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

1.1. Primary Business Activities and Ownership Structure

The Leo Express Group is 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 been operating railway transportation in Slovakia and since July 2018 in Poland.

The consolidated financial statements are prepared by Leo Express Global a.s., with its registered office at Řehořova 908/4, Prague 3, Czech Republic.

As of 31 December 2018, a majority equity investment (almost 77%) in the consolidating company Leo Express Global a.s. was owned by Leoš Novotný via LEO Express NV, the remaining equity investment was owned by Martin Burda, Peter Köhler and other minority shareholders, especially members of management.

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

On 1 January 2018, LEO Express a.s. changed its name to Leo Express Global a.s.

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

On 30 December 2018, Michal Miklenda's membership in the Board of Directors expired. This change was recorded in the Register of Companies as of 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

In the following text, the term "Group" is used for the consolidation group. The consolidation group includes controlled entities in which the consolidating company has more than 50% of voting rights. The consolidating company of the consolidated group is Leo Express Global a.s., with its registered office at Řehořova 908/4, Prague 3, Czech Republic. The consolidating company is part of the Leo Express Group. The structure of the consolidation group is as follows:

Consolidation group structure in 2018

(CZK '000)

Company name	Leo Express s.r.o.	Leo Express Tenders s.r.o.	SmileCar a.s.	LEO Express Slovensko, s.r.o.
Registered office	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Wolkrova 37; Bratislava-Petržalka 851 01
Share acquisition cost	100	200	1410	135
Equity investment %	100,00	100,00	70,50	100,00
Share capital	100	200	2 000	129
Equity	517 311	240	-76	25
Profit or loss for the current period	2 615	-43	-3 804	22
Retained earnings / accumulated losses brought forward	0	-332	-2 232	-126
Total assets	643 893	1 843	5 419	248
Internal share value	517 311	240	0	25
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation

(CZK '000)

Company name	Leo Express GmbH	LEO Express Polska Sp. z o. o.	Leo Express Transportation, Inc.	HoppyGo s.r.o.
Registered office	Wonnichstr. 64, Berlin, Germany	Warszawska 21, Katowice, Poland	383 King Street APT 1211, San Francisco, CA, 94158, United States	Řehořova 908/4, Žižkov, 130 00 Praha 3
Share acquisition cost	705	66	3	3 500
Equity investment %	100,00	100,00	100,00	25
Share capital	643	330	3	10
Equity	-45 456	-13 480	-999	3 640
Profit or loss for the current period	-34 566	-11 997	-343	- 13 858
Retained earnings / accumulated losses brought forward	-37 714	-1 920	-659	-12
Total assets	26 180	525	46	10 325
Internal share value	0	0	0	913
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Equity method

On 15 August 2018, SmileCar a.s. bought a 25% share of the voting rights in HoppyGo s.r.o. Since 15 August 2018, the consolidating company holds, via its subsidiary SmileCar a.s., a 17.63% share of voting rights in HoppyGo s.r.o. In the consolidated financial statements prepared by Leo Express Global a.s., the share of voting rights in HoppyGo s.r.o. is measured using the equity method.

Consolidation group structure in 2017

(CZK '000)

Company name	Leo Express s.r.o.	Leo Express Tenders s.r.o.	SmileCar a.s.	LEO Express Slovensko, s.r.o.
Registered office	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Wolkrova 37; Bratislava-Petržalka 851 01
Share acquisition cost	100	200	1 410	135
Equity investment %	100.00	100.00	70.50	100.00
Share capital	100	200	2 000	128
Equity	514 696	282	-1 803	3
Profit or loss for the current period	0	319	-3 650	-43
Retained earnings / accumulated losses brought forward	0	-652	-153	-81
Total assets	617 942	636	4 490	85
Internal share value	514 696	282	0	3
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation

(CZK '000)

Company name	Leo Express GmbH	LEO Express Polska Sp. z o. o.	Leo Express Transportation, Inc.
Registered office	Wonnichstraße 64, Berlin, Germany	Warszawska 21, Katowice, Poland	383 King Street APT 1211, San Francisco, CA, 94158, United States
Share acquisition cost	705	66	3
Equity investment %	100.00	100.00	100.00
Share capital	639	336	3
Equity	-36 804	-1 516	-621
Profit or loss for the current period	-37 443	-1 112	10 577
Retained earnings / accumulated losses brought forward	0	-851	-11 201
Total assets	23 873	9 966	0
Internal share value	0	0	0
Consolidation method	Full consolidation	Full consolidation	Full consolidation

On 21 March 2017, the consolidating company acquired a 19.5% share of the applicable voting rights of the subsidiary SmileCar a.s. from a minority shareholder. Since 21 March 2017, the consolidating company has held a 70.5% share of the applicable voting rights of SmileCar a.s.

On 12 July 2017, the consolidating company acquired a 100% share of the applicable voting rights of Leo Express GmbH.

On 6 December 2017, the consolidating company established the subsidiary Leo Express s.r.o. with a cash contribution equal to 100% of the share capital of the latter. The consolidating company thus acquired a 100% share of the applicable voting rights of Leo Express s.r.o. As of 31 December 2017, part of the consolidating company's business was sold to the subsidiary Leo Express s.r.o. for a price determined by an expert opinion. As part of this transaction, operating activities and assets and liabilities were spun off into this newly formed entity.

