2019 ANNUAL REPORT

INDUSTRIAL HOLDING

CSG
CZECHOSLOVAK GROUP

1 \ INTRODUCTION OF THE COMPANY

CZECHOSLOVAK GROUP operates in sectors with strong export potential.

General information

Company name	CZECHOSLOVAK GROUP a. s.
Corporate ID	034 72 302
Date of incorporation	13 October 2014
Registered office	Sokolovská 675/9, Karlín, 186 00 Prague 8
Registered with	Municipal Court in Prague, file no. B 20071

Introduction of the Company

CZECHOSLOVAK GROUP a. s. (hereinafter also referred to as "CSG") is a holding Company covering an industrial and technological group of companies operating in aerospace, the railway industry, automotive, production of special vehicles and precision engineering. The Companies perform production as well as business activities and they are based primarily in the Czech Republic and Slovakia.

The strategy of CZECHOSLOVAK GROUP is to continuously operate and expand in promising areas of the Czech and Slovak industries with a strong export potential. In relation to its partners in the private and public sectors, CZECHOSLOVAK GROUP is a stable and serious partner generating interesting business opportunities.

CZECHOSLOVAK GROUP companies and its joint ventures and associates in the Czech Republic, Slovakia and other European countries employ more than 8,200 people. CZECHOSLOVAK GROUP gradually expanded to include entities in civil production services (production of brake systems for railway vehicles, aviation industry, production of trucks etc.). In 2019, CZECHOSLOVAK GROUP expanded to include entities in the CAR STAR GROUP, which operate Hyundai and Mazda showrooms and repair shops, and Skyport, which provides aviation logistics services.

History and development of the Company

Foundation, incorporation and existence of CSG

CZECHOSLOVAK GROUP was founded on 28 August 2014 with a deed of association (NZ 527/2014, N 598/2014) under the law of the Czech Republic as a joint-stock company under the name of EXCALIBUR GROUP a. s. CSG was incorporated following its registration in the Register of Companies kept by the Municipal Court in Prague under file no. B 20071 on 13 October 2014. With effect from 14 January 2016, CSG changed its name to CZECHOSLOVAK GROUP a. s. CSG is a holding Company covering activities of subsidiaries primarily in the Czech Republic and Slovakia.

Share capital of CSG

The share capital CZECHOSLOVAK GROUP a. s. is CZK 2,000,000 (in words: two million Czech crowns) and it has been fully paid in. The share capital is divided into 20 shares with the nominal value of CZK 100,000 each. All shares are in registered book-entry form.

Business results

The sales of the consolidated group of CZECHOSLOVAK GROUP companies in 2019 amounted to CZK 11.839 billion (approximately EUR 461 million) and EBITDA amounted to CZK 2.611 billion (approximately EUR 102 million). Sales therefore grew by 3.5% and EBITDA by 40%.

2 INTRODUCTION BY THE OWNER AND REPORT OF THE BOARD OF DIRECTORS

The vast majority of companies did well and their finances were in the black.

Introduction by the Owner

Dear Readers,
I am glad that the annual report on the economic results of the industrial and technological holding CZECHOSLOVAK GROUP (CSG) for 2019 presents a positive statement regarding the prosperity and stability of our Group. Consolidated revenues showed a year-on-year growth of 3.5% to CZK 11.8 billion and EBITDA achieved CZK 2.6 billion which represents a year-on-year growth of 40%. The vast majority of companies were successful and their final economic results were in the black.
The number one in CSG in terms of sales and strength of brand is the Koprivnice automotive company TATRA TRUCKS whose revenues reached nearly CZK 5.9 billion and EBITDA CZK 365 million. This is a sharp rise compared to 2018, which was not entirely satisfactory. Due to its unique technology, Tatra represents an important helper for the users of heavy utility vehicles that work in the harshest field and climatic conditions, and as the general manager of the company, Pavel Lazar, says: it is an 'object of desire' for them.
While TATRA TRUCKS is a leading company in the CSG automotive segment, in the railway segment our company DAKO-CZ, which produces brake systems for railway vehicles, confirmed its excellent condition. Its revenues marked a year-on-year growth of 23% and exceeded the threshold of CZK one billion for the first time in history. EBITDA grew up by 34% and attained CZK 201 million.
As part of CSG, the significance of high-tech specialisations with the highest added value is gradually growing. The evidence is that the entities which, as part of the holding, are managed by the CSG Aerospace division, achieved revenues over CZK 5.3 billion. They include e.g., the radar producer ELDIS, aircraft repairer JOB AIR Technic, helicopter training centre Slovak Training Academy or CS Soft, which develops air traffic control systems.
The development and production of special land vehicles for security forces from soldiers to firefighters continues to be a reliable pillar, with which especially EXCALIBUR ARMY and TATRA DEFENCE VEHICLE deal. These two companies, which are included in the Defence division in 2020, had a half billion share in the consolidated EBITDA indicator of the CSG Group.
"Czechoslovak" is directly in our name and the performances of the Slovak branch of our holding shows that it is there rightfully. The key Slovak companies in CSG had revenues nearly of CZK 2.4 billion and EBITDA of CZK 625 million.
Overall, these numbers show a healthy growth of the whole Group which is not based on expansion but rather on the development of companies that already are in CSG. Still, we do not avoid opportunities for acquisitions in the segment of small and medium-sized companies.
In 2019, CSG in the Czech Republic expanded to include a group of Hyundai and Mazda showrooms and repair shops and a major aviation logistics company, Skyport a. s. We endeavour to be an attractive investor for Czech family companies dealing with succession. As part of CSG, their tradition can continue, including a persisting involvement of their founders in the management. At the same time, they acquire the financial and business support of a globally operating industrial and technological group.
The financing of the Group is also healthy thanks to a contribution of a strong banking club and bond holders. In autumn 2019, CSG successfully implemented the second bond issue that brought nearly CZK 2 billion. A portion of the obtained funds was used to refinance the previous bond issue and another portion is used for further development of the Group. The interest in the bonds shows that CSG is perceived very positively by investors.
Even though the annual report relates to the previous year, it is compiled at a time when all the world is dealing with the COVID-19 pandemic. In connection therewith, all developed countries adopt measures to effectively prevent its spreading but, inevitably, also damage the world economy.
The economic crisis as a secondary result of the pandemic will naturally negatively affect every business that does not produce protective aids, pharmaceuticals or food. However, the CSG holding has advantages it can profit from in this difficult situation: Our business is widely diversified, to a large extent it is based on long-term orders from global leading companies and the public sector. CSG companies did not interrupt the production and contracting of new orders even in the times of culminating anti-pandemic measures.
The Czech Republic and Slovakia can help the economy not only through tax reliefs or subsidies but also investment projects in which a number of CSG companies can participate. While such investment stimuli are not necessary for the survival of our companies, they would help them in a difficult situation and support not just our companies, but also many of our Czech subcontractors.
The first priority is the protection of the health of all of us, the second is the protection of economy and prosperity of the whole society, to which the health of the population is closely linked.

Thank you for your attention devoted to the CSG Group. In these uneasy times, I wish you strong nerves and good health.

Michal Strnad
owner

2
INTRODUCTION BY THE OWNER

The largest Hyundai car dealer was included in the group.

Report of the Board of Directors

In 2019, the Board of Directors focused on strengthening internal processes within the Group and the related adjustment of the organisational structure of the Group, as well as making some acquisitions.

The Board of Directors decided to develop a divisional structure within the Group. The aim is to form individual divisions in the area of the aviation industry, defence industry and railway, automotive and other segments. The CSG Aerospace division was created already in 2018 and the CSG Defence division organisation is being created this year.

In connection with the need for transparent management, MSM Martin was demerged to three companies: MSM Martin, MSM Nováky and MSM Banská Bystrica.

In the area of acquisitions, the largest seller of the Hyundai brand cars and the second largest seller of Mazda on the Czech market (Hyundai Centrum Praha, Hyundai Centrum CB, Car Star Praha, Car Star Fleet, Whare Factory and Car Star Immo) were incorporated in the Group. The Group acquired Skyport, which ensures aviation logistics services and incorporated this company in the newly formed CSG Aerospace division.

The Group successively realised the second issue of the CSG VAR/2024 bonds (ISIN CZ0003523151) with the value of CZK 2 billion, a portion of which was used to refinance the bonds from the first issue and another portion is used for further development of the Group.

The efforts invested in the development of individual companies and optimisation of internal structure and processes within the Group were positively reflected in its economic results. EBITDA increased by 40% year-on-year to CZK 2.6 billion. The consolidated profit after tax grew by more than 48% and reached CZK 1.4 billion, which is a new record over the existence of the Group. This result was achieved with a 3.5% year-on-year growth in sales and more than one-third increase in consolidated assets.

In 2020, the Board of Directors of the Group intends to focus on the completion of divisional structuring and optimal management of the Group together with increasing the work productivity of the companies as part of the divisional structuring. The Board of Directors additionally pays attention to the development of human resources and recruiting capable managers for the management of the holding as well as strengthening the management of the companies, if needed. With respect to the current situation in connection with the global COVID-19 epidemic and the subsequent impact on the domestic and world economy, the primary aim will be to stabilise companies, maintain the portfolio of orders and relationships with key partners as well as the employment policy within the group.

3 GROUP EXPANSION IN 2019

Group Expansion in 2019

/ **10 January 2019**
MSM Group s. r. o. became a 100% owner of Slovak Aviation Factory s. r. o.

/ **21 February 2019**
CZECHOSLOVAK GROUP a. s. purchased, via CSG INDUSTRY, a. s., a share in Hyundai Centrum CB s. r. o., Hyundai Centrum Praha s. r. o., Whare Factory s. r. o., Car Star Immo s. r. o., Car Star Praha s. r. o. and Car Star Fleet s. r. o.

/ **30 April 2019**
CZECHOSLOVAK GROUP a. s. increased its share in INTEGRA CAPITAL a. s., which is the parent company of JOB AIR Technic a. s., to 100%.

/ **May 2019**
MSM GROUP s. r. o. acquired a 51% share in ZVS-Armory, s. r. o. and thus became a 100% owner of this company.

/ **31 July 2019**
CZECHOSLOVAK GROUP a. s. increased its share in 14. OKTOBAR d.o.o. Kruševac to 100%.

/ **5 August 2019**
DAKO-CZ, a. s. purchased a 100% share in TRANSELCO CZ s. r. o.

/ **7 August 2019**
CZECHOSLOVAK GROUP a. s. became a 100% owner of SPV REAL ESTATE a. s.

/ **19 August 2019**
CSG AEROSPACE a. s. purchased a 10% share in CSG AEROSPACE a. s. and became a 100% shareholder in this company.

/ **19 August 2019**
CSG AEROSPACE a. s. purchased a 10% share in New Space Technologies s. r. o. and became a 60% shareholder in this company.

/ **9 September 2019**
CZECHOSLOVAK GROUP a. s. acquired 10% of shares in EXCALIBUR INTERNATIONAL a. s. and became a 100% shareholder in this company.

/ **23 September 2019**
CZECHOSLOVAK GROUP a. s., via CSG a. s., became a 72.22% shareholder in Skyport a. s. and Skyport Catering s. r. o.

/ **30 October 2019**
CZECHOSLOVAK GROUP a. s., via DAKO-CZ, a. s., became a 51% shareholder in Vagonka Louny a. s.

/ **13 November 2019**
CZECHOSLOVAK GROUP a. s. increased its share in KARBOX Holding s. r. o. and KARBOX s. r. o. to 100%.

/ **29 November 2019**
CZECHOSLOVAK GROUP a. s. increased its share in MADE CS to 100%.

/ **18 December 2019**
MSM Group s. r. o. became a 95% owner of PPS VEHICLES, s. r. o.

Incorporated companies:

/ On 8 February 2019, CSG a. s. was founded (via CZECHOSLOVAK GROUP a. s.).
/ On 8 October 2019, CSG Land System CZ a. s. was founded (via CSG DEFENCE a. s.).
/ On 31 October 2019, BUSINESS SPV a. s. was founded (via CZECHOSLOVAK GROUP a. s.).
/ On 31 October 2019, VALUE SPV a. s. was founded (via CZECHOSLOVAK GROUP a. s.).
/ On 4 December 2019, DAKO-RE, a. s. was founded (via DAKO-CZ, a. s. – share of CZECHOSLOVAK GROUP a. s. - 51%).

4 PRIMARY MARKETS AND GROUP POSITION

CSG actively trades with customers in many countries of the world via its subsidiaries.

United States of America
Brazil
Chile
Argentina
Algeria
Egypt
Nigeria
Angola
Mozambique
Kenya
Ethiopia
Saudi Arabia
India
Turkmenistan
Turkey
Kazakhstan
Mongolia
China
Vietnam
Malaysia
Indonesia
Australia
South Korea
Japan
Russia

Ukraine
Belarus
Lithuania
Poland
Czech Republic
Slovakia
Hungary
Romania
Serbia
Bulgaria
Montenegro
Bosnia and Herzegovina
Austria
Switzerland
France
Spain
Belgium
Netherlands
Germany
Italy
Albania
Great Britain
Ireland
Norway
Sweden

4
PRIMARY MARKETS AND GROUP POSITION

EUROPEAN AIR SERVICES s. r. o.
Supplier of comprehensive services in aviation from spare parts to aviation training.

DAKO-CZ, a. s.
Production of brake systems and components for freight and passenger carriages, locomotives, wagons, underground and tram-way carriages.

EXCALIBUR ARMY spol. s r. o.
Development, production, repairs and modernisation of military vehicles, cooperation on the project of wheeled armoured vehicle Pandur II 8x8.

Hyundai Centrum Praha s. r. o.
Hyundai showroom and service.

ELTON hodinářská, a. s.
Production of Czech exclusive PRIM watches with a sixty-year tradition of production in Nové Město nad Metují.

ATRAK a. s.
Developer and supplier of air traffic control software.

TATRA TRUCKS a. s.
Development and production of heavy off-road trucks and special vehicles on a unique Tatra chassis.

TATRA METALURGIE a. s.
Forge and foundry supplying products for TATRA TRUCKS and a number of other customers.

Skyport a. s.
Provider of logistics services in civil aviation.

EXCALIBUR INTERNATIONAL, a. s.
Company focused on aviation and special equipment and related services.

TATRA DEFENCE VEHICLE a. s.
Development and production of Pandur II vehicles on chassis, general overhauls and modernisation of special equipment.

ZVS holding, a. s.
Engineering company focused on defence and civil production; production of small-, medium- and large-bore ammunition and small arms.

CS SOFT a. s.
Supplier of air traffic control systems and software for airline control rooms.

Slovak Training Academy, s. r. o.
A training centre for helicopter pilots from around the world.

ELDIS Pardubice, s. r. o.
Leading Czech manufacturer of active radar systems.

MSM GROUP s. r. o.
Slovak holding company focused on special and civil engineering production, production of small arms and ammunition.

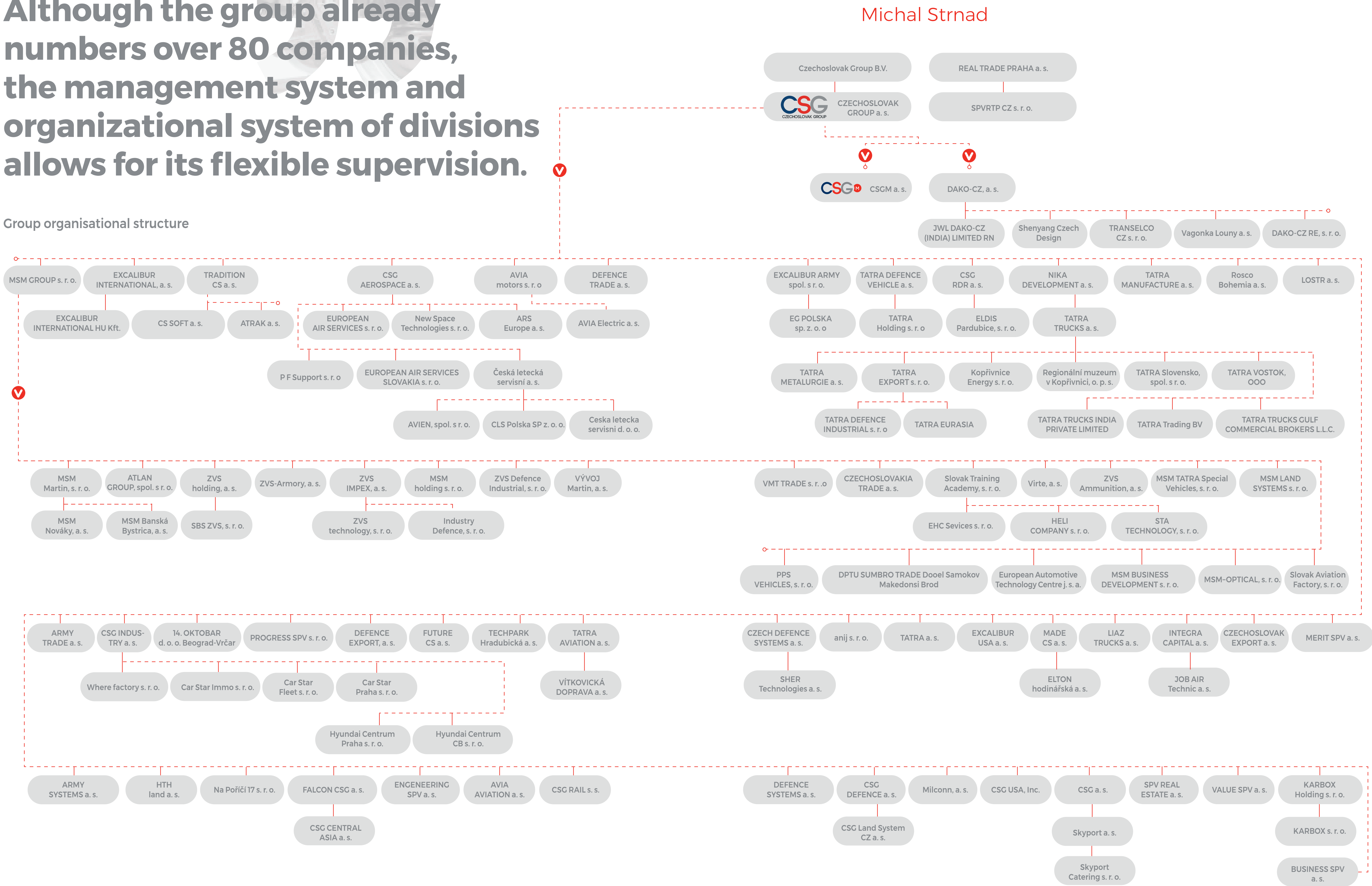
KARBOX s. r. o.
Development and production of integrated containers, container workplaces, container and special bodies (e.g. comprehensive container sets of field hospitals for NATO).

MSM MARTIN, s. r. o.
Production, repairs, maintenance and demolition of military equipment, arms, ammunition; development and production of radio navigation systems.

JOB AIR Technic a. s.
Aircraft repairs (primarily Boeing 737, Airbus A320 and A330, Saab 340 and L-410).

Although the group already numbers over 80 companies, the management system and organizational system of divisions allows for its flexible supervision.

Group organisational structure



Group organisational structure

Sole Shareholder of CSG

CSG's sole shareholder is Czechoslovak Group B.V., with its registered office at Kingsfordweg 151, 1043GR Amsterdam, Netherlands, recorded under reg. no. 61195456 (Sole Shareholder), which has been fully owned by Mr Michal Strnad since January 2018.
He, as the sole shareholder, acted in the capacity of the CSG's highest body.

The Group

CSG is a holding company subsuming the activities of subsidiaries in the Czech Republic and Slovakia.
CSG has a direct ownership interest in the companies shown on the following diagram together with and equity investment and share in voting rights in the relevant company.
A description of activities of the subsidiaries that are the most important in terms of their influence on the Group's business are included in chapter Major Subsidiaries and their Activities.

Dependence on the Group

In 2019, the Group was dependent on Michal Strnad, who exercised control over the group, because he held a 100% direct equity investment in the Sole Shareholder, which holds a 100% equity investment in CZECHOSLOVAK GROUP a. s. (CSG).
CSG is dependent on the subsidiaries, since their economic results are reflected in the consolidated results of the Group, and if the subsidiaries do not achieve profit, they will not be able to pay out profit shares to CSG in the form of dividends.

The group's indicators

	UNIT	AS OF 31 DECEMBER 2019	AS OF 31 DECEMBER 2018
Assets	CZK thousand	27,527,739	20,353,942
Equity	CZK thousand	8,706,282	7,643,989
Sales	CZK thousand	11,839,126	11,456,648
EBITDA	CZK thousand	2,611,058	1,867,450
EBIT	CZK thousand	2,055,193	1,464,235
EAT	CZK thousand	1,406,603	950,265
Headcount		4,152	3,599
Net Debt to EBITDA Ratio covenant (maximum value of 3.5)		3.08	2.98

5 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF CSG

The owner of the CZECHOSLOVAK GROUP has been assisted by long-term employees. The management of member companies has independent responsibility for their strategies and results.

Administrative, management and supervisory bodies of CSG

General Meeting

The General Meeting is the highest body of the Company. The General Meeting is composed of all the shareholders present. The General Meeting is held at the Company's registered office, or at another location if required by the agenda of the General Meeting. When the Company has a sole shareholder, the General Meeting is not held and the sole shareholder acts in the capacity of the General Meeting in line with Section 12 of the Business Corporations Act. Whenever the General Meeting is mentioned, it refers to the sole shareholder acting in its capacity. The sole shareholder is entitled to require the Board of Directors and Supervisory Board of the Company to participate in the sole shareholder's decision-making in the capacity of the General Meeting.A regular General Meeting is held at least once per calendar year, no later than six months after the end of the most recent reporting period. The General Meeting is called by the Board of Directors, but it may also be called by the Supervisory Board if it necessary in the Company's interest. The General Meeting may also be called by a member of the Board of Directors under the conditions specified in Section 402 (2) of the Business Corporations Act. The decision of the shareholder acting in the capacity of the General Meeting has to be in written form and signed by the shareholder. The shareholder's decision has to have the form of a notarial deed in cases when a notarial deed is made for the decision of the General Meeting. Section 426 of the Business Corporations Act does not apply.

Board of Directors

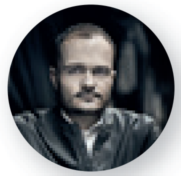
The Board of Directors is a statutory body of CSG. CSG has three members of the Board of Directors, one of which is the Chairperson of the Board of Directors. CSG is always represented by the two members of the Board of Directors, one of which has to be the Chairperson of the Board of Directors. Decisions about the business management of CSG require approval of the majority of the members of the Board of Directors, with the exception of the following decisions, which require a unanimous decision of all members of the Board of Directors pursuant to the Articles of Association of CSG:

a) Appointing and recalling the Chairperson of the Board of Directors;
b) Adopting a decision on behalf of CSG as the shareholder or owner of another business corporation, if this decision requires the form of a notarial deed;
c) Alienation of CSG's assets exceeding CZK 500,000 (with the exception of alienation as part of regular business relations);
d) Conclusion of certain licence or similar agreements;
e) Receipt of a loan or borrowing (with the exception of regular business relations);
f) Securing the debt of a third party, accession to or taking over a debt;
g) Provision of a donation, sponsorship or promotion agreement exceeding CZK 1,000,000.

Members of the Board of Directors are appointed and recalled by the General Meeting, or the sole owner of CSG, the chairperson of the Board of Directors is appointed and recalled by the Board of Directors. The competence of the Board of Directors includes making decision on all matters related to CSG that are reserved for the Board of Directors of CSG pursuant to CSG's Articles of Association, legal regulations or a decision of the General Meeting or the sole shareholder of CSG, especially the business management of CSG. All arrangements between the Company and members of the Board of Directors related to the discharge of their office are contained in the contract on the discharge of office or in the amendments thereto in line with the Civil Code, No. 89/2012 Coll., and the Business Corporations Act, No. 90/2012 Coll. These arrangements include all provisions on remuneration. The members of the Board of Directors of CSG are Michal Strnad, Ilona Kadlecová and Petr Formánek, and the business address of the members of the Board of Directors is the address of CSG's registered office, Sokolovská 675/9, Karlín, 186 00 Prague 8.

An overview of relevant information on the members of the Board of Directors of CSG is provided below:

Michal Strnad



Position originated on:

Chairperson of the Board of Directors since 31 October 2015

Education, experience and other relevant information:

Michal Strnad obtained secondary education concluded with a school-leaving exam at Anglické gymnázium, Střední odborná škola a Vyšší odborná škola, s. r. o.
In 2010-2013, he worked in the business/project section of EXCALIBUR ARMY spol. s r.o. He performed the same activity in 2014 in CSGM a. s. In 2014–2015, he worked as project manager in CSGM a. s. Aside from his activity in the Board of Directors of CSG, Michal Strnad worked as the general manager of CSGM a. s. until 2019.
Currently, he holds the office of the general manager of CZECHOSLOVAK GROUP a. s.

As of 31 December 2019, Michal Strnad was active in the bodies of the following companies:

ASSET SPV a. s. (statutory director and member of the Management Board),
ATRAK a. s. (Chairperson of the Board of Directors),
CASERMANIX s. r. o. (statutory executive),
CS SOFT a. s. (member of the Supervisory Board),
CSG a. s. (statutory director and member of the Management Board),
CSG AUTOMOTIVE a. s. (statutory director and member of the Management Board),
CSG DEFENCE a. s. (statutory director and member of the Management Board),
CSG INDUSTRY a. s. (Chairperson of the Board of Directors),
CSG LAND SYSTEM CZ a. s. (member of the Board of Directors),
CSG RAIL a. s. (statutory executive and member of the Management Board),
CSG RDR a. s. (statutory director and member of the Management Board),
CSGM a. s. (member of the Board of Directors),
DAKO-CZ, a. s. (Chairperson of the Supervisory Board),
DEFENCE SYSTEMS a. s. (statutory director and member of the Management Board),
DEVELOP SPV a. s. (statutory director and member of the Management Board),
ELTON hodinářská, a. s. (Chairperson of the Supervisory Board),
ENGINEERING SPV a. s. (Chairperson of the Board of Directors),
FUTURE CS a. s. (Chairperson of the Board of Directors),
HELA GROUP s. r. o. (statutory executive),
HTH land a. s. (Chairperson of the Board of Directors),
INDUSTRY SPV a. s. (statutory director and member of the Management Board),
INDUSTRYIN a. s. (Chairperson of the Board of Directors),
INNOVATION CS a. s. (Chairperson of the Board of Directors),
INTEGRA CAPITAL a. s. (Chairperson of the Board of Directors),
JOB AIR Technic a. s. (Chairperson of the Supervisory Board),
KARBOX Holding s. r. o. (statutory executive),
KOVOSVIT MAS Machine Tools, a. s. (member of the Supervisory Board),
KOVOSVIT MAS Management, a. s. (statutory director and member of the Management Board),
LIAZ TRUCKS a. s. (member of the Board of Directors),
LOSTR a. s. (Chairperson of the Board of Directors),
MADE CS a. s. (Chairperson of the Board of Directors),
CSG EXPORT a. s. – originally, as of 31 December 2019, under the business name MACHINERY SPV a. s. (statutory director and member of the Board of Directors),
MACHINERY SPV a. s. (statutory director and member of the Management Board),
MERIT SPV (statutory director and member of the Management Board),
Milconn, a. s. (Chairperson of the Supervisory Board),
NIKA Development a. s. (member of the Board of Directors),
FALCON CSG a. s. (Chairperson of the Board of Directors),
PROGRESS SPV a. s. (Chairperson of the Board of Directors),
PROJECT SPV a. s. (statutory director and member of the Management Board),
Skyport a. s. (Chairperson of the Supervisory Board),
Space T a. s. – originally as of 31 December 2019 under the business name BUSINESS SPV a. s. (statutory director and member of the Management Board),
SYNERGY CS a. s. (Chairperson of the Board of Directors),
TATRA a. s. (Chairperson of the Board of Directors),
TATRA AVIATION a. s. (member of the Board of Directors),
TATRA METALURGIE a. s. (member of the Supervisory Board),
TATRA TRUCKS a. s. (member of the Supervisory Board),
TECHNOLOGY CS a. s. (statutory director and member of the Management Board),
TECHPARK Hradubická a. s. (member of the Board of Directors),
TESLA CS a. s. (statutory director and member of the Management Board,
TESLA RADARS a. s. (statutory director and member of the Management Board),
TRADITION CS a. s. (Chairperson of the Board of Directors),
VALUE SPV a. s. (statutory director and member of the Management Board),
Vagonka Louny a. s. (Chairperson of the Supervisory Board).

Ilona Kadlecová

Position originated on:

Member of the Board of Directors since 13 October 2014

Education, experience and other relevant information:

Ilona Kadlecová obtained university education at the Faculty of Economics and Management of the Czech University of Life Sciences in Prague.

From 1993 to 1995, she worked as an economist for a plant of ETA Hlinsko. In 1998–2002, she worked as an independent accountant at Vrba Economic. From 2002 to 2003 she was the chief accountant at NIKA Chrudim. In 2003–2013 she worked in EXCALIBUR ARMY spol. s r.o., first as an accountant, then chief accountant and finally as financial director.

Aside from her activity in the Board of Directors of CSG, Ilona Kadlecová has been the financial director of the Group since 2014.

As of 31 December 2019, Ilona Kadlecová was additionally active in the bodies of the following companies:

anji s. r. o. (statutory executive),
CS SOFT a. s. (member of the Supervisory Board),
CSGM a. s. (member of the Board of Directors),
Česká letecká servisní a. s. (member of the Supervisory Board),
ELTON hodinářská, a. s. (member of the Supervisory Board),
ENGINEERING SPV a. s. (member of the Board of Directors),
ENVISEV s. r. o. (proxy holder),
EUROPEAN AIR SERVICES s. r. o. (statutory executive),
EXCALIBUR INTERNATIONAL a. s. (member of the Board of Directors),
FUTURE CS a. s. (member of the Board of Directors),
HTH land a. s. (member of the Supervisory Board),
INDUSTRYIN a. s. (member of the Board of Directors),
INNOVATION CS a. s. (member of the Board of Directors),
INTEGRA CAPITAL a. s. (Vice-Chairperson of the Board of Directors),
JOB AIR Technic a. s. (Chairperson of the Board of Directors),
KOVOSVIT MAS Machine Tools, a. s. (member of the Supervisory Board),
LIAZ TRUCKS a. s. (member of the Supervisory Board),
LOSTR a. s. (member of the Board of Directors),
MADE CS a. s. (member of the Board of Directors),
Milconn, a. s. (member of the Supervisory Board),
Na poříčí 17 s. r. o. (statutory executive),
NIKA Development a. s. (member of the Supervisory Board),
P F Support s. r. o. (member of the Supervisory Board),
PROGRESS SPV a. s. (member of the Board of Directors),
PROKOP INVEST, a. s. (member of the Supervisory Board),
RETIA, a. s. (member of the Board of Directors),
SHER Technologies a. s. (member of the Board of Directors),
SPV REAL ESTATE a. s. (member of the Supervisory Board),
SYNERGY CS a. s. (member of the Board of Directors),
TATRA a. s. (member of the Board of Directors),
TATRA AVIATION a. s. (member of the Supervisory Board),
TATRA DEFENCE VEHICLE a. s. (member of the Supervisory Board),
TECHPARK Hradubická a. s. (member of the Supervisory Board),
TRADITION CS a. s. (member of the Board of Directors).

