



ANNUAL REPORT

2018

- **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 2018

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 2018	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 2018 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
3.	OTHER.....	7

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1.	ACCOUNTING PRINCIPLES AND POLICIES	10
1.1.	GOING CONCERN ASSUMPTION	10
1.2.	ACTIVITIES OF THE COMPANY	10
1.3.	TANGIBLE FIXED ASSETS	11
1.4.	INTANGIBLE FIXED ASSETS	11
1.5.	NON-CURRENT FINANCIAL ASSETS.....	12
1.6.	DERIVATIVE FINANCIAL TRANSACTIONS.....	13
1.7.	RECEIVABLES	14
1.8.	PAYABLES	15
1.9.	LOANS	15
1.10.	RESERVES.....	15
1.11.	FOREIGN CURRENCY TRANSLATION	15
1.12.	FINANCE LEASES	15
1.13.	TAXATION	16
1.13.1.	Current Tax Payable.....	16
1.13.2.	Deferred Tax.....	16
1.14.	IMPAIRMENT.....	16
1.15.	BORROWING COSTS.....	16
1.16.	REVENUE RECOGNITION	17
1.17.	USE OF ESTIMATES	17
1.18.	CASH FLOW STATEMENT.....	17
1.19.	CHANGES IN ACCOUNTING POLICIES	17
2.	ADDITIONAL INFORMATION	18
2.1.	INTANGIBLE FIXED ASSETS (INTANGIBLE FA)	18
2.2.	TANGIBLE FIXED ASSETS (TANGIBLE FA).....	19
2.3.	NON-CURRENT FINANCIAL ASSETS.....	19
2.3.1.	Equity Investments – Controlled Entity.....	19
2.4.	INVENTORY	20
2.5.	SHORT-TERM RECEIVABLES	20
2.5.1.	Short-Term Intercompany Receivables	21
2.6.	EQUITY	21

2.7.	MOVEMENTS IN EQUITY	21
2.8.	DISTRIBUTION OF PROFIT OR SETTLEMENT OF LOSS.....	21
2.9.	GAINS AND LOSSES FROM THE REVALUATION OF ASSETS AND LIABILITIES	21
2.10.	RESERVES.....	22
2.11.	LONG-TERM PAYABLES.....	22
2.11.1.	<i>Collateralised or Otherwise Secured Long-Term Payables.....</i>	22
2.12.	SHORT-TERM PAYABLES	22
2.12.1.	<i>Short-Term Intercompany Payables</i>	23
2.13.	BANK LOANS.....	23
2.14.	DERIVATIVE FINANCIAL INSTRUMENTS.....	23
2.15.	DEFERRED INCOME TAXATION	24
2.16.	INCOME FROM ORDINARY ACTIVITIES.....	24
2.17.	CONSUMED PURCHASES	24
2.18.	SERVICES.....	24
2.19.	EMPLOYEES, MANAGEMENT AND STATUTORY BODIES	25
2.20.	OTHER OPERATING INCOME AND EXPENSES	25
2.20.1.	<i>Sundry Operating Income</i>	25
2.20.2.	<i>Sundry Operating Expenses</i>	25
2.20.3.	<i>Other Interest Income and Similar Income</i>	26
2.21.	INTEREST EXPENSES AND SIMILAR EXPENSES	26
2.22.	OTHER FINANCIAL INCOME	26
2.23.	OTHER FINANCIAL EXPENSES	26
2.24.	FEE TO THE AUDITORS.....	26
2.25.	POST BALANCE SHEET EVENTS	26
3.	FINANCIAL STATEMENTS.....	27
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. Railway transport is run by five STADLER Flirt low-floor through-train units. Each unit has a capacity of 229 seats divided into three classes of travel. 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 seven European countries – the Czech Republic, Slovakia, Poland, Germany, Austria, Hungary 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 legal, financial, administrative, marketing, IT and maintenance issues. In addition, the Company leases Stadler Flirt trainsets to subsidiary Leo Express s.r.o.

As of 31 December 2018, a majority equity investment (less than 77%) in Leo Express Global a.s. was owned by Leoš Novotný through LEO Express NV, the remaining equity investment was owned by Martin Burda, Peter Köhler and other minority shareholders, predominantly within the management.

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

On 1 January 2018, the Company changed its name to Leo Express Global a.s. Another event was the issuance of 123,467 thousand new shares, the share capital thus increased to CZK 123,462 thousand and the share premium to CZK 16,310 thousand.

