



ANNUAL REPORT

2019

- **Company name:** Leo Express Global a.s.
- **Registered office:** Prague 3 – Žižkov, Řehořova 908/4, 130 00, Czech Republic
- **Corporate ID:** 290 16 002
- **Established on:** 8 January 2010
- **Registered with:** Municipal Court in Prague, Section B, Insert 15847
- **Legal status:** Joint stock company
- **Share capital:** CZK 123,461,670



ANNUAL REPORT 2019

1.	GENERAL INFORMATION	4
1.1.	PRIMARY BUSINESS ACTIVITIES AND OWNERSHIP STRUCTURE.....	4
1.2.	YEAR-ON-YEAR CHANGES AND AMENDMENTS IN THE REGISTER OF COMPANIES.....	4
1.3.	BOARD OF DIRECTORS AND SUPERVISORY BOARD AS OF THE BALANCE SHEET DATE.....	4
1.4.	GROUP IDENTIFICATION	4
2.	REPORT ON RELATED PARTY TRANSACTIONS FOR 2019	5
2.1.	PERSONS FORMING A BUSINESS GROUP – STRUCTURE OF RELATIONSHIP	5
2.2.	THE ROLE OF THE CONTROLLED ENTITY, THE MANNER AND MEANS OF CONTROLLING	5
2.3.	OVERVIEW OF ACTIONS MADE IN 2019 AT THE INSTIGATION OR IN THE INTEREST OF THE CONTROLLING ENTITY OR OF PARTIES CONTROLLED BY THE CONTROLLING ENTITY IF THE ACTS CONCERN ASSETS EXCEEDING 10% OF EQUITY OF THE CONTROLLED ENTITY ACCORDING THE MOST RECENT SET OF FINANCIAL STATEMENTS.....	5
2.4.	OVERVIEW OF MUTUAL AGREEMENTS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY OR RELATED PARTIES	6
2.5.	OTHER LEGAL ACTS AND MEASURES INITIATED BY OR AT THE INTEREST OF RELATED PARTIES AND ASSESSMENT OF DETRIMENT SUFFERED BY THE CONTROLLED ENTITY	7
2.6.	ADVANTAGES, DISADVANTAGES AND RISKS ARISING FROM THE RELATIONSHIP BETWEEN THE PERSONS ACCORDING TO PARAGRAPH 1	7
2.7.	THIS REPORT WAS PREPARED ON 31 MARCH 2020.....	7
3.	OTHER	8
3.1.	RESEARCH AND DEVELOPMENT	8
3.2.	ENVIRONMENTAL PROTECTION	8
3.3.	HUMAN RESOURCES.....	8
3.4.	ORGANISATIONAL BRANCH ABROAD.....	8
3.5.	ANTICIPATED DEVELOPMENT.....	8
3.6.	ACQUISITION OF TREASURY SHARES.....	8
3.7.	POST BALANCE SHEET DATE EVENTS	9
4.	REPORT OF THE BOARD OF DIRECTORS 2019	10

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2019

1.	ACCOUNTING PRINCIPLES AND POLICIES	11
1.1.	GOING CONCERN ASSUMPTION	11
1.2.	ACTIVITIES OF THE COMPANY	11
1.3.	TANGIBLE FIXED ASSETS	11
1.4.	INTANGIBLE FIXED ASSETS	12
1.5.	NON-CURRENT FINANCIAL ASSETS.....	13
1.6.	DERIVATIVE FINANCIAL TRANSACTIONS.....	13
1.7.	RECEIVABLES	15
1.8.	PAYABLES	16
1.9.	LOANS.....	16
1.10.	RESERVES.....	16
1.11.	FOREIGN CURRENCY TRANSLATION.....	16
1.12.	FINANCE LEASES.....	16
1.13.	TAXATION	17
1.13.1.	<i>Current Tax Payable</i>	17
1.13.2.	<i>Deferred Tax</i>	17
1.14.	IMPAIRMENT.....	17
1.15.	BORROWING COSTS.....	17
1.16.	REVENUE RECOGNITION.....	18
1.17.	USE OF ESTIMATES.....	18
1.18.	CASH FLOW STATEMENT.....	18
1.19.	CHANGES IN ACCOUNTING POLICIES	18

2.	ADDITIONAL INFORMATION	19
2.1.	INTANGIBLE FIXED ASSETS (INTANGIBLE FA)	19
2.2.	TANGIBLE FIXED ASSETS (TANGIBLE FA).....	19
2.3.	NON-CURRENT FINANCIAL ASSETS.....	20
2.3.1.	<i>Equity Investments – Controlled Entity</i>	20
2.4.	INVENTORY	20
2.5.	SHORT-TERM RECEIVABLES.....	20
2.5.1.	<i>Short-Term Intercompany Receivables</i>	21
2.6.	EQUITY	21
2.7.	MOVEMENTS IN EQUITY	21
2.8.	DISTRIBUTION OF PROFIT OR SETTLEMENT OF LOSS	22
2.9.	GAINS AND LOSSES FROM THE REVALUATION OF ASSETS AND LIABILITIES	22
2.10.	RESERVES.....	22
2.11.	LONG-TERM PAYABLES.....	22
2.11.1.	<i>Collateralised or Otherwise Secured Long-Term Payables</i>	23
2.12.	SHORT-TERM PAYABLES	23
2.12.1.	<i>Short-Term Intercompany Payables</i>	23
2.13.	BANK LOANS.....	23
2.14.	DERIVATIVE FINANCIAL INSTRUMENTS.....	24
2.15.	DEFERRED INCOME TAXATION	24
2.16.	INCOME FROM ORDINARY ACTIVITIES.....	25
2.17.	CONSUMED PURCHASES	25
2.18.	SERVICES.....	25
2.19.	EMPLOYEES, MANAGEMENT AND STATUTORY BODIES	25
2.20.	OTHER OPERATING INCOME AND EXPENSES	26
2.20.1.	<i>Sundry Operating Income</i>	26
2.20.2.	<i>Sundry Operating Expenses</i>	27
2.20.3.	<i>Other Interest Income and Similar Income</i>	27
2.21.	INTEREST EXPENSES AND SIMILAR EXPENSES	27
2.22.	OTHER FINANCIAL INCOME	27
2.23.	OTHER FINANCIAL EXPENSES.....	27
2.24.	FEE TO THE AUDITORS.....	27
2.25.	POST BALANCE SHEET EVENTS	28
3.	FINANCIAL STATEMENTS	29
4.	INDEPENDENT AUDITOR’S REPORT	34

1. GENERAL INFORMATION

1.1. Primary Business Activities and Ownership Structure

The Company has been principally engaged in providing railway and bus passenger transport. The Group started operating railway passenger trains on the route Prague-Ostrava in November 2012. In November 2014 the Group started operating passenger bus transport, which is currently operated in six European countries – the Czech Republic, Slovakia, Poland, Germany, Austria and Ukraine. Since December 2014, the Group has also operated railway transportation in Slovakia and since July 2018 in Poland.

Leo Express Global a.s. is the umbrella company of the whole group (subsidiaries). The Company provides services in financial, administrative, marketing, IT and maintenance issues.

As at 31 December 2019, it held a majority stake in Leo Express Global a.s. Ing. Leoš Novotný through LEO Mobility s.r.o. (90.74% share) and AAKON Capital s.r.o. (0.46%).

1.2. Year-on-Year Changes and Amendments in the Register of Companies

The General Meeting of Leo Express Global a.s. decided with effect from 13 December 2019 to elect Ing. Leoš Novotný to a vacant post of a member of the Board of Directors. The newly appointed Board of Directors also decided to elect Ing. Leoš Novotný to the position of Chairman of the Board of Directors, with Peter Köhler and Leoš Novotný continuing to be its regular members. At the same time, the General Meeting decided, with effect from 13 December 2019, to remove the current members of the Supervisory Board of Haydn Turner Abbott, Mgr. Ing. Hana Továrková and Mgr. Josef Němeček. Member of the Supervisory Board, Richard Tolmach, also expired on 2 December 2019 term. The new members of the Supervisory Board were elected JUDr. Stanislav Knotek, Mgr. Veronika Kvěch and Mgr. Martin Stříbrný, LL.M.