Petr Formánek

Position originated on:

Member of the Board of Directors since 4 November 2019

Education, experience and other relevant information:

Between 1988 and 2001, Petr Formánek worked in banks in the financial market segment in various positions including a membership in the Board of Directors in the Czech Republic and Canada. From 2001 to 2005 he participated, in a joint venture with the financial division of General Motors, in the management of distressed asset portfolio.

Between 2005 and 2016, he was responsible, as a member of the Board of Directors of Patria Corporate Finance, for a number of public and private projects on capital markets in the Czech Republic and abroad. Since 2016, he has been responsible for corporate finance in CSG.

Remuneration of the Board of Directors

All arrangements between the Company and members of the Board of Directors related to the discharge of their office are contained in the contract on the discharge of office or in the amendments thereto in line with the Civil Code, No. 89/2012 Coll., and the Business Corporations Act, No. 90/2012 Coll. These arrangements include all provisions on remuneration. The contract on the discharge of office, including all performance, is subject to approval by the General Meeting.

The members of the Board of Directors of the Company receive the following remuneration and benefits:

Monthly remuneration – paid out regularly after the end of a calendar month. A member of the Board of Directors is entitled to no more than four weeks of time off per calendar year (i.e. 20 working days). A member of the Board of Directors is entitled to remuneration during the time off.
Annual remuneration – granted to a member of the Board of Directors in addition to the monthly remuneration, the annual remuneration depends on the economic results of the Company in the past reporting period, it is calculated based on the completion of the assigned tasks and fulfilment of annual goals. The calculation of annual remuneration and determination of the goals of member of the Board of Directors are set for each calendar year and decisions on them are made by the highest body of the Company.
Passenger car – a member of the Board of Directors is entitled to a passenger car for the discharge of office of member of the Board of Directors and for personal use. The vehicle provided for personal use and for the discharge of office is subject to taxation, the consumption of fuel for personal use is paid by the member of the Board of Directors in the form of deduction from income.
Severance pay – in the event of recalling a member of the Board of Directors from the position, the member of the Board of Directors is entitled to financial performance. The amount of this financial performance is specified in the contract on the discharge of office.
Travel compensation – a member of the Board of Directors is provided with travel compensation during a business trip in line with currently valid legal regulations.
Benefits – members of the Board of Directors receive benefits corresponding to the benefits provided to employees of the Company based on the Company's internal policies (pension insurance, meal contribution or meal vouchers…)

Supervisory and Control Bodies

The Supervisory Board is the control body of CSG that supervises the performance of the activities of the Board of Directors and the execution of CSG's business activities, especially whether the business activities take place in line with legal regulations, Articles of Association and resolutions of the General Meeting.
The CSG currently has 3 members of the Supervisory Board: Marián Goga, Tomáš Hasman and Rudolf Bureš. The business address of the members of the Supervisory Board is Sokolovská 675/9, Karlín, 186 00 Prague 8.

An overview of relevant information on the members of the Supervisory Board of CSG is provided below:

Tomáš Hasman

Position originated on:

Member of the Supervisory Board since 1 September 2019

Education, experience and other relevant information:

Tomáš Hasman obtained his university education at the Faculty of Law of Charles University in Prague. In the academic year 2008/2009, he studied at L'Università degli Studi di Teramo, Italy. Since 2012, he has been a member of the Czech Bar Association. Since 2015, he has acted as the general counsel of CZECHOSLOVAK GROUP a. s.

As of 31 December 2019, Tomáš Hasman was also active in the bodies of the following companies:

ATRAK a. s. (Chairperson of the Supervisory Board),
CSGM a. s. (member of the Supervisory Board),
FALCON CSG a. s. (member of the Supervisory Board),
INTEGRA CAPITAL a. s. (Chairperson of the Supervisory Board),
JOB AIR Technic a. s. (member of the Supervisory Board),
Skyport a. s. (member of the Supervisory Board),
SPVRTP CZ s. r. o. (statutory executive).

Marián Goga

Position originated on:
Member of the Supervisory Board since 4 November 2019

Education, experience and other relevant information:
Marián Goga graduated from the Armed Forces Academy in Liptovský Mikuláš, Faculty of Logistics, Department of Armament Technology, Weapons and Ammunition, and Alexander Dubček University of Trenčín, Faculty of Special Technology, Department of Machinery Technology and Materials.
In 1996 – 2008 he was active in various management positions at the Ministry of Defence of Slovak Republic. From 2008 to 2012 he managed a state-owned enterprise VOP Nováky š.p., in 2012 he became the director of MSM Martin, s. r. o., under which the following enterprises were successively incorporated: VOP Nováky, VOP Trenčín and VOP Banská Bystrica.
From 2015 to 2018 he discharged the offices of the Chairperson of the Board of Directors and the managing director in ZVS holding, a. s. and ZVS IMPEX, akciová společnost. Marián Goga is also the co-founder of EOD COE (Explosive Ordnance Disposal Centre of Excellence), the Chairperson of the Engineering Industry Association of Slovak Republic and a member of the Security and Defence Industry and the Slovak Accreditation Board for ammunition and explosives.

Since 2015, he has been one of the co-owners and the president of the MSM GROUP, which is an umbrella organisation of Slovak CSG companies operating primarily in the defence industry.

As of 31 December 2019, Marián Goga was additionally active in the bodies of the following companies:

ATLAN GROUP, spol. s r. o. (statutory executive),
CZECHOSLOVAKIA TRADE a. s. (Chairperson of the Board of Directors),
European Automotive Technology Centre j. s. a. (Chairperson of the Board of Directors),
MSM BUSINESS DEVELOPMENT s. r. o. (statutory executive),
MSM GROUP s. r. o. (statutory executive),
MSM holding, s. r. o. (member of the Supervisory Board),
MSM Martin, s. r. o. (statutory executive),
VÝVOJ Martin, a. s. (member of the Supervisory Board),
ZŤS Metalurg špeciál, s. r. o. (statutory executive),
ZVS Ammunition, a. s. (Chairperson of the Board of Directors),
ZVS technology, s. r. o. (statutory executive).

Rudolf Bureš

Position originated on:
Member of the Supervisory Board since 4 October 2018

Education, experience and other relevant information:
Rudolf Bureš obtained his university education at the Faculty of Economics of the University of Economics in Prague. In 2015, he graduated from the Master of Laws (LL.M.) educational programme with a focus on corporate law at the Law and Legal Science Institute in Prague.
From 1995 to 2003, he worked at Eurotel Praha spol. s r.o., where he co-founded the Treasury department. He obtained additional managerial and specialised knowledge in the Unipetrol and AWT groups, where he worked from 2003 to 2008, and from 2009 to 2015, respectively, as treasury and risk management director. From 2016, he worked as a manager in the advisory company PwC. Since 2017 he has held the position of group treasurer of CSG.

As of 31 December 2019, Rudolf Bureš is also active in the bodies of the following companies:

Česká Asociace Treasury, z. s. (board member).

Audit Committee

The Audit Committee performs the following activities, without affecting the responsibility of the members of the Board of Directors or the Supervisory Board:

- Monitors the efficiency of internal control and the risk management system;
- Monitors the efficiency of internal audit and ensures its functional independence;
- Monitors the method of preparation of the financial statements and the consolidated financial statements; and
- Monitors the obligatory audit process.

The Audit Committee has 3 members appointed by the Company's General Meeting. Members of the Committee cannot be substituted. At least two members of the Audit Committee have to be independent.

The members of the Audit Committee are:

- Olga Nahodilová, chairperson of the Audit Committee
- Jiří Fišer, member of the Audit Committee
- František Jirásek, member of the Audit Committee

Total remuneration of members of statutory bodies of CSG in all group companies was as follows:

CZ THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Gross salary	8,491	7,894
Social security and health insurance	2,688	2,449
Other	54	51
Total	11,233	10,394

The total fees paid to the audit company and its related parties in 2019 and 2018 were as follows:

CZK THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Obligatory audit	18,890	12,737
Other assurance services	1,171	0
Tax advisory and other services	1,343	1,260
Total	21,404	13,997

Declaration on Conflict of Interest and Compliance with the Proper Governance of the Company

CSG is not aware of any possible conflict of interest between the obligations of members of the Board of Directors and Supervisory Board in relation to CSG and their private or other obligations. CSG complies with all the requirements for the governance of CSG set be generally binding legal regulations of the Czech Republic, especially the Civil Code and the Act on Business Administrations.

Non-Financial Report

The non-financial report is not included in the consolidated financial statements and will be published as a separate document.

6 RISK FACTORS

Supervision of CSG and group risks is provided by the risk management department.

Risk factors

Financial risks

Financial risk management at CSG and the Group focuses on financial risks (arising from financial instruments) which CSG and the Group are exposed to as a result of their activities. Financial risks predominantly include the credit risk, liquidity risk, currency risk and interest rate risk. Financial risk management principally aims to define risk limits, ensuring that exposure to those risks remains within the set limits.
The risks to which CSG and the Group are exposed are supervised in line with the Group's policies for market risk management. Concurrently, supervision is also performed by way of decision-making at the level of top management of CSG and subsidiaries in individual business areas based on reporting as well as by decisions of the statutory body of CSG or subsidiaries. CSG and the Group use (and intend to do so) derivative financial instruments to reduce the above-specified risks, primarily the currency and interest rate risks.

Credit risk

Credit risk relates to the risk of default of CSG's and the Group's debtors. Their inability to settle their debts arising from financial and business relations may result in financial losses for CSG and the Group. Due to the holding character of CSG, this risk is at minimum at CSG level. The Group has rules in place under which all new customers requiring products or services exceeding a certain limit (which is based on the size and nature of the specific subsidiary) are analysed using an individual credit rating before the subsidiary's standard payment and delivery terms are offered.
As of 31 December 2019, trade and other receivables and other assets amounted to CZK 7,882,651 thousand (net) (31 December 2018: CZK 5,634,574 thousand), which includes the following items in the consolidated statement of profit and loss: trade and other long-term receivables, long-term prepayments made, accruals and deferrals, trade and other short-term receivables, short-term prepayments made and accruals and deferrals. As of 31 December 2019 and 31 December 2018, the maximum value of the credit risks corresponds to the net book value of individual financial assets, whereby CSG also declares that no major concentration of credit risk exists in respect of a single business entity.
The Group creates provisions against the impairment of assets, which represent estimated losses arising from trade and other receivables. Those provisions principally consist of major components as follows: specific losses relating to individual major receivables and collective losses determined for groups of similar assets in relation to losses that have incurred but have not yet been identified. Tolerance for collective losses is determined based on historical data according to payment statistics for similar financial assets. The Group believes that the amounts for which no provisions have been created remain to be collectible.
Despite all of the Group's measures intended to mitigate the impacts of the credit risk, default of the Group's counterparties may result in losses with adverse impacts on the Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

Liquidity risk

The main goal of managing liquidity risk is to mitigate the risk that the Group will be short of resources to settle its debts, working capital and capital expenses to which it has committed. Liquidity management aims to secure resources that will always be available to settle the Group's debts as they fall due.
The Group has set the system of monitoring income and expenses several months in advance, following the issued purchase orders and received invoices as well as received and confirmed orders and issued invoices and other concluded agreements (leases, insurance, loans), anticipated wages etc. Expenses are regulated to ensure that the financial resources to settle debts to the state and health insurance companies, wages and debts to banks are on the account four months in advance in an amount corresponding the payment for 1-2 months.
Despite all of the Group's measures taken to mitigate the impacts of the liquidity risk, the lack of available resources may have adverse effects on the Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

Risk of interest rate fluctuations

The Group's business activity is exposed to the risk of interest rate fluctuations where interest-bearing assets (including investments) and liabilities fall due or are remeasured in different times or to different amounts. The period over which the interest rate of the financial asset is fixed indicates the extent of the interest rate risk to which the instrument is exposed.
Various types of derivative instruments used for decreasing due amounts exposed to interest rate fluctuations and for decreasing the costs of borrowings primarily include interest rate swaps. These agreements are usually arranged with a nominal value and expiration date that is lower than or equal to the underlying debt, which is why any change in the fair value or anticipated future cash flows arising from those agreements is compensated by a corresponding change in the fair value or anticipated future cash flows from the underlying position.
Despite all of the measures, it is impossible to rule out losses arising from unfavourable interest rate fluctuations which may have adverse effects on the Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

Risk of foreign exchange rate fluctuations

The Group is exposed to the fluctuations of the current foreign exchange rates affecting the Group's financial position and cash flows.
The Group is exposed to the currency risk in respect of sales, purchases and borrowings denominated in currencies other than the functional currencies of Group entities; this principally relates to the euro and US dollar for Czech subsidiaries and the US dollar and Czech crown for Slovak subsidiaries. Various types of derivative instruments, such as currency swaps with maturity of one month up to five years, are used to mitigate the currency risk for assets, debts and anticipated future cash flows denominated in foreign currencies. These contracts are usually arranged with the nominal value and expiration date which are identical to that of the underlying debt or anticipated cash flows. Any change in the fair value or future cash flows from those agreements arising from a potential appreciation or depreciation of the Czech crown to other currencies is fully compensated by a corresponding change in the fair value and/or anticipated future cash flows from the underlying position.
With regard to financial assets and liabilities denominated in foreign currencies, CSG implements a currency risk management system within the Group to ensure that the net exposure is reduced to an acceptable level of purchases or sales of foreign currencies for spot exchange rates when temporary imbalance has to be addressed.
Despite the measures taken, it is impossible to rule out losses arising from unfavourable foreign exchange rate fluctuations which may have adverse effects on the Group's business activity, economic results, financial situation and, ultimately, CSG's solvency.

Operating risks

Competition risk

CSG and its subsidiaries operate in the areas of aerospace, automotive, railway and defence industries and participate in competition. For this reason, they have to respond flexibly to the changing situation on market, competitors' behaviour and client requirements. In the environment of strong competition, the Company might not be able to address the competitive environment as appropriate, which could deteriorate the economic condition of CSG or the Group and, ultimately, have adverse impacts on CSG's solvency.

Risk of changes in CSG's and the Group's structure

Although CSG is not aware of any changes in the ownership structure beyond the change made in 2019, it may not be entirely ruled out that CSG's ownership structure will change in the future. Besides, any change in the Group's shareholders or owners (or their equity investments) may cause a change in the Group's control and strategy that may have other than the current goals. These changes may affect the economic results of the CSG Group.

Risk of insolvency proceedings

Act No. 182/2006 Coll., on Insolvency and Possible Solutions Thereto (the "Insolvency Act"), stipulates that a debtor is insolvent when it has several creditors and financial debts past their due dates by more than 30 days and is unable to settle those debts or is subject to balance-sheet insolvency.
The insolvency proceedings may only commence upon an insolvency petition filed by the debtor or its creditor. In the event of an imminent insolvency, the insolvency petition may only be filed by the debtor.
Despite certain measures to prevent unsubstantiated and unjustified insolvency petitions, it cannot be ruled out that such petitions will not be filed. Insolvency proceedings commence by a court ordinance no later than within two hours after the insolvency petition has been delivered to the court. From the publication of the ordinance until the court decision concerning the insolvency petition (unless the court decides otherwise), the debtor is obliged to refrain from handling the debtor's estate and assets that may be part of it if this involves major changes in the composition, use or determination of those assets or their reduction which is not of an insignificant nature. Pursuant to the Insolvency Act, the court will issue a decision on an insolvency petition filed by third parties without any undue delay; a more-specific deadline for issuing the decision is not stipulated by law.
Although the constrains related to handling the debtor's estate do not include, among other things, acts which are necessary for operating an enterprise as part of ordinary business activity or for averting imminent damage, it cannot be ruled out that if an unsubstantiated insolvency petition is filed in respect of CSG, it will result in CSG being unable to handle its property for an indefinite time period, which could adversely affect its financial situation and business results.

Risk concerning the legal, regulatory and tax environment in the Czech Republic

The Group is governed by a variety of laws and regulations. The legal, regulatory and tax environment in the Czech Republic is frequently modified; consequently, the application of legislation by courts and public bodies may not always be uniform. Amendments to legislation and interpretation changes may have adverse impacts on CSG's future operation and financial outlooks. Changes in legal regulations cannot always be foreseen and any such change could have an adverse impact on the Group's business activity. Modification of tax documents, primarily an increase in direct or indirect taxes and introducing a new tax liability, changes in the practice applied by the Tax Office and a failure to manage tax risks may have an adverse impact on CSG's ability to meet its obligations. What is more, the Group's activity in the defence industry is highly regulated. Selected Group entities had to obtain an authorisation to carry out foreign trade with military equipment for the Group to be able to operate on the international market with military equipment. CSG's subsidiaries engaged in trading with military equipment are predominantly governed by Act No. 38/1994 Coll., on Foreign Trade with Military Equipment, as amended (the "Act"). In line with the Act, the relevant CSG's subsidiaries have an authorisation for foreign trade with military equipment, which is, however, a highly general authorisation and specific transactions, more precisely exports or imports of military equipment, are subject to another approval (and licencing) by the Licence Administration under the Ministry of Industry and Trade of the Czech Republic. This administration body decides on granting a specific licence based on binding opinions of the respective bodies including: (a) Ministry of Foreign Affairs as regards foreign and political interests of the Czech Republic, compliance with obligations arising for the Czech Republic from international treaties as well as from the membership of the Czech Republic in international organisations; (b) Ministry of the Interior as regards public order, safety and protection of citizens; and (c) Ministry of Defence with respect to securing defence of the Czech Republic. Such controls of exports are designed to prevent exports to risky countries where this material may be misused, such as to suppress human rights or for resale to unofficial armed forces. Furthermore, the Group is also subject to Common rules of the EU governing control of exports of military equipment (Council Common Position 2008/944/CFSP) which further restrict or regulate the Group's business activity in this segment. In the decision-making process concerning the approval of specific foreign transactions including military equipment, a key role will be played by the security situation in individual global regions as well as by the politics of international organisations which the Czech Republic is part of. All of the factors outlined above similarly apply to Slovak subsidiaries. Besides, on some markets, the approval proceedings by state bodies also take place with regard to imports from the Czech Republic or Slovakia. The aforementioned regulatory constraints or the lack or loss of licence and authorization may have an adverse impact on the Group's business activity and its ability to meet its commitments.

The risk of CSG as a holding company

CSG is a holding company that primarily holds, manages or, as the case may be, finances equity investments in other Group entities and, as such, does not conduct any substantial business activities.
CSG depends in the business success of its subsidiaries. If the subsidiaries did not achieve the anticipated results or if their ability to execute payments (such as in the form of dividends, interest etc.) in favour of CSG were limited for other reasons (e.g. unavailability of available resources, legal or tax regulation and/or agreements), this would have a significant adverse impact on CSG's income and its ability to pay debts.

Operating risk

The operating risk is the risk of loss due to fraud, unauthorised activities, errors, omission, inefficiency or system failures. This risk, which occurs in respect of all activities of the Group, is faced by all business corporations. The operating risk also comprises legal risk.

The risk of losing key stakeholders

CSG's key stakeholders, i.e. management (primarily top management) of CSG and subsidiaries, cooperate in creating and implementing the Group's key strategies. Their activity is crucial for the Group's overall managements and the ability to launch and implement those strategies. CSG makes an effort to retain and motivate those persons despite the urgent demand for qualified staff in the engineering industry. Nevertheless, CSG is unable to guarantee that it will be able to retain and motivate the aforementioned or to address and acquire new stakeholders. CSG actively supports and motivates the key stakeholders to constantly increase their qualifications and hands-on experience and thus support their professional growth. Any loss of key stakeholders could have adverse impacts on CSG or the Group, CSG's economic results and financial situation, which could negatively affect CSG's solvency.

Risk of information leakage

The Group employs persons who are involved in designing the strategy of the Group or subsidiaries, creating new products and forming the Group's business direction. A leakage of sensitive information about the Group may threaten the Group's functioning or its current market position, which could ultimately deteriorate CSG's financial results and thus have adverse effects on CSG's solvency.

Risks relating to the insurance of assets

CSG and subsidiaries have taken out insurance for their major assets. Nevertheless, the costs incurred by any natural disasters or other unforeseeable events (such as fire, storm, flood, deluge, hail etc.) may have adverse effects on the Group's assets as well as its economic and financial situation as the insurance of the Group's assets does not provide a full coverage of all asset-related risks.

Risks arising from the Group's operation on various markets

Risk arising from an adverse macroeconomic and political situation

An unfavourable development of the general macroeconomic situation or political instability on markets where the Group operates reduces economic activities of business entities and the Group's business partners and also have a significant influence on their current and future decisions.
The Group's financial performance may be directly or indirectly affected by macroeconomic parameters, including, among other things, an increase or decrease in the gross domestic product, inflation development, monetary and tax policy, exchange rate and interest rate development, unemployment and the general level of investments in the Group's sales countries in which the Group operates. The political or macroeconomic situation in those countries may be affected by regional events, such as situation in Ukraine, sanctions against the Russian Federation, debt crisis in the Eurozone and other events of a similar nature. Any unfavourable changes in the macroeconomic situation or political instability in countries where the Group operates may have adverse impacts on CSG's operation, financial performance and financial outlooks.

Risks related to the inflation level

The Group's economic results are determined by the inflation level in countries in which the Group operates. Major changes in the inflation level (i.e. changes by more than several percent), or changes in the inflation level which significantly differs from the anticipated values of inflation rate could have adverse impacts on the Group's business and financial situation.

Risk of unforeseeable events

An unforeseeable event (natural disaster, terrorist attack) causing a breakdown on financial markets and/or rapid exchange rate fluctuations may affect the value of bonds issued by CZECHOSLOVAK GROUP a. s. A negative impact of such events could reduce the return on the Group's investments and thus threaten CSG's ability to satisfy all of its liabilities.

Risk of general economic recession and demographic factors

Potential deceleration of economic recession at the country-wide or regional levels in individual countries in which the Group operates and other significant external events, such as a decrease in customer demand, changes in interest rates or in the economic policy of neighbouring countries may have adverse impacts on the macroeconomic environment in which the Group operates, which may be also negatively reflected in the Group's economic results.

Risk concerning legal and regulatory environment

The Group operates globally in many countries and, as a consequence, it is subject to a wide array of legal, regulatory and tax regulations. The legislative and regulatory environments in the countries in which the Group operates gradually develops; the current or future environment does not need to provide sufficient legal instruments to mitigate the impacts caused by violating contractual relations on the part of business partners. A risk exists that the Group will be unable to seek its contractual rights towards third parties, fully and within reasonable time, which may have adverse impacts on CSG's operation, financial performance and financial outlooks. Simultaneously, legal rules and regulations in the countries in which the Group operates may be subject to changes and amendments without a clear foreseeability thereof. These changes may have an adverse impact on CSG's contractual relations and business. The Group's assets or part thereof may be subject to appropriation, nationalisation and seizure without a sufficient financial compensation, or with a financial compensation that is lower than the market value of the respective assets, which may have an adverse impact on CSG's financial situation.

Risk concerning the preparation of financial and accounting data

Due to the complexity of processes accompanying preparation of the consolidated financial statements, there is a risk of erroneous interpretation of accounting standards, procedures and principles, an incorrect judgement in determining accounting estimates, an erroneous interpretation of non-routine transactions as well as the risk of administrative error or mistake, deliberate fraudulent behaviour of the Group's personnel or a failure of internal control resulting in inaccurate calculations, omission, incorrect records or recognition of selected accounting items. All of these circumstances may cause that the published financial statements do not correspond to accurate real data, whereby the error may (but does not have to) be subsequently identified and published. Although the consolidated financial statements are audited by an established audit company, the nature of audit and auditor's processes implies that some errors may remain undetected, which may result in the recognition and presentation of incorrect data in the Group's unconsolidated financial statements.

Tax risk in countries outside the Czech Republic

The Group's business activities are subject to various tax regulations in individual countries in which the Group operates. However, rules in individual tax systems may change and be subject to various interpretations, which may change (deteriorate) the tax implications on specific investments or structure (including profit repatriation) after such an investment has been realised. Simultaneously, the Group has to adhere to regulation and adapt to changes in tax systems, whereby some of them occur at the level of the European Union. This may increase the Group's costs incurred by monitoring such changes and accommodating to them during the investment period. The aforementioned changes, different or varying interpretations of tax regulations or the risk of a failure to comply with tax legislation at the level of local Group entities may increase the tax burden or result in sanctions being imposed, which may have adverse impacts on CSG's operation, financial performance and financial outlooks.

Risks concerning the defence industry

Risk of reducing defence expenses

Restrictions of expenses incurred on the army and armed forces in the Czech Republic and abroad may decrease demand for product in the arms industry supplied by CSG. Significant costs of the preparation and future realisation of engagements thus may be decrease. Selection procedures for a supply for armed forces are characterised by strong competition, having increased requirements in terms of technology, time and finance. Any cancellation or discontinuation of tenders or the Group's failure in individual tenders may have adverse impacts on CSG's and the Group's operation, financial performance and financial outlooks.

Risk of long-term contracts with a fixed price

Long-term contracts for armed forces often have fixed terms, which may be very difficult to modify, whereby potential market changes may become less favourable for the relevant subsidiary. The Group thus assumes all related risks, if any. Preparation and realisation of contracts may last several months or years and despite the set internal measures, the Group cannot always guarantee a smooth implementation, including timely supply in the required quality and for the cost corresponding to the budgeted production expenses. Although the Group has some opportunities to change contractual terms to a certain extent, fixed contracts are inherently risky. Any supply delays may cause a financial loss – contractual penalties paid by the Group. Some contracts may also be terminated without an adequate compensation. These facts may have a negative impact on the Group's and CSG's business activity.

Risk of a failure to keep up with technological progress

The Group's activity is based on technological progress. Development or innovation of new arms technology lasts years, whereby a number of objective hindrances may occur, including price increase or delays of the entire development. Due to the complexity of the entire process, extensive research and development expenses do not always have to return in the form of a commercially successful product. If the Group did not respond to the requirements arising from customer needs and relating changes in the area of arms development and technology, disregarding the need for innovation and technological progress, this would have adverse impacts on the financial performance and financial outlooks of CSG and the Group.

Risks Concerning Engineering

Risk of increasing requirements on product quality

In the area of engineering, the Group faces increasing pressure and requirements on the quality of production and the final product, which has a significant impact primarily on the level of costs, given the fact that if sufficient production quality is not achieved, several acts have to be performed to rectify the resulting situation. This often involves a change in the production procedure which involves an increase in input costs due to the use of better quality materials and raw materials or due to the extension of the production process, which is ultimately reflected in the financial performance of CSG and the Group. In the case of persisting production of poor quality products, this risk is reflected in the loss of trust of customers and thereby in a decrease in demand for engineering products.

Risk of failure in public tenders

In the area of engineering, the Group is partially dependent on sales realised via public tenders.
The tenders are often time-consuming and financially

demanding and a failure in a tender can have a negative impact on the sale of the Group's engineering products, which can be negatively reflected in the economic results of CSG and the Group.

Risk of failure to keep up with technological advances

As in the defence in defence industry segment, the Group faces the risk that it will be unable to keep up with the rate of technological advances, which would have a negative impact on the financial performance and financial outlook of CSG and the Group.

Risks Related to the Segment of Aviation Industry Services

Lack of specialised workforce

Individuals with expert qualifications are key for performing business in the area of the aviation industry segment. Given the fact that the Group plans an expansion in the area of aviation industry services, it will be increasingly complicated to obtain qualified workforce, due to the limited number of graduates in the relevant fields. The Group thus faces the risk that it will be unable to attract or there will be an objective lack of people with education or experience in the area of the aviation industry. Lack of employees could have a negative impact on the business of the Group and CSG.

Internal control principles

The Company is aware of the importance of internal control in the identification of possible errors and fraud in accounting records. Sufficient control mechanisms have been set up in all companies of the Group to prevent such errors with a high level of probability.

Ethical Principles of Business

Every day the CSG Group faces the high speed of changes in global and European business conditions, whether in the area of the defence industry or engineering, and naturally also in the needs and requirements of customers. But one thing remains unchanged in this environment in the CSG Group – continued interest in correct business and interpersonal relations as the foundation without which trust inside and outside of the CSG Group could not exist. In 2019, the Group continued to develop the corporate culture in the area of ethical business. The CSG Group acts in line with the strategic document, the "Code of Ethics", which defines the general rules of ethical conduct, their unified interpretation and application with respect to employees and suppliers as well as partners. This document is available on CSG's website, www.czechoslovakgroup.cz, in section About us → Compliance program → Code of Ethics.

7 STRATEGY OF THE GROUP

The group will focus on fulfilling its slogan "Tradition is the future".

Other Information

Anticipated Development of the Group
In the coming reporting period, the Group will focus on fulfilling its motto, "Tradition is the Future", and seek new investment opportunities in this spirit. It will also concentrate on its existing activities and increasing their efficiency.

Environmental Protection and Labour Relations
These matters are described in the non-financial report, but it is important to mention that the Group complies with all valid legislation in these areas.

Research and Development
The Group is aware of the importance of funds invested in research and development and for this reason it tries to follow the trends in research and development at a level comparable to the other players on the markets where it operates.

Events that occurred after the balance sheet date and are important for fulfilling the purpose of the annual report:

a) New significant acquisitions
On 15 January 2020, an agreement on the sale of a business became effective, based on which ATRAK a. s. acquired an ownership title to the business represented by the "independent branch IFIELD COMPUTER CONSULTANCY LIMITED - organizační složka" of IFIELD COMPUTER CONSULTANCY LIMITED, a limited liability company.