On 6 December 2017, the consolidating company acquired a 14% share of the applicable voting rights of the subsidiary Leo Express Transportation Inc. from a minority shareholder. Since 6 December 2017, the consolidating company has held a 100% share of the applicable voting rights of Leo Express Transportation Inc.

Research and Development

The Group 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 Group also invests in new train units for commercial and public service operation.

Environmental Protection

The Group strictly complies with all legal requirements relating to environmental protection. Rolling stock ordered by the Group 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 Group applies the strictest standards for waste management.

Human Resources

The Group management 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 Group has no organisational branch abroad.

Anticipated Development

The Group management 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 consolidating 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 consolidating company holds treasury shares of 0.2%.

Post Balance Sheet Date Events

On 21 August 2019, the Company sold five Stadler FLIRT train units as part of a lease-back agreement. At the same time, the long-term loan from CREDIT SUISSE AG was fully repaid.

With effect from 13 December 2019, the General Meeting of the consolidating company decided to appoint Leoš Novotný Sr. to the vacant position of Member of the Board of Directors. The newly staffed Board of Directors then appointed Leoš Novotný Sr. Chairman of the Board of Directors. Peter Köhler and Leoš Novotný Jr. continue to be regular members.

At the time of preparation of these financial statements, various measures are being adopted in the Czech Republic and globally in relation to the fight against the spread of COVID-19 caused by coronavirus SARS-CoV-2. These measures may have direct or indirect impacts on the Group's future economic situation and related valuation of assets and liabilities in 2020. Since at present it cannot be estimated what measures will be effective and for how long, specific impacts cannot be reliably estimated at this time. However, the Group's management believes, based on all the currently available information, that the Group's ability to continue as a going concern is not directly threatened.

In Prague on 30 April 2020

Leoš Novotný

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

CONSOLIDATED 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 Consolidated Financial Statements:

Consolidated Balance Sheet

Consolidated Profit and Loss Account

Notes to the Consolidated Financial Statements

These consolidated financial statements were prepared on 30 April 2020.

Statutory body of the reporting entity:	**Signature**
Leoš Novotný Chairman of the Board of Directors	

PROFIT AND LOSS ACCOUNT

structured by the nature of expense method

Year ended
31.12.2018
(in CZK thousand)

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

Řehořova 908/4, Žižkov
130 00 Praha 3

		Year ended 31.12.2018	Year ended 31.12.2017
I.	Sales of products and services	675 683	359 952
II.	Sales of goods	27 393	866
A.	Purchased consumables and services	**603 204**	**446 234**
A.1.	Costs of goods sold	22 938	882
A.2.	Consumed material and energy	60 712	49 572
A.3.	Services	519 554	395 780
D.	Staff costs	**152 099**	**119 479**
D.1.	Payroll costs	119 474	92 976
D.2.	Social security and health insurance costs and other charges	**32 625**	**26 503**
D.2.1.	Social security and health insurance costs	32 272	26 500
D.2.2.	Other charges	353	3
E.	Adjustments to values in operating activities	**40 799**	**484 181**
E.1.	*Adjustments to values of intangible and tangible fixed assets*	**40 089**	**483 939**
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	40 089	45 587
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary		438 352
E.3.	Adjustments to values of receivables	710	242
III.	Other operating income	**63 017**	**105 903**
III.1.	Sales of fixed assets	1 622	
III.3.	Sundry operating income	61 395	105 903
F.	Other operating expenses	**27 166**	**10 676**
F.1.	Net book value of sold fixed assets	2 114	
F.3.	Taxes and charges	4 550	514
F.4.	Reserves relating to operating activities and complex deferred expenses	4 642	1 000
F.5.	Sundry operating expenses	15 860	9 162
*	**Operating profit or loss (+/-)**	**-57 175**	**-593 849**
VI.	Interest income and similar income	**2**	**180**
VI.2.	Other interest income and similar income	2	180
J.	Interest expenses and similar expenses	**37 599**	**30 393**
J.2.	Other interest expenses and similar expenses	37 599	30 393
VII.	Other financial income	5 672	4 345
K.	Other financial expenses	17 740	15 843
*	**Financial profit or loss (+/-)**	**-49 665**	**-41 711**
**	**Profit or loss before tax (+/-)**	**-106 840**	**-635 560**
L.	Income tax	**-2 515**	**25**
L.1.	Due income tax	529	25
L.2.	Deferred income tax (+/-)	-3 044	
**	**Profit or loss net of tax (+/-)**	**-104 325**	**-635 585**
***	**Consolidated profit or loss for the current period (+/-)**	**-104 325**	**-635 585**
*	Net consolidated turnover for the current period	**771 767**	**471 246**
	Profit or loss for the current period (+/-) attributable to shareholders of the parent comany	-103 630	-634 483
	Minority interest in profit or loss for the current period (+/-)	-695	-1 102
****	**Interest in profit or loss under the equity method**	**-2 464**	
	Profit or loss for the current period (+/-) attributable to shareholders of the parent comany	-1 737	
	Minority interest in profit or loss for the current period (+/-)	-727	

BALANCE SHEET
full version

As of
31.12.2018
(in CZK thousand)

