

# ANNUAL REPORT 2018



člen  
member of **CSG**  
CZECHOSLOVAK GROUP

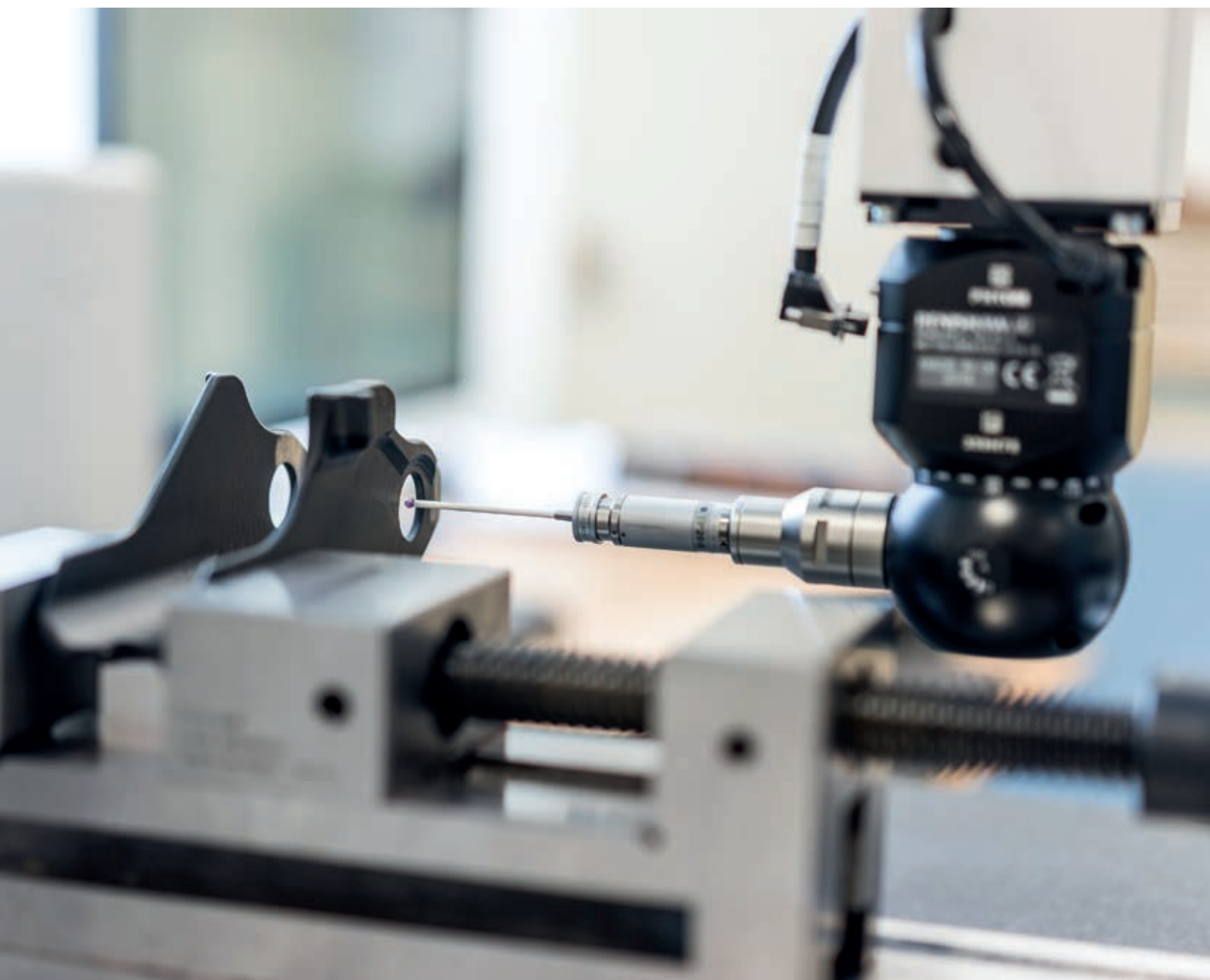
 **TATRAVAGÓNKA  
POPRAĐ**



**DAKO-CZ**

**BRAKE  
SYSTEMS**

# CONTENTS



*We largely contribute  
to safety on railways*

GENERAL INFORMATION OF THE COMPANY	4
INTRODUCTION	6
REPORT OF THE BOARD OF DIRECTORS OF DAKO-CZ, A.S.,	8
1 FINANCIAL RESULTS AND MAJOR PROJECTS	9
2 INFORMATION ON IMPORTANT POST BALANCE SHEET DATE EVENTS	10
3 RESEARCH AND DEVELOPMENT ACTIVITIES	10
4 INVESTMENT ACTIVITIES	11
5 ENVIRONMENTAL AREA	12
6 LABOUR RELATIONS AND SOCIAL POLICY	14
7 BUSINESS PLAN	15
8 SHARES	16
9 BRANCHES ABROAD	16
10 PROPOSAL FOR THE DISTRIBUTION OF PROFIT	17
REPORT ON RELATED PARTY TRANSACTION FOR THE YEAR ENDED 31 DECEMBER 2018 DAKO-CZ, A.S.	18
INDEPENDENT AUDITOR'S REPORT	26
FINANCIAL STATEMENTS	28



# GENERAL INFORMATION OF THE COMPANY



*We largely contribute  
to safety on railways*

Company name: **DAKO-CZ, a.s.**  
Registered office: **Budovatelů 323, 538 43 Třemošnice**  
Corporate ID: **465 05 091**  
Tax ID: **CZ46505091**

The Company was founded pursuant to Section 172 of Act No. 513/1991 Coll., Commercial Code, as amended, by a deed of association in the form of a notarial deed and on 5 May 1992 it was recorded in the Register of Companies maintained by the Regional Court in Hradec Králové, Section B, File 668.

DAKO-CZ has state-of-the-art technologies for high-precision material separation. Since 1996, it has introduced a quality management system certified under ISO 9001. At present, it complies with the requirements of the ČSN EN ISO 9001:2016 standard. The Company fully identifies with the philosophy of applying IRIS – International Railway Industry Standard. This audit is one of the most important tools for verifying that DAKO-CZ is able to comply with the very high demands placed on the production of brake systems and components for rail vehicles in the railway industry.

Legal status: **joint-stock company**



# INTRODUCTION



*We largely contribute  
to safety on railways*

The primary activities of DAKO-CZ, a.s. are development, production and maintenance of DAKO brake systems. The Company manufactures and supplies pneumatic brake systems for railway vehicles – freight vehicles, passenger vehicles, locomotives, suburban units as well as special railway vehicles. Other business activities include the production of electromechanical and hydraulic brakes for trams.

Secondary activities include cooperative engineering production of precise custom-made parts using methods of conventional chip machining or NC and CNC chip machining.

Brake systems for railway vehicles and break systems are supplied to customers in the Czech Republic and abroad, not just within the European Union but also outside of it.

The Company's activities are not significantly dependent on patents of other entities, licences, industrial, commercial or financial contracts.

No court, administrative or arbitration proceedings significantly affecting the financial situation of the Company are held. The Company invests in the development and advancement of brake systems.

Information on the Company's results is included in the report of the Board of Directors and in the notes to the financial statements for the year ended 31 December 2018.

The financial statements for the year ended 31 December 2018 were audited by Deloitte Audit s.r.o.

# REPORT OF THE BOARD OF DIRECTORS OF DAKO-CZ, A.S.,

ON THE BUSINESS ACTIVITIES  
AND STATE OF THE ASSETS  
OF THE COMPANY FOR THE YEAR ENDED  
31 DECEMBER 2018.

DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

Allow me to inform you about the most important economic results of DAKO-CZ, a.s.  
in the past year and to outline the intentions for the future.



*We largely contribute  
to safety on railways*

## 1 FINANCIAL RESULTS AND MAJOR PROJECTS

The profit of 2018 is a direct result of the measures adopted to support the stability and development of the Company. Key segments in the area of development, sale and production continue to be cultivated.

In 2018, the Company achieved total sales of CZK 927 million. The increase in sales compared to 2017 was achieved by the measures adopted in the preceding period and the business activities and other measures underway that continue to be applied in key segments.

The most significant projects include supplies to TATRAVAGÓNKA a.s., Siemens AG, Stadler Rail Group and supplies to the Indian market.

We continue the established trend both in freight and passenger transportation, where we expect new projects in the area of underground and above-ground passenger transportation.

MAIN FIGURES	2018 (CZK '000)	2017 (CZK '000)	2016 (CZK '000)	2018/2017 (%)
Profit before tax	122 538	65 845	102 311	186,10
Profit after tax	95 407	53 066	81 874	179,79
Operating profit	127 421	62 128	100 453	205,09
Value added	441 235	316 625	333 023	139,36
Total assets	901 458	819 112	885 595	110,05
Fixed assets	385 140	348 607	348 322	110,48
EBITDA	149 625	89 910	126 916	166,42
ROE	19,38%	12,73%	17,98%	152,24%

The objective for the following period is the growth of business with TATRAVAGÓNKA a.s. and with customers in India. Other significant milestones include new engagements with Siemens AG with their projects on new platforms for passenger vehicles for ÖBB IC and obtaining additional options for underground carriages. We cooperate on other important projects with Stadler Rail Group, where we will work on new projects in Slovenia, the Netherlands, Sweden and Poland.

## 2 INFORMATION ON IMPORTANT POST BALANCE SHEET DATE EVENTS

### **Board of Directors:**

No events occurred.

### **Other events:**

As of the date of preparation of the financial statements, the management of the Company is not aware of any material subsequent events that would have an impact on the financial statements as of 31 December 2018.

## 3 RESEARCH AND DEVELOPMENT ACTIVITIES

In the area of the hydraulic break system, new proposals were prepared for the key customers of DAKO-CZ, a.s. Work started on new development projects in order to supplement the brake product range with compact units (e.g. break unit between the engine and the transmission) and aggregates in smaller sizes with increased useful life. The Company launched an electromechanical brake (DAKO Green Solution) together with electronic steering for trams in Poland.

In 2018, work continued on the development of a pneumatic brake system for the underground, both for specific customers and as part of innovation for new platforms. The Company was able to start



*We largely contribute  
to safety on railways*



mass production of the brake container for LOKO machines for CMI Services. Successful FAI took place of the new DAKO brake system for the LHB undercarriage platform for the Indian market.

In the area of freight brakes, development continued on a lightweight integrated brake and innovation of a disc brake in order to decrease LCC and weight. Production of prototypes was started for type tests with and without a hand brake.

Intensive development continued on the steering unit for metro brakes and a steering unit for the electromechanical tram brake was transferred to serial production. Full documentation for production of a working model was completed with respect to the steering of aggregate with a brushless motor.

The use of first-rate technologies, fast and safe development of future products and close cooperation with technical universities form the fundamental strategy for ensuring the prosperity of the Company

## 4 INVESTMENT ACTIVITIES

In 2018, DAKO-CZ, a.s. continued to invest in the area of development, production, review and assembly.

Machinery was partially replaced and new machining centres with CNC machines were created. The Company strengthened the area of production control with new measuring and control devices. In 2018, an integral part of investment activities comprised investments in new automated

test stands that now ensure a higher level of type test for newly developed brakes.

During the year, several events took place in relation to renovation of buildings and offices. Their objective was primarily to optimise the working environment of employees, decrease energy demands and create space where employees could rest and relax in line with the level of today's standards. Another major event was the first stage of a new solution for production logistics, which started in the area of preparation and adjusting of tools for production.