1.3. Board of Directors and Supervisory Board as of the Balance Sheet Date

	Position	Name
Board of Directors	Chairman	Ing. Leoš Novotný
	Member	Peter Köhler
	Member	Leoš Novotný
Supervisory Board	Member	Mgr. Martin Stříbrný LL.M.
	Member	Mgr. Veronika Kvěch
	Member	JUDr. Stanislav Knotek

1.4. Group Identification

The Company is part of the Leo Express Group. The consolidated financial statements are prepared by Leo Express Global a.s., with its registered office at Řehořova 908/4, Prague 3, Czech Republic, and the consolidated financial statements may be found at www.le.cz.

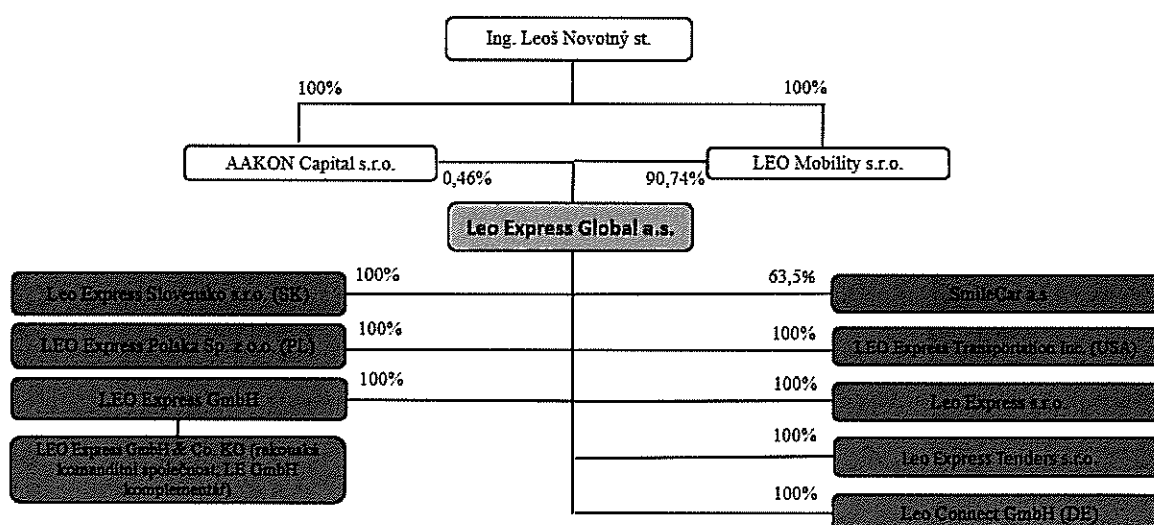
2. REPORT ON RELATED PARTY TRANSACTIONS FOR 2019

In accordance with Section 82 of Act No. 90/2012 Coll., on Business Corporations, the Board of Directors of Leo Express Global a.s. prepared a report on relations between Leo Express Global a.s., with its registered office at Řehořova 908/4, 130 00 Praha 3 - Žižkov (the "Company") as the controlled entity, and company LEO Mobility s.r.o. residence at Masarykovo náměstí 1232, 686 01 Uherské Hradiště (hereinafter referred to as the "Controlling Entity"), and between Ing. Leoš Novotný residence at František Kretze 1378, 686 05 Uherské Hradiště, as a person controlling LEO Mobility s.r.o., and other entities controlled by the same entity (hereinafter referred to as "Related Parties") for the year ended 31 December 2019.

2.1. Persons forming a business group – structure of relationship

Related parties include all companies within the group controlled by Mr Ing. Leoš Novotný.

The direct ownership structure as of 31 December 2019 was as follows:



2.2. The role of the Controlled Entity, the manner and means of controlling

The role of the Company is to provide selected services for the whole group (HR, compliance, consulting services, IT). Also during the year the Company leased Stadler Flirt train units. The controlling entity exercises direct influence over the Company's management and decision-making through the Company's majority and minority shareholders and direct influence as Chairman of the Board of Directors.

2.3. Overview of actions made in 2019 at the instigation or in the interest of the Controlling Entity or of parties controlled by the Controlling Entity if the acts concern assets exceeding 10% of equity of the Controlled Entity according the most recent set of financial statements

The controlled entity sold its Stadler Flirt train units to the Raiffeisen - Leasing, s.r.o., leasing company, which subsequently leased the units to Leo Express s.r.o. The credit

line was CZK 350,000 thousand CZK with financing for 10 years, when the net book value at the end of the period is 116 000 ths. CZK.

The controlled entity also sold Leo Express s.r.o. chassis, activated overhauls of chassis and wifi routers in the total amount of 22 299 ths. CZK.

As of 30 November 2019, the receivables from Leo Express s.r.o. were capitalized. in the amount of 160 639 ths. CZK.

2.4. Overview of mutual agreements between the Controlled Entity and the Controlling Entity or related parties

As of 31 December 2019, the following agreements concluded with the Controlling Entity or related parties were effective:

Related party	Category	Contract
Ing. Leoš Novotný	Related Party	Guarantee provision
Ing. Leoš Novotný	Related Party	Provision of a borrowing to Leo Express Global a.s.
Ing. Leoš Novotný	Related Party	Agreement on performance
Leo Express Tenders s.r.o.	Subsidiary	Agreement on the lease of business premises
Leo Express Tenders s.r.o.	Subsidiary	Agreement on bookkeeping
Leo Express Tenders s.r.o.	Subsidiary	Service contract
Leo Express Tenders s.r.o.	Subsidiary	Borrowing agreement
Leo Express Transportation Inc.	Subsidiary	Agreement on provision of a borrowing
Leo Express Slovensko s.r.o.	Subsidiary	Agreement on rebilling of costs
AAKON Capital s.r.o.	Related Party	Borrowing agreement
AAKON Capital s.r.o.	Related Party	Agreement on provision of economic advisory
SmileCar a.s.	Subsidiary	Agreement on the lease of business premises
SmileCar a.s.	Subsidiary	Agreement on bookkeeping
SmileCar a.s.	Subsidiary	Agreement on rebilling of costs
SmileCar a.s.	Subsidiary	Service contract
LEO Express Polska Sp. z.o.o	Subsidiary	Agreement on cooperation
LEO Express GmbH	Subsidiary	Agreement on provision of a borrowing
LEO Express GmbH	Subsidiary	Maintenance of rail vehicles
LEO Express GmbH	Subsidiary	Contract for dispatching services
LEO Express NV	Controlling Entity	Borrowing agreement
Leo Express s.r.o.	Subsidiary	Purchase contract
Leo Express s.r.o.	Subsidiary	Capitalization of receivables

Trade relations during 2019 were governed under the terms of the contracts signed or single orders. Contracts concluded in 2019 were entered into in line with the provisions of the Business Corporations Act. Detailed contractual conditions are subject to business secrecy pursuant to Section 504 of the New Civil Code.

Information and events that are part of the trade secret of the Controlling Entity, Company or Related parties are considered confidential information as well as

information which is considered to be a trade secret by any person related to the Group. Also, any information on trade relations which singly or in connection with other information could cause harm to any person within the Group should be considered confidential.

For the reasons outlined above this report does not include:

- Information about projects which may lead to the acquisition of the share in selected companies, and in which the Controlled Entity was the party preparing the acquisition; and

Information on the business and pricing conditions of the contracts

- Performance and consideration under the above mentioned contracts are provided at prices and terms customary in business to any other party.