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

Řehořova 908/4, Žižkov
130 00 Praha 3

		31.12.2018			31.12.2017
		Brutto	**Korekce**	**Netto**	**Netto**
	TOTAL ASSETS	**1 274 384**	**674 080**	**600 304**	**670 193**
B.	**Fixed assets**	**1 159 496**	**673 026**	**486 470**	**525 564**
B.I.	***Intangible fixed assets***	**16 532**	**6 967**	**9 565**	**12 243**
B.I.2.	*Valuable rights*	**15 190**	**6 579**	**8 611**	**5 491**
B.I.2.1.	Software	15 190	6 579	8 611	5 491
B.I.4.	Positive goodwill arising on consolidation	27	27		
B.I.5.	Other intangible fixed assets	1 315	361	954	643
B.I.6.	*Prepayments for intangible fixed assets and intangible*				**6 109**
B.I.6.1.	Prepayments for intangible fixed assets				150
B.I.6.2.	Intangible fixed assets under construction				5 959
B.II.	***Tangible fixed assets***	**1 142 038**	**666 059**	**475 979**	**513 290**
B.II.1.	*Land and structures*	**4 993**	**1 936**	**3 057**	**1 921**
B.II.1.2.	Structures	4 993	1 936	3 057	1 921
B.II.2.	Tangible movable assets and sets of tangible movable assets	1 105 572	664 123	441 449	456 479
B.II.5.	*Prepayments for tangible fixed assets and tangible fixed assets under construction*	**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
B.III.	***Non-current financial assets***	**926**		**926**	**31**
B.III.3.	Equity investments in associates	913		913	
B.III.5.	Other non-current securities and investments	13		13	13
B.III.6.	Loans and borrowings - other				18
C.	**Current assets**	**101 835**	**1 054**	**100 781**	**136 442**
C.I.	***Inventories***	**21 275**		**21 275**	**21 308**
C.I.1.	Material	20 893		20 893	21 104
C.I.3.	*Products and goods*	**382**		**382**	**204**
C.I.3.2.	Goods	382		382	204
C.II.	***Receivables***	**68 030**	**1 054**	**66 976**	**108 312**
C.II.1.	Long-term receivables	**3 544**		**3 544**	**1 000**
C.II.1.1.	Trade receivables	500		500	1 000
C.II.2.	***Short-term receivables***	**64 486**	**1 054**	**63 432**	**107 312**
C.II.2.1.	Trade receivables	41 937	1 054	40 883	23 625
C.II.2.2.	Receivables - controlled or controlling entity	1 696		1 696	593
C.II.2.4.	*Receivables - other*	**20 853**		**20 853**	**83 094**
C.II.2.4.2.	Social security and health insurance				30
C.II.2.4.3.	State - tax receivables	3 466		3 466	8 059
C.II.2.4.4.	Short-term prepayments made	12 494		12 494	14 830
C.II.2.4.5.	Estimated receivables	3 515		3 515	59 185
C.II.2.4.6.	Sundry receivables	1 378		1 378	990
C.IV.	***Cash***	**12 530**		**12 530**	**6 822**
C.IV.1.	Cash on hand	536		536	576
C.IV.2.	Cash at bank	11 994		11 994	6 246
D.	**Other assets**	**13 053**		**13 053**	**8 187**
D.1.	Deferred expenses	6 429		6 429	5 948
D.3.	Accrued income	6 624		6 624	2 239

		31.12.2018	31.12.2017
	TOTAL LIABILITIES & EQUITY	**600 304**	**670 193**
A.	**Equity**	**-452 428**	**-356 233**
A.I.	***Share capital***	**123 462**	**123 462**
A.I.1.	Share capital	123 462	123 462
A.II.	***Share premium and capital funds***	**708 715**	**698 997**
A.II.1.	Share premium	16 310	16 310
A.II.2.	*Capital funds*	**692 405**	**682 687**
A.II.2.1.	Other capital funds	698 649	698 651
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)	-4 647	-14 367
A.II.2.6.	Consolidation reserve fund	-1 597	-1 597
A.IV.	***Retained earnings (+/-)***	**-1 179 545**	**-543 696**
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-1 178 398	-543 651
A.IV.2.	Minority interest in profit or loss of prior years (+/-)	-1 147	**-45**
A.V.	***Consolidated profit or loss for the current period (+/-)***	**-104 325**	**-635 585**
A.V.1.	Consolidated profit or loss for the current period attributable to the parent company's shareholders (+/-)	-103 630	-634 483
A.V.2.	Minority interest in profit or loss for the current period (+/-)	-695	-1 102
A.VI.	***Interest in profit under the equity method (+/-)***	**-2 464**	
A.VI.1.	Interest in profit or loss for the current period under the equity mehtod attributable to the parent company's shareholders (+/-)	-1 737	
A.VI.2.	Minority interest in profit or loss under the equity method (+/-)	-727	
A.VIII.	***Other minority equity***	**1 729**	**589**
A.VIII.1.	Minority interest in share capital	**589**	**589**
A.VIII.2.	Minority interest in other capital funds	**1 140**	
B.+C.	**Liabilities**	**1 036 022**	**1 011 137**
B.	**Reserves**	**16 185**	**11 913**
B.IV.	Other reserves	16 185	11 913
C.	**Payables**	**1 019 837**	**999 224**
C.I.	***Long-term payables***	**652 394**	**653 334**
C.I.1.	*Bonds issued*		**5 320**
C.I.1.1.	Convertible bonds		5 253
C.I.1.2.	Other bonds		67
C.I.2.	Payables to credit institutions	305 269	437 425
C.I.9.	*Payables - other*	**347 125**	**210 589**
C.I.9.3.	Sundry payables	347 125	210 589
C.II.	***Short-term payables***	**367 443**	**345 890**
C.II.1.	*Bonds issued*	**5 753**	
C.II.1.1.	Convertible bonds	5 753	
C.II.2.	Payables to credit institutions	155 672	128 531
C.II.3.	Short-term prepayments received	17 499	25 760
C.II.4.	Trade payables	141 688	75 881
C.II.8.	*Other payables*	**46 831**	**115 718**
C.II.8.2.	Short-term financial borrowings	7 000	
C.II.8.3.	Payables to employees	7 433	6 035
C.II.8.4.	Social security and health insurance payables	3 410	2 741
C.II.8.5.	State - tax payables and subsidies	5 715	1 401
C.II.8.6.	Estimated payables	4 612	97 392
C.II.8.7.	Sundry payables	18 661	8 149
D.	**Other liabilities**	**16 710**	**15 289**
D.1.	Accrued expenses	7 236	6 784
D.2.	Deferred income	9 474	8 505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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