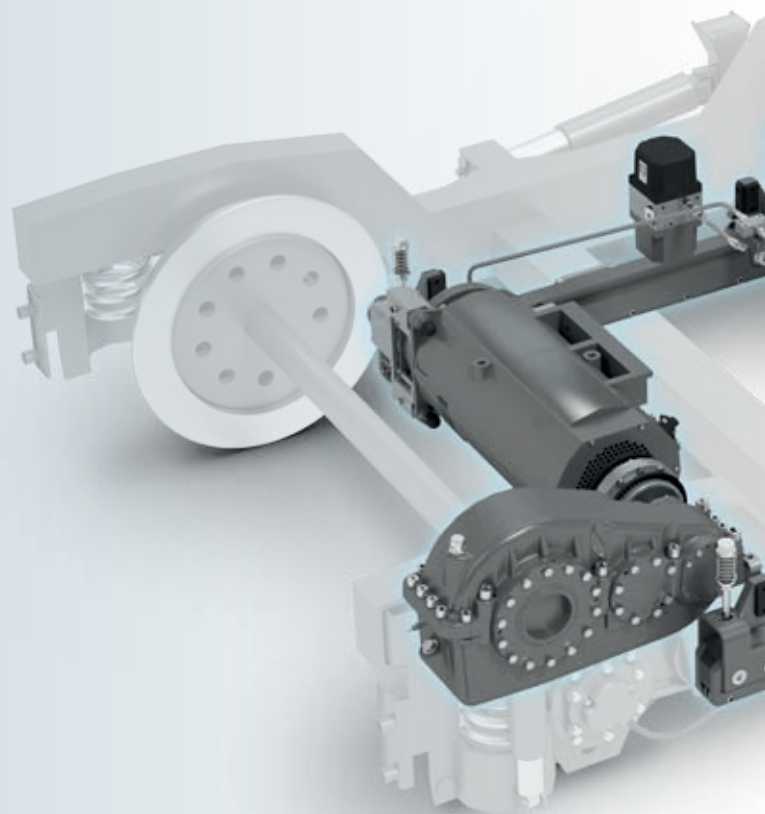
In 2018, enterprise systems, information and telecommunication infrastructures were modernised. The primary benefits include support of full mobility of the work of employees across most non-manufacturing professions, including research and development, and ensuring operations meeting the highest SLA standards corresponding to the type and size of the Company.

In the following period, the Company will expand the production compound and implement

a completely new logistics concept for the entire production compound and nearby premises to support our business plans and create the possibility of further growth of the Company in the Třemošnice locality

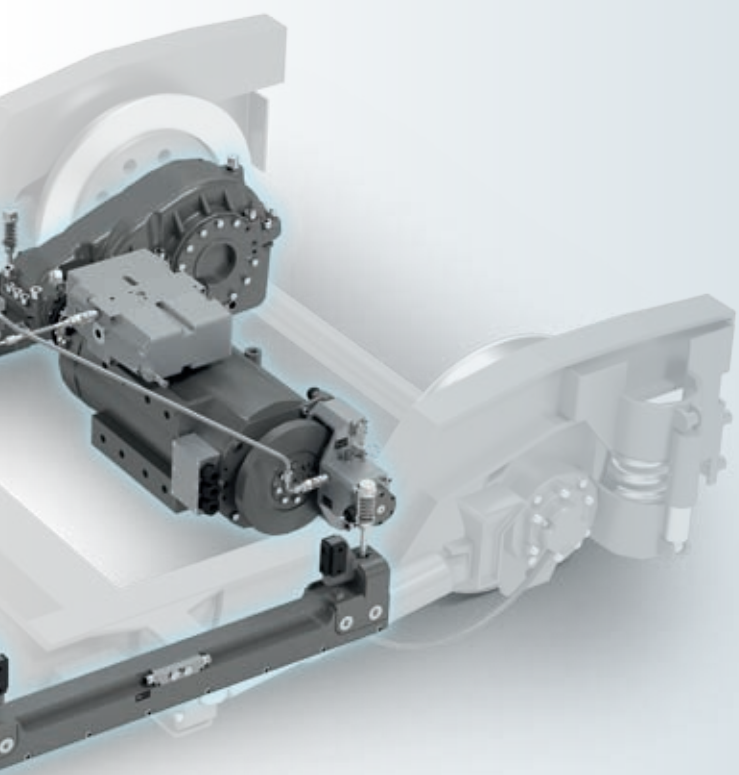
## 5 ENVIRONMENTAL AREA

Environmental protection is one of DAKO-CZ, a.s.'s priorities and it represents a significant





*We largely contribute  
to safety on railways*



part of our corporate culture. As part of this approach, the Company implements its own measures in complete compliance with the rulings and recommendations of the relevant state administration authorities.

In the air protection division, the Company verified compliance with emission limits of the air-polluting sources in use. Authorised measurements confirmed that the technology used met the requirements set by legislation.

An accredited laboratory regularly measures pollutants in the air and the content of organic substances in the working environment in production centres. The results of the measurements show that the highest acceptable concentration is not exceeded.

A specialised company regularly performs monitoring of drinking water, wastewater and groundwater. In addition, the Company takes care to review the elimination of old environmental contamination. We meet the limits set by valid legislation.

The costs of disposal of dangerous and other waste in DAKO-CZ, a.s. in 2018 amounted to approximately CZK 1,111 thousand.

During 2018, regular training courses took place in the area of environmental protection with respect to the handling of chemical and highly toxic substances, sorting of waste and secondary raw material in order to increase awareness of the high importance of this matter.

## 6 LABOUR RELATIONS AND SOCIAL POLICY

DAKO-CZ, a.s. fully complies with the provisions of the Labour Code and related legislation as well as the valid collective agreement of the Company, including the expansion of the system of employee benefits.

In 2018, significant effort was made to develop human resources, improve the working environment and corporate culture. Several social events for employees were organised in order to support the creation of a “DAKO team”.

New processes were set in the area of recruitment and employee adaptation. Primarily, we concentrate on career growth within the Company and we focus on professional development of our core employees, whom we prefer over external applicants when hiring for senior positions.

2018 was a turning point in the area of development of cooperation with schools – secondary schools as well as universities. Thanks to a newly established HR marketing strategy,

the Company significantly expanded the use of social networks, sponsorship of leisure activities and development of employer branding focused on mutual understanding and communication. By continuously improving its working conditions DAKO-CZ, a.s. endeavours to have happy employees and by extension also happy customers



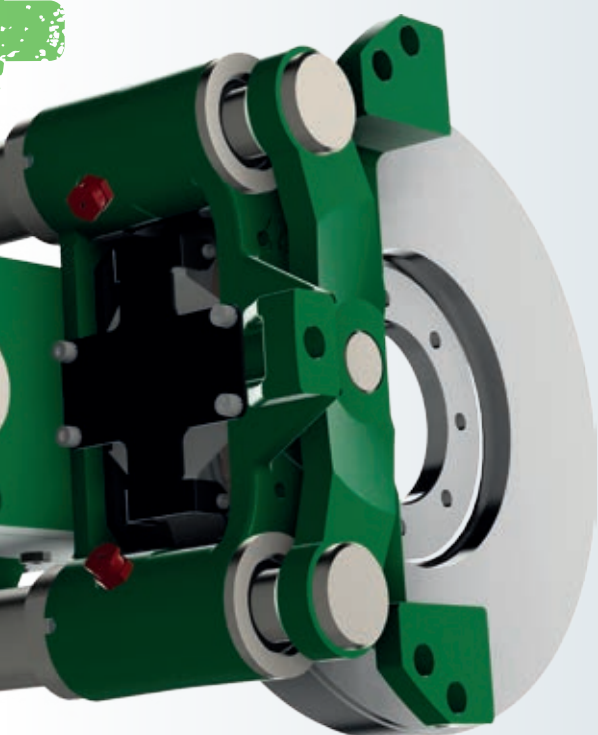
*We largely contribute  
to safety on railways*

## 7 BUSINESS PLAN

In 2018, the Company continues to fulfil its strategy and the Company's Board of Directors focuses its business efforts in the following ways:

- Business area - obtaining current information and trends in order to react on time to new circumstances in the area of freight and passenger transportation, carry them over
- to the development and production process and thus offer new solutions; and
- Internal organisation of the enterprise - active measures to ensure the efficiency of management and production processes in order to increase productivity while maintaining the level of operating expenses.

DAKO-CZ, a.s. is built on strong foundations, which include unique products, tradition, its own development and in particular good employees. In the continuously modernised compound in Třemošnice, new products with the DAKO-CZ logo are created, based on the current requirements of customers as well as on the latest trends on the market while being environmentally friendly at the same time. The Company wants to continue this trend and be a globally growing, successful and long-term manufacturer of brake systems for railway vehicles, i.e. a manufacturer that flexibly reacts to customer needs, cares about environmental protection and offer first-rate quality and the newest technology in the field.



## 8 SHARES

As of the balance sheet date, DAKO-CZ, a.s. has issued 187,740 ordinary registered shares in book-entry form in the nominal value of CZK 1,000. In 2018, no changes in the shareholder structure were made. The shares are not publicly tradable.

The Company is not aware of any contracts between shareholders that could complicate the transferability of shares and voting rights.

## 9 BRANCHES ABROAD

DAKO-CZ, a.s. develops its activities abroad as well. It carries out its business activities via a subsidiary in China and it is involved in the management of a company in India.





*We largely contribute  
to safety on railways*

## 10 PROPOSAL FOR THE DISTRIBUTION OF PROFIT

The Board of Directors proposes distributing the profit for 2018 as follows:

Profit for the 2018 reporting period	<b>CZK 95 407 430.67</b>
Other profit/loss of prior years	<b>CZK (1 543 930.66)</b>
<b>Total for distribution</b>	<b>CZK 93 863 500.01</b>

**The Board of Directors proposes distributing the profit for 2018 as follows:**

- a) Payment of dividends of CZK 80,000,000 as follows:
- CZK 40,800,000 will be paid to CZECHOSLOVAK GROUP a.s.;
  - CZK 39,200,000 will be paid to TATRAVAGÓNKA a.s.;
- b) Transfer to retained earnings in the amount of CZK 13,863,500.01.

If we can say that in 2018 DAKO-CZ, a.s. fulfilled its set goals and resolution as successfully and with honour as indicated by the assessment in this annual report, I dare say that it has all the prerequisites to continue on this journey.

Dear shareholders, ladies and gentlemen, thank you for your attention and allow me to conclude by thanking all the employees of DAKO-CZ, a.s. for their work and the achieved economic results of the Company.

# REPORT ON RELATED PARTY TRANSACTION FOR THE YEAR ENDED 31 DECEMBER 2018 DAKO-CZ, A.S.

REGISTERED OFFICE:  
BUDOVATELŮ 323,  
538 43 TŘEMOŠNICE  
CORPORATE ID: 465 05 091

This report on related party transactions between the below entities was prepared pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives.

## I CONTROLLING ENTITIES

The Board of Directors of DAKO-CZ, a.s. is aware that in the period from 1 January 2018 to 31 December 2018, the Company was controlled by the following entities:

CZECHOSLOVAK GROUP a.s., with its registered office at Sokolovská 675/9, Karlín,

186 00 Praha 8, corporate ID 034 72 302, recorded on 13 October 2014 in the Register of Companies held by the Municipal Court in Prague, file no. B 20071.

The shareholder and controlling entity of the company is Czechoslovak Group B.V., 1043GR Amsterdam, Kingsfordweg 151, Netherlands.

The ultimate controlling entity is Michal Strnad, Tyršova 816, Slatiňany 538 21.

TATRAVAGÓNKA a.s., with its registered office at Štefánikova 887/53, Poprad 058 01, corporate ID 316 99 847, recorded on 29 November 1994 in the Register of Companies held by the District Court in Prešov, file no. 191/P.

The shareholders and controlling entities are:

Optifin Invest s.r.o., Rusovská cesta 1, Bratislava 851 01, corporate ID 35 735 457, with an equity investment and share in voting rights of 50.00%.

BUDAMAR LOGISTIC, a.s., Horárska 12, Bratislava 821 09, corporate ID 35 736 046, with an equity investment and share in voting rights of 50.00%.

The ultimate controlling entity of Optifin Invest s.r.o. is Michal Lazar, Strmý vršok 173, Bratislava 841 06, and Alexej Beljajev, Ľubovnianska 3195/4, Bratislava 851 07.

The ultimate controlling entity of BUDAMAR LOGISTIC, a.s. is Mikkel Volmer Lind, Rotenbodenstrasse 65, 9497 Triesenberg, Liechtenstein.

## II ENTITIES CONTROLLED BY THE CONTROLLED ENTITY

Shenyang Czech Desigh Rail Brake System Co., Ltd with its registered office at: Economic and development zone, street number 13, 12Jia 3-2, ShenYang, China. Equity investment of 100%.

The Company is involved in the management of a joint venture, JWL DAKO-CZ (INDIA) LIMITED with its registered office at 11, SATYEN DUTTA ROAD KOLKATA West Bengal 700029 IN, equity investment of 33%.