As of 21 March 2018, proxies were removed from the Register of Companies, specifically, Messrs Robin Švaříček and Radek Máca.

As of 30 December 2018, the membership of Michal Miklenda in the Board of Directors expired. This fact was recorded in the Register of Companies on 8 February 2019.

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

	Position	Name
Board of Directors	Chairman	Leoš Novotný
	Vice-chairman	Peter Köhler
Supervisory Board	Member	Hana Továrková
	Member	Haydn Turner Abbott
	Member	Richard Tolmach
	Member	Josef Němeček

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.

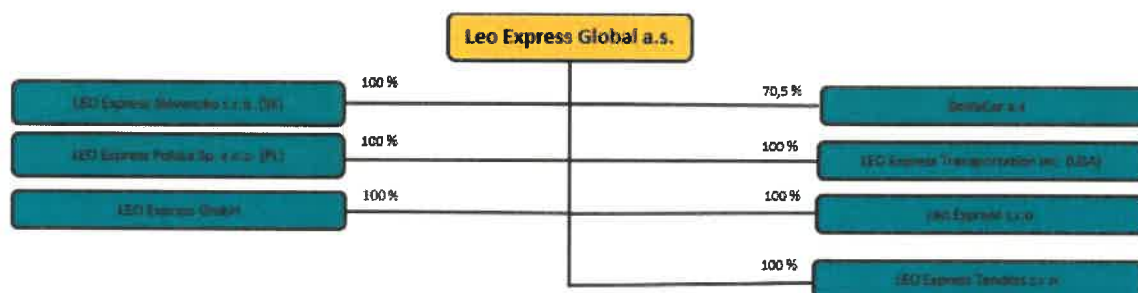
2. REPORT ON RELATED PARTY TRANSACTIONS FOR 2018

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 Mr Leoš Novotný, a natural person, date of birth 8 March 1985, residence at Řehořova 1025/18, 130 00 Praha 3 as the controlling entity (hereinafter referred to as the "Controlling Entity"), and other entities controlled by the same entity (hereinafter referred to as "Related Parties") for the year ended 31 December 2018.

2.1. Persons forming a business group – structure of relationship

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

The direct ownership structure as of 31 December 2018 was as follows:



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

The role of the Company is to operate passenger transportation and provide services associated with passenger transportation together with an effort to appreciate invested resources. The Controlling Entity exercises an indirect control over the Company's management and decision-making through the majority and minority shareholders of the Company and has a direct influence through the position of Chairman of the Board of Directors.

2.3. Overview of actions made in 2018 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

In the year ended 31 December 2018, no actions were made at the instigation or in the interest of the Controlling Entity concerning assets exceeding 10% of equity of the Company, except for the transactions listed in the below list of contracts.

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

As of 31 December 2018, the following agreements concluded with the Controlling Entity or related parties were effective:

Related party	Category	Contract
Leoš Novotný	Person close to the Controlling Entity	Guarantee provision
Leoš Novotný	Person close to the Controlling Entity	Provision of a borrowing to Leo Express Global a.s.
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 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
LEO Express Polska Sp. z o.o.	Subsidiary	Agreement on cooperation
LEO Express GmbH	Subsidiary	Agreement on provision of a borrowing
LEO Express NV	Controlling Entity	Borrowing agreement
Leo Express s.r.o.	Subsidiary	Agreement on lease of rail vehicles
Leo Express s.r.o.	Subsidiary	Borrowing agreement

Trade relations during 2018 were governed under the terms of the contracts signed or single orders. Contracts concluded in 2018 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.

This report was prepared on 29 March 2019.

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

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.

Environmental Protection

The Company strictly complies with all legal requirements relating to environmental protection. Rolling stock ordered by the Company meets the latest environmental and noise standards according to TSI. The STADLER Flirt units allow for energy recovery and the use of non-spillage technology of operating fluids and vacuum toilets. In the area of railway vehicle maintenance the Company applies the strictest standards for waste management.

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.

Organisational Branch Abroad

The Company has no organisational branch abroad.

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.

Acquisition of Treasury Shares

As of the balance sheet date, the Company holds its treasury shares of 0.2%.

Post Balance Sheet Date Events

No events occurred subsequent to the balance sheet date that would have a material impact on the Company.

In Prague on 25 July 2019

Peter Köhler

Vice-Chairman of the Board of Directors of Leo Express Global a.s.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



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 2018, for the year ended 31 December 2018.