1. ACCOUNTING PRINCIPLES AND POLICIES

The consolidating company's accounting books and records are maintained and the consolidated 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 consolidated financial statements are prepared using the direct consolidation method. Their aim is to give a true and fair view of the assets, liabilities, financial position and profit and loss of the companies that were included in the consolidation group. As a whole, these financial statements serve to inform shareholders and creditors.

The consolidation method chosen is applied continually and consistently to the entities included in the consolidation group.

The full consolidation method was used to include controlled entities in the consolidated financial statements.

The Company's consolidated financial statements have been prepared as of the balance sheet date, i.e. 31 December 2018, for the year ended 31 December 2018.

The consolidated financial statements were prepared on 30April 2020.

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

Separate financial statements of controlled entities which have their registered office abroad and maintain accounting books and records in a foreign currency are translated at the exchange rate ruling as of 31 December 2018.

1.1. Going Concern Assumption

The Group reported consolidated equity of CZK (452,428) thousand as of 31 December 2018, consolidated operating loss for 2018 of CZK (57,175) thousand, consolidated net loss for 2018 of CZK (104,325) thousand, consolidated current assets of CZK 100,781 thousand and consolidated liabilities of CZK 1,036,022 thousand.

Management of the Group expects to act in line with the business plan for 2019. The business plan includes a series of actions and steps which lead to an improvement of the financial situation in the following period. The Group's management believes that these plans are realistic.

The funding of the Group was supported by the parent company's shareholders in 2018. On 21 April 2020, the majority shareholder confirmed in writing that as and when necessary, he will undertake maximum efforts, including financial support, to ensure that the Group's companies continue to operate as a going concern and that all of their payables are settled.

In 2020, China, Europe and other places around the world experienced massive spread of coronavirus and as a result, individual states introduced various restrictive measures. At the time of the restrictions set by the government to limit the spread of the viral infection, the Group was forced since mid-March 2020 to temporarily reduce international connections and the rapid decrease in demand led to a significant reduction in domestic lines. It is clear that despite the fulfilment of the business plan in the first part of the year, the Group will be unable to meet its set annual plan for 2020. The Company's management has adopted several cost-saving measures to help overcome the period of temporary lack of revenues, and it expects that once the government measures are discontinued, the Group will continue in the success of the first months of 2020.

As a result, the consolidating company prepared the consolidated financial statements using the going concern assumption.

1.2. 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	**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.

1.3. 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	Number of years / %
Software	Straight-line	2
Other intangible fixed assets	Straight-line	3 - 4 years

1.4. Non-Current Financial Assets

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

Upon acquisition, securities are carried at cost. The costof securities includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

As of the date of acquisition of securities and equity investments, these non-current financial assets are classified based on their nature as debt securities held to maturity or securities and equity investments available for sale.

As of the date of the consolidated financial statements, non-current financial assets include:

- Equity investments in subsidiaries and associates are measured using the equity method. The value of the equity investment measured at cost at the time of acquisition is adjusted as of the consolidated balance sheet date to the value corresponding to the consolidating company's participation in the equity of the subsidiary or associate.
- Equity securities held for trading that are fair valued. Changes in fair value of equity securities held for trading are recognised in profit or loss for the period.
- Debt securities held to maturity are stated at cost plus interest income (including amortisation of any premium or discount).
- Securities and equity investments available for sale are fair valued if the fair value can be determined. Changes in fair value of securities available for sale are accounted for against gains or losses from the revaluation of assets and liabilities as part of the equity in case of a change in fair value which is unlikely to be permanent. If the impairment is likely to be permanent, it is recognised as an expense in the current period. If there is a demonstrable increase in fair value of securities available for sale once the impairment is recognised, the increase in fair value is recognised at the maximum amount of the previously recognised impairment as income for the period.