The Group is in the process of finishing the negotiated transaction of the acquisition of Spanish company Fábrica de Municiones de Granada from the American conglomerate General Dynamics. The speed of the transaction depends on the restrictions in connection with COVID-19.

b) Other changes in the Group
In the period between 31 December 2019 and the date of compilation of the consolidated annual report, the following changes took place within the Group's structure:

/ On **6 February 2020**, CSG transferred 100% of the shares of VALUE SPV a. s. to CE Power Industries a. s.;
/ On **10 February 2020**, CSG bought 100% of the shares of MACHINERY SPV a. s. (currently CSG EXPORT a. s.) from Mr Michal Strnad;
/ On **28 February 2020,** CSG transferred its 50% share in anji s. r. o. to JT CAPITAL a. s.;
/ On **1 March 2020,** CSG sold 100% of the shares of Rosco Bohemia a. s. to CE Industries a. s.;
/ On **9 March 2020,** a purchase of the shares of Skyport a. s. was settled between CSG a. s. and CSG AUTOMOTIVE a. s. when CSG a. s. increased its share in Skyport a. s. to 88.88%;
/ On **13 March 2020,** CSG bought a 100% share in TRUCK SERVICE GROUP s. r. o. from Mr Jaroslav Strnad;
/ On **31 March 2020,** a sale of 10% of the shares of TATRA DEFENCE VEHICLE a. s. to Sages Consulting a. s. was settled;
/ On **31 March 2020**, CSG sold 100% of the shares of SPV REAL ESTATE a. s. to BlackBird Real Estate s. r. o.;
/ In March 2020, a portion of the share in STA TECHNOLOGY, s. r. o. was transferred to a company under SST AEROSPACE, LLC (USA);
/ In **March 2020**, a 97.5% share in TRADITION CS a. s. was transferred from CZECHOSLOVAK GROUP to CSG AEROSPACE a. s. (transfer within the Group).

The Group is implementing a merger project with the aim of merging the parent company Czechoslovak Group B.V. with CZECHOSLOVAK GROUP a. s., with CZECHOSLOVAK GROUP a. s. as the successor company. The estimated effective date of the merger is 1 January 2020.

The most critical subsequent event with a global impact is the pandemic of the COVID-19 disease which led to unprecedented impacts on population and the business sphere in the territory of the Czech Republic and Slovakia, where the majority of companies within the Group operate. In compliance with the recommendations issued by the relevant authorities (European Securities and Markets Authority) and important institutions (e.g. a leading audit companies) the Group summarises the impacts of the current situation. The below-mentioned information corresponds to the time of preparation, which is 15 April 2020.
We describe the above event as non-adjusting pursuant to IAS 10 with respect to the fact that the COVID-19 disease was declared a pandemic by WHO only in March 2020. In this context, with a few exceptions, we do not modify the current accounting and valuation methods, change the useful lives and impairment of fixed assets, alter valuation of goodwill and other intangible assets or re-evaluate the marketability and valuation of inventories. We also do not change the assumptions regarding the recoverability and valuation of receivables.
Similarly, the following categories are not taken into account either: potential government support (IAS 20), changes in tax liabilities (IAS 12), modifications in repayments of credit obligations (if any), impacts on the reporting of revenues from contracts (IFRS 15) etc.
The management of the reporting entity deems the current situation temporary and expects its normalisation within several weeks. Subsequently, it expects a gradual recovery of economic activity; although it may not reach the pre-pandemic levels (e.g. in the aerospace industry), a significant drop in orders is not expected. In certain specific cases, payments from clients may be delayed in the future, which might affect the amount of accumulated depreciation on receivables. With regard to the above, the management does not quantify potential impacts.

Going concern
The assumption of the impact on the the company's ability to continue as a going concern under IAS 1 is essential. With respect to this issue, it should be reiterated that at the time of the preparation of the annual report (March - April 2020), the situation developed in a way that was difficult to predict. It is very likely that the pandemic of COVID-19 may cause a global slowdown or decline in economic development, the extent of which cannot be estimated or predicted at this time.
From the perspective of the Group's companies, the assumption of going concern is mainly conditional on the following factors:

/ **Order portfolio**
ability of companies to acquire contracts or sell services and products (impact on stabilisation of companies, maintenance of employment, prosperity of companies);
/ **The risk of counterparties**
customers – the ability of customers to meet their contractual obligations, i.e. mainly to pay for the delivered goods and services (impact on the cash flow of the Group);
/ **Supply chain risk**
risks to the supplies of goods and services necessary for the proper functioning of companies (impact on the timely execution of orders and productivity of companies);
/ **Labour force risk**
sufficient human capital to carry out the activities of companies (impact on the prosperity of companies);
/ **Liquidity risk**
ability of companies to finance their activities (and, if necessary, investments), the possibility of covering unexpected revenue shortfalls or unforeseen expenses (impact on the stabilisation of companies).

Portfolio of orders and customer risk
Segmentation is essential from the point of view of securing the portfolio of orders (sales) and the risk of counterparties/customers. The following division is implemented within the Group for the purpose of this analysis:

- Segment of aviation industry services
- Defence industry segment
- Transport segment (automotive and railway)
- Other segments

Aerospace

The current situation has had a significant impact on public air transport, with most flights being restricted or cancelled altogether. In connection with the smaller volume of traffic, lower demand for servicing may be expected; however, it is possible that airlines might utilise the situation for servicing their aircraft. New opportunities may arise as well, such as a handover check when returning aircraft back to lessors. Overall, we expect orders to be postponed to a later time. It is also possible that some carriers will cease their activities or fail to withstand the current situation economically.
From the perspective of products related to air traffic control (control systems), we do not expect major changes, since the air safety is a national-level priority.

Defence

Even if there is a significant decline in the world economy, we do not expect major changes in the defence industry, where state institutions are usually key customers. States will encounter budget deficits; however, external security is one of the top priorities for most countries; a delay in implementation is probably more likely.
Temporarily, we will face potential logistic constraints affecting supplies of goods as well as problems in negotiating (mainly foreign) contracts due to cancelled trade fairs and limited travel opportunities.

Transport

In the Group, the transport segment is represented by rail and road (freight) transport. It is currently impossible to clearly estimate future developments in this segment. From the perspective of large clients in rail transport, we do not expect significant changes. In the case of road transport, the situation will depend on developments in the sectors where clients operate. A significant long-term decline may postpone some of the planned investments.Regarding supply chains, there might be problems for suppliers from Southern Europe; however, the situation seems to be stabilised at present and key suppliers are gradually resuming production.

Other

Sales to retail clients (passenger cars including servicing, consumer goods) are worth mentioning as well: the pandemic has significantly influenced distribution channels, since the sale in brick-and-mortar stores has been banned, with some exceptions, and alternative distribution channels do not fully compensate for the outage (especially with regard to the nature of the goods sold).
In this context, we expect demand to be postponed to a later time, regarding both households and selected customers. In the event of a particularly unfavourable development of the economic situation (rising unemployment), households may also postpone some of their significant investments (e.g. vehicle purchases).

Ability of customers to meet their contractual obligation

The essential aspect in this part is the ability of customers to meet their contractual obligations, i.e. to purchase the agreed quantity of products and services and meet the payment conditions. In this context, credit scoring of customers and related changes in the way business cases and/or collaterals are financed will play a greater role.

Supply chains

The risk of supply chain disruption may affect the ability of group companies to meet obligations from contracts with clients or other obligations. This disruption may be characterised by a (temporary) shortage of certain commodities. In the case of non-unique supplies, the situation can be dealt with by substitutes. For unique supplies, it is necessary to consider technological procedures, technical solutions, etc.

Labour force risk

In view of the ongoing COVID-19 pandemic, there is a risk of temporary unavailability in the context of possible government measures, which may consist in temporary closures of selected areas or other restrictions. There is also a risk of infection and consequent unavailability of significant numbers of employees, which would impact the operation of companies.
All companies take steps to reduce the above risks in the form of combined measures as recommended by the government and professional institutions.

Liquidity risk

In the context of the economic effects of the pandemic, there is a risk that creditor institutions will change their approach to clients. As a result, the initially agreed credit facilities may be changed or additional collateral may be required. Covenants of selected debt instruments may also be breached. However, the Group communicates proactively with key partners to resolve these matters and address the situation.

The opinion of the reporting entity's management regarding the going concern basis.

The management of the reporting entity has considered the potential impact of the COVID-19 pandemic on its activities and concluded that it has no significant effect on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared accordingly.

8 THE GROUP'S PRINCIPAL ACTIVITIES AND LINE OF BUSINESS

CSG's priority is not expansion, but the development of companies that are already part of the holding.

Principal activities of the CSG holding

CZECHOSLOVAK GROUP a. s. is a holding company following the tradition of Czechoslovak industry. It supports activities and development of traditional Czech and Slovak companies, which operate primarily in the area of aerospace, automotive, railway industry or production of special vehicles. In Slovakia, activities in the field of the defence industry are concentrated in the holding of MSM GROUP s. r. o. This holding includes military repair service companies of the Ministry of Defence of the Slovak Republic, which are held by CZECHOSLOVAK GROUP under long-term leases. The members of the Group include traditional companies whose products and services are often interconnected and therefore create a synergistic effect. The primary fields of activity of CZECHOSLOVAK GROUP include aviation, automotive, railway, and defence industries. The products of companies in the CSG holding can be found on all continents thanks to strong export orientation, and the number of customers keeps growing.

The strategy of CZECHOSLOVAK GROUP is to continuously operate and expand in promising areas of the Czech and Slovak industry. In relation to partners in the public and private sector, CZECHOSLOVAK GROUP is a stable and serious partner generating interesting business opportunities.

INDICATOR	UNIT	2015	2016	2017	2018	2019
Revenues	CZK million	4,725	5,736	7,721	11,457	11,839
EBITDA	CZK million	1,248	1,275	1,306	1,867	2,611
Total assets	CZK million	7,645	12,999	18,718	20,354	27,528
Equity	CZK million	1,686	5,146	5,981	7,644	8,706
Number of staff*		1,973	3,217	3,493	3,599	4,152

*Indicates the number of staff as of 31 December of the relevant year.

9 MAJOR SUBSIDIARIES AND THEIR ACTIVITIES

Major Subsidiaries and their Activities.

Comments on the segmentation of the CSG Group into divisions

As part of enhancing the organisation of a large multidisciplinary holding, a gradual segmentation of companies into divisions takes place according to the line of business. The organisational structures were already formed in the case of CSG Aerospace and CSG Defence divisions. Therefore, in the following profiles of companies of the CSG Group include their potential memberships in one of these two divisions.

- TATRA TRUCKS a. s.
- TATRA METALURGIE a. s.
- DAKO-CZ, a. s.
- CS SOFT a. s.
- Česká letecká servisní a. s.
- ELDIS Pardubice, s. r. o.
- EUROPEAN AIR SERVICES s. r. o.
- EXCALIBUR INTERNATIONAL, a. s.
- JOB AIR Technic a. s.
- Skyport a. s.
- EXCALIBUR ARMY spol. s r. o.
- TATRA DEFENCE VEHICLE a. s.
- MSM MARTIN, s. r. o.
- ZVS holding, a. s.
- KARBOX s. r. o.
- VÍTKOVICKÁ DOPRAVA a. s.
- ELTON hodinářská, a. s.

TATRA TRUCKS a. s.

Name: TATRA TRUCKS a. s. (TATRA TRUCKS)
Corporate ID: 014 82 840
Registered Office: Areál Tatry 1450/1, 742 21 Kopřivnice, Czech Republic

TATRA TRUCKS is one of the oldest car producers in the world; in 2020, the company celebrates 170 years of continuous production of motor vehicles in its own factories. In recent decades, it has focused primarily on the production of trucks, the vast majority of which are built on a unique TATRA chassis with a central load-bearing tube and independently suspended swinging half-axes and 4x4 to 16x16 drives. A significant asset of TATRA TRUCKS is the ability to produce highly-specialised vehicles designed in line with customers' requirements; this applies to small series as well. This production complements the serial production of standard model series.

Currently, the company has four model series of vehicles in its portfolio. TATRA FORCE is designed primarily for armed forces, firefighters and rescuers; but it can be also used in a mining industry and other areas. The main pillar of the civil programme is the TATRA PHOENIX model series, which is aimed at customers in the areas of construction, agriculture, forestry, road maintenance, technical services etc. TATRA TACTIC is used primarily by armed forced, and the fourth model series, TATRA TERRA, is intended mainly for the forces of the Integrated Rescue System.

The selected financial information of TATRA TRUCKS is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	3,560	5,287	5,704	3,801	5,882
EBITDA	CZK million	446	548	646	-69	365
Total assets	CZK million	3,513	5,043	5,675	4,985	5,877
Number of staff**	Persons	856	1,007	1,192	1,101	1,106

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

TATRA METALURGIE a. s.

METALURGIE

Name: TATRA METALURGIE a. s. (TATRA METALURGIE)
Corporate ID: 036 67 952
Registered Office: Areál Tatry 1448/5, 742 21 Kopřivnice, Czech Republic

TATRA METALURGIE, a subsidiary of TATRA TRUCKS, is a direct successor of Tafonco a. s. and Taforge a. s. and thereby a successor of the long-standing tradition of foundry and forging production in the town of Kopřivnice. TATRA METALURGIE is an important Czech manufacturer of castings and forgings, which are supplied to both domestic and foreign customers all across Europe. Castings and forgings are supplied to various industries.
The foundry, which focuses on the production of castings made of cast iron, steel and aluminium, has for a long time worked closely with firms from the automotive, construction and engineering industries including supplies for agricultural machinery, tractors and fork lifts. The forge, which offers forgings weighing from 0.5 to 60 kg, provides drop forging services to customers requiring forged pieces of different weights and levels of complexity. The company also supplies products to global markets.
In 2019, TATRA METALURGIE became an authorised body for a period of five years to carry out examinations and issue certificates for the profession of "moulder and core moulder" and "blacksmith-machinist" and it issued the nationally recognised "Certificate of professional qualification" to first graduates.

The selected financial information of TATRA METALURGIE is based on separate financial statements prepared under Czech Accounting Standards. As part of the consolidated financial statements, the entity is reported as a joint venture.

INDICATOR	UNIT	2016	2017	2018	2019*
Revenues	CZK million	1,052	1,142	946	1,067
EBITDA	CZK million	52	48	-111	33
Total assets	CZK million	1,013	1,190	1,132	1,076
Number of staff**	Persons	649	684	645	562

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

9 MAJOR SUBSIDIARIES AND THEIR ACTIVITIES

DAKO-CZ, a. s.

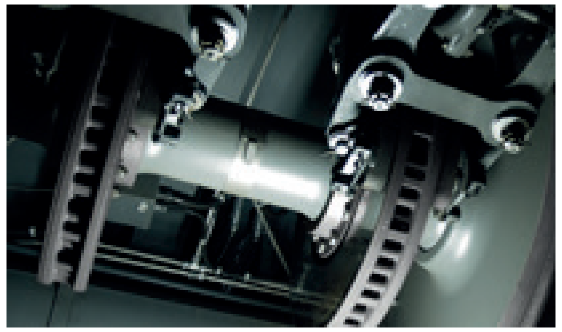
Name: DAKO-CZ, a. s. (DAKO-CZ)
Corporate ID: 465 05 091
Registered Office: Josefa Daňka 1956,
538 43 Třemošnice, Czech Republic

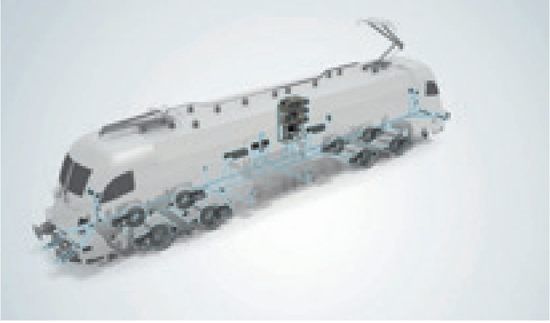
DAKO-CZ is one of the four global producers of modern pneumatic, electromechanical and hydraulic brake systems and components for rail vehicles. The company focuses on their development, production and subsequent service; it supplies brake systems and components for rail freight and passenger carriages, commuter trains, locomotives and underground and tramway carriages. DAKO-CZ supplies brake systems and components to leading global producers such as Siemens, Stadler or Tatravagónka Poprad. Rail vehicles equipped with DAKO-CZ brake systems are operated not only in Europe, but also in China, India, Malaysia, Indonesia, Algeria and Saudi Arabia. The current production programme of DAKO-CZ follows the legacy of design engineer Josef Daněk, who devoted himself to the development of the Czechoslovak train brake, which began its series production in 1956. The company commemorated Josef Daněk in 2019, when it symbolically changed the address of its seat to "Josefa Daňka 1956". In 2019, the Company achieved record sales exceeding the amount of CZK 1 billion.

The selected financial information of DAKO-CZ is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	837	905	738	927	1,144
EBITDA	CZK million	136	122	91	150	201
Total assets	CZK million	850	885	819	901	1,045
Number of staff**	Persons	487	474	469	469	478

*The data for 2019 represent unaudited data of the company.
**Indicates the number of staff as of 31 December of the relevant year.





CS SOFT

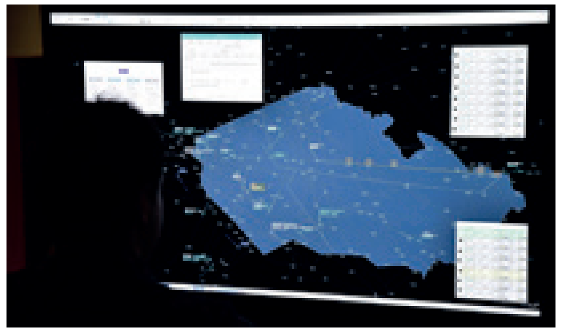
Name: CS SOFT a. s. (CS SOFT)
Corporate ID: 257 81 723
Registered Office: ABC (Airport Business Center),
Aviatická 1048/12,
161 00Praha 6, Czech Republic

CS SOFT is a traditional supplier of highly-advanced ATM (Air Traffic Management) systems and solutions for aviation. It has been on the market since 1988. Thanks to its rich experience, the company uses advanced methods of software development for ATM and provides comprehensive service support. CS SOFT offers customised system development, emphasising flexibility and reliability. Air Navigation Services of the Czech Republic (Řízení letového provozu ČR) is a key customer; moreover, the company has business partners all around the world, namely in Israel, Uganda, Lithuania or the United Arab Emirates. CS SOFT has been a member of the CZECHOSLOVAK GROUP since 2018; it is active in the CSG Aerospace division. The team of company's specialists focuses on the design, implementation and maintenance of systems for area control centres (ACC), approach services (APP), tower management (TWR), flight information service (FIS) and 2D and 3D simulators. The key product of 2019 was the completion of the 4D trajectory, which is the prediction of the position of the aircraft in space and time. This technology ensures better predictability of operations, increased airspace capacity and reduced emissions and costs for airlines.

The selected financial information of CS SOFT is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	132	145	149	156	170
EBITDA	CZK million	54	73	69	71	70
Total assets	CZK million	101	132	151	136	197
Number of staff**	Persons	66	66	73	71	75

*The data for 2019 represent unaudited data of the company.
**Indicates the number of staff as of 31 December of the relevant year.



Česká letecká servisní a. s.

Název: Česká letecká servisní a. s. (Česká letecká servisní)
Corporate ID: 251 01 137
Registered Office: Mladoboleslavská 1081, 197 00 Praha 9 - Kbely, Czech Republic

In the region of Central Europe, Česká letecká servisní, a member of the CSG Aerospace divison, has unique capabilities and offers remarkable services. It is primarily concerned with the integration of avionic systems and special equipment in aircraft and helicopters for the civilian, military, police and rescue sectors; the company provides its services to both domestic and foreign customers.
The company's specialists provide complex turnkey solutions including technical design, production, integration and certification. In addition, Česká letecká servisní sells avionics devices, electronic equipment and avionic system units according to customers' requirements; it provides servicing as well. The company supplies spare parts for aircraft machinery and equipment for special purposes. Thanks to its capabilities and capacities, the company is a key partner for the modernisation of aircraft and helicopters of the Czech and Slovak armies.
Česká letecká servisní develops its business activities predominantly in Europe, United States, East Asia and Russia. Its business partners include world-renowned manufacturers of avionics and electronic systems such as Honeywell, Bendix King, Rockwell Collins, Garmin, Dynon Avionics etc.

The selected financial information of Česká letecká servisní is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	93	90	1,552	1,239	499
EBITDA	CZK million	4	-5	201	328	171
Total assets	CZK million	68	52	1,794	603	555
Number of staff**	Persons	26	26	22	21	24

*The data for 2019 represent unaudited data of the company.
**Indicates the number of staff as of 31 December of the relevant year.

ELDIS Pardubice, s. r. o.

Name: ELDIS Pardubice, s. r. o. (ELDIS Pardubice)
Corporate ID: 150 50 742
Registered Office: Dělnická 469, 533 01 Pardubice - Pardubičky, Czech Republic

ELDIS Pardubice has been on the market since 1991; the Company has been a member of the CZECHOSLOVAK GROUP holding since 2017 and is active in the CSG Aerospace division. ELDIS Pardubice is engaged in the production and development of radar technology and air traffic control systems. At present, ELDIS is one of the leading Czech producers of active radar systems. The radar systems serve civilian organisations engaged in air traffic control as well as military entities.
The company's major current products include Primary Surveillance Radar RL-2000, Secondary Surveillance Radar MSSR-1 and Precision Approach Radar PAR-E. All these systems feature modern, exclusively semi-conductor technology, and are modularly expandable and fully compliant with the EUROCONTROL and ICAO standards.
Products of ELDIS Pardubice are used by customers in more than twenty-five countries all over the world. Interestingly, the company's radars cover most of India's airspace. In 2019, among other things, ELDIS Pardubice won a major contract in China, carried out a massive recruitment campaign, and reached a turnover of almost CZK 1 billion.

The selected financial information of ELDIS Pardubice is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	153	224	543	351	997
EBITDA	CZK million	-15	70	278	143	290
Total assets	CZK million	494	504	604	744	1,514
Number of staff**	Persons	161	156	152	176	222

*The data for 2019 represent unaudited data of the company.
**Indicates the number of staff as of 31 December of the relevant year.

9 MAJOR SUBSIDIARIES AND THEIR ACTIVITIES

EUROPEAN AIR SERVICES s. r. o.

Name: EUROPEAN AIR SERVICES s. r. o. (EUROPEAN AIR SERVICES)
Corporate ID: 291 31 987
Registered Office: Pernerova 691/42, 186 00 Praha 8, Czech Republic

EUROPEAN AIR SERVICES offers comprehensive aviation solutions including the sale of new and used helicopters and aircraft, delivery of spare parts and maintenance of machines. The company offers and provides advanced aviation training, basic PPL/CPL aviation training and ensures the sale and modernisation of aircraft and helicopters. EUROPEAN AIR SERVICES is a member of CSG Aerospace. The company implements training programmes for civilian and military pilots and crews from basic training, to advanced and type training, to combat and tactical training. EUROPEAN AIR SERVICES operates various types of helicopters of European and American provenance. EUROPEAN AIR SERVICES is the founding partner of the Slovak Training Academy – a training centre for helicopter pilots in Slovakia, which is the only one in Europe to commercially operate the legendary Sikorsky UH-60 Black Hawk helicopters. In total, the Slovak Training Academy operates twenty helicopters and flight simulators. In addition to pilots, their non-flight helicopters are also used to train those interested in the maintenance of these machines.

The selected financial information of EUROPEAN AIR SERVICES is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	9	597	315	305	548
EBITDA	CZK million	-2	164	72	47	40
Total assets	CZK million	40	339	522	587	780
Number of staff**	persons	1	5	8	6	8

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

9
MAJOR SUBSIDIARIES AND THEIR ACTIVITIES

EXCALIBUR INTERNATIONAL, a. s.

Name: EXCALIBUR INTERNATIONAL, a. s. (EXCALIBUR INTERNATIONAL)
Corporate ID: 292 89 688
Registered Office: Pernerova 691/42, 186 00 Praha 8, Czech Republic

EXCALIBUR INTERNATIONAL is an export agency representing companies in the CZECHOSLOVAK GROUP holding on international markets. The company is engaged in international trade, offering customers mainly products and services of the members of the CZECHOSLOVAK GROUP and their partners and looking for interesting business opportunities for its customers all over the world. The company focuses on the sale of aircraft and special military equipment, including logistical and subsequent services. It also offers financing, training and support to its customers on site throughout the lifetime of the supplied technology and acts as a central contact point for holding companies and other partners.
The credentials of EXCALIBUR INTERNATIONAL include providing a comprehensive customer solution for TATRA TRUCKS, TATRA DEFENCE VEHICLE, ZVS and other companies.

The selected financial information of EXCALIBUR INTERNATIONAL is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	0.8	208	76	1,208	1,382
EBITDA	CZK million	-5	62	16	119	83
Total assets	CZK million	4	115	253	802	2,200
Number of staff**	persons	3	6	21	10	8

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

JOB AIR Technic a. s.

Name: JOB AIR Technic a. s. (JOB AIR Technic)
Corporate ID: 277 68 872
Registered Office: Gen. Fajtla 370, 742 51 Mošnov

JOB AIR Technic focuses on maintenance services for civil aircraft and boasts one of the largest hangars for aircraft repairs in Central and Eastern Europe. The company specialises in heavy aircraft maintenance, which is often associated with the change of aircraft lessor. As part of heavy maintenance, it performs non-destructive tests of aircraft parts, structural repairs, replacement and repairs of undercarriages, engines and other aircraft parts, as well as reconfiguration of the aircraft cabin and installation of WiFi or infotainment systems.
JOB AIR Technic provides maintenance of narrow-body aircraft; in 2017, the company obtained a certificate which entitles it to service wide-body aircraft as well. JOB AIR Technic is a holder of the EASA Part 145 and FAA certificates, and the EASA Part 147 and Part 66 certificates for training aircraft mechanics. It is authorised to perform comprehensive maintenance of the following types of aircraft: Boeing 737 CL and 737 NG, Airbus A320 and related versions, Airbus A330, L-410 and Saab 340. In 2019, the company completed a second aircraft repair hangar, which increases its repair capacity by two more Airbus A320 aircraft; at the same time, thanks to the construction of the hangar, the company gained space for necessary workshop and administration facilities. Job Air is a member of the CSG Aerospace division.

The selected financial information of JOB AIR Technic is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2016	2017	2018	2019*
Revenues	CZK million	402	584	543	666
EBITDA	CZK million	1,065**	211***	143****	62
Total assets	CZK million	966	907	1,073	1,303
Number of staff*****	persons	229	285	318	315

*The data for 2019 represent unaudited data of the company.
**EBITDA includes the write-off of liabilities as part of restructuring.
***EBITDA includes a 2017 operating grant.
****EBITDA includes a 2018 operating grant.
*****Indicates the number of staff as of 31 December of the relevant year.

Skyport a. s.

Name: Skyport a. s. (Skyport)
Corporate ID: 278 80 176
Registered Office: Laglerové 1075/4, 161 00 Praha 6, Czech Republic

The Czech company Skyport together with its Slovak fellow subsidiary Skyport, s. r. o. operate some of the most modern logistic terminals in Europe at airports in Prague, Bratislava and Košice. Together with a truck centre and new technologies, Skyport terminals represent an important logistics centre for Central and Eastern Europe.
The company's services include handling and transport of export and import shipments at airports in Prague, Bratislava and Košice including comprehensive customs and declaration services during the export and import of goods by air. In Slovakia, Skyport also handles passenger and luggage check-in on arrival and departure. At the Prague airport, the company provides rental of office and conference space as well as catering services.
Skyport became a member of the CZECHOSLOVAK GROUP in 2019.

The selected financial information of KARBOX is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2017	2018	2019
Revenues	CZK million	233	242	248
EBITDA	CZK million	42	35	32
Total assets	CZK million	398	380	382
Number of staff*	Persons	125	132	132

*Indicates the number of staff as of 31 December of the relevant year.

EXCALIBUR ARMY spol. s r. o.

Name: EXCALIBUR ARMY spol. s r. o. (EXCALIBUR ARMY)
Corporate ID: 645 73 877
Registered Office: Kodaňská 521/57, 101 00 Praha 10 - Vršovice, Czech Republic

EXCALIBUR ARMY, a member of the CSG Defence division, is a Czech manufacturer and seller of ground military and special vehicles. The company focuses on their development, production and sales as well as on their servicing, overhauling and modernisation, including major reconstructions and constructions of new versions. In its portfolio, in addition to tanks and armoured track and wheel military vehicles, EXCALIBUR ARMY boasts artillery technology and rocket launchers as well as engineer, amphibious and support vehicles, which can be utilised not only by armed forces but also by firefighters or other forces of the Intergrated Rescue System.The company also supplies spare parts for armoured vehicles and other special and cargo automobiles. It is also engaged in the sale of light and small firearms and equipment for soldiers and other forces and provides customers with various types of ammunition. The company also has the capacity for accepting orders in the field of general engineering production and machining. EXCALIBUR ARMY has customers all around the world and cooperates with world-renowned producers of defence technologies such as General Dynamics European Land Systems (GDELS). The company closely on many projects cooperates with partner companies from the CZECHOSLOVAK GROUP such as TATRA TRUCKS and TATRA DEFENCE VEHICLE.

The selected financial information of EXCALIBUR ARMY is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	3,944	2,146	2,091	2,995	3,222
EBITDA	CZK million	775	625	535	556	450
Total assets	CZK million	3,725	3,628	4,309	4,905	5,092
Number of staff**	Persons	492	441	503	491	432

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

TATRA DEFENCE VEHICLE a. s.

Name: TATRA DEFENCE VEHICLE a. s. (TATRA DEFENCE VEHICLE)
Corporate ID: 241 52 269
Registered Office: Kodaňská 521/57, 101 00 Praha 10 - Vršovice, Czech Republic

TATRA DEFENCE VEHICLE specialises in the development, production, general overhauls and modernisation of predominantly armoured and special vehicles for domestic and foreign customers. Its portfolio includes, for example, manufacturing, maintaining and servicing of Pandur II vehicles: this is possible thanks to the strategic partnership agreement with the Dynamics European Land Systems (GDELS) group, which was concluded in January 2015. Under this agreement, the company acquired exclusive rights to promote, sell, produce and maintain Pandur II vehicles in the Czech Republic and other selected markets in Eastern Europe and Asia. In 2017, the company was awarded a contract by the Army of the Czech Republic to produce twenty wheeled armoured transporters Pandur II CZ in both in their liaison and command versions, as well as a servicing contract for wheeled armoured personnel transporters and infantry combat vehicles Pandur II CZ in its armaments. TATRA DEFENCE VEHICLE is the main integrator of a project regarding armoured vehicles TITUS for the Army of the Czech Republic, on which it cooperates with TATRA TRUCKS. The company is also engaged in the development, construction and production of armoured cabins for TATRA TRUCKS vehicles and in the development and production of armoured vehicles built on Tatra chassis. In addition, the company cooperates with EXCALIBUR ARMY regarding repairs of T-72 tanks and servicing of off-road vehicles built on Land Rover Defender chassis. TATRA DEFENCE VEHICLE is a member of the CSG Defence division.

