual report presents a true and fair view of the financial position, business activities and results of the operations of the Company and its consolidated group for the year ended 31 December 2018 and their prospects. No facts or disclosures which could alter the outcome of this report were omitted or misstated.

On 10 April 2019



**Petr Brzezina**  
Chairman of the Board of Directors



**Jan Menclík**  
Member of the Board of Directors

## Narrative part of the annual report

This section of the annual report comprises information published by the issuers in accordance with s. 118 of Act. 256/2004 Coll.

### **a) Principles and procedures for internal controls**

Company internal controls are managed by the controlling department. This department monitors transactions, accuracy and management efficiency of (but not restricted to) the financial reporting. The results of such controls are continuously submitted to the Company's Board of Directors for review and comments. The results are simultaneously consulted with third-party professional consultants.

### **b) Description of Board of Directors' decision-making and its procedure**

The Board of Directors is the statutory body which acts on behalf of the Company. Members of the Board of Directors are appointed and removed by Company's general meeting. The term of office of a member of the Board of Directors is three years.

In accordance with the existing Articles of Incorporation, the Board of Directors has five members. It is responsible for any matters which are not assigned to the general meeting, Supervisory Board or the Audit Committee by law or the Articles of Incorporation.

A meeting of the Board of Directors is at quorum when more than a half of its members are present. For a decision to be adopted by the Board of Directors, a simple majority of the votes of all its members is required. The Board of Director may adopt a resolution per rollam provided all its members have agreed to the per rollam voting. To adopt a decision by the per rollam voting, a simple majority of the votes must be obtained.

Members of the Board of Directors are free of conflict on interests.

Members of the Board of Directors as 31 December 2018

Petr Brzezina

*Chairman of the Board of Directors*

In function since: 25 April 2018

Membership since: 25 April 2018

Tomáš Ignačák

*Vice-chair of the board of directors*

In function since: 25 April 2018

Membership since: 19 January 2016

Zdeněk Sváta

*Member of the Board of Directors*

Technical director

Membership since: 19 January 2016

Jan Menclík

*Member of the Board of Directors*

Finance director

Membership since: 25 April 2018

Jaromír Šilhánek

*Member of the Board of Directors*

Membership since: 19 January 2016

#### **c) Description of Supervisory Board's decision-making and its procedure**

The Supervisory Board is the controlling body of the Company which supervises the functioning of the Board of Directors and the realisation of Company's business activities, in particular whether the Company's business activities are carried out in compliance with legislation, Articles of Incorporation and the resolutions of the general meeting. The Supervisory Board consists of three members. The term of office of a member of the Supervisory Board is three years.

The Supervisory Board is governed by legislation, Company's Articles of Incorporation, resolutions adopted by the general meeting and its rules of procedure, if it has been adopted. The Supervisory Board is authorised in particular to see all Company's documents and to review whether accounting records are made duly and truly and whether Company's business activity is carried out in accordance with legislation, Company's Articles of Incorporation and resolutions adopted by the general meeting. The Supervisory Board primarily discusses the Company's concepts and development and investment plans submitted by the Board of Directors and provides an opinion on them. It also reviews the financial statements and the proposal for profit distribution.

#### **Members of the Supervisory Board as at 31 December 2018**

Ladislav Chvátal

*Chairman of the Supervisory Board*

Membership since: 25 April 2018

In function since: 25 April 2018

Michal Korecký

*Member of the Supervisory Board*

Membership since: 25 April 2018

Jaroslav Zoch

*Member of the Supervisory Board*

Membership since: 25 April 2018

***d) Description of General Meeting's decision-making and its procedure***

The general meeting is the Company's supreme body. When the Company has a sole shareholder, no general meeting is held and its powers are executed by the sole shareholder. Any decision must be adopted in writing and signed by the sole shareholder or the persons authorised to act on its behalf. Written decisions of the sole shareholder must be delivered to the Board of Directors and a copy thereof to the Supervisory Board, both addressed to the Company's registered office. Where the law prescribes that the decision of the general meeting be approved by a public document, the decision of the sole shareholder must be made in the form of a public document.

***e) Audit Committee***

As at the date of preparation of the annual report, the Audit Committee was established with the following members:

Roman Lesný – Chairman of the Audit Committee

Jiří Královec – Vice-chair of the Audit Committee

Miroslav Plevný – Member of the Audit Committee

***f) Corporate Governance***

At present, the Company manages and complies with all corporate governance requirements prescribed by generally binding legal regulations of the Czech Republic and the European Community ("the Legislation"). The Company does not implement the rules defined by the Corporate Governance Code based on the OECD principles ("the Code").

The rules defined by the Code overlap with the Legislation to a certain extent, so it could be said that the Company complies with certain rules contained in the Code. However, since the Company has not explicitly implemented the rules contained in the Code into its corporate governance policy, the Company declares that it does not implement the rules defined by the Corporate Governance Code based on the OECD principles as such. Company's financial statements for individual periods were audited by independent auditors in accordance with relevant accounting regulations and the Legislation.

## **ŠKODA TRANSPORTATION a.s.**

### **REPORT ON RELATIONS BETWEEN RELATED PARTIES**

Prepared in accordance with s. 82 of Act No. 90/2012 Coll. – Act on  
Business Corporations

for ŠKODA TRANSPORTATION a.s.  
for the period from 1 January 2018 to 31 December 2018

## Related party information

Related parties = the controlled entity, the controlling entity or entities, other entities controlled by the same controlling entity.

### Controlled entity:

Company:	ŠKODA TRANSPORTATION a.s.
Identification number:	62623753
Registered office:	Emila Škody 2922/1, 301 00 Pilsen, Czech Republic
Legal form:	Joint stock company

### Controlling entity – till 23 April 2018:

Company:	CEIL (CENTRAL EUROPE INDUSTRIES) LTD
Identification number:	HE 275785
Registered office:	3032 Limassol, City House, Karaiskaki 6, Cyprus
Legal form:	Limited liability company

### Other entities controlled by the same controlling entity ("Other entities") – till 23 April 2018:

Company:	VÚKV a.s.
Identification number:	45274100
Registered office:	Bucharova 1314/8, 158 00 Prague 5, Czech Republic
Legal form:	Joint stock company

Company:	SATACOTO Ltd.
Identification number:	C155018
Registered office:	3032 Limassol, City House, Karaiskaki 6, Cyprus
Legal form:	Limited liability company

Company:	JOKIAURA KAKKONEN Oy
Identification number:	24010502
Registered office:	c/o Aurajoki Oy PL 16YTJ, 21381 AURA, Finland
Legal form:	Limited liability company

### Controlling entity – from 24 April 2018:

Company:	PPF Beer Topholdco B.V.
Identification number:	67420427
Registered office:	1077XX Amsterdam, Strawinskylaan 933, Netherlands
Legal form:	Limited liability company

On 24 April 2018, ŠKODA TRANSPORTATION a.s. became part of the PPF group – its structure is disclosed in Appendix No. 1 of the Report on relations.

## Structure of group relations

**ŠKODA TRANSPORTATION a.s. holds shares in the following subsidiaries:**

Name of the Company Id. No.	Registered office	Share in equity (in %)	Degree of control
<b>ŠKODA ELECTRIC a.s.</b> 47718579	Tylova 1/57 301 28 Pilsen Czech Republic	100	Controlling
<b>ŠKODA VAGONKA a.s.</b> 25870637	1. máje 3176/102 00 Ostrava Czech Republic	703 100	Controlling
<b>Pars nova a.s.</b> 25860038	Žerotínova 1833/56 787 01 Šumperk Czech Republic	100	Controlling
<b>MOVO spol. s r.o.</b> 46887989	Železniční 119/7 326 00 Pilsen Czech Republic	100	Controlling
<b>TRADING RS Sp. z o.o.</b>	Złota 59 00-120 Warsaw Poland	100	Controlling
<b>Autobusová doprava-Miroslav Hroudá s.r.o.</b> 25166522	Bezručova 244 338 08 Zbítov Czech Republic	100	Controlling (till 24 October 2018)
<b>ŠKODA CITY SERVICE s.r.o.</b> 29119057	Emila Škody 2922/1 301 00 Pilsen Czech Republic	100	Controlling
<b>ŠKODA TVC s.r.o.</b> 25247964	Tylova 1/57 301 28 Pilsen Czech Republic	100	Controlling
<b>Ganz-Skoda Electric Ltd.</b>	Horváth utca 12-26 H-1027 Budapest Hungary	100	Controlling
<b>ООО Вагонмаш</b>	Leninskij prospekt 160 196 247 Sankt-Petersburg Russian Federation	51	Controlling
<b>SKODA Transportation Deutschland GmbH</b>	Leopoldstrasse 244 808 07 Munich Germany	100	Controlling
<b>ООО SKODA-R</b>	Tverskaja-jamskaja 4/22 Moscow Russian Federation	99	Controlling (till 30 October 2018)
<b>LOKEL s.r.o.</b> 01731530	Moravská 797/85, Hrabůvka 700 30 Ostrava Czech Republic	100	Controlling
<b>POLL, s.r.o.</b> 62967754	Výpadeň 1676/4a 153 00, Prague 5, Radotín Czech Republic	100	Controlling
<b>TRANSTECH Oy</b> 1098257-0	Elektronikkatie 2 FIN-90590, Oulu Finland	100	Controlling
<b>Škoda Transportation USA, LLC</b>	Corporation Trust Center, 1209 Orange Street 19801 Wilmington USA	100	Controlling



Name of the Company Id. No.	Registered office	Share in equity (in %)	Degree of control
<b>ŠKODA RAIL s.r.o.</b> 05822149	Emíla Škody 2922/1, Jižní Předměstí, 301 00 Pilsen Czech Republic	100	Controlling
<b>SKODA TRANSPORTATION UKRAINE LLC</b> 42614252	"Naberezhna 26-B, 490 00 Dnipro Ukraine"	100	Controlling (established on 8 November 2018)
<b>PRAGOIMEX a.s.</b> 15888100	Pod náspem 795/12 190 05 Prague 9 Czech Republic	32	Significant
<b>ZAPORIZKIY ELEKTROVOZ</b>	Vulicya Zaliznichna 2 69095 Zaporizha Ukraine	49	Significant

**ŠKODA TRANSPORTATION a.s.**, and the following companies, the controlled entities, have formed part of the "ŠKODA TRANSPORTATION Concern" since 20 August 2018:

**ŠKODA ELECTRIC a.s.**  
**ŠKODA VAGONKA a.s.**  
**Pars nova a.s.**  
**MOVO spol. s r. o.**  
**ŠKODA CITY SERVICE s.r.o.**  
**ŠKODA TVC s.r.o.**  
**POLL, s.r.o.**  
**LOKEL s.r.o.**  
**ŠKODA RAIL s.r.o.**

The above companies, the controlled entities, are subject to the ultimate management of ŠKODA TRANSPORTATION a.s., as the controlling entity.

## Role of the controlled entity

The Company is a holding company. Its strategy is to add value to the industry of transport engineering and to strengthen the key competencies in the industry. To be able to fulfil its strategy, the Company significantly supports research and development.

## Manner and means of control

The Company is controlled through the participation of the controlling entity at the general meetings, Board of Directors and Supervisory Board's meeting.

## Overview of acts performed in the interest or at the initiative of the controlling entity or entities controlled by the controlling entity, provided the acts concerned assets in excess of 10% of the controlled entity's equity reported in the latest financial statements

In the 2018 accounting period, the following acts were performed in the interest or at the initiative of the controlling entity or entities controlled by the controlling entity that would concern assets in excess of 10% the company's equity:

In 2018, a loan granted by ŠKODA TRANSPORTATION a.s. to ŠKODA VAGONKA a.s. of MCZK 2 150 was capitalised. The equity of ŠKODA VAGONKA a.s. was increased by means of a contribution outside the company's registered capital.



## Overview of intercompany contracts between the controlled and controlling entity or between the controlled entities

Contract No. ŠT-NÚ/98/14/SML K	
Contract title	Purchase Contract + Amendment No. 1 + 2
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer - ŠKODA ELECTRIC a.s. as the supplier
Contract description	Supply of traction equipment for NIM Express DB

Contract No. ŠT-NÚ/65/07/SML K	
Contract title	Purchase Contract – Amendment No. 1
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer - ŠKODA ELECTRIC a.s. as the seller
Contract description	Supply of traction equipment for 15T Prague trams, 15T warranty terms

Contract No. ŠT-NÚ/70/15/SML K	
Contract title	Purchase Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – ŠKODA ELECTRIC a.s. as the seller
Contract description	Supply of electric traction equipment for the metro in St. Petersburg

Contract	
Contract title	Purchase Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – ŠKODA ELECTRIC a.s. as the seller
Contract description	Supply of electric equipment for 15TR Riga trams

Contract No. ŠT-NÚ/104/14/SML K	
Contract title	Purchase Contract – Amendment No. 1
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – ŠKODA ELECTRIC a.s. as the seller
Contract description	Changes in the product labelling

Contract No. ŠT-NÚ/81/14/SML K	
Contract title	Purchase Contract – Amendment No. 2
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer - ŠKODA ELECTRIC a.s. as the seller
Contract description	Changes in the product labelling

Contract No. ŠT-NÚ/158/14/SML O	
Contract title	Development Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer - ŠKODA ELECTRIC a.s. as the seller
Contract description	Product development and manufacturing

Contract	
Contract title	Letter of Intent
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer - ŠKODA ELECTRIC a.s. as the seller
Contract description	Research and development of the locomotive with a gearless drive by PMSM engine

Contract	
Contract title	Loan Contract incl. Amendment
Contractual parties	ŠKODA TRANSPORTATION a.s. as the creditor – ŠKODA ELECTRIC a.s. as the debtor
Contract description	Provision of a loan in accordance with the Terms and Conditions

Contract No. Š-NÚ/6/11/SML O	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA ELECTRIC a.s. as the orderer
Contract description	Contract on software application

Contract	
Contract title	Contract for Provision of Advisory Services + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA ELECTRIC a.s. as the orderer
Contract description	Provision of advisory services

Contract	
Contract title	Licence Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the licensor – ŠKODA ELECTRIC a.s. as the licensee
Contract description	Unlimited licence to use the Marketing Video

Contract No. ŠT-NÚ/68/15/SML R	
Contract title	Contract on Licence Assignment
Contractual parties	ŠKODA TRANSPORTATION a.s. as the assignee – ŠKODA ELECTRIC a.s. as the assignor
Contract description	Assignment of SW licences

Contract No. ŠT-NÚ/117/17/SML O + Amendment No. 1	
Contract title	Contract on Determination of compensation of costs (loss) incurred as a result of faulty goods or work
Contractual parties	ŠKODA TRANSPORTATION a.s., ŠKODA ELECTRIC a.s., ŠKODA VAGONKA a.s., Pars nova a.s., LOKEL s.r.o., ŠKODA TVC s.r.o. and POLL, s.r.o.
Contract description	Determination of compensation for fault-related costs

Contract	
Contract title	Contract for Provision of Advisory Services + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA VAGONKA a.s. as the orderer
Contract description	Provision of advisory services

Contract No. Š-NÚ/6/11/SML O	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA VAGONKA a.s. as the orderer
Contract description	Contract on software application

Contract	
Contract title	Contract on the Trademark and Business Firm
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA VAGONKA a.s. as the acquirer
Contract description	Contract to use the ŠKODA trademark

Contract No. ŠT-NÚ/91/14/SML O	
Contract title	Purchase Contract incl. Amendment
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer – ŠKODA VAGONKA a.s. as the supplier
Contract description	Supply of double-decker carriages for the NIM Express

Contract	
Contract title	Loan Contract incl. Amendment
Contractual parties	ŠKODA TRANSPORTATION a.s. as the creditor - ŠKODA VAGONKA a.s. as the debtor
Contract description	Provision of a loan in accordance with the Terms and Conditions

Contract	
Contract title	Contract for Provision of Support Services
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer – ŠKODA VAGONKA a.s. as the provider
Contract description	Provision of support services to the orderer

Contract No. ŠT-NÚ/75/16/SML D	
Contract title	Contract for Work
Contractual parties	ŠKODA TRANSPORTATION a.s. as the supplier – ŠKODA VAGONKA a.s. as the orderer
Contract description	Assembly of six driving trailers for NIM Express

Contract	
Contract title	Contract on transfer of technical documentation and Know-how
Contractual parties	ŠKODA TRANSPORTATION a.s. as the acquirer - ŠKODA VAGONKA a.s. as the transferor
Contract description	Technical documentation on rail vehicles

Contract No. ŠT-NÚ/59/18 SML O	
Contract title	Lease Agreement
Contractual parties	ŠKODA TRANSPORTATION a.s. as the lessor - ŠKODA VAGONKA a.s. as the tenant
Contract description	Lease of part of a building

Contract	
Contract title	Licence Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the licensor – ŠKODA VAGONKA a.s. as the licensee
Contract description	Unlimited licence to use the Marketing Video

Contract No. ŠT-NÚ/6/11/SML O	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider- Pars nova a.s. as the orderer
Contract description	Contract on software application

Contract	
Contract title	Trademark Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – Pars nova a.s. as the acquirer
Contract description	Contract to use the ŠKODA trademark



Contract	
Contract title	Loan Contract incl. Amendment
Contractual parties	ŠKODA TRANSPORTATION a.s. as the creditor – Pars nova a.s. as the debtor
Contract description	Provision of a loan in accordance with the Terms and Conditions

Contract	
Contract title	Service Agreement
Contractual parties	ŠKODA TRANSPORTATION a.s. as the supplier – Pars nova a.s. as the orderer
Contract description	Service on 28T Konya trams

Contract No. ŠT-NÚ/92/14/SML O	
Contract title	Framework Contract for Work – Amendment no. 1
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer – Pars nova a.s. as the supplier
Contract description	Drafting project and construction documentation

Contract No. ŠT-NÚ/05/18/SML O	
Contract title	Loan Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the lender – Pars nova a.s. as the borrower
Contract description	Lending of welding preparations and equipment

Contract No. ŠT-NÚ/66/18/SML D	
Contract title	Contract for Work
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer – Pars nova a.s. as the supplier
Contract description	Supply of 16 complete cabins for the EJ 7Ev3 project

Contract No. Š-NÚ/02/2013 SML R	
Contract title	Framework Purchase Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer – ŠKODA TVC s.r.o. as the supplier
Contract description	Supply of spare parts

Contract	
Contract title	Contract for Provision of Advisory Services + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA TVC s.r.o. as the orderer
Contract description	Provision of advisory services

Contract No. ŠT-NÚ/106/15/SML O	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA TVC s.r.o. as the orderer
Contract description	Contract on software application

Contract No. ŠT-NÚ/68/18/SML O	
Contract title	Contract to Assign Receivables
Contractual parties	ŠKODA TRANSPORTATION a.s. as the assignee – ŠKODA TVC s.r.o. as the assignor
Contract description	Assignment of receivables

Contract	
Contract title	Contract for Provision of Advisory Services + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – GANZ-SKODA ELECTRIC Zrt. as the orderer
Contract description	Provision of advisory services

Contract	
Contract title	Agreement to Pay for Security
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – GANZ-SKODA ELECTRIC Zrt. as the orderer
Contract description	Payment for provided guarantee

Contract No. ŠT-NÚ/29/15/SML O	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA CITY SERVICE s.r.o. as the orderer
Contract description	Contract on software application

Contract	
Contract title	Contract on the Trademark and Business Firm
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA CITY SERVICE s.r.o. as the acquirer
Contract description	Contract to use the ŠKODA trademark

Contract No. ŠT-NÚ/86/15/SML O	
Contract title	Agreement on Future Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the tenant – ŠKODA CITY SERVICE s.r.o. as the lessor
Contract description	Contract for the lease of non-residential premises

Contract No. ŠT-NÚ/45/16/SML O	
Contract title	Contract for the Right of Building Construction
Contractual parties	ŠKODA TRANSPORTATION a.s. as the builder – ŠKODA CITY SERVICE s.r.o. as the owner
Contract description	Contract for the right of building construction

Contract No. ŠT-NÚ/62/18/SML O	
Contract title	Lease Agreement
Contractual parties	ŠKODA TRANSPORTATION a.s. as the tenant – ŠKODA CITY SERVICE s.r.o. as the lessor
Contract description	Contract on lease of part of a building

Contract	
Contract title	Loan Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the creditor – ŠKODA CITY SERVICE s.r.o. as the debtor
Contract description	Contract on provision of a loan

Contract	
Contract title	Loan Contract incl. Amendment
Contractual parties	ŠKODA TRANSPORTATION a.s. as the creditor – OOO VAGONMAŠ as the debtor
Contract description	Provision of a loan in accordance with the Terms and Conditions

Contract	
Contract title	Purchase Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the supplier- OOO VAGONMAŠ as the orderer
Contract description	Supply of St. Petersburg metro carriages and components

Contract	
Contract title	Contract for Guaranty Provision
Contractual parties	ŠKODA TRANSPORTATION a.s. as the guarantor – OOO VAGONMAŠ as the debtor
Contract description	Provision of guaranty in respect of the project implementation

Contract No. ŠT-NÚ/97/15/SML O	
Contract title	Agreement on Future Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the tenant – MOVO spol. s r.o. as the lessor
Contract description	Use of non-residential premises in accordance with the contract

Contract No. ŠT-NÚ/46/16/SML O	
Contract title	Contract for the Right of Building Construction
Contractual parties	ŠKODA TRANSPORTATION a.s. as the builder – MOVO spol. s r.o. as the owner
Contract description	Contract for the right of building construction

Contract No. ŠT-NÚ/5/14/SML O	
Contract title	Contract for Lease of Business Premises
Contractual parties	ŠKODA TRANSPORTATION a.s. as the tenant – MOVO spol. s r.o. as the lessor
Contract description	Lease of premises in accordance with the contract

Contract	
Contract title	Contract for the Lease of Non-Residential Premises + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the tenant – MOVO spol. s r.o. as the lessor
Contract description	Use of non-residential premises in accordance with the contract

Contract No. 1/2014	
Contract title	Contract for Supply of Water and Waste Water Collection Services
Contractual parties	ŠKODA TRANSPORTATION a.s. as the subscriber – MOVO spol. s r.o. as the supplier
Contract description	Stipulates the relations between the contractual parties, their rights and obligations in respect of the water supply and the collection of waste water

Contract No. 2/2014	
Contract title	Contract for Aggregated Services Related to the Supply of Electricity from LV Network
Contractual parties	ŠKODA TRANSPORTATION a.s. as the subscriber – MOVO spol. s r.o. as the supplier
Contract description	Governing supply of electricity, the liability for the power supply variance, provision of electricity distribution and system services supply to the end-user

Contract No. 3/2014	
Contract title	Contract on Distribution Services for Natural Gas Supply
Contractual parties	ŠKODA TRANSPORTATION a.s. as the subscriber – MOVO spol. s r.o. as the distributor
Contract description	Contractual provision governing the method and conditions for the distribution and consumption of natural gas for retailers in a supply and distribution point



Contract	
Contract title	Contract for Provision of Advisory Services + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – MOVO spol. s r.o. as the orderer
Contract description	Provision of advisory services

Contract No. ŠT-NÚ/9/2014/SML O	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – MOVO spol. s r.o. as the orderer
Contract description	Contract on software application

Contract	
Contract title	Contract for Provision of Bookkeeping Services
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – MOVO spol. s r.o. as the orderer
Contract description	Monthly bookkeeping services and related agenda

Contract No. ŠT-NÚ/51/16/SML O	
Contract title	Technology Lease Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the tenant – MOVO spol. s r.o. as the lessor
Contract description	Lease of technology

Contract	
Contract title	Purchase Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – LOKEL spol. s r.o. as the seller
Contract description	Supply of superior control for rail vehicles

Contract No. ŠT-NÚ/57/16/SML K	
Contract title	Licensing Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the licensor – LOKEL spol. s r.o. as the licensee
Contract description	Licence provision

Contract No. ŠT-NÚ/54/17/SML R	
Contract title	Framework Purchase Contract + Amendment No. 1
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – LOKEL spol. s r.o. as the seller
Contract description	Supply of goods and spare parts for rail vehicles

Contract No. ŠT-NÚ/141/17/SML O	
Contract title	Framework Contract on Software Application
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – LOKEL spol. s r.o. as the user
Contract description	Contract on software application

Contract	
Contract title	Contract on Provision of Services within the Warranty Period Operation
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – LOKEL s.r.o. as the orderer
Contract description	Servicing contract

Contract	
Contract title	Lease Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the lessor – Skoda Transportation Deutschland GmbH as the tenant
Contract description	Contract for the lease of a passenger vehicle
Contract	
Contract title	Purchase Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – POLL, s.r.o. as the seller
Contract description	Contract for the supply of electric equipment for rail vehicles

Contract No. ŠT-NÚ/42/16/SML 0	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – POLL s.r.o. as the orderer
Contract description	Contract on software application

Contract	
Contract title	Bank Guarantee Provision Contract + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the guarantor – Transtech Oy as the debtor
Contract description	Provision of guarantee

Contract	
Contract title	Contract on Know-how Transfer
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – Transtech Oy as the seller
Contract description	Transfer of arctic tram production know-how

Contract	
Contract title	Licensing Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the licensor – Transtech Oy as the licensee
Contract description	Licence provision

Contract	
Contract title	Contract on Bookkeeping Services
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – ŠKODA RAIL s.r.o. as the orderer
Contract description	Bookkeeping services

Contract	
Contract title	Letter of Intent
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – VÚKV a.s. as the seller
Contract description	Research and development of the locomotive with a gearless drive by PMSM engine

Contract No. ŠT-NÚ/30/17/SML 0	
Contract title	Framework Contract on Software Application + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – VÚKV a.s. as the buyer
Contract description	Contract on software application



Contract	
Contract title	Framework Contract for Work + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – VÚKV a.s. as the provider
Contract description	Contract for work – technical documentation, testing, measurements, etc.

Contract	
Contract title	Loan Contract and Subordination Agreement + Amendment No. 1
Contractual parties	ŠKODA TRANSPORTATION a.s. as the debtor – PPF Beer Topholdco B.V. as the creditor
Contract description	Contract on loan provision and subordination agreement

Contract	
Contract title	Framework Contract on Payment and Banking Services
Contractual parties	ŠKODA TRANSPORTATION a.s. as the client – PPF Banka a.s. as the bank
Contract description	Contract on payment and banking services

Contract	
Contract title	Framework Contract on Trading in Financial Market
Contractual parties	ŠKODA TRANSPORTATION a.s. as the client – PPF Banka a.s. as the bank
Contract description	Contract on trading in financial market

Contract	
Contract title	Contract on Provision of Services
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer – PPF a.s. as the provider
Contract description	Provision of advisory services

Contract	
Contract title	Contract on Lease of a Vehicle
Contractual parties	ŠKODA TRANSPORTATION a.s. as the lessor – Bammer trade a.s. as the tenant
Contract description	Contract on lease of a vehicle

Contract No. ŠT-NÚ/20/13/SML 0	
Contract title	Framework Contract on Software Application
Contractual parties	ŠKODA TRANSPORTATION a.s. as the provider – Bammer trade a.s. as the user
Contract description	Contract on software application

Contract	
Contract title	Framework Contract on Provision of ICT Services + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the orderer – ŠKODA ICT s.r.o. as the provider
Contract description	Contract on provision of ICT services

Contract No. SML/2009/045	
Contract title	Framework Contract on Lease of Moveable Assets + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the tenant – ŠKODA ICT s.r.o. as the lessor
Contract description	Contract on lease of moveable assets

Contract No. ŠT-NÚ/51/11 SML O	
Contract title	Agreement on Providing Rights to Use Software
Contractual parties	ŠKODA TRANSPORTATION a.s. – ŠKODA ICT s.r.o.
Contract description	Agreement on providing rights to use software

Contract No. SML/2009/027	
Contract title	Agreement on Issuing Tax Documents in Electronic Form
Contractual parties	ŠKODA TRANSPORTATION a.s. – ŠKODA ICT s.r.o.
Contract description	Agreement on issuing tax documents in electronic form

Contract No. ŠT-NÚ/135/17 SML O + Amendments	
Contract title	Contract on Lease of Business Premises
Contractual parties	ŠKODA TRANSPORTATION a.s. as the lessor – ŠKODA INVESTMENT a.s. as the tenant
Contract description	Lease of premises

Contract	
Contract title	Mandate Contract + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. as the mandatary – ŠKODA INVESTMENT a.s. as the mandator
Contract description	Mandate Contract

Contract No. ŠT-NÚ/128/12 SML O	
Contract title	Lease Agreement
Contractual parties	ŠKODA TRANSPORTATION a.s. as the lessor – O2 Czech Republic, a.s. as the tenant
Contract description	Lease Agreement

Contract No. ŠT-NÚ/99/2011 SML R	
Contract title	Framework Purchase Contract
Contractual parties	ŠKODA TRANSPORTATION a.s. as the buyer – O2 Czech Republic, a.s. as the seller
Contract description	Telecommunication services

Contract No. ŠT-NÚ/09/10 SML	
Contract title	Contract on Installation and Operation of Photovoltaic Panels + Amendments
Contractual parties	ŠKODA TRANSPORTATION a.s. – ŠKODA SERVIS s.r.o.
Contract description	Installation and operation of photovoltaic panels

Contract No. ŠT-NÚ/128/12 SML O	
Contract title	Lease Agreement
Contractual parties	ŠKODA TRANSPORTATION a.s. as the lessor – Česká telekomunikační infrastruktura a.s. as the tenant
Contract description	Lease Agreement on temporary use of part of land

## Assessment of whether the controlled entity incurred loss, and evaluation of the settlement

The Company did not incur any loss from the acts or contracts concluded with the related parties.

## **Assessment of benefits and drawbacks arising on the relations between the related parties and quantification of risks arising thereof to the controlled entity**

We have noted that the relations between the related parties have been beneficial for the Company. The benefits were as follows:

- Major revenues from the sale of products,
- Transfer and sharing of know-how between the related parties,
- Mutual provision of services of a guaranteed quality,
- Exploitation of synergies by the related parties,
- Access to funding,
- Shared marketing; promotion of a particular company bearing the group name also promotes other companies in the group,
- Efficiencies arising from the streamlined approach in the following areas: bookkeeping, controlling, assurance, risk management, organisation, data/IT management, HR, general administration and management, training.

We are not aware of any drawbacks or risks arising on the above described relations.

## **Conclusion**

The related parties consider as confidential any information and facts that form part of a trade secret, and any information marked as confidential by any of the related parties. All business data which could cause detriment, either on its own or in relation with some other data, is also considered as confidential. Consequently, this Report on Relations does not contain full information on prices or volumes.

Date of preparation: 29 March 2019



Petr Brzezina  
Chairman of the board of directors



Jan Menclík  
Member of the board of directors

## Appendix No. 1 – List of entities directly or indirectly controlled by the same controlling entity

Controlling entity: Ing. Petr Kellner

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
4Local, s.r.o.	24161357	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
AB 2 B.V.	57279667	Netherlands	Entity controlled by the same controlling entity through ownership interest		Air Bank a.s.
AB 4 B.V.	34186049	Netherlands	Entity controlled by the same controlling entity through ownership interest		Air Bank a.s.
AB 7 B.V.	57279241	Netherlands	Entity controlled by the same controlling entity through ownership interest		Air Bank a.s.
AB STRUCTURED FUNDING 1 DESIGNATED ACTIVITY COMPANY	619700	Ireland	Entity controlled by the same controlling entity through ownership interest	from 29 January 2018	Air Bank a.s.
ABDE Holding s.r.o. (formerly Airline Gate 1 s.r.o.)	02973081	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit Group B.V.
Accord Research, s.r.o.	29048974	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Capital Partners Fund B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
AF Airfueling s.r.o.	02223953	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
Air Bank a.s.	29045371	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
ALMONDSEY LIMITED	HE 291 856	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
ALRIK VENTURES LIMITED	HE 318 488	Cyprus	Entity controlled by the same controlling entity through ownership interest	till 13 August 2018	TOLESTO LIMITED
ANTHEMONA LIMITED	HE 289 677	Cyprus	Entity controlled by the same controlling entity through ownership interest		Comcity Office Holding B.V.
Art Office Gallery a.s.	24209627	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Office Star Eight a.s.
ASTAVEDO LIMITED	HE 316 792	Cyprus	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
Autobusová doprava- Miroslav Hrouda s.r.o.	25166522	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018 to 24 October 2018	ŠKODA TRANSPORTATION a.s.



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Autotým, s.r.o., v likvidaci	03040836	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit Lab N.V.
B2S Servisní, a.s. v likvidaci	19013825	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Bammer trade a.s.	28522761	Czech Republic	Entity controlled by the same controlling entity through ownership interest	od 24 April 2018	PPF Beer Topholdco B.V.
Bavella B.V.	52522911	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
Bestsport holding a.s.	06613161	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
Bestsport, a.s.	24214795	Czech Republic	Entity controlled by the same controlling entity through ownership interest		LINDUS SERVICES LIMITED
Bolt Start Up Development a.s.	04071336	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
BONAK a.s.	05098815	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
BORACORA LIMITED	HE 251 936	Cyprus	Entity controlled by the same controlling entity through ownership interest		GLANCUS INVESTMENTS INC.
Boryspil Project Management Ltd.	34999054	Ukraine	Entity controlled by the same controlling entity through ownership interest		Pharma Consulting Group Ltd.
Bucca Properties Ltd.	1377468	British Virgin Islands	Entity controlled by the same controlling entity through ownership interest		BORACORA LIMITED
C & R Office Center Two s.r.o.	28227913	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Bestsport, a.s.
Capellalaan (Hoofddorp) B.V.	58391312	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
Carolia Westminster Hotel Limited	9331282	United Kingdom of Great Britain and Northern Ireland	Entity controlled by the same controlling entity through ownership interest		CW Investor S.á.r.l.
Celestial Holdings Group Limited	1471389	British Virgin Islands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
CETIN Finance B.V.	66805589	Netherlands	Entity controlled by the same controlling entity through ownership interest		Česká telekomunikační infrastruktura a.s.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
CETIN služby s.r.o.	06095577	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Česká telekomunikační infrastruktura a.s.
CF Commercial Consulting (Beijing) Limited	78860280-7	People's Republic of China	Entity controlled by the same controlling entity through ownership interest	till 8 February 2018	Home Credit B.V.
CIAS HOLDING a.s.	273 99 052	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	PPF Beer Topholdco B.V.
CIAS Split 1 a.s.	076 63 986	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 22 November 2018 to 31 December 2018	PPF Beer Topholdco B.V.
CITY TOWER Holding a.s.	2650665	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
«Closed Joint Stock Insurance Company «Asnova Insurance»"	806000245	Belorussia	Entity controlled by the same controlling entity through ownership interest	till 8 February 2018	Septus Holding Limited, Talpa Estero Limited, Rhaskos Finance Limited, Sylander Capital Limited, Enadoco Limited, Astavedo Limited
COLANDS s.r.o.	03883663	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Bestsport, a.s.
Comcity Office Holding B.V.	64411761	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
CW Investor S.á.r.l.	B211446	Luxembourg	Entity controlled by the same controlling entity through ownership interest		Westminster JV a.s.
Cytune Pharma SAS	500998703	France	Entity controlled by the same controlling entity through ownership interest	from 22 August 2018	PPF Capital Partners Fund B.V.
Czech Equestrian Team a.s.	019 52 684	Czech Republic	Entity controlled by the same controlling entity acting in concert through ownership interest		SUNDOWN FARMS LIMITED
CZECH TELECOM Austria GmbH	229578s	Austria	Entity controlled by the same controlling entity through ownership interest		Česká telekomunikační infrastruktura a.s.
CZECH TELECOM Germany GmbH	HRB 51503	Germany	Entity controlled by the same controlling entity through ownership interest		Česká telekomunikační infrastruktura a.s.
CzechToll s.r.o.	06315160	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.
Česká telekomunikační infrastruktura a.s.	040 84 063	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Infrastructure B.V., PPF A3 B.V.
D - Toll Holding GmbH	HRB 191929	Germany	Entity controlled by the same controlling entity through ownership interest	from 24 January 2018	PPF a.s.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
DADRIN LIMITED	HE 321 173	Cyprus	Entity controlled by the same controlling entity through ownership interest		TOLESTO LIMITED
De Reling (Dronten) B.V.	58164235	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
DEVEDIACO ENTERPRISES LIMITED	HE 372136	Cyprus	Entity controlled by the same controlling entity through ownership interest		TELISTAN LIMITED
DRAK INVESTMENT HOLDING LTD	324472	Cayman Islands	Entity controlled by the same controlling entity through ownership interest		GONDRA HOLDINGS LTD
Duoland s.r.o.	06179410	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
Eastern Properties B.V.	58756566	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
eKasa s.r.o.	050 89 131	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
ELTHYSIA LIMITED	HE 290 356	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
ENADOCO LIMITED	HE 316 486	Cyprus	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
ETO LICENSING LIMITED	HE 179 386	Cyprus	Entity controlled by the same controlling entity through ownership interest		FACIPERO INVESTMENTS LIMITED
EusebiusB5 (Arnhem) B.V.	58169778	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
FACIPERO INVESTMENTS LIMITED	HE 232 483	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
Favour Ocean Limited	1065678	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
FAYDE INVESTMENTS LIMITED	HE 310 390	Cyprus	Entity controlled by the same controlling entity through ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
FELISTON ENTERPRISES LIMITED	HE 152674	Cyprus	Entity controlled by the same controlling entity through ownership interest		SALEMONTO LIMITED
FERRYMAT HOLDINGS LIMITED	HE 313289	Cyprus	Entity controlled by the same controlling entity through ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Filcommerce Holdings, Inc	CS 201 310 129	Philippines	Entity controlled by the same controlling entity through ownership interest		HC Philippines Holding B.V.-
FLOGESCO LIMITED	HE 172588	Cyprus	Entity controlled by the same controlling entity through ownership interest		Gilbey Holdings Limited
FO Management s.r.o.	06754295	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 10 January 2018	PPF FO Management B.V.
Fodina B.V.	59400676	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
FOSOL ENTERPRISES LIMITED	HE 372077	Cyprus	Entity controlled by the same controlling entity through ownership interest		DEVEDIACO ENTERPRISES LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	Cyprus	Entity controlled by the same controlling entity through ownership interest		VELTHEMIA LIMITED
GALIO INVESTMENTS LIMITED	HE 310 260	Cyprus	Entity controlled by the same controlling entity through ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Ganz-Skoda Electric Ltd.	110045500	Hungary	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Garco Group B.V.	34245884	Netherlands	Entity controlled by the same controlling entity through ownership interest		GLANCUS INVESTMENTS INC.
Gen Office Gallery a.s.	24209881	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Office Star Eight a.s.
German Properties B.V.	61008664	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
GILBEY HOLDINGS LIMITED	HE182860	Cyprus	Entity controlled by the same controlling entity through ownership interest		BUCCA PROPERTIES LTD.
GLANCUS INVESTMENTS INC.	1396023	British Virgin Islands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
GONDRA HOLDINGS LTD	324452	Cayman Islands	Entity controlled by the same controlling entity through ownership interest		Salonica Holding Limited
GRACESPRING LIMITED	HE 208 337	Cyprus	Entity controlled by the same controlling entity through ownership interest		CELESTIAL HOLDINGS GROUP LIMITED
Grandview Resources Corp.	1664098	British Virgin Islands	Entity controlled by the same controlling entity through ownership interest		Bavella B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Guangdong Home Credit Number Two Information Consulting Co., Ltd	76732894-1	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Home Credit Asia Limited
HC Advisory Services s.r.o.	01487779	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
HC Asia B.V.	34253829	Netherlands	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
HC Broker, s.r.o.	29196540	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit a.s.
HC Consumer Finance Philippines, Inc	CS 201301354	Philippines	Entity controlled by the same controlling entity through ownership interest		HC Philippines Holding B.V.
HC Philippines Holding 35024270 B.V.		Netherlands	Entity controlled by the same controlling entity through ownership interest		HC Asia B.V.
HCPH 2 FINANCING, INC.	CS201812176	Philippines	Entity controlled by the same controlling entity through ownership interest	from 14 September 2018	HC Philippines Holding B.V.
HCPH Financing I. Inc	CS 201 727 565	Philippines	Entity controlled by the same controlling entity through ownership interest		HC Philippines Holding B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Hofplein Offices (Rotterdam) B.V.	64398064	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
Home Credit a.s.	26978636	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit International a.s.
Home Credit Asia Limited	890063	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		HC Asia B.V.
Home Credit B.V.	34126597	Netherlands	Entity controlled by the same controlling entity through ownership interest		Home Credit Group B.V.
Home Credit Consumer Finance Co., Ltd	9112011663606746 2H	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
Home Credit Egypt Trade S.A.E.	50614	Egypt	Entity controlled by the same controlling entity through ownership interest		HC Philippines Holding B.V.
HOME CREDIT EUROPE PLC	7744459	United Kingdom of Great Britain and Northern Ireland	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
Home Credit Group B.V.	69638284	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Financial Holdings B.V.