2.5. Other legal acts and measures initiated by or at the interest of related parties and assessment of detriment suffered by the controlled entity

During the fiscal period, no acts were undertaken by the Company in the interest of the Controlling Entity or other related parties, except for acts consisting of normal legal processes in relation to the related parties executed in accordance with the conditions for the position of a shareholder in the Company.

During the fiscal period, there were no actions taken by the Company in the interest of the Controlling Entity or other related parties except for general actions taken by the Controlling Entity in relation to the Company as a majority shareholder of the Company.

During the fiscal period, no damage from the above mentioned agreements, compensations, other legal acts and measures was caused to the Company.

Transactions with related parties are disclosed in the notes to the financial statements.

2.6. Advantages, disadvantages and risks arising from the relationship between the persons according to paragraph 1

In general, the relations between related parties are advantageous. The most important advantage is the possibility of obtaining funds for financing.

2.7. This report was prepared on 31 March 2020.

This report is presented to the auditor who audited the financial statements. Given that the Company is preparing an annual report, this report will be attached to the annual report and as such kept in the collection of documents in the Register of Companies held by the Municipal Court in Prague.

3. OTHER

3.1. Research and Development

The Company continuously invests in the development of new information technologies that facilitate the customer purchase process and overall travel experience with Leo Express (mobile application, information on delays etc.). The Company also invests in new train units for commercial and public service operation.

3.2. Environmental Protection

The Company strictly complies with all legal requirements relating to environmental protection. In the area of railway vehicle maintenance the Company applies the strictest standards for waste management.

3.3. Human Resources

The Company is aware of the fact that the Company's success and growth depend on work with human resources. For this reason, the Company places great emphasis on the recruitment of employees and their subsequent development. The aim of employer branding and the subsequent targeted recruitment is to secure an inflow of talent for all departments. Elaborated on-boarding and development make it possible to fully utilise the potential of human resources. Motivating tools on the one hand and the monitoring of the Company's costs on the other lead to an increased efficiency of performance. In addition, the Company develops employee relations and refines its corporate vision and culture.

3.4. Organisational Branch Abroad

The Company has no organisational branch abroad.

3.5. Anticipated Development

The Company anticipates future development in the segment of multimodal public transport. In the area of railway transportation, following the change in the regulatory environment (especially the "Fourth Railway Package" approved by the European Commission), the opportunity for public service transportation will be significantly expanded and the Company and its subsidiaries intend to play an active role on the market in this area not just in the Czech Republic but also abroad.

3.6. Acquisition of Treasury Shares

As of the balance sheet date, the Company holds its treasury shares of 1,38%.

Post Balance Sheet Date Events

At the time of preparation of these financial statements, various measures are being implemented in the Czech Republic and worldwide in connection with the fight against the spread of the viral disease COVID-19 caused by SARS-CoV-2. These measures may also have a direct or indirect impact on the Company's future economic situation and the related valuation of assets and liabilities. At the time of government measures to limit the spread of the virus, the company was forced to temporarily suspend all international connections and also to reduce most domestic connections due to significantly lower demand. Revenues of subsidiaries and especially of Leo Express s.r.o. are only a fraction of the standard returns in this period. As it is currently not possible to estimate what measures will be in place and for how long they will be effective, concrete impacts cannot currently be reliably identified. Nevertheless, based on an evaluation of all currently available information, management of the Company considers that the going concern assumption is not immediately endangered and therefore the use of this assumption in the preparation of the financial statements remains appropriate. All relevant information currently available regarding our assessment of the potential impact of the above measures has been disclosed in the financial statements.

In Prague on 21st April 2020



Ing. Leoš Novotný
Chairman of the Board of Directors of Leo Express Global a.s.

4. REPORT OF THE BOARD OF DIRECTORS 2019

Dear Friends, Customers, Investors and Partners of Leo Express Global a.s.,

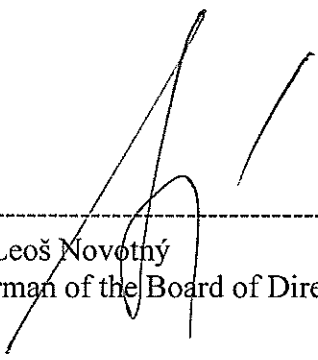
The 2019 financial year of Leo Express concludes its seven years of operation. Our young company keeps growing without there being any threat to our unique position in respect of safety, compliance with technical norms or the quality of our customer service. The major milestones for 2019 include the commencement of contract transport in the Pardubice Region, profitability of the operating entity in the second consecutive year, refinancing of the loan for the purchase of Stadler Flirt trains and launching CRRC units homologation in the Czech Republic.

Our concept of the fourth industrial revolution comes with a Renaissance of some elements of the first revolution. We still believe that railways, with their existing dense network in Europe, have a major role to play in electrified and increasingly autonomous passenger transport as its main backbone. Also electrified car transport requires 10 times more energy compared to low mass rail consumption (for a group of 200 passengers / individual vs. mass). We therefore believe that public transport by rail is crucial to sustainable mobility. As part of its long-term railway strategy, Leo Express entered a contract in 2016 with the Chinese rail vehicle manufacturer CRRC, the world's largest train manufacturer, to develop a new electric unit suitable for the Central European market. These units are already in the Czech Republic and part of the above contract is an option to supply another 30 units. The trains are based on Leo Express design and we have several registered industrial designs for both interior and exterior. We want to take travel to a whole new level regarding the vehicle and seat costs, which must be very competitive. We are proud that Leo Express has been chosen by CRRC as the first EU partner.

The development of the new trains is also a direct response to major political developments in Europe and the Czech Republic. The European Parliament's approval of the fourth pillar of the railway package in 2016 marks the end of direct public procurement until December 2023. All European carriers will be able to offer their commercial services on domestic railways from December 2020. Leo Express and its Alstom LINT units are already operational in Pardubice region and in the Zlín region, where it operates in cooperation with ARRIVA.

In financial terms, 2019 was again a positive year for Leo Express. Leo Express s.r.o. has a net profit of CZK 1.2 million and it is the second consecutive year in profit. The main reason for profit is the separation of the operating part of the Leo Express Group, the result of which is not influenced by the Group's investment activities. We expect similar growth dynamics for 2020, which is expected to continue to accelerate with success in securing public service contracts as well as entering liberalized markets. On behalf of Leo Express, let me thank you for your constant support.

We believe that together we will succeed in becoming a leader in European passenger transport.



Ing. Leoš Novotný
Chairman of the Board of Directors of Leo Express Global a.s.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



1. ACCOUNTING PRINCIPLES AND POLICIES

The Company's accounting books and records are maintained and the financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 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; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis (unless stated otherwise), the accruals principle, the prudence concept and the going concern assumption.

The Company's financial statements have been prepared as of the balance sheet date, ie 31 December 2019, for the year ended 31 December 2019.

The financial statements were prepared on 21 April 2020.

These financial statements are presented in thousands of Czech crowns (CZK '000), unless stated otherwise.

1.1. Going Concern Assumption

In China, Europe, and in other places in the world, the massive spread of coronavirus began in 2020, with the result that individual states decided to introduce various restrictive measures. At a time set by the government to limit the spread of viral infections, the Company was forced to temporarily restrict international connections as of mid-March and, at the same time, due to the rapid decline in demand, also to a significant reduction in national traffic. It is apparent that the Company will not be able to meet the established year-long plan for 2020 despite fulfilment of the business plan in the first part of the year. The Company's management has implemented several economical measures to help overcome a period of temporary loss of revenue, while anticipating that the Company will build on the successful first months of 2020 after government measures are abolished. Therefore the Company has prepared its individual financial statements for 2019 assuming the going concern.

1.2. Activities of the Company

Leo Express Global a.s. is an umbrella company for the whole entity (subsidiaries). It provides services in legal, financial, administrative, marketing, IT and maintenance issues. In addition, the Company lease Stadler Flirt trainsets to its subsidiary Leo Express s.r.o.