The selected financial information of TATRA DEFENCE VEHICLE is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	2	53	62	321	826
EBITDA	CZK million	-13	-17	-13	39	50
Total assets	CZK million	81	146	707	1,215	1,877
Number of staff**	Persons	55	72	80	83	79

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

9 MAJOR SUBSIDIARIES AND THEIR ACTIVITIES

MSM MARTIN, s. r. o.

Name:	MSM Martin, s. r. o. (MSM MARTIN)
Corporate ID:	36 422 991
Registered Office:	Štúrova 925/27, Dubnica nad Váhom 018 41, Slovak Republic

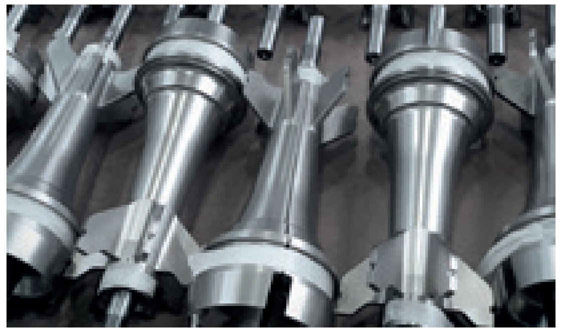
MSM MARTIN represents the Slovak part of the CZECHOSLOVAK GROUP and belongs to the CSG Defence division. It groups together companies active in the fields of track and wheel military vehicles production, radio navigation and communication electronics, training of aviation personnel, ammunition and specialised containers for military and civilian use. The portfolio of the MSM MARTIN group includes, for example, the development, production and servicing of ground armoured and special vehicles or their modernisation as well as sale and servicing of TATRA vehicles. The airport machinery division is engaged in the production of mobile airport control towers, radar and navigation equipment, and whole systems; it ensures their integration and provides servicing. In cooperation with other companies of the CZECHOSLOVAK GROUP, it operates the Slovak Training Academy focused on the training of military and civilian helicopter pilots and other aviation technical personnel. The MSM MARTIN group also includes companies producing command and control systems, specialised mobile ISO containers for military and civilian use, transformers, pumps and auxiliary power sources. MSM MARTIN is also involved in the production of small firearms and small- and large-calibre ammunition, ensuring the complete life cycle of ammunition, including technologies concerning storage and ecological disposal.

The selected financial information of MSM MARTIN is based on separate financial statements prepared under Slovak Accounting Standards. The consolidated result also includes information regarding MSM Nováky and MSM Banská Bystrica.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	787	1,244	1,725	1,663	1,369
EBITDA	CZK million	75	187	307	268	439
Total assets	CZK million	653	1,409	1,514	1,758	1,958
Number of staff**	Persons	441	469	480	416	131

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.



MSM NOVÁKY

INDICATOR	UNIT	2019*
Revenues	CZK million	230
EBITDA	CZK million	134
Total assets	CZK million	1,856
Number of staff**	Persons	155

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

MSM BANSKÁ BYSTRICA

INDICATOR	MJ	2019*
Revenues	CZK million	13
EBITDA	CZK million	1
Total assets	CZK million	119
Number of staff*	Persons	55

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

9
MAJOR SUBSIDIARIES AND THEIR ACTIVITIES

ZVS holding, a. s.

Name: ZVS holding, a. s. (ZVS holding)
Corporate ID: 36 305 600
Registered Office: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovak Republic

ZVS holding is a Slovak engineering company with a long-standing tradition since the 1930s. One of the core parts of the company's portfolio is the production of small-, medium- and large-bore ammunition, including ammunition for tanks, artillery, mortars and rocket launchers. The company also produces pyrotechnic compositions and pyrotechnics for civilian use. ZVS holding also produces small firearms, especially ZVS pistols and Perun airguns as well as pistol cartridges and shotgun shells for sports and hunting purposes. The company offers services in the field of general engineering, including the development of design proposals and production. Specifically, these services include sheet metal and metal processing (laser cutting, cutting out, bending, spot welding), welding, pressing and powder coating.
The company also develops and produces industrial moulds for plastic products, die forgings, pressing and cutting. Apart from that, it produces transformers for consumer and industrial electronics, sludge pumps or electronic control systems for machines and measuring technology. ZVS holding is a member of the CSG Defence division.

The selected financial information of ZVS Holding is based on separate financial statements prepared under Slovak Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	415	340	406	680	608
EBITDA	CZK million	73	41	67	46	45
Total assets	CZK million	350	406	456	751	817
Number of staff**	Persons	219	238	288	267	247

The selected financial information of ZVS IMPEX is based on separate financial statements prepared under Slovak Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	158	166	293	333	166
EBITDA	CZK million	5	4	16	30	6
Total assets	CZK million	153	203	362	328	335
Number of staff**	Persons	151	143	114	114	87

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

KARBOX s. r. o.

Name: KARBOX s. r. o. (KARBOX)
Corporate ID: 260 02 370
Registered Office: Tovární 1553, 535 01 Přelouč, Czech Republic

KARBOX is a leading producer of containers and box bodies for military and civilian customers. It focuses on the design, production and repairs of certified ISO Series 1 containers. The company's portfolio includes standard containers, manufactured for various purposes according to customer requirements, as well as medical containers, which can be used, for example, as operating suites or intensive care units. In addition, the company produces container bodies and special box bodies for chassis of utility and freight vehicles of all makes with a total load-bearing capacity of up to 26 tonnes.

KARBOX has its own construction and development department, which, together with the company management, is now based in Přelouč. It provides comprehensive supplies of field hospitals for NATO armies. In the latter half of 2018, production in Hořice was discontinued and transferred to Slovakia, namely to MSM Banská Bystrica, which was certified for the production of certified KARBOX containers in 2019.

The selected financial information of KARBOX is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	MJ	2015	2016	2017	2018	2019*
Revenues	CZK million	207	113	70	88	45
EBITDA	CZK million	11	-14	-31	-41	38
Total assets	CZK million	119	146	95	62	197
Number of staff**	Persons	102	89	85	74	6

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

VÍTKOVICKÁ DOPRAVA a. s.

Název: VÍTKOVICKÁ DOPRAVA a. s. (VÍTKOVICKÁ DOPRAVA)
IČO: 259 09 339
Sídlo: 1. máje 3302/102a, Moravská Ostrava, 703 00 Ostrava, Czech Republic

Vítkovická doprava provides and develops services in railway transport, haulage, maintenance and service of rails and rail vehicles. The company follows the rich history of the Vítkovice railway founded in the latter half of the 19th century. In addition to rail services, Vítkovická doprava also operates a car fleet (mostly CNG-powered) including a car rental service.
Railway transport activities are divided into siding and train segments. The primary focus of the siding segment is the operation of the company's own backbone siding and connected sidings of customers, which primarily include Vítkovice Steel, Ferona, Vítkovice Heavy Machinery and Třinecké železárny. The train segment provides railway transport services and haulage on national tracks in the Czech Republic and neighbouring countries. VÍTKOVICKÁ DOPRAVA operates a total of 20 locomotives and 400 railway carriages. In respect of track maintenance, VÍTKOVICKÁ DOPRAVA provides rail repair and restoration services with the help of a tamping machine, excavator, loader and railway cranes. It is active predominantly in the Moravian-Silesian Region. Tamping machine services are provided across the whole of the Czech Republic and Slovakia.

The selected financial information of VÍTKOVICKÁ DOPRAVA is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	416	472	426	362	241
EBITDA	CZK million	47	8	23	0,4	8
Total assets	CZK million	701	598	573	392	354
Number of staff**	Persons	212	213	216	178	175

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

ELTON hodinářská, a. s.

Name: ELTON hodinářská, a. s. (ELTON hodinářská)
Corporate ID: 259 31 474
Registered Office: Náchodská 2105, 549 01 Nové Město nad Metují, Czech Republic

ELTON Hodinářská is engaged in the development, production, restoration and sale of mechanical and quartz PRIM wrist watches with a rich history of production in Nové Město nad Metují dating back to 1949. The production is fully manual (including the clockwork). In addition to traditional models, ELTON hodinářská also focuses on specialised collections (social, sports, limited, art) as well as production at the customer's request including full model customisation. ELTON hodinářská currently produces six types of mechanical clockwork that are produced and assembled directly at the factory. The company also provides a restoration service for old and historical PRIM watch models. Since the break-up of Czechoslovakia, ELTON hodinářská has unofficially designated its PRIM products as "Czech Made", with the mark usually placed at the bottom of the clock dial.
In 2019, ELTON hodinářská celebrated 70 years of watchmaking tradition in Nové Město nad Metují and 50 years of the company's existence.

The selected financial information of ELTON hodinářská is based on separate financial statements prepared under Czech Accounting Standards.

INDICATOR	UNIT	2015	2016	2017	2018	2019*
Revenues	CZK million	31	48	53	56	59
EBITDA	CZK million	13	8	3	-5	4
Total assets	CZK million	162	92	98	104	107
Number of staff **	Persons	47	57	67	66	63

*The data for 2019 represent unaudited data of the company.

**Indicates the number of staff as of 31 December of the relevant year.

Approval of the annual report

The members of the Company's Board of Directors declare that, according to the best of their knowledge, the consolidated annual report gives a true and fair view of the financial position, corporate activities and economic performance of the Company and its consolidation group for the current annual period, and of the outlook for the future development of the financial position, business activities and economic performance.

The annual report was approved on April, 24, 2020 at the Company's registered office.

Michal Strnad
Chairman of the Board of Directors

Ilona Kadlecová
Member of the Board of Directors

Petr Formánek
Member of the Board of Directors

10 FINANCIAL PART

Consolidated Statement of Comprehensive Income

For the years ended 31 December 2019 and 2018

IN CZK THOUSAND (CZK '000)	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2019	FOR THE YEAR ENDED 31 DECEMBER 2018
Revenues	6	11,839,126	11,456,048
Consumed material and costs of goods sold	7	-5,237,570	-4,970,577
Services	8	-2,768,547	-2,481,172
Staff costs	9	-2,282,327	-1,992,152
Amortisation/depreciation of fixed assets	14,15	-555,865	-403,215
Other operating income	10	741,868	426,520
Other operating expense	11	-343,777	-420,070
Profit from operating activities		**1,392,908**	**1,615,382**
Financial income	12	79,008	32,091
Financial expense	12	-446,008	-264,751
Income from financial instruments		91,249	-96,945
Profit (+) / loss (-) from financing activities		**-275,751**	**-329,605**
Share of profit/loss of associates and joint ventures, net	18	102,257	-278,383
Profit/loss from the sale of an equity interest	5 (d)	552,936	268,640
Profit before taxation		**1,772,350**	**1,276,034**
Income tax	13	-365,747	-325,769
Net profit from continuing operations		**1,406,603**	**950,265**
Profit/(loss) from discontinued operations	25	--	--
Total profit		**1,406,603**	**950,265**
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations, net		-20,914	10,534
Revaluation of property, plant and equipment		--	--

IN CZK THOUSAND (CZK '000)	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2019	FOR THE YEAR ENDED 31 DECEMBER 2018
Interest-rate advantage on a non-interest bearing loan		--	-68,268
Other comprehensive income, net		**-20,914**	**-57,734**
Total other comprehensive income		**1,385,689**	**892,531**
Profit attributable to:			
Shareholders of the Company		1,279,024	809,691
Non-controlling interests	27	127,579	140,574
Profit for the year		**1,406,603**	**950,265**
Total other comprehensive income attributable to:			
Shareholders of the Company		1,261,796	749,161
Non-controlling interests	27	123,893	143,370
Total other comprehensive income for the year		**1,385,689**	**892,531**

The notes to the consolidated financial statements on pages 64 through 169 form an inseparable part of these consolidated financial statements.

Consolidated Statement of Financial Position

As of 31 December 2019 and 2018

IN CZK THOUSAND (CZK '000)	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Assets			
Intangible assets	14	979,161	882,870
Goodwill	14	1,015,024	893,535
Property, plant and equipment	15	6,367,124	4,149,985
Investment property	17	67,509	142,102
Investments in associates and joint ventures	18	1,875,945	1,814,577
Loans and other non-current financial assets	19	177,114	31,004
Trade and other long-term receivables	20	4,134	14,536
Long-term prepayments made and deferred expenses and accrued income	20	257,514	354,155
Deferred tax asset	21	126,672	116,438
Costs of obtaining/fulfilling a contract	6	71,938	87,097
Total non-current assets		**10,942,135**	**8,486,299**
Inventories	22	5,406,611	4,560,642
Trade and other short-term receivables	20	4,995,311	3,103,828
Loans and other short-term financial assets	19	1,983,622	1,147,807
Short-term prepayments made and deferred expenses and accrued income	20	1,274,788	831,231
Tax receivables	23	216,087	54,350
Tax receivables arising from the current income tax payable	23	137,095	101,180
Cash and cash equivalents	24	901,479	541,399
Assets classified as held for sale	25	3,717	132,803
Contract assets	6	1,666,894	1,394,402
Total current assets		**16,585,604**	**11,867,642**
Total assets		**27,527,739**	**20,353,941**

IN CZK THOUSAND (CZK '000)	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Equity			
Share capital	26	2,000	2,000
Other reserves	26	3,197,345	3,237,674
Reserve from foreign currency translation	26	-20,831	-26,262
Retained earnings		2,860,027	2,133,928
Profit or loss for the period		1,279,024	809,691
Equity attributable to the Company's share-holders		**7,317,565**	**6,157,031**
Non-controlling interests	27	1,388,717	1,486,958
Total equity		**8,706,282**	**7,643,989**
Liabilities			
Long-term loans and borrowings	19	1,190,790	1,048,287
Long-term financial instruments		775,742	--
Trade and other payables	28	46,298	61,730
Long-term provisions	29	251,476	292,665
Deferred tax liability	21	379,987	325,682
Bonds - long-term portion	19	2,944,313	2,066,109
Long-term contract payables	6	524,810	176,221
Total non-current liabilities		**6,113,416**	**3,970,694**
Short-term loans and borrowings	19	4,704,708	3,990,276
Short-term financial instruments		165,874	--
Trade and other short-term payables	28	4,724,676	3,161,512
Short-term provisions	29	126,752	107,700
Tax liabilities	30	202,712	160,761
Tay payables arising from the current income tax payable	30	76,915	48,628
Short-term contract payables	6	2,697,821	1,262,937
Bonds - short-term portion	19	8,583	7,444
Total current liabilities		**12,708,041**	**8,739,258**
Total liabilities		**18,821,457**	**12,709,952**
Total equity and liabilities		**27,527,739**	**20,353,941**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

IN CZK THOUSAND (CZK '000)	NOTE	SHARE CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 January 2019 (A)	**26**	**2,000**	**3,237,674**	**-26,262**	**2,943,619**	**6,157,031**	**1,486,958**	**7,643,989**
Total comprehensive income for the year:								
Effects of IFRS 9		--	--	--	--	--	--	--
Balance at 1 January 2019 (A)		**2,000**	**3,237,674**	**-26,262**	**2,943,619**	**6,157,031**	**1,486,958**	**7,643,989**
Total comprehensive income for the year:								
Profit for the year (B)		--	--	--	1,279,024	**1,279,024**	127,579	1,406,603
Other comprehensive income:								
Foreign exchange differences on translation of foreign operations		--	--	5,431	-22,659	**-17,228**	-3,686	-20,914
Total other comprehensive income (C)		--	--	5,431	-22,659	**-17,228**	-3,686	-20,914
Total comprehensive income for the year (D) = (B + C)		**--**	**--**	**5,431**	**1,256,365**	**1,261,796**	**123,893**	**1,385,689**
Additions and disposals:								
Changes in non-controlling interests without a change of control	27	--	-297	--	-55,149	**-55,446**	-240,105	**-295,551**
Effects of acquisitions in the form of business combinations	5	--	--	--	--	**--**	128,159	**128,159**
Effects of subsidiaries sold		--	-40,216	--	43,464	**3,248**	-3,248	**--**
Previous years adjustments		--	--	--	-49,248	**-49,248**	-7,911	**-57,159**
Contribution outside the share capital	26	--	184	--	--	**184**	--	**184**
Dividends	26	--	--	--	--		-99,029	**-99,029**
Total additions and disposals (E)		**--**	**-40,329**	**--**	**-60 933**	**-101,262**	-222,134	**-323,396**
Balance at 31 December 2019 (H) = (A + D + E)		**2,000**	**3,197,345**	**-20,831**	**4,139,051**	**7,317,565**	1,388,717	**8,706,282**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

IN CZK THOUSAND (CZK '000)	NOTE	SHARE CAPITAL	OTHER RESERVES	FOREIGN EXCHANGE TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 January 2018 (A)	**26**	**2,000**	**2,468,210**	**-34,933**	**2,069,187**	**4,504,464**	**1,476,696**	**5,981,160**
Total comprehensive income for the year:								
Effects of IFRS 9	--	--	--	--	-15,848	-15,848	-4,936	-20,784
Balance at 1 January 2018 (A)	--	**2,000**	**2,468,210**	**-34,933**	**2,053,339**	**4,488,616**	**1,471,760**	**5,960,376**
Total comprehensive income for the year:								
Profit for the year (B)	--	--	--	--	809,691	809,691	140,574	950,265
Other comprehensive income:								
Foreign exchange differences on translation of foreign operations	--	--	--	8,671	--	8,671	2,796	11,467
Interest-rate advantage on a non-interest bearing loan	--	--	-68,268	--	--	-68,268	--	-68,268
Total other comprehensive income (C)	--	--	-68,268	8,671	--	-59,597	2,796	-56,801
Total comprehensive income for the year (D) = (B + C)	--	--	**-68,268**	**8,671**	**809,691**	**750,094**	**143,370**	**893,464**
Additions and disposals:								
Changes in non-controlling interests without a change of control	26	--	--	--	31,489	31,489	-30,972	**517**
Effects of acquisitions in the form of business combinations	5	--	-87,593	--	--	-87,593	40,707	**-46,886**
Contribution outside the share capital	26	--	951,511	--	--	951,511	--	**951,511**
Other movements		--	12,818	--	7,026	19,844	-51,919	**-32,075**
Dividends	26	--	--	--	--	--	-82,918	**-82,918**
Effects of businesses sold	5	--	-39,004	--	42,074	3,070	-3,070	**--**
Total additions and disposals (E)	--	--	**837,732**	**--**	**80,589**	**918,321**	**-128,172**	**790,149**
Balance at 31 December 2018 (H) = (A + D + E)	--	**2,000**	**3,237,674**	**-26,262**	**2,943,619**	**6,157,031**	**1,486,958**	**7,643,989**

Consolidated Statement of Cash Flows

For the years ended 31 December 2019 and 2018

IN CZK THOUSAND (CZK '000)	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2019	FOR THE YEAR ENDED 31 DECEMBER 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**1,406,603**	**950,265**
Adjustments for:			
Amortisation/depreciation of fixed assets	14, 15	555,865	403,215
Impairment of inventory		- 76,670	71,294
Impairment of property, plant and equipment		46,230	42,077
Impairment of non-financial assets		15,557	--
Profit (-) /loss (+) from the sale of property, plant and equipment, investment property and intangible assets	10, 11	-60,237	-115,983
Profit (-) / loss (+) from the sale of inventory	10, 11	- 12,806	4,332
Profit (-) / loss (+) from financial instruments		- 83 056	105 454
Profit (-) / loss (+) from the sale of assets classified as held for sale		- 53 198	--
Profit (-) / loss (+) from the sale of subsidiaries		- 552 936	-268 640
Net interest income (-) / expense (+)	12	282,843	188,201
Recognition (+) / release (-) of allowances for trade and other receivables, write-offs		65,058	127,715
Recognition (+) / release (-) of provisions	11	32,263	-162,016
Profit from a bargain purchase	10	-243,701	-4,224
Income tax	13	365,747	325,770
Unrealised foreign exchange rate (gains)/losses		4,745	1,187
Revaluation of investment property		--	--
Share of profit (-) /loss (+) of associates and joint ventures	17	- 102,257	278,383
Other		6,501	4,354
Operating cash flows before movements in working capital		**1,596,551**	**1,951,384**
Increase (-) / decrease (+) in trade receivables and other assets*		-1,465,173	-1,906,270
Increase (-) / decrease (+) in inventory (including income from sale)		- 586,560	- 46,399
Increase (+) / decrease (-) in trade and other payables**		2,909,622	304,746
Cash generated by operations		**2,454,440**	**303,461**
Interest paid		-308,742	-74,334

IN CZK THOUSAND (CZK '000)	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2019	FOR THE YEAR ENDED 31 DECEMBER 2018
Income taxes paid		-356,111	-451,451
Net cash from operating activities		**1,789,587**	**-222,324**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment, investment property and intangible assets		250,719	144,367
Acquisition of property, plant and equipment, investment property and intangible assets	14, 15	-1 772,306	-885,649
Acquisition of investments in subsidiaries, net of cash acquired	5	-181,183	-485,075
Acquisition of investments in subsidiaries from minority shareholders		- 218,680	--
Dividend income		--	50,000
Proceeds on disposal of subsidiaries		78,800	7,008
Acquisition of investments in associates		-1,548	-943
Provided loans		- 1,294,777	- 787,733
Repayment of provided loans		532,729	274,722
Interest received		21,337	24,399
Net cash (used in)/from investing activities		**-2,584,909**	**-1,658,904**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,030,535	2,492,018
Repayments of borrowings		-2,582,920	-1,950,673
Proceeds on bond placements		1,976,000	170,000
Costs related to bond placements		- 28,728	--
Payments of bonds		- 1,085,000	--
Dividends paid		-99,029	-82,918
Payments of obligations under leases		- 57,384	--
Effect of changes in non-controlling interests		--	--
Net cash (used in)/from financing activities		**1,153,474**	**628,427**
Net increase/decrease in cash and cash equivalents		358,152	- 1,252,801
Cash and cash equivalents at beginning of year		**541,399**	**1,769,407**
Foreign exchange rate gains (+) / losses (-) from the translation of cash and cash equivalents		1,928	24,793
Cash and cash equivalents at end of year		**901,479**	**541,399**

*Increase (-) /decrease (+) in receivables and other assets includes trade and other receivables, prepayments made and deferred expenses and accrued income, and tax receivables with the exception of the income tax receivable.
**Increase (-) /decrease (+) in trade and other payables includes trade and other payables, financial instruments and financial liabilities, deferred income and tax payables with the exception of the income tax payable.

Notes to the Consolidated Financial Statements

1. Description of the Group

CZECHOSLOVAK GROUP a. s. (the "Parent Company" or the "Company" or "CSG") is a joint stock company formed in compliance with the legal regulations of the Czech Republic on 13 October 2014. Its registered office is located at Sokolovská 675/9, Karlín, 186 00 Prague 8.
The consolidated financial statements of the Company were prepared for the year ended 31 December 2019 and include the financial statements of the Parent Company, its subsidiaries and associates or joint ventures (jointly referred to as the "Group" or the "CSG Group").
The entities included in the Group are disclosed in Note 35 – Entities in the Group and include primarily entities operating in the Czech Republic and Slovakia.
The Group's principal activities include repairs of vehicles and road transport, retail, wholesale, production and repairs of car bodywork, plastic products, metal structures, preparation of technical designs, technical advisory on engineering, metallurgy and energy segments, raw material extraction, restoration and other relating activities, operation of petrol stations, lease of movable and immovable assets, mediation activities, development, production and trade inthe defence sector, production of brake systems for rail vehicles, road transport, logistics, production of utility off-road vehicles and disposal of hazardous waste.
CZECHOSLOVAK GROUP's strategy comprises the long-term operation and expansion in promising segments of the traditional Czech and Slovak industries having a strong potential for export. The vast majority of these activities focused on the B2B or B2G segments. Business activities focusing on end consumers are marginal. The Group is primarily engaged in the arms, engineering, automotive (lorries), aircraft and rail transport industries.
The parent company gradually acquired the subsidiaries as part of transactions under joint control and from third parties (refer to Note 5 for details on the acquisitions made in 2019 and 2018).
The Group's formation and the changes in its operating and management structure have been carried out in order to make use of synergistic effects. The Group has also combined and unified its financing structure.

As of 31 December 2019, the Company's sole shareholder is:

	CZK '000	EQUITY INVESTMENT (%)	VOTING RIGHTS (%)
Czechoslovak Group B.V.	2 000	100	100
Total	**2 000**	**100**	**100**

As of 31 December 2019, the Group's ultimate owner was Michal Strnad.

Composition of the Board of Directors as of 31 December 2019:
- Michal Strnad (Chairperson of the Board of Directors)
- Ing. Ilona Kadlecová (Member of the Board of Directors)
- Ing. Petr Formánek (Member of the Board of Directors)

Composition of the Supervisory Board as of 31 December 2019:
- Mgr. Tomáš Hasman (Member of the Supervisory Board)
- Ing. Marián Goga (Member of the Supervisory Board)
- Ing. Rudolf Bureš (Member of the Supervisory Board)

2. Basis of Preparation of the Consolidated Financial Statements

a) Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards containing International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the IASB's International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union, and with Czech legislative requirements, namely Accounting Act 563/1991 Coll. on providing disclosures in the notes to the financial statements. The consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2019 and the Group's equity investments in entities under joint control. The Board of Directors approved the consolidated financial statements on 24 April 2020.

b) Measurement Method

These consolidated financial statements were prepared under the going concern assumption and the historical cost convention, with the exception of the following material statement of financial position items, which are carried at fair value:
- Investment property;
- Derivative financial instruments.

Investments in associates and joint ventures are stated using the equity method. The accounting policies disclosed below are consistently applied by individual entities in the Group.

c) Functional and Presentation Currencies

The consolidated financial statements are presented in Czech crowns ("CZK"). In respect of Czech entities, the functional currency are Czech crowns ("CZK") and, in respect of Slovak entities, the functional currency are euros ("EUR"). All financial information presented in Czech crowns is rounded to the nearest thousand, unless stated otherwise. The Czech crown is the presentation currency primarily owing to the fact that it is the currency of the primary economic environment and the parent company's functional currency.

d) Use of Estimates and Judgement

In preparing these financial statements in compliance with International Financial Reporting Standards, management is required to make certain critical accounting estimates that affect the reported balances of assets, liabilities, income and expense. In applying the Group's accounting policies, management is also required to make assumptions based on its own judgement. Due to their nature, the resulting accounting estimate are rarely equal to the relevant actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information on the estimates and critical judgement used in applying accounting policies that have the most significant effect on the balances reported in the consolidated financial statements are disclosed in the following Notes:
- Note 3 (q) – Revenue recognition
- Note 3 (j) – Investment property
- Note 3 (n) – Provisions
- Note 3 (c), (d) – Measurement of financial instruments
- Note 3 (g) – Construction contracts in progress
- Note 36 – Legal disputes

e) Adoption of new and revised International Financial Reporting Standards (IFRS)

I. Newly adopted standards, amendments to standards and interpretations effective for the year ended 31 December 2019 applied in preparing the Group's financial statements

During the current period, the Group adopted all amendments to International Financial Reporting Standards (IFRS) with effect from 1 January 2019 that are compulsory and relate to the Group's activities. The impact of these new and amended IFRS on the financial statements of the Group is specified below.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
In 2019, the Group adopted IFRS 16 Leases (issued on 13 January 2016) which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard significantly changes the accounting treatment of leases from the perspective of the lessee by eliminating the distinction between finance leases and operating leases. The standard provides a single lessee accounting model, requiring lessees, at the beginning of the lease term, to recognise right-of-use assets and the aggregate amount of lease liabilities unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting under IFRS 16 being substantially unchanged from the previous regulation in IAS 17. During 2019 and 2018, the Group did not identify any lease agreements where it would act as a lessor. The date of the Group's initial application of IFRS 16 is 1 January 2019. Defined transition options allow the Group to use a modified retrospective approach and not to recalculate comparative information retrospectively. The Group used this option. The impact of the transition to IFRS 16 is described below.

Disclosure in connection with the initial application of IFRS 16

a) Impact of the new definition of a lease

IFRS 16 requires an assessment of whether the contract contains the right to control the use of the identified asset for a specified period of time in exchange for consideration. In contrast, IAS 17 and IFRIC 4 focus on assessing the risks and benefits associated with the given asset. The Group has benefited from practical simplification of the transition to IFRS 16, which does not require a retrospective reassessment of whether a contract is or contains a lease. Contracts concluded before 1 January 2019 shall be assessed according to the definition of a lease under IAS 17 and IFRIC 4. In preparing the transition to IFRS 16, the Group analysed the impact of the new lease definition and concluded that the change does not have a material impact on the assessment of whether a contract is or contains a lease.

b) Impact on lessee accounting

IFRS 16 changes the way in which the Group accounts for leases classified as operating leases under IAS 17, where the leased assets were not presented in the statement of financial position.

IFRS 16 requires assets used on the basis of a lease ("rights-of-use") and the total amount of lease liabilities to be recognised in the statement of financial position and to be measured at the inception of the lease at the present value of the future lease payments further adjusted under Note 16 Leases. Subsequently, the right of use is amortised into costs for the period of the estimated use or until the end of the lease term, if it occurs earlier. The right of use is also tested for permanent impairment in accordance with IAS 36. The lease liability is subsequently increased by accrued interest calculated by the effective interest rate method. Lease payments are divided in the payment of principal decreasing the lease liability and accruing interest reported in the financial costs in the statement of comprehensive income.

The Group decided not to voluntarily apply IFRS 16 to intangible assets, low-value assets (at cost of less than CZK 100 thousand, or EUR 4 thousand) and short-term leases (the lease term is terminated in less than 12 months). In these cases, leasing payments are reported as expenses on a straight-line basis over the lease term and presented in the statement of comprehensive income under Services.

For contracts classified as operating leases under IAS 17, the Group decided to make use of the following practical expedients in applying the modified retrospective approach used for the transition to IFRS 16:

- The Group used a single discount rate for leases with similar characteristics.
- The Group decided not to report rights of use and lease liabilities for contracts that expire within 12 months from the date of transition to IFRS 16.
- The Group did not include initial direct costs in the valuation of the right of use at the date of transition to IFRS 16.
- The Group estimated the lease term retrospectively for contracts containing anextention or early termination option.

Leases classified as finance leases before 1 January 2019

Net book values of leased assets from leases classified as financial leases under IAS 17 as of 31 December 2018 were reclassified as rights of use, taking over the measured value. In the statement of financial position, they continue to be presented under Property, plant and equipment. The Group had no finance leases of low-value assets at the date of transition to IFRS 16.