## III ROLE OF THE CONTROLLED ENTITY, METHOD AND MEANS OF CONTROL

DAKO-CZ, a.s. is a leading manufacturer of pneumatic, electromechanical and hydraulic brake systems for railway vehicles. The Company manufactures and supplies brake systems and components for freight and passenger vehicles, suburban units, locomotives, trams and underground carriages.

The Company is controlled via the general meeting, meetings of the Board of Directors and Supervisory Board of the Company, with the members of the Board of Directors and Supervisory Board including representatives of the controlling entity as well as the controlled entity.

## IV RELATED PARTIES

The Board of Directors of DAKO-CZ, a.s. is aware that as of 31 December 2018, CZECHOSLOVAK GROUP a.s., with its registered office at Sokolovská 675/9, Karlín, 186 00 Prague 8, controls the following companies, with the exception of entities controlled by Mr Michal Strnad:

### ENTITIES CONTROLLED BY CZECHOSLOVAK GROUP A.S.

- 14. OKTOBAR d.o.o Kruševac**, Corporate ID: 211 78 772, with its seat: Jasickí put br. 2, Kruševac, Serbia;
- ARMY EXPORT a.s.**, Corporate ID: 050 81 335, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21532;
- ARMY SYSTEMS a.s.**, Corporate ID: 061 35 013, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22517;
- ARMY TRADE a.s.**, Corporate ID: 061 23 724, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22516;
- ARS Europe a.s.**, Corporate ID: 027 51 402, with its seat: Václavské náměstí 808/66, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 19664;
- ATLAN GROUP, spol. s r.o.**, Corporate ID: 35 754 2 22, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 13718/R;
- AVIA Motors s.r.o.**, Corporate ID: 274 22 356, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 112025;
- AVIEN, spol.s.r.o.**, Corporate ID: 475 39 682, with its seat: Pod Hájkem 406/1a, Libeň, 180 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 19027;
- CS SOFT a.s.**, Corporate ID: 257 81 723, with its seat: K Letišti 6/1019, 160 08 Prague 6, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 15253;
- CSG AEROSPACE a.s.**, Corporate ID: 033 12 208, with its seat: Pod Hájkem 406/1a, Libeň, 180 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 19923;
- CSG DEFENCE a.s.**, Corporate ID: 073 33 528, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23675<sup>1</sup>;
- CSG Facility a.s.**, Corporate ID: 275 28 065, with its seat: No. 101, 533 32 Čepí, recorded in the Register of Companies held by the Regional Court in Hradecí Králové, File B, Insert 2671;
- CSG INDUSTRY a.s.**, Corporate ID: 060 15 689, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22298;
- CSG RAIL a.s.**, Corporate ID: 073 33 552, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23677<sup>2</sup>;
- CSG RDR a.s.**, Corporate ID: 062 88 898 with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22708;
- CSG USA, INC.**, FN: 699 94 86 with its seat: 251 Little Falls Drive, 198 08 Wilmington, New Castle, Delaware, United States of America<sup>3</sup>;
- CSGM a.s.**, Corporate ID: 013 84 694, with its seat: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 19596;
- CLS Polska SP z.o.o.**, KRS: 0000433767, with its seat: ul. Królowej Marysieńki 50A, 02-954 Warsaw;
- CZECH DEFENCE SYSTEMS a.s.**, Corporate ID: 241 47 133, with its seat: náměstí 14. října 1307/2, Smíchov, 150 00 Prague 5, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 17410;
- CZECHOSLOVAK EXPORT a.s.**, Corporate ID: 049 86 512, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert B 21489;
- CZECHOSLOVAKIA TRADE s.r.o.**, Corporate ID: 50 018 175, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10724/R;

<sup>1</sup> Member of the group since 1. 8. 2018

<sup>2</sup> Member of the group since 1. 8. 2018

<sup>3</sup> Member of the group since 1. 8. 2018



**Česká letecká servisní a.s.**, Corporate ID: 251 01 137, with its seat: Mladoboleslavská 1081, Kbely, 197 00 Prague 9 Letiště Kbely, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 4510;

**Česká letecká servisní d.o.o.**, OIB: 08991167713, with its seat: Jakova Gotovca 25, HR-10360 Sesvete, Croatia;

**DEFENCE EXPORT a.s.**, Corporate ID: 051 72 187, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21668;

**DEFENCE SYSTEMS a.s.**, Corporate ID: 073 33 544, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23691<sup>4</sup>;

**DEFENCE TRADE a.s.**, Corporate ID: 053 32 923, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21782;

**EHC service, s.r.o.**, Corporate ID: 36 507 245, with its seat: Sibířská 2, Prešov 080 01, Slovakia, recorded in the Register of Companies held by the Regional Court in Prešov, File No.: Sro 16386/P<sup>5</sup>;

**ELDIS Pardubice, s.r.o.**, Corporate ID: 150 50 742, with its seat: Dělnická 469, Pardubičky, 533 01 Pardubice, recorded in the Register of Companies held by the Regional Court in Hradec Králové, File C, Insert 524;

**ELTON hodinářská a.s.**, Corporate ID: 259 31 474, with its seat: Náchodská 2105, 549 01 Nové Město nad Metují, recorded in the Register of Companies held by the Regional Court in Hradec Králové, File B, Insert 2007;

**ENGINEERING SPV a.s.**, Corporate ID: 069 26 827, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File No. 23253<sup>6</sup>;

**ESPA REAL s.r.o.**, Corporate ID: 259 60 806, with its seat: Průmyslová 393, Pardubice - Černá za Bory, 530 45, recorded in the Register of Companies held by the Regional Court in Hradec Králové, file no. C 17594 (in liquidation)

**EUROPEAN AIR SERVICES s.r.o.**, Corporate ID: 291 31 987, with its seat: Pod Hájkem 406/1a, Libeň, 180 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 202310;

**EUROPEAN AIR SERVICES SLOVAKIA s. r. o.**, Corporate ID: 52 014 673, with its seat: Cimborokova 13, Košice - mestská část Sever 040 01, Slovakia, recorded in the Register of Companies held by the Regional Court in Košice, File No.: Sro 44919/V<sup>7</sup>;

**EXCALIBUR ARMY spol. s r.o.**, Corporate ID: 645 73 877, with its seat: Prague 10 - Vršovice, Kodaňská 521/57, postal code 10100, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 41695;

**EXCALIBUR INTERNATIONAL a.s.**, Corporate ID: 292 89 688, with its seat: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 20148;

**EXCALIBUR INTERNATIONAL HU Kft.**, Reg. No.: 01-09-327774, with its seat: 1011 Budapest, Fő utca 14-18. PALA-HÁZ. lház. 3. em, Hungary;

**EXCALIBUR USA a.s.**, Corporate ID: 044 07 571, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 20938;

**FUTURE CS a.s.**, Corporate ID: 054 88 966, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21933;

**HELI COMPANY s.r.o.**, Corporate ID: 36 492 124, with its seat: Vranovská 72, Prešov 080 01, Slovakia, recorded in the Register of Companies held by the Regional Court in Prešov, File No.: Sro 14788/P<sup>8</sup>;

**HTH land a.s.**, Corporate ID: 061 43 946, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22493;

**Industrial Trade Services a.s.**, Corporate ID: 275 29 002, with its seat: 533 32 Čepí, no. 101, recorded in the Register of Companies held by the Regional Court in Hradec Králové, file no.. B 2690<sup>9</sup>;

**Industry Defence, s.r.o.**, Corporate ID: 50 926 748, with its seat: Štúrova 925/27, Dubnica nad Váhom 018 41, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 34828/R;

**INTEGRA CAPITAL a.s.**, Corporate ID: 275 28 103, with its seat: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21504;

<sup>4</sup> Member of the group since 1. 8. 2018

<sup>5</sup> Member of the group since 5. 1. 2018

<sup>6</sup> Member of the group since 6. 3. 2018

<sup>7</sup> Member of the group since 30. 10. 2018

<sup>8</sup> Member of the group since 30. 1. 2018

<sup>9</sup> Member of the group since 12. 12. 2018

- JOB AIR Technic, a.s.**, Corporate ID: 277 68 872, with its seat: Gen. Fajtla 370, 742 51 Mošnov, recorded in the Register of Companies held by the Regional Court in ostrava, File B, Insert 3029;
- LIAZ TRUCKS a.s.**, Corporate ID: 067 10 697, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23100;
- LIKVIDACE ODPADU CZ a.s.**, Corporate ID: 248 23 473, with its seat: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert B 17019;
- LOGRIS a.s.**, Corporate ID: 018 34 002, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22077;
- LOSTR a.s.**, Corporate ID: 051 97 104, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21657;
- MADE CS a.s.**, Corporate ID: 050 57 779, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21533;
- MERIT SPV a.s.**, Corporate ID: 069 77 545, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Regional Court in Hradec králové, File B, Insert 23278<sup>10</sup>;
- Montservis, s.r.o.**, Corporate ID: 36 396 711, with its seat: Kasárenská 8, 911 05 Trenčín, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 34630/R;
- STA TECHNOLOGY, s.r.o.**, (MSM DEFENCE INDUSTRY s.r.o. until 20 February 2019), Corporate ID: 50 479 717, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 33646/R;
- MSM e-mobility division j. s. a.**, Corporate ID: 514 14 945, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sja 3/R<sup>11</sup>;
- MSM GROUP s.r.o.**, Corporate ID: 46 553 509, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 31504/R;
- MSM holding, s.r.o.**, Corporate ID: 48 006 122, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 31197/R;
- MSM Martin, s.r.o.**, Corporate ID: 36 422 991, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 30764/R;
- MSM TATRA Special Vehicles, s.r.o.**, Corporate ID: 50 755 749, with its seat: Štúrova 925/27, Dubnica nad Váhom 018 41, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 34330/R;
- MSM – OPTICAL, s.r.o.**, Corporate ID: 52 070 972, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 37466/R;
- NIKA Development a.s.**, Corporate ID: 275 28 910, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert B 23310;
- P F Support s.r.o.**, Corporate ID: 043 90 121, with its seat: Pod Hájkem 406/1a, Libeň, 180 00 Prague 8, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 242270;
- PERFORMANCE SPV a.s.**, Corporate ID: 069 26 894, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23254<sup>12</sup>;
- PROGRESS SPV a.s.**, Corporate ID: 067 10 875, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23102;
- Rosco Bohemia a.s.**, Corporate ID: 041 82 626, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 20739;
- SBS ZVS, s.r.o.**, Corporate ID: 36 306 070, with its seat: Štúrova 1, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 11273/R;
- Shenyang Czech Design Rail Brake System Co., Ltd**, with its seat: Ekonomická a rozvojová zóna, číslo ulice 13, 12Jia 3-2, ShenYang, Peoples Republic of China;
- SHER Technologies a.s.**, Corporate ID: 275 28 171, with its seat: No. 101, 533 32 Čepí, recorded in the Register of Companies held by the Regional Court in Hradec Králové, File B, Insert 2669;

<sup>10</sup> Member of the group since 22. 3. 2018

<sup>11</sup> Member of the group since 20. 2. 2018

<sup>12</sup> Member of the group since 6. 3. 2018

**Slovak Training Academy, s.r.o.**, Corporate ID: 47 055 952, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 30298/R;

**TATRA a.s.**, Corporate ID: 051 27 548, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21585;

**TATRA AVIATION a.s.**, Corporate ID: 039 99 203, with its seat: Kodaňská 521/57, Vršovice, 101 00 Prague 10, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 20535;

**TATRA DEFENCE VEHICLE a.s.**, Corporate ID: 241 52 269, with its seat: Kodaňská 521/57, Vršovice, 101 00 Prague 10, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 17463;

**TATRA MANUFACTURE a.s.**, Corporate ID: 051 27 394, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21580;

**TECHPARK Hradubická a.s.**, Corporate ID: 275 19 546, with its seat: No. 101, 533 32 Čepí, recorded in the Register of Companies held by the Regional Court in Hradec Králové, File B, Insert 2620;

**TESLA Pardubice a.s.**, Corporate ID: 44 739 630, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10742/R;

**Tovární 1112 a.s.**, Corporate ID: 077 54 345, with its seat: Tovární 1112, Chrudim IV, 537 01 Chrudim, recorded in the Register of Court held by the Municipal Court in Hradec Králové, File B, Insert 3646<sup>13</sup>;

**TRADITION CS a.s.**, Corporate ID: 060 79 598, with its seat: Na poříčí 1071/17, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22466;

**Virte, a. s.**, Corporate ID: 359 17 491, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10739/R;

**VÍTKOVICKÁ DOPRAVA a.s.**, Corporate ID: 259 09 339, with its seat: 1. máje 3302/102a, Moravská Ostrava, 703 00 Ostrava, recorded in the Register of Companies held by the Regional Court in ostrava, File B, Insert 2595<sup>14</sup>;

**VMT Trade s.r.o.**, Corporate ID: 50 927 477, with its seat: Komenského 19, Martin, 036 01, Slovakia, recorded in the Register of Companies held by the Municipal Court in Žilina, File No.: Sro 67978/L;

**VÝVOJ Martin, a.s.**, Corporate ID: 36 381 829, with its seat: Komenského 19, 036 01 Martin, Slovakia, recorded in the Register of Companies held by the Regional Court in Žilina, File No.: Sa 10119/L;

**ZTS METALURG speciál, s.r.o.**, Corporate ID: 51 087 723, with its seat: Továrenská 56, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sro 35274/R;

**ZTS METALURG, a. s.**, Corporate ID: 46 933 913, with its seat: Továrenská 56, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10696/R;

**ZVS Ammunition, a.s.**, Corporate ID: 50 704 575, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10719/R;

**ZVS holding, a.s.**, Corporate ID: 36 305 600, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10152/R;

**ZVS IMPEX, akciová spoločnosť**, Corporate ID: 36 302 848, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10104/R; and

**ZVS industry, a.s.**, Corporate ID: 35 820 322, with its seat: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held by the Regional Court in Trenčín, File No.: Sa 10564/R.