1.3. Tangible Fixed Assets

Tangible fixed assets include land, structures and tangible assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. Tangible fixed assets developed internally are valued at direct costs and incidental costs directly attributable to the internal production of assets (production overheads) and to the production period. Costs of sale are not included.

The following tangible fixed assets are stated at replacement cost: tangible fixed assets acquired through donation, tangible fixed assets acquired without consideration on the basis of a contract to purchase a leased asset (accounted for by a corresponding entry in the relevant accumulated depreciation account), fixed assets recently entered in the accounting records (accounted for by a corresponding entry in the relevant accumulated depreciation account), and an investment of tangible fixed assets. In such a case, replacement cost is determined by an expert opinion.

The cost of fixed asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related tangible fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight line method, on the following basis:

	Depreciation method (straight line, accelerated, machine-hour-rate)	Number of years/ %
Train units	Straight-line	30 years
Buildings	Straight-line	50 years
Machinery and equipment	Straight-line	2-20 years
Overhauls of chassis	Machine-hour	Based on km

Assets held under finance leases are depreciated by the lessor.

Technical improvements on tangible fixed assets held under a lease are depreciated on a straight line basis over the shorter of the lease term or the estimated useful life.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

1.4. Intangible Fixed Assets

Intangible fixed assets primarily include intangible assets arising from research and development, valuable rights and software with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Intangible assets arising from research and development, valuable rights and software are capitalised only if utilised for trading. Intangible assets arising from research and development, software and valuable rights generated internally for the Company's internal needs are not capitalised. Internally generated intangible assets are stated at the lower of internal production costs and replacement cost.

Purchased intangible fixed assets are stated at cost less accumulated amortisation and any recognised impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The cost of fixed asset improvements exceeding CZK 60 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets is recorded on a straight-line basis over their estimated useful lives as follows:

	Amortisation method (straight line, accelerated, machine-hour-rate)	Number of years/%
Software	Straight-line	3
Other intangible fixed assets	Straight-line	3 - 6 years

1.5. Non-Current Financial Assets

Non-current financial assets consist of loans with maturity exceeding one year, equity investments in subsidiaries and associates, securities available for sale and debt securities with maturity over one year held to maturity.

Securities are carried at cost. Upon acquisition equity, investments are carried at cost and subsequently revalued using the equity method. The cost of securities includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

At the date of acquisition of the securities and equity investments, the Company categorises these non-current financial assets based on their underlying characteristics as equity investments - subsidiary (controlled entity) and equity investments in associates or debt securities held to maturity, or securities and equity investments available for sale.

Investments in enterprises in which the Company is in a position to govern their financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investment - subsidiary (controlled entity).'

Investments in enterprises in which the Company is in a position to exercise significant influence over their financial and operating policies so as to obtain benefits from their operations are treated as 'Equity investments in associates.'

At the balance sheet date, the Company records:

- Equity investments in subsidiaries and associates at the value established using the equity method of accounting. The equity investment recognised at cost on acquisition is revalued at the balance sheet date to reflect the value equivalent to the Company's proportion of a subsidiary/associate's equity.

1.6. Derivative Financial Transactions

The Company designates derivative financial instruments as either trading or hedging. The Company's criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, a decision was made regarding hedged items and hedging instruments, the approach to establishing and documenting whether the hedge is effective, and the hedging relationship is formally documented;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis.

If derivative instruments do not meet the criteria for hedge accounting referred to above, they are treated as trading derivatives.

Derivative financial instruments are carried at fair value at the balance sheet date. In determining fair value, the Company has referred to the market value.

The fair value of financial derivatives is determined as a present value of expected cash flows arising from these transactions. The present value is established on the basis of common market-recognised models. Parameters identified on an active market such as foreign exchange rates, yield curves, volatility of relevant financial instruments etc are subsequently included in these pricing models. All financial derivatives having positive fair values are reported as assets, derivatives with negative values are reported as liabilities.

Fair value changes in respect of trading derivatives are recognised as part of profit or loss for the current period.

The accounting treatment for hedging derivatives varies depending upon the hedging relationship which can be:

- a. A fair value hedge; or
- b. A cash flow hedge; or
- c. The hedge of a net investment in a foreign subsidiary or associate undertaking.

A fair value hedge is a hedge of the exposure to changes in the fair value of an asset or liability (or an identified portion of such an asset or liability), or a group of assets or liabilities, that is attributable to a particular risk and that will affect profit or loss.

A hedged item:

- Can be recognised at fair value with gains or losses arising from the measurement being included in income or expenses as appropriate;
- May not be measured at fair value; then in using the fair value hedge the value of this asset or liability is adjusted over the term of the hedge to reflect changes in its fair value attributable to the hedged risks and these changes are recognised through expenses or income at the measurement date according to the nature of the hedged risk (such as interest income or expense, or gains or losses from foreign exchange rate differences);
- Is recognised at fair value with the valuation changes being retained on the balance sheet; then in using the fair value hedge, changes in fair values of the hedged item attributable to the hedged risks over the term of the hedge are re-allocated from this account to expenses or income, according to the nature of the hedged risk.

The same accounts of expenses or income to which changes of fair values of hedged items are recorded are used in accounting for:

- Changes of fair values of hedging instruments if the hedge effectiveness was fulfilled while taking into account aggregate changes of fair values of hedging instruments;
- Changes of fair values of hedging instruments attributable to the hedged risk if the hedge effectiveness was fulfilled while taking into account changes of fair values of hedging instruments attributable to the hedged risk. Changes in fair values of hedging instruments that are not attributable to the hedged risk are recorded as expenses or income from derivative transactions as appropriate.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a legally enforceable contract, a forecasted future transaction, groups of assets, groups of liabilities, legally enforceable contracts or forecasted future transactions with similar characteristics where the same type and category of risk is the subject of the hedge. Gains or losses arising over the term of the hedge from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to the hedged risks are retained on the balance sheet. The gains or losses are taken to income or expenses in the same period in which the income or expenses associated with the hedged item are recognised. Gains or losses arising from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to unhedged risks are recorded as expenses or income from derivative transactions at the measurement date.

The hedge of a net investment in a foreign subsidiary or associate undertaking is a hedge of the exposure to foreign currency risk arising from these undertakings. Gains or losses arising over the term of the hedge from the changes of fair values of these hedging derivatives attributable to the foreign currency risk are retained in the balance sheet. The gains or losses are recorded as income or expenses in the same period in which the income or expenses associated with the derecognition of the hedged investments in foreign subsidiaries or associates are recognised. Gains or losses arising from changes in fair values of those hedging derivatives that are attributable to other than foreign currency risk are recorded as income or expenses, as appropriate, at the measurement date.

The Company has decided not to account for embedded derivatives.

1.7. Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Receivables acquired for consideration or through an investment are stated at cost less provisions for doubtful and bad amounts.

Provisioning

Provisions against receivables are recognised if there is a legitimate reason for their irrecoverability.

1.8. Payables

Payables are stated at their nominal value.

1.9. Loans

Loans are stated at their nominal value. The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

1.10. Reserves

Reserves are intended to cover liabilities and expenditure the nature of which is clearly defined, and which are either likely to be incurred or certain to be incurred as of the balance sheet date but uncertain as to their amount or as to the date on which they will arise.

The Company recognises a reserve for unused vacation days, which is created based on an analysis of unused vacation days transferred to subsequent years, and a reserve for legal disputes, which is created based on an analysis of future expenses in relation to legal disputes.

1.11. Foreign Currency Translation

Transactions denominated in foreign currencies during the year are translated using the exchange rate of the Czech National Bank prevailing on the date of the transaction.

At the balance sheet date, the relevant assets and liabilities are translated at the Czech National Bank's exchange rate prevailing as of that date.

1.12. Finance Leases

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset that are charged to expenses.

Finance lease repayments are expensed as incurred. The initial lump-sum payment related to assets acquired under finance leases is amortised and expensed over the lease period.