Net book values of lease liabilities as of 31 December 2018 were also adopted and remain recognised in the statement of financial position under Long-term loans and borrowings (having due date in more than 12 months from the date of the financial statements), or Short-term loans and borrowings.

c) Impact on lessor accounting

IFRS 16 does not significantly alter the accounting treatment of leases from the perspective of the lessor. Under IFRS 16, the lessor continues to classify leases as either finance leases and operating leases and accounts for those two types of leases differently, refer to Note 16 Leases.

IFRS 16 requires that if the lessee further subleases the leased asset, the lessee should account for the sublease as a separate contract and assess whether it is a finance lease or operating lease in relation to the related right of use (not in relation to the underlying asset as was the case under IAS 17).

IFRS 16 also introduces new requirements for presented data relating in particular to risk management.

As of 31 December 2019 and 2018, the Group did not identify any lease contract where it would act as the lessor.

The application of IFRS 16 affects the consolidated statement of financial position and the statement of comprehensive income as follows:

As of 31 December 2019

	1 JANUARY 2019 (CZK THOUSAND)	31 DECEMBER 2019 (CZK THOUSAND)
Profit and loss account		
Write-off of the right-of-use asset	--	-87,178
Interest on financial leases	--	-21,169
Impact on the profit and loss account in 2019	**--**	**-108,347**
Balance sheet		
Right-of-use asset (at amortised cost)	427,857	830,363
Cash	0	0
Assets (total)	**427,857**	**830,363**
Finance lease payables	427,857	830,694
Equity	0	0
Impact on equity and liabilities	**427,857**	**830,694**

The weighted average of discount rates used for the valuation of lease liabilities as of 1 January 2019 is 3.68%.

As a result of the transition to IFRS 16 Leases as of 1 January 2019, the Group presented right-of-use assets in the amount of CZK 427,857 thousand in the statement of financial position under Property, land and equipment and simultaneously increased lease liabilities in the amount corresponding to newly recorded assets under IFRS 16 of CZK 399,471 thousand (refer to the table below). The difference of CZK 28,386 thousand represents the carrying amount of the assets for finance lease as of 31 December 2018 under IAS 17. The transition to IFRS 16 did not affect the value of equity.

The following table shows the reconciliation of the lease liability as of 1 January 2019 and operating leases as of 31 December 2018.

	CZK THOUSAND
Operating lease liabilities under IAS 17 as of 31 December 2018	406,493
Of which short-term leases and leases of low-value assets	-7,622
The effect of discounting the above	600
Finance lease liabilities under IAS 17 as of 31 December 2018	28,386
Total lease liabilities as of 1 January 2019	**427,857**

IFRIC 23 – Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
The interpretation clarifies how to apply the requirements for recognition and measurement pursuant to IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation primarily addresses:

a) whether the reporting entity assess uncertain tax treatments individually;
b) the assumptions made by the entity regarding the review of tax procedures performed by taxation authorities;
c) how the reporting entity determines taxable income (tax loss), tax bases, accumulated tax losses, unused tax deductions and tax rates; and
d) how the reporting entity reflects changes in facts and circumstances.

This amendment does not have a material impact on the consolidated financial statements.

IFRS 9 (amendments) – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)
The amendments address the concerns about the recognition of particular prepayable financial assets. The concerns primarily related to how the entity would classify and measure a debt instrument if the debtor was allowed to repay the instrument in advance for an amount that would be lower than the amount of outstanding principal and interest. The prepayment is frequently referred to as containing "negative compensation". In applying IFRS 9, the entity would measure the financial asset with negative compensation at fair value through profit or loss.
The amendment allows reporting entities to state certain prepayable financial assets with negative compensations at amortised cost. This amendment does not have a material impact on the consolidated financial statements.

IAS 28 (amendments) – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests in associates or joint ventures that are part of a net investment in an associate or a joint venture but that are not subject to the equity method. This amendment does not have a material impact on the consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019)
The Annual Improvements (2015–2017) include amendments to four Standards. They primarily include the following changes:

- Clarification that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business in line with IFRS 3 Business Combinations;
- Clarification that when an entity obtains joint control of a business that is a joint operation, it remeasures previously held interests in that business in line with IFRS 11 Joint Arrangements;
- Clarification that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the profits to be distributed; and
- Clarification that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

This amendment does not have a material impact on the consolidated financial statements.

II. Standard and amendments to standards in issue not yet effective and applicable to the Group's financial statements
Several new standards and amendments to standards have not become effective as of 31 December 2019 and have not been applied in preparing these consolidated financial statements. For a list of those that may affect the Group's activities, refer to below. The Group is planning to implement these provisions as soon as they become effective.

a) Amendments to the existing standards already adopted for use in the EU
Amendments to IAS 1 Presentations of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020)
The amendments apply to the definition of materiality, with the new definition adding other aspects for the correct assessment such as obscuring information. The existing version of the definition merely includes the omitting or misstating of information even though obscuring information may have a completely identical impact. Furthermore, the amendments specify the aspects of "could influence" and "primary users of financial statements".

The Group anticipates that the amendments will not have significant effects on the financial statements upon initial application or during the new assessment given the addition of aspects for assessment.

Amendments to References to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2020)
On 29 March 2018, the International Accounting Standards Board (IASB) published its amended Conceptual Framework for Financial Reporting, which became effective as of the publication date.

The Conceptual Framework is used by the IASB primarily as an aid in the development of IFRS. The framework may also be a good aid for entities reporting pursuant to IFRS if there are no specific or similar standards dealing with the relevant matter.

The IASB also published a document entitled "Amendments to References to the Conceptual Framework", which contains subsequent amendments to the relevant standards to ensure that the standards refer to the new Conceptual Framework. These amendments are effective for annual periods beginning on or after 1 January 2020.

The Group anticipates that the amendments will not have significant effects on the financial statements upon initial application.

b) Standards and amendments to standards not yet adopted for use in the EU
Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020)
The amendments primarily apply to extending the definition of a "business" and its differentiation from a "group of assets".

The Group anticipates that the amendments will not have significant effects on the financial statements upon initial application because the entity is not planning transactions meeting the definition of business combinations.

IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been postponed indefinitely)
The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group anticipates that the amendments will not have significant effects on the financial statements upon initial application.

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
IFRS 17 supersedes IFRS 4, which was issued as an interim standard in 2004. IFRS 4 allowed companies to continue to account for insurance contracts according to national accounting standards, as a result of which many different approaches were applied.

IFRS 17 addresses the comparability issues caused by IFRS 4 by requiring all insurance contracts to be treated uniformly, to the benefit of both investors and insurance companies. Insurance liabilities will be recognised at present values, not at historical cost.

This new standard will not have a material impact on the presentation of the financial statements when initially applied as the Group entities do not operate in the insurance sector.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022)
The amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period.

The Group anticipates that the amendments will not have significant effects on the financial statements upon initial application.

3. Significant Accounting Policies

a) Consolidation Method

I. Recognition of acquisition of subsidiaries

Business combinations

Business combinations are accounted for using the acquisition method in line with IFRS 3 Business Combinations when control is transferred to the Group. The consideration transferred as part of the acquisition as well as the identified net assets are usually measured at fair value. Any arising goodwill is tested every year for impairment. Any gains from an advantageous purchase are immediately recognised in profit or loss. Transaction costs are charged to expenses at the time of their origination with the exception of cases where they relate to issues of debt or equity securities.
The transferred consideration does not include amounts related to the settlement of historical relations. These amounts are usually recognised in profit or loss.
Any contingent consideration is measured at fair value as of the acquisition date. If the obligation to pay contingent consideration meeting the definition of a financial instrument is classified as equity, then it is not remeasured and the settlement is recognised in equity. In other cases, contingent consideration is remeasured at fair value as of the balance sheet date and subsequent changes in the fair value of contingent consideration are reported in profit or loss.

Acquisition of subsidiaries under joint control

Acquisitions under joint control refer to business combinations where all combining entities and enterprises are ultimately controlled by the same party or parties before and after the acquisition and this control is not temporary. IFRS 3 does not apply to acquisitions of this type. The obtained assets and liabilities are reported in carrying amounts in which they were previously reported by the acquiree (i.e. at cost as of the date of acquisition net of accumulated depreciation and/or potential impairment).
The difference between the fair value of consideration transferred as part of acquisition and the acquired net assets is recognised directly in equity (Other funds).
The Group does not disclose/adjust comparative data and the current period before the date of the transaction under joint control, subsidiaries are included in consolidation only from the effective date of the transaction.

II. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity if it is exposed or entitled to variable income based on its engagement in this entity and it can influence this income via its power over this entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of origination of control until the date of its dissolution.

Changes in the Group's ownership interests that do not lead to loss of control are recognised as equity transactions. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in relative interests in subsidiaries. Any potential differences between the amount for which non-controlling interests are adjusted and the fair value of the paid or received consideration are reflected directly in equity and allocated to the Company's owners.

III. Investments in entities accounted for under the equity method

The Group's investments in entities accounted for under the equity method include investments in associates and joint ventures.
An associate is an enterprise in which the Group has significant influence over financial and operating procedures but it has no control or joint control over these procedures. A joint venture is an arrangement where the Group is a joint-controlling party and is entitled to the net assets of this arrangement (not its assets and obligations from its liabilities). Investments in associates and joint ventures are recognised under the equity method. They are initially reported at acquisition cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Group's share in the overall profit or loss and other comprehensive income of the entities recognised under the equity method, until the day when significant influence or joint control ceases to exist.
If the Group's share in losses exceeds the carrying amount of the investment in the associate or joint venture, the book value shall decrease to zero and any losses shall stop being reported, which does not apply if the Group has incurred payables to the relevant associate or if it has made any payments on its behalf.

IV. Recognition of non-controlling interest

Non-controlling interests representing current ownership interests granting their holders the right to a proportionate share in the net assets of the relevant entity in the event of liquidation may be initially recognised either at fair value or at the proportionate part (based on the amount of non-controlling interest) of reported amounts of identifiable net assets of the entity in which the investment was made. The Group measures these non-controlling interests using the pro-rata method. Other types of non-controlling interest are valued at fair value or using a method set by another IFRS standard.

V. Transactions excluded on consolidation

When preparing the consolidated financial statements, intercompany balances and intercompany transactions as well as all unrealised income and expenses arising therefrom are excluded. Unrealised gains from transactions with entities under the equity method are offset against the relevant investments up the amount of the Group's interest in the relevant entity. Unrealised losses are offset in the same way as unrealised gains, but only if no impairment occurs.

VI. Unification of accounting policies

Accounting policies applied in the financial statements of consolidated companies were unified during consolidation and they are in line with the accounting policies used by the Parent Company.

VII. Loss of subsidiaries and entities under the equity method

If the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and all the related non-controlling interests and other components of equity. Any interest retained in the former subsidiary in the event of loss of control is valued at fair value.
Gains or losses from the sale of interests in subsidiaries and entities under the equity method are reported in the profit and loss when significant risks and benefits related to the ownership are transferred to the buyer.
If assets and liabilities are sold via the sale of an equity investment in a subsidiary or an entity under the equity method, total gains or losses from the sale are reported under Gains/(losses) from the sale of subsidiaries and associates in the statement on other comprehensive income.

b) Foreign Currencies

I. Foreign currency transactions

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity performs its activities (functional currency). Transactions in foreign currencies are translated to the relevant functional currency of the Group entity using the exchange rate valid as of the date of transaction.
Cash assets and liabilities in foreign currencies are translated to the relevant functional currency of Group entities using the exchange rate valid as of the balance sheet date promulgated by the relevant national bank based on the registered office of the company.
Non-cash assets and liabilities in foreign currencies that are reported at historical costs are translated to the relevant functional currency of Group entities using the exchange rate valid as of the transaction date. Non-cash assets and liabilities in foreign currencies that are reported at fair value are translated to the relevant functional currency of Group entities using the exchange rate valid as of the date of determination of fair value. Exchange rate gains and losses arising from the translation of financial assets denominated in foreign currencies are described below in item d).
Overview of primary exchange rates valid for the reporting period is included in Note 32 to the financial statements – Risk Management Methods and Disclosures.

II. Translation to the presentation currency

Assets and liabilities including adjustments concerning goodwill and fair value arising on consolidation are translated from the functional currency to Czech crowns using the exchange rate valid as of the balance sheet date. Income and expenses are translated from the functional currency to Czech crowns using the average exchange rate determined based on the exchange rates valid in the reporting period.
Exchange rate gains and losses arising from the translation are recognised in other comprehensive income and reported in the fund from foreign currency translations in equity. However, if the foreign entity is not a 100% subsidiary, then the relevant part of the exchange rate difference is reported as non-controlling interest.

c) Financial Instruments – Derivatives

Financial assets and financial liabilities are reported in the Group's statement of financial position if the Group becomes a party to contractual provisions concerning the instrument.
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in Notes 19 and 32. Financial assets and financial liabilities are initially measured at fair value. Transaction expenses that are directly related to the acquisition or issuing of financial assets and financial liabilities (with the exception of financial assets and financial liabilities measured at fair value through profit or loss) increase or decrease the fair value on initial recognition in the corresponding amount. Transaction expenses that are directly related to the acquisition of financial assets and financial liabilities measured at fair value through profit or loss are reported directly to profit or loss. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. The impact of the Master Netting Agreements on the Group's financial position is disclosed in Notes 19 and 32.
A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

d) Financial Assets, Financial Liabilities and Equity

All purchases or sales of financial assets with the regular type of acquisition are reported and recognised as of the date of conclusion of the transaction. A purchase or sale with the regular type of acquisition is a purchase or sale of a financial asset that requires the delivery of the asset within a timeframe set by a regulation or market agreement. All reported financial assets are subsequently remeasured as a whole either at amortised cost or at fair value, depending on their classification.

Classification of financial assets

Debt securities that meet the following conditions are measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual conditions of the financial asset stipulate specific dates of cash flows generated exclusively by payments of principal and interest on the unpaid amount of principal.

As standard, all other financial assets are subsequently remeasured at fair value through profit or loss (FVTPL).

I. Amortised cost and effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and interest paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item (Note 12).

II. Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see I. to III. above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see III. above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (Note 12). Fair value is determined in the manner described in Note 4.

III. Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Financial income and expenses' line item (Note 12);
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Financial income and expenses".

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using an individual assessment of each debtor using rating, knowledge of the debtor and the Group's historical experience with each individual debtor. The allowance is additionally expanded using factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

I. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.
The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

II. Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a different definition of default is more appropriate for the financial instrument.

III. Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) a significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event (see II. above);
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

IV. Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

V. Measurement and recognition ofexpected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.
If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.
The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.
A detailed description of the allowance methodology is provided in the section on financial risk management, refer to Note 32.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity
Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity.

Financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is I. contingent consideration of an acquirer in a business combination, II. held for trading or III. it is designated as at FVTPL.
A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other financial gains and losses' line item (Note 12) in profit or loss.
However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. Fair value is determined in the manner described in Note 4.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not I. contingent consideration of an acquirer in a business combination, II. held-for-trading,

or III. designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss (Note 12) for financial liabilities that are not part of a designated hedging relationship.
The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.
When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

1) the carrying amount of the liability before the modification; and
2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

e) Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, cash at bank and short-term highly liquid investments with an original maturity of three months or less.

f) Inventories
Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price as part of normal business activities less all estimated costs of completion and costs of sale.
Purchased inventories and inventories in transit are initially recognised at cost. Cost comprises the purchase price and other costs directly related to the acquisition of inventories and bringing the inventories to their present location and condition. Inventories of a similar nature are valued using the weighted average cost method.
Internally produced inventories and work in progress is initially recognised at production costs. Production costs include direct costs (direct material, direct salaries and other direct cots) and the portion of overheads that may be directly attributed to the production of inventories (production overheads). This valuation is adjusted to net realisable value if it is lower than production costs.

g) Construction Contracts in Progress, Contractual Assets and Liabilities
Construction contracts in progress are stated at expenses plus gains recognised as of the relevant date, less continuously issued invoices and recognised losses. Expenses include all the expenses directly related to the specific project and the proportionate part of fixed and variable overhead costs incurred within normal operating capacity.
Contractual assets represent the Group's right to completed but unbilled work pursuant to contracts with customers at the selling price net of prepayments received. A contractual asset becomes a receivable at the moment of acquisition of an unconditional right to payment, which arises by invoicing.
A contractual liability is related to received prepayments or continuous invoicing for performance arising from contracts with customers where income is recognised on an ongoing basis. Contractual liabilities are reported as sales at the time of fulfilment of the contractual liability.

h) Property, Plant and Equipment
I. Owned assets
Items of property, plant and equipment are reported at cost less accumulated depreciation (see below) and accumulated losses from impairment. Cost includes expenses that can be directly attributed to the acquisition of the asset. Cost of internally produced assets includes cost of material and direct wages, all other costs directly related to bringing the asset to a functional condition for the intended use and capitalised borrowing costs (refer to Note 3 (r) – Financial income and expenses). Cost also includes the cost of dismantling and removal of individual items and bringing the location to the original condition if the Group has committed to dismantling and removing the item or to bring location to the original condition. If an item of property, plant and equipment consists of parts having different useful lives, then these individual parts are recognised as independent items (primary components) of property, plant and equipment. Gains or losses from disposal of an item of movable assets and equipment are determined by comparing the income from disposal and the carrying amount of the movable asset and equipment and reported in profit or loss.

II. Right-of-use assets
Refer to Note (p) Leases.

III. Subsequent costs
Subsequent costs are capitalised only if it is probable that certain items of property, plant and equipment will give rise to future economic benefits for the Group and that the relevant costs can be reliably measured. All other expenses including costs of everyday maintenance of property, plant and equipment are reported directly in profit and loss.

IV. Depreciation
Depreciation is determined in order to write off the cost of buildings and equipment (after deducting the anticipated residual values) to expenses. Depreciation charges of movable assets and equipment are charged to the profit and loss account on a straight-line basis over the anticipated useful life. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and the estimated useful life (if it is not reasonably certain that the Group will obtain the ownership right to the asset by the end of the lease term). The estimated useful life of buildings and equipment is as follows:

/ Buildings and structures	20–60 years
/ Machinery and equipment	3–20 years
/ Fixtures and other items	2–20 years

Depreciation methods, useful lives and residual values are reviewed every year as of the balance sheet date. For companies acquired under IFRS 3 where purchase price allocation is performed, useful life is re-evaluated based on the process of purchase price allocation.

i) Intangible Assets
I. Goodwill and a bargain purchase gain
Goodwill is measured as the excess of the cost of acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquired entity. If the amount is negative (i.e. a bargain purchase gain) it is recognised immediately in profit or loss. Goodwill is subject to the annual impairment testing (refer to Note 14). With respect to associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and tested for impairment.

II. Research and development
Expenses of research activities performed to gain new scientific or technical findings and knowledge are recognised to profit or loss. Development activities include a plan or design of implementation of new or substantially improved products or processes. Development costs are only capitalised if they are reliably measurable, the relevant product or process is technically or economically realisable, gaining of a future economic benefit is probable and the Group intends to complete the development and use or sell the resulting assets and has sufficient sources to do so. Otherwise, the costs are recognised in profit or loss in the actual amount. Subsequent to initial recognition, development costs are reported at cost less accumulated amortisation and accumulated impairment losses.

III. Software and other intangible assets
Software and other intangible assets acquired by the Group with a definite useful life are recognised at cost less accumulated amortisation (refer to below) and impairment loss. Intangible assets under construction or intangible assets with an indefinite useful life are not amortised and are tested for impairment on an annual basis. The useful life is reassessed at the end of each period in order to determine whether the events and circumstances that have occurred indicate that the useful life continues to be indefinite.

IV. Trademarks
Acquired trademarks are recognised at historic costs. In case of indefinite useful life, trademarks are tested for impairment annually or whenever there is any indication that impairment occurred. Trademarks are measures at purchase cost less accumulated impairment losses.

V. Amortisation
Amortisation is determined to charge the purchase cost of intangible assets (less the expected residual value) to expenses. Intangible assets except for goodwill and trademarks with indefinite useful lives are charged to profit or loss on a straight-line basis over their estimated useful lives, starting from the date on which the asset is put to use.
The expected useful life of intangible assets is as follows:

/ Software	3–4 years
/ Concession, licence	3–25 years
/ Other intangible assets	3–5 years

The method of amortisation, the useful life and the residual values are reassessed at the end of any reporting period and adjusted as required.

j) Investment property

Investment property is property held by the Group to earn rentals or for capital appreciation or for both of these purposes rather than for sale as part of regular business activities or for use in production or delivery of goods or services or for administrative purposes.
Property investment is measured initially at cost and subsequently it is re-measured to fair value (refer to Note 4 – Fair value determination). Any changes in fair values are recognised in profit or loss.
Property under construction or adjusted for its future use as investment property is recognised as investment property under construction. If no change in made in the manner of use of the property and the property is reclassified to business assets – inventory or tangible fixed assets, the fair value of the property at the re-classification date is used as the acquisition cost for the purposes of subsequent reporting.
Gains or losses on investment property disposal (defined as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss. The method of accounting for income from rentals of investment property is described in Note 3 (q) – Revenues.

k) Non-current assets held for sale and disposal groups of assets and liabilities

Non-current assets or disposal groups including assets and liabilities the amount of which is expected to be recovered by a sale transaction rather than through continuing use are classified as held for sale. Immediately before their classification as assets held for sale the assets (and any assets and liabilities in a disposal group) are remeasured in line with the Group's relevant accounting policies. Subsequently, at the initial classification as assets held for sale the non-current assets and disposal groups are recognised at the lower of the carrying amount or the fair value less the cost of sale.
As soon as intangible assets and property, plant and equipment are classified as assets held for sale, they are no longer amortised/depreciated and investments in associates and joint ventures are not measured using the equity method.
Any impairment loss of a disposal group is first allocated to goodwill and subsequently proportionately allocated to the remaining assets and liabilities. Loss is not allocated to inventory, financial assets, deferred tax liabilities and investment property that continue to be measured in line with the Group's accounting policies.
Impairment loss at the initial classification as held for sale is included in profit or loss. The same applies to profit or loss from subsequent revaluation. Profits exceeding the accumulated impairment loss are not reported.
Any impairment gain or loss at revaluation of non-current assets (or disposal groups) classified as held for sale if the definition of discontinued operations is not complied with is reported in profit or loss as profit or loss on continued operation.

l) Discontinued operations

Discontinued operations are part of the Group's business activities the transactions and cash flows of which are clearly separable from other business activities of the Group and which:

- Represent a separate operating segment,
- Are part of a segment to be sold by the Group.

The Group classifies the activity as discontinued as of an earlier date, i.e. as of the date of the sale or the date on which the criteria for classification as held for sale are met. At the moment of classification of business activities as discontinued, the figures in the Statement on Comprehensive Income for comparative periods are newly presented as if these activities were discontinued from the very beginning of the comparative period.

m) Impairment of non-financial assets

The carrying amount of the Group's assets, excluding inventories (refer to Note 3 (f) – Inventory), investment property (refer to Note 3 (j) – Investment property) and deferred tax liabilities (refer to Note 3 (s) – Income taxation), is reviewed as of the balance sheet date in order to determine if there are any objective reasons for impairment. If there are no such reasons, the recoverable amount of the asset is estimated. For goodwill and intangible assets under construction, the recoverable amount is estimated at least once in the period, always at the same time.

n) Provisions

A provision is recognised in the Statement on Financial Position if the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the settlement of the obligation will require outflow of economic benefits and a reliable estimate can be made of the amount of the obligation
Provisions are recognised in the expected amount of settlement. Significant non-current liabilities are recognised as liabilities at the present value of the expected settlement. If the impact of discount is significant, they are recognised using a discount rate reflecting the present market expectation and specific risks of the obligation. Regular release of discount is recognised in profit or loss as part of financial expenses. Impacts of changes in exchange rates, inflation rate and other factors are recognised in profit or loss as operating income or expense. Changes in estimates of provision amounts may predominantly result from differences from originally estimated expenses or a changed date of settlement or a changed scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss as of the date of the change in the estimate (refer to below).

I. Warranties

Provisions for warranty repairs are determined for individual projects depending on the expected expenses that are determined based on historic experience.

II. Provisions for litigations and disputes

Settlement of a legal dispute represents a specific potential obligation. In order to determine the best estimate, the calculation of the expected value is used under which weight is assigned to possible consequences identified based on a legal analysis depending on relevant probabilities or the most probable single result adjusted by risk and insecurity as required is applied.

III. Onerous contracts

A provision for onerous contracts is created if the expected benefits expected to be gained by the Group from a certain contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the expected costs to terminate the contract or the value of expected net expenses of continuing the contract if lower. Before creating the provision, the Group must recognise all impairment losses relating to the contract.

o) Employee benefits

Short-term employee benefits are recognised in profit or loss when the relevant service is provided. The liability is recognised in the amount of the expected expense if the Group has a present legal or contractual obligation to pay the amount in connection with the services provided by an employee in the past and the obligation may be credibly estimated.

p) Leases

The Group has applied IFRS 16 since 1 January 2019 and it used a modified retrospective approach for the transition, where comparative information of the previous period is not adjusted and is reported under IAS 17.

I. Group as the lessee (policies adopted since 1 January 2019 under IFRS 16)

At the beginning of the lease, the Group assesses whether the contract is or contains a lease defined as a contract or part of a contract which gives the right of use of the identified asset for a specified period in exchange for consideration.
The Group decided to use the IFRS 16's option not to voluntarily apply this standard to:

- Intangible assets to which the Group applies IAS 38 Intangible assets;
- Low-value assets, i.e. assets at cost less than CZK 100 thousand, or EUR 4 thousand; and
- Short-term leases, where the lease term terminates in 12 months or less from the inception of lease or from 1 January 2019 (date of transition to IFRS 16).

The costs of lease of low-value assets and short-term leases should be recognised in expenses on an ongoing basis in the period to which they belong.
The Group reports leased assets as right-of-use; in the statement of financial position they are presented under Property, plant and equipment. As of 31 December 2019, the Group did not identify any rights of use that would meet the definition of investment property. The related lease liabilities are presented in the statement of financial position under Long-term loans and borrowings (part of them is due in more than 12 months from the date of the financial statements) and Short-term loans and borrowings (part of them is due in less than 12 months from the date of the financial statements). Lease liabilities are measured at the present value of outstanding lease payments. The implicit interest rate, if known, is used for discounting, in other cases, the lessee's incremental borrowing rate is used. Lease payments entering into the measurement of lease liabilities include:

- Fixed lease payments determined in the contract adjusted for any latest known inflation index/benchmark interest rate, less any lease incentives;
- The amount of the expected payment for the minimum residual value guarantee, if indicated in the lease contract;
- The price of the call option if the Group expects its use;
- The fine for the early termination of the contract if the Group expects its payment and the lease term for the measurement of the lease liability is reduced.

In the measurement of the lease liability or right of use, the Group does not include variable lease payments dependent on variables other than the index/benchmark interest rate or incidental payments related to the lease (e.g. energy). These costs are recognised in the statement of comprehensive income under Services in the period to which they belong.
The measurement of lease liabilities is subsequently increased by accrued interest using the effective interest rate method and reduced by the repayment of lease liabilities.

The Group remeasures the lease liability and the related right of use in the following cases:

- The lease term, the estimate of the use of the redeem option, has changed;
- Lease payments have changed due to an index or rate change, the estimate of the guaranteed residual value has changed;
- The lease contract has changed, which is not considered a new contract.

The Group did not make any significant adjustment to the lease liability during 2019.
At the inception of the lease, the rights of use are measured at the value of the related lease liability, which is increased by the prepaid lease payments at the beginning of the lease, the direct costs associated with the conclusion of the lease contract and decreased by any incentives received. In the event that the Group is obliged to pay the costs at the end of the lease (e.g. the obligation to restore the asset to its original state), the provision for such costs should be recognised at the beginning of the lease in accordance with IAS 37. The costs associated with the leased asset increase the purchase cost of the right of use. Since the commencement of the lease, rights of use have been amortised into costs for the estimated life of the given asset or over the lease term, if shorter. If the Group expects to repurchase the leased asset at the end of the lease, the right of use is amortised for the period of the estimated use. Rights of use are tested for permanent impairment under IAS 36.

II. Group as the lessor (policies applied since 1 January 2019 under IFRS 16)
Lessors classify leases as operating leases or finance leases, while the lessor's accounting according to IFRS 16 does not differ significantly from the previous standard, IAS 17. Leases in which the Group transfers substantially all the risks and rewards incidental to ownership to the lessee shall be classified as a finance lease. In the case of a finance lease, the Group reports an asset equal to the net investment in the lease. Lease payments are divided into accrued interest and payment reducing the residual value of the leased asset. Accrued interest is assigned to each period throughout the lease term so that the result is a constant periodic interest rate on the balance of the lease liability. Rental from operating leases in which substantially not all the risks and rewards incidental to ownership are transferred, is reported on a straight-line basis in the statement of comprehensive income over the lease term.
If the Group subleases leased assets, it accounts for the sublease as a separate contract and assesses whether it is a finance or operating lease in relation to the related right of use (not in relation to the underlying asset as was the case under IAS 17). During 2019, the Group did not identify any lease contracts where it would act as the lessor.

III. Group as the lessee (policies applied until 1 January 2019 under IAS 17)
Leases in which substantially all the risks and rewards incidental to ownership are transferred to the Group are classified as finance leases. In the case of a finance lease, the leased assets shall be presented at fair value or at the present value of the minimum lease payments (whichever is lower) at the commencement of the lease, less accumulated depreciation and impairment losses.
The lease payments for the finance lease are divided into accrued interest and a payment that reduces the amount of the outstanding liability. Accrued interest is assigned to each period throughout the lease term so that the result is a constant periodic interest rate on the balance of the lease liability.
Other leases of the same nature as operating leases are not reported in the statement of financial position of the Group. Payments paid under operating leases are reported on a straight-line basis in the statement of comprehensive income over the lease term.
In identifying lease contracts, the Group assesses other criteria defined in the interpretation of IFRIC 4 – Determining whether an arrangement contains a lease.