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Home Credit India B.V.	52695255	Netherlands	Entity controlled by the same controlling entity through ownership interest		HC Asia B.V.
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTCO 47448	India	Entity controlled by the same controlling entity through ownership interest		Home Credit India B.V., Home Credit International a.s.
HOME CREDIT INDIA STRATEGIC ADVISORY SERVICES PRIVATE LIMITED	U7499HR2017FTC07 0364	India	Entity controlled by the same controlling entity through ownership interest		Home Credit India B.V., Home Credit International a.s.
Home Credit Indonesia B.V.	52695557	Netherlands	Entity controlled by the same controlling entity through ownership interest		HC Asia B.V.
Home Credit International a.s.	60192666	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
Home Credit Lab N.V.	52695689	Netherlands	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
Home Credit Slovakia, a.s.	36234176	Slovakia	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
Home Credit US Holding, LLC	5467913	USA	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Home Credit US, LLC	5482663	USA	Entity controlled by the same controlling entity through ownership interest		Home Credit US Holding
Home Credit Vietnam Finance Company Limited	307672788	Vietnam	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
HOPAR LIMITED	HE 188 923	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF PROPERTY LIMITED
Horse Arena s.r.o.	044 79 823	Czech Republic	Entity controlled by the same controlling entity acting in concert through ownership interest		SUNDOWN FARMS LIMITED
Chelton Properties Limited	1441835	British Virgin Islands	Entity controlled by the same controlling entity through ownership interest		Ing. Petr Kellner
Innoble GmbH	HRB 239796	Germany	Entity controlled by the same controlling entity through ownership interest	from 25 July 2018	ABDE Holding s.r.o.
INTENS Corporation s.r.o.	28435575	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Bolt Start Up Development a.s.
Izotrem Investments Limited	HE 192753	Cyprus	Entity controlled by the same controlling entity through ownership interest		Gilbey Holdings Limited

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
JARVAN HOLDINGS LIMITED	HE 310 140	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
JH Media Services Plus s.r.o.	4002423	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Bestsport, a.s.
Johan H (Amsterdam) B.V.	58163239	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
Joint Stoct Company "Sibzavod Centre"	1035501017221	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC Trust - Invest
Joint-Stock Company "Investments trust" (formerly CJSC "Investments trust")	1037739865052	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Trilogy Park Holding B.V.
Joint-Stock Company "Intrust NN" (formerly CJSC "Intrust NN")	1065259035896	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Stinctum Holdings Limited
Joklaura Kakkonen Oy	2401050-2	Finland	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	PPF Beer Topholdco B.V.
JONSA LIMITED	HE 275 110	Cyprus	Entity controlled by the same controlling entity through ownership interest		CELESTIAL HOLDINGS GROUP LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
JSC Yugo - Vostochnaya promyshlennaya kompaniya "KARTONTARA"	1037700008895	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JARVAN HOLDINGS LIMITED
KARMION HOLDINGS LIMITED	HE 312 004	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
Karperstraat (Amsterdam) B.V.	58163883	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
Kateřinská Office Building s.r.o.	03495663	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate s.r.o.
Komodor LLC	32069917	Ukraine	Entity controlled by the same controlling entity through ownership interest		West Logistics Park LLC (WLP)
Langen Property B.V.	61012777	Netherlands	Entity controlled by the same controlling entity through ownership interest		German Properties B.V.
Letiště Praha Letňany, s.r.o.	24678350	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
Letňany Air Land s.r.o.	06138462	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Letňany Air Logistics s.r.o.	06138411	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
Letňany eGate s.r.o.	06137628	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
Letňany Park Gate s.r.o.	06138446	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
LINDUS Real s.r.o.	29139309	Czech Republic	Entity controlled by the same controlling entity through ownership interest		LINDUS SERVICES LIMITED
LINDUS SERVICES LIMITED	HE 281 891	Cyprus	Entity controlled by the same controlling entity through ownership interest		Prague Entertainment Group B.V.
LLC Alians R	1086627000635	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russian Federation	Entity controlled by the same controlling entity through ownership interest		ALMONDSEY LIMITED, LLC Charlie Com.
LLC BRAMA	1107746950431	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JARVAN HOLDINGS LIMITED



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
LLC Comcity Kotel'naya	5157746112959	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Comcity Office Holding B.V.
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Bavella B.V., GRANDVIEW RESOURCES CORP.
LLC ERKO	1044702180863	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	Russian Federation	Entity controlled by the same controlling entity through ownership interest		FAYDE INVESTMENTS LIMITED
LLC Financial Innovations	1047796566223	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC Home Credit & Finance Bank
LLC Forward leasing (formerly LLC Home Credit Online )	1157746587943	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Home Credit Lab N.V.
LLC Gorod Molodogo Pokolenija (formerly Joint Stock Company "Gorod Molodogo Pokolenija)	1027700473756	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JARVAN HOLDINGSLIMITED
LLC Home Credit & Finance Bank	1027700280937	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
LLC Home Credit Insurance	1027739236018	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
LLC HOMER SOFTWARE HOUSE	35364346	Ukraine	Entity controlled by the same controlling entity through ownership interest	till 12 May 2018	REDLIONE LTD, Home Credit B.V.
LLC Charlie Com	1137746330336	Russian Federation	Entity controlled by the same controlling entity through ownership interest		ALMONDSEY LIMITED, LLC Almondsey
LLC In Vino	1052309138628	Russian Federation	Entity controlled by the same controlling entity through ownership interest		GRACESPRING LIMITED
LLC ISK (ICC) Klokovo	1127746186501	Russian Federation	Entity controlled by the same controlling entity through ownership interest		STEPHOLD LIMITED
LLC K-Development	1077760004629	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russian Federation	Entity controlled by the same controlling entity through ownership interest		GALIO INVESTMENTS LIMITED
LLC Kvartal Togliatti	1056320172567	Russian Federation	Entity controlled by the same controlling entity through ownership interest		PPF PROPERTY LIMITED

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
LLC LB Orel	1135749000793	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC Eastern Properties Russia, LLC LB Voronezh
LLC LB Voronezh	1133668033872	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC EASTERN PROPERTIES RUSSIA, LLC LB Orel
LLC Logistics - A	1115048002156	Russian Federation	Entity controlled by the same controlling entity through ownership interest		ELTHYSIA LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
LLC Logistika - Rostov	1167746090236	Russian Federation	Entity controlled by the same controlling entity through ownership interest	till 21 November 2018	FERRYMAT HOLDINGS LIMITED
LLC Logistika - Ufa	1150280069477	Russian Federation	Entity controlled by the same controlling entity through ownership interest		TAPADEO LIMITED
LLC MCC Kupi ne kopi	1027700280640	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
LLC Mitino Sport City	1107746473383	Russian Federation	Entity controlled by the same controlling entity through ownership interest		MICROLIGHT TRADING LIMITED
LLC My Gym	5157746112915	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Comcity Office Holding B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
LLC Oil Investments	1167746861677	Russian Federation	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V., Paleos Industries B.V.
LLC PPF Life Insurance	1027739031099	Russian Federation	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russian Federation	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Bavella B.V., Grandview Resources Corp.
LLC RAV Agro Orel	1115741001496	Russian Federation	Entity controlled by the same controlling entity through ownership interest	till 3 December 2018	LLC Rav Agro
LLC RAV Agro Pro	1033600135557	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC RAV Agro, LLC RAV Molokoprodukt
LLC RAV Molokoprodukt	1083627001567	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC RAV Agro, Grandview Resources Corp., Bavella B.V.
LLC RAV Myasoprodukt - Orel	1135749001684	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC RAV Molokoprodukt

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
LLC RAV Niva	1023601232522	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC RAV Agro
LLC RAV Niva Orel	1113668051090	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC RAV Agro
LLC Razvitie	1155009002609	Russian Federation	Entity controlled by the same controlling entity through ownership interest		VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russian Federation	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Limited
LLC ROKO	5107746049329	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JONSA LIMITED
LLC ROST Agro	1103601000030	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC RAV Agro
LLC Skladi 104	5009049271	Russian Federation	Entity controlled by the same controlling entity through ownership interest		GABELLI CONSULTANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Trigon II B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
LLC Sotio	1117746901502	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Sotio N.V.
LLC Sotio	EIN 35-2424961	USA	Entity controlled by the same controlling entity through ownership interest		Sotio N.V.
LLC Spectrum	1097746356806	Russian Federation	Entity controlled by the same controlling entity through ownership interest		NIDALEE HOLDING LIMITED
LLC Spetsializirovanniy zastroyshchik " Delta Com" (formerly LLC Delta Com)	1137746330358	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Comcity Office Holding B.V., ANTHEMONA LIMITED
LLC Strata	7702765300	Russian Federation	Entity controlled by the same controlling entity through ownership interest		VELTHEMIA LIMITED
LLC TKG - Trilogy	1155027001030	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC PPF Real Estate Russia
LLC Torgovij complex Lipetskiy	1074823001593	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JARVAN HOLDINGS LIMITED
LLC Trilogy Services	1155027007398	Russian Federation	Entity controlled by the same controlling entity through ownership interest		Trilogy Park Holding B.V.



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
LLC Trust - Invest	1057746391306	Russian Federation	Entity controlled by the same controlling entity through ownership interest		JARVAN HOLDINGS LIMITED
LLC Urozhay	1063627011910	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC Yug
LLC Yug	1083627001567	Russian Federation	Entity controlled by the same controlling entity through ownership interest		LLC LB Voronezh
LOKEL s.r.o.	01731530	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
LOSITANTO Ltd.	HE157131	Cyprus	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	SATACOTO Ltd.
LvZH (Rijswijk) B.V.	58163999	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
Maraflex s.r.o.	02415852	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
MICROLIGHT TRADING LIMITED	HE 224 515	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Millennium Tower (Rotterdam) B.V.	56261330	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
Misterine s.r.o.	05249899	Czech Republic	Entity controlled by the same controlling entity through ownership interest	till 17 September 2018	Bolt Start Up Development a.s.
mluvii.com s.r.o.	27405354	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Bolt Start Up Development a.s.
MOETON a.s. v likvidaci	27864561	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF FO Management B.V.
Monheim Property B.V.	61012521	Netherlands	Entity controlled by the same controlling entity through ownership interest		German Properties B.V.
Monchyplein (Den Haag) B.V.	58163603	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
Montería, spol. s r.o.	27901998	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF FO Management B.V.
Moranda, a.s.	28171934	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
MOVVO spol. s r. o.	46887989	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
MP Holding 2 B.V.	69457018	Netherlands	Entity controlled by the same controlling entity through ownership interest		DEVEDIACO ENTERPRISES LIMITED
My Air a.s.	05479070	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Air Bank a.s.
Mystery Services s.r.o.	24768103	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.
Naneva B.V.	67400639	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
Net Gate s.r.o.	247 65 651	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.
NIDALEE HOLDING LIMITED	HE 310 150	Cyprus	Entity controlled by the same controlling entity through ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
O2 Business Services, a.s.	50087487	Slovakia	Entity controlled by the same controlling entity through ownership interest		O2 Slovakia, s.r.o.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
O2 Czech Republic a.s.	60193336	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Telco B.V., PPF A3 B.V., PPF CYPRUS MANAGEMENT LIMITED
O2 Family, s.r.o.	24215554	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
O2 Financial Services s.r.o.	05423716	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
O2 IT Services s.r.o.	02819678	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
O2 Slovakia, s.r.o.	35848863	Slovakia	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
O2 TV s.r.o.	03998380	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
Office Star Eight a.s.	27639177	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF PROPERTY LIMITED
Office Star Nine, spol. s r. o.	27904385	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF PROPERTY LIMITED

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
OJSC „Non-banking Credit and Financial Organization „Home Credit“	807000056	Belorussia	Entity controlled by the same controlling entity through ownership interest	till 19 June 2018	Home Credit B.V.
One Westferry Circus S.a.r.l.	B175495	Luxembourg	Entity controlled by the same controlling entity through ownership interest	from 12 April 2018	PPR Real Estate s.r.o.
OOO Sibelectroprivod	1045400530922	Russia	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	LOSITANTO Ltd.
OOO Skoda-R	7725682339	Russian Federation	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
OOO Vagonmash	1117847029695	Russian Federation	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
ORIBASE Pharma SAS	499824670	France	Entity controlled by the same controlling entity through ownership interest		PPF Capital Partners Fund B.V.
PACHATA LIMITED	HE 188 914	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Paleos Industries B.V.	66846919	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Pars nova a.s.	25860038	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
Pharma Consulting Group Ltd.	34529634	Ukraine	Entity controlled by the same controlling entity through ownership interest		HOPAR LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Plaza Development SRL	22718444	Romania	Entity controlled by the same controlling entity through ownership interest	from 20 November 2018	PPF Real Estate s.r.o. , PPF CYPRUS MANAGEMENT LIMITED
POLL, s.r.o.	62967754	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
Pompenburg (Rotterdam) B.V.	58163506	Netherlands	Entity controlled by the same controlling entity through ownership interest		Seven Assets Holding B.V.
PPF a.s.	25099345	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF A3 B.V.	61684201	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF A4 B.V.	63365391	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
PPF Advisory (CR) a.s.	25792385	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF ADVISORY (RUSSIA) LIMITED	HE 276 979	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF Advisory (UK) Limited	5539859	United Kingdom of Great Britain and Northern Ireland	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF ADVISORY (UKRAINE) LIMITED	HE 162 172	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF Arena 1 B.V.	59009187	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF TMT Holdco 2 B.V.
PPF Art a.s.	63080672	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.
PPF banka a.s.	47116129	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Financial Holdings B.V.
PPF Beer Holdco 1 B.V.	67330495	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
PPF Beer IM Holdco B.V.	67331378	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Beer Holdco 1 B.V.
PPF Beer Topholdco B.V.	67420427	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Industrial Holding B.V.
PPF Capital Partners Fund B.V.	55003982	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF CO 3 B.V.	34360935	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF banka a.s.
PPF CYPRUS MANAGEMENT LIMITED (formerly ANTHIAROSE LIMITED)	HE 224463	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF CYPRUS RE MANAGEMENT LIMITED (formerly FIGERA LIMITED)	HE 251 908	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
PPF Financial Consulting s.r.o.	24225657	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.
PPF Financial Holdings B.V.	61880353	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
PPF FO Management B.V.	34186296	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Holdings S.á r.l.
PPF GATE a.s.	27654524	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
PPF Group N.V.	33264887	Netherlands	Entity controlled by the same controlling entity through ownership interest		Ing. Petr Kellner, PPF Holdings B.V.
PPF Healthcare N.V.	34308251	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF Holdings B.V.	34186294	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Holdings S.á r.l.
PPF Holdings S.á r.l.	B 186335	Luxembourg	Entity controlled by the same controlling entity through ownership interest		Ing. Petr Kellner
PPF Industrial Holding B.V.	71500219	Netherlands	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	PPF Group N.V.
PPF Infrastructure B.V.	65167899	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Arena 1 B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
PPF PROPERTY LIMITED	HE 189 164	Cyprus	Entity controlled by the same controlling entity through ownership interest		GLANCUS INVESTMENTS INC., PPF CYPRUS RE MANAGEMENT LIMITED
PPF Real Estate Holding B.V.	34276162	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF REAL ESTATE LIMITED	HE 188 089	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
PPF Real Estate s.r.o.	27638987	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
PPF reality a.s.	29030072	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate s.r.o.
PPF SECRETARIAL LTD	HE 340708	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF SERVICES LIMITED
PPF SERVICES LIMITED	HE 92432	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF Telco B.V.	65167902	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Arena 1 B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
PPF TMT Bidco 1 B.V.	70498288	Netherlands	Entity controlled by the same controlling entity through ownership interest	from 3 January 2018	PPF Arena 1 B.V.
PPF TMT Bidco 2 B.V. (formerly PPF Beer Bidco B.V.)	67332722	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PPF TMT Holdco 1 B.V.	70498261	Netherlands	Entity controlled by the same controlling entity through ownership interest	from 3 January 2018	PPF Group N.V.
PPF TMT Holdco 2 B.V.	70526214	Netherlands	Entity controlled by the same controlling entity through ownership interest	from 4 January 2018	PPF TMT Holdco 1 B.V.
Prague Entertainment Group B.V.	63600757	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
PT Home Credit Indonesia	03.193.870.7-021.000	Indonesia	Entity controlled by the same controlling entity through ownership interest		Home Credit Indonesia B.V.
Public Picture & Marketing a.s.	25667254	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.
RC PROPERTIES S.R.L.	12663031	Romania	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate s.r.o.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Real Estate Russia B.V.	63458373	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
REDLIONE LTD	HE 178 059	Cyprus	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V., Home Credit International a.s.
REPIENO LIMITED	HE 282 866	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
Retail Star 22, spol. s r.o.	24132161	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
RHASKOS FINANCE LIMITED	HE 316 591	Cyprus	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
Ruconfin B.V.	55391176	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF banka a.s.
RYAZAN INVESTORS COMPANY LIMITED	HE 180 968	Cyprus	Entity controlled by the same controlling entity through ownership interest	till 21 December 2018	GLANCUS INVESTMENTS INC
RYAZAN SHOPPING MALL LIMITED	HE 180 951	Cyprus	Entity controlled by the same controlling entity through ownership interest	till 21 December 2018	RYAZAN INVESTORS COMPANY LIMITED



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Saint World Limited	1065677	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Home Credit Asia Limited
SALEMONTO LIMITED	HE 161 006	Cyprus	Entity controlled by the same controlling entity through ownership interest		BORACORA LIMITED
Salonica Holding Limited	1949492	British Virgin Islands	Entity controlled by the same controlling entity through ownership interest		Ing. Petr Kellner
SATACOTO Ltd.	HE 155018	Cyprus	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	PPF Beer Topholdco B.V.
SB JSC Bank Home Credit	513-1900-AO (UI)	Kazakhstan	Entity controlled by the same controlling entity through ownership interest		LLC Home Credit & Finance Bank
SCI LA FORET	309844371 R.C.S. Chambéry	France	Entity controlled by the same controlling entity through ownership interest		Ing. Petr Kellner
SEPTUS HOLDING LIMITED	HE 316 585	Cyprus	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
Seven Assets Holding B.V.	58163050	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Shenzhen Home Credit Number One Consulting Co., Ltd.	91440300664174257K	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Home Credit Asia Limited
Shenzhen Home Credit Xinchu Consulting Co., Ltd.	91440300796638527A	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Favour Ocean Limited
SIGURNO LIMITED	HE 172539	Cyprus	Entity controlled by the same controlling entity through ownership interest		Gilbey Holdings Limited
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd.	901510100660467589T	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Home Credit Asia Limited
SILINE CONSULTING LIMITED	HE 281961	Cyprus	Entity controlled by the same controlling entity through ownership interest		Celestial Holdings Group Limited
SKODA Transportation Deutschland GmbH	HRD 208 725	Germany	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
Smart home security s.r.o.	063 21 399	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Bolt Start Up Development a.s.
SOTIO a.s.	24662623	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Sotio N.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	People's Republic of China	Entity controlled by the same controlling entity through ownership interest		Sotio N.V.
Sotio N.V.	34302290	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
STEPHOLD LIMITED	HE 221 908	Cyprus	Entity controlled by the same controlling entity through ownership interest		CELESTIAL HOLDINGS GROUP LIMITED
STINCTUM HOLDINGS LIMITED	HE 177 110	Cyprus	Entity controlled by the same controlling entity through ownership interest		SALEMONTO LIMITED
SUNDOWN FARMS LIMITED	HE 310 721	Cyprus	Entity controlled by the same controlling entity acting in concert through ownership interest		Vixon Resources Limited, Chelton Properties Limited
SYLANDER CAPITAL LIMITED	HE 316 597	Cyprus	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
ŠKODA CITY SERVICE s.r.o.	29119057	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA ELECTRIC a.s.	477 18 579	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
ŠKODA ICT s.r.o.	279 94 902	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA INVESTMENT a.s.
ŠKODA INVESTMENT a.s.	265 02 399	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 3 May 2018	PPF Beer Topholdco B.V.
ŠKODA RAIL s.r.o.	058 22 149	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA REAL ESTATE DEVELOPMENT a.s. v likvidaci	264 11 521	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018 to 8 November 2018	ŠKODA INVESTMENT a.s.
ŠKODA SERVIS s.r.o.	263 51 277	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA INVESTMENT a.s.
ŠKODA TRANSPORTATION a.s.	626 23 753	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	PPF Beer Topholdco B.V.
Škoda Transportation USA, LLC	81-257769	USA	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
ŠKODA TVC s.r.o.	25247964	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
ŠKODA VAGONKA a.s.	258 70 637	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
TALPA ESTERO LIMITED	HE 316 502	Cyprus	Entity controlled by the same controlling entity through ownership interest		Home Credit B.V.
TANAINA HOLDINGS LIMITED	HE 318 484	Cyprus	Entity controlled by the same controlling entity through ownership interest		TOLESTO LIMITED
TANFORD LIMITED	HE 167 324	Cyprus	Entity controlled by the same controlling entity through ownership interest		Ing. Petr Kellner
TAPADEO LIMITED	HE 341 777	Cyprus	Entity controlled by the same controlling entity through ownership interest		KARMION HOLDINGS LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Tapito s.r.o. (formerly TapMedia s.r.o.)	03853365	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Bolt Start Up Development a.s.
Telematika a.s.	054 18 046	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 18 May 2018	PPF a.s.
Telenor Bulgaria EAD	130460283	Bulgaria	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	PPF TMT Bidco 1 B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Telenor Common Operation Ztr.	13-10-041370	Hungary	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	PPF TMT Bidco 1 B.V.
Telenor d.o.o. Beograd	20147229	Serbia	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	PPF TMT Bidco 1 B.V.
Telenor d.o.o. Podgorica	50017124	Montenegro	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	PPF TMT Bidco 1 B.V.
Telenor Direct d.o.o. Beograd	20426306	Serbia	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	Telenor d.o.o. Beograd
Telenor Direct MNE d.o.o. Podgorica	50537063	Serbia	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	Telenor d.o.o. Beograd
Telenor Magyarország Zrt.	13-10-040409	Hungary	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	PPF TMT Bidco 1 B.V.
Telenor Real Estate Hungary Ztr.	13-10-041060	Hungary	Entity controlled by the same controlling entity through ownership interest	from 31 July 2018	PPF TMT Bidco 1 B.V.
TELISTAN LIMITED	HE 341 864	Cyprus	Entity controlled by the same controlling entity through ownership interest		Eastern Properties B.V.



Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Tesco Mobile ČR s.r.o.	29147506	Czech Republic	Entity controlled by the same controlling entity through ownership interest		O2 Czech Republic a.s.
Tesco Mobile Slovakia, s.r.o.	36863521	Slovakia	Entity controlled by the same controlling entity through ownership interest		O2 Slovakia, s. r. o.
TIMEWORTH HOLDINGS LTD.	HE 187 475	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.
TOLESTO LIMITED	HE 322 834	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
TRADING RS Sp. z o.o.	NIP 7010213385	Poland	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
TRANSTECH OY	1098257-0	Finland	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	ŠKODA TRANSPORTATION a.s.
Trigon Berlin B.V.	55440916	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
Trigon II B.V.	56068948	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
Trilogy Park Holding B.V.	60006609	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Nizhny Novgorod Holding B.V.	67330355	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
TROMSON ENTERPRISES LIMITED	233665	Cyprus	Entity controlled by the same controlling entity through ownership interest	till 19 April 2018	PPF Group N.V.
UNILEAVE LIMITED v likvidaci	HE 179 204	Cyprus	Entity controlled by the same controlling entity through ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Usconfin 1 DAC	619282	Ireland	Entity controlled by the same controlling entity through ownership interest	from 23 January 2018	PPF banka a.a.
VELTHEMIA LIMITED	HE 282 891	Cyprus	Entity controlled by the same controlling entity through ownership interest		REPIENO LIMITED
Vixon Resources Limited	144 18 84	British Virgin Islands	Entity controlled by the same controlling entity acting in concert through ownership interest		Renáta Kellnerová
Vox Ventures B.V.	65879554	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Group N.V.

Company name	Identification / registration number	State of registration	Method and means of control	Note	Interest through
VÚKV a.s.	452 74 100	Czech Republic	Entity controlled by the same controlling entity through ownership interest	from 24 April 2018	PPF Beer Topholdco B.V.
Wagnerford Holdings Limited	HE 210154	Cyprus	Entity controlled by the same controlling entity through ownership interest	from 18 April 2018	MP Holding 2 B.V.
Wagnerford LLC	5087746372819	Russian Federation	Entity controlled by the same controlling entity through ownership interest	from 18 April 2018	Wagnerford Holdings Limited
West Logistics Park LLC (WLP)	35093235	Ukraine	Entity controlled by the same controlling entity through ownership interest		Izotrem Investments Limited
Westminster JV a.s.	05714354	Czech Republic	Entity controlled by the same controlling entity through ownership interest		PPF a.s.
Wilhelminaplein (Rotterdam) B.V.	59494034	Netherlands	Entity controlled by the same controlling entity through ownership interest		PPF Real Estate Holding B.V.
Zonky s.r.o.	035 70 967	Czech Republic	Entity controlled by the same controlling entity through ownership interest		Home Credit International a.s.

# **ŠKODA TRANSPORTATION a.s.**

## **Consolidated financial statements for 2018** in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

### Translation note

This version of the annual report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the annual report takes precedence over this translation.

## Consolidated income statement for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Note	2018 TCZK	2017 TCZK
<b>I. Continuing operations</b>			
Revenues from goods sold	7	141 237	170 335
Revenues from products and services	7	11 440 941	11 444 898
Other operating revenues	7	197 718	155 510
<b>Total revenues</b>		<b>11 779 896</b>	<b>11 770 743</b>
Cost of goods sold		-88 550	-107 366
Cost of sales	8	-7 912 103	-7 244 351
Personnel expenses	9	-2 693 028	-2 519 462
Depreciation and amortisation	14, 15	-364 786	-615 017
Impairment of non-current assets (increase - / decrease +)	15	8 743	18 765
Impairment of receivables (increase - / decrease +)		13 535	--
Other operating expenses	10	-522 723	-652 530
Other operating income	11	148 591	257 431
<b>Total operating expenses</b>		<b>-11 410 321</b>	<b>-10 862 530</b>
Profit/loss on disposal of non-current assets		5 017	7 535
<b>Operating profit/loss</b>		<b>374 592</b>	<b>915 748</b>
Share of profit of associated companies	16	4 013	8 588
Loss on investments		-2 613	--
Finance income	12	104 304	138 467
Finance expenses	12	-339 246	-508 552
Other finance income and expenses (expense - / income +)	12	126 477	-11 092
<b>Profit before tax</b>		<b>267 527</b>	<b>543 159</b>
Income tax	13	59 429	-291 935
<b>Profit from continuing operations</b>		<b>326 956</b>	<b>251 224</b>
<b>II. Profit for the period</b>			
Attributable to:			
- owners of the Parent company		344 216	216 576
- non-controlling owners	17	-17 260	34 647
<b>Total profit for the period</b>		<b>326 956</b>	<b>251 224</b>

The notes form an integral part of the consolidated financial statements.

## Consolidated statement of comprehensive income for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	2018 TCZK	2017 TCZK
<b>Profit for the period</b>	<b>326 956</b>	<b>251 224</b>
<b>Other comprehensive income</b>	<b>-265 327</b>	<b>504 934</b>
<i>Items which will be reclassified into profit and loss</i>		
Gain/(loss) on cash flow hedges	-333 839	639 302
Foreign currency translation differences for foreign operations	8 718	-375
Deferred tax on items of other comprehensive income	59 794	-133 993
<b>Total comprehensive income for the period</b>	<b>61 629</b>	<b>756 158</b>
Attributable to owners of the Parent company	70 943	712 328
Attributable to non-controlling owners	-9 314	43 830

The notes form an integral part of the consolidated financial statements.



## Consolidated statement of financial position as at 31 December 2018 and 31 December 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Note	31.12.2018 TCZK	31.12.2017 TCZK
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	3 594 684	3 593 157
Investment property		--	--
Intangible assets	14	2 503 442	2 304 613
Assets under construction	14, 15	47 485	108 682
Goodwill	14	4 113 101	4 117 901
Investments in subsidiaries		--	--
Investments in associates and joint ventures	16	25 525	29 192
Available-for-sale financial assets and long-term loans		--	--
Deferred tax asset	18	301 113	218 952
Derivatives	30	146 773	285 505
Other non-current receivables	20	686 321	645 764
<b>Total non-current assets</b>		<b>11 418 444</b>	<b>11 303 766</b>
<b>Current assets</b>			
Inventories	21	2 784 476	3 090 428
Trade and other receivables	22	7 114 019	7 479 489
Current income tax receivable	19	98 383	230 907
Financial assets held for trading		--	--
Derivatives	30	72 403	225 782
Cash and cash equivalents	23	1 741 634	1 291 699
<b>Total current assets</b>		<b>11 810 915</b>	<b>12 318 305</b>
<b>Total assets</b>		<b>23 229 359</b>	<b>23 622 071</b>

## EQUITY AND LIABILITIES

### Equity attributable to majority owners

Registered capital	24	3 150 000	3 150 000
Capital contributions	24	4 301 739	4 289 814
Revaluation of assets		--	--
Fair value changes relating to hedges	24	95 762	369 807
Foreign currency translation differences for foreign operations	24	43 102	34 384
Retained earnings	24	4 031 929	3 683 428

### Total equity attributable to owners of the Parent company

11 622 532 11 527 433

### Total equity attributable to non-controlling owners

-64 366 -55 052

### Total equity

11 558 166 11 472 381

### Non-current liabilities

Long-term loans, borrowings and securities	29	3 833 619	3 507 010
Non-current finance lease liabilities	15	3 601	4 353
Deferred tax liability	18	334 349	428 421
Liability arising from share-based payments		--	--
Non-current provisions	26	301 032	369 971
Other non-current liabilities	27	2 281 409	545 252
Derivatives	30	88 040	19 408

### Total non-current liabilities

6 842 050 4 874 415

### Current liabilities

Trade and other payables	28	3 644 600	3 596 367
Current income tax liability	19	7 678	42
Short-term loans, borrowings and securities	29	52 603	2 347 099
Current finance lease liabilities	15	784	1 351
Current provisions	26	1 111 346	1 320 523
Derivatives	30	12 132	9 893

### Total current liabilities

4 829 143 7 275 275

### Total liabilities

11 671 193 12 149 690

### Total equity and liabilities

23 229 359 23 622 071

The notes form an integral part of the consolidated financial statements.

## Consolidated statement of changes in equity for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Registered capital	Capital contributions	Fair value changes relating to hedges and foreign currency translation	Retained earnings	Total equity attributable to owners of the Parent company	Total equity attributable to non-controlling owners	Total equity
<b>Opening balance at 1.1.2017</b>	<b>3 150 000</b>	<b>78 036</b>	<b>-100 743</b>	<b>3 590 148</b>	<b>6 717 441</b>	<b>-98 882</b>	<b>6 618 559</b>
Change in accounting methods	--	--	--	--	--	--	--
Correction of prior period figures	--	--	--	--	--	--	--
Adjusted balance	3 150 000	78 036	-100 743	3 590 148	6 717 441	-98 882	6 618 559
Profit for 2017	--	--	--	216 576	216 576	34 647	251 223
Components of other comprehensive income	--	--	504 934	--	504 934	9 183	514 117
Total comprehensive income for 2017	--	--	504 934	216 576	721 510	43 830	765 340
Transaction with owners							
Change in registered capital	--	--	--	--	--	--	--
Dividends and other payments from equity	--	--	--	--	--	--	--
Other contributions to equity	--	4 211 353	--	--	4 211 353	--	4 211 353
Other equity transactions							
Distribution of equity to non-owners	--	-13 337	--	--	-13 337	--	-13 337
Transfer from other components of equity to retained earnings	--	--	--	--	--	--	--
Transfer of retained earnings to other components of equity	--	13 762	--	-13 762	--	--	--
Other transactions with non-controlling owners	--	--	--	-109 534	-109 534	--	-109 534
<b>Closing balance at 31.12.2017</b>	<b>3 150 000</b>	<b>4 289 814</b>	<b>404 191</b>	<b>3 683 428</b>	<b>11 527 433</b>	<b>-55 052</b>	<b>11 472 381</b>

	Registered capital	Capital contributions	Fair value changes relating to hedges and foreign currency translation	Retained earnings	Total equity attributable to owners of the Parent company	Total equity attributable to non-controlling owners	Total equity
<b>Opening balance at 1.1.2018</b>	<b>3 150 000</b>	<b>4 289 814</b>	<b>404 191</b>	<b>3 683 428</b>	<b>11 527 433</b>	<b>-55 052</b>	<b>11 472 381</b>
Application of IFRS 15 and IFRS 9	--	--	--	11 199	11 199	--	11 199
Correction of prior period figures	--	--	--	--	--	--	--
Adjusted balance	3 150 000	4 289 814	404 191	3 694 627	11 538 632	-55 052	11 483 580
Profit for 2018	--	--	--	344 216	344 216	-17 260	326 956
Components of other comprehensive income	--	--	-265 327	--	-265 327	7 946	-257 381
Total comprehensive income for 2018	--	--	-265 327	344 216	78 889	-9 314	69 575
Transaction with owners							
Change in registered capital	--	--	--	--	--	--	--
Dividends and other payments from equity	--	--	--	--	--	--	--
Other contributions to equity	--	13 341	--	--	13 341	--	13 341
Other equity transactions							
Distribution of equity to non-owners - utilisation of social fund	--	-13 313	--	--	-13 313	--	-13 313
Transfer from other components of equity to retained earnings	--	72	--	-72	--	--	--
Transfer of retained earnings to other components of equity - contribution to social fund	--	11 825	--	-11 825	--	--	--
Other transactions with non-controlling owners	--	--	--	4 983	4 983	--	4 983
<b>Closing balance at 31.12.2018</b>	<b>3 150 000</b>	<b>4 301 739</b>	<b>138 864</b>	<b>4 031 929</b>	<b>11 622 532</b>	<b>-64 366</b>	<b>11 558 166</b>
<b>Note</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>		<b>17</b>	

The notes form an integral part of the consolidated financial statements.

## Consolidated statement of cash flow for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Note	2018 TCZK	2017 TCZK
<b>I. Cash flows from operating activities</b>			
<i>Profit before tax</i>		267 527	543 159
Adjustments for:			
- depreciation and amortisation	14, 15	364 786	615 017
- impairment of non-current assets	15	-8 743	-18 765
- profit/loss on disposal of non-current assets		-4 871	-2 330
- impairment of current assets		175 173	63 242
- share of profit of associated companies		-4 013	-8 588
- loan fees, interest expense and income		238 260	429 343
- other non-cash transactions		39 081	-22 342
- change in provisions		-207 732	11 574
- gain/loss on sale of subsidiaries		2 613	--
<i>Total adjustments</i>		594 554	1 067 151
<b><i>Operating cash flows before changes in working capital</i></b>		<b>862 081</b>	<b>1 610 310</b>
Change in inventories		116 157	66 023
Change in trade and other receivables		9 121	-1 427 918
Change in trade and other payables		2 386 656	-970 346
<b><i>Cash flows from operating transactions</i></b>		<b>3 374 015</b>	<b>-721 931</b>
Interest received including sales discount		58 901	53 445
Interest and bank fees paid		-188 251	-302 172
Income tax paid		83 083	-97 546
<b><i>Net cash flows from operating activities</i></b>		<b>3 327 748</b>	<b>-1 068 204</b>
<b>II. Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		-461 412	-204 964
Acquisition of intangible assets		-269 804	-341 594
Acquisition of financial investments		-104 551	--
Proceeds from disposal of non-current assets other than financial investments		8 272	2 288
Proceeds from disposal of financial investments		8 790	--
Dividends received		7 680	--
<b><i>Net cash flows from investing activities</i></b>		<b>-811 025</b>	<b>-544 270</b>

**III. Cash flows from financing activities**

Proceeds from contributions made to registered capital	--	--
Proceeds from equity contributions made outside of registered capital	--	500 000
Bank loans and borrowings received - utilisation	255 113	2 346 140
Issue of debt securities	--	--
Payments made from equity (except for dividends)	-13 313	-4 156
Change in finance lease liabilities	-1 206	1 496
Bank loans and borrowings received - repayment	-2 307 382	-1 232 824
Interest, loan fees and dividends paid (including withholding tax)	--	--

<b>Net cash flows from financing activities</b>	<b>-2 066 788</b>	<b>1 610 656</b>
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<b>Net increase/decrease in cash and cash equivalents</b>	<b>23</b>	<b>449 935</b>	<b>-1 819</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>1 291 699</b>	<b>1 293 518</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>23</b>	<b>1 741 634</b>	<b>1 291 699</b>

The notes form an integral part of the consolidated financial statements.



## Contents:

1.	Description and principal activities .....	10
2.	Basis of preparation of the consolidated financial statements .....	12
3.	Accounting policies.....	17
4.	Consolidated group .....	35
5.	Changes in the consolidated group .....	37
6.	Operating segments .....	37
7.	Revenues .....	41
8.	Materials and consumables.....	44
9.	Personnel expenses .....	44
10.	Other operating expenses .....	44
11.	Other operating income .....	45
12.	Net finance income and expense .....	45
13.	Income tax .....	46
14.	Intangible assets .....	46
15.	Property, plant and equipment and Assets under construction .....	51
16.	Investments in joint ventures and associated companies.....	54
17.	Non-controlling interests .....	55
18.	Deferred tax liability/asset.....	56
19.	Income tax receivables and payables.....	57
20.	Other non-current receivables .....	57
21.	Inventories .....	58
22.	Trade receivables and other assets .....	59
23.	Cash and cash equivalents .....	59
24.	Equity .....	60
25.	Earnings/(losses) per share .....	60
26.	Provisions.....	61
27.	Other non-current liabilities .....	62
28.	Trade payables and other payables .....	63
29.	Loans, borrowings and securities .....	64
30.	Derivatives .....	68
31.	Financial instruments .....	70
32.	Transactions with related parties .....	78
33.	Contingencies and commitments.....	79
34.	Litigations .....	79
35.	Environmental liabilities .....	80
36.	Development costs .....	80
37.	Government grants.....	81
38.	Material subsequent events .....	81

## 1. Description and principal activities

### *Establishment and description of the Company*

ŠKODA TRANSPORTATION a.s. ("the Company") was recorded in the Commercial Register kept by the Regional Court in Pilsen on 1 March 1995. The Company acts as a manufacturing and parent company that manages a group of entities ("the Group").

The sole shareholder of the Company as at 31 December 2018 is PPF Beer Topholdco B.V. The sole shareholder holds 1 registered ordinary share in book-entry form in the nominal value of TCZK 3 134 100 and 1 registered ordinary share in book-entry form in the nominal value of TCZK 15 900.

As at 31 December 2018, Petr Kellner indirectly held a majority share (98.93%) in the voting rights of the Company through PPF Beer Topholdco B.V. from the PPF group which he controls.

### *Principal activities of the ŠKODA TRANSPORTATION Group*

The principal activity of the Group is engineering. The Group's primary activities comprise the design of electrical equipment, metalworking, tool-making, and the manufacture of trolley busses, trams, locomotives and suburban units. The Group also specialises in the refurbishment of rolling stock, and conducts in-house development.

### *Registered office*

ŠKODA TRANSPORTATION a.s.  
Emila Škody 2922/1  
301 00 Plzeň, Jižní Předměstí  
Czech Republic

The Company's identification number is 626 23 753.

### *Members of the board of directors and supervisory board as at 31 December 2018*

#### *Members of the board of directors*

Ing. Zdeněk Sváta  
Ing. Tomáš Ignačák, MBA  
Ing. Jaromír Šilhánek  
Ing. Petr Brzezina  
Ing. Jan Menclík

#### *Members of the supervisory board*

Ing. Ladislav Chvátal  
doc. Ing. Michal Korecký, Ph.D.  
Ing. Jaroslav Zoch

### *Changes in the Commercial Register*

In 2018 the following changes were recorded in the Commercial Register:

- On 14 January 2018, Ing. Marek Krsek was removed as the vice-chairman of the board of directors. This change was recorded in the Commercial Register on 12 February 2018.
- On 14 January 2018, MSc. Jan Černý was removed as a member of the board of directors. This change was recorded in the Commercial Register on 12 February 2018.
- On 24 April 2018, the owner of the Company changed. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Tomáš Ignačák was removed as the chairman of the board of directors and at the same time he was elected the vice-chairman of the board of directors. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Petr Brzezina was elected the chairman of the board of directors. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Jan Menclík was elected a member of the board of directors. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Tomáš Krsek was removed as the chairman of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, doc. Ing. Michal Korecký was removed as the vice-chairman of the supervisory board and at the same time he was elected a member of the supervisory board on 25 April 2018. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Mgr. Ján Gajdoš was removed as a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Petra Humlová was removed as a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Mgr. Kristína Magdolenová was removed as a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Ladislav Chvátal was elected the chairman of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Jaroslav Zoch was elected a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.

## 2. Basis of preparation of the consolidated financial statements

### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and give a true and fair view of the financial position of the Group as at 31 December 2018, the results of its operations and cash flows for the year ended 31 December 2018.

The financial statements, except for the statement of cash flows, are prepared on the accrual basis of accounting.

These consolidated financial statements were authorised for issue by the board of directors of ŠKODA TRANSPORTATION a.s. on 10 April 2019.

When preparing these consolidated financial statements, the Group used new or amended standards and interpretations that are to be applied for accounting periods beginning on 1 January 2018.

### New standards and interpretations not applied

The following new standards and amendments to standards were not yet effective for the year ended 31 December 2018 and were not applied in preparing these consolidated financial statements:

*IFRS, IFRS amendments, and interpretations approved by the European Union, but not effective yet:*

- New IFRS 16 – Leases
  - The new standard is obligatory for annual periods beginning on or after 1 January 2019. IFRS 16 determines the principles for recognising assets used under a lease agreement (under leases).

The lessee is obliged to report a right-of-use asset, representing his right to use the leased underlying asset, and a lease liability representing his liability to pay the lease payments in the statement of financial position. The lessee shall further report a depreciation charge for right-of-use assets and interest expense on the lease liabilities in the income statement.

The standard allows entities to apply an exception under which the lessees can opt not to apply the requirements of IFRS 16 to short-term leases and leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting, however, shall remain largely unchanged. Lessors shall continue classifying leases as operating or finance leases.

The standard replaces the existing rules for lease recognition, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating leases — incentives, and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.

- The Group will adopt IFRS 16 as at 1 January 2019. It has opted for the modified retrospective method with cumulative effect of initial application on the opening balance of retained profits in respect of the transition to the new standard.