The financial statements were prepared on 25 July 2019.

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

1.1. Going Concern Assumption

Leo Express Global a.s. reported equity of CZK 147,728 thousand as of 31 December 2018, an operating loss for 2018 of CZK 56,313 thousand, a net loss for 2018 of CZK 96,055 thousand and a loss before interest, tax, depreciation and amortisation of CZK 17,661 thousand. The Company did not report any significant overdue payables.

Management of the Company expects to act in line with the business plan for 2019 for Leo Express Global a.s. and the newly established entity Leo Express s.r.o. (turnover of CZK 488 million, EBITDA of CZK 137 million), which includes a series of actions and steps expected to lead to an improvement of the financial situation in the following period. The Company's management believes that these plans are realistic.

In the year ended 31 December 2018, the Company did not comply with certain covenants for drawing the bank loan provided by Credit Suisse. The funding of the Company was supported by the Company's shareholders in 2018. On 28 June 2019, the majority shareholder confirmed in writing that as and when necessary, he will undertake maximum efforts, including financial support, to ensure that the Company continues to operate as a going concern and that all of its payables are settled.

As a result, the Company prepared the separate financial statements using the going concern assumption.

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	10-15 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	2
Other intangible fixed assets	Straight-line	3 - 4 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 2018	31 December 2017
Cash on hand and cash in transit	0	0
Cash at bank	3 059	2 206
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	3 059	2 206

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 2018, 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	6 516	6 130	0	0	12 646
Goodwill	0	0	0	0	0
Other intangible FA	568	488	0	0	1 056
Prepayments for intangible FA	150	-150	0	0	0
Intangible FA under construction	5 959	3 090	9 049	0	0
Total in 2018	13 193	9 558	9 049	0	13 702
Total in 2017	7 256	7 580	1 643	0	13 193

Provisions and Accumulated Amortisation

					(CZK '000)
	Opening balance	Additions	Disposals		Closing balance
Research and development	0	0	0		0
Valuable rights/software	2 491	3 656	0		6 147
Goodwill	0	0	0		0
Other intangible FA	141	134	0		275
Prepayments for intangible FA	0	0	0		0
Intangible FA under construction	0	0	0		0
Total in 2018	2 632	3 790	0		6 422
Total in 2017	545	2087			2 632

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	1 076 864	22 432	1	0	1 099 295
Valuation difference on acquired assets	0	0	0	0	0
Other tangible FA	0	0	0	0	0
Prepayments for tangible FA	32 620	1 200	5 281	0	28 539
Tangible FA under construction	22 270	3 097	22 433	0	2 934
Total in 2018	1 132 236	26 729	27 715	0	1 131 250
Total in 2017	1 072 366	149 595	89 725	0	1 132 236

Provisions and Accumulated Depreciation

	(CZK '000)			
	Opening balance	Additions	Disposals	Closing balance
Land	0	0	0	0
Buildings	31	9	0	40
Individual tangible movable assets and their sets	625 308	34 554	1	659 861
Valuation difference on acquired assets	0	0	0	0
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 2018	625 339	34 563	1	659 901
Total in 2017	149 474	475 865		625 339

During 2017, impairment of five Stadler train units was recognised in the amount of CZK 438,351 thousand to the net book value as of 31 December 2017 in the amount of CZK 413,257 thousand. These assets were decreased in 2018 by the depreciation charge for the reporting period of CZK 16,829 thousand and increased by additions of CZK 17,910 thousand.

2.3. Non-Current Financial Assets**2.3.1. Equity Investments – Controlled Entity**2018

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

2017

(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	282	319	282
LEO Express Polska Sp. z o. o.	Warszawska 21, Katowice	100 %	336	-1 516	-1 112	0
LEO Express Slovensko, s.r.o.	Wolkrova 37 Bratislava-Petržalka 851 01	100 %	128	3	-43	3
SmileCar a.s.	Prague 3 - Žižkov, Řehořova 908/4, 130 00	70.5 %	2 000	-1 804	-3 650	0
Leo Express GmbH	Wonnichstr. 64, Berlin, Germany	100 %	705	-36 804	-37 345	0
Leo Express Transportation, Inc.	383 King Street APT 1211, San Francisco, CA, 94158, United States	100 %	3	-621	10 577	0
Leo Express s.r.o.	Řehořova 908/4, Prague 3	100 %	100	514 696	0	514 696

2.4. Inventory

Leo Express Global a.s. records no inventory as of 31 December 2018.