1.5. Goodwill arising on Consolidation

Goodwill arising on consolidation represents the difference between the acquisition cost of an investment in a subsidiary and its value determined on the basis of the Parent Company's interest in the fair value of equity which arises as a difference of fair values of assets and fair values of liabilities as of the date of acquisition or as of the date of a further capital increase (a further increase of securities or investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company. Goodwill arising on consolidation is amortised on a straight line basis over 15 years, unless there are grounds for applying a shorter amortisation period. Goodwill arising on consolidation is charged to consolidation goodwill in expenses on ordinary activities or credited to negative consolidation goodwill in income on ordinary activities as appropriate.

1.6. Derivative Financial Transactions

The consolidating company designates derivative financial instruments as either trading or hedging. The 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 (Indicate frequency of hedge effectiveness testing: e.g., the Company assesses hedge effectiveness as of the derivative trade date and as of the balance sheet date).

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 as of the consolidated balance sheet date. In determining the fair value, the consolidating 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 consolidating company has decided not to account for embedded derivatives.

1.7. Inventory

Purchased inventory is valued at acquisition costs. Acquisition cost includes the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees, commissions, insurance charges and discounts.

Provisioning

The Company recognised provisions against inventory whose impairment is not deemed permanent.

1.8. 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 the receivable is more than 360 days past its due date.

1.9. Payables

Payables are stated at their nominal value.

1.10. Loans

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

1.11. 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 Group recognises a reserve for unused vacation days, which is created based on an analysis of unused vacation days transferred to subsequent years, a reserve for legal disputes, which is created based on an analysis of future expenses in relation to legal disputes, and a reserve related to the Group's loyalty programme.

1.12. Minority Equity

These are liability balance sheet items where minority equity interests in subsidiaries are presented and classified into interest in share capital, capital funds, funds from profit, retained earnings/accumulated losses and profit or loss for the current period.

1.13. Foreign Currency Translation

Given the economic substance of the transactions and the environment in which the Group operates, the Czech crown (CZK), which is also the functional currency of the parent company, is used as the presentation currency for the consolidated financial statements and the balances are rounded to the nearest thousand.

Each company in the Group determines its functional currency according to the environment in which it operates (LEO Express Polska PLN, LEO Express Transportation USD, LEO Express Slovensko EUR, LEO Express GmbH EUR).

Transactions denominated in foreign currencies are translated into the functional currency (Czech crown) based on the effective exchange rate of the Czech National Bank. As of the consolidated balance sheet date, financial assets and liabilities denominated in foreign currencies are translated into the functional currency of each company within the consolidation group using the exchange rate of the Czech National Bank prevailing as of that date. The resulting exchange rate differences are accounted for in profit or loss.

For the purpose of presenting the consolidated financial statements, assets, liabilities, income and expenses of foreign subsidiaries are presented in CZK using the exchange rates prevailing as of the balance sheet date.

1.14. 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.

1.15. Taxation

1.15.1. Tax Depreciation of Fixed Assets

For the purpose of calculating tax depreciation, the straight-line method is used.

1.15.2. 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 consolidated 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 consolidated financial statements may change based on the ultimate opinion of the tax authorities.

1.15.3. Deferred Tax

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

The carrying amount of deferred tax assets is reviewed at the consolidated 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.

1.16. Impairment

At each balance sheet date, the Group 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 Group 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.

1.17. 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.

1.18. 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.

The Group is a recipient of compensation for travel fare discounts from the Ministry of Transport. The compensation is intended to reimburse the discounts that the carrier provides to selected groups of passengers pursuant to Act No. 526/1990 Coll., on Prices. The compensation is reported in the period in which the transportation services were provided.

1.19. Use of Estimates

The presentation of consolidated 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 Group 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.

1.20. Cash Flow Statement

In line with Regulation No. 500/2002 Coll., the Group does not prepare the consolidated cash flow statement. 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	536	576
Cash at bank	11 994	6 246
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	**12 530**	**6 822**

1.21. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the parent company and of the entities controlled by the Company (its subsidiaries).

The parent company controls its subsidiaries if:

- The parent company holds the majority of the voting rights of shareholders or owners of a subsidiary;
- The parent company has the right to appoint or recall most of the members of the administrative, management or supervisory body of the subsidiary and it is simultaneously a shareholder of the subsidiary;
- The parent company has the right to exercise controlling influence over a subsidiary where it is a shareholder or owner based on a concluded contract or pursuant to the subsidiary's Articles of Association, Memorandum of Association or Founder's Deed, if the law that the subsidiary is governed by allows it to be subordinated to such contracts or provisions.

The results of any subsidiaries acquired or disposed of by the Group during the year are included in the consolidated profit and loss account from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments were made to the financial statements of subsidiaries to bring their accounting policies into line with those applied by the parent company. All intra-group transactions, balances, income and expenses were eliminated in full upon consolidation.

The consolidated financial statements were prepared on the basis of the full consolidation method.

The consolidating company prepared these consolidated financial statements in accordance with Czech Accounting Standard No. 020.

1.22. Changes in Accounting Policies

No changes in accounting policies were made in 2018.

2. ADDITIONAL INFORMATION

2.1. Intangible Fixed Assets (Intangible FA)

Cost

(CZK '000)

	Opening balance	Additions	Disposals	Transfers	Closing balance
Valuable rights/software	8 043	7 147	0	0	15 190
Other intangible FA	827	488	0	0	1 315
Positive goodwill arising on consolidation	0	27	0	0	27
Prepayments for intangible FA	150	-150	0	0	0
Intangible FA under construction	5 959	3 090	9 049	0	0
Total in 2018	**14 979**	**10 602**	**9 049**	**0**	**16 532**
Total in 2017	**7 515**	**9 106**	**1 643**	**0**	**14 979**

The inclusion of the associate HoppyGo s.r.o. in the consolidated financial statements of SmileCar a.s. using the equity method led to goodwill arising on consolidation of CZK 27 thousand.