## ENTITIES THE ULTIMATE CONTROLLING PERSON OF WHICH IS MICHAL STRNAD

**ARMY SPV a.s.**, Corporate ID: 068 61 202, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23219;

**ASSET SPV a.s.**, Corporate ID: 069 79 505, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23337;

**CASERMANIX s.r.o.**, Corporate ID: 016 18 377, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 209337;

<sup>13</sup> Member of the group since 1. 1. 2018

<sup>14</sup> Member of the group since 17. 4. 2018

**Cognus Solutions, s.r.o.**, Corporate ID: 028 45 474, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File C, Insert 224442;

**DEFENCE SPV a.s.**, Corporate ID: 068 61 318, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23220;

**DEVELOP SPV a.s.**, Corporate ID: 065 94 786, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22989;

**HELA GROUP s.r.o.**, Corporate ID: 242 56 382, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File No. C 197399;

**INDUSTRY INNOVATION a.s.**, Corporate ID: 017 71 892, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 19432;

**INDUSTRY SPV a.s.**, Corporate ID: 061 85 878, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22602;

**INDUSTRYIN a.s.**, Corporate ID: 055 95 240, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 21960;

**INNOVATION CS a.s.**, Corporate ID: 018 52 515, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22092;

**KOVOSVIT MAS Foundry, a.s.**, Corporate ID: 069 78 347, with its seat: náměstí Tomáše Bati 419, 391 02 Sezimovo Ústí, recorded in the Register of Companies held by the Regional Court in České Budějovice, File B, Insert 2407;

**KOVOSVIT MAS Machine Tools, a.s.**, Corporate ID: 073 33 536, with its seat: náměstí Tomáše Bati 419, 391 02 Sezimovo Ústí, recorded in the Register of Companies held by the Regional Court in České Budějovice, File B, Insert 2406;

**KOVOSVIT MAS Management, a.s.**, Corporate ID: 073 98 778, with its seat: náměstí Tomáše Bati 419, 391 02 Sezimovo Ústí, recorded in the Register of Companies held by the Regional Court in České Budějovice, File B, Insert 2408;

**MACHINERY SPV a.s.**, Corporate ID: 062 24 971, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22599;

**PROJECT SPV a.s.**, Corporate ID: 061 85 771, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22601;

**ReDat Recording, a.s.**, Corporate ID: 056 48 114, with its seat: Pražská 341, Zelené Předměstí, 530 02 Pardubice, recorded in the Register of Companies held by the Regional Court in Hradec Králové, File B, Insert 3523;

**RETIA, a.s.**, Corporate ID: 252 51 929, with its seat: Pražská 341, Zelené Předměstí, 530 02 Pardubice, recorded in the Register of Companies held by the Regional Court in Hradec Králové, File B, Insert 1440;

**SYNERGY CS a.s.**, Corporate ID: 060 72 585, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22465;

**TECHNOLOGY CS a.s.**, Corporate ID: 057 74 888, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22200;

**TESLA CS a.s.**, Corporate ID: 068 61 041, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23216;

**TESLA RADARS a.s.**, Corporate ID: 068 61 083, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 23217; and

**VEHICLE SPV a.s.**, Corporate ID: 065 94 794, with its seat: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held by the Municipal Court in Prague, File B, Insert 22988.

## 1 RELATION BETWEEN DAKO-CZ, A.S. AND TATRAVAGÓNKA A.S.

The following contracts were concluded between the companies:

- Master contract on the sale of products and goods; and
- Contract on the assignment of receivables

Business relations were carried out under arm's length conditions of the time and place that would otherwise exist between independent entities, and DAKO-CZ, a.s. incurred no detriment by concluding the contracts.

## 2 RELATION BETWEEN DAKO-CZ, A.S. AND CZECHOSLOVAK GROUP A.S.

The following contract was concluded between the companies:

- Contract on the assignment of receivables.

The contract was concluded under arm's length conditions of the time and place, and DAKO-CZ, a.s. incurred no detriment by concluding the contract.

Business relations were carried out under arm's length conditions of the time and place that would otherwise exist between independent entities, and DAKO-CZ, a.s. incurred no detriment by concluding the contracts.

## V LIST OF ACTS MADE IN 2018 AT THE INCENTIVE OR IN THE INTEREST OF THE CONTROLLING ENTITY OR ENTITIES CONTROLLED BY IT, IN CASE SUCH ACTS RELATED TO ASSETS EXCEEDING 10% OF THE CONTROLLED ENTITY'S EQUITY ACCORDING TO THE MOST RECENT SET OF FINANCIAL STATEMENTS

A list of acts made between related parties as part of regular business activities is included in the Notes to the Financial Statements for the Year Ended 31 December 2018.

## VI OTHER MEASURES ADOPTED IN THE INTEREST OR AT THE INITIATIVE OF RELATED PARTIES

No measures in favour of related parties were adopted in the reporting period in the interest or at the initiative of related parties.

## VII ASSESSMENT OF ADVANTAGES AND DISADVANTAGES ARISING FROM RELATIONS BETWEEN RELATED PARTIES

Generally, it can be stated that the relations between related parties principally lead to advantages. They primarily include:

- The use of synergies within the group, especially in the area of purchasing, marketing – promotion, use of solutions prepared in several group companies; and
- Provision of services in the area of management, data processing/IT, HR, training, investment, controlling and finance.

The Board of Directors is not aware of any significant disadvantages or risks arising from the above relations.

In Třemošnice on 31 March 2019.

  
.....  
Chairwoman of the Board of Directors

  
.....  
Member of the Board of Directors





Deloitte Audit s.r.o.  
Churchill I  
Italská 2581/67  
120 00 Praha 2 – Vinohrady  
Czech Republic

Tel: +420 246 042 500  
Fax: +420 246 042 555  
DeloitteCZ@deloitteCE.com  
www.deloitte.cz

Registered by the Municipal Court  
in Prague, Section C, File 24349  
ID. No.: 49620592  
Tax ID. No.: CZ49620592

## **INDEPENDENT AUDITOR'S REPORT** To the Shareholders of DAKO-CZ, a.s.

Having its registered office at: Budovatelů 323, 538 43 Třemošnice

### Opinion

We have audited the accompanying financial statements of DAKO-CZ, a.s. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2018, and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of DAKO-CZ, a.s. as of 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

### Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation 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.

### Other Matter

The financial statements of DAKO-CZ, a.s. for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 29 June 2018.

### Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

#### Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing 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 ISAs 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 law or regulation, 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 Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 the Board of Directors and the Supervisory Board 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.

In Ostrava on 30 April 2019

Audit firm:

Deloitte Audit s.r.o.  
registration no. 079



Statutory auditor:

Vratislav Moša  
registration no. 2330



# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 DAKO-CZ, A.S.



PhDr. Dagmar Matúšová  
Chairwoman of the Board of Directors



Ing. Lukáš Andryšek  
Member of the Board of Directors

## BALANCE SHEET

full version

As of  
31.12.2018  
(in CZK thousand)

DAKO-CZ, a.s.  
Corporate ID 46505091

Budovatelů 323  
538 43 Třemošnice  
Česká republika

	ASSETS	31.12.2018			31.12.2017
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	1 418 885	517 427	901 458	819 112
B.	Fixed assets	842 885	457 745	385 140	348 607
B.I.	Intangible fixed assets	48 418	34 247	14 171	11 618
B.I.2.	Valuable rights	42 934	34 247	8 687	6 385
B.I.2.1.	Software	33 011	28 720	4 291	1 792
B.I.2.2.	Other valuable rights	9 923	5 527	4 396	4 593
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under constructio	5 484		5 484	5 233
B.I.5.1.	Prepayments for intangible fixed assets	547		547	547
B.I.5.2.	Intangible fixed assets under construction	4 937		4 937	4 686
B.II.	Tangible fixed assets	790 652	423 498	367 154	329 383
B.II.1.	Land and structures	267 967	105 973	161 994	159 354
B.II.1.1.	Land	2 277		2 277	2 277
B.II.1.2.	Structures	265 690	105 973	159 717	157 077
B.II.2.	Tangible movable assets and sets of tangible movable assets	414 450	251 551	162 899	129 013
B.II.4.	Other tangible fixed assets	107 840	65 974	41 866	38 318
B.II.4.3.	Other tangible fixed assets	107 840	65 974	41 866	38 318
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under constructio	395		395	2 698
B.II.5.1.	Poskytnuté zálohy na dlouhodobý hmotný majetek				326
B.II.5.2.	Tangible fixed assets under construction	395		395	2 372
B.III.	Non-current financial assets	3 815		3 815	7 606
B.III.1.	Equity investments - controlled or controlling entity	3 795		3 795	3 576
B.III.5.	Other non-current securities and investments	20		20	20
B.III.7.	Other non-current financial assets				4 010
B.III.7.1.	Sundry non-current financial assets				4 010

## BALANCE SHEET

full version

As of  
31.12.2018  
(in CZK thousand)

DAKO-CZ, a.s.  
Corporate ID 46505091

Budovatelů 323  
538 43 Třemošnice  
Česká republika

	ASSETS	31.12.2018			31.12.2017
		Gross	Adjustment	Net	Net
C.	Current assets	561 842	59 682	502 160	458 850
C.I.	Inventories	259 013	32 397	226 616	218 356
C.I.1.	Material	61 702	13 152	48 550	52 260
C.I.2.	Work in progress and semifinished goods	124 983	8 361	116 622	111 496
C.I.3.	Products and goods	71 579	10 884	60 695	54 044
C.I.3.1.	Products	63 504	8 938	54 566	39 769
C.I.3.2.	Goods	8 075	1 946	6 129	14 275
C.I.5.	Prepayments for inventories	749		749	556
C.II.	Receivables	274 074	27 285	246 789	223 906
C.II.1.	Long-term receivables	4 245		4 245	6 506
C.II.1.1.	Trade receivables	4 245		4 245	2 532
C.II.1.5.	Receivables - other				3 974
C.II.1.5.2.	Long-term prepayments made				535
C.II.1.5.4.	Sundry receivables				3 439
C.II.2.	Short-term receivables	269 829	27 285	242 544	217 400
C.II.2.1.	Trade receivables	228 924	26 038	202 886	184 100
C.II.2.2.	Receivables - controlled or controlling entity	27 638	1 247	26 391	6 134
C.II.2.4.	Receivables - other	13 267		13 267	27 166
C.II.2.4.3.	State - tax receivables	8 795		8 795	10 684
C.II.2.4.4.	Short-term prepayments made	2 063		2 063	11 008
C.II.2.4.6.	Sundry receivables	2 409		2 409	5 474
C.IV.	Cash	28 755		28 755	16 588
C.IV.1.	Cash on hand	98		98	100
C.IV.2.	Cash at bank	28 657		28 657	16 488
D.	Other assets	14 158		14 158	11 655
D.1.	Deferred expenses	14 157		14 157	11 046
D.3.	Accrued income	1		1	609