2.5. Short-Term Receivables

Receivables past their due dates as of 31 December 2018 amount to CZK 42,034 thousand (as of 31 December 2017: CZK 14,243 thousand).

Receivables – controlled or controlling entity primarily include a loan of CZK 4,528 thousand (31 December 2017: CZK 29,519 thousand) of Leo Express GmbH and of Leo Express NV in the amount of CZK 1,642 thousand (31 December 2017: CZK 0). These receivables decreased year-on-year due to the capitalisation of the loan of Leo Express GmbH in the amount of CZK 26,563 thousand. This capitalisation increased the equity investment of the Company in LEO Express GmbH.

Aging of trade receivables

(CZK '000)								
Year	Category	Before due date	Past due date					Total past due date
			0 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 and more years	
2018	Gross	11 869	27 646	765	10 984	2 615	25	42 034
	Provisions	0	0	0	0	0	0	0
	Net	11 869	27 646	765	10 984	2 615	25	42 034
2017	Gross	8 011	14 124	0	94	24	0	14 243
	Provisions	0	0	0	0	0	0	0
	Net	8 011	14 124	0	94	24	0	14 243

Provisioning movements can be analysed as follows:

		(CZK '000)	
		2018	2017
Opening balance at 1 January		0	102
Provisioning charge		0	0
Release		0	102
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 2018	Balance at 31 December 2017
AAKON Capital s.r.o.	1 802	1638
Leo Express s.r.o.	10 086	0
LEO Express GmbH	37 350	20 024
LEO EXPRESS POLSKA SP. Z O. O.	66	67
LEO Express Tenders, s.r.o.	29	0
SmileCar a.s.	0	48
Total short-term intercompany receivables	49 333	21 777
<i>Other than intercompany receivables</i>	4 570	477
Total short-term receivables	53 903	22 254

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

During the year ended 31 December 2018, changes in equity were as follows:

Transfer of the loss of CZK 28,277 thousand incurred in 2017 to accumulated losses brought forward (loss of CZK 75,347 thousand in 2017).

Decrease in capital funds of CZK 25,928 thousand (revaluation of derivatives); increase of CZK 21,255 thousand in 2017.

Increase in capital funds of CZK 9,244 thousand (revaluation of investments); decrease of CZK 1,801 thousand in 2017.

2.8. Distribution of Profit or Settlement of Loss

The loss of 2018 of CZK 96,055 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 2018	16 798
Settlement of derivatives hedging future cash flows	-9 244
Change in the valuation of an equity investment accounted for using the equity method of accounting	25 927
Settlement of securities available for sale	0
Change of method in respect of deferred taxation	0
Balance at 31 Dec 2018	33 481

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

	(CZK '000)	
	31 December 2018	31 December 2017
Settlement of derivatives hedging future cash flows	-4 570	-13 814
Change in the valuation of an equity investment accounted for using the equity method of accounting	-28 911	-2 984
Settlement of securities available for sale	0	0
Change of method in respect of deferred taxation	0	0
Total	-33 481	-16 798

2.10. Reserves

Other reserves

	(CZK '000)	
	Balance at 31 December 2018	Balance at 31 December 2017
Other reserves (reserve for unused vacation days)	674	995
Other reserves (legal disputes)	160	187
Other reserves (distributed credit)	0	0
Total other reserves	834	1 182

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 2018 amount to CZK 0 (as of 31 December 2017: CZK 0).

Long-term payables include bank loans described below.

Payables – Controlled or Controlling Entity include a received borrowing from the controlled entity Leo Express s.r.o. of CZK 37,022 thousand (as of 31 December 2017: CZK 0).

Other payables predominantly include loans of CZK 334,940 thousand (as of 31 December 2017: CZK 198,680 thousand) from related party Leoš Novotný and loans from ACEMA Credit Czech a.s. of CZK 10,253 thousand (as of 31 December 2017: CZK 0).

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 2018 amount to CZK 72,826 thousand (as of 31 December 2017: CZK 17,567 thousand). Most payables are to the repairer of the 005 train unit, crashed on 5 June 2017 in Přerov, when insurance benefits were not paid as of 31 December 2018. Other payables primarily include the loan from Leoš Novotný Sr. of CZK 4,100 thousand (as of 31 December 2017: CZK 0), loan from Martin Burda of CZK 5,000 thousand (as of 31 December 2017: CZK 0) and loan from TRONOS of CZK 5,236 thousand (as of 31 December 2017: CZK 0).