1.13. Taxation

1.13.1. Current Tax Payable

Management of the Company has recognised a tax payable and a tax charge based on its tax calculation which follows from its understanding of the interpretation of Czech tax legislation valid at the financial statements date and believes that the amount of tax is correct in compliance with the effective Czech tax regulations. Since various interpretations of tax laws and regulations by third parties, including state administrative bodies, exist, the income tax payable reported in the Company's financial statements may change based on the ultimate opinion of the tax authorities.

1.13.2. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the related deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

1.14. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

1.15. Borrowing Costs

Borrowing costs arising from loans attributable to the acquisition, construction or production of fixed assets are added to the cost of those assets.

1.16. Revenue Recognition

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

Sales of services are recognised when the service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

1.17. 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.

1.18. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance and not expected to be subject to material fluctuations in value over time.

Cash and cash equivalents can be analysed as follows:

	(CZK '000)	
	31 December 2019	31 December 2018
Cash on hand and cash in transit	0	0
Cash at bank	992	3059
Overdraft balances of current accounts included in current bank loans	0	0
Cash equivalents included in current financial assets	0	0
Total cash and cash equivalents	992	3059

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

1.19. Changes in Accounting Policies

In the year ended 31 December 2019, the Company made no changes in accounting policies.



2. ADDITIONAL INFORMATION**2.1. Intangible Fixed Assets (Intangible FA)**Cost

	(CZK '000)				
	Opening balance	Additions	Disposals	Transfers	Closing balance
Research and development	0	0	0	0	0
Valuable rights/software	12 646	748	0	0	13 394
Goodwill	0	0	0	0	0
Other intangible FA	1 056	0	0	0	1 056
Prepayments for intangible FA	0	0	0	0	0
Intangible FA under construction	0	5 017	4 990	0	27
Total in 2019	13 702	5 765	4 990	0	14 477
Total in 2018	13 193	9 558	9 049	0	13 702

Provisions and Accumulated Amortisation

	(CZK '000)			
	Opening balance	Additions	Disposals	Closing balance
Research and development	0	0	0	0
Valuable rights/software	6 147	3 868	0	10 015
Goodwill	0	0	0	0
Other intangible FA	275	155	0	430
Prepayments for intangible FA	0	0	0	0
Intangible FA under construction	0	0	0	0
Total in 2019	6 422	4 023	0	10 445
Total in 2018	2 632	3 790	0	6 422

2.2. Tangible Fixed Assets (Tangible FA)Cost

	(CZK '000)				
	Opening balance	Additions	Disposals	Transfers	Closing balance
Land	0	0	0	0	0
Buildings	482	0	0	0	482
Individual tangible movable assets and their sets	1 099 295	0	1 097 279	0	2 016
Valuation difference on acquired assets	0	0	0	0	0
Other tangible FA	0	0	0	0	0
Prepayments for tangible FA	28 539	343	0	0	28 882
Tangible FA under construction	2 935	212	596	0	2 551
Total in 2019	1 131 251	555	1 097 875	0	33 931
Total in 2018	1 132 236	26 729	27 715	0	1 131 250

Provisions and Accumulated Depreciation

	(CZK '000)			
	Opening balance	Additions	Disposals	Closing balance
Land	0	0	0	0
Buildings	40	10	0	50
Individual tangible movable assets and their sets	625 308	34 554	1	659 861
Valuation difference on acquired assets	659 861	-161 734	496 969	1 158
Other tangible FA	0	0	0	0
Prepayments for tangible FA	0	0	0	0
Tangible FA under construction	0	0	0	0
Total in 2019	659 901	-161 724	496 969	1 208
Total in 2018	625 339	34 563	1	659 901

2.3. Non-Current Financial Assets

2.3.1. Equity Investments – Controlled Entity

2019

						(CZK '000)	
Company name	Registered office	Ownership %	Share capital	Equity	Profit/loss	Net book value	
Leo Express Tenders s.r.o.	Prague 3 - Žižkov, Řehořova 908/4, 130 00	100 %	200	-1 464	-1704	0	
LEO EXPRESS POLSKA Sp. z o. o.	Warszawska 21, Katowice	100 %	328	-27 024	-17 636	0	
Leo Express Slovensko, s.r.o.	Wolkrova 37 Bratislava-Petržalka 851 01	100 %	127	25	1	25	
SmileCar a.s.	Prague 3 - Žižkov, Řehořova 908/4, 130 00	63,5 %	2 222	6 969	6 045	4 422	
LEO Express GmbH	Wonnichstr. 64, Berlin, Germany	100 %	635	-34 375	7 936	0	
Leo Connect GmbH	Wonnichstr. 64, Berlin, Germany	100 %	635	635	0	635	
Leo Express Transportation, Inc.	383 King Street APT 1211, San Francisco, CA, 94158, United States	100 %	3	-1 343	-339	0	
Leo Express s.r.o.	Řehořova 908/4, Prague 3	100 %	100	679 118	1 167	679 118	

2018

						(CZK '000)	
Company name	Registered office	Ownership %	Share capital	Equity	Profit/loss	Net book value	
LEO Express Tenders s.r.o.	Prague 3 - Žižkov, Řehořova 908/4, 130 00	100 %	200	240	-43	240	
LEO EXPRESS POLSKA Sp. z o. o.	Warszawska 21, Katowice	100 %	329	-9 404	-7 921	0	
Leo Express Slovensko, s.r.o.	Wolkrova 37 Bratislava-Petržalka 851 01	100 %	129	25	22	25	
SmileCar a.s.	Prague 3 - Žižkov, Řehořova 908/4, 130 00	70,5 %	2 000	-76	-2 232	0	
LEO Express GmbH	Wonnichstr. 64, Berlin, Germany	100 %	643	-42 836	-32 314	0	
Leo Express Transportation, Inc.	383 King Street APT 1211, San Francisco, CA, 94158, United States	100 %	3	-997	-342	0	
Leo Express s.r.o.	Řehořova 908/4, Prague 3	100 %	100	517 311	2 615	517 311	

2.4. Inventory

Leo Express Global a.s. records no inventory as of 31 December 2019.

2.5. Short-Term Receivables

Receivables past their due dates as of 31 December 2019 amount to CZK 25,822 thousand (as of 31 December 2018: CZK 42,034 thousand).

Receivables – controlled or controlling entity primarily include a loan of CZK 2,949 thousand (31 December 2018: CZK 4,528 thousand) of LEO Express GmbH, of LEO EXPRESS POLSKA Sp. z o. o. in the amount of CZK 7,833 thousand (31 December 2018: CZK 0), of SmileCar a.s. in the amount 5,040 thousand (31 December 2018: CZK 0), and of Leo Express s.r.o. in the amount of CZK 6,513 thousand (31 December 2018: CZK 1,642).

Aging of trade receivables

Year	Category	Before due date	Past due date					Total past due date	Total
			0 - 90	91 - 180	181 - 360	1 - 2	2 and		
			days	days	days	years	more years		
2019	Gross	15 466	9 870	1 918	1 214	10 211	2 609	25 822	41 288
	Provisions	0	0	0	0	0	0	0	0
	Net	15 466	9 870	1 918	1 214	10 211	2 609	25 822	41 288
2018	Gross	11 869	27 646	765	10 984	2 615	25	42 034	53 903
	Provisions	0	0	0	0	0	0	0	0
	Net	11 869	27 646	765	10 984	2 615	25	42 034	53 903

Provisioning movements can be analysed as follows:

	2019	2018
Opening balance at 1 January	0	0
Provisioning charge	0	0
Release	0	0
Closing balance at 31 December	0	0

2.5.1. Short-Term Intercompany ReceivablesShort-term trade receivables

Company name	(CZK '000)	
	Balance at 31 December 2019	Balance at 31 December 2018
AAKON Capital s.r.o.	370	1 802
Leo Express s.r.o.	13 769	10 086
LEO Express GmbH	17 637	37 350
LEO EXPRESS POLSKA SP. Z O. O.	4 630	66
Leo Express Tenders, s.r.o.	315	29
SmileCar a.s.	0	0
Total short-term intercompany receivables	36 721	49 333
<i>Other than intercompany receivables</i>	4 567	4 570
Total short-term receivables	41 288	53 903

2.6. Equity

The Company's equity includes share capital, contributions outside the Company's share capital (other capital funds), a reserve for cash flow hedges, profit/loss of prior periods and profit/loss of the current period.