IV. Group as the lessor (policies adopted until 1 January 2019 under IAS 17)
Accounting policies are similar as in Note ii. above.
During 2018, the Group did not record any lease contracts in which the Group would act as the lessor.

q) Revenue recognition

I. Revenue from contracts with customers
The Group applies a five-step model to determine when and to what extent revenue should be recognised. Revenue is recognised when the Group transfers control of the goods and services to its customers and in the amount of the expected consideration. Following the fulfilment of specific requirements, revenue is reported either over time or at a point in time when control of goods or services is transferred. The Group enters into contracts with customers for different supplies and under different conditions, which is why it proceeded to assess the contracts individually. Information on the method of accounting of revenues under IFRS 15 for individual types of transactions is provided in Note 6 Revenues. The main areas considered by the Group in applying IFRS 15 are the following:

a) Identification of the contract, identification of the performance obligations
The Group assesses performance obligations for all contracts in detail. The Group's contracts often involve several performance obligations. If the Group provides customers with a service of significant integration of these performance obligations, it considers these partial performance obligations to be part of one main contract liability. If the Group provides a guarantee exceeding the standard guarantee framework, the Group reports the guarantee as a performance obligation to which it allocates a portion of the transaction cost. If the amount agreed in a contract includes a variable consideration, the Group estimates the amount of payment to which it will be entitled in exchange for the transfer of the agreed products to the customer using the method of expected value or the most likely amount.

b) Significant financing component
For long-term prepayments, the Group recognises interest expense on received prepayments, which are reflected in the reported contract price if these prepayments are considered a significant financing component in accordance with IFRS 15.
The Group used a practical expedient and does not account for the financing component if the expected time between the delivery and payment at the time of origination of the contractual relationship is less than 12 months.

c) Revenue recognition period
In the case of long-term contracts with customers, where the Group has a legally enforceable right to payment, the Group recognises revenues from these contracts over time. For these contracts, sales and expenses are recognised taking into account the progress of the contractual activity at the balance sheet date using the percentage of completion method. The percentage of completion is usually calculated as the ratio of the costs incurred under the contract to the total estimated costs. Only in exceptional cases is the percentage of completion measured by the output method. If it is probable that total costs will exceed total revenues, the loss is recognised immediately in the financial statements.
For contracts where none of the requirements for revenue recognition over time are met, the Group recognises revenue at a point in time when control is transferred. Until the transfer of control, the Group recognises contract costs as work in progress.

d) Classification within the balance sheet
Balances in the balance sheet resulting from amendments under IFRS 15 are reported as a contract asset and a contract liability, or as inventory of work in progress in the event that no revenue is recognised over time. Provisions for loss-making contracts are reported under Provisions.

II. Income from the lease of investment property
Income from the lease of investment property is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease period. Granted incentives are recognised as part of the total income from the lease over the lease period. Income from the lease of other assets is recognised as other income.

r) Financial income and expenses

I. Financial income
Financial income includes interest income from provided funds, income from dividends, changes in fair values of financial assets in fair value through profit or loss, exchange rate gains, sales of investments in securities and gains from hedging instruments recognised in profit or loss.
Interest income is recognised on an accrual basis in the Statement of Comprehensive Income using the effective rate method. Income from dividends is recognised in the Statement of Comprehensive Income as of the date of establishment of the Group's right for the receipt of the relevant payment.

II. Financial expenses
Financial expenses include interest expenses on loans, borrowings, contractual obligations and leases, release of a discount from provisions, exchange rate losses, changes in fair value of financial assets in fair value through profit or loss, costs of fees and commissions of payment transactions and guarantees, impairment losses recognised for financial assets and loss from hedging instruments reported in profit or loss and impairment losses on contingent payments recognised as financial liabilities.

s) Income taxation

The income taxation includes tax payable and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, which does not apply to tax related to a business combination or items recognised directly in equity or other comprehensive income.
Tax payable includes a tax estimate (tax liability or tax asset) calculated from taxable income or loss for the current period using the tax rates effective as of the balance sheet date and all adjustments to the tax payable relating to prior periods.
Deferred tax is calculated using the balance sheet method based on temporary differences between the accounting values of assets and liabilities in the balance sheet and their amounts for tax purposes. No deferred tax is recognised for the following temporary differences: temporary differences on the initial recognition of assets or liabilities that is not a business combination and has no impact on the accounting or tax income or loss, temporary differences relating to investments in subsidiaries and joint operations in the scope in which it is probable that they will not be derecognised in the foreseeable future.
Deferred tax is not recognised at the initial recognition of goodwill.

The amount of deferred tax is based on the assumed use or settlement of temporary differences using the tax rates effective or substantially enacted as of the balance sheet date.
Tax liabilities and assets arising from deferred tax are offset if there is an enforceable right for offsetting of due tax assets and liabilities and if they relate to the income tax imposed on the same taxable entity by the same tax authority or on different taxable entities with the intention to settle the due tax assets and liabilities on a net basis.
A deferred tax liability is only recognised if it is probable that a future taxable profit will be available against which outstanding tax losses, tax reliefs and tax-deductible temporary differences may be applied. Deferred tax liabilities are decreased to the extent to which it is probable that the relating tax relief will be applied.

t) Dividends

Dividends are recognised in equity as distribution of profit to shareholders after the approval of the payment by the Company's shareholders.

u) Government grants

The Group recognises government grants provided in order to compensate the costs incurred in other operating income on a systematic basis and in line with how related costs are incurred.
If there are doubts about compliance and if there is a risk that a grant will be subsequently returned, the Group recognises a liability in the amount of the funds received.

4. Fair value measurement

A number of accounting procedures and disclosures of the Group require determining a fair value of financial and non-financial assets and liabilities.
Fair values include various levels of fair value hierarchy based on the input used in valuation as follows:

- Level 1:
  quoted prices (unadjusted) on active markets of identical assets or liabilities.
- Level 2:
  inputs not including quoted prices of Level 1 that may be identified for an asset or liability on the market either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3:
  data on assets and liabilities not based on observable market data (market non-observable data).

If the inputs used to measure an asset or liability at fair value may be classified within various levels of fair value hierarchy, the fair value measurement as a whole is classified within the same level of fair value hierarchy as the lowest level input that is material with respect to the entire measurement. The Group reports transfers between the levels of fair value hierarchy always at the end of the reporting period in which the change occurred.

a) Investment property

Fair values of investment property are determined by an independent expert. The results are reviewed by the Group's management. The fair value is estimated based on the current prices on the active market of similar real estate in the same location and in the same condition or (if there is no comparable property) under the generally applied valuation methods which include the aggregated sum of estimated cash flows expected to be generated from the lease of the property. Income reflecting specific risks inherently related to net cash flows is then applied to the net annual cash flows. The resulting value is the estimated value of property.

b) Non-derivative financial assets

The fair value of financial assets at fair value through profit or loss, investments held to maturity and recoverable financial assets is based on their quoted market price as of the balance sheet date with no deduction of transaction costs. If no quoted market price is available, the management estimates the fair value of the given instrument using price models or techniques based on discounted cash flows.
If techniques based on discounted cash flows are applied, the estimated future cash flows are based on best estimates made by the management, and a market-based rate as of the balance sheet date for an instrument with similar conditions is used as the discount rate. If price models are used, inputs are based on market rates as of the balance sheet date.
The fair value of trade receivables and other receivables, except for construction work in progress but including receivables from services provided based on a concession, is estimated as the present value of future cash flows discounted using the interest rate as of the balance sheet date. The fair value of trade receivables, other receivables and investments held to maturity is only determined for the disclosure purposes.

c) Non-derivative financial liabilities

The fair value determined in order to be disclosed is based on the present value of future cash flows from principals and interest discounted by a market interest rate as of the balance sheet date. For leases, the market interest rate is determined as the rate stated by the lessor in the contractual documentation. If this rate is not available, the lessee's borrowing rate, which is determined for the Group for 2019 at 3.56% for lease contracts in CZK and 3.88% for lease contracts in EUR, applies.

d) Derivatives

Financial derivatives are measured at fair value classified under level 2, the measurement is based on market valuation.

5. Changes in the Group's structure

a) The Group's new acquisitions

I. Newly established subsidiaries (2019)

IN CZK THOUSAND	ACQUISITION TYPE	ESTABLISHMENT DATE	EFFECTIVE OWNERSHIP IN (%)
ATRAK a. s.	Established	3/6/2019	97.50%
BUSINESS SPV a. s.	Established	31/10/2019	100.00%
CSG a. s.	Established	8/2/2019	100.00%
CSG Land System CZ a. s.	Established	8/10/2019	100.00%
DAKO-CZ RE, a. s.	Established	4/12/2019	51.00%
Havlíčkova 648 a. s.	Established	31/10/2019	100.00%
MSM BUSINESS DEVELOPMENT s. r. o.	Established	16/3/2019	81.00%
Vagonka Louny a. s.	Established	30/10/2019	51.00%
VALUE SPV a. s.	Established	31/10/2019	100.00%

A detailed description of the CSG Group is disclosed in Note 35.

II. Newly established companies under joint control

IN CZK THOUSAND	ACQUISITION TYPE	ESTABLISHMENT DATE	EFFECTIVE OWNERSHIP IN (%)
AVIA Electric a. s.	Established	2/12/2019	50.00%

A detailed description of the CSG Group is disclosed in Note 35.

III. Acquired subsidiaries – IFRS 3 Business Combinations

1) Car Star Fleet s. r. o., Car Star Immo s. r. o., Car Star Praha s. r. o., Hyundai Centrum CB s. r. o., Hyundai Centrum Praha s. r. o., Whare factory s. r. o. (Car Star Group)

As of 22 February 2019, CSG INDUSTRY a. s. obtained control over Car Star Fleet s. r. o., Car Star Immo s. r. o., Car Star Praha s. r. o., Hyundai Centrum CB s. r. o., Hyundai Centrum Praha s. r. o. and Whare factory s. r. o. through the purchase of a 100% share. The companies are engaged in purchasing and selling cars and other business activities.
The fair value of identified assets and assumed liabilities of Car Star Group as of the acquisition date is disclosed in Note (c) below.

2) Skyport a. s. and Skyport Catering s. r. o.

On 19 September 2019, CSG a. s. purchased a 72.22% share in Skyport a. s. and Skyport Catering s. r. o. The entities are engaged in logistics and catering services. The share of 27.78% is held by CSG AUTOMOTIVE a. s., one of the non--consolidated companies of the Czechoslovak Group.
The fair value of identifiable assets and assumed liabilities of Skyport a. s. and Skyport Catering s. r. o. as of the acquisition date in disclosed in Note (c) below.

3) TRANSELCO CZ s. r. o.

As of 6 August 2019, DAKO-CZ, a. s. obtained control over TRANSELCO CZ s. r. o. through the purchase of a 100% share. The company is engaged in metalworking and consulting in technical fields.
The fair value of identifiable assets and assumed liabilities of TRANSELCO CZ s. r. o. as of the acquisition date is disclosed in Note (c) below.

4) SPV REAL ESTATE a. s.

On 7 August 2019, CZECHOSLOVAK GROUP a. s. purchased a 100% share in SPV REAL ESTATE a. s. The company is engaged in real estate.
The fair value of identifiable assets and assumed liabilities of SPV REAL ESTATE a. s. as of the acquisition date is disclosed in Note (c) below.

5) Slovak Aviation Factory s. r. o.

On 10 January 2019, MSM GROUP s. r. o. purchased a 100% share in Slovak Aviation Factory s. r. o. The company is engaged in services.
The fair value of identifiable assets and assumed liabilities of Slovak Aviation Factory s. r. o. as of the acquisition date is disclosed in Note c) below.

6) DPTU SUMBRO TRADE Dooel Samokov Makedonski Brod

On 21 October 2019, MSM GROUP s. r. o. purchased a 100% share in DPTU SUMBRO TRADE Dooel Samokov Makedonski Brod. The company is engaged in the defence industry (ammunition production).
The fair value of identifiable assets and assumed liabilities of DPTU SUMBRO TRADE Dooel Samokov Makedonski Brod as of the acquisition date is disclosed in Note c) below.

7) New Space Technologies s. r. o.

As of 19 August 2019, CSG AEROSPACE a. s. obtained control over New Space Technologies s. r. o. through the purchase of an additional 15% share (last year, this entity was included in consolidation under the equity method).
The fair value of identifiable assets and assumed liabilities of New Space Technologies s. r. o. as of the acquisition date is disclosed in Note c) below.

8) ZVS – Armory, s. r. o.

As of 1 January 2019, MSM GROUP s. r. o. obtined control over ZVS-Armory, s. r. o. through the purchase of an additional 41.31% share (last year, this entity was included in consolidation under the equity method).
The fair value of identifiable assets and assumed liabilities of ZVS-Armory, s. r. o. as of the acquisition date is disclosed in Note c) below.

IV. Newly established subsidiaries (2018)

IN CZK THOUSAND	ACQUISITION TYPE	ESTABLISHMENT DATE	EFFECTIVE OWNERSHIP IN (%)
CSG DEFENCE a. s.	Established	1/8/2018	100.00%
CSG RAIL a. s.	Established	1/8/2018	100.00%
DEFENCE SYSTEMS a. s.	Established	1/8/2018	100.00%
Engineering SPV a. s.	Established	6/3/2018	100.00%
EUROPEAN AIR SERVICES SLOVAKIA s. r. o.	Established	30/10/2018	87.30%
MERIT SPV a. s.	Established	22/3/2018	100.00%
MSM e-mobility division j. s. a.	Established	20/2/2018	48.60%
PERFORMANCE SPV a. s.	Established	6/3/2018	100.00%
Tovární 1112 a. s.	Established	1/1/2018	90.00%

A detailed description of the CSG Group is disclosed in Note 35.

V. Newly established companies under joint control

IN CZK THOUSAND	ACQUISITION TYPE	ESTABLISHMENT DATE	EFFECTIVE OWNERSHIP IN (%)
Milconn a. s.	Established	9/11/2018	50.00%

A detailed description of the CSG Group is dicslosed in Note 35.

VI. Acquired subsidiaries – IFRS 3 Business combinations

1) CS SOFT a. s.

As of 30 April 2018, TRADITION CS a. s. obtained control over CS SOFT a. s. through the purchase of an 80% share (last year, this entity was included in consolidation under the equity method). The company is engaged in the development of air operation systems.
The fair value of identified assets and assumed liabilities of CS SOFT a. s. as of the acquisition date is disclosed in Note (c) below.

2) EHC Service s. r. o.

On 1 January 2018, Slovak Training Academy, s. r. o. purchased a 100% share in EHC Service s. r. o. The entity is engaged in helicopter transport and air work.
The fair value of identifiable assets and assumed liabilities of EHC Service s. r. o. as of the acquisition date in disclosed in Note (c) below.

3) HELI COMPANY s. r. o.

As of 30 January 2018, Slovak Training Academy, s. r. o. obtained control over HELI COMPANY s. r. o. through the purchase of a 90% share. The company is engaged in air work and aviation school operation.
The fair value of identifiable assets and assumed liabilities of HELI COMPANY s. r. o. as of the acquisition date is disclosed in Note c) below.

4) VÍTKOVICKÁ DOPRAVA a. s.

On 31 March 2018, TATRA AVIATION a. s. purchased a 100% share in VÍTKOVICKÁ DOPRAVA a. s. The company is engaged in railway transport.

b) Impact of acquisitions – transactions under joint control

In the years ended 31 December 2019 and 2018, no acquisitions under joint control were made.

c) Impact of acquisitions – IFRS 3 Business combinations

I. 2019

The fair values of payments for the subsidiary and acquired identifiable assets and assumed liabilities of all companies of individual consolidation groups above are disclosed in the table below. The values do not exclude mutual relations within the group:

CZK THOUSAND	CAR STAR FLEET S. R. O.	CAR STAR IMMO S. R. O.	CAR STAR PRAHA S. R. O.	DPTU SUMBRO TRADE DOOEL SAMOKOV MAKEDONSKI BROD	HYUNDAI CENTRUM CB S. R. O.
Month of acquisition	February 2019	February 2019	February 2019	October 2019	February 2019
Assets					
Intangible assets	--	--	56	7,889	--
Property, plant and equipment	6,963	201,495	18,452	85,351	34,890
Trade and other long-term receivables	--	--	--	--	--
Deferred tax asset	206	--	275	962	566
Inventory	--	--	31,739	9,747	33,444
Trade and other short-term receivables	5,968	2,422	5,126	--	15,471
Loans and other short-term financial assets	--	--	--	--	--
Short-term prepayments and accruals	--	--	--	--	--
Tax assets	--	--	--	--	--
Cash and cash equivalents	618	6,969	4,730	318	8,924
Total acquired identifiable assets	**13,755**	**210,886**	**60,378**	**104,267**	**93,295**
Liabilities					
Long-term loans and borrowings	8,008	118,748	17,107	--	19,452
Trade and other long-term payables	--	--	--	--	--
Deferred tax liability	--	15,007	--	--	--
Short-term loans and borrowings	5	--	30,524	42	56,501
Trade and other short-term payables	5,937	14,054	11,442	186,933	16,365
Short-term provisions	--	--	1 090	--	3,687
Tax liabilities	--	--	--	--	--
Total identifiable assumed liabilities	**13,950**	**147,809**	**60,163**	**186,975**	**96,005**

CZK THOUSAND	CAR STAR FLEET S. R. O.	CAR STAR IMMO S. R. O.	CAR STAR PRAHA S. R. O.	DPTU SUMBRO TRADE DOOEL SAMOKOV MAKEDONSKI BROD	HYUNDAI CENTRUM CB S. R. O.
Acquired identifiable assets and assumed liabilities (D)	**-195**	**63,077**	**215**	**-82,708**	**-2,710**
Payment for the acquired company – effective (A)	80	1,120	800	--	6,880
Deferred payment – effective (G)	--	--	--	--	--
Investment value as of the control acquisition (I)	--	--	--	--	--
Paid (H)	80	1,120	800	--	6,880
Acquired non-controlling shares (E)	--	--	--	-15,715	--
Adjustment for purchase price share	--	--	--	--	--
Goodwill/ (bargain purchase) (F) = (G + A + I - (D - E))	**275**	**-61,957**	**585**	**66,993**	**9,590**
Less: Acquired cash (B)	618	6,969	4,730	318	8,924
Net cash income (+)/ expense (-) of the transactions (C) = (B - H)	**538**	**5,849**	**3,930**	**318**	**2,044**
Post-acquisition services (31/12/2019)	**6,482**	**11,000**	**164,548**	**64,168**	**367,439**
Post-acquisition profit (+) / loss (-) (31/12/2019)	**-541**	**-10,605**	**2,325**	**88,845**	**7,331**
Aggregate profit or loss					
Sales	7,778	13,200	197,458	385,005	440,927
Profit(+)/loss(-) from operating activities	-41	-623	5,221	569,765	11,552
Profit(+)/Loss(-) before tax	-425	-14,174	3,803	542 299	9,750
Income tax	-224	1,448	-1,013	-9,230	-953
Profit or loss for the period	**-649**	**-12,726**	**2,790**	**533,069**	**8,797**
Of which profit (+)/loss (-) attributable to shareholders[1]	-649	-12,726	2,790	431,786	8,797
Other comprehensive income	**--**	**--**	**--**	**--**	**--**
Total comprehensive income	**-649**	**-12,726**	**2,790**	**533,069**	**8,797**
Share of the Group in the total comprehensive income	**-649**	**-12,726**	**2,790**	**431,786**	**8,797**

CZK THOUSAND	HYUNDAI CENTRUM PRAHA S. R. O.	SKYPORT A. S.	SKYPORT CATERING S. R. O.	SLOVAK AVIATION FACTORY S. R. O.	TRANSELCO CZ S. R. O.
Month of acquisition	February 2019	September 2019	September 2019	January 2019	August 2019
Assets					
Intangible assets	391	273	--	--	--
Property, plant and equipment	66,652	665,777	176	--	6,618
Trade and other long-term receivables	2,599	--	--	--	--
Deferred tax asset	2,280	--	4	--	--
Inventory	68,408	--	364	--	12,298
Trade and other short-term receivables	37,234	31,058	2,638	--	5,493
Loans and other short-term financial assets	--	3,005	--	--	--
Short-term prepayments and accruals	--	627	9	--	--
Tax assets	--	--	--	--	--
Cash and cash equivalents	22,816	10,849	2,194	--	17,465
Total acquired identifiable assets	**200,380**	**711,589**	**5,385**	**--**	**41,874**
Liabilities					
Long-term loans and borrowings	23,387	236,895	--	--	--
Trade and other long-term payables	23,313	--	--	--	--
Deferred tax liability	--	34,195	--	--	--
Short-term loans and borrowings	67,855	189	8,127	--	--
Trade and other short-term payables	47,061	25,882	1,100	51	3,562
Short-term provisions	12,506	1,092	100	--	--
Tax liabilities	--	2,917	145	--	--
Total identifiable assumed liabilities	**174,122**	**301,170**	**9,472**	**51**	**3,562**
Acquired identifiable assets and assumed liabilities (D)	**26,258**	**410,419**	**-4,087**	**-51**	**38,312**
Payment for the acquired company – effective (A)	12,000	130,000	--	127	48,000
Deferred payment - effective (G)	--	--	--	--	--
Investment value as of the control acquisition (I)	--	--	--	--	--
Paid (H)	12,000	130,000	--	127	48,000
Acquired non-controlling shares (E)	--	114,014	-1,135	-10	18,773
Adjustment for purchase price share	--	--	--	--	--
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	**-14,258**	**-166,405**	**2,952**	**168**	**28,461**
Less: Acquired cash (B)	22,816	10,849	2,194	--	17,465

CZK THOUSAND	HYUNDAI CENTRUM PRAHA S. R. O.	SKYPORT A. S.	SKYPORT CATERING S. R. O.	SLOVAK AVIATION FACTORY S. R. O.	TRANSELCO CZ S. R. O.
Net cash income (+)/ expense (-) of the transactions (C) = (B – H)	**10,816**	**-119,151**	**2,194**	**-127**	**-30,535**
Post-acquisition services (31/12/2019)	**778,151**	**68,430**	**10,603**	**--**	**25,366**
Post-acquisition profit (+) / loss (-) (31/12/2019)	**16,827**	**11,230**	**684**	**-103**	**6,907**
Aggregate profit or loss					
Sales	933,781	273,720	42,412	--	60,878
Profit (+)/loss (-) from operating activities	25,691	44,664	512	-168	20,561
Profit (+)/loss (-) before tax	23,642	43,340	-260	-168	20,678
Income tax	-3,450	1,580	2,996	56	-4,102
Profit or loss for the period	**20,192**	**44,920**	**2,736**	**-112**	**16,576**
Of which profit (+)/loss (-) attributable to shareholders[1]	20,192	44,920	2,736	-91	8,454
Other comprehensive income	**--**	**--**	**--**	**--**	**--**
Total comprehensive income	**20,192**	**44,920**	**2,736**	**-112**	**16,576**
Share of the Group in the total comprehensive income	**20,192**	**44 ,920**	**2,736**	**-91**	**8,454**

CZK THOUSAND	WHARE FACTORY S. R. O.	SPV REAL ESTATE A. S.	NEW SPACE TECHNOLOGIES S. R. O.*	ZVS-ARMORY, S. R. O.**	TOTAL
Month of acquisition	February 2019	August 2019	August 2019	January 2019	
Assets					
Intangible assets	--	--	5,375	256	14,240
Property, plant and equipment	15,048	7,834	29,039	91,987	1,230,282
Trade and other long-term receivables	--	--	--	--	2,599
Deferred tax asset	--	--	27	--	4,320
Inventory	--	--	--	15,821	171,821
Trade and other short-term receivables	--	2	2,796	456	108,664
Loans and other short-term financial assets	--	--	3,146	--	6,151
Short-term prepayments and accruals	--	--	11,805	617	13,058
Tax assets	--	2	819	437	1,258
Cash and cash equivalents	651	599	5,181	103	81,417
Total acquired identifiable assets	**15,699**	**8,437**	**58,188**	**109,677**	**1,633,810**

CZK THOUSAND	WHARE FACTORY S. R. O.	SPV REAL ESTATE A. S.	NEW SPACE TECHNOLOGIES S. R. O.*	ZVS-ARMORY, S. R. O.**	TOTAL
Liabilities					
Long-term loans and borrowings	6,943	7,893	--	34,549	472,982
Trade and other long-term payables	--	--	--		23,313
Deferred tax liability	1,294	--	--	2,170	52,666
Short-term loans and borrowings	--	--	19,559	38,275	221,077
Trade and other short-term payables	777	50	17,520	11,579	342,313
Short-term provisions	--	--	--	1,286	19,761
Tax liabilities	--	--	248	1,363	4,673
Total identifiable assumed liabilities	**9,014**	**7,943**	**37,327**	**89,222**	**1,136,785**
Acquired identifiable assets and assumed liabilities (D)	**6,685**	**494**	**20,861**	**20,455**	**497,025**
Payment for the acquired company – effective (A)	3,120	2,000	20	--	204,147
Deferred payment - effective (G)	--	--	--	--	--
Investment value as of the control acquisition (I)	--		26,408	16,102	42,510
Paid (H)	3,120	2,000	20	0	204,147
Acquired non-controlling shares (E)	--	--	8,345	3,887	128,159
Adjustment for purchase price share	--	--	--	--	--
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	**-3,565**	**1,506**	**13,912**	**-466**	**-122,209**
Less: Acquired cash (B)	651	599	5 181	103	81,417
Net cash income (+)/ expense (-) of the transactions (C) = (B – H)	**-2,469**	**-1,401**	**5,161**	**103**	**-122,730**
Post-acquisition services (31/12/2019)	**1,600**	**35**	**45,812**	**84,564**	**1,628,198**
Post-acquisition profit (+) / loss (-) (31/12/2019)	**-2,428**	**-177**	**10,819**	**4,903**	**136,017**
Aggregate profit or loss					
Sales	1,920	84	137,436	84,564	2,579,163
Profit (+)/loss (-) from operating activities	-2,800	-185	39,645	9,447	723,241
Profit (+)/loss (-) before tax	-3,083	-425	32,379	6,521	663,877
Income tax	169	--	78	-1,617	-14,262
Profit or loss for the period	**-2,914**	**-425**	**32,457**	**4,904**	**649,615**
Of which profit (+)/loss (-) attributable to shareholders[1]	-2,914	-425	19,474	3,972	526,316
Other comprehensive income	**--**	**--**	**--**	**--**	**--**
Total comprehensive income	**-2,914**	**-425**	**32,457**	**4,904**	**649,615**
Share of the Group in the total comprehensive income	**-2,914**	**-425**	**19,474**	**3,972**	**526,316**

II. 2018

The fair values of payments for the subsidiary and acquired identifiable assets and assumed liabilities as of the date of combination of all companies and individual consolidation groups described above are disclosed in the table below. The values do not exclude mutual relations within the group:

CZK THOUSAND	CS SOFT A. S.	EHC SERVICE S. R. O.	HELI COMPANY S. R. O.	VÍTKOVICKÁ DOPRAVA, A. S.	TOTAL
Month of acquisition	April 2018	January 2018	January 2018	March 2018	
Assets					
Intangible assets	209,870	29	--	2,452	212,351
Property, plant and equipment	5,154	2,390	114	212,912	220,570
Trade and other long-term receivables	--	--	--	2	2
Deferred tax asset	--	--	--	3,594	3,594
Inventory	7,964	2,153	76	13,108	23,301
Trade and other short-term receivables	32,787	8,600	673	69,311	111,371
Loans and other short-term financial assets	--	--	--	449	449
Short-term prepayments and accruals	4,172	243	480	2,119	7,014
Tax assets	4,978	--	--	6,861	11,839
Cash and cash equivalents	4,636	6,072	5,732	2,488	18,928
Total acquired identifiable assets	**269,561**	**19,487**	**7,075**	**313,296**	**609,418**
Liabilities					
Long-term loans and borrowings	4,877	--	--	8,049	12,926
Trade and other long-term payables	--	94	--	1,944	2,038
Deferred tax liability	32,664	--	--	--	32,664
Short-term loans and borrowings	0	131	--	2,000	2,131
Trade and other short-term payables	10,590	19,578	5,216	72,602	107,986
Short-term provisions	--	--	--	1,935	1,935
Tax liabilities	8,216	901	868	2,342	12,327
Total identifiable assumed liabilities	**56,347**	**20,704**	**6,084**	**88,872**	**172,007**
Acquired identifiable assets and assumed liabilities (D)	**213,214**	**-1,217**	**990**	**224,424**	**437,411**
Payment for the acquired company – effective (A)	--	171	9,004	220,200	229,375
Deferred payment - effective (G)	--	--	--	--	--
Investment value as of the control acquisition (I)	250,054	--	--	--	250,054
Paid (H)	174,000	171	9,004	220,200	403,375
Acquired non-controlling shares (E)	42,643	-164	219		42,698
Adjustment for purchase price share	--	--	-1,991	--	-1,991
Goodwill/ (bargain purchase) (F) = (G + A + I – (D – E))	**79,483**	**1,224**	**6,242**	**-4,224**	**82,725**
Less: Acquired cash (B)	4,636	6,072	5,732	2,488	18,928

CZK THOUSAND	CS SOFT A. S.	EHC SERVICE S. R. O.	HELI COMPANY S. R. O.	VÍTKOVICKÁ DOPRAVA, A. S.	TOTAL
Net cash income (+)/ expense (-) of the transactions (C) = (B - H)	**-169,364**	**5,901**	**-3,272**	**-217,712**	**-384,447**
Post-acquisition services (31/12/2018)	**115,339**	**30,232**	**34,386**	**260,850**	**440,807**
Post-acquisition profit (+) / loss (-) (31/12/2018)	**24,196**	**-3,436**	**77**	**-1,806**	**19,031**

CZK THOUSAND	CS SOFT A. S.	EHC SERVICE S. R. O.	HELI COMPANY S. R. O.	VÍTKOVICKÁ DOPRAVA, A. S.
Aggregate profit or loss				
Sales	173,009	30,232	34,386	347,800
Profit(+)/loss(-) from operating activities	43,046	-3,769	564	-10,255
Profit(+)/Loss(-) before tax	42,489	-3,769	513	-10,865
Income tax	-6,195	333	-436	8,457
Profit or loss for the period	**36,294**	**-3,436**	**77**	**-2,408**
Of which profit (+)/loss (-) attributable to shareholders[1]	29,035	-2,974	60	-2,408
Other comprehensive income	--	--	--	--
Total comprehensive income	**36,294**	**-3,436**	**77**	**-2,408**
Share of the Group in the total comprehensive income	**29,035**	**-2,974**	**60**	**-2,408**

[1] Based on effective controlling share

a) Open acquisition accounting as of 31 December 2019

No acquisition accounting was open as of 31 December 2019.

b) Closing of acquisition accounting as of 31 December 2019

As of 31 December 2018, no acquisition accounting was opened. Therefore, no acquisition accounting from the previous period was closed during 2019.

III. Substantiation of purchases

There are several strategic reasons for the purchases, including the following:

- Areas of operation of subsidiaries complete the CSG Group's portfolio;
- Potential for a synergic effect;
- Subsidiaries have technical excellence and production capacities supporting the Group's operational growth.

One of the Group's strategic goals is further expansion of activities in the relevant sectors in the countries where the Group operates. The Group's current goal is to strengthen its position and become a significant market participant.

IV. Substantiation of a bargain purchase gain

In 2019, a bargain purchase gain was generated from the acquisition of entities within the Car Star Group (Car Star Immo s. r. o., Hyundai Centrum Praha s. r. o., Whare factory s. r. o.) and Skyport a. s. (refer to Note 5 c) i) above). One of the reasons for a bargain purchase is, for example, pressure on the completion of sale in a narrow time horizon.