2.12.1. Short-Term Intercompany PayablesShort-Term Trade Payables

Company name	(CZK '000)	
	Balance at 31 December 2018	Balance at 31 December 2017
AAKON Capital s.r.o.	0	242
Aakon services s.r.o.	0	248
Leo Express s.r.o.	4	0
LEO Express GmbH	0	0
LEO EXPRESS POLSKA SP. Z O. O.	478	0
LEO Express Tenders, s.r.o.	400	431
SmileCar a.s.	3	0
Total short-term intercompany payables	885	921
<i>Other than intercompany payables</i>	82 502	36 401
Total short-term payables	83 387	37 322

2.13. Bank LoansLong-term bank loans include:

Bank/creditor	Currency	(CZK '000)	
		Balance at 31 Dec 2018	Balance at 31 Dec 2017
CREDIT SUISSE AG)	CZK	-305 001	-406 669
NEY SD	CZK	0	-28 000
UniCredit Leasing CZ, a.s.	CZK	-148	-361 -
Total		-305 149	-435 030

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.

Short-term bank loans and financial borrowings include:

Bank/creditor	Currency	(CZK '000)	
		Balance at 31 Dec 2018	Balance at 31 Dec 2017
CREDIT SUISSE AG	CZK	-101 667	-101 667
Loan ANO SD	CZK	-28 000	0
UniCredit Leasing CZ, a.s.	CZK	-213	-203
Total		-129 880	-101 870

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.

	At 31 December 2018	At 31 December 2017		
	Positive fair value	Negative fair value	Positive f air value	Negative fair value
Derivatives designated as cash flow hedges – short-term portion		2 640		7 317
Derivatives designated as cash flow hedges – long-term portion		1 931		6 497
Total		4 571		13 814

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 2018			Year ended 31 December 2017		
	In- country	Cross- border	Total	In- country	Cross- border	Total
Sales of goods	10	0	10	178	0	178
Sales of goods (catering)	0	0	0	2	0	2
Total sales of goods	10	0	10	180	0	180
Advertising	2 560	1 887	4 447	15 508	0	15 508
Lease of trains	32 370	0	32 370	0	0	0
Travel fare	0	0	0	226 221	74 215	300 436
Total sales of own products and services	34 930	1 887	36 817	241 729	74 215	315 944

2.17. Consumed Purchases

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Consumed material	477	24 358
Consumed energy	810	24 477
Consumption of other non-storable supplies	0	0
Total consumed purchases	1 287	48 835

2.18. Services

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Repairs and maintenance	-2 336	101 819
Travel expenses	2 346	7 319
Representation costs	29	199
Telephone and data services	207	8 081
Low value intangible assets put to use	5	469
Rental	1 845	9 273
Leases	136	0
Total other services	18 975	204 315
Fee for the use of infrastructure	372	45 618
Coach lines	0	102 632
Marketing	3 579	16 728
Interior and exterior cleaning	174	6 334
Advisory	10 221	8 704
Catering	4	8 846
Other services	4 625	15 453
Total	21 207	331 475

Years 2017 and 2018 are not comparable due to the spin-off of operating activities from Leo Express Global a.s. through the sale of part of the business of Leo Express Global a.s. to a newly formed company Leo Express s.r.o as of 31 December 2017. For this reason, both costs and income are much lower in 2018.

2.19. Employees, Management and Statutory Bodies

The average recalculated headcount for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018	2017
Managers	9	7
Other employees	27	178
Total	36	185

Total payroll costs in the year ended 31 December 2018 amounted to CZK 18,895 thousand (2017: CZK 74,743 thousand).

Leo Express Global a.s. did not provide any bonuses, advances, prepayments, loans or borrowings to members of statutory, supervisory or administrative bodies.

2.20. Other Operating Income and Expenses

2.20.1. Sundry Operating Income

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Contractual penalties and default interest	762	70
Compensation from the Ministry of Transport	0	20 755
Received insurance benefits	-5 542	78 090
Income from the sale of a part of business	8	514 596
Other operating income	4 014	4 577
Total	-758	618 088

Received insurance benefits are in the negative amount due to the release of an estimate recognised for received insurance benefits relating to the train accident in Přerov in 2017. It is an amount of CZK 5,619 thousand for unreceived anticipated insurance benefits. We do not consider this amount to be material; for this reason, it was recognised in the reporting period.