The Group analysed the impact of the implementation of this standard based on a review of the concluded lease agreements effective as at 31 December 2018. The Group has concluded several lease agreements as the lessee. In accordance with IFRS 16, the Group will newly recognise lease assets and liabilities from leases of non-residential premises (office premises, warehouses, and parking lots) and will further report depreciation charges from these newly reported lease assets as well as interest expense on lease liabilities. Under the current information, the Group estimates to report new lease liabilities of MCZK 107 as at 1 January 2019. The quantified impact on the income statement will not be significant from the Group's point of view.

The Group further recognises leases that can be classified as short-term leases and leases of low value assets. The Group has decided to use the exception under IFRS 16 for this type of leases and to continue reporting them in the income statement as services.

- IFRIC 23 - Uncertainty over Income Tax Treatments
  - IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.
  - The Group's management expects that the interpretation, when initially applied, will not have a material impact on the Group's consolidated financial statements as the Group does not operate in a complex multinational tax environment / does not have material uncertain tax positions.
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
  - These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, the concern was related to how the Group would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, the Group would measure a financial asset with so-called negative compensation at fair value through profit or loss.  
The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.

- The Group's management does not expect that the amendments will have a material impact on the Group's consolidated financial statements because the Group does not have prepayable financial assets with negative compensation.

*Standards and interpretation endorsed by the International Accounting Standards Board (IASB) which are waiting for endorsement by the EU:*

- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
  - The Group's management expects that the amendments, when initially applied, might have a material impact on the Group's consolidated financial statements as the consolidated unit also includes associates. However, the quantitative impact of the adoption of the amendments can only be assessed in the year of initial application of the amendments, as this will depend on the transfer of assets or businesses to the associate that take place during that reporting period.
- IFRS 17 - Insurance Contracts
  - The Group's management expects that the new standard, when initially applied, will not have a material impact on the Group's consolidated financial statements because the Group does not operate in the insurance industry.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
  - The Group's management expects that the amendments, when initially applied, will not have a material impact on the Group's consolidated financial statements.
- Annual Improvements to IFRS 2015-2017 Cycle
  - None of these changes are expected to have a material impact on the Group's consolidated financial statements.
- Amendments to IAS 19: Employee Benefits
  - The Group's management expects that the amendments, when initially applied, will not have a material impact on the Group's consolidated financial statements.
- Amendments to IFRS 3 Business Combinations
  - The Group's management expects that the amendments, when initially applied, will not have a material impact on the Group's consolidated financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
  - The Group's management expects that the amendments, when initially applied, will not have a material impact on the Group's consolidated financial statements.



**Basis of measurement**

The consolidated financial statements are presented in Czech crowns, with all balances rounded to the nearest thousand.

The consolidated financial statements have been prepared on the historical cost basis. With the exception of financial derivatives and assets and liabilities acquired through business combinations, which are measured at fair value.

**Basis of consolidation**

The Group's consolidated financial statements, presented as those of a single economic entity, include the assets, liabilities, equity, revenues, expenses and cash flows of the parent company and its subsidiaries and have been prepared as at the end of the same accounting period as the parent company's separate financial statements, using uniform accounting policies with respect to similar transactions and other events under similar circumstances.

*Subsidiaries*

Subsidiaries are entities controlled by the Company. The Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated using the full consolidation method.

In the statement of financial position, non-controlling interests in equity are presented separately from the equity attributable to owners of the parent company.

*Associated companies*

An associate is an entity in which the Company has significant influence. Using the equity method, investments in associates (equity-accounted investees) are recognised initially at cost, with their carrying amounts subsequently increased/decreased to reflect the Group's share of the equity-accounted investee's comprehensive income. This share is recognised in the Group's comprehensive income. Investments in associates are accounted for using the equity method from the date that significant influence commences.

The equity method is applied using the associate's latest available financial statements.

*Joint ventures*

Investments in joint ventures are accounted for using the equity method. The equity method is applied using the joint venture's latest available financial statements.

*Business combinations*

Business combinations are accounted for using the acquisition method. The acquisition cost of a business combination corresponds to the sum of paid consideration, measured at fair value determined as at the acquisition date, and the value of potential non-controlling interests in the acquiree. At the date of a business combination, the acquirer measures potential non-controlling interests in the acquiree at their fair value or at the proportionate share of the acquiree's identifiable net assets. Transactions costs that the Group incurs in connection with a business combination are expensed as incurred.

### *Goodwill*

Goodwill arising on consolidation represents the amount by which the purchase price exceeds the Group's share of the fair value of the identifiable assets and liabilities of a subsidiary, associated company or joint venture as at the acquisition date. After initial recognition, goodwill is stated at purchase price less accumulated impairment losses. The carrying amount of goodwill related to an associated company is included in the carrying amount of the investment in the associated company. Goodwill is not amortised, but is tested for impairment every year.

If the Group's share of the fair value of the identifiable assets and liabilities of a subsidiary, associated company or joint venture as at the acquisition date exceeds the purchase price, the Group will remeasure the identifiable assets and liabilities and the purchase price. Any excess arising on remeasurement (negative goodwill) is recognised in profit or loss in the period in which the acquisition occurred.

### *Transactions with owners*

The difference between the acquisition cost upon the acquisition of an interest in a subsidiary from the parent company and the proportionate share of the subsidiary's net identifiable assets is reported directly in equity.

### **Estimates and assumptions**

In preparing the consolidated financial statements, the Group's management uses estimates and makes assumptions that, as at the date of the consolidated financial statements, affect the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various other factors that are deemed appropriate under the conditions based on which estimates of the carrying amounts of assets and liabilities are applied and that are not readily available from other sources. Actual results may vary from the estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, providing that the revision affects only that period, or in the revision period and the subsequent period, providing that the revision affects both the current as well as the subsequent period.

Information about significant estimation uncertainties and critical judgments in applying accounting policies that most significantly affect the amounts recognised in the consolidated financial statements is primarily included in the following notes:

- Note 7 – Revenues
- Note 14 – Intangible assets
- Note 15 – Property, plant and equipment and non-current assets under construction
- Note 18 – Deferred tax liability / asset
- Note 20 – Other non-current receivables
- Note 21 – Inventories
- Note 22 – Trade receivables and other assets
- Note 26 – Provisions
- Note 30 – Derivatives

In addition, impairment testing relating to the accounts disclosed in notes 14, 15 and 21 are also dependent on key assumptions underlying recoverable amounts (including the recoverability of development costs).

### 3. Accounting policies

#### *a) Property, plant and equipment*

##### *Assets owned by the Group*

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of internally produced assets includes the cost of materials and direct labour, including an estimate of the costs of dismantling and removing the asset and restoring the site and an allocation of production overheads.

##### *Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the asset's estimated useful life. Land is not depreciated. The depreciation period of items of plant and equipment is as follows:

Assets	Method	Period
Buildings and structures	Straight-line	10 to 50 years
Machinery and equipment	Straight-line	4 - 15 years
Vehicles	Straight-line	4 - 10 years
Low value non-current assets	Straight-line	2 - 5 years
Fixtures	Straight-line	over the duration of the project

The depreciation of items of plant and equipment commences when they are ready for use, i.e. from the following month when they are in a location and in a condition allowing their use as planned by the Group's management. Depreciation is charged over the asset's estimated useful life, taking into account its residual value. Components of items of plant and equipment that are significant to the item as a whole are depreciated separately in accordance with their estimated useful lives.

Items of property, plant and equipment under construction comprise buildings and equipment under construction and are stated at cost, which includes the cost of constructing the asset, and other direct expenses. Items of property, plant and equipment under construction are not depreciated until they are fit for their intended use.

As at the date of preparation of the financial statements, the Group reviews the method and period of depreciation of the individual groups of assets and makes possible adjustments.

Profit or loss on the sale or disposal of an asset is determined as the difference between the income from the sale and the net book value of the respective asset. The difference is recognised in the income statement.

##### *Subsequent expenditure*

The Group includes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits associated with the item of property, plant and equipment will flow to the Group and the cost can be reliably measured. All other costs are expensed as incurred.

### *Leased assets*

Leased assets in respect of which the Group substantially assumes all risks and rewards incidental to ownership are classified as finance leases.

At the inception of the lease, assets acquired under finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments. The interest component of the finance charge is recognised in the income statement over the lease term so as to achieve a constant rate of interest on the remaining balance of the liability for each period. The discount rate used in calculating the present value of the minimum future lease payments is the interest rate implicit in the lease. Assets acquired under finance leases are depreciated over their useful lives.

Leases under which the lessor retains a substantial part of the risks and rewards incidental to ownership are classified as operating leases. Payments under operating leases (reduced by incentives provided by the lessor) are recognised as an expense on a straight-line basis over the lease term, unless another method is more representative of the time pattern of the user's benefit.

### *b) Intangible assets*

Intangible assets, except goodwill and trademarks, are stated at cost less accumulated amortisation and impairment losses. Intangible assets with specific useful lives are amortised over their estimated useful lives, starting from the time when they are ready for use, i.e. when they are in a location and in a condition required for their use as intended by the Group's management.

Trademarks are understood to be assets with unlimited useful lives that are stated at acquisition cost and not amortised.

The amortisation period for intangible assets owned by the Group ranges from three to ten years, with assets being amortised on a straight-line basis. The appropriateness of the amortisation periods and rates used is reviewed on a regular basis (at least at the end of each accounting period), with relevant changes in amortisation being applied in subsequent periods.

Assets	Method	Period
Software	Straight-line	3 to 5 years
Development	Straight-line	4 to 10 years
Development – specific projects	Output-based	over the duration of the project

Goodwill and intangible assets with indefinite useful lives are not amortised and are tested for impairment annually.

### *Subsequent costs*

Subsequent costs relating to a capitalised intangible asset are capitalised only if they increase the future economic benefits generated by the asset to which they relate. All other costs are recognised in profit or loss as incurred.

***c) Inventories***

Inventory is stated at the lower of cost and net realisable value. The cost of inventory includes expenses incurred in connection with the acquisition of the inventory, in particular freight costs and insurance costs, as well as direct materials and, where appropriate, an allocation of wages and manufacturing overheads incurred in bringing the inventories to their current location and condition. Net realisable value is the estimated selling price reduced by estimated completion and selling costs.

Raw materials inventory is stated at cost, which includes the purchase price of the inventory and related customs duties and in-transit storage and freight costs incurred in delivering the inventory to the manufacturing facility.

The cost of materials is determined using the weighted average method.

Work in progress and finished goods inventories are stated at internal cost, which includes direct production costs and, where relevant, an allocation of indirect production costs.

***d) Receivables and payables***

Trade receivables and other assets are stated at net book value.

Trade payables and other liabilities are stated at net book value.

***Receivables relating to long-term contracts (accounting policy effective until 31 December 2017)***

Receivables arising from long-term contracts are amounts that are owed by customers for contract work and include:

a) costs incurred plus recognised profits less

b) the sum of recognised losses and progress billings, including the offset advances received

for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

***Contract assets (accounting policy effective from 1 January 2018)***

Receivables from a contract asset represent the Group's title to consideration in exchange for products, goods or services (according to the contracts with customers) which the Group transferred to the customer and which include:

a) costs incurred plus recognised profits less

b) the sum of recognised losses and progress billings, including the offset advances received

for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings and advances received from customers.

The contract asset becomes a receivable once the Group's unconditional right to consideration is acquired.

***Contract liability (accounting policy effective from 1 January 2018)***

The contract liability represents a liability of the entity to transfer goods or services to the customer for which the entity received a consideration from the customer. The consideration received relates to advances received or to ongoing invoicing in the event of contracts with customers the revenues from which are recognised over

time. Contract liabilities are recognised as revenue at the moment the performance obligation is fulfilled (partially fulfilled).

***e) Cash and cash equivalents***

Cash equivalents are highly liquid investments and comprise short-term cash deposits with a maximum original maturity of three months.

***f) Equity***

***Registered capital***

The Company's registered capital comprises the sole shareholder's fully paid-up contribution, and is stated at nominal value in accordance with the Company's articles of association and its entry in the Commercial Register.

***Capital contributions***

Capital contributions comprise contributions made outside of registered capital as well as the allocation and distribution of funds to/from the social fund.

***Fair value changes in respect of hedging***

Fair value changes in respect of hedging comprise changes in the fair value of hedging derivatives and related deferred tax.

***Retained earnings***

Retained earnings include amounts arising from profit distribution/loss settlement, retained profits and the net profit/loss for the current period.

***g) Employee benefits***

***Defined contribution plans***

The government of the Czech Republic is responsible for providing employees with a basic retirement pension scheme. The Group pays regular contributions to the state budget for the basic pension scheme. These contributions are derived from the amount of wages and salaries paid and are recognised as expenses when the wage liability originates.

***Other non-current employee benefits***

These comprise future bonuses to which employees are entitled in connection with reaching a certain age or number of years of service, or upon retirement. These benefits are discounted to present value. The discount rate is the yield on government bonds whose maturity approximates the maturity of obligations arising from employee benefits. Year-on-year changes are recognised in the income statement.

***h) Provisions***

Provisions are recognised in the statement of financial position when, as a result of a past event, the Group has a legal or constructive obligation and an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is significant, the expected future cash flows are discounted at a rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.



#### *Provision for warranty repairs*

A provision for warranty repairs is recognised when a product or service is delivered to the customer. The provision is calculated based on historical data and an individual assessment of potential future expenses, while taking into account additional circumstances known as at the date of preparation of the consolidated financial statements.

#### *Provision for risks*

The provision for risks primarily includes provisions for penalties arising from contractual relationships and is only recognised if the probability is that an outflow of resources will be needed is more likely than not and a reliable estimate of the amount of the obligation can be made.

#### *Provision for onerous contracts*

A provision for onerous contracts is recognised when the total expected income from a contract is lower than the total estimated costs of the contract.

#### *Provision for environmental risks*

A provision for environmental risks is established to cover expected future costs. The provision is recognised if restoration costs can be reliably measured.

#### *Provision for litigations*

A provision for litigations is created in the amount of future consideration based on a legal analysis prepared for the Group's management if it is probable that an outflow of economic benefits will be required to settle the obligation and if the amount of such an obligation can be reliably estimated.

### ***i) Revenue recognition***

#### *Accounting policy effective until 31 December 2017*

##### *Revenue from the sale of goods*

Revenues from the sale of new transport vehicles and spare parts are recognised when the vehicle/spare part has been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. All costs incurred or to be incurred in connection with the sale, including warranty costs and sales incentives, are charged to cost of sales or as a deduction from revenues at the time revenue is recognised.

##### *Sales from multiple element arrangements*

Sale of goods and services sometimes involve the provision of multiple components. In these cases, the Group determines whether the contract or arrangement contains more than one unit of accounting. When certain criteria are met, such as when the delivered item has value to the customer on a standalone basis, the recognition criteria are applied to the separate identifiable components of a single transaction to reflect the substance of the transaction. Conversely, two or more transactions may be considered together for revenue recognition purposes, when the commercial effect cannot be understood without reference to a series of transactions as a whole. Revenue is allocated to the separate components based on their relative fair value.

### *Rendering of services*

Revenues from service transactions are recognised as services are performed. For long-term service contracts, revenues are recognised on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided, i.e. under the percentage-of-completion method as described below.

### *Long-term contracts*

When the outcome of a long-term contract can be estimated reliably, costs and revenue are recognised in the income statement based on the stage of completion. The stage of completion is determined as the proportion between costs actually incurred as at the date of preparation of the consolidated financial statements and the estimated total contract costs.

When the outcome of a long-term contract cannot be estimated reliably, revenue is recognised in the consolidated income statement only to the extent of costs incurred.

Costs are recognised to the income statement in the period in which they are incurred. When the estimated total costs are higher than total contract revenue, the estimated total loss is recognised in the income statement immediately and a corresponding provision is recorded.

For consolidation purposes, long-term contract costs and revenue are aggregated within the Group at the individual project level (whilst eliminating intra-group purchases/sales). The stage of completion and the related recognition of revenue and potential losses are reviewed at the Group level.

### *Accounting for service concession arrangements*

Service concessions are acknowledged under IFRIC 12: Service Concession Arrangements.

Service concessions comprise provision of services intended to ensure participation of private sector in building, funding, operating and maintenance of infrastructure. A service concession arrangement includes a private sector entity (the operator) which builds or operates the infrastructure and further operates and maintains it over a certain pre-defined period. Over the term of the arrangement, the operator receives payment for his services.

IFRIC 12 applies to public-to-private service concession arrangements if both the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price and if the grantor control any significant residual interest in the infrastructure at the end of the term of the arrangement.

Infrastructure within the scope of IFRIC 12 is not recognised as property, plant and equipment of the operator but as a financial asset. Part of a financial asset due within one year is reported in Other current receivables; part of a financial asset due in more than one year is reported in Other non-current receivables. The operator accounts for revenue relating to operation services and calculates it in accordance with IAS 11 and IAS 18.

### *Accounting policy effective from 1 January 2018*

As at 1 January 2018, the Group adopted the new standard IFRS 15 governing the recognition of revenue from contracts with customers. The Group applied a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) the Group transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending

on whether certain criteria are met, revenue is recognised over time or at a point in time, when control of the products, goods or services is transferred to the customer.

The impact of the application of the new standard IFRS 15 Revenue from Contracts with Customers is described in Note x) Application of new accounting standards. In accordance with IFRS 15, the Group recognises revenues from contracts with customers, in respect of which it is probable that the Group will collect consideration and from which implies no unilateral enforceable right to terminate a contract without compensating the other party, as specified below:

Type of product/service	Character of performance	Revenue recognition
<b>Trams, locomotives and suburban units, trolley buses, and metro</b>	The Group supplies its customers with highly specific assets, adjusted according to the requirements of the customers, which are thus not easily interchangeable with other assets. The option of an alternative use of these assets is limited by the actual possibility to gain another customer who would like to purchase a finished asset while keeping its parameters, without significant additional adjustments and without a requirement on a significant reduction of the selling price. Billing and payment terms are determined for each contract on an individual basis. A contract may include advances paid by the customer before the start of the project or during the project. Advances received are secured by bank guarantees.	Revenues are recognised over time and the input method is used to measure progress. This method better demonstrates the stage of completion than the output method due to the long-term nature of production of these products (the production of one unit usually takes more than 6 months).
<b>Electrical equipment, traction motors</b>	The Group supplies its customers with highly specific assets, adjusted according to the requirements of the customers, which are thus not easily interchangeable with other assets. The option of an alternative use of these assets is limited by the actual possibility to gain another customer who would like to purchase a finished asset while keeping its parameters, without significant additional adjustments and without a requirement on a significant reduction of the selling price. Billing and payment terms are determined for each contract on an individual basis. A contract may include advances paid by the customer before the start of the project or during the project. Advances received are secured by bank guarantees.	Revenues are recognised over time and the output method based on the measurement of produced units is used to measure progress (with regard to the shorter time of production of the units of these products the output method enables a trustworthy presentation of the progress in satisfaction of a performance obligation). In specific cases where the output method does not enable a true presentation of the extent of the realised performance the input method is used.
<b>Full maintenance and other regular services</b>	Regular services where the customer gradually receives and consumes the benefits from the performance of the contract. Billing and payment terms are determined for each contract on an individual basis. The transaction price for full maintenance includes next to a fixed component also a variable consideration which depends on the number of passed kilometres of the vehicle subject to the maintenance.	Revenues are recognised over time and the output method is used to measure progress according to the extent of the provided performance. Recognised revenues from full maintenance include a variable consideration, which corresponds to the actual number of passed kilometres for the reported period.
<b>Rolling stock modernisation</b>	The modernisation represents an improvement to the asset which is under the customer's control over the period of the modernisation. The invoice is issued after having handed over the modernised vehicle to the customer and the terms of payment are set individually for each individual contract.	Revenues are recognised over time and the output method is used to measure progress (with regard to the short time necessary for the modernisation of one unit the input methods enables a trustworthy presentation of the progress in satisfaction of a performance obligation).
<b>Spare parts</b>	The customer gains control over the asset at the moment of delivery. The invoice is issued as at the date of delivery of the asset. Terms of payment are determined for each contract on an individual basis.	Revenues are recognised at a point in time at the moment of delivery to the customer.
<b>Repairs, working, service, and other one-off services</b>	These services are one-off services and the customer receives their benefits after their completion. An invoice is issued after having handed over the provided service to the customer and the terms of payment are set individually for each individual contract.	Revenues are recognised at a point in time at the moment of delivery of the performance to the customer.

For the contracts which do not meet the above criteria, the Group recognises the revenue only at the moment of having met all obligations following from the contract (complete delivery of the goods or services) and having obtained the non-refundable consideration from the customer.

Two or more contracts concluded simultaneously or almost simultaneously with the same customer (or related parties of this customer) where the contracts have been concluded as a package with a single business goal,

or where the amount of consideration to be paid under one contract depending on the price or performance of the other contract, or where goods and services promised in these contracts represent a single liability, are reported as a single contract.

The transaction price under the contract is allocated to each distinct performance following from the contract (expected by the customer). These are supplies from which the customer has separate benefit and which are handed over to the customer separately. In the event of a change in the transaction price, the amounts allocated in connection with a change in the price to the fulfilled performance obligation are recognised as revenues or as a reduction in revenues in the period in which the transaction price changes.

For the contracts where the period (or, if appropriate the average period for contracts with performance over time) between the handover of the performance to the customer and the payment for the performance provided by the customer exceeds one year, the transaction price is adjusted by the financing component if significant. The assessment of the financing component is not relevant for the retention specified in the contract which is not understood as a postponed payment as its payment is conditional under the review of fulfilment of the terms and conditions of the contract on side of the customer.

The Group recognises the revenues from the performance obligation fulfilled over time only when it is able to reliably measure its progress towards the entire fulfilment of the performance obligation. In the event of the input method, the stage of completion is determined as the proportion between the recognised costs as at the date of preparation of the financial statements and the estimated total contract costs. In the early phases of the contract duration when the Group is not able to adequately measure the result of the performance obligation, the Group recognises revenues only in the extent of the actually incurred costs up to the moment when it can adequately measure the result of the performance obligation.

Costs are recognised to the income statement in the period in which they are incurred. When the estimated total costs are higher than total contract revenue, the estimated total loss is recognised in the income statement immediately and a corresponding provision is recorded.

The Group recognises as an asset incremental costs incurred in connection with acquiring a customer contract if it expects to gain these expenses back. The incremental costs incurred in connection with acquiring a contract are expenses incurred in connection with acquiring a customer contract that would not be incurred if the Group did not acquire the contract (e.g. a sale commission). The costs incurred in connection with acquiring a contract which would be incurred irrespective of the manner of acquiring the contract are recognised as incurred.

#### *Accounting for service concession arrangements*

Service concessions are acknowledged under IFRIC 12: Service Concession Arrangements. Service concessions comprise provision of services intended to ensure participation of private sector in building, funding, operating and maintenance of infrastructure. A service concession arrangement includes a private sector entity (the operator) which builds or operates the infrastructure and further operates and maintains it over a certain pre-defined period. Over the term of the arrangement, the operator receives payment for his services.

IFRIC 12 applies to public-to-private service concession arrangements if both the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what

price and if the grantor control any significant residual interest in the infrastructure at the end of the term of the arrangement.

Infrastructure within the scope of IFRIC 12 is not recognised as property, plant and equipment of the operator but as a financial asset. Part of a financial asset due within one year is reported in Other current receivables; part of a financial asset due in more than one year is reported in Other non-current receivables. The operator accounts for revenue relating to operation services and calculates it in accordance with IFRS 15.

***j) Development costs***

Costs related to development during which results are transformed into a plan or design of substantially improved products and processes are capitalised if the product or process is technically feasible and economically viable and the Group has sufficient funds to complete the development. Capitalised development costs include the cost of direct materials, direct labour, and an allocation of overhead costs. Other development costs are recognised in the income statement as incurred. Capitalised development costs are depreciated on a straight-line basis over their estimated useful lives.

***k) Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset whose intended use or sale is preceded by long-term preparation are capitalised as part of the cost of that asset until the asset is ready for its intended use or sale. All other borrowing costs are expensed as incurred.

***l) Government grants***

Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for other than non-current assets (grants related to income) are reported in the income statement under the same functional area as the corresponding expenses. They are recognised as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

***m) Finance income and expenses***

Finance income and finance expenses primarily include interest income, interest expense on borrowings, and foreign exchange gains and losses.

Interest relating to a finance lease is recognised in the income statement using the effective interest method.

***n) Other finance income and expenses***

Other income and expenses primarily comprise gains and losses arising from changes in the fair value of financial derivatives that are recognised in the income statement.

***o) Income tax***

Income tax for the period comprises current tax and the change in deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income. In this case, income tax is recognised in other comprehensive income.



Current tax is based on profit before tax for the accounting period, adjusted for non-deductible and non-taxable items, using income tax rates effective in that accounting period. Current tax is calculated at the entity level.

At the end of each accounting period, deferred tax assets and liabilities are calculated based on all temporary differences between the carrying and tax value of assets and liabilities, tax losses carried forward and unused tax credits, using the income tax rate effective for the period in which these differences are to be reversed.

A deferred tax asset is recognised only to the extent deemed utilisable with respect to expected taxable profits. If uncertainty exists as to the utilisation of individual deferred tax assets, the deferred tax assets are recognised only up to the amount of the entity's deferred tax liabilities.

***p) Earnings per share***

Basic earnings per share are calculated by dividing net profit or loss for the period attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.

The Group has no dilutive potential shares.

***q) Foreign currency translation***

***Translation of foreign currency transactions***

The individual financial statements of all entities within the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial positions of all entities within the Group are reported in Czech crowns, which is the functional currency of the Group and the reporting currency of the consolidated financial statements.

In preparing the financial statements of individual entities, transactions denominated in currencies other than the Group's functional currency (foreign currencies) are translated at the exchange rate effective as at the transaction date. As at the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the official exchange rate effective as at that date. Gains and losses arising from changes in foreign exchange rates after the transaction date are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the exchange rate effective as at the date their fair value was determined. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are not translated.

***Financial statements of the Group's foreign entities***

For the purpose of the consolidated financial statements, the assets and liabilities of the Group's foreign entities are reported in Czech crowns, using exchange rates effective as at the reporting date. Income and expense items are translated at average exchange rates for the period, unless the exchange rates significantly changed during the period, in which case the exchange rate effective as at the transaction date is applied. Any foreign exchange differences are recognised in other comprehensive income. These differences are recognised in profit or loss in the period in which the foreign entity is sold.



*Functional currencies of significant Group companies by their registered office:*

Country	Functional currency
Czech Republic	CZK
Finland	EUR
Hungary	HUF
Russia	RUB

***r) Impairment of assets***

***Non-financial assets***

As at the reporting date, the Group reviews the carrying amounts of its assets, other than inventories and deferred tax assets, in order to assess whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and the amount of the impairment loss, if any, is determined. If the recoverable amount of an individual asset cannot be estimated, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that are not depreciated are tested for impairment on an annual basis.

If the estimated recoverable amount of an asset (or cash-generating unit) is lower than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised in expenses.

If an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to a new estimate of the asset's recoverable amount, but only to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior accounting periods. A reversal of an impairment loss for an asset other than goodwill is recognised in income.

***Financial assets (accounting policy effective until 31 December 2017)***

A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss.

*s) Financial instruments*

Accounting policy effective until 31 December 2017

*Loans provided*

Interest-bearing loans provided by the Group are recognised at the amount of funds provided. Associated finance costs, are released to the income statement using the effective interest method, and increase the carrying amount of the instrument to the extent they are not settled at the time they are incurred.

The recoverable amount of loans provided by the Group equals the present value of expected future cash flows discounted using the original effective interest rate (i.e. the effective interest rate calculated upon the initial recognition of these financial assets).

*Borrowings, bank loans and securities*

Current and non-current loans, borrowings and securities are measured at amortised cost. Any portion of non-current loans, borrowings and securities that is due within one year is presented under current liabilities.

*Trade receivables and other assets*

Trade receivables and other assets are initially recognised at fair value, and subsequently stated at amortised cost less any impairment losses, using the effective interest method. Current receivables are not discounted.

*Trade payables and other liabilities*

Financial liabilities, including trade payables, are initially stated at fair value reduced by transaction costs, and subsequently at amortised cost using the effective interest method.

Accounting policy effective from 1 January 2018

The adoption of IFRS 9 has no significant impact on the classification and measurement of financial liabilities and related accounting policies of the Group. Receivables are initially recognised as at the date of their issue. All other financial assets and liabilities are initially recognised as at the date on which the Group starts to adhere to the terms and conditions of the financial instrument. As for initial measurement, since 1 January 2018 the Group has applied the new standard Financial Instruments: Classification and Measurement.

*Financial assets*

Under IFRS 9, an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

In accordance with IFRS 9, financial assets are generally classified based on the Group's business model for managing the financial assets and at the same time based on the contractual cash flow characteristics of the financial asset.

Embedded derivatives in a contract the host of which is an asset within the scope of IFRS 9 shall not be separated from the host contract. The entire contract is treated as a single unit for the purpose of classification and measurement.

Financial assets shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss and that are not held for trading to present subsequent changes in fair value in other comprehensive income. This election is made for each investment individually.

All other financial assets not measured at amortised cost or fair value at FVOCI are measured at FVTPL.

With the exception of trade receivables that do not have a significant financing component, financial assets are initially measured at fair value (except for the category of financial assets at FVTPL) adjusted by the transaction costs directly related to the acquisition of the financial asset.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortised cost or at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVOCI).

Financial liabilities are classified as measured at FVTPL if they are held for sale, derivative financial instruments or if they are designated as FVTPL as at the date of initial recognition. These financial liabilities are measured at fair value and gains or losses, including interest expense, are recognised in profit or loss, except for the changes in fair value as a result of a change in the Group's credit risk which are recognised in other comprehensive income. When applying hedge accounting, financial liabilities are classified as at FVOCI.

Other financial liabilities are recognised at the accepted consideration net of transaction costs as at the acquisition date. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method and any difference between the revenues net of transaction costs and the amortised cost is reported in profit or loss for the relevant period.

Financial liabilities are classified as current liabilities if the Group does not have unconditional right to repay them in more than 12 months after the reporting date.

#### *Cash and cash equivalents and restricted cash*

Cash and cash equivalents and restricted cash are measured at cost in the balance sheet and subsequently remeasured at amortised cost, net of impairment, under the IFRS 9 model. For purposes of the cash flow

statement, they are defined to comprise cash, cash equivalents and restricted cash, cash in hand, cash at the bank, short-term deposits and liquid financial investments with a three-month or shorter maturity and are net of negative balances of overdraft facilities. Bank overdraft facility balances are reported in the Short term loans and borrowings item in the balance sheet.

#### *Derecognition of financial instruments*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

A financial asset is written off if the Group believes that a part or the whole value of the financial asset will not be repaid, i.e. at the moment when the Group has exhausted the options of enforcing the asset. In such case the accounting write off does not represent extinguishment of the legal claim and therefore does not prevent possible collection of a written off financial asset in future. The costs incurred in connection with impaired assets are recognised in impairment of financial and contract assets in the income statement.

A financial liability is derecognised when the contractual obligations are paid or cancelled in full or have expired in full. A possible difference between the net book value and the amount paid to settle the liability is recognised in the income statement for the relevant period.

#### *Mutual offset of financial instruments*

Financial assets and liabilities are mutually offset and the net amount is recognised in the balance sheet if the Group has a legally enforceable right to offset the acknowledged amounts and an intention to realise a settlement in the net amount or to realise the receivable and to settle the liability at the same time. The legally enforceable right cannot depend on future events and must be enforceable in the ordinary course of business also in the event of default, insolvency or bankruptcy of the Group or the counterparty.

### ***t) Derivatives***

#### *Hedging derivatives*

The Group classifies as hedging derivatives those derivatives in respect of which a hedge accounting model is applied and for which the following conditions are met:

- at the inception of the hedge, there is formal designation of the hedged items, the hedging instruments, the risks being hedged, and how the effectiveness of the hedge will be calculated and documented;
- the hedge is highly effective (i.e. ranging from 80% to 125%); and
- the effectiveness of the hedge can be reliably measured and is assessed on an ongoing basis.

Derivatives that do not meet the above conditions for hedging derivatives are classified by the Group as trading derivatives.

If a derivative is used to hedge the risk of change in cash flows from assets, liabilities or enforceable contractual relationships or forecast transactions, the change in the hedging derivative's fair value attributable to the effective portion of the hedge is recognised in equity as 'Fair value changes relating to hedges and foreign currency translation'. The ineffective portion of the hedge is recognised in the income statement.

Financial derivatives are initially recognised at cost and subsequently measured at fair value as at the reporting date. The Group only uses financial derivatives to hedge future cash flows. Changes in the fair value of financial derivatives are recognised in the statement of comprehensive income.

The amount accumulated in equity is retained in the other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If a forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

#### *Derivatives held for trading*

Financial derivatives held for trading are recognised at fair value, with gains (losses) arising from changes in their fair values included in profit or loss.

#### *u) Fair value*

Fair value is defined as an amount for which an instrument could be exchanged between knowledgeable and willing parties, in an arm's length transaction other than forced or liquidation sale. Fair values are, as appropriate, obtained by reference to listed market prices, discounted cash flow models and other valuation models.

The following methods and assumptions are used in estimating the fair values of individual classes of financial instruments:

#### *Cash and cash equivalents, short-term investments*

The carrying amount of cash and other short-term financial assets approximates their fair value as these financial instruments have relatively short maturity periods.

#### *Receivables and payables*

The carrying amount of current receivables and payables approximates their fair value as these financial instruments have short maturity periods.

#### *Fair value hierarchy*

Assets and liabilities recognised at fair value in the statement of financial position and items which are not recognised at fair value but for which information is available are classified into three levels of input data based on an assessment of their availability, using the fair value hierarchy:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that are available to the entity as at the date of measurement;
- Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 inputs: unobservable inputs for the asset or liability.

The level in the hierarchy applicable to a fair value assessment based upon a combination of observable and unobservable inputs is determined by the lowest level of input that is significant to the fair value measurement in its entirety.

#### ***v) Non-controlling interests***

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Payables from options provided to the owners of non-controlling interests to sell these interests are initially recorded in equity. The subsequent change in the carrying amount of these payables is also reported in equity.

#### ***w) Subsequent events***

The effect of events occurring between the balance sheet date and the date of preparation of the consolidated financial statements is reflected in the consolidated financial statements if such events provide additional information about conditions that existed at the balance sheet date.

Where material events occurring between the balance sheet date and the date of preparation of the consolidated financial statements are indicative of conditions that arose after the balance sheet date, the effects of such events are described in the notes to the consolidated financial statements but not recognised in the consolidated financial statements.

#### ***x) Application of new accounting standards***

##### **IFRS 15**

As at 1 January 2018, the Group applied the new standard IFRS 15 Revenue from Contracts with Customers for the first time. The Group opted for the modified retrospective method with cumulative effect of initial application on the opening balance of retained profits. The Group's methodology under IFRS 15 is described above in note d) Receivables and in note i) Revenue recognition.

As part of the transition to IFRS 15, in connection with reflecting the variable consideration the Group adjusted the transaction price of the supplies provided to customers. The following table summarises the impact of the initial application of IFRS 15 on equity as at 1 January 2018.

Impact of implementation of IFRS 15	
Retained earnings	
Adjustment of transaction price by variable consideration	13 826
Deferred tax	- 2 627
<b>Total impact as at 1 January 2018</b>	<b>11 199</b>



The following table summarises the impact of the transition to IFRS 15 on the Group's consolidated financial statements as at 31 December 2018.

#### Consolidated statement of financial position as at 31/12/2018

Line	Note	Note	Value under IFRS 15	Impact of transition	Value without the impact of IFRS 15
<b>Assets</b>					
Trade receivables and other assets	Contracts with customers - contract asset	22	5 063 796	5 063 796	--
	Estimated receivables	22	14 139	-2 625	16 764
	Receivables relating to long-term contracts	22	--	-5 583 485	5 583 485
<b>Total assets</b>			<b>23 229 359</b>	<b>-522 314</b>	<b>23 751 673</b>
<b>Liabilities</b>					
Retained earnings	Retained earnings		4 031 929	13 019	4 018 910
<b>Total equity</b>			<b>11 558 166</b>	<b>13 019</b>	<b>11 545 147</b>
Deferred tax liability	Deferred tax liability	18	334 349	3 054	331 295
Other non-current liabilities	Non-current advances received	27	--	-2 280 657	2 280 657
	Contract liability	27	2 280 657	2 280 657	--
<b>Total non-current liabilities</b>			<b>6 842 050</b>	<b>3 054</b>	<b>6 838 996</b>
Current provisions	Current provisions	26	1 111 346	-202 567	1 313 913
Trade and other payables	Trade payables	28	1 999 971	-335 819	2 335 790
	Long-term contracts - amounts received from customers	28	--	-559 682	559 682
	Advances received	28	--	-204 035	204 035
	Contract liability	28	763 717	763 717	--
<b>Total current liabilities</b>			<b>4 829 143</b>	<b>-538 387</b>	<b>5 367 530</b>
<b>Total equity and liabilities</b>			<b>23 229 359</b>	<b>-522 314</b>	<b>23 751 673</b>

#### Consolidated income statement as at 31 December 2018

Line	Note	Value under IFRS 15	Impact of transition	Value without the impact of IFRS 15
Revenues	7	11 779 896	-207 815	11 987 711
Operating expenses		-11 410 321	210 061	-11 620 382
<b>Operating profit</b>		<b>374 592</b>	<b>2 246</b>	<b>372 346</b>
<b>Profit before tax</b>		<b>267 527</b>	<b>2 246</b>	<b>265 281</b>
Income tax	13	59 429	-427	59 856
<b>Profit after tax</b>		<b>326 956</b>	<b>1 819</b>	<b>325 137</b>

#### IFRS 9

As at 1 January 2018, IFRS 9 Financial Instruments replaced the original standard IAS 39 Financial Instruments: Recognition and Measurement. The new standard comprises requirements on classification and measurement

of financial assets and liabilities, methodology for impairment of financial assets and general hedge accounting.

- Classification and measurement of financial assets - The adoption of the new standard IFRS 9 has no material impact on classification and measurement of financial liabilities. The number of categories of financial assets was reduced compared with IAS 39 and all financial assets under IFRS 9 are classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The existing categories of financial assets under IAS 39 - loans and receivables, financial assets available for sale and financial assets held to maturity were cancelled.

The following table summarises the changes in categories of the Group's financial assets. The implementation of IFRS 9 had no material impact on measurement of the Group's financial assets.

Financial assets	Classification under IAS 39	Classification under IFRS 9
Trade receivables and other assets	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial derivatives	Fair value	Fair value
	- hedge accounting	- hedge accounting

- Impairment of financial assets - most of the Group's customers are entities financed from public budgets and further major global companies for which the risk of a credit loss arising from the receivables is insignificant from the Group's point of view. The Group assessed the establishment of loss allowances to expected credit losses already before the transition to IFRS 9 on an individual basis based on available information and results of negotiations with customers. The amount of reported loss allowances corresponds to the current level of the credit risk. The implementation of the standard had no material impact on the Group's consolidated financial statements.
- Hedge accounting - IFRS 9 stipulates new requirements on hedge accounting. Hedging relations have to be in accord with the Group's risk management objectives and strategy. At the same time, in assessing the hedge effectiveness emphasis is put on quality assessment and expectations concerning the hedge effectiveness. The hedge is therefore only aimed at the future.

The Group used the transitory provisions of IFRS 9 and therefore it has been applying the IAS 39 provisions to the existing hedging relationships.

## IFRIC 22

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

As at 1 January 2018, the Group applied IFRIC 22 for the first time. When initially applied, the interpretation did not have a material impact on the Group's consolidated financial statements.

#### 4. Consolidated group

The following companies were included in the consolidated group as at 31 December 2018:

Company name Identification number	Registered office	Ownership interest (in %)	Level of influence	Consolidation method
<b>Parent company</b>				
<b>ŠKODA TRANSPORTATION a.s.</b> 626 23 753	Emila Škody 2922/1 301 00 Plzeň, Jižní Předměstí	--	--	--
<b>Subsidiaries and joint ventures</b>				
<b>ŠKODA ELECTRIC a.s.</b> 477 18 579	Tylova 1/57 301 28 Plzeň	100	Control	Full
<b>ŠKODA VAGONKA a.s.</b> 258 70 637	1. máje 3176/102 703 00 Ostrava	100	Control	Full
<b>Pars nova a.s.</b> 258 60 038	Žerotínova 1833/56 787 01 Šumperk	100	Control	Full
<b>MOVO spol. s r.o.</b> 468 87 989	Železniční 119/7 326 00 Plzeň, Východní Předměstí	100	Control	Full
<b>TRADING RS Sp. z o.o.</b>	Złota 59 00-120 Warszawa Poland	100	Control	Full
<b>ŠKODA CITY SERVICE s.r.o.</b> 291 19 057	Emila Škody 2922/1 301 00 Plzeň, Jižní Předměstí	100	Control	Full
<b>POLL, s.r.o.</b> 629 67 754	Výpadevská 1676/4a 153 00 Praha 5 Radotín	100	Control	Full
<b>ŠKODA TVC s.r.o.</b> 252 47 964	Tylova 1/57 301 28 Plzeň	100	Control	Full
<b>Ganz-Skoda Electric Ltd.</b>	Horváth utca 12-26 H-1027 Budapest Hungary	100	Control	Full

Company name Identification number	Registered office	Ownership interest (in %)	Level of influence	Consolidation method
<b>000 Vagonmaš</b>	Leninskij prospekt 160 196 247 Sankt-Peterburg Russian Federation	51	Control	Full
<b>SKODA Transportation Deutschland GmbH</b>	Leopoldstrasse 244 808 07 München Germany	100	Control	Full
<b>Skoda Transportation USA, LLC</b> 81-2573769	100 International Drive, 23rd Floor Baltimore MD USA	100	Control	Full
<b>Transtech Oy</b>	Elektroniikkatie 2 905 90 Oulu Finland	100	Control	Full
<b>LOKEL s.r.o.</b> 017 31 530	Ľmoravská 797/85, Hrabůvka 700 30 Ostrava	100	Control	Full
<b>ŠKODA RAIL s.r.o.</b> 058 22 149	Emila Škody 2922/1 301 00 Plzeň, Jižní Předměstí	100	Control	Full
<b>SKODA TRANSPORTATION UKRAINE LLC</b>	Naberezhna 26-B 490 00 Dnipro Ukraine	100	Control	Full
<b>Associated companies</b>				
<b>PRAGOIMEX a.s.</b> 158 88 100	Pod náspem 795/12 190 05 Praha 9	32	Significant influence	Equity
<b>Zaporizkiy Elektrovoz</b>	Vulicyja Zaliznichna 2 690 95 Zaporizha	49	Significant influence	Equity

## 5. Changes in the consolidated group

### *The description of changes in the consolidated group in 2018*

In 2018 the Group acquired investments in the following companies:

Company name	Consolidation method	Ownership	Acquisition date
SKODA TRANSPORTATION UKRAINE LLC	Full	100%	8/11/2018 (date of incorporation)

In 2018 the Group disposed of the investments in the following companies:

Company name	Manner of disposal	Ownership interest	Date of disposal of the ownership interest
Autobusová doprava-Miroslav Hrouda s.r.o.	Sale	100%	24/10/2018
OOO SKODA R	Withdrawal from the company	99%	30/10/2018

### *The description of changes in the consolidated group in 2017*

In 2017 the Group acquired investments in the following companies:

Company name	Consolidation method	Ownership	Acquisition date
ŠKODA RAIL s.r.o	Full	100%	16 February 2017 (date of incorporation)

## 6. Operating segments

The Group recognises its results by individual operating segments, determined so as to reflect significant subsidiaries that are monitored individually by the Group's management.