## BALANCE SHEET

full version

As of  
31.12.2018  
(in CZK thousand)

DAKO-CZ, a.s.  
Corporate ID 46505091

Budovatelů 323  
538 43 Třemošnice  
Česká republika

	LIABILITIES & EQUITY		
		31.12.2018	31.12.2017
	TOTAL LIABILITIES & EQUITY	901 458	819 112
A.	Equity	492 343	416 790
A.I.	Share capital	187 740	187 740
A.I.1.	Share capital	187 740	187 740
A.III.	Funds from profit	35 661	35 661
A.III.1.	Other reserve funds	35 661	35 661
A.IV.	Retained earnings (+/-)	173 535	162 013
A.IV.1.	Accumulated profits or losses brought forward (+/-)	175 079	162 013
A.IV.2.	Other profit or loss from prior years (+/-)	-1 544	
A.V.	Profit or loss for the current period (+/-)	95 407	53 066
A.VI.	Profit share prepayments declared (-)		-21 690
B.+C.	Liabilities	407 734	385 935
B.	Reserves	32 603	7 800
B.II.	Income tax reserve	17 041	
B.IV.	Other reserves	15 562	7 800
C.	Payables	375 131	378 135
C.I.	Long-term payables	67 294	74 452
C.I.2.	Payables to credit institutions	48 655	53 245
C.I.8.	Deferred tax liability	18 199	19 486
C.I.9.	Payables - other	440	1 721
C.I.9.3.	Sundry payables	440	1 721
C.II.	Short-term payables	307 837	303 683
C.II.2.	Payables to credit institutions	162 136	185 148
C.II.3.	Short-term prepayments received	1 726	4 357
C.II.4.	Trade payables	105 529	91 173
C.II.8.	Other payables	38 446	23 005
C.II.8.1.	Payables to partners	325	
C.II.8.3.	Payables to employees	15 968	9 297
C.II.8.4.	Social security and health insurance payables	8 345	7 435
C.II.8.5.	State - tax payables and subsidies	4 516	4 402
C.II.8.6.	Estimated payables	6 984	1 622
C.II.8.7.	Sundry payables	2 308	249
D.	Other liabilities	1 381	16 387
D.1.	Accrued expenses	1 285	16 387
D.2.	Deferred income	96	

**PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

Year ended  
31.12.2018  
(in CZK thousand)

DAKO-CZ, a.s.  
Corporate ID 46505091

Budovatelů 323  
538 43 Třemošnice  
Česká republika

	PROFIT AND LOSS ACCOUNT	Year ended 31.12.2018	Year ended 31.12.2017
I.	Sales of products and services	789 838	659 927
II.	Sales of goods	137 215	77 815
A.	Purchased consumables and services	523 940	448 425
A.1.	Costs of goods sold	105 054	61 979
A.2.	Consumed material and energy	270 682	244 085
A.3.	Services	148 204	142 361
B.	Change in internally produced inventory (+/-)	-24 647	-13 676
C.	Own work capitalised (-)	-13 475	-13 632
D.	Staff costs	254 082	234 545
D.1.	Payroll costs	187 595	172 178
D.2.	Social security and health insurance costs and other charges	66 487	62 367
D.2.1.	Social security and health insurance costs	61 924	57 794
D.2.2.	Other charges	4 563	4 573
E.	Adjustments to values in operating activities	47 675	19 853
E.1.	Adjustments to values of intangible and tangible fixed assets	24 903	22 125
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	24 903	22 125
E.2.	Adjustments to values of inventories	4 523	-2 891
E.3.	Adjustments to values of receivables	18 249	619
III.	Other operating income	12 744	10 324
III.1.	Sales of fixed assets	235	730
III.2.	Sales of material	4 698	2 772
III.3.	Sundry operating income	7 811	6 822
F.	Other operating expenses	24 801	10 423
F.1.	Net book value of sold fixed assets	198	193
F.2.	Material sold	2 923	511
F.3.	Taxes and charges	590	780
F.4.	Reserves relating to operating activities and complex deferred expenses	7 762	-7 251
F.5.	Sundry operating expenses	13 328	16 190
*	Operating profit or loss (+/-)	127 421	62 128

**PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

Year ended  
31.12.2018  
(in CZK thousand)

DAKO-CZ, a.s.  
Corporate ID 46505091

Budovatelů 323  
538 43 Třemošnice  
Česká republika

Ozn. a.	P R O F I T   A N D   L O S S   A C C O U N T	Období do 31.12.2018	Období do 31.12.2017
VI.	Interest income and similar income	357	1 780
VI.1.	Interest income and similar income - controlled or controlling entity	348	1 763
VI.2.	Other interest income and similar income	9	17
J.	Interest expenses and similar expenses	2 184	1 940
J.2.	Other interest expenses and similar expenses	2 184	1 940
VII.	Other financial income	12 746	25 513
K.	Other financial expenses	15 802	21 636
*	Financial profit or loss (+/-)	-4 883	3 717
**	Profit or loss before tax (+/-)	122 538	65 845
L.	Income tax	27 131	12 779
L.1.	Due income tax	28 418	9 942
L.2.	Deferred income tax (+/-)	-1 287	2 837
**	Profit or loss net of tax (+/-)	95 407	53 066
***	Profit or loss for the current period (+/-)	95 407	53 066
*	Net turnover for the current period	952 900	775 359

STATEMENT OF  
CHANGES IN EQUITY

DAKO-CZ, a.s.  
IČO 46505091

Year ended  
31.12.2018  
(in CZK thousand)

Budovatelů 323  
538 43 Třemošnice  
Česká republika

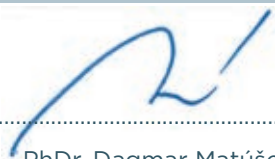
	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Another result of previous years	Decided on advance payment of profit sharing	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2016	187 740		35 661	150 183	-44		81 874	455 414
Distribution of profit or loss								
Transfer of profit for the current year				81 830	44		-81 874	
Change in share capital								
Profit shares paid				-70 000		-21 690		-91 690
Profit share prepayments declared								
Payments from capital funds								
Profit or loss for the current period							53 066	53 066
Balance at 31 December 2017	187 740		35 661	162 013		-21 690	53 066	416 790
Distribution of profit or loss				13 066			-13 066	
Change in share capital								
Profit shares paid						21 690	-40 000	-18 310
Profit share prepayments declared								
Payments from capital funds								
Profit or loss for the current period					-1 544		95 407	93 863
Balance at 31 December 2018	187 740		35 661	175 079	-1 544		95 407	492 343

CASH FLOW  
STATEMENTDAKO-CZ, a.s.  
Corporate ID 46505091Year ended  
31.12.2018  
(in CZK thousand)Budovatelů 323  
538 43 Třemošnice

		Year ended 31.12.2018	Year ended 31.12.2017
P.	Opening balance of cash and cash equivalents	16 588	36 883
	Cash flows from ordinary activities (operating activities)		
Z.	Profit or loss before tax	122 538	65 845
A.1.	Adjustments for non-cash transactions	65 628	11 002
A.1.1.	Depreciation of fixed assets	24 903	22 125
A.1.2.	Change in provisions and reserves	30 534	-9 523
A.1.3.	Profit/(loss) on the sale of fixed assets	-37	-537
A.1.5.	Interest expense and interest income	1 827	160
A.1.6.	Adjustments for other non-cash transactions	8 401	-1 223
A.*	Net operating cash flow before changes in working capital	188 166	76 847
A.2.	Change in working capital	-50 010	-33 535
A.2.1.	Change in operating receivables and other assets	-30 438	-566
A.2.2.	Change in operating payables and other liabilities	-4 642	-5 613
A.2.3.	Change in inventories	-14 930	-27 356
A.**	Net cash flow from operations before tax	138 156	43 312
A.3.	Interest paid	-2 183	-1 940
A.4.	Interest received	111	1 780
A.5.	Income tax paid from ordinary operations	-7 752	-16 333
A.***	Net operating cash flows	128 332	26 819
	Cash flows from investing activities		
B.1.	Fixed assets expenditures	-50 488	-17 001
B.2.	Proceeds from fixed assets sold	235	730
B.3.	Loans and borrowings to related parties	-20 000	83 012
B.***	Net investment cash flows	-70 253	66 741
	Cash flow from financial activities		
C.1.	Change in payables from financing	-27 602	-22 165
C.2.	Impact of changes in equity	-18 310	-91 690
C.2.6.	Profit shares paid	-18 310	-91 690
C.***	Net financial cash flows	-45 912	-113 855
F.	Net increase or decrease in cash and cash equivalents	12 167	-20 295
R.	Closing balance of cash and cash equivalents	28 755	16 588



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 DAKO-CZ, A.S.



PhDr. Dagmar Matúšová  
Chairwoman of the Board of Directors



Ing. Lukáš Andryšek  
Member of the Board of Directors

## CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

### GENERAL INFORMATION

1	Description of the Reporting Entity (hereinafter the "Company")	36
2	Primary Business Activities	36
3	Entities Holding More than 20% of Share Capital	36
4	Change in the Register of Companies	37
5	Members of Statutory and Supervisory Bodies as of the Balance Sheet Date	37
6	Organisational Structure of the Company	37
7	Equity Investments in Subsidiaries	37
8	Employees, Staff Costs	38
9	Provided Cash or Other Performance	38

### APPLIED ACCOUNTING POLICIES, GENERAL ACCOUNTING PRINCIPLES AND VALUATION METHODS

1	Valuation of and Accounting for Assets and Inventory	38
1.1	Valuation of and Accounting for Inventory	38
1.2	Tangible and Intangible Fixed Assets	39
1.3	Valuation of Securities and Equity Investments	39
2	Provisions	40
3	Foreign Currency Translation	40
4	Financial Derivatives	40
5	Reserves	41
6	Development Costs	41
7	Leased Assets	41
8	Income and Expenses	41
9	Income Taxation	42
10	Payables	42
11	Consolidation	42
12	Use of Estimates	42

### ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1	Items Relevant for Assessing the Asset and Financial Situation	43
1.1	Payables to Credit Institutions	43
1.2	Received Grants	43
1.3	Breakdown of Deficits and Surpluses of Inventory	44
2	Additional Information on Tangible and Intangible Fixed Assets	44
2.1	Tangible Fixed Assets	44
2.2	Intangible Fixed Assets	45
2.3	Tangible Fixed Assets Held under Finance Leases	46
2.4	Most Significant Additions to Fixed Assets	47
2.5	Aggregate Assets Not Included in the Balance Sheet	47
2.6	Pledged Tangible Assets	47
2.7	Non-Current Financial Assets	47
3	Equity	48
3.1	Movements on Account Valuation Gains and Losses on the Revaluation of Assets and Liabilities	48
3.2	Distribution of Profit of the Prior Period	48
3.3	Share Capital	48
4	Receivables and Payables	48
4.1	Past Due Receivables	48
4.2	Receivables in Foreign Currencies	48
4.3	Receivables - Controlled or Controlling Entity	49
4.4	Past Due Payables	49
4.5	Payables in Foreign Currencies	49
4.6	Payables Not Reported in the Balance Sheet Arising from Guarantees Received for Other Companies	49
4.7	Major Transactions with Related Parties	50
4.8	Receivables and Payables Not Reported in the Balance Sheet	50
4.9	Tax Receivables	50
4.10	Deferred Expenses	50
4.11	Social Security and Health Insurance Payables	51
4.12	Income Taxation	51
5	Recognition and Use of Reserves	52
6	Income by Primary Activity	52
7	Research and Development Costs for the Reporting Period	53
8	Audit Fees	53
9	Other Operating Expenses	53
10	Accrued Expenses	53
11	Cash Flow Statement	53
12	Material Post Balance Sheet Date Events	53

## GENERAL INFORMATION

Financial amounts are stated in thousands of Czech crowns, unless specified otherwise.