A bargain purchase is reported in other operating income, refer to Note 10.

V. Substantiation of the existence of goodwill

With respect to the acquisition of DPTU SUMBRO TRADE Dooel Samokov Makedonski Brod, the Czechoslovak Group reported a goodwill in the amount of CZK 66,993 thousand, TRANSELCO CZ s. r. o. in the amount of CZK 28,461 thousand, New Space Technologies s. r. o. in the amount of CZK 13,912 thousand and Hyundai Centrum CB s. r. o. in the amount of CZK 9,590 thousand. One of the primary reasons for the establishment of the goodwill is the significant market position and competitive advantages are other components of the reported goodwill.

d) Sales within the Group

I. 2019

Given the significance of the sales performed this year, fair values of payments for companies sold and the identifiable assets and liabilities sold as of the date of the sale are provided below. The values do not exclude mutual relations within the group:

CZK THOUSAND	CSG CENTRAL ASIA A. S. (FORMER ARMY EXPORT A. S.)	CSG FACILITY A. S.	FUTURE CS A. S.	HAVLÍČKOVA 648 A. S.
Month of sale	July 2019	December 2019	December 2019	November 2019
Assets				
Intangible assets	--	--	--	--
Property, plant and equipment	--	75,031	478	26,822
Investment property	--	--	71,093	--
Cash and cash equivalents	17	615	96	1,973
Trade and other long-term receivables	--	--	--	--
Deferred tax liability	--	--	--	--
Inventory	--	827	--	--
Trade and other short-term receivables	--	19,952	1	--
Loans and other short-term financial assets	1,935	--	1,555	--
Prepayments and accruals	--	19,166	--	--
Tax assets	--	6,549	67	--
Total assets sold	**1,952**	**122,140**	**73,290**	**28,795**
Liabilities				
Short-term provisions	--	--	1,587	--
Long-term provisions	--	--	6,013	--
Deferred tax liability	--	214	543	--
Short-term loans and borrowings	--	35,061	59,200	--
Long-term loans and borrowings	--	--	--	--
Trade and other short-term payables	85	21,455	--	176
Trade and other long-term payables	--	--	4,718	--
Other short-term financial liabilities	--	24,020	--	--
Other long-term financial liabilities	--	34,750	--	--
Tax liabilities	--	650	--	--
Total liabilities sold	**85**	**116,150**	**72,061**	**176**
Assets and liabilities sold (B)	**1,867**	**5,990**	**1,229**	**28,619**
Non-controlling share (D)	--	--	--	--
Selling price (A)	2,000	85,000	90,000	70,000

CZK THOUSAND	CSG CENTRAL ASIA A. S. (FORMER ARMY EXPORT A. S.)	CSG FACILITY A. S.	FUTURE CS A. S.	HAVLÍČKOVA 648 A. S.
Proceeds from the sale of subsidiaries = (A - B - C)	**133**	**79,010**	**88,771**	**41,381**
Cash sold	17	615	96	1,973
Net cash flow from the transaction	**1,983**	**84,385**	**89,904**	**68,027**

CZK THOUSAND	LIKVIDACE ODPADU CZ A. S.	LOGRIS A. S.	TOVÁRNÍ 1112 A. S.	ZTS METALURG, A. S.	ZTS METALURG ŠPECIÁL, S. R. O.	FALCON CSG A. S.	TOTAL
Month of sale	October 2019	February 2019	May 2019	December 2019	December 2019	August 2019	
Assets							
Intangible assets	--	--	24,453	51	--	--	24,504
Property, plant and equipment	13,344	--	7,258	226,252	--	--	349,185
Investment property	--	--	--	--	--	--	71 093
Cash and cash equivalents	5,618	1,438	5,358	1,906	1,372	63	18,456
Trade and other long-term receivables	--	--	--	--	--	--	--
Deferred tax liability	257	--	--	--	--	--	257
Inventory	197	--	--	864	--	--	1,888
Trade and other short-term receivables	24,380	1	1,235	23,174	153	--	68,896
Loans and other short-term financial assets	8,704	--	--	407	--	2,000	14,601
Prepayments and accruals	2,558	--	12	--	--	--	21,736
Tax assets	--	--	--	279	--	--	6,895
Total assets sold	**55,058**	**1,439**	**38,316**	**252,933**	**1,525**	**2,063**	**577,511**
Liabilities							
Short-term provisions	--	--	--	9,961	--	--	11,548
Long-term provisions	--	--	--	--	--	--	6,013
Deferred tax liability	--	--	4,790	--	--	--	5,547
Short-term loans and borrowings	3,200	--	--	73,029	508	611	171,609
Long-term loans and borrowings	--	--	--	--	--	--	--
Trade and other short-term payables	23,236	9	295	81,059	--	52	126,367
Trade and other long-term payables	--	--	--	102	--	--	4,820
Other short-term financial liabilities	--	--	--	-661	--	--	23,359
Other long-term financial liabilities	--	--	--	--	--	--	34,750
Tax liabilities	3,782	--	213	305	229		5,179
Total liabilities sold	**30,218**	**9**	**5,298**	**163,795**	**737**	**663**	**389,192**
Assets and liabilities sold (B)	**24,840**	**1,430**	**33,018**	**89,138**	**788**	**1,400**	**188,319**
Non-controlling share (D)	--	--	3,276	--	--		3,276
Selling price (A)	127,000	2,000	32,380	400,000	127	1,400	809,907
Proceeds from the sale of subsidiaries = (A - B - C)	**102,160**	**570**	**-3,914**	**310,862**	**-661**	**--**	**618,312**
Cash sold	5,618	1,438	5,358	1,906	1,372	63	18,456
Net cash flow from the transaction	**121,382**	**562**	**27,022**	**398,094**	**-1,245**	**1,337**	**791,451**

During 2019, a decrease in the purchase price for the sale of Industrial Trade Services a. s. in the amount of CZK 65,000 thousand, which occurred in 2018, was accounted for. This amount reduced the 2019 revenue.

II. 2018

As of 12 December 2018, CZECHOSLOVAK GROUP a. s. sold a 100% share in Industrial Trade Services a. s.
As of 21 February 2018, MSM GROUP s. r. o. sold a 81% share, which it held in ZVS Defence Industrial s. r. o.
Given the significance of the sales performed this year, fair values of payments for a subsidiary and the identifiable assets and liabilities sold as of the date of the sale are provided below.

The values do not exclude mutual relations within the group:

CZK THOUSAND	ZVS DEFENCE INDUSTRIAL, S. R. O.	INDUSTRIAL TRADE SERVICES A. S.	TOTAL
Month of sale	February 2018	December 2018	
Assets			
Property, plant and equipment	--	1,883	1,883
Investment property	--	409,720	409,720
Trade and other long-term receivables	--	-5	-5
Deferred tax liability	567	223	790
Inventory	207,266	--	207,266
Trade and other short-term receivables	8,695	654	9,349
Loans and other short-term financial assets	--	1,645	1,645
Tax assets	8,695	452	9,147
Total assets sold	**225,300**	**414,959**	**640,259**
Liabilities			
Deferred tax liability	--	10,017	10,017
Short-term loans and borrowings	--	147,558	147,558
Trade and other short-term payables	203,742	130,421	334,163
Tax liabilities	1,415	254	1,669
Total liabilities sold	**205,157**	**288,250**	**493,407**
Assets and liabilities sold (B)	**20,143**	**126,709**	**146,852**
Non-controlling share (D)	-3,028	--	-3,028
Selling price (A)	4,057	408,407	412,464
Assets and liabilities sold (B)	**20,143**	**126,709**	**146,852**
Proceeds from the sale of subsidiaries = (A - B - C - D)	**-13,058**	**281,698**	**268,640**
Cash sold	77	387	464
Net cash flow from the transaction	**3,980**	**408,020**	**412,000**

e) Other changes in the Group

As of 18 December 2019, the CSG Group obtained control over PPS VEHICLES, s. r. o. Given the immateriality of the amount of net assets of this entity, it is reported as a financial investment as of 31 December 2019.
As of 20 September 2019, the CSG Group obtained control over Skyport s. r. o. Given the insignificance of the amount of net assets of this entity, it is reported as a financial investment as of 31 December 2019.

6. Sales

The following table includes information on revenue from contracts with customers (in connection with continued activities) analysed by geographic location, the key products and services and the period of reporting the revenue for 2019 pursuant to the requirements of IFRS 15:

FOR THE YEAR ENDED 31 DECEMBER 2019 (CZK THOUSAND)	DEFENCE INDUSTRY	MECHANICAL ENGINEERING	SERVICES FOR AIRCRAFT INDUSTRY	OTHER CONTINUED ACTIVITIES	TOTAL CONTINUED ACTIVITIES
Sales by geographic location					
Czech Republic	1,307,668	547,422	754,920	1,935,458	**4,545,468**
Slovakia	516,894	262,883	85,071	335,447	**1,200,295**
European Union	578,260	382,225	290,209	55,377	**1,306,071**
Other	2,163,063	310,364	2,053,087	260,778	**4,787,292**
Sales of the key products and services					
Production and repair of military machinery	2,121,704	--	--	--	**2,121,704**
Servicing and repair of military machinery	600,643	--	--	--	**600,643**
Production of trucks	--	34,420	--	--	**34,420**
Servicing of vehicles and their accessories	--	15,411	--	--	**15,411**
Production of brake systems	--	753,806	--	--	**753,806**
Servicing and repair of brake systems	--	405 963	--	--	**405,963**
Energy supply	--	--	--	31,756	**31,756**
Other engineering production	--	214,433	45,817	--	**260,250**
Airplane/helicopter manufacturing and repair	--	--	1,207,156	--	**1,207,156**
Aircraft industry services	--	--	769,362	--	**769,362**
Production of radar equipment	--	--	831,074	--	**831,074**
Transportation services/logistics	37,791	--	204,488	--	**242,279**
Sale of goods	1,748,644	59,653	98,783	2,074,943	**3,982,023**
Other	57,103	19,208	26,607	480,361	**583,279**
Sales by revenue reporting period					
Products and services transferred as of a certain date	2,723,167	1,412,399	1,075,676	2,354,517	**7,565,759**
Products and services transferred during a period	1,827,751	83,332	1,502,897	220,114	**3,634,094**
Total revenue from contracts with customers	**4,550,918**	**1,495,731**	**2,578,573**	**2,574,631**	**11,199,853**
Income from property lease	14,967	--	205	5,936	**21,108**
Other income	--	7,163	604,509	6,493	**618,165**
Total sales	**4,565,885**	**1,502,894**	**3,183,287**	**2,587,060**	**11,839,126**

FOR THE YEAR ENDED 31 DECEMBER 2018 (CZK THOUSAND)	DEFENCE INDUSTRY	MECHANICAL ENGINEERING	SERVICES FOR AIRCRAFT INDUSTRY	LOGISTICS	OTHER CONTINUED ACTIVITIES	TOTAL CONTINUED ACTIVITIES
Sales by geographic location						
Czech Republic	1,149,167	490,473	391,120	4,961	653,841	**2,689,562**
Slovakia	561,103	309,266	37	31,047	103,807	**1,005,260**
European Union	1,520,736	292,837	1,861,180	--	87,577	**3,762,330**
Other	3,045,499	236,779	677,271	--	39,347	**3,998,896**
Sales of the key products and services						
Production and repair of military machinery	2,158,053	--	--	--	--	**2,158,053**
Servicing and repair of military machinery	1,636,269	--	--	--	--	**1,636,269**
Production of trucks	--	56,439	--	--	--	**56,439**
Servicing of vehicles and their accessories	--	11,083	--	--	--	**11,083**
Production of brake systems	--	922,361	--	--	--	**922,361**
Other engineering production	--	214,597	--	--	--	**214,597**
Airplane/helicopter manufacturing and repair	--	--	1,869,261	--	--	**1,869,261**
Specialised airplane/helicopter accessories	--	--	4,042	--	--	**4,042**
Aircraft industry services	--	--	446,155	--	--	**446,155**
Production of radar equipment	194,095	--	605,005	--	--	**799,100**
Transportation services/logistics	9,356	--	--	31,047	251,102	**291,505**
Sale of goods	2,272,472	17,491	--	--	409,169	**2,699,132**
Other	6,260	107,384	5,145	4,961	224,301	**348,051**
Sales by revenue reporting period						
Products and services transferred as of a certain date	2,664,702	1,172,236	682,420	36,008	734,110	**5,289,475**
Products and services transferred during a period	3,579,450	56,663	2,247,188	--	93,693	**5,976,995**
Total revenue from contracts with customers	**6,244,152**	**1,228,899**	**2,929,608**	**36,008**	**827,803**	**11,266,470**
Income from property lease	973	--	--	--	23,340	**24,313**
Other income	31,380	100,456	--	--	33,429	**165,265**
Total sales	**6,276,505**	**1,329,355**	**2,929,608**	**36,008**	**884,572**	**11,456,048**

The Group assumes that in the following years it will recognise revenues from already concluded contracts with customers in the amount of approximately CZK 9,150,000 thousand relating to performance obligations that are outstanding as of 31 December 2019. The performance will be implemented according to the current assumptions, in particular in the next three years, in 2020 in the amount of approximately CZK 5,411,000 thousand, in 2021–2022 in the amount of CZK 2,382,000 thousand and in the following years in the amount of CZK 1,357,000 thousand. The stated revenues include revenues from separate contracts for different supplies with individual customers, mainly in the defence industry segment.

a) Contractual balances

The following tables provide information on receivables, contractual assets and contractual liabilities from contracts with customers in compliance with IFRS 15:

IN THOUSANDS OF CZK ("CZK '000")	31 DECEMBER 2019	1 JANUARY 2019
Contractual assets	1,666,894	1,394,402
Trade receivables and other receivables	4,999,445	3,118,364
Prepayments made and accruals	1,532,302	1,185,386
Trade and other payables	3,558,935	3, 223,242
Contractual liabilities	3,222,631	1,439,158

Contractual assets represent the Group's right for a payment for completed and unbilled work under contracts with customers at the selling price less prepayments. A contractual asset becomes a receivable in the moment of acquisition of an unconditional right for payment which is established by invoicing.
A contractual liability relates to prepayments received and continuous invoicing relating to performance under contracts with customers the income from which is reported continuously. Contractual liabilities are reported as sales at the moment of contractual obligation performance.

IN CZK THOUSAND	31 DECEMBER 2018 AFTER RECLASSIFICATION	AFTER RECLASSIFICATION	31 DECEMBER 2018 ORIGINALLY PRESENTED
Trade and other short-term receivables	3,103,828	-1,330,824	4,434,652
Contractual assets (short-term)	1,394,402	1,330,824	63,578
Total current assets	**4,498,230**	**--**	**4,498,230**

In 2019, as part of the specification of estimates and judgments concerning the classification of receivables from contracts with customers, the amount of CZK 1,330,824 thousand was reclassified from "Trade and other receivables" to "Contractual assets" in the financial statements.

The table below shows significant changes in contractual balances in the period ended 31 December 2019.

CHANGES IN CONTRACTUAL ASSETS IN THOUSANDS OF CZK ("CZK '000")	2019	2018
Contractual asset as of 1 January	**1,394,402**	**61,580**
Invoicing of contractual assets reported as of 1 January	-1,330,824	-61,580
Increase in contractual assets based on an ongoing revenue recognition	1,603,085	1,394,331
Change in the amount of contractual assets due to impairment	-813	-680
Other changes (such as exchange rate impact)	1,044	751
Contractual asset as of 31 December	**1,666,894**	**1,394,402**

CHANGES IN CONTRACTUAL LIABILITIES IN THOUSANDS OF CZK ("CZK '000")	2019	2018
Contractual liabilities as of 1 January	**1,439,158**	**1,875,549**
Revenue arising from contractual liabilities recognised as of 1 January	-1,237,823	-1,875,549
Partial invoicing and prepayments received for which no revenue was recognised	2,982,487	1,412,701
Other changes (such as exchange rate impact)	38,809	26,457
Contractual asset as of 31 December	**3,222,631**	**1,439,158**

The total amount of CZK 1,237,823 thousand (2018: CZK 1,875,549 thousand) reported as a contractual liability as of 1 January 2019 was reported as part of revenue for the year ended 31 December 2019.

b) Performance obligations and revenue reporting policies

Revenue is reported depending on the amount and method of payment specified in a contract with a customer. The Group reports revenue as soon as control over goods or services is transferred to a customer. The Group measures revenue at the amount of expected consideration to be received from a customer in line with the terms agreed in a contract; the Group decreases the revenue by amounts collected (by proxy) for the benefit of third parties.

The table below provides additional information on the nature, method and time usual for the performance of performance obligations arising from contracts with customers, including significant payment terms and income recognition under IFRS 15.

TYPE OF INCOME	PERFORMANCE NATURE AND TIME OF PERFORMANCE OBLIGATIONS	INCOME REPORTING UNDER IFRS 15 (SINCE 1 JANUARY 2019)
Long-term production and service agreements Sales from construction contracts	The Group generates a significant portion of revenues by the sale of products and services that are subject to long-term contracts, namely in security services, mechanical engineering and aircraft industry services (maintenance and repair of airplanes and airplane equipment, production of radar equipment, etc.). Most engagements in this segment relate to specific production or services according to the requirements of customers who have control over the relevant asset or service or gradually consume benefits resulting from performance as the Group delivers the performance. At the same time, the engagements usually grant the Group the right to receive payments for work completed including an appropriate margin if a customer unilaterally terminates a contract. With respect to the above facts, the Group reports income over the period in line with IFRS 15. These projects are mostly financed by long-term or short-term prepayments that are gradually redeemed. A contractual asset or a contractual liability are reported depending on the amount of prepayments, in most cases 5-30% of the total amount of the contract and invoicing. Most contracts usually include multiple performance obligations, such as delivery of products, training, installation, etc. In accordance with IFRS 15, these contractual liabilities are assessed based on the separability or degree of integration, where in case of a high degree of integration, they are considered performances of one main contractual liability. Furthermore, in the case of the supply of a series of identical products, these performances are regarded as a single contractual liability in line with IFRS 15. The usual payment terms combine the use of prepayments made, guarantees and invoicing according to certain milestones, which take into account the degree of completion of the production, the state of delivery to the destination, assembly and final tests. Project implementation in connected to a standard work quality guarantee, i.e. it is not reported as a separate contractual obligation.	Sales are reported over time with respect to the progress of contractual activities as of the date of the financial statements using the percentage of completion method. The percentage of completion is predominantly determined using the method of inputs, specifically the proportion of the costs incurred under the contract and the total estimated costs. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation. If a contract grants a customer a financing benefit, the benefits should be separated from the benefits resulting from the provision of products, goods and services if the financial component is significant and a financial component should be recognised. If the financial component is significant the interest income/interest expense should be separated from sales of assets and should be reported separately in the Statement of Comprehensive Income.
Sale of products Sales of own products	The Group generates the most significant portion of revenues through the sale of own products, which namely includes income from the defence industry (military vehicles, weapon systems and ammunition) and mechanical engineering (the foundry industry, production of trucks and brake systems). The Group recognises sales as of a certain date as the conditions to report income over time are not met under IFRS 15, i.e. a product becomes under a customer's control after delivered, customers consume the benefits after contractual obligations are met rather than as part of production and the Group has no right for compensation of contractual costs including an appropriate margin if a contract is terminated (for reasons other than the Group's failure).	Sales of products are reported in the moment when a customer assumes control over a product. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation.
Sales of goods	Sales of goods namely include income from the sale of armaments goods, radar equipment and accessories for airplanes and helicopters. The Group reports the sales at the point in time as the conditions to report income over time under IFRS 15 are not met, i.e. the goods become under a customer's control after delivered, a customer consumes benefits after a contractual obligation is met and the Group is not entitled to receive any compensation of contractual costs including an appropriate margin if a contract is terminated (for reasons other than the Group's failure). If the Group acts as an agent (intermediary) in the sale of goods or services, then it accounts for the revenue from these contracts only as a commission for mediation (on a net basis).	Sales of goods are reported when a customer assumes control over the goods. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation.
Sales of services	Sales of services namely include servicing and repairs of military machinery, airplanes and helicopters and services in the aircraft industry, which are provided for less than 30 days. The Group reports the sales at a point in time even if the conditions to report income over time under IFRS 15 are met.	Sales of services are reported when control over the benefit from the service provided is transferred to a customer. The Group has to assess and identify separable goods and services and report them as a separate contractual obligation representing a separate performance obligation.

Contracts with customers concluded by the Group may lead to the recognition of incremental costs incurred to obtain, or to perform, the contracts. In this situation, the Group will only recognise the item Costs to obtain or perform a contract if the costs are incremental and relate directly to the obtaining and performing of the contract with a customer. The Group uses the possibility of expedient, i.e. the costs are only capitalised in the statement of financial position if their allocation is expected over a period exceeding 12 months, i.e. it is a non-current asset. When an asset is recognised, its current and non-current portions are distinguished. The costs capitalised are subsequently allocated to expenses concurrently with the income the generation (or performance) of which they originally supported. The costs capitalised are allocated to profit or loss to the relevant cost positions, e.g. the costs to obtain a contract in the form of a brokerage fee are subsequently allocated to Services.
The price in the contracts with customers is mostly determined as a fixed cost for an object or a set of products, goods and services. In case of multiple separate performances within a single contract, the Group identifies separable goods and services to be delivered and subsequently allocates the expected transaction cost to the separate contractual obligations in line with the methodology specified in IFRS 15.

7. Consumed material and costs of goods sold

CZK THOUSAND	2019	2018
Consumed material	3,508,496	2,975,904
Movements in stock of products and work in progress	-99,443	-564,942
Costs of goods sold, products and construction contracts	1,827,690	2,559,615
Change in allowance for inventory	827	--
Total costs	**5,237,570**	**4,970,577**

8. Services

CZK THOUSAND	2019	2018
Administrative costs and other services	680,034	537,087
Costs of suppliers and other external costs	524,759	419,447
Services and supplies relating to production	919,314	865,286
Transport and travel expenses	237,679	215,924
Cost of energy	201,787	201,458
Rental	111,123	170,450
Repairs and maintenance	93,851	71,520
Total services	**2,768,547**	**2,481,172**

9. Staff costs

2019 (CZK THOUSAND)	TOTAL STAFF COSTS	KEY MANAGEMENT
Payroll costs	1,662,964	150,036
Social security and health insurance	559,974	52,303
Other staff costs	59,389	1,126
Total staff costs	**2,282,327**	**203,465**

2018 (CZK THOUSAND)	TOTAL STAFF COSTS	KEY MANAGEMENT
Payroll costs	1,454,845	145,060
Social security and health insurance	491,187	46,331
Other staff costs	46,120	1,143
Total staff costs	**1,992,152**	**192,534**

As of 31 December 2019, the Company had 3,772 regular employees (2018: 3,599 employees) and 380 (2018: 149) managers. The year-on-year growth in staff costs relates to the expansion of the Group to include new companies and the growth in the current companies' production.

10. Other operating income

CZK THOUSAND	2019	2018
Proceeds from the sale of tangible and intangible assets	113,435	115,983
Proceeds from the sale of material	12,806	--
Insurance claims	9,560	5,003
Capitalised production costs of own assets	249,070	49,846
Grants	--	111,013
Other operating income	113,296	140,451
Bargain purchase	243,701	4,224
Total other operating income	**741,868**	**426,520**

In 2019, a bargain purchase resulted from the acquisition of Car Star Immo s. r. o., Skyport a. s., Skyport Catering s. r. o., Whare factory s.r.o a, Hyundai Centrum Praha s.r.o and ZVS Armory, s. r. o. The profit from the bargain purchase is explained in Note 5 (c) i.
In compliance with decision of the Ministry of Industry and Trade of the Czech Republic no. 231/2006, JOB AIR Technic a. s. drew a grant in 2018 of CZK 111,013 thousand from the Framework Program for the Support of Technology Centres and Centres of Strategic Subsidy Services for business activities, training and employee requalification from the Framework programme to support technological centres and strategic services centres reported under Other operating income. In 2019, JOB AIR Technic a. s. no longer drew this subsidy.

11. Other operating expenses

CZK THOUSAND	2019	2018
Loss of sale of material	--	4,332
Change in provisions	32,263	-162,016
Taxes and fees	36,654	35,365
Insurance costs	38,856	24,880
Other	185,829	276,424
Loss from revaluation of non-financial assets	15,557	--
Charge (+) / release (-) of asset and inventory allowances	-30,440	113,370
Allowances for receivables, including depreciation Charge (+) / release (-) of allowances	65,058	127,715
Total other operating expenses	**343,777**	**420,070**

No research and development costs were reported in the statement of comprehensive income for the year ended 31 December 2019 (2018: CZK 0 thousand).
Other operating expenses predominantly include costs of fines and penalties and other operating charges.

12. Financial income and expenses

CZK THOUSAND	2019	2018
Interest income	73,231	27,081
Net foreign exchange gains	--	853
Other financial income	5,777	4,157
Financial income	**79,008**	**32,091**
Interest expenses	334,932	215,282
Net foreign exchange loss	34,574	--
Interest expense from lease liabilities	21,142	--
Other financial expenses*	55,360	49,469
Financial expenses	**446,008**	**264,751**
Income/expenses from financial instruments*	91,249	-96,945
Net financial income/expenses	**-275,751**	**-329,605**

*Income is positive, expenses are negative

Income/expenses from financial instruments predominantly include the impact of profit/loss arising from financial derivative instruments in the amount of CZK 83,056 thousand (2018: CZK 105,454 thousand).

13. Income tax

Income tax reported in profit or loss

CZK THOUSAND	2019	2018
Income tax payable	345,071	277,686
Deferred income tax	20,676	48,083
Total income tax	**365,747**	**325,769**

Deferred tax is calculated using the currently applicable tax rates that are assumed to be effective in the period when the asset will be recovered or the liability will be settled. Under Czech legislation, the corporate income tax rate is 19% for the fiscal year ended 31 December 2019 (2018: 19%). The corporate income tax rate for the fiscal year ended 31 December 2019 in Slovakia is 21% (2018: 21%).

Reconciliation of the effective tax rate

CZK THOUSAND	%	2019	%	2018
Profit before tax on continued operations		1,772,350		1,276,034
Tax calculated using the local corporate income tax rate of the Company *	18.00%	319,023	19.02,%	244,999
Change in the opening balance of deferred tax due to a change in the tax rate		244		86
Tax effect:				
Non-deductible expenses		301,005		45,219
Tax-exempt income		-307,797		-21,928
Loss for the current year with no deferred tax receivable identified		49,769		62,736
Tax bonuses		-4,193		-8 232
Declaration of the tax effect of non-allowable tax losses of prior periods		6,843		-6,891
Change in allowable tax-deductible temporary differences		0		--
Changes in estimates relating to prior periods		853		9,780
Income tax reported in the statement of comprehensive income	**20.64%**	**365,747**	**19.90%**	**325,769**

*The statutory tax rates are 19% and 21% for the Czech Republic and Slovakia, respectively. After the approval of the effective tax, the rate calculated as the average of tax rates of individual companies weighted by their profit before tax on continued operations was applied. Only the tax rates for the Czech Republic and Slovakia were used as the Group has the principal places of business in these countries.

14. Intangible assets and goodwill

CZK THOUSAND	GOODWILL	CONCESSIONS, LICENCES, RIGHTS AND SOFTWARE	INTANGIBLE ASSETS UNDER CONSTRUCTION	OTHER INTANGIBLE ASSETS	TOTAL
Net book value					
Balance at 1 January 2019	893,535	471,307	70,560	341,003	**1,776,405**
Acquisitions under joint control	--	--	--	--	**--**
Acquisitions through business combinations	121,489	8,866	5,375	-1	**135,729**
Additions	--	120,134	111,850	17,691	**249,675**
Amortisation for the period	--	-75,941	--	-15,204	**-91,145**
Allowance	--	1,255	-22,424	--	**-21,169**
Disposals	--	-10,600	-19,509	-599	**-30,708**
Divestment disposals	--	-51	0	-24,453	**-24,504**
Reclassification	--	18,209	-16,297	941	**2,853**
Impact of exchange rate changes	--	-1,815	-799	-337	**-2,951**
Balance at 31 December 2019	**1,015,024**	**531,364**	**128,756**	**319,041**	**1,994,185**

CZK THOUSAND	GOODWILL	CONCESSIONS, LICENCES, RIGHTS AND SOFTWARE	INTANGIBLE ASSETS UNDER CONSTRUCTION	OTHER INTANGIBLE ASSETS	TOTAL
Net book value					
Balance at 1 January 2018	806,586	267,614	30,209	235,322	**1 339,731**
Acquisitions under joint control	--	--	--	--	**--**
Acquisitions through business combinations	86,949	74,218	11,515	126,618	**299,300**
Additions	--	163,432	69,032	1,448	**233,912**
Amortisation for the period	--	-63,677	--	-16,229	**-79,906**
Allowance	--	-205	-2,565	--	**-2,770**
Disposals	--	-2,665	-9,611	-2,795	**-15,071**
Divestment disposals	--	--	--	--	**--**
Reclassification	--	31,690	-28,228	-3,462	**--**
Impact of exchange rate changes	--	900	208	101	**1,209**
Balance at 31 December 2018	**893,535**	**471,307**	**70,560**	**341,003**	**1 776,405**

Amortisation of intangible assets is recognised in the line Amortisation/depreciation of fixed assets in the consolidated statement of comprehensive income.
The Group records internally-developed intangible fixed assets from CS SOFT a. s.

Licences predominantly include a licence valid for 25 years for the exclusive production and distribution of PANDURs (infantry fighting vehicles) with the cost of CZK 112 million (2018: CZK 123 million).
Identified trademarks include ELDIS Pardubice in the total amount of CZK 163,380 thousand and ZVS Holding in the total amount of CZK 37,661 thousand and are included in other intangible assets. The Group does not expect to use the trademarks over a certain period of time and as such it applies an indefinite useful life to them. Trademarks with indefinite useful lives are tested for impairment annually, refer to below.
The most significant additions to concessions, rights and software in 2019 include namely licences for armoured vehicles and drawing documentation for projects in the total amount of CZK 90,798 thousand.
Additions to goodwill relate to the acquisition of new companies, namely DPTU SUMBRO TRADE Dooel Samokov Makedonski Brod (CZK 66,993 thousand), TRANSELCO CZ s. r. o. (CZK 28,461 thousand), New Space Technologies s. r. o. (CZK 13,912 thousand) and Hyundai Centrum CB s. r. o. (CZK 9,590 thousand). Goodwill is subject to annual impairment testing, refer to below.