These segments are as follows: ŠKODA TRANSPORTATION a.s., ŠKODA VAGONKA a.s., ŠKODA ELECTRIC a.s., Pars nova a.s., Transtech Oy and other segments.

### **(1) ŠKODA TRANSPORTATION a.s.**

ŠKODA TRANSPORTATION a.s. is the parent company of the group and is primarily engaged in the development, manufacture and sale of trams, locomotives and subway cars and in the provision of servicing (after-sale services). It sells its products both to third parties and to other companies of the consolidated group.

### **(2) ŠKODA VAGONKA a.s.**

The principal activity of ŠKODA VAGONKA a.s. is the development, manufacture, and sale of suburban rolling stock and the provision of servicing (after-sale services). The company sells its products and services primarily to third parties.





**(3) ŠKODA ELECTRIC a.s.**

The principal activities of ŠKODA ELECTRIC a.s. are primarily the development, manufacture, and sale of trolley buses, electric equipment and traction motors. It sells its products both to third parties and to other companies of the consolidated group.

**(4) Pars nova a.s.**

Pars nova a.s. is primarily engaged in the manufacture and sale of individual components for trams and locomotives, modernisation of rolling stock and provision of related servicing. It sells almost one third of its production to companies of the consolidated group.

**(5) Transtech Oy**

Transtech Oy is engaged in the production of Arctic trams and rolling stock, which are then delivered to the Northern countries. The company mostly deals with third parties.

All the above segments have their own management and their accounting policies are identical. The Group accounts for revenues and inter-segment transactions as revenues from and transactions with third parties, i.e. it applies the arm's length prices.

When assessing the results of individual segments, the Group takes into account total revenues and results of operations.

The following tables summarise information on operating segments as at 31 December 2018 and 31 December 2017 (in TCZK).



2018	ŠKODA TRANSPORTATION a.s.**	ŠKODA VAGONKA a.s.	ŠKODA ELECTRIC a.s.	Pars nova a.s.	Transtech Oy*	Other segments**	Total segments	Eliminations	Consolidated total
Revenues from external customers	3 413 404	1 028 296	2 981 456	1 013 646	2 684 155	645 027	11 765 984	13 912	11 779 896
Inter-company revenues	1 375 398	409 221	495 991	47 725	229	201 388	2 529 952	-2 529 952	--
<b>Total revenues</b>	<b>4 788 802</b>	<b>1 437 517</b>	<b>3 477 447</b>	<b>1 061 371</b>	<b>2 684 384</b>	<b>846 415</b>	<b>14 295 936</b>	<b>-2 516 040</b>	<b>11 779 896</b>
Cost of sales and cost of goods sold	-3 507 085	-1 825 320	-2 444 221	-605 776	-1 820 419	-645 973	-10 848 794	2 848 141	-8 000 653
Personnel expenses	-815 757	-215 121	-523 745	-281 573	-681 411	-175 392	-2 692 999	-29	-2 693 028
Depreciation and amortisation	-232 508	-19 893	-46 000	-36 155	-34 946	-30 411	-399 913	35 127	-364 786
Impairment of non-current assets	2 162	--	5 800	781	--	--	8 743	--	8 743
Other operating expenses and revenues	10 241	331 116	-88 563	-31 595	-334 351	-39 973	-153 125	-207 472	-360 597
Gains/losses from the disposal of non-current assets	1 839	231 045	1 745	428	--	757	235 814	-230 797	5 017
<b>Operating profit (loss)</b>	<b>247 694</b>	<b>-60 656</b>	<b>382 463</b>	<b>107 481</b>	<b>-186 743</b>	<b>-44 577</b>	<b>445 662</b>	<b>-71 070</b>	<b>374 592</b>
Share of profit of associates	--	--	--	--	--	--	--	4 013	4 013
Gains/losses on investments	7 843	--	--	--	--	--	7 843	-10 456	-2 613
Financial income	125 035	745	13 810	3 331	138	14 173	157 232	-52 928	104 304
Financial expenses	-249 165	-50 387	-47 662	-17 358	-13 171	-14 310	-392 053	52 807	-339 246
Other finance income and expenses	139 358	-8 071	--	--	--	-4 810	126 477	--	126 477
<b>Profit or loss before tax</b>	<b>270 765</b>	<b>-118 369</b>	<b>348 611</b>	<b>93 454</b>	<b>-199 776</b>	<b>-49 524</b>	<b>345 161</b>	<b>-77 634</b>	<b>267 527</b>
Income tax	35 127	-186	-33 102	-20 713	28 564	13 252	22 942	36 487	59 429
<b>Profit after tax</b>	<b>305 892</b>	<b>-118 555</b>	<b>315 509</b>	<b>72 741</b>	<b>-171 212</b>	<b>-36 272</b>	<b>368 103</b>	<b>-41 147</b>	<b>326 956</b>
<b>Total assets</b>	<b>21 713 589</b>	<b>2 012 066</b>	<b>3 761 972</b>	<b>1 196 595</b>	<b>1 967 998</b>	<b>1 335 536</b>	<b>31 987 756</b>	<b>-8 758 397</b>	<b>23 229 359</b>
Acquisition of non-current assets	559 363	68 939	73 735	21 033	42 625	5 150	770 845	-231 113	539 732

\*The companies' separate financial statements have been adjusted by the remeasurement of assets as at the acquisition date and related depreciation.

\*\*The companies' separate financial statements have been adjusted by the stage of completion of the projects on the Group level.

2017	ŠKODA TRANSPORTATION a.s.	ŠKODA VAGONKA a.s.	ŠKODA ELECTRIC a.s.	Pars nova a.s.	Transtech Oy*	Other segments	Total segments	Eliminations	Consolidated total
Revenues from external customers	4 891 479	372 698	1 648 641	832 871	2 981 456	1 072 534	11 799 679	-28 936	11 770 743
Inter-company revenues	508 720	295 545	917 105	29 420	--	175 560	1 926 350	-1 926 350	--
<b>Total revenues</b>	<b>5 400 199</b>	<b>668 243</b>	<b>2 565 746</b>	<b>862 291</b>	<b>2 981 456</b>	<b>1 248 094</b>	<b>13 726 029</b>	<b>-1 955 286</b>	<b>11 770 743</b>
Cost of sales and cost of goods sold	-3 220 822	-922 423	-1 573 092	-493 252	-2 108 997	-856 127	-9 174 713	1 822 996	-7 351 717
Personnel expenses	-761 547	-207 161	-432 551	-251 715	-694 649	-171 839	-2 519 462	--	-2 519 462
Depreciation and amortisation	-245 620	-24 696	-42 434	-40 596	-221 084	-34 579	-609 009	-6 008	-615 017
Impairment of non-current assets	12 025	--	6 694	442	--	-396	18 765	--	18 765
Other operating expenses and revenues	-334 740	-182 890	-85 145	17 877	-30 641	-80 715	-696 254	301 155	-395 099
Gains/losses from the disposal of non-current assets	5 456	319	807	430	60	511	7 583	-48	7 535
<b>Operating profit (loss)</b>	<b>854 951</b>	<b>-668 608</b>	<b>440 025</b>	<b>95 477</b>	<b>-73 855</b>	<b>104 949</b>	<b>752 939</b>	<b>162 809</b>	<b>915 748</b>
Share of profit of associates	--	--	--	--	--	--	--	8 588	8 588
Gains/losses on investments	444 898	--	--	--	--	--	444 898	-444 898	--
Financial income	100 612	1 576	17 818	2 783	203	29 699	152 691	-14 224	138 467
Financial expenses	-439 289	-44 677	-25 316	-10 029	-32 120	-18 236	-569 667	61 115	-508 552
Other finance income and expenses	-3 331	-124	--	--	--	-7 637	-11 092	--	-11 092
<b>Profit or loss before tax</b>	<b>957 841</b>	<b>-711 833</b>	<b>432 527</b>	<b>88 231</b>	<b>-105 772</b>	<b>108 775</b>	<b>769 769</b>	<b>-226 610</b>	<b>543 159</b>
Income tax	-65 581	-91 154	-59 138	-16 300	14 696	-33 375	-250 852	-41 083	-291 935
<b>Profit after tax</b>	<b>892 260</b>	<b>-802 987</b>	<b>373 389</b>	<b>71 931</b>	<b>-91 076</b>	<b>75 400</b>	<b>518 917</b>	<b>-267 693</b>	<b>251 224</b>
<b>Total assets</b>	<b>20 062 635</b>	<b>2 330 706</b>	<b>3 123 547</b>	<b>1 202 206</b>	<b>2 108 164</b>	<b>1 473 514</b>	<b>30 300 772</b>	<b>-6 678 701</b>	<b>23 622 071</b>
Acquisition of non-current assets	628 222	49 386	139 881	24 607	22 999	60 265	925 360	--	925 360

\*The companies' separate financial statements have been adjusted by the remeasurement of assets as at the acquisition date and related depreciation.

The table below summarises information about the structure of property, plant and equipment and intangible assets as at 31 December 2018 and 31 December 2017 according to the registered office of a company owning the relevant assets (in TCZK).

Country	2018	2017
Czech Republic	9 844 283	9 518 633
Finland	409 520	599 540
Hungary	3 359	4 059
Germany	8	10
Russia	1 542	2 111
<b>Total</b>	<b>10 258 712</b>	<b>10 124 353</b>

## 7. Revenues

### *Revenues of the Group from contracts with customers:*

	2018	2017
Rolling stock modernisation	--	55 877
Trams	3 495 611	4 678 286
Locomotives and suburban units	1 843 874	1 782 398
Electrical equipment	208 349	631 668
Trolley buses	2 242 997	1 200 739
Traction motors	425 983	552 457
Metro	357 232	393 737
Components	636 141	622 453
Full maintenance	890 270	808 186
Other regular services	4 411	2 658
<b>Revenues from performance obligations satisfied over time</b>	<b>10 104 868</b>	<b>10 728 459</b>
Spare parts	114 216	158 568
Working	61 965	66 869
Car repairs	1 007 362	357 974
Servicing and maintenance	107 525	127 328
Other	186 242	176 035
<b>Revenues from performance obligations satisfied at a point in time</b>	<b>1 477 310</b>	<b>886 774</b>
<b>Total</b>	<b>11 582 178</b>	<b>11 615 233</b>

In 2018, the Group did not recognise any revenues following from performance obligations satisfied (or partially satisfied) in previous periods.

### *Other operating revenues:*

	2018	2017
Revenues from sale of inventories	115 113	67 779
Revenues from sale of waste	7 960	21 969
Contractual fines	27 292	17 287
Subsidies received	4 237	7 479
Other revenues	43 116	40 996
<b>Total</b>	<b>197 718</b>	<b>155 510</b>

The table below summarises information about revenues according to customers' registered offices (in TCZK).

Country	2018	2017
Czech Republic	4 267 591	3 819 647
China	129 065	86 805
Finland	2 605 160	2 912 347
Italy	34 559	25 764
Lithuania	--	214 406
Latvia	478 733	1 706 522
Hungary	19 992	18 163
Germany	711 199	559 181
Poland	288 601	60 602
Romania	19 894	140 508
Russia	389 784	530 409
Slovakia	482 470	395 144
Turkey	461 648	205 457
USA	206 841	40 742
Other	9 331	12 760
<b>Revenues from performance obligations satisfied over time</b>	<b>10 104 868</b>	<b>10 728 457</b>
Czech Republic	1 213 294	694 235
China	19 497	37 124
Finland	49 538	54 063
Italy	1 867	19
Lithuania	1 822	3 225
Latvia	9 834	7 396
Hungary	34 568	17 427
Germany	63 124	20 739
Poland	16 858	19 365
Russia	23 072	2 462
Slovakia	31 202	14 853
Turkey	3 169	306
USA	1 156	10 858
Other	8 309	4 702
<b>Revenues from performance obligations satisfied at a point in time</b>	<b>1 477 310</b>	<b>886 774</b>
Czech Republic	91 735	110 275
China	936	71
Finland	16 818	12 980
Italy	2 661	2 145
Latvia	29 131	11 108
Hungary	23 740	2 462
Germany	2 776	5 994
Poland	13 345	2 388
Russia	1 369	86
Slovakia	694	2 254
Turkey	1 109	929
USA	7 478	2 172
Other	5 926	2 646
<b>Other operating revenues</b>	<b>197 718</b>	<b>155 510</b>
<b>Total</b>	<b>11 779 896</b>	<b>11 770 743</b>

*Contractual balances*

	31/12/2018	1/1/2018
Trade receivables (gross)	1 844 178	1 575 613
Trade receivables - impairment losses	-29 018	-37 698
<b>Trade receivables (net)</b>	<b>1 815 160</b>	<b>1 537 915</b>
Contract assets (gross)	5 063 796	5 547 392
Contract assets - impairment losses	--	--
<b>Contract assets (net)</b>	<b>5 063 796</b>	<b>5 547 392</b>
<b>Contract liabilities</b>	<b>3 044 374</b>	<b>1 011 675</b>
Retention recognised as a trade receivable	300 483	305 603
Retention recognised as a liability	331	1 410

The amount of TCZK 772 542 recognised in the contract liability as at 1 January 2018 was recognised as a revenue in 2018 and the amount of partial invoicing and advances received in respect of which no revenue was recognised in 2018 is TCZK 2 805 241.

Contract assets primarily relate to the Group's title to consideration for already completed performance connected with revenues recognised over time, where the progress is measured using the input method and which were not invoiced as at 31 December. Contract liabilities primarily represent advances received from customers in relation to construction of products and provision of services, where the revenues are recognised over time. Contract assets primarily include receivables relating to suburban units for Germany and trams and trolley buses for Latvia.

*Expected recognition of revenue from the outstanding performance obligation*

31/12/2018	Total	Up to 1	1 to 2	2 to 5	More than 5 years
Transaction price allocated to the remaining performance obligations	22 359 764	7 226 365	4 175 035	8 027 635	2 930 729

In accordance with IFRS 15, the Group does not disclose information about the transaction price allocated to the remaining performance obligations in respect of performance obligations satisfied at a point in time which are part of a contract that has an original expected duration of one year or less.

*Long-term contracts*

In 2017, long-term contracts were recognised as follows:

	31/12/2017*
Total expenses incurred in respect of long-term contracts	10 846 727
Total gross profit recognised in respect of long-term contracts	979 270
<b>Total cumulative revenue from long-term contracts</b>	<b>11 825 997</b>
Invoiced to customers	-5 485 159
Advances received	-1 500 791
<b>Total amount not invoiced to customers</b>	<b>4 840 047</b>
of which:	
Due from customers included in receivables, net	5 547 392
Due to customers included liabilities and non-current advances received, net	-707 345

\*The individual lines of the table only include the contracts which were still in force and were not invoiced in full as at 31 December and to which the receivable relating to long-term contracts were reported as at 31 December.



## 8. Materials and consumables

	2018	2017
Materials	-5 781 434	-5 115 902
Energy	-173 572	-159 536
<i>Materials and consumables</i>	<i>-5 955 006</i>	<i>-5 275 438</i>
Repairs and maintenance	-150 131	-137 036
Marketing services	-34 999	-118 843
Purchased services for projects	-638 311	-672 362
Rent	-130 627	-175 373
External employees	-382 489	-352 067
Other services	-620 540	-513 232
<i>Purchased services</i>	<i>-1 957 097</i>	<i>-1 968 913</i>
<b>Total</b>	<b>-7 912 103</b>	<b>-7 244 351</b>

Other services mainly include cost of IT support, legal services and other advisory.

## 9. Personnel expenses

	2018	2017
Key management personnel	-143 867	-163 765
Other employees	-2 549 161	-2 355 697
<b>Total</b>	<b>-2 693 028</b>	<b>-2 519 462</b>

Key management personnel includes the directors of the individual units, members of the board of directors and the supervisory board, and statutory representatives of the companies from the Group.

## 10. Other operating expenses

	2018	2017
Impairment loss (- expense / + revenue)	-188 708	-63 242
Change in provisions (- expense / + income)	207 732	-11 574
Materials sold	-86 342	-61 331
Taxes and charges	-76 377	-17 425
Write-off and sale of receivables	-3 482	-10 369
Fines and penalties	-47 832	-202 957
Insurance expenses	-61 771	-69 278
Losses from derivative transactions	-10 077	-37 783
Foreign exchange losses from operations	-81 077	-129 032
Other operating expenses (-)	-174 789	-49 539
<b>Total</b>	<b>-522 723</b>	<b>-652 530</b>

Other operating expenses mainly consist of rebilling expenses.

Fines and penalties primarily include contractual penalties for the delay in making deliveries to customers.



Cost of derivative transactions relating to hedging of cash flows from projects is included in Other operating expenses.

Impairment loss can be analysed as follows:

	2018	2017
- inventory	188 708	28 182
- short-term receivables	--	35 060
<b>Total</b>	<b>188 708</b>	<b>63 242</b>

In connection with the application of IFRS 9, the impairment of receivables as at 31 December 2018 was recognised on a separate line of the consolidated income statement at TCZK 13 535.

## 11. Other operating income

	2018	2017
Gains from derivatives transactions	70 018	175 753
Other operating income	78 573	81 678
<b>Total</b>	<b>148 591</b>	<b>257 431</b>

Gains of derivative transactions relating to hedging of cash flows from projects is included in Other operating income.

Foreign exchange gains from project-related receivables and payables are recognised in 'Other operating income'.

## 12. Net finance income and expense

	2018	2017
Income from financial assets	--	9 082
Interest income	58 901	53 445
Foreign exchange gains on financial assets	44 016	51 051
Gains on the settlement of trading derivatives	--	23 962
Other finance income	1 387	927
<b>Finance income</b>	<b>104 304</b>	<b>138 467</b>
Interest expense	-284 611	-482 788
Foreign exchange losses on financial assets	-44 788	-6 374
Losses on trading derivatives	-8 788	--
Other finance expense	-1 059	-19 390
<b>Finance expenses</b>	<b>-339 246</b>	<b>-508 552</b>
Gains/losses on trading derivatives	126 503	- 11 071
Other finance income and expenses	-26	-21
<b>Other finance income and expenses</b>	<b>126 477</b>	<b>-11 092</b>
<b>Net finance income/expense</b>	<b>-108 465</b>	<b>-381 177</b>

Interest expense of TCZK 284 611 (2017 – TCZK 482 788) primarily include interest on a loan received from the parent company, interest on bank loans received and interest on bonds.

### 13. Income tax

Income tax is recognised in the income statement as follows:

	2018	2017
Current income tax	-57 010	-58 108
Deferred income tax	116 439	-233 827
<b>Total</b>	<b>59 429</b>	<b>-291 935</b>

Current income tax comprises the tax estimate for 2018 of TCZK 51 021 (2017 – TCZK 53 054) and an adjustment to the tax estimate for the prior period of TCZK 5 989 (2017 – TCZK 5 054).

#### Effective tax rate

	2018	%	2017	%
Profit before tax	267 527		543 159	
Corporate income tax at applicable tax rate	-50 830	19%	-103 200	19%
Deduction for research and development	192 879		73 836	
Non-tax deductible items	-15 535		-11 459	
Adjustment to prior year's income tax	5 281		-896	
Unrecognised deferred tax asset	-51 333		-228 453	
Utilised prior period tax losses	-15 081		-4 633	
Other effects	-5 952		-17 130	
<b>Total</b>	<b>59 429</b>	<b>22%</b>	<b>-291 935</b>	<b>52%</b>

Most of the taxable profit is generated in the Czech Republic and therefore a tax rate of 19% is applied.

### 14. Intangible assets

#### Intangible assets – acquisition cost

	Software	Intellectual property rights	Research and development costs	Intangible assets under construction and advances	Other intangible assets	Goodwill	Total
1/1/2017	126 430	1 563 949	1 079 439	571	739 741	7 579 018	11 089 148
Additions	30 309	--	302 625	8 335	--	--	341 269
Disposals	--	-277	--	--	-473	--	-750
Transfers	4 652	766	--	-5 418	--	--	--
FX differences	-3 234	--	-5 158	--	-3 864	--	-12 256
Assets acquired through business combinations	--	--	--	--	--	--	--
<b>31/12/2017</b>	<b>158 157</b>	<b>1 564 438</b>	<b>1 376 906</b>	<b>3 488</b>	<b>735 404</b>	<b>7 579 018</b>	<b>11 417 411</b>

	Software	Intellectual property rights	Research and development costs	Intangible assets under construction and advances	Other intangible assets	Goodwill	Total
1/1/2018	158 157	1 564 438	1 376 906	3 488	735 404	7 579 018	11 417 411
Additions	23 781	5 992	260 317	3 989	10	--	294 089
Disposals	-3 041	--	--	--	-241 100	-4 800	-248 941
Transfers	3 503	--	362	-3 865	--	--	--
FX differences	325	-1 118	-472	--	--	--	-1 265
Assets acquired through business combinations	--	--	--	--	--	--	--
<b>31/12/2018</b>	<b>182 725</b>	<b>1 569 312</b>	<b>1 637 113</b>	<b>3 612</b>	<b>494 314</b>	<b>7 574 218</b>	<b>11 461 294</b>

#### Intangible assets – accumulated amortisation

	Software	Intellectual property rights	Research and development costs	Intangible assets under construction and advances	Other intangible assets	Goodwill	Total
1/1/2017	-77 295	-61 685	-552 663	-362	-533 693	-106 935	-1 332 633
Annual amortisation	-12 065	--	-98 564	--	-205 245	--	-315 874
Disposals	--	277	--	--	473	--	750
Transfers	--	--	--	--	--	--	--
FX differences	2 897	--	3 407	--	3 864	--	10 168
<b>31/12/2017</b>	<b>-86 463</b>	<b>-61 408</b>	<b>-647 820</b>	<b>-362</b>	<b>-734 601</b>	<b>-106 935</b>	<b>-1 637 589</b>

	Software	Intellectual property rights	Research and development costs	Intangible assets under construction and advances	Other intangible assets	Goodwill	Total
1/1/2018	-86 463	-61 408	-647 820	-362	-734 601	-106 935	-1 637 589
Annual amortisation	-21 720	--	-78 809	--	8 478	--	-92 051
Disposals	78	--	-1	--	241 100	--	241 177
Transfers	--	--	-362	362	--	--	--
FX differences	-273	1 124	655	--	--	--	1 506
<b>31/12/2018</b>	<b>-108 378</b>	<b>-60 284</b>	<b>-726 337</b>	<b>--</b>	<b>-485 023</b>	<b>-106 935</b>	<b>-1 486 957</b>

### Intangible assets – impairment losses

	Software	Intellectual property rights	Research and development costs	Intangible assets under construction and advances	Other intangible assets	Goodwill	Total
1/1/2017	--	--	--	--	--	-3 354 182	-3 354 182
Additions	--	--	--	--	--	--	--
Disposals	--	--	--	--	--	--	--
Transfers	--	--	--	--	--	--	--
<b>31/12/2017</b>	--	--	--	--	--	-3 354 182	-3 354 182

	Software	Intellectual property rights	Research and development costs	Intangible assets under construction and advances	Other intangible assets	Goodwill	Total
1/1/2018	--	--	--	--	--	-3 354 182	-3 354 182
Additions	--	--	--	--	--	--	--
Disposals	--	--	--	--	--	--	--
Transfers	--	--	--	--	--	--	--
<b>31/12/2018</b>	--	--	--	--	--	-3 354 182	-3 354 182

### Intangible assets – net book value

	Software	Intellectual property rights	Research and development costs	Intangible assets under construction and advances	Other intangible assets	Goodwill	Total
<b>31/12/2017</b>	71 694	1 503 030	729 086	3 126	803	4 117 901	6 425 640
<b>31/12/2018</b>	74 347	1 509 028	910 776	3 612	9 291	4 113 101	6 620 155

#### Amortisation

The amortisation of patents and development costs is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold.

#### Intellectual property rights

Intellectual property rights include a set of trademarks SKODA costing TCZK 1 502 264 (2017 – TCZK 1 502 264). The trademark is not amortised because it has an indefinite life, but is tested for impairment annually.

#### Development costs

As at 31 December 2018, development costs of TCZK 910 776 (2017 – TCZK 729 086) include mainly technical documentation attributable to the construction of a specific type of product. Of total additions in 2018, TCZK 94 466 was produced internally and the remaining portion of TCZK 165 851 was purchased from external

suppliers. The capitalisation of development costs relating to internally produced development results is recorded in reduction in costs incurred in connection with capitalised assets.

#### *Other intangible assets*

Other intangible assets mainly include future cash flows arising from long-term contracts to Transtech Oy that are amortised based on the project's implementation stage.

#### *Goodwill*

The goodwill of the Group represents the amount by which the purchase price exceeds the Group's share of the fair value of the identifiable assets and liabilities of a subsidiary, associated company or joint venture as at the acquisition date.

The goodwill is allocated as follows:

Company	2018	2017
ŠKODA ELECTRIC a.s.	1 691 181	1 691 181
ŠKODA VAGONKA a.s.	1 287 137	1 287 137
Pars nova a.s.	1 128 790	1 128 790
Autobusová doprava - Miroslav Hrouda s.r.o.	--	4 800
ŠKODA CITY SERVICE s.r.o.	50	50
ŠKODA TVC s.r.o.	5 901	5 901
OOO Vagonmaš	2	2
LOKEL s.r.o.	40	40
<b>Total</b>	<b>4 113 101</b>	<b>4 117 901</b>

Goodwill related to the above holdings relate to the acquisition of the full or partial ownership of these entities by the Group. This goodwill is monitored by the Group management.

#### *Impairment testing*

An impairment assessment is performed at least annually, and whenever circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that goodwill or intellectual property rights might be impaired. The Group selected the fourth quarter to perform an annual impairment assessment of goodwill and intellectual property rights.

#### *Goodwill*

According to the impairment test as at 31 December 2015, the goodwill allocated to ŠKODA VAGONKA a.s. was decreased by TCZK 2 931 906.

During the fourth quarter of fiscal year 2016, an impairment test was completed. According to the impairment test, the goodwill allocated to ŠKODA VAGONKA a.s. was decreased by TCZK 422 276.

During the fourth quarter of fiscal years 2017 and 2018, an impairment test of the goodwill was completed, using the discounted cash flow model. After carrying out impairment testing, the Group management did not identify the need to further decrease the goodwill allocated to ŠKODA VAGONKA, a.s.

According to the sensitivity test of the goodwill allocated to ŠKODA VAGONKA a.s., if the discount rate increased by 6.92% or EBIT decreased by 38% or the growth indicator decreased by 15.9%, the value of goodwill would further decrease.

According to the sensitivity test of the goodwill allocated to Pars nova a.s., if the discount rate increased by 1.97% or EBIT decreased by 7.13% or the growth indicator decreased by 3.87%, the recoverable amount of the goodwill would equal its carrying amount.

According to the sensitivity test of the goodwill allocated to ŠKODA ELECTRIC a.s., if the discount rate increased by 8.66% or EBIT decreased by 57.9% or the growth indicator decreased by 22.58%, the recoverable amount of the goodwill would equal its carrying amount.

For the goodwill allocated to other companies, the Group management did not identify the need to decrease the value of goodwill if the key presumption was reasonably changed.

The post-tax discount rate is also a key estimate in the discounted cash flow model and was based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount was 8.35% (2017 – 8.1%), except for TVC where a post-tax discount rate of 8.55% was used (a higher risk as it is rather a small company).

The testing was carried out based on available plans for 2019 – 2023 (or 2018 – 2022 in 2017). The growth rate of 2% was used for the following periods.

#### *Intellectual property rights*

The Group identified no impairment based on the test carried out.

In order to determine fair values the planned cash flows are discounted using the discount rates after tax as at the reporting date.

The post-tax discount rate is also a key estimate in the discounted cash flow model and was based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount was 8.35% (2017 - 8.1%).

The Group's future financial results are based on a number of factors and assumptions concerning macroeconomic developments, for example foreign exchange rates and interest rates over which the Group does not exercise full control. Changes in these factors and assumptions can affect the Group's financial position, including the results of testing the impairment of non-current assets and can subsequently lead to changes in the Group's financial position and results.



## 15. Property, plant and equipment and Assets under construction

### Property, plant and equipment and Assets under construction – acquisition cost

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
1/1/2017	332 503	2 563 690	3 490 195	93 308	23 366	6 503 062
Additions	18 497	368 530	98 404	1 813	96 847	584 091
Disposals	--	-2 093	-29 102	-590	--	-31 785
Transfers	--	7 981	6 492	--	-14 473	--
FX differences	-426	-5 161	-30 281	--	-184	-36 052
<b>31/12/2017</b>	<b>350 574</b>	<b>2 932 947</b>	<b>3 535 708</b>	<b>94 531</b>	<b>105 556</b>	<b>7 019 316</b>

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
1/1/2018	350 574	2 932 947	3 535 708	94 531	105 556	7 019 316
Additions	16 866	68 204	93 745	2 493	64 335	245 643
Disposals	--	-11 540	-272 776	-1 509	-1 070	-286 895
Transfers	--	78 983	45 984	--	-124 967	--
FX differences	55	679	2 085	4	18	2 841
<b>31/12/2018</b>	<b>367 495</b>	<b>3 069 273</b>	<b>3 404 746</b>	<b>95 519</b>	<b>43 872</b>	<b>6 980 905</b>

### Property, plant and equipment and Assets under construction – accumulated depreciation

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
1/1/2017	-57	-544 780	-2 425 387	-78 868	--	-3 049 092
Annual Depreciation	--	-72 574	-222 467	-4 103	--	-299 144
Disposals	--	4 303	26 933	591	--	31 827
Transfers	--	--	--	--	--	--
FX differences	--	1 888	24 268	-1	--	26 155
<b>31/12/2017</b>	<b>-57</b>	<b>-611 163</b>	<b>-2 596 653</b>	<b>-82 381</b>	<b>--</b>	<b>-3 290 254</b>

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
1/1/2018	-57	-611 163	-2 596 653	-82 381	--	-3 290 254
Annual Depreciation	--	-72 985	-195 592	-4 158	--	-272 735
Disposals	--	1 282	241 685	1 320	--	244 287
Transfers	--	--	--	--	--	--
FX differences	--	-258	-1 779	-4	1	-2 040
<b>31/12/2018</b>	<b>-57</b>	<b>-683 124</b>	<b>-2 552 339</b>	<b>-85 223</b>	<b>1</b>	<b>-3 320 742</b>

### Property, plant and equipment and Assets under construction – impairment losses

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
1/1/2017	--	-6 419	-42 695	--	--	-49 114
Additions	--	--	--	--	--	--
Disposals	--	-112	18 877	--	--	18 765
Transfers	--	--	--	--	--	--
<b>31/12/2017</b>	<b>--</b>	<b>-6 531</b>	<b>-23 818</b>	<b>--</b>	<b>--</b>	<b>-30 349</b>

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
1/1/2018	--	-6 531	-23 818	--	--	-30 349
Additions	--	--	--	--	--	--
Disposals	--	704	8 039	--	--	8 743
Transfers	--	--	--	--	--	--
<b>31/12/2018</b>	<b>--</b>	<b>-5 827</b>	<b>-15 779</b>	<b>--</b>	<b>--</b>	<b>-21 606</b>

### Property, plant and equipment and Assets under construction – net book value

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
<b>31/12/2017</b>	<b>350 517</b>	<b>2 315 253</b>	<b>915 237</b>	<b>12 150</b>	<b>105 556</b>	<b>3 698 713</b>
<b>31/12/2018</b>	<b>367 438</b>	<b>2 380 322</b>	<b>836 628</b>	<b>10 296</b>	<b>43 873</b>	<b>3 638 557</b>

The major additions to property, plant and equipment in 2018 were improvement to a building, and renovation of the facility and research and development premises.

As at 31 December 2018, the cumulative impairment loss on property, plant and equipment was TCZK 21 606 (2017 – TCZK 30 349).

The major additions to property, plant and equipment in 2017 were three manufacturing halls and the site reconstruction.

Except as described in note 29, no item of the Group's property, plant and equipment is pledged.

### Finance leases

Equipment acquired under finance leases that is included in the property, plant and equipment and assets under construction table comprises the following items:

	Acquisition cost at 31/12/2018	Accumulated depreciation at 31/12/2018	Net book value at 31/12/2018	Net book value at 31/12/2017
Vehicles	441	-441	--	1 847
Machinery and equipment	76 299	-76 299	--	--
<b>Total</b>	<b>76 740</b>	<b>-76 740</b>	<b>--</b>	<b>1 847</b>

The present value of the finance lease liability as at 31 December 2018 amounts to TCZK 4 385 (2017 – TCZK 5 704). Of the total liability amount, TCZK 3 601 (2017 – TCZK 4 353) relates to liabilities due in more than one year and is presented under Non-current finance lease liabilities.

### Operating leases

ŠKODA TRANSPORTATION a.s. leases buildings at metro rail yards, for a fixed term, from the Prague Public Transit Company (Dopravní podnik hl. m. Prahy, akciová společnost) and also leases office premises.

ŠKODA ELECTRIC a.s. leases office premises.

Pars nova a.s. leases land on which a siding is built, as well as storage premises; the lease is for an indefinite period.

ŠKODA VAGONKA a.s. leases storage and manufacturing premises.

Transtech Oy leases manufacturing premises, offices premises and machinery.

The Group's future minimum lease payments are as follows:

2018	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Minimum lease payments	41 648	92 501	17 749

2017	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Minimum lease payments	9 799	29 604	--

Operating lease expenses are disclosed in Cost of sales.

## 16. Investments in joint ventures and associated companies

### Equity-accounted investees

Interest in equity accounted investees	2018	2017
Interest in associate	25 525	29 192
<b>Balance at 31 December</b>	<b>25 525</b>	<b>29 192</b>

Group's share of profit in equity-accounted investees	2018	2017
Group's share of profit in associate	4 013	8 588
<b>Balance at 31 December</b>	<b>4 013</b>	<b>8 588</b>

### Associated companies

PRAGOIMEX a.s. and Zaporizkiy Elektrovoz are the only associated companies in which the Group participates. In 2015 the Group acquired a 49% interest in Zaporizkiy Elektrovoz. The investment's value is insignificant for the Group.

#### *PRAGOIMEX a.s.*

The following table summarises the financial information of PRAGOIMEX a.s. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in the associate.

PRAGOIMEX a.s.	2018	2017
Percentage ownership interest	32%	32%
Non-current assets	11 848	15 371
Current assets	185 214	227 288
Non-current liabilities	38 000	39 000
Current liabilities	78 650	111 789
<b>Net assets (100%)</b>	<b>80 412</b>	<b>91 870</b>
<b>Group's share of net assets (32%)</b>	<b>25 732</b>	<b>29 398</b>
Effect of acquisition and differences in accounting policies	-207	-206
<b>Carrying amount of interest in joint venture</b>	<b>25 525</b>	<b>29 192</b>
Revenues	446 004	665 023
<b>Profit from continuing activities (100%)</b>	<b>15 126</b>	<b>26 837</b>
<b>Total comprehensive income (100%)</b>	<b>15 126</b>	<b>26 837</b>
<b>Total comprehensive income (32 %)</b>	<b>4 840</b>	<b>8 588</b>
<b>Group's share in profit and total comprehensive income</b>	<b>4 840</b>	<b>8 588</b>
Group's share in the decrease in funds from profit (32%)	-827	--
<b>Group's share in profit after adjustment for the decrease in funds from profit</b>	<b>4 013</b>	<b>8 588</b>
Dividends received by the Group	7 680	--

## 17. Non-controlling interests

On 29 February 2016, the Company purchased from its parent company a 75% ownership interest in Transtech Oy, including the right to purchase the remaining 25% ownership interest that the Group exercised in 2018. At the same time, the Company took over a liability connected with the holder's right to sell the remaining 25% ownership interest to the Company (put option). The cost of this transaction was TEUR 11 000. As a result, a non-controlling interest in Transtech Oy was transferred to the Group's equity attributable to owners and the price paid was reported as a reduction in equity attributable to owners of the Company.

The Group did not recognise a non-controlling interest related to the remaining 25% interest as at 31 December 2017 as this interest is made up of B shares, which do not carry voting rights nor are they entitled to share in profits.

On 31 January 2018 Sinituote Oy exercised a put option for the sale of a 25% interest in Transtech Oy where ŠKODA TRANSPORTATION a.s. acts as the buyer. Based on information available as at 31 December 2017, the estimated selling price was TCZK 109 534. A liability arising from the pre-emptive right was remeasured to this value as at 31 December 2017. The remeasurement was recognised against retained profits. The actual selling price in 2018 was TCZK 104 551 and the remeasurement difference was recognised in retained profits.

000 Vagonmaš is a subsidiary with significant non-controlling interests.

000 Vagonmaš	2018	2017
Percentage of non-controlling interest	49%	49%
Non-current assets	32 729	24 211
Current assets	332 602	385 205
Non-current liabilities	5 425	6 667
Current liabilities	491 265	515 100
Net assets	-131 359	-112 351
Revenues	259 365	980 038
Gain/loss	-35 224	70 708

The value of non-controlling interests in equity is as follows:

Company	31/12/2018	31/12/2017
000 Vagonmaš	-64 366	-55 052
<b>Total</b>	<b>-64 366</b>	<b>-55 052</b>

The non-controlling owners' share of the profit or loss is as follows:

Company	2018	2017
000 Vagonmaš	-17 260	34 647
<b>Total</b>	<b>-17 260</b>	<b>34 647</b>



## 18. Deferred tax liability/asset

In accordance with the accounting policy described in note 3 o), deferred tax was calculated using the tax rates expected to be effective for the period in which the tax liability/asset is utilised.

Deferred tax is calculated based on all temporary differences between the carrying and tax value of individual items presented in the statement of financial position and from unutilised investment incentives. A deferred tax asset is recognised to the extent that the Group's management believes it will be utilised in future years. Based on an analysis of the expected utilisation of the deferred tax asset/liability, a rate of 19% or 20% or 10% was used to calculate deferred tax in 2018 and 2017.

	31/12/2018	31/12/2017
Deferred tax asset	301 113	218 952
Deferred tax liability	-334 349	-428 421
<b>Total</b>	<b>-33 236</b>	<b>-209 469</b>

The deferred tax amount recognised in the consolidated financial statements relates to the following items:

	31/12/2018	31/12/2017	Year on year change 2018/2017
Non-current assets	-498 108	-472 813	-25 295
Finance leases	-863	-1 089	226
Receivables	6 001	8 969	-2 968
Contracts with customers	191 108	-100 781	291 889
Inventories	60 413	58 803	1 610
Provisions	341 297	446 731	-105 434
Unutilised tax losses	104 533	79 188	25 345
Employee benefits	6 298	6 388	-90
Unpaid contractual penalties	-1 416	49 132	-50 548
Derivatives	-4 567	8 444	-13 011
Non-utilised research and development costs	--	1 033	-1 033
Other	34 707	-1 153	35 860
<b>Total (asset+/- liability-)</b>	<b>239 403</b>	<b>82 852</b>	<b>156 551</b>
Adjustment by deferred tax asset unutilised for uncertainty reasons	-252 576	-202 803	-49 773
<b>Total after correction (asset+/- liability-)</b>	<b>-13 173</b>	<b>-119 951</b>	<b>106 778*</b>
Deferred tax on revaluation of derivatives recorded in other comprehensive income	-20 063	-89 518	69 455
<b>Total (asset+/- liability-)</b>	<b>-33 236</b>	<b>-209 469</b>	<b>176 233</b>

\*The difference between the year-on-year change and the value recognised in the income statement is caused by translation differences.

The Group does not report any significant tax losses from which a deferred tax asset is not recognised.



## 19. Income tax receivables and payables

The balance sheet item 'Income tax (receivable)' of TCZK 98 383 (2017 – TCZK 230 907) comprises corporate income tax prepayments reduced by estimated income tax.

The balance sheet item 'Income tax (payable)' of TCZK 7 678 (2017 – TCZK 42) comprises estimated corporate income tax reduced by income tax prepayments.