2.20.2. Sundry Operating Expenses

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Sale of business part	1	-52 671
Gifts	0	15
Contractual penalties and default interest	568	244
Other penalties and fines	16	1 009
Insurance	473	3 207
Other operating expenses	2 007	1 657
Total	3 065	-46 539

2.20.3. Other Interest Income and Similar Income

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Interest on loans	974	1 045
Interest on current bank accounts	0	29
Total	974	1 074

2.21. Interest Expenses and Similar Expenses

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Interest expenses with related parties	141	4 051
Other interest expenses	35 645	25 064
Total	35 786	29 115

2.22. Other Financial Income

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Foreign exchange rate gains	1 605	4 345
Total	1 605	4 345

2.23. Other Financial Expenses

	(CZK '000)	
	Year ended 31 December 2018	Year ended 31 December 2017
Foreign exchange rate losses	4 326	3 069
Expenses arising from financial assets	0	22 468
Banking fees	164	2 687
Other financial expenses	2 045	1 742
Total	6 535	29 966

2.24. Fee to the Auditors

The fee paid to Deloitte Audit s.r.o. for the obligatory audit of the annual financial statements for the year ended 31 December 2018 amounted to CZK 823 thousand.

2.25. Post Balance Sheet Events

No events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

3. FINANCIAL STATEMENTS



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Name of the Company: Leo Express Global a.s.
Registered Office: Řehořova 908/4, Žižkov, 130 00 Praha 3
Legal Status: Joint Stock Company
Corporate ID: 290 16 002

Components of the Financial Statements:

Balance Sheet

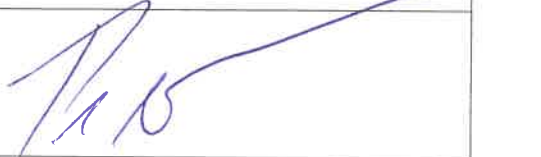
Profit and Loss Account

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

These financial statements were prepared on 25 July 2019.

Statutory body of the reporting entity:	Signature
Peter Köhler Vice-chairman of the Board of Directors	

BALANCE SHEET
full version

Leo Express Global a.s.
Corporate ID 290 16 002

As of
31.12.2018
(in CZK thousand)

Řehořova 908/4, Žižkov
130 00 Praha 3

		31.12.2018			31.12.2017
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	1 741 248	666 323	1 074 925	1 159 966
B.	Fixed assets	1 662 528	666 323	996 205	1 032 439
<i>B.I.</i>	<i>Intangible fixed assets</i>	13 702	6 422	7 280	10 561
B.I.2.	<i>Valuable rights</i>	12 646	6 147	6 499	4 025
B.I.2.1.	Software	12 646	6 147	6 499	4 025
B.I.4.	Other intangible fixed assets	1 056	275	781	427
B.I.5.	<i>Prepayments for intangible fixed assets and intangible fixed assets under construction</i>				6 109
B.I.5.1.	Prepayments for intangible fixed assets				150
B.I.5.2.	Intangible fixed assets under construction				5 959
<i>B.II.</i>	<i>Tangible fixed assets</i>	1 131 250	659 901	471 349	506 897
B.II.1.	<i>Land and structures</i>	482	40	442	451
B.II.1.2.	Structures	482	40	442	451
B.II.2.	Tangible movable assets and sets of tangible movable assets	1 099 295	659 861	439 434	451 556
B.II.5.	<i>Prepayments for tangible fixed assets and tangible fixed assets under construction</i>	31 473		31 473	54 890
B.II.5.1.	Prepayments for tangible fixed assets	28 539		28 539	32 620
B.II.5.2.	Tangible fixed assets under construction	2 934		2 934	22 270
<i>B.III.</i>	<i>Non-current financial assets</i>	517 576		517 576	514 981
B.III.1.	Equity investments - controlled or controlling entity	517 576		517 576	514 981
C.	Current assets	68 648		68 648	119 825
<i>C.II.</i>	<i>Receivables</i>	65 589		65 589	117 619
<i>C.II.2.</i>	<i>Short-term receivables</i>	65 589		65 589	117 619
C.II.2.1.	Trade receivables	53 903		53 903	22 254
C.II.2.2.	Receivables - controlled or controlling entity	7 182		7 182	29 876
C.II.2.4.	<i>Receivables - other</i>	4 504		4 504	65 489
C.II.2.4.3.	State - tax receivables	2 597		2 597	6 334
C.II.2.4.4.	Short-term prepayments made	1 347		1 347	1 380
C.II.2.4.5.	Estimated receivables				57 219
C.II.2.4.6.	Sundry receivables	560		560	556
<i>C.IV.</i>	<i>Cash</i>	3 059		3 059	2 206
C.IV.2.	Cash at bank	3 059		3 059	2 206
D.	Other assets	10 072		10 072	7 702
D.1.	Deferred expenses	3 794		3 794	5 509
D.3.	Accrued income	6 278		6 278	2 193