Provisions and Accumulated Amortisation

(CZK '000)

	Opening balance	Additions	Disposals	Closing balance
Valuable rights/software	2 552	4 027	0	6 579
Positive goodwill arising on consolidation	0	27	0	27
Other intangible FA	184	177	0	361
Total in 2018	**2 736**	**4 231**	**0**	**6 967**
Total in 2017	**545**	**2 191**	**0**	**2 736**

As of 31 December 2018, impairment of CZK 25 thousand was recognised to the net book value of CZK 0 due to the loss incurred by the associate HoppyGo s.r.o.

2.2. Tangible Fixed Assets (Tangible FA)

Cost

(CZK '000)

	Opening balance	Additions	Disposals	Transfers	Closing balance
Buildings	3 519	1 474	0	0	4 993
Individual tangible movable assets and their sets	1 085 928	22 525	2 881	0	1 105 572
Prepayments for tangible FA	32 620	1 200	5 281	0	28 539
Tangible FA under construction	22 270	3 096	22 432	0	2 934
Total in 2018	**1 144 337**	**28 295**	**30 594**	**0**	**1 142 038**
Total in 2017	**1 072 366**	**149 662**	**77 691**	**0**	**1 144 337**

Provisions and Accumulated Depreciation

(CZK '000)

	Opening balance	Additions	Disposals	Closing balance
Buildings	1 598	338	0	1 936
Individual tangible movable assets and their sets	629 449	37 548	2 874	664 123
Total in 2018	**631 047**	**37 886**	**2 874**	**666 059**
Total in 2017	**149 474**	**481 573**	**0**	**631 047**

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. In 2018, these assets were reduced by the depreciation of the current period of CZK 16,829 thousand and increased by additions of CZK 17,910 thousand.

2.3. Inventory

As of 31 December 2018, the Group reported inventory amounting to CZK 21,275 thousand (as of 31 December 2017: CZK 21,308 thousand).

In the current period, the inventory includes primarily spare parts for the maintenance of Stadler Flirt train units (CZK 20,892 thousand) and catering goods (CZK 382 thousand).

2.4. Short-Term Trade Receivables

Receivables past their due dates as of 31 December 2018 amount to CZK 6,142 thousand (as of 31 December 2017: CZK 4,653 thousand).

Aging of trade receivables

(CZK '000)

Year	Category	Before due date	Past due date					Total past due date	Total
			0 - 90 days	91 - 180 days	181 – 360 days	1 - 2 years	2 and more years		
2018	Gross	35 795	1 778	1 327	1 136	995	906	6 142	**41 937**
	Provisions	0	0	0	0	25	1 029	1 054	**1 054**
	Net	35 795	1 778	1 327	1 136	970	-123	5 088	**40 883**
2017	Gross	19 315	3 744	558	154	97	100	4 653	**23 968**
	Provisions	0	0	0	146	97	100	343	**343**
	Net	19 315	3 744	558	8	0	0	4 310	**23 625**

Short-term trade receivables

(CZK '000)

Company name	Balance at 31 December 2018	Balance at 31 December 2017
Czech Ministry of Transport	15 170	1 265
FlixTrain GmbH	6 127	6 013
AAKON Capital s.r.o.	1 802	112
.BORCAD cz s.r.o.	1 569	0
*GoEuro Corp	1 390	710
Other	14 825	15 525
Total short-term trade receivables	**40 883**	**23 625**

2.5. Provisions

Provisions reflect temporary impairment of assets. As of 31 December 2018, the Group recognised provisions against receivables in the amount of CZK 1,054 thousand. As of 31 December 2017, provisions against receivables amounted to CZK 343 thousand.

Statutory provisions are created in accordance with the Act on Reserves and are tax deductible.

Provisioning movements can be analysed as follows:

(CZK '000)

	2018	2017
Opening balance at 1 January	343	102
Provisioning charge	711	241
Release	0	0
Closing balance at 31 December	**1 054**	**343**

2.6. Short-Term Prepayments

As of 31 December 2018, the Group reported short-term prepayments in the amount of CZK 12,494 thousand. As of 31 December 2017, the short-term prepayments amounted to CZK 14,830 thousand.

In both periods, short-term prepayments primarily include operating prepayments provided.

2.7. Estimated Receivables

As of 31 December 2018, estimated receivables amounted to CZK 3,515 thousand (as of 31 December 2017: CZK 59,185 thousand).

In 2017, estimated receivables consist primarily of insurance claim proceeds (CZK 57,219 thousand).

2.8. Equity

The Group's equity includes share capital of the consolidating company, 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 and a share in profit under the equity method. The consolidated equity also includes minority interests.