## 20. Other non-current receivables

	31/12/2018	31/12/2017
Non-current trade receivables	217 019	305 603
Non-current advances paid	172 528	534
Other non-current receivables and loans	296 774	339 627
<b>Total other non-current receivables and loans (gross)</b>	<b>686 321</b>	<b>645 764</b>
Impairment losses	--	--
<b>Total other non-current receivables and loans (net)</b>	<b>686 321</b>	<b>645 764</b>

### Ageing structure of non-current receivables

	31/12/2018	31/12/2017
Non-current receivables due within 2 years	259 864	168 865
Non-current receivables due in 2 to 5 years	217 439	229 106
Non-current receivables due in more than 5 years	209 018	247 793
<b>Total other non-current receivables and loans (gross)</b>	<b>686 321</b>	<b>645 764</b>
Impairment losses	--	--
<b>Total other non-current receivables and loans (net)</b>	<b>686 321</b>	<b>645 764</b>

In 2012, ŠKODA CITY SERVICE s.r.o. established an association together with Bammer trade a.s., CIAS HOLDING a.s., ŠKODA TRANSPORTATION a.s. and ŠKODA ELECTRIC a.s. for the purpose of participating in a public tender announced by Plzeňské městské dopravní podniky, a.s. (the Pilsen public transportation company; "the Project" or "Public tender"). The scope of this public tender is building a new transportation base for Plzeňské městské dopravní podniky, a.s. and further repairs, maintenance and shedding of the municipal public transportation vehicles operated in Pilsen. This bid submitted by the association was evaluated as the most suitable one and a Project agreement for implementation of this tender was concluded with the contracting entity.

The other non-current receivables are stated at amortised cost and concern the contractual right of subsidiary ŠKODA CITY SERVICE s.r.o. to receive future cash payments from Plzeňské městské dopravní podniky, a.s. in relation to services provided to the company.

## 21. Inventories

	31/12/2018	31/12/2017
Materials	2 266 573	2 374 987
Work-in-progress	867 256	906 258
Finished goods	92 219	30 411
Goods for resale	23 367	22 691
Advance payments for inventories	49 274	80 626
<b>Total inventories (gross)</b>	<b>3 298 689</b>	<b>3 414 973</b>
Materials	-249 478	-209 904
Work-in-progress	-234 196	-83 714
Finished goods	-13 676	-13 193
Goods for resale	-16 863	-17 653
Advance payments for inventories	--	-81
<b>Impairment losses</b>	<b>-514 213</b>	<b>-324 545</b>
Materials	2 017 095	2 165 083
Work-in-progress	633 060	822 544
Finished goods	78 543	17 218
Goods for resale	6 504	5 038
Advance payments for inventories	49 274	80 545
<b>Total inventories (net)</b>	<b>2 784 476</b>	<b>3 090 428</b>

Based on an analysis of turnover and usability of inventories, as at 31 December 2018 the Group reduced the carrying amount of inventories to their net realisable value by recognising an impairment loss of TCZK 514 213 (2017 – TCZK 324 545).

Inventories comprise items connected with an intermittent project in Transtech Oy for a Russian customer totalling EUR 8.2 million. Transtech commenced arbitrary proceedings against the Russian customer claiming the violation of a contract. The total amount that is being recovered including lost profit is EUR 10.0 million. Based on a court judgement delivered to the company in January 2019 under which a Russian customer is obliged to pay the amount of EUR 2.3 million to the company, the Group established a loss allowance of EUR 6.1 million as at 31 December 2018. The customer has filed an appeal against the court judgement.

## 22. Trade receivables and other assets

	31/12/2018	31/12/2017
Trade receivables	1 983 192	1 773 376
Contracts with customers - contract asset	5 063 796	---
Receivables relating to long-term contracts	---	5 547 392
Estimated receivables	14 139	20 020
Operating advances paid	17 070	12 206
Accrued revenues	16 034	26 640
Other receivables	34 936	22 795
Receivables from the state	18 770	114 145
Prepaid expenses	42 324	52 703
<b>Total receivables (gross)</b>	<b>7 190 261</b>	<b>7 569 277</b>
Impairment losses	-76 242	-89 788
<b>Total receivables (net)</b>	<b>7 114 019</b>	<b>7 479 489</b>

## 23. Cash and cash equivalents

	31/12/2018	31/12/2017
Cash	1 396	1 374
Bank accounts	1 489 945	1 009 573
Short-term time deposits	250 293	280 752
<b>Total</b>	<b>1 741 634</b>	<b>1 291 699</b>

The Group does not have any restricted cash.

### Significant investment and financial activities having no impact on cash

In 2018, the costs connected with investing activities were increased by TCZK 237 360 in relation with the settlement of the liabilities from 2017.

Loans from CEIL including due interest in the aggregate amount of TCZK 3 711 354 were offset against additional contributions paid in excess of contributions made in the registered capital by CEIL in 2017 of TCZK 3 711 354.

In 2017, the remeasurement of a liability arising from a put option relating to the non-controlling interest in Transtech Oy of TCZK 109 534 was recognised against retained earnings. In 2018, the difference between the final selling amount of the non-controlling interest and the original remeasurement of TCZK -4 983 was recognised against retained earnings.

## 24. Equity

### Registered capital

The Company's registered capital as at 31 December 2018 amounted to TCZK 3 150 000 (2017 – TCZK 3 150 000). The sole shareholder holds 1 registered ordinary share certificate in the nominal value of TCZK 3 134 100 and 1 registered ordinary share certificate in the nominal value of TCZK 15 900. Each TCZK 100 of the nominal value of the shares constitutes one voting right that can be exercised at a general meeting.

### Capital contributions

#### *Other capital contributions*

Other capital contributions as at 31 December 2018 amounted to TCZK 4 301 739 (2017 – TCZK 4 289 814). In 2017, CEIL made the additional contribution outside the register capital in the aggregate amount of TCZK 4 211 354.

### Change in fair value in respect of cash flow hedges

The change in fair value in respect of cash flow hedges as at 31 December 2018 amounted to TCZK 95 762 (2017 – TCZK 369 807).

### Foreign exchange differences from the translation of foreign operations

Foreign exchange differences from the translation of foreign operations arise from the translation of the financial statements of the Group's foreign subsidiaries from foreign currencies to Czech crowns. As at 31 December 2018, the balance of foreign exchange differences from the translation of activities carried out abroad amounted to TCZK 43 102 (2017 – TCZK 34 384).

### Retained earnings

The Group's consolidated retained earnings as at 31 December 2018 were TCZK 4 031 929 (2017 – TCZK 3 683 428).

In accordance with Czech legislation, dividends can be paid out from the Company's non-consolidated profit. Non-consolidated retained earnings as at 31 December 2018 were TCZK 5 613 736 (2017 – TCZK 5 181 985).

## 25. Earnings/(losses) per share

As described in Note 24, the Company has two shares, each of which has a different nominal value. Voting rights and shares of profit correspond to the proportion of individual shares in the share capital. Due to the difference in the nominal values of individual shares, the calculation is performed as a share of profit per each share separately. The proportion of the share with the nominal value of TCZK 3 134 100 in the profit attributable to the Company's owners for 2018 was TCZK 342 479; the proportion of the share with the nominal value of TCZK 15 900 was TCZK 1 737.

## 26. Provisions

	1/1/2017	Additions	Use	Release	31/12/2017
Provision for warranties	654 610	152 425	-214 653	-76 122	516 260
Provision for risks	94 764	39 431	-7 996	-26 128	100 071
Provision for litigations	139 421	6 462	-	-	145 883
Provision for environmental damage	60 000	-	-	-	60 000
Provision for fines and penalties	326 296	76 334	-159 686	-7 254	235 690
Provision for benefits	27 524	8 509	-591	-1 820	33 622
Provision for onerous projects	272 769	250 836	-31 193	-62 463	429 949
Other provisions	205 273	76 139	-102 096	-10 297	169 019
<b>Total</b>	<b>1 780 657</b>	<b>610 136</b>	<b>-516 215</b>	<b>-184 084</b>	<b>1 690 494</b>
Current portion of provisions	1 364 040				1 320 523
Non-current portion of provisions	416 617				369 971

	1/1/2018	Impact of transition to IFRS 15	Additions	Use	Release	31/12/2018
Provision for warranties	516 260	--	462 858	-217 771	-139 133	622 214
Provision for risks	100 071	--	68 283	-71 420	-19 349	77 585
Provision for litigations	145 883	--	1 310	-535	-122 242	24 416
Provision for environmental damage	60 000	--	--	--	-14 845	45 155
Provision for fines and penalties	235 690	-69 331	36 876	-45 279	-21 083	136 873
Provision for benefits	33 622	--	2 372	-2 376	-469	33 149
Provision for onerous projects	429 949	57 079	504 492	-662 544	-24 035	304 941
Other provisions	169 019	-53 733	164 284	-63 886	-47 639	168 045
<b>Total</b>	<b>1 690 494</b>	<b>-65 985</b>	<b>1 240 475</b>	<b>-1 063 811</b>	<b>-388 795</b>	<b>1 412 378</b>
Current portion of provisions	1 320 523					1 111 346
Non-current portion of provisions	369 971					301 032

### *Provision for warranties*

Warranty provisions are attributable to deliveries to customers carried out as at 31 December 2018 and 31 December 2017, which are covered by warranty obligation. The provision is calculated based on historical data and an individual assessment of potential future expenses, while taking into account additional circumstances known as at the date of preparing the consolidated financial statements.

### *Provision for risks*

Provisions for risks primarily cover risks associated with the deliveries of trams.

#### *Provision for employee benefits*

The Group provides monetary benefits to its employees when they reach a certain age or have worked a certain period of time, for which the Group establishes a provisions. As at 31 December 2018, the Group discounted the calculated provision to the present value using a rate of 3.5%, while taking into account the expected employee turnover rate. Due to insignificance other information is not disclosed.

#### *Provision for fines and penalties*

Provisions for fines and penalties are recognised primarily for postponed projects, where an obligation to pay fine or penalty could arise, based on a contract.

#### *Provision for onerous projects*

The Group recognised a provision for projects, for which Group will realise losses, based on actual forecasts.

#### *Other provisions*

Other provisions include, among others, the provision for bonuses to employees and management of the Group.

## 27. Other non-current liabilities

	31/12/2018	31/12/2017
Contracts with customers - contract liability	2 280 657	--
Non-current advances received	--	544 347
Other non-current liabilities	752	905
<b>Total</b>	<b>2 281 409</b>	<b>545 252</b>

The contract liability represents advances received by ŠKODA TRANSPORTATION a.s. and Transtech Oy in relation to contracts with customers which are fulfilled on an ongoing basis.



## 28. Trade payables and other payables

	31/12/2018	31/12/2017
Trade payables	1 999 971	2 392 689
Contracts with customers - contract liability	763 717	--
Long-term contracts - amounts received from customers	--	162 998
Advances received	--	304 330
Payables to employees	212 574	202 508
Payables to the state	261 368	63 413
Social security liabilities	77 188	70 119
Deferred income	29 677	81 759
Accrued expenses	37 846	17 405
Estimated payables	201 388	99 349
Other payables	60 871	201 798
<b>Total</b>	<b>3 644 600</b>	<b>3 596 368</b>

As a result of the transition to IFRS 15, effective from 1 January 2018 the Group has recognised advances and amounts received from customers in connection with the long-term contracts in Long-term contracts - contract asset.

As at 31 December 2018, overdue payables amounted to TCZK 621 214 (2017 – TCZK 139 557).

Other payables as at 31 December 2017 comprise a payable associated with a put option relating to the non-controlling interest in Transtech Oy of TCZK 109 534.

## 29. Loans, borrowings and securities

### The balance of loans and borrowings as at 31 December 2018

Non-bank loans	Current portion	Non-current portion	Total	Interest rate at 31/12/2018	Due date	Credit facility	Not drawn from the credit facility	Type of security
Bonds <sup>6</sup>	35 613	2 301 978	2 337 591	3.00%	26/6/2020	2 301 978	--	joint and several liability of all debtors <sup>2</sup>
Loan from PPF Beer Topholdco B.V.	--	1 253 057	1 253 057	8.5%	-- <sup>5</sup>	1 155 113	--	no security (subordinated to the bank loan)
Investment loan I.	835	--	835	2.83%	1/4/2019	835	--	pledge over assets acquired through these loans
Investment loan J.	2 243	--	2 243	2.83%	1/11/2019	2 243	--	pledge over assets acquired through these loans
Investment loan S.	1 475	3 394	4 869	1.38%	17/3/2022	4 869	--	pledge over assets acquired through these loans
Investment loan T.	1 918	5 320	7 238	2.15%	24/8/2022	7 238	--	pledge over assets acquired through these loans
<b>Total</b>	<b>42 084</b>	<b>3 563 749</b>	<b>3 605 833</b>	--	--	<b>3 472 276</b>	--	

Bank loans	Current portion	Non-current portion	Total	Interest rate at 31/12/2018	Due date	Credit facility	Not drawn from the credit facility	Type of security
Facility B1 (short-term revolving bank loan)	--	--	--	-- <sup>1</sup>	6/8/2021	1 900 000	1 900 000	joint and several liability of all debtors <sup>2</sup>
Facility B1 (short-term revolving bank loan)	--	--	--	-- <sup>3</sup>	6/8/2021	200 000	200 000	joint and several liability of all debtors <sup>2</sup>
Overdraft facility	--	--	--	-- <sup>4</sup>	--	300 000	300 000	joint and several liability of all debtors <sup>2</sup>
Bank loan B.	10 519	269 870	<b>280 389</b>	4.82%	30/6/2036	280 389	--	pledge over receivables of ŠKODA CITY SERVICE s.r.o., pledge over the ownership interest in ŠKODA CITY SERVICE s.r.o., subordination of receivables of related parties from ŠKODA CITY SERVICE s.r.o. and other hedging instruments
<b>Total</b>	<b>10 519</b>	<b>269 870</b>	<b>280 389</b>	--	--	<b>2 680 389</b>	--	

<sup>1</sup> Loan not drawn — interest rate: 2.95% + PRIBOR/EURIBOR

<sup>2</sup> Guarantees: insurance settlement, bank accounts, shares, real estate, receivables, establishment

<sup>3</sup> Loan not drawn — interest rate: 2.95% + MOSCOW MOSPRIME

<sup>4</sup> Loan not drawn — interest rate: 0.7% + 1D PRIBOR/EURIBOR

<sup>5</sup> The due date is defined in the Subordination agreement as the moment of full unconditional and final repayment of the Pari-passu debt.

<sup>6</sup> On 26 June 2015, the Group issued bonds in the nominal value of TCZK 2 310 000 using an issue rate of 99.13 % of their nominal value. The bonds have a maturity of five years and a fixed-rate coupon of 3% p.a. paid annually. The issue of the bonds is listed on the Regulated Market of the Prague Stock Exchange.

The balance of loans and borrowings as at 31 December 2017

Non-bank loans	Current portion	Non-current portion	Total	Interest rate at 31/12/2017	Due date	Credit facility	Not drawn from the credit facility	Type of security
Bonds*	35 613	2 296 842	<b>2 332 455</b>	3.00%	26/6/2020	2 296 842	--	no security
Loan from PPF Beer Topholdco B.V.	--	906 587	<b>906 587</b>	8.5%	--**	900 000	--	no security (subordinated to the bank loan)
Investment loan I.	2 457	835	<b>3 292</b>	2.83%	1/4/2019	3 292	--	pledge over assets acquired through these loans
Investment loan J.	2 380	2 243	<b>4 623</b>	2.83%	1/11/2019	4 623	--	pledge over assets acquired through these loans
Investment loan K.	--	1 080	<b>1 080</b>	1.80%	31/5/2020	1 080	--	car
Investment loan O.	--	2 050	<b>2 050</b>	2.70%	29/4/2021	2 050	--	car
Investment loan P.	--	29	<b>29</b>	9.32%	15/3/2018	29	--	car
Investment loan Q.	--	4 304	<b>4 304</b>	2.56%	9/4/2022	4 304	--	car
Investment loan R.	--	741	<b>741</b>	1.07%	17/3/2021	741	--	car
Investment loan S.	1 444	4 834	<b>6 278</b>	1.38%	17/3/2022	6 278	--	pledge over assets acquired through these loans
Investment loan T.	1 877	7 237	<b>9 114</b>	2.15%	24/8/2022	9 114	--	pledge over assets acquired through these loans
<b>Total</b>	<b>43 771</b>	<b>3 226 782</b>	<b>3 270 553</b>			<b>3 228 353</b>	--	

Bank loans	Current portion	Non-current portion	Total	Interest rate at 31/12/2017	Due date	Credit facility	Not drawn from the credit facility	Type of security
Short-term revolving bank loan	1 985 309	--	<b>1 985 309</b>	2.30%	16/12/2019***	2 019 952	34 643	joint and several liability of all debtors + bill of exchange
Fixed term amortised bank loan	300 000	--	<b>300 000</b>	3.06%	16/12/2019	300 000	--	joint and several liability of all debtors + bill of exchange
Bank loan B.	10 019	280 228	<b>290 247</b>	4.82%	30/6/2036	290 247	--	pledge over receivables of ŠKODA CITY SERVICE s.r.o., pledge over the ownership interest in ŠKODA CITY SERVICE s.r.o., subordination of receivables of related parties from ŠKODA CITY SERVICE s.r.o. and other hedging instruments
Bank loan E.	8 000	--	<b>8 000</b>	Pribor + 0.8%	31/1/2018	35 000	27 000	no security
<b>Total</b>	<b>2 303 328</b>	<b>280 228</b>	<b>2 583 556</b>			<b>2 645 199</b>	<b>61 643</b>	

\* On 26 June 2015 the Group issued bonds with a total nominal value of TCZK 2 310 000 at an issue rate of 99.13% of the nominal value. The bonds have a maturity of five years and a fixed-rate coupon of 3% p.a. paid annually. The issue of the bonds is listed on the Regulated Market of the Prague Stock Exchange.

\*\* The due date is defined in the Subordination agreement as the moment of full unconditional and final repayment of the Pari-passu debt.

\*\*\* This is the final maturity of the credit facility. The due date of the specific tranche is 8 January 2018. This tranche was revolved on 8 January 2018.

### 30. Derivatives

As at the reporting date the Group held the following derivatives:

#### a) Hedging derivatives

Forwards	Transacted in 2019	Transacted in subsequent periods	Fair value at 31/12/2018
	original currency (thousands)	original currency (thousands)	TCZK
Forwards – sale of USD	--	--	--
Forwards – sale of EUR	39 167	317 115	41 008
<b>Total</b>			<b>41 008</b>

Forwards	Transacted in 2018	Transacted in subsequent periods	Fair value at 31/12/2017
	original currency (thousands)	original currency (thousands)	TCZK
Forwards – sale of USD	3 091	--	6 861
Forwards – sale of EUR	80 735	160 000	199 952
<b>Total</b>			<b>206 813</b>

Swaps	Transacted in 2019	Transacted in subsequent periods	Fair value at 31/12/2018
	original currency (thousands)	original currency (thousands)	TCZK
Swap – sale of USD	487	--	20
Swap – sale of EUR	210 076	97 114	-42 851
Swap – purchase of USD	--	--	--
<b>Total</b>			<b>-42 831</b>

Swaps	Transacted in 2019	Transacted in subsequent periods	Fair value at 31/12/2018
			TCZK
Interest rate swaps	n/a	n/a	-31 598
<b>Total</b>			<b>-31 598</b>

Swaps	Transacted in 2018	Transacted in subsequent periods	Fair value at 31/12/2017
	original currency (thousands)	original currency (thousands)	TCZK
Swap – sale of USD	--	--	--
Swap – sale of EUR	146 265	110 000	113 030
Swap – purchase of USD	--	--	--
<b>Total</b>			<b>113 030</b>



Swaps	Transacted in 2018	Transacted in subsequent periods	Fair value at 31/12/2017
			<b>TCZK</b>
Interest rate swaps	n/a	n/a	154 072
<b>Total</b>			<b>154 072</b>

#### b) Trading derivatives

Forwards	Transacted in 2019	Transacted in subsequent periods	Fair value at 31/12/2018
	<b>original currency (thousands)</b>	<b>original currency (thousands)</b>	<b>TCZK</b>
Forwards – purchase of EUR	--	--	--
Forwards – sale of EUR	--	--	--
<b>Total</b>			<b>--</b>

Swaps	Transacted in 2019	Transacted in subsequent periods	Fair value at 31/12/2018
	<b>original currency (thousands)</b>	<b>original currency (thousands)</b>	<b>TCZK</b>
Swap – sale of EUR	26 000	--	4 362
Swap – sale of RUB	141 000	--	2 157
Interest rate swaps	n/a	n/a	145 906
<b>Total</b>			<b>152 425</b>

In accordance with the accounting policies described in Note 3, the change in the fair value of hedging derivatives and trading derivatives of TCZK -333 839 (2017 – TCZK 639 302), reduced by deferred tax, is recorded in other comprehensive income.

As at 31 December 2018, the Group had a liability of TCZK 100 172 (2017 – TCZK 29 301) arising from the revaluation of hedging derivatives and derivatives held for trading, and a receivable of TCZK 219 176 (2017 – TCZK 511 287) arising from the revaluation of hedging derivatives, derivatives held for trading and interest rate swaps, which are presented, depending on the due date of the derivative, as follows: the non-current portion of the liability of TCZK 88 040 (2017 – TCZK 19 408) under 'Hedging derivatives – non-current portion', the current portion of the liability of TCZK 12 132 (2017 – TCZK 9 893) under 'Hedging derivatives – current portion'; the non-current portion of the receivable of TCZK 146 773 (2017 – TCZK 285 505) under 'Hedging derivatives – non-current portion', and the current portion of the receivable of TCZK 72 403 (2017 – TCZK 225 782) under 'Hedging derivatives – current portion'.

Depending on the classification of the respective derivative transaction (hedging or trading), gains and losses on derivatives settled in 2018 are recognised under 'Other operating expenses (see Note 10)', 'Other operating revenues' (see Note 11) or 'Net finance income/expense' (see Note 12).

To maximise the effectiveness of its derivatives, the Group adheres to the principle that the terms and conditions of a derivative instrument must correspond to the conditions of the respective item at risk.

Contracts with customers are naturally hedged by receiving advances in a currency corresponding to the currency agreed in the respective contract.

Derivatives are classified as short-term or long-term based on their due dates.

Financial assets and liabilities measured at fair value have been assigned to Level 2 as defined by IFRS.

## **31. Financial instruments**

### **Risk management and financial instruments**

The Group's principal financial instruments (excluding derivatives) comprise trade receivables, cash in hand and bank accounts, other long-term receivables, trade payables, bank loans, related-party loans, and finance and operating leases. The main purpose of the aforementioned financial liabilities is to obtain funds for the Group's activities; financial assets arise during its ordinary activities.

The Group is primarily exposed to the following risks:

- credit risk;
- market risk, including currency risk and interest rate risk; and
- liquidity risk.

The Group's management is generally responsible for the design and monitoring of the financial risk management system. The development and estimates of the effects of individual risks are regularly assessed. The Group's overall risk management strategy focuses on the unpredictable nature of financial markets and endeavours to minimise any potential negative effects on the Group's financial results.

The Group concluded derivatives transactions (currency forwards and swaps and interest rate swaps) in order to hedge the currency and price risks that arise as a result of the Group's activities and its funding.

### **Capital management**

The Group's aspiration is to maintain a strong capital foundation with the goal to sustain the trust of investors, creditors and markets and to support the future development of business operations.

Through the management of its capital and the optimization of the debt to equity ratio the Group intends to ensure optimal conditions for each subsidiary's continuous business operations to maximize income. The Company and Group are bound to the fulfilment of capital requirements arising from the conditions of received bank loans and emitted bonds.

### **Concentration risk**

Considering the parameters of the market in which the Group operates, the major part of the Group's revenues is generated from a limited number of specialised customers. The number of such customers in the market does not change from a long-term perspective. Moreover, it cannot be expected that the market will open to a significant number of new customers in the future. The loss of one or more existing customers may have a significant negative effect on the Group's results of operations.

The Group makes every effort to adapt its products to customers' needs, which is associated with a risk of additional costs incurred for proven products. There is also a risk of a lower credit status of customers who may decide to purchase a smaller number of products or cheaper products due to the lack of sufficient funds.

### **Customer credit risk**

Credit risk results from the potential failure of debtors to fulfil their obligations when they fall due. The risk arises primarily from the inability or unwillingness of a debtor to pay off the Group's receivables, or loans provided by the Group. To prevent excessive uncollectible receivables, the top management team focuses on credit risks as part of the effective management of the sales and related functions. The maximum credit risk exposure is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk exposure is primarily dependent on the individual characteristics of each customer. In general, however, credit risk is assessed based on the credit status of customers.

For new contracts and orders, the ability of the customer or counterparty to pay off their debt by the due date is assessed. Where necessary, future cash flows are secured, primarily by means of advances or bank guarantees. In specific cases, receivables insurance or letters of credit are used. The bank guarantees are disclosed in Note 33.

The credit limit of each customer is regularly monitored and procedures are in place to prevent the exceeding of this limit. Extensions of these pre-defined limits are only granted after careful evaluation and formal approval from the Group's management.

In addition, receivables balances are monitored on a regular basis, in order to limit the Group's exposure to uncollectible receivables. When receivables become overdue, appropriate action is taken when necessary. Credit risk is further covered by the establishment of impairment losses, and the write-off of receivables.

In 2018 the Group had two customers which accounted for more than 10% of the Group's trade receivables and other receivables (including the contract asset). The Group's management has taken appropriate action to limit the concentration of risk to these parties by policies and procedures such as collateral agreements, careful evaluation of new agreements entered into and close monitoring of credit balances.

As regards the credit risk arising from the Group's other financial assets, which include cash and cash equivalents, credit risk results from the default of a counterparty, with the maximum exposure being equal to the carrying amount of these instruments. As at 31 December 2018 and 31 December 2017, other financial assets were not impaired.

Derivative-type financial assets are not assessed for credit risk as they are negotiated exclusively with financial institutions with a sufficiently high credit rating.

The maximum credit risk exposure as at the reporting date was as follows:

TCZK	Note	31/12/2018	31/12/2017
Non-current receivables	20	686 321	645 764
Trade receivables*	22	1 916 628	1 693 238
Contract assets*	22	5 063 796	--
Receivables relating to long-term contracts*	22	--	5 547 392
Other current receivables except for the receivables relating to contract asset*	22	133 595	248 509
Derivatives – assets	30	219 176	511 287
Cash and cash equivalents	23	1 741 634	1 291 699

\* These balances are presented in 'Trade and other receivables'.

### *Impairment*

At 31 December, the ageing of trade and other receivables that were not impaired was as follows:

	31/12/2018	31/12/2017
Receivables not overdue	1 754 321	1 532 608
Receivables less than 6 months overdue	104 473	92 617
Receivables less than 12 months overdue	10 324	123 285
Receivables less than 36 months overdue	93 131	7 024
Receivables more than 36 months overdue	15 935	9 759
Receivables from debtors in bankruptcy	5 008	8 083
<b>Total receivables (gross)</b>	<b>1 983 192</b>	<b>1 773 376</b>
Receivables not overdue	--	--
Receivables less than 6 months overdue	--	-100
Receivables less than 12 months overdue	-565	-56 121
Receivables less than 36 months overdue	-45 057	-6 096
Receivables more than 36 months overdue	-15 934	-9 759
Receivables from debtors in bankruptcy	- 5 008	-8 062
<b>Impairment losses</b>	<b>-66 564</b>	<b>-80 138</b>
Receivables not overdue	1 754 321	1 532 608
Receivables less than 6 months overdue	104 473	92 512
Receivables less than 12 months overdue	9 759	67 164
Receivables less than 36 months overdue	48 074	928
Receivables more than 36 months overdue	1	--
Receivables from debtors in bankruptcy	--	21
<b>Total receivables (net)</b>	<b>1 916 628</b>	<b>1 693 238</b>

The Group's management believes that the unimpaired amounts that are due are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk.

## Market risk

Market risk results from potential fluctuations in exchange rates and interest rates. The Group has implemented certain procedures and methods to monitor this risk.

### *Currency risk*

The Group is exposed to significant risks resulting from foreign currency transactions. These risks arise from sales and purchases that the Group carries out in currencies other than its functional currency. The Group includes companies whose presentation currency differs from the Group's functional currency (mostly EUR, HUF and RUB). Approximately 53% (2017 – 53%) of the Group's sales is denominated in currencies (predominantly in EUR) other than the Group's functional currency, while more than 54% (2017 – 50%) of the expenses is denominated in the Group's functional currency.

The Group aims to eliminate most of its currency risk by using derivatives to hedge the Group's exposure to the volatility of exchange rates affecting expected future cash flows. For more information, see Note 30.

### *Sensitivity analysis – currency risk exposure*

A reasonably possible strengthening (weakening) of the euro, US dollar or Hungarian forint against all other currencies as at 31 December 2018 and 31 December 2017 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

The actual impact on the income statement of foreign exchange changes arising from a 10% appreciation (depreciation) of the Czech crown would be different from the calculation provided below as the Group mitigates its currency risk exposure by concluding currency derivatives contracts.

	Exchange rate at 31 December 2018	10%	-10%
CZK/EUR	25.725	28.298	23.153
CZK/USD	22.466	24.713	20.219
CZK/HUF	0.080	0.088	0.072
CZK/RUB	0.323	0.355	0.290

	Currency rate at 31 December 2017	10%	-10%
CZK/EUR	25.540	28.094	22.986
CZK/USD	21.291	23.420	19.162
CZK/HUF	0.082	0.091	0.074
CZK/RUB	0.368	0.404	0.331

Income statement		
	Weakening TCZK	Strengthening TCZK
<b>31 December 2018</b>		
EUR (10% movement)	-53 162	53 162
USD (10% movement)	11 669	-11 669
HUF (10% movement)	2 754	-2 754
RUB (10% movement)	40 475	-40 475
<b>31 December 2017</b>		
EUR (10% movement)	228 111	-228 111
USD (10% movement)	15 046	-15 046
HUF (10% movement)	1 001	-1 001
RUB (10% movement)	36 655	-36 655

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows from financial instruments will fluctuate because of changes in interest rates. Interest rate risk management aims to reduce the risk arising from changes in interest rates of variable-rate financial liabilities by maintaining a suitable structure of financial liabilities. The Group is exposed to interest rate risk primarily in connection with loans received.

#### *Interest rate sensitivity analysis*

The Group is exposed to interest rate risk primarily due to financial liabilities arising from borrowings and non-current liabilities that bear interest at variable rates. The sensitivity analysis is based on the exposures as at the reporting date. In the coming period, the Group assumes the possibility of a +/-10 basis point change in the interest rate swap yield curve. The Group is most sensitive to movements in the Czech crown yield curve. The following table shows the possible effect on profit or loss and equity before tax of the expected change in interest rates.

The actual impact on the income statement of interest rate changes for 10 basis points would be different from the calculation provided below as the Group mitigates its interest rate risk exposure by concluding interest rate swaps (see Note 30).

Interest rate change	2018		2017	
	Increase of 10 basis points	Decrease of 10 basis points	Increase of 10 basis points	Decrease of 10 basis points
Effect on profit or loss	--*	--*	-1 985	1 985

\*As at 31 December 2018, the Company did not recognise any liability from received loans with a variable interest rate.



### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk exposure on a regular basis, and assesses the maturity of financial investments and financial liabilities, and projected cash flows from its activities.

One of the principal liquidity management tools are advances received to cover the costs relating to the completion of contracts, the allocation of available funds to highly liquid bank instruments (term deposits and depository notes), and the conclusion of agreements with suppliers regarding reasonable maturity dates.

### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

	Contractual cash flows					
31/12/2018	Carrying amount	Total	Due within 1 year	Due in 1 to 2 years	Due in 2 to 5 years	More than 5 years
Non-derivative financial liabilities						
Trade payables	1 999 971	1 999 971	1 968 380	31 431	-149	309
Bank loans	280 389	416 991	23 925	35 489	73 638	283 939
Non-bank loans and bonds	3 605 833	4 215 981	76 073	2 382 965	5 328	1 751 615
Current financial liabilities *	1 644 629	1 644 629	1 644 629	--	--	--
Finance lease payables	4 385	4 385	784	846	2 755	--
Other non-current liabilities *	2 281 409	2 281 409	620	597 029	1 683 760	--
Derivative financial liabilities (forward exchange contracts used for hedging) - net						
Net outflow	-119 004	-119 004	-30 470	-8 871	-38 255	-41 408
Total	9 697 612	10 444 362	3 683 941	3 038 889	1 727 077	1 994 455

\* Current financial liabilities and Other non-current liabilities include Contract liabilities

Contractual cash flows						
31/12/2017	Carrying amount (adjusted)	Total	Due within 1 year	Due in 1 to 2 years	Due in 2 to 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>						
Trade payables	2 392 689	2 392 689	2 386 582	4 977	279	851
Bank loans	2 583 556	2 744 822	2 327 993	23 925	71 783	321 121
Non-bank loans and bonds	3 270 553	3 683 729	78 092	79 436	3 526 201	--
Current financial liabilities*	1 203 678	1 203 678	1 203 678	--	--	--
Finance lease payables	5 704	5 704	1 351	778	3 575	--
Other non-current liabilities*	545 252	545 252	--	253 097	292 155	--
<b>Derivative financial liabilities (fixed term contracts used for hedging) - net</b>						
Net outflow	-481 986	-481 986	-207 653	-62 384	-141 554	-70 395
<b>Total</b>	<b>9 519 446</b>	<b>10 093 888</b>	<b>5 790 043</b>	<b>299 829</b>	<b>3 752 439</b>	<b>251 577</b>

\* Current financial liabilities and Other non-current liabilities include Advances received

The gross inflows/(outflows) disclosed in the above tables represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

### Revenue and expenses, and gains and losses in the income statement

2018				
Financial instruments by category				
(expenses - / revenue +)	Note	Loans and advances	Financial derivatives	Total
Interest income	12	58 901	--	58 901
Interest expense	12	-284 611	--	-284 611
Losses from derivative transactions	30	--	-52 331	-52 331
Gains from derivative transactions	30	--	229 987	229 987
<b>Total</b>		<b>-225 710</b>	<b>177 656</b>	<b>-48 054</b>

2017				
Financial instruments by category				
(expenses - / revenue +)	Note	Loans and advances	Financial derivatives	Total
Interest income	12	53 445	--	53 445
Interest expense	12	-482 788	--	-482 788
Losses from derivative transactions	30	--	-59 768	-59 768
Gains from derivative transactions	30	--	210 629	210 629
<b>Total</b>		<b>-429 343</b>	<b>150 861</b>	<b>-278 482</b>

### Fair value

The Group performed a classification into three levels of input data based on an assessment of their availability, using the fair value hierarchy. The hierarchy of fair value has the following levels:

- a) Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices);
- c) Level 3 inputs: unobservable inputs for the asset or liability.

		Fair value		
31/12/2018	Carrying amount as at 31 December 2018	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Non-current receivables	686 321	--	--	686 321
Derivatives	219 176	--	219 176	--
<b>Financial liabilities</b>				
Bank loans	-280 389	--	--	-280 389
Non-bank loans	-1 268 242	--	--	-1 268 242
Bonds	-2 337 591	-2 373 333	--	--
Other non-current liabilities	-2 281 409	--	--	-2 281 409
Derivatives	-100 172	--	-100 172	--
<b>Total</b>	<b>-5 362 306</b>	<b>-2 373 333</b>	<b>119 004</b>	<b>-3 143 719</b>

		Fair value		
31/12/2017	Carrying amount as at 31 December 2017	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Non-current receivables	645 764	--	--	645 764
Derivatives	511 287	--	511 287	--
<b>Financial liabilities</b>				
Bank loans	- 2 583 556	--	--	-2 583 556
Non-bank loans	-938 098	--	--	-938 098
Bonds	-2 332 455	-2 373 333	--	--
Other non-current liabilities	-545 252	--	--	-545 252
Derivatives	-29 301	--	-29 301	--
<b>Total</b>	<b>-5 271 611</b>	<b>-2 373 333</b>	<b>481 986</b>	<b>-3 421 142</b>

The Group does not report financial instruments presented in current trade receivables and other assets and current trade and other payables at fair value where their carrying amount approximates their fair value.

## 32. Transactions with related parties

Related parties also include key management personnel. The remuneration of these individuals is disclosed in Note 9. In addition, these individuals are provided with standard benefits such as company cars and mobile phones.

One member of the board of directors holds bonds issued by the Group.

The following related-party balances are included in the advance payments for inventories, receivables, liabilities, advances received and loans and borrowings described in Notes 20, 22, 27, 28, and 29:

2018	Receivables	Payables		
	Trade receivables	Trade payables	Non-current and current loans and borrowings	Other payables
Parent company	--	--	1 253 057	--
Associated companies	4 602	--	--	--
Other	8 323	115 463	--	--
<b>Total</b>	<b>12 925</b>	<b>115 463</b>	<b>1 253 057</b>	<b>--</b>

2017	Receivables	Payables		
	Trade receivables	Trade payables	Non-current loans and borrowings	Other payables
Parent company	--	--	--	13 479
Associated companies	13 434	3 568	--	--
Other	104	24 180	--	--
<b>Total</b>	<b>13 538</b>	<b>27 748</b>	<b>--</b>	<b>13 479</b>

The expenses and revenues generated vis-à-vis related parties were as follows:

2018	Revenues					Expenses		
	Revenues from own products	Revenues from services	Revenues from the sale of materials	Interest income	Other operating revenues	Materials and consumables	Purchased services	Interest expense
Parent company	--	--	--	--	--	--	--	72 231
Associated companies	33 194	535	238	--	--	--	--	--
Other	1 745	7 921	359	1 144	2 955	2 259	159 799	--
<b>Total</b>	<b>34 939</b>	<b>8 456</b>	<b>597</b>	<b>1 144</b>	<b>2 955</b>	<b>2 259</b>	<b>159 799</b>	<b>72 231</b>

2017	Revenues					Expenses		
	Revenues from own products	Revenues from services	Revenues from the sale of materials	Interest income	Other operating revenues	Materials and consumables	Purchased services	Interest expense
Parent company	--	--	--	--	--	--	--	299 255
Associated companies	46 102	563	541	--	925	29 177	5 568	--
Other	--	--	--	--	644	--	54 826	--
<b>Total</b>	<b>46 102</b>	<b>563</b>	<b>541</b>	<b>--</b>	<b>1 569</b>	<b>29 177</b>	<b>60 394</b>	<b>299 255</b>

### 33. Contingencies and commitments

As at 31 December 2018, the Group reported contingencies and commitments relating to planned capital expenditures of TCZK 12 656 (2017 – TCZK 63 954), of which TCZK 10 416 (2017 – TCZK 23 491) related to the reconstruction of buildings, TCZK 1 079 (2017 – TCZK 32 669) to machinery, TCZK 1 161 (2017 – TCZK 430) to cars, and TCZK 0 (2017 – TCZK 7 363) to other planned capital expenditures.

#### Bank guarantees

Under applicable contractual provisions, Group companies must provide bank guarantees to its clients to guarantee the quality of their performance, warranty coverage and advances paid. In addition, bid bonds are being issued.

Bank guarantees received	Effective less than 1 year	Effective more than 1 year	Total at 31/12/2018	Total at 31/12/2017
Total in TEUR	108 404	147 328	255 732	145 079
Total in TCZK	346 559	92 517	439 076	372 532
Total in TPLN	15 000	--	15 000	15 022
Total in TUSD	--	--	--	--
Total in TBGN	10	2	12	10
Total in TRON	--	--	--	--
Total in TRUB	22 569	1 243 398	1 265 967	1 820 560

### 34. Litigations

#### ŠKODA TRANSPORTATION a.s.

The Arbitration Court attached to the Czech Chamber of Commerce and the Czech Agrarian Chamber issued a final and conclusive decision in proceedings with a significant customer, regarding the payment of part of a purchase price, default interest and the right to substitute an expressed intention to conclude an amendment regarding a purchase price increase, in favour of the Company and fully rejected the petition of the customer for the payment of a contractual penalty for an alleged breach by the Company of its obligations under a purchase agreement, and a petition for the submission of certification equivalent for Austria and Germany. All supplies relating to this litigation were paid in preceding years.



The Company is involved in proceedings to cancel an arbitration ruling, dealing primarily with procedural issues. As at 20 March 2019, the Court dismissed the action for cancelling the arbitration ruling. The judgement is not yet final and conclusive.

*ŠKODA VAGONKA a.s.*

The company was sued by UNION BUSINESS AGENCY LTD. with its registered office in London for non-payment of receivables amounting to TCZK 32 669. The receivables were acquired by the plaintiff through MICHIN spol. s r.o. via cession from the original creditor, ČKD DOPRAVNÍ SYSTÉMY a.s. (more precisely, from the liquidator of that company, Ing. Petr Dostál).

However, the receivables in question were transferred in full by MICHIN spol. s r.o. to third parties, namely to the companies BEC a.s., CLARK OIL, s.r.o. and A-Z LOKOMAT s.r.o., and to Mr. Matěj Brož, an individual. These third parties (except for Mr. Matěj Brož, whose receivable was settled by bank transfer) unilaterally offset the acquired receivables against their due liabilities.

The Group established a provision of TCZK 122 242 as at 31 December 2017 in respect of the claimed amount plus related interest and fees. In 2018, the risk of being not successful in the legal dispute was evaluated as low and the provision was thus released in full.

### **35. Environmental liabilities**

*Pars nova a.s.*

The objective of the company is to be environmentally friendly and to reduce any potential negative effects. The Company created a provision for environmental risks in the total amount of TCZK 45 155 (2017 – TCZK 60 000). The provision has been created to cover possible future expenses following from the environmental audit carried out by the company. At present, the final amount of future costs cannot be reliably determined. Consequently, the provision was set by the company management based on an estimate of future costs while taking into account all potential risks.