		31.12.2018	31.12.2017
	TOTAL LIABILITIES & EQUITY	1 074 925	1 159 966
A.	Equity	147 728	260 467
<i>A.I.</i>	<i>Share capital</i>	123 462	123 462
A.I.1.	Share capital	123 462	123 462
<i>A.II.</i>	<i>Share premium and capital funds</i>	680 954	697 638
A.II.1.	Share premium	16 310	16 310
<i>A.II.2.</i>	<i>Capital funds</i>	664 644	681 328
A.II.2.1.	Other capital funds	698 126	698 126
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-33 482	-16 798
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	-560 633	-532 356
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-560 633	-532 356
<i>A.V.</i>	<i>Profit or loss for the current period (+/-)</i>	-96 055	-28 277
B.+C.	Liabilities	926 096	892 693
B.	Reserves	834	1 182
B.IV.	Other reserves	834	1 182
C.	Payables	925 262	891 511
<i>C.I.</i>	<i>Long-term payables</i>	689 295	645 519
C.I.1.	Bonds issued		67
C.I.1.2.	Other bonds		67
C.I.2.	Payables to credit institutions	305 149	435 030
C.I.6.	Payables - controlled or controlling entity	37 022	
C.I.9.	Payables - other	347 124	210 422
C.I.9.3.	Sundry payables	347 124	210 422
<i>C.II.</i>	<i>Short-term payables</i>	235 967	245 992
C.II.2.	Payables to credit institutions	129 880	101 870
C.II.4.	Trade payables	83 387	37 322
C.II.8.	Other payables	22 700	106 800
C.II.8.3.	Payables to employees	1 471	1 104
C.II.8.4.	Social security and health insurance payables	720	569
C.II.8.5.	State - tax payables and subsidies	523	138
C.II.8.6.	Estimated payables	2 097	97 348
C.II.8.7.	Sundry payables	17 889	7 641
D.	Other liabilities	1 101	6 806
D.1.	Accrued expenses	1 101	6 777
D.2.	Deferred income		29

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

Leo Express Global a.s.
Corporate ID 290 16 002

Year ended
31.12.2018
(in CZK thousand)

Řehořova 908/4, Žižkov
130 00 Praha 3

		Year ended 31.12.2018	Year ended 31.12.2017
I.	Sales of products and services	36 817	315 944
II.	Sales of goods	10	180
A.	Purchased consumables and services	22 494	380 530
A.1.	Costs of goods sold		220
A.2.	Consumed material and energy	1 287	48 835
A.3.	Services	21 207	331 475
D.	Staff costs	24 485	98 412
D.1.	Payroll costs	18 895	74 743
D.2.	Social security and health insurance costs and other charges	5 590	23 669
D.2.1.	Social security and health insurance costs	5 590	23 666
D.2.2.	Other charges		3
E.	Adjustments to values in operating activities	38 352	483 895
E.1.	Adjustments to values of intangible and tangible fixed assets	38 352	483 653
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	38 352	45 301
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary		438 352
E.3.	Adjustments to values of receivables		242
III.	Other operating income	-758	618 088
III.1.	Sales of fixed assets	8	
III.3.	Sundry operating income	-766	618 088
F.	Other operating expenses	7 051	-54 010
F.1.	Net book value of sold fixed assets	1	
F.3.	Taxes and charges	4 333	218
F.4.	Reserves relating to operating activities and complex deferred expenses	-348	-7 689
F.5.	Sundry operating expenses	3 065	-46 539
*	Operating profit or loss (+/-)	-56 313	25 385
VI.	Interest income and similar income	974	1 074
VI.1.	Interest income and similar income - controlled or controlling entity	974	894
VI.2.	Other interest income and similar income		180
J.	Interest expenses and similar expenses	35 786	29 115
J.1.	Interest expenses and similar expenses - controlled or controlling entity	141	
J.2.	Other interest expenses and similar expenses	35 645	29 115
VII.	Other financial income	1 605	4 345
K.	Other financial expenses	6 535	29 966
*	Financial profit or loss (+/-)	-39 742	-53 662
**	Profit or loss before tax (+/-)	-96 055	-28 277
**	Profit or loss net of tax (+/-)	-96 055	-28 277
***	Profit or loss for the current period (+/-)	-96 055	-28 277
*	Net turnover for the current period	38 648	939 631