The share capital is composed of 12,346,167 ordinary registered shares in certificate form in the nominal value of CZK 10, ISIN CZ0008209681.

2.7. Movements in Equity

Transfer of the loss of CZK 96,055 thousand incurred in 2018 to accumulated losses brought forward (loss of CZK 28,277 thousand in 2018).

Increase in capital funds of CZK 5,346 thousand (revaluation of derivatives); decrease of CZK 25,928 thousand in 2018.

Increase in capital funds of CZK 4,570 thousand (revaluation of investments); increase of CZK 9,244 thousand in 2018.

Decrease in capital funds of CZK 2,225 thousand due to the creation of a reserve fund for treasury shares.

2.8. Distribution of Profit or Settlement of Loss

The profit of 2019 of CZK 106,962 thousand will be allocated to accumulated losses brought forward.

2.9. Gains and Losses from the Revaluation of Assets and Liabilities

Movements on the 'Gains and losses from the revaluation of assets and liabilities' account:

	(CZK '000)
Balance at 1 Jan 2019	33 482
Settlement of derivatives hedging future cash flows	-4 570
Change in the valuation of an equity investment accounted for using the equity method of accounting	-5 346
Settlement of securities available for sale	0
Change of method in respect of deferred taxation	0
Balance at 31 Dec 2019	23 566

Gains and losses from the revaluation of assets and liabilities are composed of:

	(CZK '000)	
	31 December 2019	31 December 2018
Settlement of derivatives hedging future cash flows	0	-4 571
Change in the valuation of an equity investment accounted for using the equity method of accounting	-23 566	-28 911
Settlement of securities available for sale	0	0
Change of method in respect of deferred taxation	0	0
Total	-23 566	-33 482

2.10. Reserves

Other reserves

	(CZK '000)	
	Balance at 31 December 2019	Balance at 31 December 2018
Other reserves (reserve for unused vacation days)	1 046	674
Other reserves (legal disputes)	100	160
Other reserves (distributed credit)	0	0
Total other reserves	1 146	834

2.11. Long-Term Payables

Long-term payables include payables that are due in more than one year as of the balance sheet date.

Long-term payables due in more than five years as of 31 December 2019 amount to CZK 0 (as of 31 December 2018: CZK 0).

Long-term payables include bank loans described below.

Payables – Controlled or Controlling entity represents a received loan from the controlled company Leo Express s.r.o. in the amount of 0 ths. CZK (37 022 thousand CZK as of 31.12.2018) and further received loans from Ing. Leoš Novotný in the amount of 479 225 thous. (CZK 0 thousand in 2018). During 2019, Ing. Leoš Novotný was the majority

shareholder of the company and thus the reclassification of the loan to the controlled or controlling entity was compared to the year 2018, when the loans were on the item Other liabilities.

Other payables amount to CZK 0 thousand (CZK 334,940 thousand as of 31 December 2018) from related party Ing. Leoš Novotný and loans from ACEMA Credit Czech a.s. in the amount of 0 ths. (CZK 10,253 thousand as of 31 December 2018).

2.11.1. Collateralised or Otherwise Secured Long-Term Payables

Stadler Flirt train units are used as collateral for the loan from Credit Suisse for their acquisition.

2.12. Short-Term Payables

Payables past their due dates as of 31 December 2019 amount to CZK 9,741 thousand (as of 31 December 2018: CZK 72,826 thousand).

2.12.1. Short-Term Intercompany Payables

Short-Term Trade Payables

Company name	(CZK '000)	
	Balance at 31 December 2019	Balance at 31 December 2018
AAKON Capital s.r.o.	0	0
Aakon services s.r.o.	0	0
Leo Express s.r.o.	208	4
LEO Express GmbH	0	0
LEO EXPRESS POLSKA SP. Z O. O.	477	478
LEO Express Tenders, s.r.o.	0	400
SmileCar a.s.	0	3
Total short-term intercompany payables	685	885
<i>Other than intercompany payables</i>	12 294	82 502
Total short-term payables	12 979	83 387

2.13. Bank Loans

Long-term bank loans include:

Bank/creditor	Currency	(CZK '000)	
		Balance at 31 Dec 2018	Balance at Form of collateral 31 Dec 2017
CREDIT SUISSE AG)	CZK	0	305 001 Pledge of trains
NEY SD	CZK	0	0 Pledge of current account
UniCredit Leasing CZ, a.s.	CZK	0	148 -
Total		0	305 149

The portions of the above stated loans maturing within one year from the balance sheet date are reported as part of short-term bank loans on the face of the balance sheet.

In 2019, the company repaid a long-term loan from CREDIT SUISSE AG, thus the lien on the Stadler Flirt train units ceased to exist.



Short-term bank loans and financial borrowings include:

Bank/creditor	Currency	(CZK *000)		Form of collateral
		Balance at 31 Dec 2019	Balance at 31 Dec 2018	
CREDIT SUISSE AG	CZK	0	101 667	Pledge of trains
Loan ANO SD	CZK	28 000	28 000	Pledge of current account
UniCredit Leasing CZ, a.s.	CZK	148	213	
Total		28 148	129 880	

2.14. Derivative Financial Instruments

The cash flow hedging reserve is composed of the gains or losses on the revaluation of derivatives. The Group received a loan with a floating interest rate of PRIBOR 3M + 1.15%. Based on the overall interest rate risk management strategy, the Group requires the hedging of cash flow changes arising from interest rate risks that influence the amount of interest expenses. In line with these requirements the Group negotiated an interest rate swap with an annual fixed interest rate of 4.33% as part of which the Group is a payer of a fixed interest rate and a payee of a floating interest rate, thereby decreasing the risk of cash flow changes arising from interest payments. The Group does not hedge the interest margin above this rate as it is not affected by the interest rate risk. The Group classified the transaction as the hedging of future interest payments (cash flow hedging).

The positive and negative fair values of financial derivative instruments are reported within 'Other receivables' and 'Other payables', respectively.

The short-term portion of financial derivatives is reported as part of short-term receivables or payables, the long-term portion is included in long-term receivables or payables.

In 2019, the loan of CREDIT SUISSE AG was repaid and the settlement of the above swap was settled.

	At 31 December 2019		At 31 December 2018	
	Positive fair value	Negative fair value	Positive f air value	Negative fair value
Derivatives designated as cash flow hedges – short-term portion		0		2 640
Derivatives designated as cash flow hedges – long-term portion		0		1 931
Total		0		4 571

2.15. Deferred Income Taxation

Leo Express Global a.s. records a deferred tax asset but does not account for it on the grounds of prudence.



2.16. Income from Ordinary Activities

(CZK '000)

	Year ended 31 December 2019			Year ended 31 December 2018		
	In- country	Cross- border	Total	In- country	Cross- border	Total
Sales of goods	0	0	0	10	0	10
Sales of goods (catering)	0	0	0	0	0	0
Total sales of goods	0	0	0	10	0	10
Advertising	30 960	1 912	32 872	2 560	1 887	4 447
Lease of trains	40 989	0	40 989	32 370	0	32 370
Travel fare	0	0	0	0	0	0
Total sales of own products and services	71 949	1 912	73 861	34 930	1 887	36 817

2.17. Consumed Purchases

(CZK '000)

	Year ended 31 December 2019	Year ended 31 December 2018
Consumed material	665	477
Consumed energy	180	810
Consumption of other non-storable supplies	0	0
Total consumed purchases	845	1 287

2.18. Services

(CZK '000)

	Year ended 31 December 2019	Year ended 31 December 2018
Repairs and maintenance	627	-2 336
Travel expenses	1 986	2 346
Representation costs	48	29
Telephone and data services	428	207
Low value intangible assets put to use	12	5
Rental	1 678	1 845
Leases	227	136
Total other services	15 059	18 975
Fee for the use of infrastructure	0	372
Coach lines	0	0
Marketing	5 096	3 579
Interior and exterior cleaning	179	174
Advisory	4 530	10 221
Catering	0	4
Other services	5 254	4 625
Total	20 065	21 207

2.19. Employees, Management and Statutory Bodies

The average recalculated headcount for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2018	2017
Managers	9	9
Other employees	31	27
Total	40	36

Total payroll costs in the year ended 31 December 2019 amounted to CZK 23,831 thousand (2018: CZK 18,895 thousand).