**Balance sheet date:** 31 December 2018

**Date of preparation of the financial statements:** 30 April 2019

### 1 DESCRIPTION OF THE REPORTING ENTITY (HEREINAFTER THE “COMPANY”)

Name:	DAKO-CZ, a.s.
Corporate ID:	465 05 091
Registered office:	Budovatelů 323, 538 43 Třemošnice
Legal status:	joint-stock company
Date of incorporation:	5 May 1992 by registration in the Register of Companies maintained by the Regional Court in Hradec Králové under file no. 668, section B

### 2 PRIMARY BUSINESS ACTIVITIES:

- Development, production, repair, modification, transportation, sale, lending, safekeeping and destruction of weapons;
- Operation of railway transportation on the railway siding “Vlečka DAKO, a.s.”;
- Installation, repair, review and tests of electric equipment;
- Locksmithing, tool-making;
- Machining; and
- Production, trade and services not listed in Appendices 1 to 3 to the Trade Licencing Act.

### 3 ENTITIES HOLDING MORE THAN 20% OF SHARE CAPITAL

**CZECHOSLOVAK GROUP a.s.**, Sokolovská 675/9, Karlín, 186 00 Prague 8. The sole shareholder of this company is Czechoslovak Group B.V., 1043GR Amsterdam, Kingsfordweg 151, Netherlands. Equity investment of 51%.

**TATRAVAGÓNKA a.s.**, Štefánikova 887/53, 058 01 Poprad. The shareholders of this company are Optifin Invest s.r.o., Rusovská cesta 1, Bratislava 851 01, and BUDAMAR LOGISTIC, a.s., Horárska 12, Bratislava 821 09. Equity investment of 49 %.

The consolidated financial statements of the narrowest group of companies that the Company is part of as a consolidated entity are prepared by CZECHOSLOVAK GROUP a.s. with its registered office at Sokolovská 675/9, Karlín, 186 00 Prague 8. The consolidated financial statements are available in the registered office of the consolidating company.

The consolidated financial statements of the widest group of companies that the Company is part of as a consolidated entity are prepared by Czechoslovak Group B.V., 1043GR Amsterdam, Kingsfordweg 151, Netherlands.

## 4 CHANGE IN THE REGISTER OF COMPANIES

### SUPERVISORY BOARD:

on 5 November 2018	Removed:	- Chairman of the Supervisory Board: Jaroslav Strnad - Membership ended: 21 September 2018 - Position ended: 21 September 2018
	Removed:	- Member of the Supervisory Board: Michal Strnad - Membership originated: 21 September 2018
on 23 November 2018	Removed:	- Member of the Supervisory Board: Michal Strnad
	Recorded:	- Chairman of the Supervisory Board: Michal Strnad - Membership originated: 21 September 2018 - Position originated: 21 September 2018

## 5 MEMBERS OF STATUTORY AND SUPERVISORY BODIES AS OF THE BALANCE SHEET DATE

### STATUTORY BODY - BOARD OF DIRECTORS:

Chairwoman of the Board of Directors:	Dagmar Matúšová
Member of the Board of Directors:	Juraj Hudáč Lukáš Andryšek Alexej Beljajev Thomas Feser

### SUPERVISORY BOARD:

Chairman of the Supervisory Board:	Michal Strnad
Member of the Supervisory Board:	Miloš Čičmanec

## 6 ORGANISATIONAL STRUCTURE OF THE COMPANY

The joint-stock company has one organisational unit. It is headed by the general manager who leads specialised directors - heads of divisions (business, economic, technical, purchasing, production, HR and quality). The individual divisions are further divided into sections or plants which are further divided into departments.

## 7 EQUITY INVESTMENTS IN SUBSIDIARIES

The Company has controlling influence over the management of its subsidiary Shenyang Czech Design Rail Brake System Co., Ltd with its registered office: Economic and development zone, street number 13, 12Jia 3-2, ShenYang, China. Equity investment in 100%.

The Company is involved in the management of a joint venture JWL DAKO-CZ (INDIA) LIMITED with its registered office at 11, SATYEN DUTTA ROAD KOLKATA West Bengal 700029 IN, equity investment of 33%.

## 8 EMPLOYEES, STAFF COSTS

	2018	2017
Average recalculated headcount	466	474
▪ of which managers	5	7
Total staff costs	254 082	234 545
▪ of which: salary costs	187 595	172 178
social security and health insurance	61 924	57 794
social costs	4 563	4 573
Use of staff costs for managers	13 947	8 097
▪ of which: salary costs	10 653	6 149
social security and health insurance	3 294	1 948
Remuneration to members of bodies:	12 756	6 872
▪ of which: statutory	12 747	6 859
supervisory	9	13

## 9 PROVIDED CASH OR OTHER PERFORMANCE

The Company provided no loans, borrowings or other supplies in cash or in kind to members of statutory, management or supervisory bodies.

In 2018 and 2017, the members of managing, controlling and administrative bodies received no advances, prepayments, borrowings, loans, guarantees or other advantages and they hold no shares/equity investments of the Company.

As of 31 December 2018, the Company recorded no pension payables to former members of managing, controlling and administrative bodies.

## APPLIED ACCOUNTING POLICIES, GENERAL ACCOUNTING PRINCIPLES AND VALUATION METHODS

These financial statements were prepared in accordance with Accounting Act No. 563/1991 Coll., as amended (hereinafter the "Accounting Act") and Regulation of the Ministry of Finance of the Czech Republic No. 500/2002 Coll., which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended (hereinafter the "Regulation"). Comparative data for 2017 is stated in line with the organisation and designation of balance sheet and profit and loss account items pursuant to the Regulation as valid for 2018.

The financial statements are prepared in compliance with the going concern assumption.

## 1 VALUATION OF AND ACCOUNTING FOR ASSETS AND INVENTORY

### 1.1 VALUATION OF AND ACCOUNTING FOR INVENTORY

Material is valued at acquisition cost. Acquisition costs include the purchase cost, customs fees, storage fees, transportation fees and transport costs for delivery to the production compound. Disposals of material are valued using the weighted arithmetic average method.

Work in progress and finished products are valued at own costs which include the cost of material, labour and proportionate part of production overhead cost based on the level of progress. Disposals of work in progress and finished products are valued using the weighted arithmetic average method.



Goods are valued at acquisition cost. Acquisition costs include the purchase cost, customs fees, storage fees, transportation fees and transport costs for delivery to the warehouse. Disposals of goods are valued using the weighted arithmetic average method.

## 1.2 TANGIBLE AND INTANGIBLE FIXED ASSETS

Fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand in respect of tangible assets and CZK 60 thousand in respect intangible assets, on an individual basis.

Tangible and intangible fixed assets are stated at cost less accumulated depreciation and provisions, if any. Tangible fixed assets with acquisition cost under CZK 40 thousand and intangible fixed assets with acquisition cost under CZK 60 thousand are reported as inventory on acquisition and they are charged to inventory when they are issued to consumption.

Internally produced tangible fixed assets are valued at own costs which include: unit material, cooperation, unit salaries and production overheads.

The Company records no internally produced intangible fixed assets.

The cost of fixed asset improvements exceeding CZK 40 thousand for individual tangible assets for the taxation period, and CZK 40 thousand for individual intangible assets for the taxation period, increases the acquisition cost of the related fixed asset.

Replacement cost is used to value surpluses of tangible assets (or donations) and this cost is set at the level of the market price as of the date of addition.

The depreciation plan of tangible and intangible fixed assets for accounting purposes are set by the Company in an internal policy in line with Section 28 of the Accounting Act and Section 56 of the Regulation and it is based on the anticipated useful life. Depreciation charges for accounting and tax purposes are not equal. The depreciation periods are regularly reviewed as part of inventory-taking and adjusted accordingly. Depreciation charges are reported in the profit and loss account under 'Adjustments to values of tangible and intangible fixed assets – permanent'. The following table shows the methods and periods of depreciation by asset group:

Asset	Depreciation method	Depreciation period
Buildings and structures	Straight-line	12 - 45 years
Machinery and technical equipment	Straight-line	4 - 22 years
Cars	Straight-line	5 - 8 years
Software	Straight-line	4 years
Valuable rights	Straight-line	6 years
Sets of movable assets	Straight-line	12 years
Other equipment including special tools	Straight-line	5 - 10 years

## 1.3 VALUATION OF SECURITIES AND EQUITY INVESTMENTS

Securities and equity investments reported as non-current financial assets are stated at cost in the accounting records.

## 2 PROVISIONS

	Balance at 1 January		Charge		Recognition		Balance at 31 December	
	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period
Provisions against:								
■ Inventory	27 874	30 765	15 852	4 534	11 329	7 425	32 397	27 874
■ Receivables								
- tax deductible	6 246	6 258	2	-	-	12	6 248	6 246
■ Receivables - other	2 790	2 159	19 628	760	1 381	129	21 037	2 790

### PROVISIONING

Provision against inventory – based on the assessment of the turnover rate of inventory and the possibility of further processing or sale as part of inventory-taking for 2018.

The charge for and release of provisions is reported in the profit and loss account under 'Adjustments to values of inventories'.

A provision against receivables from debtors in bankruptcy and settlement proceedings were created at 100% of their nominal value.

The charge for and release of provisions is reported in the profit and loss account under 'Adjustments to values of receivables'.

Since 1 January 2013, provisions against inventory have been set individually based on the inventory-taking of assets and liabilities and they have been applied based on valid regulations.

## 3 FOREIGN CURRENCY TRANSLATION

The Company translated foreign currencies during the reporting period with respect to accounting documents using the current daily rate promulgated by the Czech National Bank.

The translation of payables and receivables denominated in foreign currencies as of 31 December 2018 was performed using the valid exchange rate of the foreign exchange market as of 31 December 2018 promulgated by the Czech National Bank.

## 4 FINANCIAL DERIVATIVES

In order to limit the exchange rate risk, the Company concluded derivative instruments in 2013, 2017 and 2018 with respect to future cash flows. As of the balance sheet date, the Company had the following open derivatives:

31 December 2018				
Term transaction	Currency	Nominal value	Fair value in CZK	Fair value in EUR
Interest rate swap	EUR	1 130 780,00	- 323 553,81	- 12 577,41
Forwards	EUR	28 130 000,00	- 908 468,00	- 35 314,60
Total	EUR	29 260 780,00	- 1 232 021,81	- 47 892,01

31 December 2017				
Term transaction	Currency	Nominal value	Fair value in CZK	Fair value in EUR
Interest rate swap	EUR	1 978 916,00	- 917 952,61	- 35 941,76
Forwards	EUR	32 010 000,00	5 827 470,00	228 170,33
Total	EUR	33 988 916,00	4 909 517,39	192 228,57

Gains from the revaluation of the interest rate swap in the amount of CZK 594 thousand (in 2017: CZK 1,084 thousand) are reported in the profit and loss account. With respect to the interest rate swap, the reasons for applying hedge accounting have ceased to exist due to the repayment of a long term loan. The date of termination of the interest rate swap is 20 April 2020.

Gains from the revaluation of the forwards in the amount of CZK 1,507 thousand (2017: CZK 6,630 thousand) and revaluation loss in the amount of CZK 8,242 thousand (2017: CZK 803 thousand) are reported in the profit and loss account.

The valuation was performed at fair value based on the valuation model of the contractual bank.

Derivatives are stated at fair value in the profit and loss account. Positive fair values of derivatives are reported in assets under 'Other receivables'. Negative fair values of derivatives are reported in liabilities under 'Other payables'. The fair value of financial derivatives is determined as the current value of expected cash flows arising from these transactions.

The Company does not have any hedge accounting documentation. Gains and losses from changes in fair values are reported in the profit and loss account under 'Other financial income' and 'Other financial expenses', respectively. Open derivatives are classified based on maturity as short-term and long-term and they are reported in the balance sheet as part of other receivables and other payables.

## 5 RESERVES

As of the balance sheet date, a reserve for outstanding vacation days is recognised on the basis of an analysis of outstanding vacation days for the respective period and average payroll costs including costs of social security and health insurance by employee.

A reserve for extraordinary bonuses is created in line with the collective agreement, using average salary costs including costs of social security and health insurance.

A reserve for warranty repairs is created based on an analysis of the historical costs of warranty repairs, anticipated repair expenses and with respect to the composition of the provided and applied warranties.