The Group is not aware of any information indicating the existence of uncovered environmental liabilities that would have an additional impact on the Group's financial statements for 2018 and 2017.

### **36. Development costs**

In 2018, the Group's development costs totalled TCZK 895 762 (2017 – TCZK 973 574). The major development projects in 2018 were the development of locomotives, double-decker push-pull trainsets and trams.

The development costs for 2018 of TCZK 260 317 (2017 – TCZK 302 625) were capitalised in intangible assets. Other development costs are recognised in the income statement.



### 37. Government grants

The Group received the following government grants in 2018-2017:

	2018	2017
Capitalised grants	68 018	9 077
Grants recognised in profit or loss	12 985	9 088
<b>Total</b>	<b>81 003</b>	<b>18 165</b>

### 38. Material subsequent events

*ŠKODA TRANSPORTATION a.s.*

On 1 February 2019, Ing. Jaromír Šilhánek was removed as a member of the board of directors. This change was not recorded in the Commercial Register as at the date of approval of the financial statements.

On 1 February 2019, Ing. Zdeněk Majer was elected a member of the board of directors. This change was not recorded in the Commercial Register as at the date of approval of the financial statements.

The legal existence of the subsidiary MOVO was terminated as at 1 February 2019 as a result of the process of merger by acquisition and its assets and liabilities, rights and duties, receivables, payables and employees were transferred to ŠKODA TRANSPORTATION a.s.

Approved on 10 April 2019



Ing. Petr Brzezina  
*Chairman of the Board of Directors*



Ing. Jan Menclík  
*Member of the Board of Directors*



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Only the Czech version of the report is legally binding.

## **Independent Auditor's Report to the Shareholder of ŠKODA TRANSPORTATION a.s.**

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of ŠKODA TRANSPORTATION a.s. ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Notes 1 and 4 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### ***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Valuation of goodwill**

Refer to Notes 2. and 3.r) (accounting policies) and 14. (financial disclosures).

Key audit matter	How the audit matter was addressed
<p><b>The Group reports a significant balance of goodwill which bears a risk that it may not be fully recovered due to insufficient demand in several markets.</b></p> <p><b>Determining the recoverable amount of goodwill requires a number of significant judgments and estimates, especially in respect of the amount of future cash flows and the applied discount rate.</b></p> <p><b>Therefore, this is one of the key areas that our audit concentrated on.</b></p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> <li>- Evaluating appropriateness of the Group's judgment regarding identification of the cash generating units and goodwill allocation;</li> <li>- Critically assessing the Group's assumptions and estimates used to determine the recoverable amount of goodwill and any impairment losses recognised, using our internal valuation specialist. This included: <ul style="list-style-type: none"> <li>Assessing the macroeconomic assumptions applied by the Group, including those relating to discount rates;</li> <li>Assessing the financial plans prepared by the Group;</li> <li>Testing the Group's discounted cash flows models in terms of their compliance with the relevant accounting standards;</li> </ul> </li> <li>- Evaluating the Group's analysis of the sensitivity of the impairment tests' results, in particular in respect of the assumptions with the greatest potential effect on the test results, e.g. those relating to discount rates, growth rate and operating earnings before deduction of depreciation and impairment allowances (EBITDA);</li> <li>- Evaluating the adequacy of disclosures in respect of impairment.</li> </ul>



## Revenue recognition

Refer to Notes 3.i) and x) (accounting policies) and 7. and 22. (financial disclosures)

Key audit matter	How the audit matter was addressed
<p><b>The Group realises most of its revenues from project based activity. A significant portion of its revenues is thus recognised based on contracts with customers and in relation to the stage of completion of the relevant project.</b></p> <p><b>Determining the recognised amount of revenues requires judgment of the Group, especially when determining the stage of completion in compliance with new IFRS 15 standard including the expected costs and profitability of the particular project.</b></p> <p><b>Therefore, this is one of the key areas that our audit concentrated on.</b></p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>- Testing the Group's control mechanisms relating to project management;</li> <li>- Critically assessing the Group's methodology for determining the stage of completion and for the calculation of revenues based on the stage of completion;</li> <li>- Assessing the estimates made by the Group in relation to the total expenses and revenues and future estimated expenses and revenues connected with the projects;</li> <li>- Testing the revenue calculation on a sample of projects, with focus primarily on verifying the input data from customer contracts and from the projects' financial plans and on verifying the mathematical accuracy of the calculation;</li> <li>- Retrospective assessment of the accuracy of Group's estimates in the prior accounting periods to verify the reliability of the Group's judgments;</li> <li>- Assessing the adequacy of the information disclosed in the notes to the financial statements about recognised revenues from customers contracts, based on IFRS 15 requirements, in respect of the stage of completion of the projects and the level of judgment used in recognising the revenues.</li> </ul>

## Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other



information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

- the other information describing matters that are also presented in the separate and the consolidated financial statements is, in all material respects, consistent with the separate and the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

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

#### ***Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Consolidated Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board and Audit Committee are responsible for the oversight of the Group's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to





- provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.





## **Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

### *Appointment of Auditor and Period of Engagement*

We were appointed as the auditors of the Group by the General Meeting of Shareholders on 12 September 2018 and our uninterrupted engagement has lasted for 16 years.

### *Consistency with Additional Report to Audit Committee*

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 5 April 2019 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

### *Provision of Non-audit Services*

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the consolidated financial statements or consolidated annual report.

## **Statutory Auditor Responsible for the Engagement**

Karel Růžička is the statutory auditor responsible for the audit of the consolidated financial statements of ŠKODA TRANSPORTATION a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague  
10 April 2019

  
KPMG Česká republika Audit, s.r.o.  
Registration number 71

  
Karel Růžička  
Partner  
Registration number 1895



## ŠKODA TRANSPORTATION a.s.

**Separate financial statements for 2018**  
in accordance with International Financial Reporting Standards  
(IFRS) as adopted by the European Union (EU)

### Translation note

This version of the annual report is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the annual report takes precedence over this translation.

## Separate income statement for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Note	2018 TCZK	2017 TCZK
<b>I. Continuing operations</b>			
Revenues from goods sold		--	--
Revenues from products and services	4	4 496 541	5 153 917
Other operating revenues	4	157 999	246 282
<b>Total revenues</b>		<b>4 654 540</b>	<b>5 400 199</b>
Cost of goods sold		--	--
Change in inventory of own production (increase - / decrease +)		98 474	94 518
Own work capitalised (increase - / decrease +)		1 753	567
Cost of sales	5	-3 176 776	-3 315 907
Personnel expenses	6	-815 757	-761 547
Depreciation and amortisation	14, 15	-232 508	-245 620
Impairment of non-current assets (increase - / decrease +)	15	2 162	12 025
Other operating expenses	7	-320 663	-520 791
Other operating income	8	154 892	186 051
<b>Total operating expenses</b>		<b>-4 288 423</b>	<b>-4 550 704</b>
Profit/loss on disposal of non-current assets		1 839	5 456
<b>Operating profit/loss</b>		<b>367 956</b>	<b>854 951</b>
Loss on investments	9	7 843	444 898
Finance income	10	125 035	100 612
Finance expenses	11, 16	-249 165	-439 289
Other finance income and expenses (expense - / income +)		139 358	-3 331
<b>Profit before tax</b>		<b>391 027</b>	<b>957 841</b>
Income tax	12	35 127	-65 581
<b>Profit from continuing operations</b>		<b>426 154</b>	<b>892 260</b>
<b>II. Profit for the period</b>		<b>426 154</b>	<b>892 260</b>

The notes form an integral part of the consolidated financial statements.

## Separate statement of comprehensive income for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	2018 TCZK	2017 TCZK
<b>Profit for the period</b>	<b>426 154</b>	<b>892 260</b>
<b>Other comprehensive income</b>	<b>-248 659</b>	<b>428 685</b>
<i>Items which will be reclassified into profit and loss</i>		
Gain/(loss) on cash flow hedges	-306 879	529 241
Deferred tax on items of other comprehensive income	58 220	-100 556
<i>Items which will not be reclassified into profit and loss</i>	--	--
<b>Total comprehensive income for the period</b>	<b>177 495</b>	<b>1 320 945</b>

The notes form an integral part of the consolidated financial statements.

## Separate statement of financial position as at 31 December 2018 and 31 December 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Note	31.12.2018 TCZK	31.12.2017 TCZK
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	1 898 327	1 921 041
Investment property		--	--
Intangible assets	14	1 919 317	1 570 758
Assets under construction	14, 15	4 815	5 691
Goodwill		--	--
Investments in subsidiaries	16	8 699 613	6 454 134
Investments in associates and joint ventures	17	16 606	16 606
Deferred tax asset		--	--
Derivatives	28	143 402	260 780
Other non-current receivables	20	281 061	148 222
<i>Total non-current assets</i>		<i>12 963 141</i>	<i>10 377 232</i>
<b>Current assets</b>			
Inventories	18	1 698 127	1 697 287
Trade and other receivables	19	5 691 766	7 119 827
Current income tax receivable		60 715	157 414
Derivatives	28	62 278	189 515
Cash and cash equivalents	21	1 237 562	521 360
<i>Total current assets</i>		<i>8 750 448</i>	<i>9 685 403</i>
<b>Total assets</b>		<b>21 713 589</b>	<b>20 062 635</b>

**EQUITY AND LIABILITIES**
**Equity attributable to majority owners**

Registered capital		3 150 000	3 150 000
Capital contributions		4 225 338	4 212 779
Revaluation of assets		--	--
Fair value changes relating to hedges and foreign currency translation		102 512	351 171
Retained earnings		5 613 736	5 181 985

<b>Total equity</b>	<b>22</b>	<b>13 091 586</b>	<b>12 895 935</b>
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**Non-current liabilities**

Long-term loans, borrowings and securities	26	3 555 035	3 203 429
Non-current finance lease liabilities		--	--
Deferred tax liability	12	187 558	282 617
Non-current provisions	27	18 173	20 015
Other non-current liabilities	25	1 936 674	69 327
Derivatives		54 582	--

<b>Total non-current liabilities</b>		<b>5 752 022</b>	<b>3 575 388</b>
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**Current liabilities**

Trade and other payables	24	1 963 787	1 924 926
Current income tax liability		--	--
Short-term loans, borrowings and securities	26	235 714	950 274
Current finance lease liabilities		--	--
Current provisions	27	660 145	711 779
Derivatives	28	10 335	4 333

<b>Total current liabilities</b>		<b>2 869 981</b>	<b>3 591 312</b>
----------------------------------	--	------------------	------------------

<b>Total liabilities</b>		<b>8 622 003</b>	<b>7 166 700</b>
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<b>Total equity and liabilities</b>		<b>21 713 589</b>	<b>20 062 635</b>
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The notes form an integral part of the consolidated financial statements.



## Separate statement of cash flow for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Note	2018 TCZK	2017 TCZK
<b>I. Cash flows from operating activities</b>			
<i>Profit before tax</i>		<i>391 027</i>	<i>957 841</i>
Adjustments for:			
- depreciation and amortisation	14, 15	232 508	245 620
- impairment of non-current assets	15, 16	-2 162	-12 025
- profit/loss on disposal of non-current assets		-1 983	-734
- impairment of current assets		31 337	-20 942
- unrealised foreign exchange differences		--	--
- gain on investments		-7 693	-444 898
- share of profit of associated companies		--	--
- loan fees, interest expense and income		125 526	369 431
- other non-cash transactions		-2 473	101 842
- change in provisions		16 648	65 463
- share-based payment transactions		--	--
- profit from discontinued operations		--	--
<i>Total adjustments</i>		<i>391 708</i>	<i>303 757</i>
<i>Operating cash flows before changes in working capital</i>		<i>782 735</i>	<i>1 261 598</i>
Change in inventories		-32 177	6 924
Change in trade and other receivables		219 681	-1 038 553
Change in trade and other payables		2 146 400	-259 458
<i>Cash flows from operating transactions</i>		<i>3 116 639</i>	<i>-29 489</i>
Interest received including sales discount		97 680	69 477
Interest and bank fees paid		-114 296	-258 292
Income tax paid		92 590	-215 238
Payments from capital contributions covering operating expenditure		--	--
<i>Net cash flows from operating activities</i>		<i>3 192 613</i>	<i>-433 542</i>
<b>II. Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		-354 286	-54 519
Acquisition of intangible assets		-430 520	-275 396
Acquisition of financial investments		-105 335	-2 000
Loans provided - utilisation		-1 284 927	-31 965
Proceeds from disposal of non-current assets other than financial investments		4 957	--
Proceeds from disposal of financial investments		10 000	--
Loans provided - repayment		141 000	--
Interest received		--	--
Dividends received		7 693	430 003
<i>Net cash flows from investing activities</i>		<i>-2 011 418</i>	<i>66 123</i>

**III. Cash flows from financing activities**

Proceeds from contributions made to registered capital	--	--	
Proceeds from equity contributions made outside of registered capital	--	500 000	
Bank loans and borrowings received - utilisation	455 171	1 042 276	
Issue of debt securities	--	--	
Payments made from equity (except for dividends)	-5 544	-5 412	
Repayment of debt securities	--	--	
Repayment of finance lease liabilities	--	--	
Bank loans and borrowings received - repayment	-914 620	-928 771	
Interest, loan fees and dividends paid (including withholding tax)	--	--	
<b>Net cash flows from financing activities</b>	<b>-464 993</b>	<b>608 093</b>	
<b>Net increase/decrease in cash and cash equivalents</b>	<b>21</b>	<b>716 202</b>	<b>240 674</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>21</b>	<b>521 360</b>	<b>521 360</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>21</b>	<b>1 237 562</b>	<b>521 360</b>

The notes form an integral part of the consolidated financial statements.

## Separate statement of changes in equity for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Registered capital	Capital contributions	Fair value changes relating to hedges and foreign currency translation	Retained earnings	Total equity
<b>Opening balance at 1.1.2017</b>	<b>3 150 000</b>	<b>1 207</b>	<b>-77 514</b>	<b>4 295 355</b>	<b>7 369 048</b>
Change in accounting methods	--	--	--	--	--
Correction of prior period figures	--	--	--	--	--
Adjusted balance	3 150 000	1 207	-77 514	4 295 355	7 369 048
Profit for 2017	--	--	--	892 260	892 260
Components of other comprehensive income	--	--	428 685	--	428 685
Total comprehensive income for 2017	--	--	428 685	892 260	1 320 945
Transaction with owners					
Change in registered capital	--	--	--	--	--
Dividends and other payments from equity	--	--	--	--	--
Other contributions to equity	--	4 211 353	--	--	4 211 353
Other equity transactions					
Distribution of equity to non-owners	--	-5 411	--	--	-5 411
Transfer from other components of equity to retained earnings	--	--	--	--	--
Transfer of retained earnings to other components of equity	--	5 630	--	-5 630	--
<b>Closing balance at 31.12.2017</b>	<b>3 150 000</b>	<b>4 212 779</b>	<b>351 171</b>	<b>5 181 985</b>	<b>12 895 935</b>

## Separate statement of changes in equity for 2018 and 2017

in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

	Registered capital	Capital contributions	Fair value changes relating to hedges and foreign currency translation	Retained earnings	Total equity
<b>Opening balance at 1.1.2018</b>	<b>3 150 000</b>	<b>4 212 779</b>	<b>351 171</b>	<b>5 181 985</b>	<b>12 895 935</b>
Application of IFRS 15 and IFRS 9	--	--	--	10 221	<b>10 221</b>
Correction of prior period figures	--	--	--	--	--
<b>Adjusted balance</b>	<b>3 150 000</b>	<b>4 212 779</b>	<b>351 171</b>	<b>5 192 206</b>	<b>12 906 156</b>
Profit for 2018	--	--	--	426 154	<b>426 154</b>
Components of other comprehensive income	--	--	-248 659	--	<b>-248 659</b>
<b>Total comprehensive income for 2018</b>	<b>--</b>	<b>--</b>	<b>-248 659</b>	<b>426 154</b>	<b>177 495</b>
Transaction with owners					
Change in registered capital	--	--	--	--	--
Dividends and other payments from equity	--	--	--	--	--
Other contributions to equity	--	13 479	--	--	<b>13 479</b>
Other equity transactions					
Distribution of equity to non-owners - utilisation of social fund	--	-5 544	--	--	<b>-5 544</b>
Transfer from other components of equity to retained earnings	--	--	--	--	--
Transfer of retained earnings to other components of equity - contribution to social fund	--	4 624	--	-4 624	--
<b>Closing balance at 31.12.2018</b>	<b>3 150 000</b>	<b>4 225 338</b>	<b>102 512</b>	<b>5 613 736</b>	<b>13 091 586</b>

The notes form an integral part of the consolidated financial statements.

## Contents of notes to separate financial statements:

1.	Description and principal activities .....	10
2.	Basis of preparation of the separate financial statements .....	12
3.	Significant accounting policies applied by the Company .....	16
4.	Revenues.....	32
5.	Cost of sales .....	34
6.	Personnel expenses.....	34
7.	Other operating expenses.....	35
8.	Other operating income.....	35
9.	Gains/losses from investments.....	35
10.	Financial income.....	36
11.	Financial expenses.....	36
12.	Income tax.....	36
13.	Current income tax liabilities.....	38
14.	Intangible assets.....	39
15.	Property, plant and equipment.....	41
16.	Ownership interests in subsidiaries.....	42
17.	Ownership interests in associates and joint ventures.....	46
18.	Inventories.....	47
19.	Trade receivables and other assets.....	47
20.	Other non-current receivables and loans.....	48
21.	Cash and cash equivalents.....	48
22.	Equity.....	48
23.	Earnings/(losses) per share.....	49
24.	Trade payables and other payables.....	49
25.	Other non-current liabilities.....	50
26.	Loans, borrowings and securities.....	51
27.	Provisions.....	53
28.	Derivatives.....	55
29.	Financial instruments.....	56
30.	Transactions with related parties.....	65
31.	Development costs.....	66
32.	Environmental liabilities.....	66
33.	Contingent liabilities.....	66
34.	Government grants.....	67
35.	Significant litigations.....	67
36.	Reconciliation of the profit or loss recognised in the IFRS financial statements and the profit or loss unaffected by IFRS... 68	68
37.	Annual report .....	68
38.	Material subsequent events.....	69



## 1. Description and principal activities

### *Establishment and description of the Company*

ŠKODA TRANSPORTATION a.s. ("the Company") was established as a limited liability company on 23 February 1995, and was recorded in the Commercial Register kept by the Court in Pilsen on 1 March 1995.

The principal activities of the Company are the production, development, assembly, refurbishment and repair of transportation equipment; repair of other means of transportation and industrial machines, testing of rolling stock for railway, tram and trolley bus lines; technical examination and testing of specific technical equipment; metalworking, locksmithing and tool-making; production, installation and repair of electrical machinery and equipment, electronic and communication equipment; repair of road motor vehicles; production, trade and services not specified in Appendices 1 to 3 of the Trade Licence Act; accounting advisory services, bookkeeping services, and keeping of tax records.

### *Ownership structure*

The sole shareholder of the Company as at 31 December 2018 is PPF Beer Topholdco B.V. The sole shareholder owns one registered ordinary share in book-entry form with a nominal value of TCZK 3 134 100, and one registered ordinary share in book-entry form with a nominal value of TCZK 15 900.

As at 31 December 2018, the Company is a member of a group controlled by PPF Beer Topholdco B.V.

As at 31 December 2018, Petr Kellner indirectly held a majority share (98.93%) in the voting rights of the Company through PPF Beer Topholdco B.V. from the PPF group which he controls.

### *Registered office*

ŠKODA TRANSPORTATION a.s.  
Emila Škody 2922/1  
301 00 Plzeň, Jižní Předměstí  
Czech Republic

*The Company's identification number is 626 23 753.*

### *Members of the board of directors and supervisory board as at 31 December 2018*

#### *Members of the board of directors*

Ing. Zdeněk Sváta  
Ing. Tomáš Ignačák, MBA  
Ing. Jaromír Šilhánek  
Ing. Petr Brzezina  
Ing. Jan Menclík

#### *Members of the supervisory board*

Ing. Ladislav Chvátal  
doc. Ing. Michal Korecký, Ph.D.  
Ing. Jaroslav Zoch



### *Changes in the Commercial Register*

In 2018, the following changes were recorded in the Commercial Register:

- On 14 January 2018, Ing. Marek Krsek was removed as the vice-chairman of the board of directors. This change was recorded in the Commercial Register on 12 February 2018.
- On 14 January 2018, MSc. Jan Černý was removed as a member of the board of directors. This change was recorded in the Commercial Register on 12 February 2018.
- On 24 April 2018, the owner of the Company changed. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Tomáš Ignačák was removed as the chairman of the board of directors and at the same time he was elected the vice-chairman of the board of directors on 25 April 2018. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Petr Brzezina was elected the chairman of the board of directors. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Jan Menclík was elected a member of the board of directors. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Tomáš Krsek was removed as the chairman of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, doc. Ing. Michal Korecký was removed as the vice-chairman of the supervisory board and at the same time he was elected a member of the supervisory board on 25 April 2018. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Mgr. Ján Gajdoš was removed as a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Petra Humlová was removed as a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Mgr. Kristína Magdolenová was removed as a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Ladislav Chvátal was elected the chairman of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.
- On 25 April 2018, Ing. Jaroslav Zoch was elected a member of the supervisory board. This change was recorded in the Commercial Register on 3 May 2018.

### *Organisational structure*

The Company is divided into the following business units:

- Czech Republic, Slovakia, Poland, America;
- Western Europe;
- Commonwealth of Independent States (Russia, Ukraine);
- Balkans, Middle East; and
- Diesel locomotives.

Additional organisational units of the Company include: procurement and sourcing; quality; finance; maintenance; full maintenance (fullservis) – Prague; human resources; execution; engineering; planning; logistics; research and

development; technology and production; strategy, communication and marketing; legal issues, investments and property administration; business development, IT services and digitalisation.

## 2. Basis of preparation of the separate financial statements

### Statement of compliance

These separate financial statements ("the financial statements" or "the non-consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and provide a true and fair view of the Company's financial position as at 31 December 2018, its financial performance and its cash flows for the year ended 31 December 2018.

The financial statements, except for statement of cash flows, are prepared on the accrual basis of accounting.

These separate financial statements were approved for issue by the board of directors of ŠKODA TRANSPORTATION a.s. on 10 April 2019.

These are the separate financial statements (within the meaning of IAS 27) of the Company, which has an ownership interest in a subsidiary. The IFRS consolidated financial statements have been prepared on the level of ŠKODA TRANSPORTATION a.s. The IFRS consolidated financial statements of ŠKODA TRANSPORTATION a.s. are available at the ŠKODA TRANSPORTATION a.s.'s registered office.

In preparing these separate financial statements, the Group used new or amended standards and interpretations that are to be applied for accounting periods beginning on 1 January 2018.

### New standards and interpretations not applied

The following new standards and amendments to standards were not yet effective for the year ended 31 December 2018 and were not applied in preparing these separate financial statements:

*IFRS, IFRS amendments, and interpretations approved by the European Union, but not effective yet:*

- New IFRS 16 – Leases
  - The new standard is obligatory for annual periods beginning on or after 1 January 2019. IFRS 16 determines the principles for recognising assets used under a lease agreement (under leases).
  - The lessee is obliged to report a right-of-use asset, representing his right to use the leased underlying asset, and a lease liability representing his liability to pay the lease payments in the statement of financial position. The lessee shall further report a depreciation charge for right-of-use assets and interest expense on the lease liabilities in the income statement.
  - The standard allows entities to apply an exception under which the lessees can opt not to apply the requirements of IFRS 16 to short-term leases and leases where the underlying asset has a low value ('small-ticket' leases).
  - Lessor accounting, however, shall remain largely unchanged. Lessors shall continue classifying leases as operating or finance leases.

- The standard replaces the existing rules for lease recognition, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating leases — incentives, and SIC-27 Evaluating the substance of transactions involving the legal form of a lease.
- The Company plans to apply IFRS 16 through a modified retrospective approach for the first time as at 1 January 2019. Therefore the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information.
- The Company analysed the impact of the implementation of this standard based on a review of the concluded lease agreements effective as at 31 December 2018. In accordance with IFRS 16, the Company will newly recognise lease assets and liabilities from leases of non-residential premises and will further report depreciation charges from these newly reported lease assets as well as interest expense on lease liabilities. Under the current information, the Company estimates to report new lease liabilities of MCZK 24 as at 1 January 2019. The quantified impact on the statement of comprehensive income will not be significant from the Company's point of view.
- The Company further recognises leases that can be classified as short-term leases and leases of low value assets. The Company has decided to use the exception under IFRS 16 for this type of leases and to continue reporting them in the statement of comprehensive income as services.
- IFRIC 23 - Uncertainty over Income Tax Treatments
  - IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.
  - The management expects that the interpretation, when initially applied, will not have a material impact on the separate financial statements as the Company does not operate in a complex multinational tax environment / does not have material uncertain tax positions.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
  - These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, the concern was related to how a Company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, the Company would measure a financial asset with so-called negative compensation at fair value through profit or loss.

The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.

- The Company does not expect that the amendments will have a material impact on the separate financial statements because the Company does not have prepayable financial assets with negative compensation.

*Standards and interpretation endorsed by the International Accounting Standards Board (IASB) which are waiting for endorsement by the EU:*

- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
  - The Company's management expects that the amendments, when initially applied, might have a material impact on the separate financial statements of the Company as it holds ownership interests in associates. However, the quantitative impact of the adoption of the amendments can only be assessed in the year of initial application of the amendments, as this will depend on the transfer of assets or businesses to the associate that take place during that reporting period.
- IFRS 17 - Insurance Contracts
  - The Company's management expects that the new standard, when initially applied, will not have a material impact on the separate financial statements because the Company does not operate in the insurance industry.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
  - The Company's management expects that the amendments, when initially applied, will not have a material impact on the separate financial statements.
- Annual Improvements to IFRS 2015-2017 Cycle
  - None of these changes are expected to have a material impact on the Company's separate financial statements.
- Amendments to IAS 19: Employee Benefits
  - The Company's management expects that the amendments, when initially applied, will not have a material impact on the separate financial statements.
- Amendments to IFRS 3 Business Combinations
  - The Company's management expects that the amendments, when initially applied, will not have a material impact on the separate financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
  - The Company's management expects that the amendments, when initially applied, will not have a material impact on the separate financial statements.

**Basis of measurement**

These separate financial statements have been prepared on the historical cost basis, with the exception of financial derivatives, which are measured at fair value.

These separate financial statements are presented in Czech crowns, with all financial information rounded to the nearest thousand.

**Estimates and assumptions**

In preparing the separate financial statements, the Company's management uses estimates and makes assumptions that, as at the date of preparation of the separate financial statements, affect the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various other factors that are deemed appropriate under the conditions based on which estimates of the carrying amounts of assets and liabilities are applied and that are not readily available from other sources. Actual results may vary from the estimates.

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

Information about areas of significant uncertainty regarding estimates and critical judgements in applying accounting policies that most significantly affect the amounts recognised in the financial statements are described primarily in the following notes:

- Note 4 – Revenues
- Note 12 – Deferred tax
- Note 14 – Intangible assets
- Note 15 – Property, plant and equipment and non-current assets under construction
- Note 16 – Investments in subsidiaries
- Note 18 – Inventories
- Note 19 – Trade receivables and other assets
- Note 20 – Other non-current receivables and loans
- Note 27 – Provisions
- Note 28 – Derivatives

Impairment testing in respect of accounts specified in Notes 14, 15, 16 and 18 is contingent upon key assumptions regarding recoverable amounts (including the recovery of development costs).

### 3. Significant accounting policies applied by the Company

#### a) Property, plant and equipment

##### *Assets owned by the Company*

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. The cost of internally produced assets includes the cost of materials and direct labour, including an estimate of the costs of dismantling and removing the asset and restoring the site and an allocation of production overheads.

##### *Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the asset's estimated useful life. Land is not depreciated. The depreciation period of items of plant and equipment is as follows:

Assets	Method	Period
Buildings and structures	Straight-line	20 - 50 years
Machinery and equipment	Straight-line	4 - 15 years
Vehicles	Straight-line	4 - 10 years
Low value non-current assets	Straight-line	2 years
Fixtures	Straight-line	over the project duration

The depreciation of items of plant and equipment starts in the period when they are ready for use, i.e. from the following month in which they are brought to the location and condition enabling their use as intended by the Company's management. Depreciation is provided over an asset's estimated useful life, taking into account its residual value. Components of items of plant and equipment that are significant to the item as a whole are depreciated separately in accordance with their estimated useful lives.

Items of property, plant and equipment under construction comprise buildings and equipment under construction and are stated at cost, which includes the cost of constructing the asset, and other direct expenses. Items of property, plant and equipment under construction are not depreciated until they are fit for their intended use.

As at the date of preparation of the financial statements, the Company reviews the method and period of depreciation of the individual groups of assets and makes possible adjustments.

Gain or loss on the sale or disposal of an asset is determined as the difference between the income from the sale and the net book value of the respective asset. The difference is recognised in the income statement.



### *Subsequent expenditure*

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits associated with the item of property, plant and equipment will flow to the Company and the cost can be measured reliably. All other costs are expensed as incurred.

### *Leased assets*

Leased assets in respect of which the Company substantially assumes all risks and benefits incidental to ownership are classified as finance leases.

At the inception of the lease, assets acquired under finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments. The interest component of the finance charge is recognised in the income statement over the lease term so as to achieve a constant rate of interest on the remaining balance of the liability for each period. The discount rate used in calculating the present value of the minimum future lease payments is the interest rate implicit in the lease. Assets acquired under finance leases are depreciated over their useful lives.

Leases under which the lessor retains a substantial part of the risks and rewards incidental to ownership are classified as operating leases. Payments under operating leases (reduced by incentives provided by the lessor) are recognised as an expense on a straight-line basis over the lease term unless another method is more representative of the time pattern of the user's benefit.

### ***b) Intangible assets***

Intangible assets, except for trademarks, are measured at cost less accumulated amortisation and impairment losses. Intangible assets with definite useful lives are amortised over their estimated useful lives, starting from the following month when they are ready for use, i.e. when they are in a location and in a condition required for their use as intended by management.

Trademarks are considered assets with unlimited useful lives that are stated at cost and are not amortised.

The amortisation period for intangible assets owned by the Company ranges from 3 to 10 years, with assets being amortised on a straight-line basis. The appropriateness of the amortisation periods and rates used is reviewed on a regular basis (at least at the end of each accounting period), with any changes in amortisation being applied in subsequent periods. Intangible assets are amortised over the following periods:

Assets	Method	Period
Software	Straight-line	3 years
Development costs	Straight-line	4 - 10 years
Development – specific projects	Output-based	over the duration of the project

### *Subsequent expenditure*

Subsequent costs relating to a capitalised intangible asset are capitalised only if they increase the future economic benefits generated by the asset to which they relate. All other costs are recognised in profit or loss as incurred.

***c) Long-term investments***

Long-term investments comprise equity investments and are stated at cost, which includes expenses directly incurred in connection with the acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges. If a particular ownership interest has been impaired, an impairment loss is recognised.

***d) Inventories***

Inventory is stated at the lower of cost and net realisable value. The cost of inventory includes expenses incurred in connection with the acquisition of the inventory, in particular freight costs and insurance premiums, as well as direct materials and, where appropriate, an allocation of wages and manufacturing overheads incurred in bringing the inventories to their current location and condition. Net realisable value is the estimated selling price reduced by estimated completion and selling costs.

Raw materials inventory is stated at cost, which includes the purchase price of the inventory and related customs duties and in-transit storage and freight costs incurred in delivering the inventory to the manufacturing facility.

The cost of materials is determined using the weighted average method.

Work in progress and finished goods inventories are stated at internal cost, which includes direct production costs and, where relevant, an allocation of indirect production costs.

***e) Receivables and payables***

Trade receivables and other assets are stated at net book value.

Trade payables and other liabilities are stated at net book value.

***Receivables relating to long-term contracts (accounting policy effective until 31 December 2017)***

Receivables arising from long-term contracts are amounts that are owed by customers for contract work and include:

- a) costs incurred plus recognised profits less
- b) the sum of recognised losses and progress billings, including the offset advances received

for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

*Contract assets (accounting policy effective from 1 January 2018)*

Receivables from a contract asset represent the Company's title to consideration in exchange for goods or services (according to the contracts with customers) which the Company transferred to the customer and which include:

- a) costs incurred plus recognised profits less
- b) the sum of recognised losses and progress billings, including the offset advances received

for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings and advances received from customers.

The contract asset becomes a receivable once the Company's unconditional right to consideration is acquired.

*Contract liability (accounting policy effective from 1 January 2018)*

The contract liability represents a liability of the entity to transfer goods or services to the customer for which the entity received a consideration from the customer. The consideration received relates to advances received or to ongoing invoicing in the event of contracts with customers the revenues from which are recognised over the time. Contract liabilities are recognised as revenue at the moment the performance obligation is fulfilled (partially fulfilled).

***f) Cash and cash equivalents***

Cash equivalents are highly liquid investments and comprise short-term cash deposits with a maximum original maturity of three months.

***g) Equity***

*Registered capital*

The Company's registered capital comprises the sole shareholder's fully paid-up contribution, and is stated at nominal value in accordance with the Company's articles of association and its entry in the Commercial Register.

*Capital contributions*

Capital contributions comprise contributions made outside of registered capital as well as the allocation and distribution of funds to/from the social fund.

*Fair value changes in respect of hedging*

Fair value changes in respect of hedging comprise changes in the fair value of hedging derivatives and related deferred tax.

*Retained earnings*

Retained earnings include amounts arising from profit distribution/loss settlement, retained profits and the net profit/loss for the current period.

***h) Employee benefits***

*Defined contribution plans*

The government of the Czech Republic is responsible for providing employees with a basic retirement pension scheme. The Company pays regular contributions to the state budget for the basic pension scheme. These contributions are derived from the amount of wages and salaries paid and are recognised as expenses when the wage liability originates.

#### *Other non-current employee benefits*

These comprise future bonuses to which employees are entitled in connection with reaching a certain age or number of years of service, or upon retirement. These benefits are discounted to present value. The discount rate is the yield on government bonds whose maturity approximates the maturity of obligations arising from employee benefits. Year-on-year changes are recognised in the income statement.

### ***j) Provisions***

Provisions are recognised in the statement of financial position when, as a result of a past event, the Company has a legal or constructive obligation and an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is significant, the expected future cash flows are discounted at a rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

#### *Provision for warranty repairs*

A provision for warranty repairs is recognised when a product or service is delivered to the customer. The provision is calculated based on historical data and an individual assessment of potential future expenses, while taking into account additional circumstances known as at the date of preparation of the separate financial statements.

#### *Provision for risks*

The provision for risks primarily includes provisions for penalties arising from contractual relationships and is only recognised if the probability is that an outflow of resources will be needed is more likely than not and a reliable estimate of the amount of the obligation can be made.

#### *Provision for onerous contracts*

A provision for onerous contracts is recognised when the total expected income from a contract is lower than the total estimated costs of the contract.

#### *Provision for litigations*

A provision for litigations is created in the amount of expected future performance based on a legal analysis prepared for the Company's management, in case that a future outflow of resources is probable and that the value of the liability can be reliably estimated.

### ***j) Revenue recognition***

#### *Accounting policies effective from 1 January 2018*

As at 1 January 2018, the Company adopted and applied the new standard IFRS 15 governing the recognition of revenue from contracts with customers. The Company applied a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) the Company transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised over time or at the point in time when control of the products, goods or services is transferred to the customer.

The impact of the application of the new standard IFRS 15 Revenue from Contracts with Customers is described in Note x) Application of new accounting standards. In accordance with IFRS 15, the Company recognises revenues from contracts with customers, in respect of which it is probable that the Company will collect consideration and from which implies no unilateral enforceable right to terminate a contract without compensating the other party (or parties) follows, as specified below:

Type of product/service	Character of performance	Revenue recognition
<b>Trams, locomotives and suburban units, and metro</b>	The Company supplies its customers with highly specific assets, adjusted according to the requirements of the customers, which are thus not easily interchangeable with other assets. The option of an alternative use of these assets is limited by the actual possibility to gain another customer who would like to purchase a finished asset while keeping its parameters, without significant additional adjustments and without a requirement on a significant reduction of the selling price. Billing and payment terms and conditions are determined for each contract on an individual basis. A contract may include advances paid by the customer before the start of the project or during the project. Advances received are secured by bank guarantees.	Revenues are recognised over the time and the input method is used to measure progress. This method better demonstrates the stage of completion than the output method due to the long-term nature of the production of these products (the production of one unit usually takes more than 6 months).
<b>Full maintenance and other regular services</b>	A regular service where the customer gradually receives and consumes the benefits from the performance of the contract. Billing and payment terms are determined for each contract on an individual basis. The transaction price for full maintenance includes a variable consideration which depends on the number of passed kilometres of the vehicle subject to the maintenance.	Revenues are recognised over the time and the output method is used to measure progress according to the extent of the provided performance. Recognised revenues include a variable consideration which corresponds to the actual number of passed kilometres for the reported period.
<b>Rolling stock modernisation</b>	The modernisation represents an improvement to the asset which is under the customer's control over the period of the modernisation. The invoice is issued after having handed over the modernised vehicle to the customer and the terms of payment are set individually for each individual contract.	Revenues are recognised over the time and the output method is used to measure progress (with regard to the short time necessary for the modernisation of one unit the input methods enables a trustworthy presentation of the progress in satisfaction of a performance obligation.
<b>Spare parts</b>	The customer gains control over the asset at the moment of delivery. The invoice is issued as at the date of delivery of the asset. Terms of payment are determined for each contract on an individual basis.	Revenues are recognised at a point in time at the moment of delivery to the customer.
<b>Repairs, workings, service, and other one-off services</b>	These services are one-off services and the customer receives their benefits after their completion. An invoice is issued after having handed over the provided service to the customer and the terms of payment are set individually for each individual contract.	Revenues are recognised at a point in time at the moment of delivery of the performance to the customer.

For the contracts not meeting the above criteria, the Company recognises the revenue only at the moment of having met all obligations following from the contract (complete delivery of the goods or services) and having obtained non-refundable consideration from the customer.

Two or more contracts concluded simultaneously or almost simultaneously with the same customer (or related parties of this customer) as a package with a single business goal, where the amount of consideration to be paid under one contract depending on the price or performance of the other contract, or where goods and services promised in these contracts represent a single liability, are reported as a single contract.



The transaction price under the contract is allocated to each distinct performance following from the contract (expected by the customer). These are supplies from which the customer has separate benefit and which are handed over to the customer separately. In the event of a change in the transaction price, the amounts allocated in connection with a change in the price to the fulfilled performance obligation are recognised as revenues or as a reduction in revenues in the period in which the transaction price changes.

For the contracts where the period (or if appropriate the average period for contracts with performance over the time between the handover of the product to the customer and the payment for the performance provided by the customer exceeds one year, the transaction price is adjusted by the financing component if significant. The assessment of the financing component is not relevant for the retention specified in the contract which is not understood as a postponed payment as its payment is conditional under the review of fulfilment of the terms and conditions of the contract on side of the customer.

The Company recognises the revenues from the performance obligation fulfilled over the time only when it is able to reliably measure its progress towards the entire fulfilment of the performance obligation. In the event of the input method, the stage of completion is determined as the proportion between the recognised costs as at the date of preparation of the financial statements and the estimated total contract costs. In the early phases of the contract duration when the Company is not able to adequately measure the result of the performance obligation, the Company recognises revenues only in the extent of the actually incurred costs up to the moment when it can adequately measure the result of the performance obligation.

Costs are recognised to the income statement in the period in which they are incurred. When the estimated total costs are higher than total contract revenue, the estimated total loss is recognised in the income statement immediately and a corresponding provision is recorded.

The Company recognises as an asset incremental costs incurred in connection with acquiring a customer contract if it expects to gain these expenses back. The incremental costs incurred in connection with acquiring a contract are expenses incurred in connection with acquiring a customer contract that would not be incurred if the Company did not acquire the contract (e.g. a sale commission). The costs incurred in connection with acquiring a contract which would be incurred irrespective of the manner of acquiring the contract are recognised as incurred.

#### *Accounting policies effective until 31 December 2017*

##### *Sale of goods*

Revenues from the sale of new transport vehicles and spare parts are recognised when the vehicle/spare part has been delivered, risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. All costs incurred or to be incurred in connection with the sale, including warranty costs and sales incentives, are charged to cost of sales or as a deduction from revenues at the time revenue is recognised.

##### *Sales from multiple element arrangements*

Sale of goods and services sometimes involve the provision of multiple components. In these cases, the Company determines whether the contract or arrangement contains more than one unit of accounting. When certain criteria are met, such as when the delivered item has value to the customer on a standalone basis, the recognition criteria are applied to the separate identifiable components of a single transaction to reflect the substance of the transaction. Conversely, two or more transactions may be considered together for revenue recognition purposes, when the commercial effect cannot be understood without reference to a series of transactions as a whole. Revenue is allocated to the separate components based on their relative fair value.



### *Rendering of services*

Revenues from service transactions are recognised as services are performed. For long-term service contracts, revenues are recognised on a straight-line basis over the term of the contract or, if the performance pattern is other than straight-line, as the services are provided, i.e. under the percentage-of-completion method as described below.

### *Construction contracts*

When the outcome of a construction contract can be estimated reliably, costs and revenue are recognised in the income statement based on the stage of completion. The stage of completion is determined as the proportion between costs actually incurred as at the date of preparation of the separate financial statements and the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised in the income statement only to the extent of costs incurred.

Costs are charged to the income statement in the period in which they are incurred. When the estimated total costs are higher than total contract revenue, the estimated total loss is recognised in the income statement immediately and a corresponding provision is recorded.