2.20. Other Operating Income and Expenses

2.20.1. Sundry Operating Income

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Contractual penalties and default interest	21	762
Income from assigned receivables	145	-5 542
Income from the sale of a part of business	562 597	8
Other operating income	13 210	4 014
Total	575 973	-758

Proceeds from the sale of assets are attributable to the sale of train units to Raiffeisen - Leasing, s.r.o.



2.20.2. Sundry Operating Expenses

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Sale of business part	0	1
Gifts	0	0
Contractual penalties and default interest	965	568
Other penalties and fines	43	16
Insurance	491	473
Other operating expenses	1 169	2 007
Total	2 668	3 065

2.20.3. Other Interest Income and Similar Income

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Interest on loans	524	974
Interest on current bank accounts	0	0
Total	524	974

2.21. Interest Expenses and Similar Expenses

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Interest expenses with related parties	2 843	141
Other interest expenses	35 952	35 645
Total	38 795	35 786

2.22. Other Financial Income

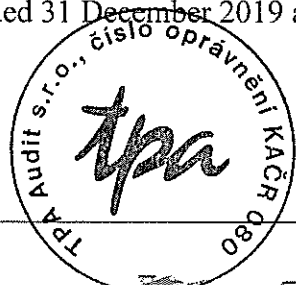
	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Foreign exchange rate gains	488	1 605
Total	488	1 605

2.23. Other Financial Expenses

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Foreign exchange rate losses	939	4 326
Expenses arising from financial assets	3 607	0
Banking fees	70	164
Other financial expenses	1 785	2 045
Total	6 401	6 535

2.24. Fee to the Auditors

The fee paid to TPA Audit s.r.o. for the obligatory audit of the annual financial statements for the year ended 31 December 2019 amounted to CZK 592 thousand.



2.25. Post Balance Sheet Events

At the time of preparation of these financial statements, various measures are being implemented in the Czech Republic and worldwide in connection with the fight against the spread of the viral disease COVID-19 caused by SARS-CoV-2. These measures may also have a direct or indirect impact on the Company's future economic situation and the related valuation of assets and liabilities. At the time of government measures to limit the spread of the virus, the company was forced to temporarily suspend all international connections and also to reduce most domestic connections due to significantly lower demand. Revenues of subsidiaries and especially of Leo Express s.r.o. are only a fraction of the standard returns in this period. As it is currently not possible to estimate what measures will be in place and for how long they will be effective, concrete impacts cannot currently be reliably identified. Nevertheless, based on an evaluation of all currently available information, management of the Company considers that the going concern assumption is not immediately endangered and therefore the use of this assumption in the preparation of the financial statements remains appropriate. All relevant information currently available regarding our assessment of the potential impact of the above measures has been disclosed in the financial statements.

In Prague on 21st April 2020



Ing. Leoš Novotný
Chairman of the Board of Directors of Leo Express Global a.s.



3. FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

from 1.1.2019 to 31.12.2019

Leo Express Global a.s.

Date 21.4.2020



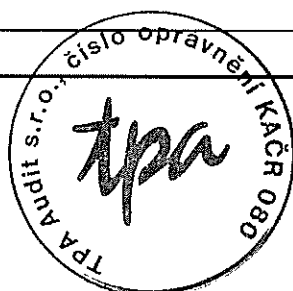
Statutory body

Ing. Leoš Novotný

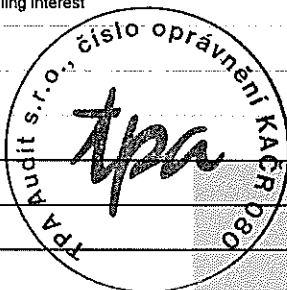
Row	Gross	Current period Adjustments	Net	Previous period Net
TOTAL ASSETS	816 642	-11 653	804 989	1 074 925
B. Non-current assets	732 609	-11 653	720 956	996 205
I. Intangible assets	14 477	-10 445	4 032	7 280
2 Valuable rights	13 394	-10 015	3 379	6 499
1 Software	13 394	-10 015	3 379	6 499
4 Other intangible assets	1 056	-430	626	781
5 Advance payments for intangible assets and intangible assets in progress	27	0	27	0
2 Intangible assets in progress	27		27	0
II. Tangible assets	33 931	-1 208	32 723	471 349
1 Lands and buildings, halls and structures	482	-50	432	442
2 Buildings, halls and structures	482	-50	432	442
2 Property, plant and equipment	2 016	-1 158	858	439 434
5 Advance payments for tangible assets and tangible assets in progress	31 433	0	31 433	31 473
1 Advance payments for tangible assets	28 882		28 882	28 539
2 Tangible assets in progress	2 551		2 551	2 934
III. Investments	684 201	0	684 201	517 576
1 Investments - controlling interest	684 201		684 201	517 576
C. Current assets	81 120	0	81 120	68 648
II. Receivables	77 903	0	77 903	65 589
2 Current receivables	77 903	0	77 903	65 589
1 Trade receivables	41 288		41 288	53 903
2 Receivables from related parties - controlling interest	24 798		24 798	7 182
4 Receivables - other	11 817	0	11 817	4 504
3 Tax receivables	45		45	2 597
4 Advance payments	4 016		4 016	1 347
6 Other receivables	7 756		7 756	560
III. Financial assets	2 225	0	2 225	0
2 Other short-term financial assets	2 225		2 225	0
IV. Cash and Cash equivalents	992	0	992	3 059
2 Cash at bank	992		992	3 059
D. Accruals and deferrals	2 913	0	2 913	10 072
1 Deferred expenses	124		124	3 794
3 Accrued income	2 789		2 789	6 278



Row	Current period	Previous period
TOTAL EQUITY and LIABILITIES	804 989	1 074 925
A. Equity	264 607	147 728
I. Registered capital	123 462	123 462
1 Registered capital	123 462	123 462
II. Share premium and reserves	688 646	680 954
1 Share premium	16 310	16 310
2 Reserves	672 336	664 644
1 Other reserves	695 902	698 126
2 Difference from revaluation of assets and liabilities (+/-)	-23 566	-33 482
III. Reserves from profit	2 225	0
1 Other legal reserves	2 225	0
IV. Retained earnings (+/-)	-656 688	-560 633
1 Accumulated profits or accumulated losses from previous years (+/-)	-656 688	-560 633
V. Profit / Loss for the current accounting period (+/-)	106 962	-96 055
B. + C. Liabilities	540 229	926 096
B. Provisions	1 146	834
4 Other provisions	1 146	834
C. Liabilities	539 083	925 262
I. Non-current liabilities	479 225	689 295
2 Payables to credit institutions	0	305 149
6 Payables to related parties - controlling interest	479 225	37 022
9 Payables - other	0	347 124
3 Other liabilities	0	347 124
II. Current liabilities	59 858	235 967
2 Payables to credit institutions	28 148	129 880
4 Trade payables	12 979	83 387
6 Payables to related parties - controlling interest	4 700	0
8 Payables - other	14 031	22 700
3 Payables to employees	1 890	1 471
4 Payables to social security	866	720
5 Tax payables and subsidies	127	523
6 Estimated payables	625	2 097
7 Other liabilities	10 523	17 889
D. Accruals and deferrals	153	1 101
1 Accrued expenses	153	1 101