The Company creates an income tax reserve since the date of the preparation of the financial statements precedes the day of the settlement of the amount of the tax liability. In the upcoming reporting period, the Company will release the reserve and account for the established tax liability. In the balance sheet, the income tax reserve is decreased by income tax prepayments made, the resulting receivable, if any, is reported in 'State - tax receivables'.

## 6 DEVELOPMENT COSTS

Development costs are charged in the period in which they were incurred.

## 7 LEASED ASSETS

The Company recognises leased assets by including lease payments evenly over the lease period. Upon the termination of lease and use of the possibility to purchase the leased assets, the leased asset is included in the Company's assets at the purchase price.

## 8 INCOME AND EXPENSES

Income and expenses are recognised on an accrual basis in the period to which they relate.

Customer bonuses for products and goods sold are reported in the period in which the income from the sale was recognised. In the profit and loss account, bonuses are reported as a decrease in sales of products and goods.

## 9 INCOME TAXATION

Income tax for the respective period comprises tax currently payable and changes in the deferred tax.

The tax payable includes an estimated tax calculated from the tax base using the tax rate prevailing as of the first day of the reporting period, as well as all additional taxes and refunds from previous periods.

Deferred tax is based on all temporary differences between the book and tax values of assets and liabilities, or other temporary differences (tax loss), using the anticipated tax rate valid for the period, in which the tax asset will be recovered or tax liability settled. A deferred tax asset is recognised only if it is likely to be recovered in the coming reporting periods.

## 10 PAYABLES

Payables are stated at their nominal value. The Company classifies the portion of long-term payables, bank loans and financial borrowings with maturities shorter than one year as of the balance sheet date as short-term.

## 11 CONSOLIDATION

In line with Section 22a (3) of Act No. 563/1991 Coll., on Accounting, the Company does not prepare consolidated financial statements. The financial statements of the Company are sufficient to give a true and fair view of the subject of accounting and financial situation of the consolidation group, because the consolidating entity controls only immaterial consolidated entities.

## 12 USE OF ESTIMATES

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

## ADDITIONAL INFORMATION ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

### 1 ITEMS RELEVANT FOR ASSESSING THE ASSET AND FINANCIAL SITUATION

#### 1.1 PAYABLES TO CREDIT INSTITUTIONS

2018					
	Maturity	Interest rate	Balance at 31 December 2018	Due within one year	Due in one to five years
Long-term loan in CZK	31 December 2020	1M PRIBOR + 1,05 % p.a.	18 000	9 000	9 000
Long-term loan in EUR	31 December 2020	1M EURIBOR + 1,40 % p.a.	35 500	17 750	17 750
Long-term loan in EUR	31 December 2023	1M EURIBOR + 1,30 % p.a.	26 468	4 563	21 905
Short-term loan in EUR	28 June 2019	1M EURIBOR + 0,50 % p.a.	130 823	130 823	-
Total			210 791	162 136	48 655

2017					
	Maturity	Interest rate	Balance at 31 December 2017	Due within one year	Due in one to five years
Long-term loan in CZK	31 December 2020	1M PRIBOR + 1,05 % p.a.	27 000	9 000	18 000
Long-term loan in EUR	31 December 2020	1M EURIBOR + 1,40 % p.a.	52 867	17 622	35 245
Short-term loan in CZK	29 June 2018	1M PRIBOR + 0,50 % p.a.	7 954	7 954	-
Short-term loan in EUR	29 June 2018	1M EURIBOR + 0,50 % p.a.	150 572	150 572	-
Total	-	-	238 393	185 148	53 245

In 2015, Československá obchodní banka, a. s. provided the Company with a single-purpose long-term loan up to the amount of the loan limit of CZK 150,000 thousand for financing and refinancing payables to owners. The loan can be drawn in CZK and EUR. This loan is secured with a pledge based on a contract on the establishment of a pledge of real estate no. 0688/15/20539 and a pledge based on a contract on the establishment of a pledge of receivables no. 0689/15/20539 with the participation of ČSOB Factoring, a.s. In 2018, Československá obchodní banka, a. s. provided the Company with a single-purpose long-term loan up to the amount of the loan limit of CZK 40,000 thousand for financing and refinancing investment costs. The loan can be drawn in CZK and EUR. This loan is secured with a pledge based on a contract on the establishment of a pledge of real estate no. 0969/18/20539.

In 2015, COMMERZBANK Aktiengesellschaft, Prague, provided the Company with an overdraft loan up to the amount of the loan limit of 190,000 thousand, which can be drawn in CZK and EUR. This loan is secured based on a pledge contract with notarial deed no. 225/2015 – the pledge concerns receivables, selected inventory and movable assets (selected machinery) and a blank promissory note. In 2018, the maturity of the overdraft loan was extended by an amendment until 28 June 2019.

#### 1.2 RECEIVED GRANTS

Grant purpose	Current period	Previous period
Operating	1 517	1 178

During the reporting period, the Company, as a co-recipient, received special-purpose grant from the Technology Agency of the Czech Republic in the amount of CZK 1,070 thousand (the recipient of this special-purpose support is the University of West Bohemia). In 2017 and 2018, the Company's request for a contribution as part of the Support of Specialised Employee Education II programme was approved. The total amount of the contribution for 2018 is CZK 447 thousand.

### 1.3 BREAKDOWN OF DEFICITS AND SURPLUSES OF INVENTORY

Type of inventory	Current period		Previous period	
	Deficits	Surpluses	Deficits	Surpluses
Material in stock	1 165	710	267	41
Finished products	996	145	39	26
Commercial goods	527	-	-	2
Internally produced semi-finished products	2 586	2 301	1 407	3 368

## 2 ADDITIONAL INFORMATION ON TANGIBLE AND INTANGIBLE FIXED ASSETS

### 2.1 TANGIBLE FIXED ASSETS

Asset group	Cost			
	Balance at 1 January 2018	Additions/reclassifications	Disposals	Balance at 31 December 2018
Land	2 277	-	-	2 277
Buildings	258 002	7 822	134	265 690
Machinery, devices, equipment	330 452	46 033	53	376 432
Vehicles	24 222	3 160	1 340	26 042
Furniture and fixtures	12 061	-	85	11 976
Other TFA	102 012	6 130	302	107 840
TFA under construction	2 372	-	1 977	395
Prepayments made for TFA	326	-	326	-
Total	731 724	63 145	4 217	790 652

Asset group	Accumulated depreciation				Net book value	
	Balance at 1 January 2018	Depreciation /surpluses	Disposals	Balance at 31 December 2018	at 1 January 2018	at 31 December 2018
Land	-	-	-	-	2 277	2 277
Buildings	100 925	5 143	95	105 973	157 077	159 717
Machinery, devices, equipment	211 195	13 814	53	224 956	119 257	151 476
Vehicles	14 466	1 295	1 142	14 619	9 756	11 423
Furniture and fixtures	12 061	-	85	11 976	-	-
Other TFA	63 694	2 543	263	65 974	38 318	41 866
TFA under construction	-	-	-	-	2 372	395
Prepayments made for TFA	-	-	-	-	326	-
Total	402 341	22 795	1 638	423 498	329 383	367 154



Asset group	Cost			
	Balance at 1 January 2017	Additions/reclassifications	Disposals	Balance at 31 December 2017
Land	2 277	-	-	2 277
Buildings	255 570	2 432	-	258 002
Machinery, devices, equipment	336 029	6 921	12 498	330 452
Vehicles	23 544	1 981	1 303	24 222
Furniture and fixtures	12 641	-	580	12 061
Other TFA	98 777	3 496	261	102 012
TFA under construction	292	2 080	-	2 372
Prepayments made for TFA	-	326	-	326
Total	729 130	17 236	14 642	731 724

Asset group	Accumulated depreciation				Net book value	
	Balance at 1 January 2017	Depreciation /surpluses	Disposals	Balance at 31 December 2017	at 1 January 2017	at 31 December 2017
Land	-	-	-	-	2 277	2 277
Buildings	95 830	5 095	-	100 925	159 740	157 077
Machinery, devices, equipment	210 773	12 920	12 498	211 195	125 256	119 257
Vehicles	14 273	1 303	1 110	14 466	9 271	9 756
Furniture and fixtures	12 641	-	580	12 061	-	-
Other TFA	61 893	2 062	261	63 694	36 884	38 318
TFA under construction	-	-	-	-	292	2 372
Prepayments made for TFA	-	-	-	-	-	326
Total	395 410	21 380	14 449	402 341	333 720	329 383

## 2.2 INTANGIBLE FIXED ASSETS

Asset group	Cost			
	Balance at 1 January 2018	Additions/reclassifications	Disposals	Balance at 31 December 2018
Software	29 422	3 589	-	33 011
Valuable rights	9 181	742	-	9 923
IFA under construction	4 686	251	-	4 937
Prepayments made for IFA	547	-	-	547
Total	43 836	4 582	-	48 418

Asset group	Accumulated depreciation			Net book value		
	Balance at 1 January 2018	Depreciation /surpluses	Disposals	Balance at 31 December 2018	at 1 January 2018	at 31 December 2018
Software	27 630	1 090	-	28 720	1 792	4 291
Valuable rights	4 588	939	-	5 527	4 593	4 396
IFA under construction	-	-	-	-	4 686	4 937
Prepayments made for IFA	-	-	-	-	547	547
Total	32 218	2 029	-	34 247	11 618	14 171

Asset group	Cost			
	Balance at 1 January 2017	Additions /reclassifications	Disposals	Balance at 31 December 2017
Software	28 402	1 020	-	29 422
Valuable rights	5 104	4 077	-	9 181
IFA under construction	2 607	2 079	-	4 686
Prepayments made for IFA	547	-	-	547
Total	36 660	7 176	-	43 836

Asset group	Accumulated depreciation			Net book value		
	Balance at 1 January 2017	Depreciation /surpluses	Disposals	Balance at 31 December 2017	at 1 January 2017	at 31 December 2017
Software	27 299	331	-	27 630	1 103	1 792
Ocenitelná práva	4 174	414	-	4 588	930	4 593
Nedokončený DNHM	-	-	-	-	2 607	4 686
Poskytnuté zálohy na DNHM	-	-	-	-	547	547
Celkem	31 473	745	-	32 218	5 187	11 618

## 2.3 TANGIBLE FIXED ASSETS HELD UNDER FINANCE LEASES

The Company is contractually bound to pay finance lease payments for a passenger car as follows:

2018	Total lease payments	Paid as of 31 December 2018	Due within one year	Due in one to five years	Due in subsequent years
Passenger car	1 807	234	402	1 171	-

2017	Total lease payments	Paid as of 31 December 2017	Due within one year	Due in one to five years	Due in subsequent years
Passenger car	384	384	-	-	-

In 2017, the Company purchased a passenger car from the lease company and included it in its assets.

## 2.4 MOST SIGNIFICANT ADDITIONS TO FIXED ASSETS

### Current period

Technical improvements on buildings.....	CZK 7 527 thousand
Test stands and dataloggers.....	4 081
Passenger car.....	2 879
Hardware.....	1 234
Lathes.....	18 823
Drilling and milling centres.....	10 892
Contour measurement device.....	3 170
Deburrer.....	330
Vogel press.....	501
Forklift.....	666
Model equipment.....	3 880
Riveting equipment.....	504
Kistler force sensor.....	841

### Previous period

Technical improvements on buildings.....	CZK 2 432 thousand
Test stands.....	976
Passenger cars.....	1 981
Optical measuring device.....	1 425
Hardware.....	419
Turbo 60W mass finishing machine.....	464
Multiple toolholder KSM2.....	446

## 2.5 AGGREGATE ASSETS NOT INCLUDED IN THE BALANCE SHEET

Asset name	Cost	
	Current period	Previous period
Low-value assets - furnishing and fixtures	18 803	16 758
Low-value intangible assets	767	732
Low-value assets - tools	101 241	94 027
Total	120 811	111 517

## 2.6 PLEDGED TANGIBLE ASSETS

Pledged assets include land including buildings if they are part of the land, recorded on title deed no. 985, cadastral district of Třemošnice nad Doubravou, Třemošnice. The pledge is established to secure receivables from the loan contract provided by Československá obchodní banka, a. s.