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

2.9. 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	**-14 367**
Settlement of derivatives hedging future cash flows	9 243
Change in the valuation of an equity investment accounted for using the equity method of accounting	477
Settlement of securities available for sale	0
Change of method in respect of deferred taxation	0
Balance at 31 Dec 2018	**-4 647**

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	-4 571	-13 814
Change in the valuation of an equity investment accounted for using the equity method of accounting	-76	-553
Settlement of securities available for sale	0	0
Change of method in respect of deferred taxation	0	0
Total	**-4 647**	**-14 367**

2.10. Reserves

Other reserves

(CZK '000)	Balance at 31 December 2018	Balance at 31 December 2017
Other reserves (reserve for unused vacation days)	3 598	2 394
Other reserves (legal disputes)	2 835	187
Other reserves (distributed credit)	9 712	7 693
Other reserves (other)	40	1 639
Total other reserves	**16 185**	**11 913**

Other reserves (other) include statutory reserves created by the subsidiary Leo Express GmbH in compliance with the German Civil Code.

2.11. Long-Term Payables

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

Long-term payables include bank loans described below and sundry long-term payables.

As of 31 December 2018, sundry long-term payables amount to CZK 347,125 thousand (as of 31 December 2017: CZK 210,589 thousand). Sundry long-term payables in 2018 predominantly include loans of CZK 334,940 thousand from related party Leoš Novotný Sr. and a loan from ACEMA Credit Czech a.s. of CZK 10,253 thousand (2017: CZK 0 thousand).

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 98,518 thousand (as of 31 December 2017: CZK 35,102 thousand). Most of the payables are to the repairer of train unit 005, which crashed on 5 June 2017 in Přerov and as of 31 December 2018, the insurance payment was not received.

As of 31 December 2018, sundry short-term payables amount to CZK 18,661 thousand (as of 31 December 2017: CZK 8,149 thousand). Sundry payables in 2018 predominantly include a loan from Leoš Novotný Sr. of CZK 4,100 thousand (2017: CZK 0 thousand), a loan from Martin Burda of CZK 5,000 thousand (2017: CZK 0 thousand) and a loan from TRONOS of CZK 5,236 thousand (2017: CZK 0 thousand).

2.12.1. Short-Term Trade Payables

Short-Term Trade Payables

(CZK '000)

Company name	Year ended 31 December 2018	Year ended 31 December 2017
DB Netz AG	25 407	8 085
Stadler Service AG	16 137	0
BORCAD cz s.r.o.	9 141	0
Správa železniční dopravní cesty, státní	6 723	9 089
Other	84 280	58 707
Total short-term payables	**141 688**	**75 881**

2.13. Short-Term Prepayments Received

As of 31 December 2018, short-term prepayments received amount to CZK 17,499 thousand (as of 31 December 2017: CZK 25,760 thousand). In both periods, short-term prepayments received primarily include prepayments for the purchase of tickets from companies in the Group.

2.14. Estimated Payables

As of 31 December 2018, estimated payables amount to CZK 4,612 thousand (as of 31 December 2017: CZK 97,392 thousand).

In 2017, estimated payables predominantly include an estimate for insurance benefits.

2.15. Bank Loans

Long-term bank loans include:

(CZK '000)

Bank/creditor	Currency	Balance at 31 Dec 2018	Balance at 31 Dec 2017	Form of collateral
CREDIT SUISSE AG)	CZK	305 002	406 669	Pledge of trains
NEY SD	CZK	0	28 000	Pledge of current account
UniCredit Leasing CZ, a.s.	CZK	267	2 756	-
Total		**305 269**	**437 425**	

The portions of the above-stated loans maturing within one year from the consolidated 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:

(CZK '000)

Bank/creditor	Currency	Balance at 31 Dec 2018	Balance at 31 Dec 2017	Form of collateral
CREDIT SUISSE AG	CZK	101 667	101 667	Pledge of trains
ANO SD loan		28 000	0	Pledge of current account
UniCredit Leasing CZ, a.s.	CZK	1 000	1 865	-
Raiffeisenbank a.s.	CZK	25 005	24 999	Blank bill of exchange
Total		**155 672**	**128 531**	

2.16. 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.

(CZK '000)

	At 31 December 2018		At 31 December 2017	
	Positive fair value	**Negative fair value**	**Positive fair value**	**Negative fair value**
Derivatives designated as cash flow hedges – short-term portion	0	2 640	0	7 317
Derivatives designated as cash flow hedges – long-term portion	0	1 931	0	6 497
Total	**0**	**4 571**	**0**	**13 814**

2.17. Deferred Income Taxation

In 2018, subsidiary Leo Express s.r.o. recognised a deferred tax asset of CZK 3,044 thousand arising from reserves and fixed assets.

In 2017, none of the companies in the Group accounted for a deferred tax asset on the grounds of prudence.

2.18. 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 (tickets)	2	0	2	178	0	178
Sales of goods (other)	23 500	3 880	27 380	0	686	686
	11	0	11	2	0	2
Total sales of goods	**23 513**	**3 880**	**27 393**	**180**	**686**	**866**
Advertising	17 730	1 887	19 617	15 457	0	15 457
Travel fare	233 991	419 842	653 833	226 221	116 810	343 031
Other	2 232	1	2 233	1 464	0	1 464
Total sales of own products and services	**253 953**	**421 730**	**675 683**	**243 142**	**116 810**	**359 952**

2.19. Consumed Purchases

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Consumed material	23 308	25 047
Consumed energy	37 404	24 525
Total consumed purchases	**60 712**	**49 572**