Row	Current period	Previous period
I. Sales of own products and services	73 861	36 817
II. Sales of goods	0	10
A. Production consumed	20 910	22 494
2 Materials and energy	845	1 287
3 Services	20 065	21 207
D. Personnel costs	31 017	24 485
1 Wages and salaries	23 832	18 895
2 Social security and other expenses	7 185	5 590
1 Social security	7 185	5 590
E. Adjustments in operating segment	-409 257	38 352
1 Adjustments of non-current tangible and intangible assets	-409 257	38 352
1 Adjustments of non-current tangible and intangible assets - depreciation	29 095	38 352
2 Adjustments of non-current tangible and intangible assets - allowance	-438 352	0
III. Other operating revenues	575 973	-758
1 Sales of non-current assets	562 597	8
3 Different operating revenues	13 376	-766
F. Other operating expenses	856 145	7 051
1 Net book value of sold non-current assets	851 865	1
3 Taxes and fees from operating activity	1 300	4 333
4 Provisions and accruals	312	-348
5 Different operating expenses	2 668	3 065
* Operating profit/loss (+/-)	151 019	-56 313
IV. Revenues from investments - ownership interests	127	0
2 Other revenues from securities and interests	127	0
VI. Interest revenues and similar revenues	524	974
1 Interest revenues and similar revenues - controlling interest	524	974
J. Interest expenses and similar expenses	38 795	35 786
1 Interest expenses and similar expenses - controlling interest	25 659	141
2 Other interest expenses and similar expenses	13 136	35 645
VII. Other financial revenues	488	1 605
K. Other financial expenses	6 401	6 535
* Financial profit/loss (+/-)	-44 057	-39 742
** Profit/loss before tax (+/-)	106 962	-96 055
** Profit/loss after tax (+/-)	106 962	-96 055
* Net turnover for the accounting period = I.+ II.+ III.+ IV.+ V.+ VI.+ VII.	650 973	38 648



Row	Current period	Previous period
P. Cash and cash equivalents at the beginning of the period	3 059	2 206
Z. Accounting profit or loss before tax	106 962	-96 055
A.1. Non-cash transactions	-84 042	70 583
A.1.1. Depreciation of fixed assets (+) with exception of disposed non-current assets and amortization of revaluation difference on acquired assets and goodwill (+)	29 095	38 352
A.1.2. Change in adjustments to assets and in provisions	-438 040	-348
A.1.2.1. Change in adjustments to assets	-438 352	-348
A.1.2.2. Change in provisions	312	0
A.1.3. Profit/(loss) on sale of fixed assets (-/+)	289 268	-7
A.1.5. Interest payable (+) with exception of capitalised interest and interest receivable (-)	38 271	15 902
A.1.5.1. Interest payable	38 795	15 902
A.1.5.2. Interest receivable	-524	0
A.1.6. Other non-monetary transactions	-2 636	16 684
A.* Net cash flow from operating activities before taxation and changes of working capital	22 920	-25 472
A.2. Change of non-monetary items of working capital	-185 714	-10 697
A.2.1. (Increase) / decrease in current receivables (+/-), deferred assets and estimated receivables	-9 118	55 481
A.2.2. Increase / (decrease) in current payables (+/-), deferred liabilities and estimated payables	-174 371	-66 178
A.2.4. (Increase) / decrease in short-term financial assets excluded from cash and cash equivalents	-2 225	0
A.** Net cash flow from operating activities before taxes	-162 794	-36 169
A.3. Interests paid excluding capitalised interests (-)	-16 026	-15 902
A.*** Net cash flow from operating activity	-178 820	-52 071
B.1. Purchases of fixed assets	-1 330	-10 207
B.2. Proceeds from sales of fixed assets	350 000	8
B.3. Borrowings to related parties	0	-5 821
B.*** Net cash flow from investment activity	348 670	-16 020
C.1. Impact from changes in non-current, or current payables	-181 834	68 944
C.2. Impact from changes in equity on cash and cash equivalents	9 917	0
C.2.1. Increase of cash and cash equivalents by increase of share capital, share premiums, or legal reserves including advance payments for this increases (+)	9 917	0
C.*** Net cash flow from financial activity	-171 917	68 944
F. Net increase or decrease of cash and cash equivalents	-2 067	853
D. Difference D=P+F-R	0	0
R. Cash and cash equivalents at the end of the period	992	3 059



Leo Express Global a.s.

Reg.No: 29016002
Praha 3 - Žižkov, Řehořova 908/4

STATEMENT
OF MOVEMENTS IN EQUITY

from 1.1.2019 to 31.12.2019
in Tsd. CZK

	Issued / Registered capital and treasury shares	Share premium	Reserves from business transformation, revaluation and recalculation	Other reserves	Legal reserves	Other reserves from profit	Accumulated profits/losses	Total
Balance as at 31.12.2017	123 462	16 310	-16 798	698 126	0	0	-532 356	288 744
Transactions with shareholders	0	0	0	0	0	0	-28 277	-28 277
Profit / Loss - current period							-28 277	-28 277
Net unrealised gains (losses) total, not recognised in the income statements	0	0	-16 684	0	0	0	-96 055	-112 739
Revaluation of financial investments			9 244					9 244
Revaluation of derivatives			-25 928					-25 928
Reclassifications and transfers							-96 055	-96 055
Balance as at 31.12.2018	123 462	16 310	-33 482	698 126	0	0	-656 688	147 728
Transactions with shareholders	0	0	0	-2 225	2 225	0	106 962	106 962
Changes in treasury shares				-2 225	2 225			0
Profit / Loss - current period							106 962	106 962
Net unrealised gains (losses) total, not recognised in the income statements	0	0	9 916	1	0	0	0	9 917
Revaluation of financial investments			5 346					5 346
Revaluation of derivatives			4 570					4 570
Other				1				1
Balance as at 31.12.2019	123 462	16 310	-23 566	695 902	2 225	0	-549 726	264 607



4. INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

Leo Express Global a.s.

Accounting period
from 1.1.2019 to 31.12.2019

Identification of the Accounting Unit

Company: **Leo Express Global a.s.**
Identification No.: 290 16 002
Registered Office: Řehořova 908/4, 130 00 Praha 3
Legal Form: Joint Stock Company
File Number: B 15847, Trade Register Court Prague

The auditor's report is determined for shareholders of the company

Auditor's Opinion

We have audited the accompanying the financial statements of the company Leo Express Global a.s. prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise of the balance sheet as of 31.12.2019, and the income statement, statement of changes in equity and statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company Leo Express Global a.s. see Note 1 to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the company Leo Express Global a.s. as of 31.12.2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted 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 clauses. 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.

Emphasis of Matter

We draw attention to point 1.1. in the Notes to the financial statements where management of the Company describes the impacts of COVID-19 pandemic. Our opinion is not qualified in respect of this matter.

Other Information

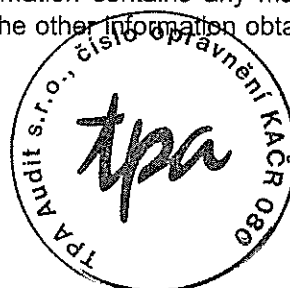
In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of 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.



Responsibility of 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 principles generally accepted in the Czech Republic and for such internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 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 Responsibility 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:

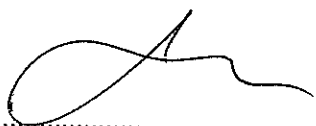
- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 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 financial statements, including the disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and 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 Prague, on 21.4.2020



Auditor:

Ing. Radek Stein

Certificate No. 2193 KAČR



TPA Audit s.r.o.

Antala Staška 2027/79, Praha 4

Certificate No. 080 KAČR