Other pledged assets include movable assets - selected machinery with the net book value of CZK 62,789 thousand as of 31 December 2018 (as of 31 December 2017: CZK 69,927 thousand).

The pledge is established to secure receivables from the overdraft loan contract provided by COMMERZBANK Aktiengesellschaft, Prague branch.

## 2.7 NON-CURRENT FINANCIAL ASSETS

### Equity investments - controlled or controlling entity

The Company reports a 100% equity investment in a subsidiary in China (described in Note 7) in the amount of CZK 3,602 thousand (2017: CZK 3,576 thousand).

### Other non-current financial assets

Other non-current financial assets include long-term term deposits for securing provided bank guarantees.

Provider	Guarantee valid from:	Guarantee valid until:	Value at 31 December 2018 in CZK thousand	Value at 31 December 2017 in CZK thousand
UniCredit Bank Czech and Slovakia, a.s.	17. srpna 2012	neurčito	-	4 010
Total			-	4 010

## 3 EQUITY

### 3.1 MOVEMENTS ON ACCOUNT VALUATION GAINS AND LOSSES ON THE REVALUATION OF ASSETS AND LIABILITIES

No movements on the account Valuation gains and losses on the revaluation of assets and liabilities were recorded in 2018.

### 3.2 DISTRIBUTION OF PROFIT OF THE PRIOR PERIOD

Based on the minutes from the general meeting of 29 June 2018, profit of 2017 in the amount of CZK 53,066 thousand was allocated as follows:

- CZK 40,000 thousand – payment of dividends
- CZK 13,066 thousand – transfer to retained earnings

No decision about 2018 has been made yet.

### 3.3 SHARE CAPITAL

Current period				
Type of share	Number of shares	Nominal value in CZK thousand	Unpaid shares	Maturity
Registered shares	187 740	187 740	-	-

Previous period				
Type of share	Number of shares	Nominal value in CZK thousand	Unpaid shares	Maturity
Registered shares	187 740	187 740	-	-

## 4 RECEIVABLES AND PAYABLES

### 4.1 PAST DUE RECEIVABLES

Short-term trade receivables amount to CZK 228,924 thousand (2017: CZK 193,136 thousand), of which CZK 8,897 thousand (2017: CZK 11,051 thousand) represents receivables past their due dates by more than 90 days. Provision against doubtful receivables as of 31 December 2018 amounted to CZK 26,038 thousand (2017: CZK 9,036 thousand).

### 4.2 RECEIVABLES IN FOREIGN CURRENCIES:

- 2018: CZK 175,538 thousand
- 2017: CZK 137,634 thousand

**4.3 RECEIVABLES - CONTROLLED OR CONTROLLING ENTITY**

	Company	Current period	Previous period
Provided loans and borrowings	INTEGRA CAPITAL a.s.	20 000	-
Receivables form assignment	CZECHOSLOVAK GROUP a.s.	-	49
	TATRAVAGÓNKA a.s.	3 651	3 659
Loan guarantee	ZTS METALURG, a. s.	2 494	1 179
Start-up costs	Shenyang Czech Design Rail Brake System Co.	1 247	1 247
Total		27 392	6 134

The above amounts of loans and borrowings represent the value of principals of loans and borrowings. The loans bear interest at a fixed interest rate

**4.4 PAST DUE PAYABLES**

Short-term trade payables amount to CZK 105,529 thousand (2017: CZK 91,173 thousand), of which CZK 41,631 thousand (2017: CZK 44,946 thousand) represents past due payables

**4.5 PAYABLES IN FOREIGN CURRENCIES**

- 2018: CZK 40,358 thousand
- 2017: CZK 21,329 thousand

**4.6 PAYABLES NOT REPORTED IN THE BALANCE SHEET ARISING FROM GUARANTEES RECEIVED FOR OTHER COMPANIES**

The Company concluded a guarantee contract with UniCredit Bank Czech Republik and Slovakia, a.s. for payables arising from loans provided to ZTS METALURG, a. s. up to EUR 7,500 thousand. As of 31 December 2018, EUR 3,243 thousand was drawn (as of 31 December 2017 EUR 3,916 thousand was drawn).

#### 4.7 MAJOR TRANSACTIONS WITH RELATED PARTIES

	Company	Volume of mutual transactions		Receivables/Payables at 31 December	
		2018	2017	2018	2017
Sale of goods and services	TATRAVAGÓNKA a.s.	198 202	153 693	10 294	42 349
	ELH Eisenbahnlaufwerke Halle GmbH & Co. KG	5 677	4 049	1 461	1 326
	Železničné opravovne a strojárne Zvolen, a.s.	7 908	3 788	2 983	1 736
	TATRAVAGONKA BRATSTVO DOO	1 811	253	83	135
	TATRA METALURGIE a.s.	269	228	102	304
	EXCALIBUR ARMY, spol. s r.o.	249	1 772	180	-
	JWL DAKO-CZ LIMITED	17 200	-	17 208	-
	JUPITER WAGONS LIMITED	12 603	-	12 547	-
Purchase of goods, services and assets	TATRAVAGÓNKA a.s.	175	1 969	34	10
	CSGM a.s.	2 691	2 291	567	156
	CSG Facility a.s.	2 932	566	876	89
	INTEGRA CAPITAL a.s.	12 748	10 429	12	7
	EXCALIBUR ARMY, spol. s r. o.	414	565	355	-
	TATRA METALURGIE a.s.	11 640	8 844	794	1 421
	KOVOSVIT MAS, a.s.	15 165	2 309	76	495
	New Space Technologies	804	843	140	332
	LIKVIDACE ODPADU a.s.	488	414	58	36
	TATRA TRUCKS a.s.	326	-	61	-
Financial income - interest	INTEGRA CAPITAL a.s.	348	938	246	-
	CZECHOSLOVAK GROUP a.s.	-	478	-	-
	ZTS METALURG, a. s.	-	347	-	-
Dividend prepayments	CZECHOSLOVAK GROUP a.s.	-	11 062	-	-
	of which paid out	-	11 062	-	-
	TATRAVAGÓNKA a.s.	-	10 628	-	-
	of which paid out	-	10 628	-	-

#### 4.8 RECEIVABLES AND PAYABLES NOT REPORTED IN THE BALANCE SHEET

	Current period	Previous period
Receivables – contractual fines and default interest	344	344

Receivables – contractual fines and default interest represent unbilled penalisation invoices issued until 2000 registered for recovery under bankruptcy proceedings.

#### 4.9 TAX RECEIVABLES

Tax receivables amount to CZK 8,795 thousand (2017: CZK 10,684 thousand) and predominantly include value added tax receivables of CZK 8,795 thousand (2017: CZK 7,060 thousand).

#### 4.10 DEFERRED EXPENSES

Deferred expenses in the amount of CZK 14,157 thousand (2017: CZK 11,046 thousand) predominantly include deferred expenses for the tools used in the amount of CZK 7,999 thousand (2017: CZK 6,783 thousand).



#### 4.11 SOCIAL SECURITY AND HEALTH INSURANCE PAYABLES

Insurance type	Balance at 31 December 2018		Balance at 31 December 2017	
	Before due date	Past due date	Before due date	Past due date
Social security administration	5 404	-	5 137	-
VZP insurance company	2 368	-	1 767	-
Other insurance companies	573	-	531	-
Total	8 345	-	7 435	-

#### 4.12 INCOME TAXATION

##### a) Income Tax Payable

###### 2018

Income tax payable includes an estimate of tax for the 2018 taxation period in the amount of CZK 28,635 thousand and adjustment of the tax estimate for 2017 in the amount of CZK (217) thousand.

In 2018, the income tax reserve was decreased by the income tax prepayments made in the amount of CZK 11,594 thousand and the balance of the reserve was reported in the item 'Income tax reserve'.

###### 2017

Income tax payable includes an estimate of tax for the 2017 taxation period in the amount of CZK 10,474 thousand, adjustment of the tax estimate for 2016 in the amount of CZK 1,496 thousand, withholding tax in the amount of CZK 4 thousand and tax refund for 2016 in the amount of CZK (2,032) thousand.

In 2017, the income tax reserve was decreased by the income tax prepayments made in the amount of CZK 14,098 thousand and the resulting receivable was reported under 'State - tax receivables'.

##### b) Deferred tax

	Deferred tax liability		Deferred tax receivable		Difference	
	2018	2017	2018	2017	2018	2017
Difference between tax and accounting carrying amounts	27 311	26 263	-	-	-27 311	-26 263
Reserve for warranty repairs	-	-	1 768	587	1 768	587
Reserve for unused vacation days	-	-	604	665	604	665
Accounting provisions	-	-	6 155	5 296	6 155	5 296
Reserve for annual bonuses	-	-	585	229	585	229
Total	27 311	26 263	9 112	6 777	-18 199	-19 486

In accordance with accounting policies, deferred tax in 2018 and 2017 was calculated using a tax rate of 19%.

## 5 RECOGNITION AND USE OF RESERVES

Type of reserve	Current period				Previous period			
	Balance at 1 January	Recognition	Use	Balance at 31 December	Balance at 1 January	Recognition	Use	Balance at 31 December
Reserve for extraordinary bonuses	1 206	3 077	1 206	3 077	6 135	1 206	6 135	1 206
Reserve for unused vacation days	3 504	3 177	3 504	3 177	3 281	3 504	3 281	3 504
Reserve for warranty repairs	3 090	9 308	3 090	9 308	5 635	3 090	5 635	3 090
Income tax reserve	10 474	28 635	10 474	28 635	13 468	10 474	13 468	10 474
Total	18 274	44 197	18 274	44 197	28 519	18 274	28 519	18 274

The income tax reserve in the amount of CZK 28,635 thousand was offset in the balance sheet against income tax prepayments (Section 11 and 16 of Regulation No. 500/2002 Coll.), refer to Note 4.12.

## 6 INCOME BY PRIMARY ACTIVITY

	2018	of which		
		Domestic	EU	Other countries
Hydraulic brake	48 211	31 236	16 915	60
Special	3 571	3 571	-	-
Pneumatic brake	610 267	96 577	368 972	144 718
Cooperation	4 052	2 505	1 518	29
Other products	92 515	61 884	19 231	11 400
Total sales of products	758 616	195 773	406 636	156 207
Sales of goods	137 215	28 722	50 433	58 060
Sales of services	31 222	22 404	1 175	7 643

	2017	of which		
		Domestic	EU	Other countries
Hydraulic brake	81 038	72 551	6 516	1 971
Special	3 667	3 875	-290	82
Pneumatic brake	491 466	82 175	324 392	84 899
Cooperation	5 216	3 782	1 348	86
Other products	56 660	37 066	8 388	11 206
Total sales of products	638 047	199 449	340 354	98 244
Sales of goods	77 815	35 487	26 693	15 635
Sales of services	21 880	20 777	836	267

## 7 RESEARCH AND DEVELOPMENT COSTS FOR THE REPORTING PERIOD

	Current period	Previous period
Development costs	26 159	22 270

## 8 AUDIT FEES

This information is disclosed in the notes to the consolidated financial statements prepared for the consolidation group in which the Company is included.

## 9 OTHER OPERATING EXPENSES

Other operating expenses in the amount of CZK 13,328 thousand (2017: CZK 16,090 thousand) predominantly include the costs of advertising, insurance and deficits.

## 10 ACCRUED EXPENSES

Accrued expenses in the amount of CZK 1,285 thousand (2017: CZK 16,387 thousand) predominantly include fees for intercompany services.

## 11 CASH FLOW STATEMENT

For cash flow reporting purposes, cash and cash equivalents are defined as cash on hand, cash in transit, cash at bank and other financial assets whose valuation may be reliably determined and which are readily convertible in cash. The balance of cash and cash equivalents at the end of the reporting period is as follows:

	Balance at 31 December 2018	Balance at 31 December 2017
Total current financial assets	28 755	16 588
Cash and cash equivalents	28 755	16 588

Cash flows from operating, investment and financial activities presented in the cash flow statement are not offset.

## 12 MATERIAL POST BALANCE SHEET DATE EVENTS

(between the balance sheet date and the date of preparation of the financial statements)

As of the date of preparation of the financial statements, the management of the Company is not aware of any material subsequent events that would have an impact on the financial statements as of 31 December 2018.