### ***k) Research and development***

Research costs are incurred for the purpose of acquiring new technical knowledge which may lead to improved products or processes in the future but for which economic viability has not been established. Research costs are charged to the income statement in the period in which they are incurred.

Costs related to development during which results are transformed into a plan or design of substantially improved products and processes are capitalised if the product or process is technically feasible and economically viable and the Company has sufficient funds to complete the development. Capitalised development costs include the cost of direct materials, direct labour, and an allocation of overhead costs. Other development costs are recognised in the income statement as incurred. Capitalised development costs are depreciated on a straight-line basis over their estimated useful lives.

### ***l) Borrowing costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset whose intended use or sale is preceded by long-term preparation are capitalised as part of the cost of that asset until the asset is ready for its intended use or sale. All other borrowing costs are expensed as incurred.

### ***m) Government grants***

Government grants are recognised when there is reasonable assurance that the conditions attached to the grants are complied with and the grants will be received. Grants awarded for the purchase or the production of fixed assets (grants related to assets) are generally offset against the acquisition or production costs of the respective assets and reduce future depreciations accordingly. Grants awarded for purposes not related to non-current assets (grants related to income) are reported in the income statement under the same functional area as the corresponding expenses. They are recognised as income over the periods necessary to match them on a systematic basis to the costs that are intended to be compensated. Government grants for future expenses are recorded as deferred income.

***n) Finance income and expenses***

Finance income and finance expenses primarily include interest income, interest expense on borrowings, and foreign exchange gains and losses, and impairment losses on investments.

Interest relating to a finance lease is recognised in the income statement using the effective interest method.

***o) Other finance income and expenses***

Other finance income and expenses primarily comprise gains and losses arising from changes in the fair value of hedging derivatives that are recognised in the income statement.

***p) Income tax***

Income tax for the period comprises current tax and the change in deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is based on profit before tax for the accounting period, adjusted for non-deductible and non-taxable items, using income tax rates effective in that accounting period.

At the end of each accounting period, a deferred tax asset/liability is calculated based on all temporary differences between the carrying and tax value of assets and liabilities, tax losses carried forward and unused tax credits, using the income tax rate effective for the period in which these differences are to be reversed.

A deferred tax asset is recognised only to the extent deemed utilisable with respect to expected taxable profits. If uncertainty exists as to the utilisation of a deferred tax asset, the deferred tax asset is recognised only up to the amount of the respective deferred tax liability.

***q) Earnings per share***

Basic earnings per share are calculated by dividing net profit or loss for the period attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.

The Company has no dilutive potential shares.

***r) Foreign currency translation***

*Translation of foreign currency transactions*

In preparing the separate financial statements, transactions denominated in currencies other than the functional currency (foreign currencies) are translated at the exchange rate effective as at the transaction date. As at the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the official exchange rate effective as at that date. Gains and losses arising from changes in foreign exchange rates after the transaction date are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the exchange rate effective as at the date their fair value was determined. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are not translated.

*s) Impairment of assets*

*Non-financial assets*

As at the date of preparation of the separate financial statements, the Company reviews the carrying amounts of its assets, other than inventories and deferred tax assets, in order to assess whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and the amount of the impairment loss, if any, is determined. If the recoverable amount of an individual asset cannot be estimated, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that are not depreciated are tested for impairment on an annual basis.

If the estimated recoverable amount of an asset (or cash-generating unit) is lower than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised in expenses.

If an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to a new estimate of the asset's recoverable amount, but only to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior accounting periods. A reversal of an impairment loss is recognised in income.

*Financial assets (accounting policy effective until 31 December 2017)*

A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

*t) Financial instruments*

*Accounting policy effective until 31 December 2017*

*Loans provided*

Interest-bearing loans provided by the Company are recognised at the amount of funds provided. Associated finance costs are released to the income statement using the effective interest method, and increase the carrying amount of the instrument to the extent they are not settled at the time they are incurred.

The recoverable amount of loans provided by the Company equals the present value of expected future cash flows discounted using the original effective interest rate (i.e. the effective interest rate calculated upon the initial recognition of these financial assets).

*Borrowings and bank loans*

Current and non-current loans and borrowings are measured at amortised cost. Any portion of non-current loans and borrowings that is due within one year is presented under current liabilities.

#### *Trade receivables and other assets*

Trade receivables and other assets are initially recognised at fair value, and subsequently stated at amortised cost less any impairment losses, using the effective interest method. Current receivables are not discounted.

#### *Trade payables and other liabilities*

Financial liabilities, including trade payables, are initially stated at fair value reduced by transaction costs, and subsequently at amortised cost using the effective interest method.

#### *Accounting policy effective from 1 January 2018*

The adoption of IFRS 9 has no significant impact on the classification and measurement of financial liabilities and related accounting policies. Receivables are initially recognised as at the date of their issue. All other financial assets and liabilities are initially recognised as at the date on which the Company starts to adhere to the terms and conditions of the financial instruments. As for initial measurement, since 1 January 2018 the Company has applied the new standard Financial Instruments: Classification and Measurement.

#### *Financial assets*

Under IFRS 9, an entity shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

In accordance with IFRS 9, financial assets are generally classified based on the entity's business model for managing the financial assets and at the same time based on the contractual cash flow characteristics of the financial asset.

Embedded derivatives in a contract the host of which is an asset within the scope of IFRS 9 shall not be separated from the host contract. The entire contract is treated as a single unit for the purpose of classification and measurement.

Financial assets shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss and that are not held for trading to present subsequent changes in fair value in other comprehensive income. This election is made for each investment individually.

All other financial assets not measured at amortised cost or fair value at FVOCI are measured at FVTPL.

With the exception of trade receivables that do not have a significant financing component, financial assets are initially measured at fair value (except for the category of financial assets at FVTPL) adjusted by the transaction costs directly related to the acquisition of the financial asset.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortised cost or at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVOCI).

Financial liabilities are classified as measured at FVTPL if they are held for sale, derivative financial instruments or if they are designated as FVTPL as at the date of initial recognition. These financial liabilities are measured at fair value and gains or losses, including interest expense, are recognised in profit or loss, except for the changes in fair value as a result of a change in the Company's credit risk which are recognised in other comprehensive income. When applying hedge accounting, financial liabilities are classified as at FVOCI.

Other financial liabilities are recognised at the accepted consideration net of transaction costs as at the acquisition date. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method and any difference between the revenues net of transaction costs and the amortised cost is reported in profit or loss for the relevant period.

Financial liabilities are classified as current liabilities if the Company does not have unconditional right to repay them in more than 12 months after the reporting date.

#### *Cash and cash equivalents and restricted cash*

Cash and cash equivalents and restricted cash are measured at cost in the balance sheet and subsequently remeasured at amortised cost, net of impairment, under the IFRS 9 model. For purposes of the cash flow statement, they are defined to comprise cash, cash equivalents and restricted cash, cash in hand, cash at the bank, short-term deposits and liquid financial investments with a three-month or shorter maturity and are net of negative balances of overdraft facilities. Bank overdraft facility balances are reported in the short-term loans and borrowings item in the balance sheet.

#### *Derecognition of financial instruments*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

A financial asset is written off if the Company believes that a part or the whole value of the financial asset will not be repaid, i.e. at the moment when the Company has exhausted the options of enforcing the asset. In such case the accounting written off does not represent extinguishment of the legal claim and therefore does not prevent possible collection of a written off financial asset in future. The costs incurred in connection with written off assets are recognised in impairment of financial and contractual assets in the income statement.

A financial liability is derecognised when the contractual obligations are paid or cancelled in full or have expired in full. A possible difference between the net book value and the amount paid to settle the liability is recognised in the income statement for the relevant period.

#### *Mutual offset of financial instruments*

Financial assets and liabilities are mutually offset and the net amount is recognised in the balance sheet if the Company has a legally enforceable right to offset the acknowledged amounts and an intention to realise a settlement in the net amount or to realise the receivable and to settle the liability at the same time. The legally enforceable right cannot depend on future events and must be enforceable in the ordinary course of business also in the event of default, insolvency or bankruptcy of the Company or the counterparty.

#### *u) Derivatives*

##### *Hedging derivatives*

Hedging derivatives comprise those derivatives in respect of which the hedge accounting model is applied and the following conditions have been met:

- at the inception of the hedge, there is formal designation of the hedged items, the hedging instruments, the risks being hedged, and how the effectiveness of the hedge will be calculated and documented;
- the hedge is highly effective (i.e. ranging from 80% to 125%); and
- the effectiveness of the hedge can be reliably measured and is assessed on an ongoing basis.

Derivatives that do not meet the above conditions for hedging derivatives are classified as trading derivatives.

If a derivative is used to hedge the risk of change in cash flows from assets, liabilities or enforceable contractual relationships or forecast transactions, the change in the hedging derivative's fair value attributable to the effective portion of the hedge is recognised in equity as 'Fair value changes relating to hedges and foreign currency translation'. The ineffective portion of the hedge is recognised in the income statement.

Financial derivatives are initially recognised at cost and subsequently measured at fair value as at the reporting date. The Company only uses financial derivatives to hedge future cash flows. Changes in the fair value of hedging derivatives are recognised in other comprehensive income.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If a hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If a forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.



### *Derivatives held for trading*

Financial derivatives held for trading are recognised at fair value, with gains (losses) arising from changes in their fair values included in profit or loss.

### *v) Fair value*

Fair value is defined as an amount for which an instrument could be exchanged between knowledgeable and willing parties, in an arm's length transaction other than forced or liquidation sale. Fair values are, as appropriate, obtained by reference to listed market prices, discounted cash flow models and other valuation models.

The following methods and assumptions are used in estimating the fair values of individual classes of financial instruments:

#### *Cash and cash equivalents, short-term investments*

The carrying amount of cash and other short-term financial assets approximates their fair value as these financial instruments have relatively short maturity periods.

#### *Receivables and payables*

The carrying amount of current receivables and payables approximates their fair value as these financial instruments have short maturity periods.

#### *Fair value hierarchy*

Assets and liabilities recognised at fair value in the statement of financial position and items which are not recognised at fair value but for which information is available are classified into three levels of input data based on an assessment of their availability, using the fair value hierarchy:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that are available to the entity as at the date of measurement;
- Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: unobservable inputs for the asset or liability.

The level in the hierarchy applicable to a fair value assessment based upon a combination of observable and unobservable inputs is determined by the lowest level of input that is significant to the fair value measurement in its entirety.

### *w) Subsequent events*

The effect of events occurring between the balance sheet date and the date of preparation of the separate financial statements is reflected in the financial statements if such events provide additional information about conditions that existed as at the balance sheet date.

Where material events occurring between the balance sheet date and the date of preparation of the separate financial statements are indicative of conditions that arose after the balance sheet date, the effects of such events are described in the notes to the separate financial statements but not recognised in the financial statements.

*x) Application of new accounting standards*

**IFRS 15**

As at 1 January 2018, the Company applied the new standard IFRS 15 Revenue from Contracts with Customers for the first time. The Company opted for the modified retrospective method with the cumulative effect of initial application on the opening balance of retained profits. The Company's methodology under IFRS 15 is described above in Note e) Receivables and in subnote i) Revenue recognition.

As part of the transition to IFRS 15, in connection with reflecting the variable consideration the Company adjusted the transaction price of the supplies provided to customers. The following table summarises the impact of the initial application of IFRS 15 on equity as at 1 January 2018.

Impact of implementation of IFRS 15	
Retained earnings	
Adjustment of transaction price by variable consideration	12 618
Deferred tax	- 2 397
<b>Total impact as at 1 January 2018</b>	<b>10 221</b>

The following table summarises the impact of the transition to IFRS 15 on the separate financial statements as at 31 December 2018.

**Separate statement of financial position as at 31 December 2018**

Line in the statement	Item of notes to financial statements	Note	Value under IFRS 15	Impact of transition	Value without the impact of IFRS 15
<b>Assets</b>					
Trade receivables and other assets	Contracts with customers - contract asset	19	2 676 142	2 676 142	--
	Estimated receivables	19	9 621	-351 733	361 354
	Receivables relating to long-term contracts	19	--	-2 476 934	2 476 934
<b>Total assets</b>			<b>21 713 589</b>	<b>-152 525</b>	<b>21 866 114</b>
<b>Liabilities</b>					
Retained earnings	Retained earnings		5 613 736	8 560	5 605 176
<b>Total equity</b>			<b>13 091 586</b>	<b>8 560</b>	<b>13 083 026</b>
Deferred tax liability	Deferred tax liability		187 558	2 007	185 551
Other non-current liabilities	Non-current advances received	25	--	-1 906 409	1 906 409
	Contract liability	25	1 906 409	1 906 409	--
<b>Total non-current liabilities</b>			<b>5 752 022</b>	<b>2 007</b>	<b>5 750 015</b>
Current provisions	Current provisions		660 145	-163 092	823 237
Trade and other payables	Long-term contracts - amounts received from customers	24	--	-426 915	426 915
	Advances received	24	--	-314 234	314 234
	Contract liability	24	741 149	741 149	--
<b>Total current liabilities</b>			<b>2 869 981</b>	<b>-163 092</b>	<b>3 033 073</b>
<b>Total equity and liabilities</b>			<b>21 713 589</b>	<b>-152 525</b>	<b>21 866 114</b>

## Separate income statement as at 31 December 2018

Line in the statement	Note	Value under IFRS 15	Impact of transition	Value without the impact of IFRS 15
Revenues		4 654 540	-95 812	4 750 352
Operating expenses		-4 288 423	93 761	-4 382 184
<b>Operating profit (loss)</b>		<b>367 956</b>	<b>-2 051</b>	<b>370 007</b>
<b>Profit before tax</b>		<b>391 027</b>	<b>-2 051</b>	<b>393 078</b>
Income tax		35 127	390	34 737
<b>Profit after tax</b>		<b>426 154</b>	<b>-1 661</b>	<b>427 815</b>

### IFRS 9

As at 1 January 2018, IFRS 9 Financial Instruments replaced the original standard IAS 39 Financial Instruments: Recognition and Measurement. The new standard comprises requirements on the classification and measurement of financial assets and liabilities, a methodology for the impairment of financial assets and general hedge accounting.

Classification and measurement of financial assets - The adoption of the new standard IFRS 9 has no material impact on the classification and measurement of financial liabilities. The number of categories of financial assets was reduced compared with IAS 39 and all financial assets under IFRS 9 are classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The existing categories of financial assets under IAS 39 - loans and receivables, financial assets available for sale and financial assets held to maturity were cancelled.

The following table summarises the changes in categories of the Company's financial assets. The implementation of IFRS 9 had no material impact on measurement of the Company's financial assets.

Financial assets	Classification under IAS 39	Classification under IFRS 9
Trade receivables and other assets	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial derivatives	Fair value - hedge accounting	Fair value - hedge accounting

Impairment of financial assets - most of the Company's customers are entities financed from public budgets and further major global companies for which the risk of a credit loss arising from the receivables is insignificant from the Company's point of view. The Company assessed the establishment of loss allowances to expected credit losses already before the transition to IFRS 9 on an individual basis based on available information and the results of negotiations with customers. The amount of reported loss allowances corresponds to the current level of the credit risk. The implementation of the standard had no material impact on the Company's separate financial statements.

Hedge accounting - IFRS 9 stipulates new requirements on hedge accounting. Hedging relations have to be in accord with the Company's risk management objectives and strategy. At the same time, in assessing the hedge effectiveness emphasis is put on quality assessment and expectations concerning the hedge effectiveness. The hedge is therefore only aimed at the future.

The Company used the transitory provisions of IFRS 9 and therefore it has been applying the IAS 39 provisions to the existing hedging relationships.

## IFRIC 22

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on the initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

As at 1 January 2018, the Company initially applied IFRIC 22 Foreign Currency Transactions and Advance Consideration. When initially applied, the interpretation did not have a material impact on the separate financial statements.

## 4. Revenues

### Revenues from contracts with customers

	2018	2017
Trams	2 146 193	3 593 947
Locomotives and suburban units	1 158 212	451 406
Metro	281 660	230 436
Full maintenance	789 996	767 552
<b>Revenues from performance obligations satisfied over the time</b>	<b>4 376 061</b>	<b>5 043 341</b>
Spare parts	7 196	7 349
Other	113 284	103 227
<b>Revenues from performance obligations satisfied at a point in time</b>	<b>120 480</b>	<b>110 576</b>
<b>Total</b>	<b>4 496 541</b>	<b>5 153 917</b>

In 2018, the Company recognised revenues of TCZK 0 following from performance obligations satisfied (or partially satisfied) in previous periods.

### Revenues as divided according to the registered offices of the customers

	2018	2017
Czech Republic	2 960 390	2 931 018
Latvia	97 443	1 316 298
Germany	354 716	430 467
Russia	281 660	230 436
Turkey	521 346	138 538
Other	165 872	-3 416
<b>Revenues from performance obligations satisfied over the time</b>	<b>4 381 427</b>	<b>5 043 341</b>
Czech Republic	72 418	47 867
Finland	36 297	43 366
Hungary	3 684	4 076
Germany	1 420	1 232
Other	1 295	14 035

Revenues from performance obligations satisfied at the point in time	115 114	110 576
<b>Total</b>	<b>4 496 541</b>	<b>5 153 917</b>

#### Other operating revenues

	2018	2017
Revenues from sale of inventories	72 250	64 991
Revenues from sale of waste	2 627	3 580
Contractual penalties	76 600	161 690
Other revenues	6 522	16 021
<b>Total</b>	<b>157 999</b>	<b>246 282</b>

#### Contractual balances

	31/12/2018	1/1/2018
Trade receivables (gross)	1 363 588	970 091
Trade receivables - impairment losses	-402	-402
<b>Trade receivables (net)</b>	<b>1 363 186</b>	<b>969 689</b>
Contract assets (gross)	2 676 142	3 155 939
Contract assets - impairment losses	--	--
<b>Contract assets (net)</b>	<b>2 676 142</b>	<b>3 155 939</b>
<b>Contract liabilities</b>	<b>2 647 558</b>	<b>602 720</b>
Retention recognised as a trade receivable	191 997	148 222
Retention recognised as a liability	30 522	31 601

The amount of TCZK 125 723 recognised in the contract liability as at 1 January 2018 was recognised as a revenue in 2018 and the amount of partial invoicing and advances received in respect of which no revenue was recognised in 2018 is TCZK 2 170 561.

Contract assets primarily relate to the Company's title to consideration for already completed performance connected with revenues recognised over the time where the progress is measured using the input method and which were not invoiced as at 31 December 2018. Contract liabilities represent advances received from customers in relation to construction of products and provision of services while the revenues from which are recognised on over the time basis.

#### Expected recognition of revenue from the outstanding performance obligation

31/12/2018	Total	Up to 1 year	1 to 2 years	2 to 5 years	More than 5 years
Transaction price allocated to the remaining performance obligations	15 763 850	4 841 871	3 100 443	6 269 339	1 552 197

In accordance with IFRS 15, the Company does not disclose information about the transaction price allocated to the remaining performance obligations in respect of performance obligation satisfied at a point in time which are part of a contract that has an original expected duration of one year or less.



### Construction contracts

In 2017, construction contracts were recognised as follows:

	31/12/2017 *
Total costs incurred for construction contracts	3 195 606
Recognised gross profit from construction contracts	216 848
<b>Total cumulative revenues from long-term contracts</b>	<b>3 412 454</b>
Invoiced to customers	-18 861
Advances received	-237 654
<b>Total amount not invoiced to customers, net</b>	<b>3 155 939</b>

\*The individual lines of the table only include the contracts which were still in force and were not invoiced in full as at 31 December and to which the Company thus recognised a receivable relating to long-term contracts as at 31 December.

## 5. Cost of sales

	2018	2017
Materials	-2 132 235	-2 309 714
Energy	-72 973	-73 810
<b>Materials and consumables</b>	<b>-2 205 208</b>	<b>-2 383 524</b>
Repairs and maintenance	-65 814	-63 404
Marketing services	-27 070	-66 764
Purchased services for projects	-438 138	-399 983
Rent	-83 067	-98 327
External employees	-150 063	-121 107
Other services	-173 975	-152 046
IT services	-33 441	-30 752
<b>Services purchased</b>	<b>-971 568</b>	<b>-932 383</b>
<b>Total</b>	<b>-3 176 776</b>	<b>-3 315 907</b>

Other services primarily include the cost of other advisory and legal services.

## 6. Personnel expenses

	2018	2017
Key management personnel	-70 963	-140 634
Other employees	-744 794	-620 913
<b>Total</b>	<b>-815 757</b>	<b>-761 547</b>

Key management personnel includes the directors of the individual units, and members of the board of directors and the supervisory board.



## 7. Other operating expenses

	2018	2017
Impairment loss (- expense / + income)	-31 337	20 942
Change in provisions (- expense / + income)	-16 648	-163 871
Materials sold	-46 047	-43 993
Taxes and charges	-42 048	-10 978
Write-off and sale of receivables	-26	-12
Fines and penalties	-85 640	-158 261
Insurance expenses	-13 481	-12 897
Losses from derivative transactions	-5 327	-16 353
Foreign exchange losses from operations	-5 666	-113 743
Other operating expenses	-74 443	-21 625
<b>Total</b>	<b>-320 663</b>	<b>-520 791</b>

The cost of derivative transactions related to hedging cash flows from projects is included in 'Other operating expenses'.

Foreign exchange losses arising from project-related receivables and payables are recognised in 'Other operating expenses'.

## 8. Other operating income

	2018	2017
Gains (+) from derivatives transactions	40 715	127 900
Other operating income	114 177	58 151
<b>Total</b>	<b>154 892</b>	<b>186 051</b>

Other operating income primarily includes fees for trademark use and penalties charged to suppliers.

Gains from derivative transactions related to hedging cash flows from projects are included in 'Other operating income'.

Foreign exchange gains from project-related receivables and payables are recognised in 'Other operating revenues'.

## 9. Gains/losses from investments

In 2018 and 2017 the gains from investments comprised dividends received from subsidiaries, joint ventures and associates.

## 10. Financial income

	2018	2017
Interest income	97 680	69 477
Income from financial assets	--	547
Foreign exchange gains from financial assets	27 355	30 588
<b>Total</b>	<b>125 035</b>	<b>100 612</b>

## 11. Financial expenses

	2018	2017
Interest expense	-223 206	-438 908
Foreign exchange losses from financial assets	-25 959	-381
Impairment losses on investments	--	--
<b>Total</b>	<b>-249 165</b>	<b>-439 289</b>

Interest expense of TCZK 223 206 (2017 – TCZK 438 908) primarily include interest on a loan received from the parent company PPF Beer Topholdco B.V., interest on bank loans received and interest on bonds.

## 12. Income tax

Income tax is recognised in the income statement as follows:

	2018	2017
Current tax	-4 109	-1 053
Deferred tax	39 236	-64 528
<b>Total (income + / expense -)</b>	<b>35 127</b>	<b>-65 581</b>

Current income tax comprises the tax estimate for 2018 of TCZK 0 (2017 – TCZK 0) and an adjustment to the tax estimate for the prior period of TCZK 4 109 (2017 – TCZK 1 053).

A portion of the change in deferred tax of TCZK 39 236 (2017 – TCZK 64 528) was recognised in the income statement; the remaining portion of TCZK 58 220 (2017 – TCZK 100 556) relating to items remeasured in other comprehensive income was recorded directly in other comprehensive income.

Effective tax rate				
	2018	%	2017	%
Profit before tax	391 027		957 841	
Corporate income tax at applicable rate	-74 295	19 %	-181 990	19 %
Adjustment to income tax for prior years	-4 109		-1 053	
Deduction for research and development	119 178		47 030	
Tax exempt income (in particular, dividends received)	--		84 530	
Non-tax deductible expenses (impairment loss on investments)	-9 101		--	
Tax credit relating to investment incentives	--		--	
Other effects	3 454		-14 098	
<b>Income tax</b>	<b>35 127</b>	<b>9 %</b>	<b>-65 581</b>	<b>-7 %</b>

#### Deferred tax liability

In accordance with the accounting policy described in note 3 (p), deferred tax was calculated using the tax rates expected to be effective for the period in which the tax liability/asset is utilised.

Deferred tax is calculated based on all temporary differences between the carrying and tax value of individual items presented in the statement of financial position. A deferred tax asset (if any) is recognised to the extent that the Company's management believes it will be utilised in future years. Based on an analysis of the expected utilisation of the deferred tax asset/liability, a rate of 19% was used to calculate deferred tax in 2018 (2017 - 19%).

Deferred tax recognised in the separate financial statements relates to the following items:

	31/12/2018	31/12/2017	Year on year change 2018/2017
Non-current assets	-268 885	-240 253	-28 632
Receivables	1 681	9 382	-7 701
Construction contracts	-40 150	-105 941	34 391
Inventories	12 442	4 465	7 977
Provisions	129 045	135 139	25 306
Unpaid contractual penalties	-3 582	-4 473	891

Other	6 044	1 436	4 608
<b>Total (asset+/- liability-)</b>	<b>-163 405</b>	<b>-200 245</b>	<b>36 840</b>
Deferred tax on revaluation of derivatives recorded in other comprehensive income	-24 153	- 82 373	58 220
<b>Total (asset+/- liability-)</b>	<b>-187 558</b>	<b>-282 618</b>	<b>95 060</b>

#### Investment incentives in form of tax credits

The Company is the recipient of investment incentives in form of tax credits. In 2016, the tax credit was utilised in full.

### 13. Current income tax liabilities

The balance sheet item 'Income tax (liability)' totals TCZK 0 for 2018 (2017 – a liability of TCZK 0).

## 14. Intangible assets

	Development	Software	Intellectual property rights	Other intangible assets	Intangible assets under construction and advances	Total
<b>Acquisition cost</b>						
Balance at 1/1/2018	1 035 019	63 676	1 018 065	111 492	46	2 228 298
Additions	197 603	19 798	5 992	230 798	35	454 226
Disposals	--	--	--	--	--	--
Transfers	--	46	--	--	-46	--
<b>Balance at 31/12/2018</b>	<b>1 232 622</b>	<b>83 520</b>	<b>1 024 057</b>	<b>342 290</b>	<b>35</b>	<b>2 682 524</b>
<b>Accumulated amortisation</b>						
Balance at 1/1/2018	-558 867	-33 499	-35 697	-29 432	--	-657 495
Annual amortisation	-50 848	-13 120	--	-41 709	--	-105 677
Disposals	--	--	--	--	--	--
Transfers	--	--	--	--	--	--
Impairment loss	--	--	--	--	--	--
<b>Balance at 31/12/2018</b>	<b>-609 715</b>	<b>-46 619</b>	<b>-35 697</b>	<b>-71 141</b>	<b>--</b>	<b>-763 172</b>
<b>Net book value 1/1/2018</b>	<b>476 152</b>	<b>30 177</b>	<b>982 368</b>	<b>82 061</b>	<b>46</b>	<b>1 570 804</b>
<b>Net book value 31/12/2018</b>	<b>622 907</b>	<b>36 901</b>	<b>988 360</b>	<b>271 149</b>	<b>35</b>	<b>1 919 352</b>

	Development	Software	Intellectual property rights	Other intangible assets	Intangible assets under construction and advances	Total
<b>Acquisition cost</b>						
Balance at 1/1/2017	782 316	42 050	1 018 065	111 493	--	1 953 924
Additions	252 703	21 626	--	--	46	274 374
Disposals	--	--	--	--	--	--
Transfers	--	--	--	--	--	--
<b>Balance at 31/12/2017</b>	<b>1 035 019</b>	<b>63 676</b>	<b>1 018 065</b>	<b>111 492</b>	<b>46</b>	<b>2 228 298</b>
<b>Accumulated amortisation</b>						
Balance at 1/1/2017	-470 835	-28 322	-35 697	-19 777	--	-554 632
Annual amortisation	-88 031	-5 177	--	-9 655	--	-102 863
Disposals	--	--	--	--	--	--
Transfers	--	--	--	--	--	--
Impairment loss	--	--	--	--	--	--
<b>Balance at 31/12/2017</b>	<b>-558 867</b>	<b>-33 499</b>	<b>-35 697</b>	<b>-29 432</b>	<b>--</b>	<b>-657 495</b>
<b>Net book value 1/1/2017</b>	<b>311 481</b>	<b>13 728</b>	<b>982 368</b>	<b>91 716</b>	<b>--</b>	<b>1 399 293</b>
<b>Net book value 31/12/2017</b>	<b>476 152</b>	<b>30 177</b>	<b>982 368</b>	<b>82 061</b>	<b>46</b>	<b>1 570 804</b>

### Amortisation



The amortisation of patents and development costs is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold; the amortisation of customer relationships is included in cost of sales.

### **Intellectual property rights**

Intellectual property rights include the SKODA trademarks, costing TCZK 982 368 (2017 – TCZK 982 368). The trademark is not amortised because it has an indefinite useful life but is tested for impairment annually.

### **Development costs**

As at 31 December 2018, development costs of TCZK 622 907 (2017 – TCZK 476 152) include mainly technical documentation attributable to the construction of a specific type of product.

Of total additions in 2018, TCZK 87 250 was produced internally and the remaining portion of TCZK 110 353 was purchased from external suppliers. The capitalisation of development costs relating to internally produced development results is recorded in reduction in costs incurred in connection with capitalised assets.

### **Impairment testing**

Indefinite-lived intangible assets are tested for impairment at least annually, and whenever circumstances such as significant declines in expected sales, earnings or cash flows indicate that it is more likely than not that indefinite-lived intangible assets might be impaired. The Company selected the fourth quarter to perform an annual impairment assessment of indefinite-lived intangible assets.

During the fourth quarter of fiscal year 2018, indefinite-lived intangible assets were tested for impairment using the discounted cash flow model. The Company did not identify any impairment.

The post-tax discount rate is also a key estimate in the discounted cash flow model and is based on a representative weighted average cost of capital. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2018 was 8.35% (2017 – 8.10%).

The testing was carried out based on plans reviewed for 2019 - 2023 (or if appropriate for 2018 - 2022 in 2017) while using a growth rate of 2%.



## 15. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Assets under construction	Total
<b>Acquisition cost</b>					
Balance at 1/1/2018	159 316	1 646 258	1 717 963	5 645	3 529 182
Additions	16 866	36 249	51 419	604	105 138
Disposals	--	--	-218 002	-930	-218 932
Transfers	--	498	41	-539	--
<b>Balance at 31/12/2018</b>	<b>176 182</b>	<b>1 683 005</b>	<b>1 551 421</b>	<b>4 780</b>	<b>3 415 388</b>
<b>Accumulated depreciation</b>					
Balance at 1/1/2018	--	-257 065	-1 345 431	--	-1 602 496
Annual depreciation	--	-34 829	-92 002	--	-126 831
Disposals	--	--	214 884	--	214 884
Transfers	--	--	--	--	--
Impairment loss	--	--	2 162	--	2 162
<b>Balance at 31/12/2018</b>	<b>--</b>	<b>-291 894</b>	<b>-1 220 387</b>	<b>--</b>	<b>-1 512 281</b>
<b>Net book value 1/1/2018</b>	<b>159 316</b>	<b>1 389 193</b>	<b>372 532</b>	<b>5 645</b>	<b>1 926 686</b>
<b>Net book value 31/12/2018</b>	<b>176 182</b>	<b>1 391 111</b>	<b>331 034</b>	<b>4 780</b>	<b>1 903 107</b>

	Land	Buildings	Machinery and equipment	Assets under construction	Total
<b>Acquisition cost</b>					
Balance at 1/1/2017	140 819	1 351 614	1 688 764	4 145	3 185 342
Additions	18 497	294 644	39 207	1 500	353 848
Disposals	--	--	-10 008	--	-10 008
Transfers	--	--	--	--	--
<b>Balance at 31/12/2017</b>	<b>159 316</b>	<b>1 646 258</b>	<b>1 717 963</b>	<b>5 645</b>	<b>3 529 182</b>
<b>Accumulated amortisation</b>					
Balance at 1/1/2017	--	-228 518	-1 256 132	--	-1 484 650
Annual depreciation	--	-32 533	-110 224	--	-142 757
Disposals	--	3 986	8 900	--	12 886
Transfers	--	--	--	--	--
Impairment loss	--	--	12 025	--	12 025
<b>Balance at 31/12/2017</b>	<b>--</b>	<b>-257 065</b>	<b>-1 345 431</b>	<b>--</b>	<b>-1 602 496</b>
<b>Net book value 1/1/2017</b>	<b>140 819</b>	<b>1 123 096</b>	<b>432 632</b>	<b>4 145</b>	<b>1 700 692</b>
<b>Net book value 31/12/2017</b>	<b>159 316</b>	<b>1 389 193</b>	<b>372 532</b>	<b>5 645</b>	<b>1 926 686</b>

A part of the Company's business establishment has been pledged upon its entry into the register of pledges.

As at 31 December 2018, impairment losses in respect of property, plant and equipment amounted to TCZK 1 (2017 – TCZK 2 163). The change in impairment losses of TCZK 2 162 (2017 – TCZK 12 025) is presented in 'Impairment of non-current assets'.

### Operating leases

The Company leases buildings in underground depots from Dopravní podnik hl. m. Prahy, akciová společnost for a fixed term and also leases office premises.

Future minimum lease payments are as follows:

31/12/2018	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
minimum lease payments	15 553	26 434	8 863

31/12/2017	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
minimum lease payments	8 752	24 420	0

All operating lease expenses are recognised in 'Cost of sales'.

## 16. Ownership interests in subsidiaries

2018	Ownership	Acquisition cost	Adjustment	Net book value
ŠKODA ELECTRIC a.s.	100%	2 358 986	--	2 358 986
ŠKODA VAGONKA a.s.	100%	7 608 000	3 933 221	3 674 779
Pars nova a.s.	100%	1 761 270	--	1 761 270
Ganz-Skoda Electric Ltd.	100%	140 030	76 149	63 881
MOVO spol. s r.o.	100%	170 020	--	170 020
ŠKODA TVC s.r.o.	100%	100 000	--	100 000
POLL, s.r.o.	100%	32 138	--	32 138
TRADING RS Sp.z o.o.	100%	32	--	32
OOO Vagonmaš	51%	94 179	94 179	--
ŠKODA CITY SERVICE s.r.o.	100%	133 250	--	133 250
SKODA TRANSPORTATION Deutschland GmbH	100%	682	--	682
LOKEL s.r.o.	100%	240	--	240
Transtech Oy	100%	401 551	--	401 551
Škoda Transportation USA, LLC	100%	--	--	--
ŠKODA RAIL s.r.o.	100%	2 000	--	2 000
SKODA TRANSPORTATION UKRAINE LLC	100%	784	--	784
<b>Total</b>		<b>12 803 162</b>	<b>4 103 549</b>	<b>8 699 613</b>

The ownership interest of ŠKODA TRANSPORTATION a.s. in ŠKODA CITY SERVICE s.r.o. is pledged in favour of Československá obchodní banka, a.s. in order to secure the receivables of Československá obchodní banka, a.s. arising from a loan agreement and from other financial documents as defined in the aforementioned loan agreement, concluded on 11 October 2013 between Československá obchodní banka, a.s., Bammer trade a.s. and ŠKODA CITY SERVICE s.r.o.

In 2015 the Group's higher level of integration caused a partial change of the intra-Group strategy. Apart from repairs, trolley buses, drives and engines, the sales agency will be concentrated at the parent company. Accordingly, the existing plans of ŠKODA VAGONKA a.s. were reviewed. Based on the test for impairment of the financial investment using the model of discounted cash flows, as at 31 December 2015 the investment in ŠKODA VAGONKA a.s. was impaired by TCZK 3 488 891. As at 31 December 2016, the investment was impaired by TCZK 444 330. Based on the test results for 2017, no need to further impair the value of the ownership interest in ŠKODA VAGONKA a.s. was identified. Based on the test results for 2018, no need to further impair the value of the ownership interest in ŠKODA VAGONKA a.s. was identified.

At the end of 2018, the Company recognised a cumulated impairment loss of TCZK 3 933 221 in respect of the ownership interest in ŠKODA VAGONKA a.s.

Pursuant to the sensitivity analysis of the impairment test in respect of the ownership interest in ŠKODA VAGONKA a.s., the value of the ownership interest would further impair if the discount rate increased by 0.15% or if EBIT decreased by 1.4% or if the growth factor decreased by 0.21%.

Under the sensitivity analysis of the impairment test in respect of the ownership interest in Pars nova a.s., the recoverable amount would equal to the carrying amount in the event of an increase in the discount rate by 0.28%, or a decrease in EBIT by 1.14%, or a decrease in the growth factor by 0.46%.

Under the sensitivity analysis of the impairment test in respect of the ownership interest in ŠKODA ELECTRIC a.s., the recoverable amount would equal to the carrying amount in the event of an increase in the discount rate by 5.79%, or a decrease in EBIT by 47.8%, or a decrease in the growth factor by 11.5%.

In respect of the other equity investments, the Company did not identify any triggers for impairment testing.

As at 21 May 2018, the Company purchased a 25% ownership interest in Transtech Oy of TCZK 104 551 (TEUR 4 050).

As at 24 October 2018, the Company sold Autobusová doprava-Miroslav Hrouda s.r.o. to ČSAD autobusy Plzeň a.s.

As at 30 October 2018, Škoda Transportation a.s. disposed of its ownership interest in OOO Škoda-R.

As at 8 November 2018, the Company established a 100% subsidiary Škoda Transportation Ukraine LLC with a registered capital of TCZK 784 (UAH 961 350).

As at 1 October 2018, the Company provided a voluntary premium outside of the registered capital of TCZK 2 150 000 to ŠKODA VAGONKA a.s.

2017	Ownership	Acquisition cost	Adjustment	Net book value
ŠKODA ELECTRIC a.s.	100%	2 358 986	--	2 358 986
ŠKODA VAGONKA a.s.	100%	5 458 000	3 933 221	1 524 779
Pars nova a.s.	100%	1 761 270	--	1 761 270
Ganz-Skoda Electric Ltd.	100%	140 030	76 149	63 881
MOVO spol. s r.o.	100%	170 020	--	170 020
ŠKODA TVC s.r.o.	100%	100 000	--	100 000
POLL, s.r.o.	100%	32 138	--	32 138
TRADING RS Sp.z o.o.	100%	32	--	32
OOO Vagonmaš	51%	94 179	94 179	--
Autobusová doprava-Miroslav Hrouda s.r.o.	100%	9 850	--	9 850
ŠKODA CITY SERVICE s.r.o.	100%	133 250	--	133 250
SKODA TRANSPORTATION Deutschland GmbH	100%	682	--	682
LOKEL s.r.o.	100%	240	--	240
OOO Škoda - R	99%	6	--	6
Transtech Oy	75%	297 000	--	297 000
Škoda Transportation USA, LLC	100%	--	--	--
ŠKODA RAIL s.r.o.	100%	2 000	--	2 000
<b>Total</b>		<b>10 557 683</b>	<b>4 103 549</b>	<b>6 454 134</b>

The registered offices of the above companies are as follows:

ŠKODA ELECTRIC a.s.  
Tylova 1/57  
301 28 Plzeň  
Czech Republic

ŠKODA VAGONKA a.s.  
1. máje 3176/102  
703 00 Ostrava  
Czech Republic

Pars nova a.s.  
Žerotínova 1833/56  
787 01 Šumperk  
Czech Republic

MOVO spol. s r.o.  
Železniční 119/7  
326 00 Plzeň, Východní Předměstí  
Czech Republic

ŠKODA CITY SERVICE s.r.o.  
Emila Škody 2922  
301 00 Plzeň, Jižní Předměstí  
Czech Republic

Ganz-Skoda Electric Ltd.  
Horváth utca 12-26  
H-1027 Budapest  
Hungary

OOO Vagonmaš  
Leninskij prospekt 160  
196 247 Sankt-Peterburg  
Russia

TRADING RS Sp. z o.o.  
Złota 59  
00-120 Warszawa  
Poland



Autobusová doprava-Miroslav Hrouda s.r.o.  
Bezručova 244  
338 08 Zbiroh  
Czech Republic

OOO SKODA-R  
Tverskaja-jamskaja 4/22  
Moscow  
Russia

SKODA TRANSPORTATION Deutschland GmbH  
Leopoldstrasse 244  
80807 Munich  
Germany

Skoda Transportation USA, LLC  
Orange Street  
19801 Wilmington  
USA

ŠKODA RAIL s.r.o.  
Emila Škody 2922/1  
301 00 Plzeň  
Czech Republic

ŠKODA TVC s.r.o.  
Tylova 1/57  
301 28 Plzeň  
Czech Republic

LOKEL s.r.o.  
Moravská 797/85  
700 30 Ostrava, Hrabůvka  
Czech Republic

POLL, s.r.o.  
Výpadev 1676/4a  
153 00 Praha 5, Radotín  
Czech Republic

Transtech Oy  
Elektroniikkatie 2  
905 90 Oulu  
Finland

SKODA TRANSPORTATION  
UKRAINE LCC  
Naberezna St 26B  
490 00 Dnipro  
Ukraine

## 17. Ownership interests in associates and joint ventures

PRAGOIMEX a.s. and Zaporizkiy Elektrovoz are the only associated companies in which the Company participates. The value of the ownership interest in Zaporizkiy Elektrovoz is insignificant for the Company.

### *PRAGOIMEX a.s.*

The following table summarises the financial information of PRAGOIMEX a.s.