2.20. Services

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Repairs and maintenance	15 761	105 989
Travel expenses	12 012	8 344
Representation costs	169	230
Telephone, fax and internet	9 808	8 397
Low value intangible assets put to use	34	469
Rental / Lease	6 310	9 760
Leases	136	0
Total other services	486 526	262 591
Fee for the use of infrastructure	137 006	62 292
Coach lines, km fee	46 284	48 962
Marketing	13 657	21 478
Interior and exterior cleaning	13 008	6 640
Advisory	18 847	13 021
Commission	31 832	8 372
Catering	0	8 846
Other services	214 690	92 980
Total	**519 554**	**395 780**

2.21. Employees, Management and Statutory Bodies of the Companies in the Group

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

	2018	2017
Managers	11	9
Other employees	239	221
Total	**250**	**230**

Total salary costs in 2018 amounted to CZK 119,474 thousand (2017: CZK 92,976 thousand).

In 2018, the Group did not provide any bonuses, advances, prepayments, loans or borrowings to members of statutory, supervisory or administrative bodies.

2.22. Other Operating Income and Expenses

2.22.1. Sundry Operating Income

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Contractual penalties and default interest	894	150
Compensation from the Ministry of Transport	38 421	20 799
Received insurance benefits	-1 202	78 676
Other operating income	23 282	6 278
Total	**61 395**	**105 903**

2.22.2. Sundry Operating Expenses

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Gifts	1 469	15
Contractual penalties and default interest	635	245
Other penalties and fines	16	1 011
Insurance	10 060	5 054

Other operating expenses	3 680	2 837
Total	**15 860**	**9 162**

2.22.3. Other Interest Income and Similar Income

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Interest on loans	0	150
Interest on current bank accounts	2	30
Total	**2**	**180**

2.23. Interest Expenses and Similar Expenses

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Interest on loans	33 953	26 758
Interest on bank accounts	37	966
Interest on bonds	500	1 227
Other interest expenses	3 109	1 442
Total	**37 599**	**30 393**

2.24. Other Financial Income

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Foreign exchange rate gains	5 667	4 342
Other financial income	5	3
Total	**5 672**	**4 345**

2.25. Other Financial Expenses

(CZK '000)

	Year ended 31 December 2018	Year ended 31 December 2017
Foreign exchange rate losses	6 466	3 071
Expenses arising from financial assets	0	7 966
Banking fees	2 926	2 728
Other financial expenses	8 348	2 078
Total	**17 740**	**15 843**

2.26. Contingent Liabilities

In December 2013, the Group committed itself to sending CZK 1,000 thousand from 1 January 2014 on a monthly basis to an escrow account for planned repairs for the duration of the credit agreement with Credit Suisse AG. These funds can only be used to cover train unit repairs.

The Group records a contingent liability in case it loses the litigation with České Dráhy, a.s. due to the predatory pricing policy, where the court of first instance ruled in its ineffective judgment in favour of České Dráhy. The Group appealed against this judgment. The court proceedings have yet to be effectively concluded. For this reason, the contingent liability arising from the payment of potential court fees has not been quantified.

2.27. Fee to the Auditors

In the years ended 31 December 2018 and 31 December 2017, the fee paid to the statutory auditor amounted to CZK 1,057 thousand and CZK 767 thousand, respectively.

2.28. Post Balance Sheet Events

On 21 August 2019, the Company sold five Stadler FLIRT train units as part of a lease-back agreement. At the same time, the long-term loan from CREDIT SUISSE AG was fully repaid.

With effect from 13 December 2019, the General Meeting of the consolidating company decided to appoint Leoš Novotný to the vacant position of Member of the Board of Directors. The newly staffed Board of Directors then appointed Leoš Novotný Chairman of the Board of Directors. Peter Köhler and Leoš Novotný continue to be regular members.

At the time of preparation of these financial statements, various measures are being adopted in the Czech Republic and globally in relation to the fight against the spread of COVID-19 caused by coronavirus SARS-CoV-2. These measures may have direct or indirect impacts on the Group's future economic situation and related valuation of assets and liabilities in 2020. Since at present it cannot be estimated what measures will be effective and for how long, specific impacts cannot be reliably estimated at this time. However, the Group's management believes, based on all the currently available information, that the Group's ability to continue as a going concern is not directly threatened.

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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 consolidated financial statements of the Leo Express Global a.s. consolidation group (hereinafter also the "Group") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the consolidated balance sheet as of 31 December 2018, and the consolidated profit and loss account for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2018, and of its consolidated financial performance 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which indicates that the Group incurred a deficit on consolidated equity of CZK (452,428) thousand, a consolidated operating loss of CZK (57,175) thousand, a net consolidated loss of CZK (104,325) thousand, consolidated current assets of CZK 100,781 thousand and consolidated liabilities of CZK 1,036,022 thousand for the year ended 31 December 2018. For these reasons, the Group is dependent on the support from its shareholders who expressed in writing their will to continue supporting the Group. In the same Note to the financial statements, the Company's management points out that due to government measures related to the spread of the coronavirus, the Group will be unable to fulfil its annual plan for 2020. This event or conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists regarding the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information in the Consolidated Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable 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 consolidated financial statements is, in all material respects, consistent with the consolidated financial statements.
- 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 Group 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 Group's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as app licable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 30 April 2020

Audit firm:

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

Deloitte

Statutory auditor:

Václav Loubek
Registration no. 2037