STATEMENT OF CHANGES IN EQUITY

Leo Express Global a.s.
Corporate ID 290 16 002

Year ended
31.12.2018
(in CZK thousand)

Řehořova 908/4, Žižkov
130 00 Praha 3

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated losses brought forward	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2016	122 227	661 874		-457 005	-75 347	251 749
Distribution of profit or loss				-75 347	75 347	
Change in share capital	1 235					1 235
Increase in share premium		16 310				16 310
Gains and losses from the revaluation of assets and liabilities - derivative instrument		21 255				21 255
Gains and losses from the revaluation of assets and liabilities - investment		-1 801				-1 801
Rounding				-4		-4
Profit or loss for the current period					-28 277	-28 277
Balance at 31 December 2017	123 462	697 638		-532 356	-28 277	260 467
Distribution of profit or loss				-28 277	28 277	
Gains or losses from the revaluation of assets and liabilities - derivative instrument		-25 928				-25 928
Gains or losses from the revaluation of assets and liabilities - investment		9 244				9 244
Profit or loss for the current period					-96 055	-96 055
Balance at 31 December 2018	123 462	680 954		-560 633	-96 055	147 728

CASH FLOW STATEMENT

Leo Express Global a.s.
Corporate ID 290 16 002

Year ended
31.12.2018
(in CZK thousand)

Řehořova 908/4, Žižkov
130 00 Praha 3

		Year ended 31.12.2018	Year ended 31.12.2017
P.	Opening balance of cash and cash equivalents	2 206	39 345
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	-96 055	-28 277
A.1.	Adjustments for non-cash transactions	70 583	24 502
A.1.1.	Depreciation of fixed assets	38 352	45 301
A.1.2.	Change in provisions and reserves	-348	430 905
A.1.3.	Profit/(loss) on the sale of fixed assets	-7	
A.1.5.	Interest expense and interest income	15 902	25 349
A.1.6.	Adjustments for other non-cash transactions	16 684	-477 053
A.*	Net operating cash flow before changes in working capital	-25 472	-3 775
A.2.	Change in working capital	-10 697	796
A.2.1.	Change in operating receivables and other assets	55 481	-56 778
A.2.2.	Change in operating payables and other liabilities	-66 178	36 341
A.2.3.	Change in inventories		21 233
A.**	Net cash flow from operations before tax	-36 169	-2 979
A.3.	Interest paid	-15 902	-25 379
A.4.	Interest received		30
A.***	Net operating cash flows	-52 071	-28 328
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-10 207	-62 479
B.2.	Proceeds from fixed assets sold	8	
B.3.	Loans and borrowings to related parties	-5 821	-30 364
B.***	Net investment cash flows	-16 020	-92 843
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	68 944	84 032
C.***	Net financial cash flows	68 944	84 032
F.	Net increase or decrease in cash and cash equivalents	853	-37 139
R.	Closing balance of cash and cash equivalents	3 059	2 206

4. INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Leo Express Global a.s.

Having its registered office at: Řehořova 908/4, Žižkov, 130 00 Praha 3

Opinion

We have audited the accompanying financial statements of Leo Express Global 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 Express Global 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.

Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company failed to meet certain conditions for drawing a bank loan as of 31 December 2018 and at the same time, it incurred a net loss for the 2018 reporting period and a material loss before interest, tax, depreciation and amortisation. These facts indicate that an uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. For these reasons, the Company is dependent on future support from its shareholders who expressed in writing their will to continue supporting the Company for at least the following twelve months. Our opinion is not modified in respect of this matter.

Emphasis of Another Matter

We draw attention to Note 1 to the financial statements which describes the use of comparative information in the financial statements and additional information in the notes with respect to the sale of a part of business of LEO Express s.r.o. as of 31 December 2018. Our opinion is not modified in respect of this matter

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.

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 scepticism 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 Prague on 25 July 2019

Audit firm:

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



Statutory auditor:

Václav Loubek
registration no. 2037