PRAGOIMEX a.s.	2018	2017
Percentage ownership interest	32%	32%
Non-current assets	11 848	15 371
Current assets	185 214	227 288
Non-current liabilities	38 000	39 000
Current liabilities	78 650	111 789
<b>Net assets (100%)</b>	<b>80 412</b>	<b>91 870</b>
<b>Group's share of net assets (32%)</b>	<b>25 732</b>	<b>29 398</b>
Revenues	446 004	665 023
<b>Profit from continuing activities (100%)</b>	<b>15 126</b>	<b>26 837</b>
<b>Company's share of profit for the year</b>	<b>4 840</b>	<b>8 588</b>

The registered offices of the associated companies are as follows:

PRAGOIMEX a.s.  
Pod náspem 795/12  
190 00 Praha 9, Libeň  
Czech Republic

TOV "ZAPORIZKIY ELEKTROVOZ"  
LLC UKRAINIAN-CZECH PLANT  
Vulicya Zaliznichna 2  
69095 Zaporiz'ka obl., Zaporizha  
Ukraine



## 18. Inventories

	31/12/2018	31/12/2017
Materials	803 815	927 495
Work-in-progress	428 718	332 113
Intermediate products	27 130	31 531
Finished goods	6 270	--
Advance payments for inventories	487 030	429 647
<b>Total inventories (gross)</b>	<b>1 752 963</b>	<b>1 720 786</b>
Materials	-54 836	-23 499
Work-in-progress	--	--
Intermediate products	--	--
<b>Impairment losses</b>	<b>-54 836</b>	<b>-23 499</b>
Materials	748 979	903 996
Work-in-progress	428 718	332 113
Intermediate products	27 130	31 531
Finished goods	6 270	--
Advance payments for inventories	487 030	429 647
<b>Total inventories (net)</b>	<b>1 698 127</b>	<b>1 697 287</b>

Based on an analysis of turnover and usability of inventories, as at 31 December 2018 the Company reduced the carrying amount of inventories to their net realisable value by recognising an impairment loss of TCZK 54 836 (2017 – TCZK 23 499).

## 19. Trade receivables and other assets

	31/12/2018	31/12/2017
Trade receivables	1 373 688	979 718
Receivables relating to long-term contracts	--	3 155 939
Contracts with customers - contract asset	2 676 142	--
Estimated receivables	9 621	265 299
Operating advances paid	2 306	2 563
Receivables from the state	--	80 758
Prepaid expenses	25 178	21 572
Other receivables	1 624 510	2 633 657
<b>Total (gross)</b>	<b>5 711 445</b>	<b>7 139 506</b>
Impairment losses	-19 679	-19 679
<b>Total (net)</b>	<b>5 691 766</b>	<b>7 119 827</b>

Amounts not invoiced to customers as at 31 December 2018, totalling TCZK 2 676 142, represent the actual stage of completion of all significant contracts and are net of advances received in respect of these contracts based on the stage of completion and costs of the individual projects. The credit and currency risks arising from trade receivables and other assets are described in note 29.

Other receivables comprise, in particular, balances of loans provided to subsidiaries.

## 20. Other non-current receivables and loans

	31/12/2018	31/12/2017
Non-current receivables and loans due within 2 years	118 594	79 211
Non-current receivables and loans due in 2 to 5 years	162 467	69 011
Non-current receivables and loans due in more than 5 years	--	--
<b>Total</b>	<b>281 061</b>	<b>148 222</b>

Other non-current receivables and loans comprise long-term retention of TCZK 281 061 (2017 – TCZK 148 222).

## 21. Cash and cash equivalents

	31/12/2018	31/12/2017
Cash in hand	323	317
Bank accounts	1 139 204	516 358
Short-term time deposits	98 035	4 685
Valuables	--	--
<b>Total</b>	<b>1 237 562</b>	<b>521 360</b>

The Company has no restricted cash.

### Significant investment and financial activities without impact on cash

As at 31 December 2018, the value of outstanding liabilities relating to investment activities was TCZK 30 121.

## 22. Equity

### Registered capital

The Company's registered capital as at 31 December 2018 amounted to TCZK 3 150 000 (2017 – TCZK 3 150 000). The sole shareholder holds 1 registered ordinary share in book-entry form in the nominal value of TCZK 3 134 100 and 1 registered ordinary share in book-entry form in the nominal value of TCZK 15 900. Each TCZK 100 of the nominal value of the shares constitutes one voting right that can be exercised at a general meeting.

### Capital contributions

Other capital contributions as at 31 December 2018 amounted to TCZK 4 225 338 (2017 – TCZK 4 212 779).

### Fair value changes in respect of cash flow hedges

The fair value change in respect of cash flow hedges as at 31 December 2018 totals TCZK 102 512 (2017 – TCZK - 351 171), resulting from changes in the fair value of derivatives that meet the hedge accounting requirements.

### Retained earnings

Retained earnings as at 31 December 2018 were TCZK 5 613 736 (2017 – TCZK 5 181 985).

## 23. Earnings/(losses) per share

As described in note 1, the Company has two shares of a different nominal value. The voting rights and shares in profit correspond to the proportion of each share in the registered capital. Due to the significant disproportion in the share of individual stocks on profit, calculation is performed as a share in profit for each share separately. The share of the stock with the nominal value of TCZK 3 134 100 in the Company's profit for 2018 was TCZK 424 003, whereas the share of the stock with the nominal value of TCZK 15 900 was TCZK 2 151.

## 24. Trade payables and other payables

	31/12/2018	31/12/2017
Trade payables	859 198	1 158 941
Advances received	--	563 812
Contracts with customers - contract liability	741 149	--
Payables to employees	43 072	41 347
Payables to the state	138 060	7 610
Social security liabilities	23 955	21 287
Deferred income	27 319	52 188
Accrued expenses	23 552	--
Estimated payables	82 730	48 233
Other payables	24 752	31 508
<b>Total</b>	<b>1 963 787</b>	<b>1 924 926</b>

### Ageing structure of trade payables

	31/12/2018	31/12/2017
Payables not overdue	468 959	1 066 615
Payables up to 6 months overdue	130 611	77 023
Payables up to 12 months overdue	382	3 105
Payables up to 36 months overdue	259 079	12 030
Payables more than 36 months overdue	167	168
<b>Trade payables</b>	<b>859 198</b>	<b>1 158 941</b>

### 25. Other non-current liabilities

	31/12/2018	31/12/2017
Contracts with customers - contract liability	1 906 409	--
Non-current advances received	--	38 908
Other non-current liabilities	30 265	30 418
<b>Total</b>	<b>1 936 674</b>	<b>69 327</b>

## 26. Loans, borrowings and securities

Loans and borrowings as at 31 December 2018

Bank loans	Current portion	Non-current portion	Total	Interest rate	Due date	Credit facility	Not drawn from the credit facility	Type of security
Facility B1 (short-term revolving bank loan)	--	--	--	-- <sup>1</sup>	6/8/2021	1 900 000	1 900 000	joint and several liability of all debtors <sup>2</sup>
Facility B2 (short-term revolving bank loan)	--	--	--	-- <sup>3</sup>	6/8/2021	200 000	200 000	joint and several liability of all debtors <sup>2</sup>
Overdraft facility	--	--	--	-- <sup>4</sup>	--	300 000	300 000	joint and several liability of all debtors <sup>2</sup>
<b>Total</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2 400 000</b>	<b>2 400 000</b>	<b>--</b>

Non-bank loans	Current portion	Non-current portion	Total	Interest rate	Due date	Credit facility	Not drawn from the credit facility	Type of security
Loan from PPF Beer Topholdco B.V.	---	1 253 057	<b>1 253 057</b>	8.50%	-- <sup>5</sup>	1 155 113	--	no security (subordinated to bank loan)
Intra-division loans (EUR)	2 101	--	<b>2 101</b>	3.20%	2/1/2019	3 000 000 <sup>6</sup>	2 799 899	no security
Intra-division loans (CZK)	198 000	--	<b>198 000</b>	1.38%	2/1/2019			no security
Bonds <sup>7</sup>	35 613	2 301 978	<b>2 337 591</b>	3.00%	26/6/2020	2 301 978	--	joint and several liability of all debtors <sup>2</sup>
<b>Total</b>	<b>235 714</b>	<b>3 555 035</b>	<b>3 790 749</b>	<b>--</b>	<b>--</b>	<b>6 457 091</b>	<b>2 799 899</b>	<b>--</b>

Loans and borrowings as at 31 December 2017

<sup>1</sup> Loan not drawn – interest rate: 2.95% + PRIBOR/EURIBOR

<sup>2</sup> Guarantees: insurance settlement, bank accounts, shares, real estate, receivables, establishment

<sup>3</sup> Loan not drawn – interest rate: 2.95% + MOSCOW MOSPRIME

<sup>4</sup> Loan not drawn – interest rate: 0.7% + 1D PRIBOR/EURIBOR

<sup>5</sup> The due date is defined in the Subordination agreement as the moment of full unconditional and final repayment of the Pari-passu debt.

<sup>6</sup> The credit facility of the intra-division loan for ŠKODA TRANSPORTATION a.s. is (TCZK) 3 000 000 to be drawn in CZK and EUR.

<sup>7</sup> On 26 June 2015 the Company issued bonds with a total nominal value of TCZK 2 310 000 at an issue rate of 99.13% of the nominal value. The bonds have a maturity of five years and a fixed-rate coupon of 3% p.a. paid annually. The issue of bonds is listed on the Regulated Market of the Prague Stock Exchange.

Bank loans	Current portion	Non-current portion	Total	Interest rate	Due date	Credit facility	Not drawn from the credit facility	Type of security
Fixed term amortised bank loan	300 000	--	<b>300 000</b>	3.06%	16/12/2019	300 000	--	joint and several liability of all debtors + bill of exchange
Short-term revolving bank loan	614 620	--	<b>614 620</b>	2.30%	16/12/2019****	2 019 952**	34 643	joint and several liability of all debtors + bill of exchange
<b>Total</b>	<b>914 620</b>	<b>--</b>	<b>914 620</b>	<b>--</b>	<b>--</b>	<b>2 319 952</b>	<b>34 643</b>	

Non-bank loans	Current portion	Non-current portion	Total	Interest rate	Due date	Credit facility	Not drawn from the credit facility	Type of security
Loan from PPF Beer Topholdco B.V.	0	906 587	<b>906 587</b>	8.50%	--***	900 000	--	no security (subordinated to bank loan)
Intra-division loans	41	--	<b>41</b>	1.38%	31/12/2019	3 000 000	2 999 959	no security
Bonds*	35 613	2 296 842	<b>2 332 455</b>	3.00%	26/6/2020	2 296 842	--	no security
<b>Total</b>	<b>35 654</b>	<b>3 203 429</b>	<b>3 239 083</b>	<b>--</b>	<b>--</b>	<b>6 196 842</b>	<b>2 999 959</b>	

\* On 26 June 2015 the Company issued bonds with a total nominal value of TCZK 2 310 000 at an issue rate of 99.13% of the nominal value. The bonds have a maturity of five years and a fixed-rate coupon of 3% p.a. paid annually. The issue of bonds is listed on the Regulated Market of the Prague Stock Exchange. .

\*\* The credit limit is set for the entire group. The undrawn portion of the credit facility is reported for the entire group.

\*\*\* The due date is defined in the Subordination agreement as the moment of full unconditional and final repayment of the Pari-passu debt.

\*\*\*\* This is the final maturity of the credit facility. The due date of the specific tranche is 8 January 2018. This tranche was revolved on 8 January 2018.



## Other guarantees provided within the Group - guarantor's statements

In favour of/name of the entity	Guarantee amount	Type of guarantee	Purpose of guarantee	Valid until
Raiffeisenbank a.s.	RUB 1 220 560	provision of the limit for a bank guarantee	OOO Vagonmaš	30/1/2020
UniCredit Bank Czech Republic and Slovakia, a.s.	RUB 22 569	provision of the limit for a bank guarantee	OOO Vagonmaš	27/7/2019
UniCredit Bank Czech Republic and Slovakia, a.s.	RUB 22 838	provision of the limit for a bank guarantee	OOO Vagonmaš	26/4/2020
Sberbank CZ, a.s.	EUR 342	provision of the limit for a bank guarantee	ŠKODA ELECTRIC a.s.	30/3/2019
Sberbank CZ, a.s.	EUR 114	provision of the limit for a bank guarantee	ŠKODA ELECTRIC a.s.	30/3/2019
Sberbank CZ, a.s.	EUR 144	provision of the limit for a bank guarantee	ŠKODA ELECTRIC a.s.	30/6/2023

## 27. Provisions

	1/1/2018	Impact of transition to IFRS 15	Additions	Utilisation	Release	31/12/2018
Provision for warranties	224 038		80 297	83 632	--	220 703
Provision for risks	73 044		29 000	64 464	--	37 580
Provision for litigations	23 106		1 310	--	--	24 416
Provision for fines and penalties	69 331	-69 331	1 907	--	--	1 907
Provision for employee benefits	20 536		--	--	793	19 743
Provision for onerous projects	289 239		112 725	162 842	--	239 122
Other provisions	32 500		134 847	32 500	--	134 847
<b>Total</b>	<b>731 794</b>	<b>-69 331</b>	<b>360 086</b>	<b>343 438</b>	<b>793</b>	<b>678 318</b>
Current portion of provisions	711 779		--	--	--	660 145
Non-current portion of provisions	20 015		--	--	--	18 173
<b>Total</b>	<b>731 794</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>678 318</b>

	1/1/2017	Additions	Utilisation	Release	31/12/2017
Provision for warranties	302 066	43 623	81 957	39 694	224 038
Provision for risks	48 882	24 162	--	--	73 044
Provision for litigations	21 797	1 309	--	--	23 106
Provision for fines and penalties	--	69 331	--	--	69 331
Provision for employee benefits	15 076	6 025	--	565	20 536
Provision for onerous projects	142 142	147 097	--	--	289 239
Other provisions	130 908	--	98 408	--	32 500
<b>Total</b>	<b>660 871</b>	<b>291 547</b>	<b>180 365</b>	<b>40 259</b>	<b>731 794</b>
Current portion of provisions	646 881				711 779
Non-current portion of provisions	13 990				20 015
<b>Total</b>	<b>660 871</b>				<b>731 794</b>

#### *Provision for warranties*

Warranty provisions are attributable to deliveries to customers carried out as at 31 December 2018 and 31 December 2017, which are covered by warranty obligation. The provision is calculated based on historical data and an individual assessment of potential future expenses, while taking into account additional circumstances known as at the date of preparing the separate financial statements.

#### *Provision for risks*

Provisions for risks primarily cover risks associated with the deliveries of trams.

#### *Provision for employee benefits*

The Company provides its employees with cash payments on the occasion of significant anniversaries or a certain length of service. The Company establishes a provision for these employee benefits. As at 31 December 2018, the Company discounted the provision to its present value using a rate of 3.5%. The Company also took into account the expected employee turnover rate. Due to insignificance other information is not disclosed.

#### *Provision for onerous projects*

The Company recognised a provision for projects, for which the Company will realise a loss, based on current forecasts.

#### *Other provisions*

Other provisions include, among others, the provisions for bonuses to employees and the Company's management (TCZK 17 115).

## 28. Derivatives

As at the reporting date, the Company held the following derivatives:

### Derivatives held for trading

2018

	Settlement in 2019	Settlement in subsequent years	Fair value
	Original currency (thousands)	Original currency (thousands)	TCZK
Swaps – sale of EUR	26 000	--	4 362
Swaps – sale of RUB	141 000	--	2 157
Interest rate swap	--	--	145 906
<b>Total</b>			<b>152 425</b>

2017

As at 31 December 2017, the Company held no trading derivatives.

### Hedging derivatives

2018

Forwards	Settlement in 2019	Settlement in subsequent years	Fair value
	Original currency (thousands)	Original currency (thousands)	TCZK
Forwards – sale of EUR	29 167	287 115	32 830
<b>Total</b>			<b>32 830</b>

Swaps	Settlement in 2019	Settlement in subsequent years	Fair value
	Original currency (thousands)	Original currency (thousands)	TCZK
Swaps – sale of EUR	194 949	97 114	-44 492
<b>Total</b>			<b>-44 492</b>

2017

Forwards	Settlement in 2018	Settlement in 2019, 2020	Fair value
	Original currency (thousands)	Original currency (thousands)	TCZK
Forwards – sale of EUR	73 825	120 000	167 404
<b>Total</b>			<b>167 404</b>
Swaps	Settlement in 2018	Settlement in 2019, 2020	Fair value
	Original currency (thousands)	Original currency (thousands)	TCZK
Swaps – sale of EUR	132 175	110 000	99 861
Interest rate swap CZK	n/a	n/a	178 697
<b>Total</b>			<b>278 558</b>

In accordance with the accounting policies described in Note 3, the change in the fair value of hedging derivatives of TCZK -306 879 (2017 – TCZK 529 241), reduced by deferred tax, is recorded in other comprehensive income.

As at 31 December 2018, the Company had a liability of TCZK 64 917 (2017 – TCZK 4 333) arising from the revaluation of hedging derivatives and derivatives held for trading, and a receivable of TCZK 205 680 (2017 – TCZK 450 295) arising from the revaluation of hedging derivatives and derivatives held for trading which are presented, depending on the due date of the derivative, as follows: the non-current portion of the liability of TCZK 54 582 (2017 – TCZK 0) under 'Hedging derivatives – non-current portion', the current portion of the liability of TCZK 10 335 (2017 – TCZK 4 333) under 'Hedging derivatives – current portion'; the non-current portion of the receivable of TCZK 143 402 (2017 – TCZK 260 780) under 'Hedging derivatives – non-current portion', and the current portion of the receivable of TCZK 62 278 (2017 – TCZK 189 515) under 'Hedging derivatives – current portion'.

Depending on the classification of the respective derivative transaction (hedging or trading), gains and losses from derivatives settled in 2018 are recognised under 'Other operating expenses (see Note 7), 'Other operating revenues' (see note 8), 'Financial income' (see Note 10) or 'Financial expenses' (see Note 11).

To maximise the effectiveness of its derivatives, the Company adheres to the principle that the terms and conditions of a derivative instrument must correspond to the conditions of the hedged item.

Contracts with customers are naturally hedged by receiving advances in a currency corresponding to the currency agreed in the respective contract.

Derivatives are classified as short-term or long-term based on their due dates.

Financial assets and liabilities measured at fair value have been assigned to Level 2 as defined by IFRS.

## 29. Financial instruments

### Risk management and financial instruments

The Company's principal financial instruments (excluding derivatives) comprise trade receivables, cash in hand and bank accounts, other long-term receivables, trade payables, bank loans, related-party loans, and finance and operating leases. The main purpose of the aforementioned financial liabilities is to obtain funds for the Company's activities; the Company's financial assets arise during its ordinary activities.

The Company is primarily exposed to the following risks:

- credit risk;
- market risk, including currency risk and interest rate risk; and
- liquidity risk.

The Company's management is generally responsible for the design and monitoring of the financial risk management system. The development and estimates of the effects of individual risks are regularly assessed. The Company's overall risk management strategy focuses on the unpredictable nature of financial markets and endeavours to minimise any potential negative effects on the Company's financial results.

The Company concluded derivative transactions (forwards and swaps) in order to hedge the currency and interest rate risks that arise as a result of the Company's activities and its funding.

### **Capital management**

The Company's aspiration is to maintain a strong capital foundation with the goal to sustain the trust of investors, creditors and markets and to support the future development of business operations.

Through the management of its capital and the optimization of the debt to equity ratio the Company intends to ensure optimal conditions for its continuous business operations and for maximizing the income. The Company is bound to the fulfilment of capital requirements arising from the conditions of received bank loans and issued bonds.

### **Concentration risk**

Considering the parameters of the market in which the Company operates, the major part of the Company's revenues is generated from a limited number of specialised customers. The number of such customers in the market does not change from a long-term perspective. Moreover, it cannot be expected that the market will open to a significant number of new customers in the future. The loss of one or more existing customers may have a significant negative effect on the Company's results of operations.

The Company makes every effort to adapt its products to customers' needs, which is associated with a risk of additional costs incurred for proven products. There is also a risk of a lower credit status of customers who may decide to purchase a smaller number of products or cheaper products due to the lack of sufficient funds.

## Credit risk relating to customers

Credit risk results from the potential failure of debtors to fulfil their obligations when they fall due. The risk arises primarily from the potential inability or unwillingness of a debtor to pay off the Company's receivables, or loans provided by the Company. To prevent excessive uncollectible receivables, the top management team focuses on credit risks as part of the effective management of the sales and related functions. The maximum credit risk exposure is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk exposure is primarily dependent on the individual characteristics of each customer. In general, however, credit risk is assessed based on the credit status of customers.

For new contracts and orders, the ability of the customer or counterparty to pay off their debt by the due date is assessed. Where necessary, future cash flows are secured, primarily by means of advances or bank guarantees. In specific cases, insurance of receivables or letters of credit are used. For information on bank guarantees, see Note 33 - Contingent liabilities.

The credit limit of each customer is regularly monitored and procedures are in place to prevent the exceeding of this limit. These pre-defined limits may only be increased after careful evaluation and formal approval by the Company's management.

In addition, balances of receivables are monitored on a regular basis, and the Company's exposure to uncollectible receivables is thus not significant. Credit risk is further covered by the establishment of impairment losses, and by extraordinary write-off of receivables.

In 2018, the Company had three customers which individually accounted for more than 10% of the Company's trade receivables. The Company's management has taken appropriate action to limit the concentration of risk to these parties by policies and procedures such as collateral agreements, careful evaluation of new agreements entered into and close monitoring of credit balances.

As regards the credit risk arising from the Company's other financial assets, which include cash and cash equivalents, credit risk results from the default of a counterparty, with the maximum exposure being equal to the carrying amount of these instruments. As at 31 December 2018 and 31 December 2017, other financial assets were not impaired.

Derivative-type financial assets are not assessed for credit risk as they are negotiated exclusively with financial institutions with a sufficiently high credit rating.

The maximum credit risk exposure as at the reporting date was as follows:

	Note	31/12/2018	31/12/2017
Non-current receivables	20	281 061	148 222
Trade receivables*	19	1 363 659	969 689
Receivables relating to construction contracts*	19	--	3 155 939
Contracts with customers - contract asset	19	2 676 142	--
Other current receivables except for receivables relating to construction contracts*	19	1 651 965	2 994 199
Hedging derivatives – assets	28	205 680	450 295
Cash and cash equivalents	21	1 237 562	521 360
<b>Total</b>		<b>7 416 069</b>	<b>8 239 704</b>

\* These balances are presented in 'Trade receivables and other assets'.



## Impairment

At 31 December, the ageing of trade and other receivables that were not impaired was as follows:

	31/12/2018	31/12/2017
Receivables not overdue	682 263	466 052
Receivables up to 6 months overdue	119 309	137 175
Receivables up to 12 months overdue	709	161 722
Receivables up to 36 months overdue	567 123	214 413
Receivables more than 36 months overdue	4 284	356
<b>Trade receivables (gross)</b>	<b>1 373 688</b>	<b>979 718</b>
Receivables up to 36 months overdue	-5 746	-9 674
Receivables more than 36 months overdue	- 4 283	-355
<b>Impairment losses</b>	<b>-10 029</b>	<b>-10 029</b>
Receivables not overdue	682 263	466 052
Receivables up to 6 months overdue	119 309	137 170
Receivables up to 12 months overdue	709	156 022
Receivables up to 36 months overdue	561 377	210 444
Receivables more than 36 months overdue	1	1
<b>Trade receivables (net)</b>	<b>1 363 659</b>	<b>969 689</b>

The Company's management believes that the unimpaired amounts that are overdue are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk.

## Market risk

Market risk results from potential changes in the value of assets and liabilities due to fluctuations in exchange rates. The Company has implemented certain procedures and methods to monitor this risk.

### *Currency risk*

The Company is exposed to significant risks resulting from foreign currency transactions. These risks arise from sales and purchases that the Company carries out in currencies other than its functional currency. Approximately 32% (2017 – 41%) of the Company's sales is denominated in currencies (predominantly in EUR) other than the Company's functional currency, while more than 73% (2017 – 80%) of the expenses is denominated in the Company's functional currency.

The Company aims to eliminate most of its currency risk by using derivatives to hedge the Company's exposure to the volatility of exchange rates affecting expected future cash flows. For more information, see Note 28.

### *Sensitivity analysis – currency risk exposure*

A reasonably possible strengthening (weakening) of the euro, US dollar or Hungarian forint against all other currencies as at 31 December 2018 and 31 December 2017 would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

The actual impact of foreign exchange changes arising from a 10% appreciation (depreciation) of the Czech crown on the income statement would be different from the calculation provided below as the Company mitigates its currency risk exposure by concluding currency derivatives contracts.

	Exchange rate at 31 December 2018	10%	-10%
CZK/EUR	25.725	28.298	23.153
CZK/USD	22.466	24.713	20.219

	Exchange rate at 31 December 2017	10%	-10%
CZK/EUR	25.540	28.094	22.986
CZK/USD	21.291	23.420	19.162

### **Sensitivity analysis – currency risk exposure**

As at 31 December 2018, a 10 percent appreciation (depreciation) of the Czech crown vis-à-vis the currencies listed below would have resulted in an increase (decrease) of TCZK 175 292 (2017 – TCZK 225 217) in the income statement, provided that other variables (in particular, the interest rate) remained unchanged.

	Income statement	
	Weakening TCZK	Strengthening TCZK
<b>31 December 2018</b>		
EUR (10% movement)	175 267	-175 267
USD (10% movement)	25	-25
<b>31 December 2017</b>		
EUR (10% movement)	224 487	-224 487
USD (10% movement)	730	-730

### **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows from financial instruments will fluctuate because of changes in interest rates. Interest rate risk management aims to eliminate the risk arising from changes in interest rates of variable-rate financial liabilities by maintaining a suitable structure of financial liabilities. The Company is exposed to interest rate risk primarily in connection with bank loans.

### *Sensitivity analysis – changes in interest rates*

The Company is exposed to interest rate risk primarily due to financial liabilities arising from borrowings and non-current liabilities that bear interest at variable rates. The sensitivity analysis is based on the exposures as at the reporting date. In the coming period, the Company assumes the possibility of a +/-10 basis point change in the yield curve. The Company is most sensitive to movements in the Czech crown yield curve. The following table shows the possible effect on profit or loss before tax of the expected change in interest rates.

The actual impact of interest rate changes by 10 basis points on the income statement will be zero or insignificant as the Company mitigates its interest rate risk exposure by concluding interest rate swaps (see Note 28).

Interest rate change	2018 Increase of 10 basis points	2018 Decrease of 10 basis points	2017 Increase of 10 basis points	2017 Decrease of 10 basis points
Effect on the income statement	--	--	--	--

As at 31 December 2018, the Company did not recognise any liability from received loans with a variable interest rate.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity risk exposure on a regular basis, and assesses the maturity of financial investments and financial liabilities, and projected cash flows from its activities.

One of the principal liquidity management tools are advances received to cover the costs relating to the completion of contracts, the allocation of available funds to highly liquid bank instruments (term deposits and depository notes), and the conclusion of agreements with suppliers regarding reasonable maturity dates.

### *Exposure to liquidity risk*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements:

31/12/2018	Contractual cash flows					
	Carrying amount	Total	Due within 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due in more than 5 years
<b>Non-derivative financial liabilities</b>						
Trade payables	859 198	859 198	859 198	--	--	--
Bank loans	--	--	--	--	--	--
Non-bank loans and bonds	3 790 749	4 400 316	269 401	2 379 300	--	1 751 615
Current financial liabilities *	1 104 589	1 104 589	1 104 589	--	--	--
Finance lease payables	--	--	--	--	--	--
Other non-current liabilities *	1 936 674	1 936 674		688 760	1 247 914	--
<b>Derivative financial liabilities (fixed term contracts used for hedging) – net</b>						
Net outflow	-140 763	-140 763	-51 943	-5 500	-41 912	-41 408
<b>Total</b>	<b>7 550 447</b>	<b>8 160 014</b>	<b>2 181 245</b>	<b>3 062 560</b>	<b>1 206 002</b>	<b>1 710 207</b>

\* Current financial liabilities and Other non-current liabilities include Contract liability

31/12/2017	Contractual cash flows					
	Carrying amount	Total	Due within 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due in more than 5 years
<b>Non-derivative financial liabilities</b>						
Trade payables	1 158 941	1 158 941	1 158 941	--	--	--
Bank loans	914 620	917 386	917 386	--	--	--
Non-bank loans and bonds	3 239 083	3 650 841	69 341	69 300	3 512 200	--
Current financial liabilities	765 985	765 985	765 985	--	--	--
Finance lease payables	--	--	--	--	--	--
Other non-current liabilities	69 326	69 326	--	227	69 099	--
<b>Derivative financial liabilities (fixed term contracts used for hedging) – net</b>						
Net outflow	-445 962	-445 962	-196 354	-45 753	-133 460	-70 395
<b>Total</b>	<b>5 701 993</b>	<b>6 116 517</b>	<b>2 715 299</b>	<b>23 774</b>	<b>3 447 839</b>	<b>-70 395</b>

## Income and expenses and gains and losses in the income statement

2018 (expenses - / revenue +)	Note	Financial instruments by category		
		Loans and advances	Financial derivatives	Total
Interest income	10	-97 680	--	-97 680
Interest expense	11	223 206	--	223 206
Losses from derivative transactions	8	--	25 912	25 912
Gains from derivative transactions	9	--	-200 684	-200 684
		<b>125 526</b>	<b>-174 772</b>	<b>-49 246</b>

2017 (expenses - / revenue +)	Note	Financial instruments by category		
		Loans and advances	Financial derivatives	Total
Interest income	11	69 477	--	69 477
Interest expense	12	-438 908	--	-438 908
Losses from derivative transactions	8	--	-30 577	-30 577
Gains from derivative transactions	9	--	138 814	138 814
		<b>-369 431</b>	<b>108 237</b>	<b>-261 194</b>

## Fair value

The Company performed a classification into three levels of input data based on an assessment of their availability, using the fair value hierarchy:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g. prices) or indirectly (e.g. derived from prices);
- Level 3 inputs: unobservable inputs for the asset or liability.

31/12/2018	Carrying amount as at 31 December 2018	Fair value		
		Level 1	Level 2	Level 3
<b><u>Financial assets</u></b>				
Non-current receivables	281 061	--	--	281 061
Derivatives	205 680	--	205 680	--
<b><u>Financial liabilities</u></b>				
Bank loans	--	--	--	--
Non-bank loans	-1 253 057	--	--	-1 253 057
Bonds	-2 337 591	-2 373 333	--	--
Other non-current liabilities	-1 936 674	--	--	-1 936 674
Derivatives	-64 917	--	-64 917	--
<b>Total</b>	<b>-5 105 498</b>	<b>-2 373 333</b>	<b>140 763</b>	<b>-2 908 670</b>

31/12/2017	Carrying amount as at 31 December 2017	Fair value		
		Level 1	Level 2	Level 3
<b><u>Financial assets</u></b>				
Non-current receivables	148 222	--	--	148 222
Derivatives	450 295	--	450 295	--
<b><u>Financial liabilities</u></b>				
Bank loans	-914 620	--	--	-914 620
Non-bank loans	-906 587	--	--	-906 587
Bonds	-2 332 455	-2 373 333	--	--
Other non-current liabilities	-30 418	--	--	-30 418
Derivatives	-4 333	--	-4 333	--
<b>Total</b>	<b>-3 589 896</b>	<b>-2 373 333</b>	<b>445 962</b>	<b>-1 703 403</b>

The Company does not disclose fair values of financial instruments presented in short-term trade receivables and other assets and short-term trade payables and other liabilities as their carrying amount approximates their fair value.



### 30. Transactions with related parties

Related parties also include key management personnel. The remuneration of these individuals is disclosed in Note 6. In addition, these individuals are provided with standard benefits such as company cars and mobile phones.

One member of the board of directors holds bonds issued by the Company.

The following related-party balances and further expenses incurred and revenues generated in connection with related-party transactions in 2018 and 2017 are included in the advance payments for inventories, receivables, liabilities, advances received and loans and borrowings described in Notes 18, 19, 20, 25 and 26:

Related party transactions primarily comprise services received or rendered as part of projects, and financing received or provided.

2018				
	Receivables including loans	Payables including loans	Revenues	Expenses
Parent company	--	1 253 057	--	72 231
Subsidiaries	2 990 118	526 789	1 646 141	124 813
Associated companies	--	--	--	--
Other companies	1 829	28 537	4 208	97 081
<b>Total</b>	<b>2 991 947</b>	<b>1 808 382</b>	<b>1 650 349</b>	<b>294 125</b>

2017				
	Receivables including loans	Payables including loans	Revenues	Expenses
Parent company	--	13 479	--	298 805
Subsidiaries	4 076 880	414 218	1 040 367	127 592
Joint ventures	--	--	--	--
Associated companies	--	--	--	--
<b>Total</b>	<b>4 076 880</b>	<b>427 697</b>	<b>1 040 367</b>	<b>426 397</b>

The table does not include receivables, liabilities, expenses and revenues relating to the revenue from contracts with customers under IFRS 15.

### 31. Development costs

In 2018, the Company incurred development costs of TCZK 767 988 (2017 – TCZK 632 429).

### 32. Environmental liabilities

The Company's management is not aware of any existing environmental risks associated with the Company's activities. As a result, the Company did not establish a provision for potential environmental risks.

### 33. Contingent liabilities

#### Bank guarantees

Under applicable contractual provisions, the Company must provide the client with a performance bond, and a warranty and an advance payment guarantee. In addition, bid bonds are being issued.

The Company uses the following bank guarantees:

- BB (Bid Bond)
- APG (Advance payment guarantee)
- PB (Performance bond)

Bank guarantees received	Valid for up to 1 year	Valid for more than 1 year	Total at 31/12/2018	Total at 31/12/2017
Total in TEUR	46 192	95 636	141 828	40 758
Total in TRUB	22 569	1 243 398	1 265 967	1 820 560
Total in TPLN	15 000	--	15 000	15 022
Total in TCZK	--	80 860	80 860	--

#### Options

On 29 February 2016, the Company purchased from its parent company a 75% ownership interest in Transtech Oy, including the right to purchase the remaining 25% ownership interest that may be exercised in 2018. At the same time, the Company took over a liability connected with the holder's right to sell the remaining 25% ownership interest to the Company (put option).

As at 31 January 2018, Sinituote Oy utilised the put option for the sale of the 25% ownership interest in Transtech Oy where Škoda Transportation a.s. was the buyer. The final selling price as at the date of sale (21 May 2018) amounts to TCZK 104 551.

### 34. Government grants

The Company received the following government grants in 2018 - 2017:

	2018	2017
Grants recognised in profit or loss	4 708	1 739
Investment subsidies	40 129	6 864
<b>Total</b>	<b>44 837</b>	<b>8 603</b>

### 35. Significant litigations

The Arbitration Court attached to the Czech Chamber of Commerce and the Czech Agrarian Chamber issued a final and conclusive decision in proceedings with a significant customer (ČD a.s.) regarding the payment of part of a purchase price, default interest and the right to substitute an expressed intention to conclude an amendment regarding a purchase price increase, in favour of the Company and fully rejected the customer's petition for the payment of a contractual penalty for an alleged breach by the Company of its obligations under a purchase agreement, and a petition for the submission of certification equivalents for Austria and Germany. All supplies relating to this litigation were paid in preceding years.

The Company is involved in proceedings to cancel an arbitration ruling, dealing primarily with procedural issues. As at 20 March 2019, the Court dismissed the action for cancelling the arbitration ruling. The judgement is not yet final and conclusive.

### 36. Reconciliation of the profit or loss recognised in the IFRS financial statements and the profit or loss unaffected by IFRS

The profit or loss unaffected by IFRS is the result of operations as defined by Czech Accounting Standards and not affected by IFRS.

	2018	2017
Profit or loss recognised in the IFRS non-consolidated financial statements	426 154	892 260
IFRS 15 Revenue from Contracts with Customers	213 972	-521 365
Deferred tax (-) expense / (+) income	-19 543	115 898
Provision for employee benefits (-) additions / (+) release	-793	5 460
Effect of derivatives recognised in income statement	2 311	-83 943
Discounting of non-current receivables	-25 859	-21 802
Interest on bonds	1 117	953
Provision for onerous projects	-51 277	-130 703
Foreign exchange gain/loss from derivatives	-20 348	134 610
Other	-16 266	6 802
<b>Profit or loss unaffected by IFRS</b>	<b>509 468</b>	<b>398 170</b>

### 37. Annual report

The Company has not prepared an annual report as at 31 December 2019 as the respective information is included in its consolidated annual report.

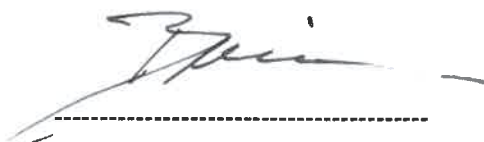
### 38. Material subsequent events

On 1 February 2019, Ing. Jaromír Šilhánek was removed as a member of the board of directors. This change was not recorded in the Commercial Register until the date of disclosure of the separate financial statements.

On 1 February 2019, Ing. Zdeněk Majer was elected a member of the board of directors. This change was not recorded in the Commercial Register until the date of disclosure of the separate financial statements.

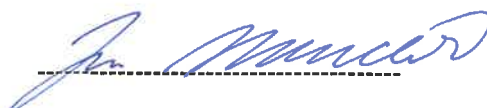
The legal existence of the subsidiary MOVO was terminated as at 1 February 2019 as a result of the process of merger by acquisition and its assets and liabilities, rights and duties, receivables, payables and employees were transferred to ŠKODA TRANSPORTATION a.s. The expected result of the merger is the planned increase in equity of TCZK 28 300.

Approved on 10 April 2018



Ing. Petr Brzezina

Chairman of the Board of Directors



Ing. Jan Menclík

Member of the Board of Directors



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This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

## **Independent Auditor's Report to the Shareholder of ŠKODA TRANSPORTATION a.s.**

### **Report on the Audit of the Separate Financial Statements**

#### ***Opinion***

We have audited the accompanying separate financial statements of ŠKODA TRANSPORTATION a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2018, and the separate income statement and separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the non-consolidated financial position of the Company as at 31 December 2018, and of its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### ***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Valuation of investments in subsidiaries**

Refer to Notes 3.(c) and 3.(s) (accounting policies) and 16. (financial disclosures).

Key audit matter	How the audit matter was addressed
<p><b>The Company reports a significant balance of investments in subsidiaries. As at the balance sheet date, these investments are stated at acquisition cost and the Company performs an impairment test.</b></p> <p><b>Therefore, the Company carried out an analysis to determine whether the realisable value of these investments supports their valuation in particular with regard to insufficient demand on several markets.</b></p> <p><b>Determining the recoverable amounts of investments in subsidiaries requires a number of significant judgements and estimates, especially in respect of the future cash flows and the applied discount rate.</b></p> <p><b>Therefore, this is one of the key areas that our audit concentrated on.</b></p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> <li>- Critically assessing the Company's assumptions and estimates used to determine the recoverable amount of investments in subsidiaries and any impairment losses recognised, using our internal valuation specialist. This included: <ul style="list-style-type: none"> <li>• Assessing the macroeconomic assumptions applied by the Company, including those relating to discount rates;</li> <li>• Assessing the financial plans prepared by the Company and its subsidiaries;</li> <li>• Testing the Company's discounted cash flows models in terms of their compliance with the relevant accounting standards;</li> </ul> </li> <li>- Evaluating the Company's analysis of the sensitivity of the impairment tests' results, in particular in respect of the assumptions with the greatest potential effect on the test results, e.g. those relating to discount rates, growth rate and operating earnings before deduction of depreciation and impairment allowances (EBITDA);</li> <li>- Evaluating the adequacy of disclosures in respect of impairment.</li> </ul>



## Revenue recognition

Refer to Notes 3.(j) a 3 (x) (accounting policies) and 4. and 19. (financial disclosures).

Key audit matter	How the audit matter was addressed
<p><b>The Company realises most of its revenues from project based activity. A significant portion of its revenues is thus recognised based on contracts with customers and in relation to the stage of completion of the relevant project.</b></p> <p><b>Determining the recognised amount of revenues requires judgment of the Company, especially when determining the stage of completion in compliance with new IFRS 15 standard including the expected costs and profitability of the particular project.</b></p> <p><b>Therefore, this is one of the key areas that our audit concentrated on.</b></p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>- Testing the Company's control mechanisms relating to project management;</li> <li>- Critically assessing the Company's methodology for determining the stage of completion and for the calculation of revenues based on the stage of completion;</li> <li>- Assessing the estimates made by the Company in relation to the total costs and revenues and future estimated costs and revenues connected with the projects;</li> <li>- Testing the revenue calculation on a sample of projects, with focus primarily on verifying the input data from customer contracts and from the projects' financial plans and on verifying the mathematical accuracy of the calculation;</li> <li>- Retrospective assessment of the accuracy of Company's estimates in the prior accounting periods to verify the reliability of the Company's judgments;</li> <li>- Assessing the adequacy of the information disclosed in the notes to the financial statements about recognised revenues from customer contracts, based on IFRS 15 requirements, in respect of the stage of completion of the projects and the level of judgment used in recognising the revenues.</li> </ul>



### ***Other Information***

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the separate financial statements and our auditor's report. The statutory body is responsible for the other information.

As described in Note 37 to the separate financial statements, ŠKODA TRANSPORTATION a.s. has not prepared an annual report as at 31 December 2018, as the respective information is included in its consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

### ***Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



- expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## **Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

### *Appointment of Auditor and Period of Engagement*

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 12 September 2018 and our uninterrupted engagement has lasted for 16 years.

### *Consistency with Additional Report to Audit Committee*

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 5 April 2019 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

### *Provision of Non-audit Services*


We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.


Except for the statutory audit we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the separate financial statements or annual report.

## **Statutory Auditor Responsible for the Engagement**

Karel Růžička is the statutory auditor responsible for the audit of the separate financial statements of ŠKODA TRANSPORTATION a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague  
10 April 2019

  
KPMG Česká republika Audit, s.r.o.  
Registration number 71

  
Karel Růžička  
Partner  
Registration number 1895