Impairment testing
General information
The Group performs annual impairment testing of goodwill, trademarks and other intangible assets with indefinite useful lives. The Group management decided to apply the value-in-use method to impairment testing. As management is not aware of any comparable market transactions the calculation of the value in use for trademarks and goodwill is based on estimated projections of discounted cash flows in financial plans approved and prepared by the Group's management for the period to 2024/2025.
Significant assumptions used by management in the calculation include the predicted amount of sales, predicted profit or loss before interest, tax, depreciation and amortisation (EBITDA) and the royalty rate.

Impairment testing of goodwill and trademarks of individual companies
The recoverable amount for individual cash-generating units was estimated as mentioned above using the discounted cash flow method. As the recoverable amount exceeds the carrying amount of individual cash-generating units, no related impairment of goodwill, trademarks and other intangible assets was recognised.

The key assumptions used to calculate the value in use and sensitivity to changes of assumed input
The calculation of the value in use of individual cash-generating unit sis most sensitive to the following input considered:

- Budget sales and profit before interest and tax
- Discount rate
- Continuing value growth rate

The budget sales and profit before interest and tax:
Projections of sales and profit before interest and tax are updated on a regular basis and approved by senior management for a five-year period.

Discount rate before tax:
A discount rate is the measurement of the current market risk; in cash flow estimates it takes into consideration the time value of money and individual risks of underlying assets that were not included in estimates of future cash flows. The discount rate is based on specific circumstances of the Group and segments in which it operates. It is derived from its weighted average cost of capital (WACC). WACC considers both liabilities and equity. The value of equity represent the expected return on investments by the Group's investors while liabilities are derived from the Group's interest bearing loans. The calculation includes a specific industry risk using beta factors. Beta factors are updated annually based on publicly available market data. The discount rate before tax is calculated using the adjustment of the resulting discount rate after tax for future cash flows.

Continuing value growth rate:
The growth rate of continuing value is used for the extrapolation of cash flows after a planned period. The growth values are based on a published industry research.

Technologies relating to JOB AIR Technic a. s.
Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such, as of 31 December 2019, no trademark impairment was identified for JOB AIR Technic, a. s. The calculation was based on budgets for 2020-2024 using the following input:

IN %	2019
Discount rate before tax*	11.92%
Continuing value growth rate	2.00%

*The calculation included cost of equity and excluded WACC as it related to intangible assets.

Based on trademark impairment testing of JOB AIR Technic a. s. performed in 2019, three key inputs were identified that would have to change significantly so that the carrying amount exceeds the recoverable amount. The following table shows the value by which the input should change so that the estimated recoverable amount is equal to the carrying amount:

A change needed for the carrying amount being equal to the recoverable amount

IN %	31 DECEMBER 2019
Discount rate before tax	1.96% p.p.
Continuing value growth rate	-2.08% p.p.
Decrease in budget sales	-0.26% p.p.

Trademark relating to ELDIS Pardubice, s. r. o.
Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2019, no trademark impairment was identified for ELDIS Pardubice, s. r. o. The calculation was based on budgets for 2020–2025 using the following input:

IN %	2019
Discount rate before tax*	13.80%
Target sales growth rate	2.00%
Royalty rate	1.80%

*WACC used in the calculation was increased by 1% due to the higher risk of the intangible asset.

Based on trademark impairment testing of ELDIS Pardubice, s. r. o. performed in 2019, three key inputs were identified that would have to change significantly so that the carrying amount exceeds the recoverable amount. The following table shows the value by which the input should change so that the estimated recoverable amount is equal to the carrying amount:

A change needed for the carrying amount being equal to the recoverable amount

IN %	31 DECEMBER 2019
Discount rate before tax	1.86% p.p.
Target growth rate of budget sales	-1.99% p.p.
Decrease in budget sales	-2.98% p.p.

Goodwill relating to ELDIS Pardubice, s. r. o.
Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2019, no goodwill impairment was identified for ELDIS Pardubice, s. r. o. The calculation was based on budgets for 2020–2025 using the following input:

IN %	2019
Discount rate before tax	12.61%
Continuing value growth rate	2.00%

No sensitivity analysis is provided as the recoverable amount significantly exceeds the carrying amount.

Goodwill relating to CS SOFT a. s.
Based on a calculation, the estimated recoverable amount exceeds the carrying amount and as such as of 31 December 2019, no goodwill impairment was identified for CS SOFT a. s. The calculation was based on budgets for 2020–2024 using the following input:

IN %	2019
Discount rate before tax	11.90%
Continuing value growth rate	0.50%

Based on trademark impairment testing of CS SOFT a. s. performed in 2019, three key inputs were identified that would have to change significantly so that the carrying amount exceeds the recoverable amount. The following table shows the value by which the input should change so that the estimated recoverable amount is equal to the carrying amount:

A change needed for the carrying amount being equal to the recoverable amount

IN %	31 DECEMBER 2019
Discount rate before tax	0.36% p.p.
Return on newly invested capital	-6.78% p.p.
Decrease in budget operating profit before interest and taxes (EBIT)	-2.88% p.p.

15. Property, plant and equipment

CZK THOUSAND	PROPERTY AND PLANT	MACHINERY AND EQUIPMENT	BUILDING AND STRUCTURE EQUIPMENT	RIGHT-OF-USE ASSETS - PROPERTY AND PLANT	RIGHT-OF-USE ASSETS - MACHINERY AND EQUIPMENT	TANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Balance at 1 January 2019	**2,539,931**	**1,153,220**	**62,562**	**--**	**--**	**394,272**	**4,149,985**
Recognition of right-of-use assets during the first application of IFRS 16	--	--	--	350,550	48,921	--	399,471
Transferred from tangible fixed assets	--	-28,386	--	--	28,386	--	--
Adjusted balance at 1 January 2019	**2,539,931**	**1,124,834**	**62,562**	**350,550**	**77,307**	**394,272**	**4,549,456**
Acquisitions through business combinations	709,508	230,961	2,013	260,237	5,120	22,444	1,230,283
Additions	342,796	878,126	6,183	222,046	68,247	473,371	1,990,769
Depreciation for the period	-101,655	-270,890	-5,292	-55,288	-31,595	--	-464,720
Allowance	12,729	-60,033	922	--	--	-733	-47,115
Disposals	-32,088	-250,122	-7,519	--	-2,171	-29,543	-321,443
Divestment disposals	-151,540	-132,157	-3,151	-38,366	-21,647	-2,324	-349,185
Reclassification	244,769	36,022	247	--	--	-477,912	-196,874
Impacts of exchange rate changes	-6,730	-9,488	-122	-3,409	-1,100	-3,198	-24,047
Balance at 31 December 2019	**3,557,720**	**1,547,253**	**55,843**	**735,770**	**94,161**	**376,377**	**6,367,124**

CZK THOUSAND	PROPERTY AND PLANT	MACHINERY AND EQUIPMENT	BUILDING AND STRUCTURE EQUIPMENT	TANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Net book value					
Balance at 1 January 2018	**2,404,361**	**939,914**	**46,389**	**298,318**	**3 688,982**
Acquisitions under joint control	--	--	--	--	--
Acquisitions through business combinations	171,804	34,415	1,431	12,920	220,570
Additions	492,019	618,953	14,004	236,913	1,361,889
Depreciation for the period	-80,479	-236,472	-6,541	--	-323,492
Allowance	-13,636	-22,079	-2,898	-693	-39,306
Disposals	-218,231	-84,066	-5,127	-112,937	-420,361
Divestment disposals	--	-380	--	-1,503	-1,883
Reclassification	-221,026	-100,515	15,224	-40,262	-346,579
Impacts of exchange rate changes	5,119	3,450	80	1,516	10,165
Balance at 31 December 2018	**2,539,931**	**1,153,220**	**62,562**	**394,272**	**4,149,985**

The most significant additions to property, plant and equipment in 2019 include purchases of helicopters and related assets for pilot training in the amount of CZK 345,622 thousand of Slovak Training Academy, s. r. o., purchase of a new hangar and its equipment in the amount of CZK 233,005 thousand of JOB AIR Technic a. s., modernisation of buildings in the premises in Šternberk in the amount of CZK 65,000 thousand of EXCALIBUR ARMY spol. s r.o., and purchase of real estate in the amount of CZK 65,119 thousand of ELDIS Pardubice, s. r. o.
The most significant additions to tangible assets under construction including prepayments in 2019 comprise purchase of helicopters in the amount of CZK 298,514 thousand of Slovak Training Academy, s. r. o. During 2019, the Slovak Training Academy, s. r. o. prepayments made in the amount of CZK 185,069 thousand were re-charged from tangible fixed assets to prepayments.

Idle assets
As of 31 December 2019 and 31 December 2018, the Group recorded no idle assets.

Pledged assets
As of 31 December 2019, property, plant and equipment with the carrying amount of CZK 2,208,323 thousand (2018: CZK 2,062,453 thousand) were pledged as collateral for bank loans. The most significant pledged assets include assets of JOB AIR Technic a. s. in the amount of CZK 841,838 thousand, Slovak Training Academy, s. r. o. in the amount of CZK 510,741 thousand and EXCALIBUR ARMY spol. s r.o. in the amount of CZK 308,656 thousand.

16. Leases

Group as the lessee
Accounting requirements under IFRS 16
Right-of-use

CZK THOUSAND	RIGHT-OF-USE ASSETS - PROPERTY AND PLANT	RIGHT-OF-USE ASSETS - MACHINERY AND EQUIPMENT	TOTAL
Balance at 1 January 2019			
Recognition of right-of-use assets during the first application of IFRS 16	350,550	48,921	**399,471**
Transferred from tangible fixed assets	--	28,386	**28,386**
Adjusted balance at 1 January 2019	**350,550**	**77,307**	**427,857**
Acquisitions through business combinations	260,237	5,120	**265,357**
Additions	222,046	68,247	**290,293**
Depreciation for the period	-55,288	-31,595	**-86,883**
Allowance	--	--	**--**
Disposals	--	-2,171	**-2,171**
Divestment disposals	-38,366	-21,647	**-60,013**
Reclassification	--	--	**--**
Impacts of exchange rate changes	-3,409	-1,100	**-4,509**
Balance at 31 December 2019	**735,770**	**94,161**	**829,931**

The Group uses mainly administrative buildings, land, production halls and cars for leasing.
The average lease term of real estate is 18 years, the average lease term of cars and machines is 3 years. In relation to certain cars, the Group has the right to purchase leased assets at the end of the lease term.
The most significant additions to the right-of-use land and buildings due to acquisitions in 2019 primarily include land near Václav Havel Airport leased by Skyport a. s. in the amount of CZK 233,981 thousand, the premises in Louny leased by Vagonka Louny a. s. in the amount of CZK 118,931 thousand and a production hall in Prievidza leased by ZVS-Armory, s. r. o. in the amount of CZK 21,425 thousand.
The most significant additions to the right-of-use machinery and equipment due to acquisitions in 2019 mainly include production machines of Vagonka Louny a. s. in the amount of CZK 30,495 thousand.
Other additions to the right-of-use land and buildings include, in particular, newly leased premises of Afi Palác Karlín in the amount of CZK 32,753 thousand, which are mainly used by CSGM a. s., a hangar and offices at the airport in Košice leased by Slovak Training Academy, s. r. o. in the amount of CZK 21,546 thousand.
Other additions to the right-of-use machinery and equipment primarily include passenger cars leased by CSG Facility a. s. in the amount of CZK 7,208 thousand.

Amounts reported in the statement of comprehensive income

CZK THOUSAND	2019
Right-of-use assets amortisation	-86,883
Interest expense from lease liabilities	-21,169
Costs related to short-term leases	-80,722
Costs related to leases of low-value assets	-23,670
Costs related to variable lease payments not included in lease liabilities	-2,303
Total	**-214,747**

As of 31 December 2019, the Group is obliged to pay a short-term lease liability of CZK 127,090 thousand.
The Group leases a building for which the lease payments are partly linked to the amount of turnover. The Group does not expect the ratio of variable lease payments to increase significantly in the future.
The Group has not concluded any lease contracts the lease term of which would start only after 31 December 2019. The Group does not report any lease contracts with an early termination or extension option which are highly likely to be utilised.

Lease liabilities

As of 31 December 2019, the Group reported the following lease liabilities:

CZK THOUSAND	31 DECEMBER 2019
Long-term lease liabilities	703,604
Short-term lease liabilities	127,090
Total lease liabilities	**830,694**

In relation to lease liabilities, the Group is not exposed to significant liquidity risk, which is managed by the Treasury department.

Accounting requirements under IAS 17

Liabilities from finance lease
As of 31 December 2018, the maturity of liabilities from finance lease is as follows:

CZK THOUSAND	INSTALMENTS	INTEREST	PRINCIPAL
Maturity date in less than 1 year	9,505	794	8,711
Maturity date from 1 to 5 years	21,091	1,416	19,675
Maturity date in more than 5 years	-	-	-
Total liabilities from finance lease	**30,596**	**2,210**	**28,386**

Operating lease

Lease considering the Group as the lessee, Lease from non-cancellable operating lease has the following maturity:

CZK THOUSAND	31 DECEMBER 2018
Less than 1 year	30,976
1–5 years	55,937
More than 5 years	161,693
Total	**248,606**

In 2018, rental from operating leases amounted to CZK 21,175 thousand. Major leasehold items include plant, property and equipment at MSM Martin, s. r. o. leased for a period of 20 years (from 1 January 2013) having the following maturity dates: CZK 16,822 thousand payable in less than 1 year, CZK 50,468 thousand payable in 1–5 years and CZK 161,693 thousand payable in more than 5 years.

Group as the lessor

During 2019 and 2018, the Group did not record any lease contracts in which the Group would act as the lessor.

17. Investment property

CZK THOUSAND	INVESTMENT PROPERTY FOR LEASE	INVESTMENT PROPERTY UNDER CONSTRUCTION	TOTAL
Balance at 1 January 2019	**141,814**	**288**	**142,102**
Acquisitions under joint control	--	--	--
Additions	--	--	--
Disposals	-3,500	--	-3,500
Divestment disposals	-71,093	--	-71,093
Reclassification	--	--	--
Impact of changes in fair value	--	--	--
Impact of exchange rate changes	--	--	--
Balance at 31 December 2019	**67,221**	**288**	**67,509**

In 2019, investment property for lease in the amount of CZK 71,093 thousand was disposed of as a result of sale of FUTURE CS a. s.

CZK THOUSAND	INVESTMENT PROPERTY FOR LEASE	INVESTMENT PROPERTY UNDER CONSTRUCTION	TOTAL
Balance at 1 January 2018	**337,643**	**389**	**338,032**
Acquisitions under joint control	--	--	**--**
Additions	15	--	**15**
Disposals	--	--	**--**
Divestment disposals	-409,720	--	**-409,720**
Reclassification	213,876	-101	**213,775**
Impact of changes in fair value	--	--	**--**
Impact of exchange rate changes	--	--	--
Balance at 31 December 2018	**141,814**	**288**	**142,102**

In 2018, property and plant in the amount of CZK 252,563 thousand were reclassified to investment property for lease in Industrial Trade Services a. s. and investment property for lease in the amount of CZK 409,720 thousand was disposed of as a result of sale of Industrial Trade Services a. s.

2019 (CZK THOUSAND)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment property	--	--	67,509	**67,509**

2018 (CZK THOUSAND)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment property	--	--	142,102	**142,102**

Valuation technique and significant unobservable input
In general, the Group directs its investment property in the Czech Republic. Types of investment property include investment property for lease, office and operation premises, production, retail and logistics premises. Two key methods are used to measure investment property the capitalised net income method and the market comparison approach.
The significant unobservable input in 2018 and 2019 includes:

- Fair value per square meter of commercial area ranging between CZK 1,500 and CZK 2,000;
- Fair value per square meter of agricultural area ranging between CZK 50 and CZK 100.

Pledged assets
As of 31 December 2019, investment property of CZK 3,910 thousand was pledged as collateral for bank loans (2018: CZK 10,457 thousand). The assets were owned by EXCALIBUR ARMY, spol. s r. o.

18. Investments in associates and joint operations

The Group has investments in the following associates and joint ventures:

CZK THOUSAND		DIRECT OWNERSHIP PERCENTAGE	INVESTMENT CARRYING AMOUNT	DIRECT OWNERSHIP PERCENTAGE	INVESTMENT CARRYING AMOUNT
Associates	State	31 Dec 2019 (%)	31 Dec 2019	31 Dec 2018 (%)	31 Dec 2018
ZVS-Armory, s. r. o. (former CZ-Slovensko s. r. o.)	Slovakia	--	--	49.00	16,102
ZVS technology, s. r. o.	Slovakia	27.54	178	34.00	180
Joint ventures					
Anji s. r. o.	Czech Republic	50.00	48,665	50.00	58,645
AVIA Electric a. s.	Czech Republic	50.00	1,000	--	--
CSG CENTRAL ASIA a. s.	Czech Republic	30.00	0	--	--
FALCON CSG a. s.	Czech Republic	30.00	548	--	--
Milconn a. s.	Czech Republic	50.00	1,203	50.00	943
Na Poříčí 17 s. r. o.	Czech Republic	50.00	60,492	50.00	58,414
New Space Technologies s. r. o.	Czech Republic	--	--	50.00	28,143
TATRA Group*	Czech Republic	65.00	1,763,859	65.00	1,652,150
Total			**1,875,945**		**1,814,577**

*TATRA group includes TATRA TRUCKS a. s., TATRA METALURGIE a. s. and TATRA EXPORT s. r. o.

I. 2019

On 19 August 2019, New Space Technologies s. r. o. became the Group's subsidiary and as of 31 December 2019, it is recognised under the full consolidation method. The Group's share in New Space Technologies' profit for the period in which the company was an associate amounted to CZK (1,735) thousand.
On 1 January 2019, ZVS-Armory, s. r. o. (former CZ-Slovensko s. r. o.) became the Group's subsidiary and as of 31 December 2019, it is recognised under the full consolidation method.
FALCON CSG a. s. has been a part of the Group since 2018. In 2019, this company is accounted for using the equity method because of the disposal of the controlling interest in this company on 15 August 2019.
CSG CENTRAL ASIA a. s. (former ARMY EXPORT a. s.) has been a part of the Group since 2016. In 2019, this company is accounted for using the equity method because of the disposal of the controlling interest in this company on 3 September 2019.
On 2 December 2019, AVIA Electric a. s. became a part of the Group and this company is accounted for using the equity method.

II. 2018

On 31 March 2018, ZVS Ammunition, a. s. became the Group's subsidiary and as of 31 December 2018, it is recognised under the full consolidation method.
On 30 April 2018, CS SOFT a. s. became the Group's subsidiary and as of 31 December 2018, it is recognised under the full consolidation method. The Group's share in CS SOFT's profit for the period in which the company was an associate amounted to CZK 8,000 thousand.
On 4 June 2018, AVIA AVIATION a. s. became the Group's subsidiary, which is immaterial for consolidation purposes.
On 14 June 2018, Industry Defence, s. r. o. became the Group's subsidiary and due to its immateriality, the company was not included in consolidation as of 31 December 2018.
On 9 November 2018, Milconn a. s. became the Group's subsidiary, which is material for consolidation purposes.
The increase in the investment in CZ-Slovensko s. r. o. primarily includes a contribution to the equity of this entity in the amount of CZK 6,688 thousand.
As part of the settlement of the financial investments between anji s. r. o. and Na Poříčí 17 s. r. o. after the spin-off as of 1 January 2017, the shares were adjusted as follows in 2018:

CZK THOUSAND	ANJI S. R. O.	NA POŘÍČÍ 17 S. R. O.
Effective ownership percentage	50%	50%
Purchase price for the acquired share	52,107	52,105
Share in profit for 2016	12,128	--
The Group' share as of 1 January 2018	64,235	52,105

The CSG group's share in the total comprehensive income of the TATRA group is disclosed in the table below:

CZK THOUSAND	TATRA GROUP JOINT VENTURE 31 DECEMBER 2019	TATRA GROUP JOINT VENTURE 31 DECEMBER 2018
Effective ownership percentage	*65.00%*	*65.00%*
Summary balance sheet		
Fixed assets	2,365,793	2,486,025
Current assets (including cash and cash equivalents)	5,573,371	3,618,710
Long-term liabilities	394,991	539,252
Short-term liabilities	5,019,119	3,167,685
Net assets (100%)	**2,525,054**	**2,397,798**
The Group's share in the profit (+) / loss (-) of the associate	**78,779**	**-309,330**
Summary income statement after the acquisition date		
Income	9,933,852	4,568,609
Profit (+) / loss (-) from operating activities	193,902	-431,878
Profit (+) / loss (-) before tax	103,183	-522,807
Income tax	18,015	46,914
Profit (+) / loss (-) for the year/reporting period	**121,198**	**-475,893**
of which profit (+)/loss (-) attributable to owners	78,779	-309,330
Other comprehensive income	--	--
Total comprehensive income	121,198	-475,893
The Group's share in the total comprehensive income	78,779	-309,330
Total comprehensive income after the effect of IFRS 9	--	-462,519
The Group's share in the total comprehensive income after the effect of IFRS 9	--	-300,637
Other changes in equity	**6,058**	**2,961**
The Group's share in other changes in equity	3,938	1,924
Adjustment for retained earnings at the advance sale of inventory	44,626	30,001
The Group's share in retained earnings	**29,007**	**19,501**
The Group's adjusted share in the total comprehensive income and other changes in equity	111,724	-279,212

The Group only reports its share in the loss from associates if the carrying amount of the equity investment in as associate is not lower than CZK 0. The Group does not account for any payables as it is not obliged to fund operations of an investee.

The CSG Group's investments in associates and joint ventures are disclosed in the table below:

CZK THOUSAND	ANJI S. R. O. JOINT VENTURE (50.00%)	AVIA ELECTRIC A. S. JOINT VENTURE (50.00%)	NA POŘÍČÍ 17 S. R. O. JOINT VENTURE (50.00%)	MILCONN A. S. JOINT VENTURE (50.00%)	CSG CENTRAL ASIA A. S. JOINT VENTURE (50.00%)	FALCON CSG A. S. JOINT VENTURE (50.00%)
	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2019
Summary balance sheet						
Fixed assets	85,943	0	265,290	263	0	2,000
Current assets (including cash and cash equivalents)	16,826	2,000	22,800	5,365	1,964	48
Long-term liabilities	2,544	0	191,084	0	0	0
Short-term liabilities	11,613	0	20,671	3,222	129	144
Net assets (100%)	**88,612**	**2,000**	**76,335**	**2,406**	**1,835**	**1,904**
The Group's share in the profit (+) / loss (-) of an associate	**-9,991**	**0**	**2,039**	**260**	**-14**	**-26**
Summary income statement						
Income	8,583	0	19,333	9,686	0	0
Profit (+) / loss (-) from operating activities	-21,884	0	13,434	791	-97	-111
Profit (+) / loss (-) before tax	-19,983	0	6,221	618	-47	-84
Income tax	-1	0	-2,143	-98	0	-3
Profit (+) / loss (-) for the year/reporting period	**-19,984**	**0**	**4,078**	**520**	**-47**	**-87**
Of which profit (+)/loss (-) attributable to owners	-9,991	0	2,039	260	-14	-26
Other comprehensive income	--	--	--	--	--	--
Total comprehensive income	**-19,984**	**0**	**4,078**	**520**	**-47**	**-87**

CZK THOUSAND	ANJI S. R. O. JOINT VENTURE (50.00%)	CZ-SLOVENSKO S. R. O. ASSOCIATE (49.00%)	NA POŘÍČÍ 17 S. R. O. JOINT VENTURE (50.00%)	NEW SPACE TECHNOLOGIES S. R. O. JOINT VENTURE (50.00%)	MILCONN A. S. JOINT VENTURE (50.00%)
	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018
Summary balance sheet					
Fixed assets	110,680	63,618	265,450	36,442	209
Current assets (including cash and cash equivalents)	7,058	14,612	21,454	512	2,000
Long-term liabilities	2,171	35,938	204,291	-5	0
Short-term liabilities	6,996	24,773	10,355	46,080	323
Net assets (100%)	**108,571**	**17,519**	**72,258**	**-9,121**	**1,886**
The Group's share in the profit (+) / loss (-) of an associate	**-5,590**	**638**	**6,309**	**-8,450**	**-57**
Summary income statement					
Income	6,814	81,006	17,739	18,842	0
Profit (+) / loss (-) from operating activities	-13,284	6,308	19,773	-17,911	114
Profit (+) / loss (-) before tax	-11,187	4,405	14,142	-18,782	-114
Income tax	8	-3,103	-1,525	5	0
Profit (+) / loss (-) for the year/reporting period	**-11,179**	**1,302**	**12,617**	**-18,777**	**-114**
Of which profit (+)/loss (-) attributable to owners	-5,590	638	6,310	-8,449	-56
Other comprehensive income	--	--	--	--	--
Total comprehensive income	**-11,179**	**1,302**	**12,617**	**-18,777**	**-114**

19. Financial Instruments

Loans and other financial assets

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Assets at amortised cost		
Granted loans	1,937,669	1,080,215
Other financial assets	110,907	36,959
Total assets at amortised cost	**2,048,576**	**1,117,174**
Assets at fair value		
Derivative instruments	112,160	61,637
Total assets at fair value	**112,160**	**61,637**
Long-term	177,114	31,004
Short-term	1,983,622	1,147,807
Total loans and other financial assets	**2,160,736**	**1,178,811**

Granted loans namely represent the loans provided to Industrial Trade Services a. s., TECHNOLOGY CS a. s., INNOVATION CS a. s. and Mr Michal Strnad; for more details refer to Note 34 – Related parties.
The weighted average interest rate relating to loans other than to lending institutions was 4.12% in 2019 (2018: 2.68%).

Loans, borrowing and other financial liabilities

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Overdraft	2,183,946	2,311,766
Collateralised bank loans	3,026,714	2,149,349
Uncollateralised bank loans	--	17,159
Payables under finance leases*	--	2,097
Owner loans and loans from other related parties	295,994	249,399
Loans from third parties (other loans)	388,844	123,620
Total loans and borrowings at amortised cost	**5,895,498**	**4,853,390**
Derivative instruments	105,624	108,511
Total financial liabilities at fair value	**105,624**	**108,511**
Other financial liabilities	5,298	76,662
Total other financial liabilities	**5,298**	**76,662**
Financial liabilities from leases	830,694	--
Total financial liabilities from leases	**830,694**	**--**
Total loans, borrowings, derivatives and other financial instruments	**6,837,114**	**5,038,563**

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Long-term loans and borrowings	1,190,790	964,630
Short-term loans and borrowings*	4,704,708	3,888,760
Total loans and borrowings	**5,895,498**	**4,853,390**
Long-term financial instruments	775,742	--
Short-term financial instruments	165,874	--
Total financial instruments	**941,616**	**--**
Long-term loans, borrowings and other financial instruments	1,966,532	1,048,287
Short-term loans, borrowings and other financial instruments*	4,870,582	3,990,276
Total loans, borrowings and other financial instruments	**6,837,114**	**5,038,563**

*According to the application of IFRS 16 as of 1 January 2019, liabilities from finance lease are reclassified to 'Other financial liabilities from leases'.

Financial liabilities from leases are reported in Note 16 Leases.
In 2019, the weighed average interest rate of loans amounted to 4.1% (2018: 2.47%).

Terms and Summary of Loan Maturities

The following terms applied to outstanding loans and borrowings as of 31 December 2019:

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2019	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS	DUE IN SUBSEQUENT YEARS
Bank overdraft	CZK	Fixed	2020-2025	509,376	487,028	22,348	0
Bank overdraft	CZK	Variable	2020	642,116	642,116	0	0
Bank overdraft	EUR	Fixed	2020	5,590	5,590	0	0
Bank overdraft	EUR	Variable	2020	881,670	881,670	0	0
Bank overdraft	USD	Variable	2020	145,194	145,194	0	0
Another loan	CZK	Fixed	2020-2031	139,329	35,124	26,536	77,669
Another loan	CZK	Variable	2020-2021	23,214	23,187	27	0
Another loan	EUR	Variable	2020-2026	226,301	90,104	119,223	16,974
Ownership loans and loans from other related parties	CZK	Fixed	2020-2025	67,808	66,038	1,770	0
Ownership loans and loans from other related parties	CZK	Variable	2020	226,301	226,301	0	0
Ownership loans and loans from other related parties	EUR	Fixed	2020-2030	1,885	1,963	0	-78
Collateralised bank loan	CZK	Fixed	2020-2025	708,048	555,956	152,092	0

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2019	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS	DUE IN SUBSEQUENT YEARS
Collateralised bank loan	CZK	Variable	2020-2024	1,000,696	745,181	255,515	0
Collateralised bank loan	EUR	Fixed	2020-2024	451,056	365,726	85,330	0
Collateralised bank loan	EUR	Variable	2020-2026	595,325	303,170	270,535	21,620
Collateralised bank loan	USD	Fixed	2020	44,830	44,830	0	0
Collateralised bank loan	USD	Variable	2020-2023	226,759	85,530	141,229	0
Total				5,895,498	4,704,708	1,074,605	116,185

*The variable interest rate is derived from the PRIBOR, EURIBOR or LIBOR rate plus a mark-up. All interest rates correspond with arm's length conditions.

The following terms applied to outstanding loans and borrowings as of 31 December 2018:

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2018	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS	DUE IN SUBSEQUENT YEARS
Bank overdraft	CZK	Fixed	2019	32,012	32,012	--	--
Bank overdraft	CZK	Variable	2019	1,093,606	1,093,606	--	--
Bank overdraft	EUR	Fixed	2019	213,543	213,543	--	--
Bank overdraft	EUR	Variable	2019-2020	874,483	852,673	21,810	--
Bank overdraft	USD	Variable	2019	50,656	50,656	--	--
Bank overdraft	RSD	Fixed	2019-2020	47,364	7,862	39,502	--
Payables from a finance lease	EUR	Fixed	2020	592	412	180	--
Payables from a finance lease	CZK	Fixed	2019-2022	1,505	474	1,031	--
Payables from a finance lease	CZK	Variable	2019-2021	173	99	74	--
Another loan	CZK	Fixed	2019-2021	56,901	54,901	2,000	--
Another loan	CZK	Variable	2019-2021	678	316	362	--
Another loan	EUR	Fixed	2019	77	77	--	--
Another loan	EUR	Variable	2019-2022	65,856	40,465	25,391	--
Ownership loans and loans from other related parties	EUR	Fixed	2019	21,841	21,841	--	--
Ownership loans and loans from other related parties	CZK	Fixed	2019-2020	227,595	160,449	67,146	--
Collateralised bank loan	CZK	Fixed	2019-2023	561,897	312,513	249,384	--
Collateralised bank loan	CZK	Variable	2019-2023	746,669	670,975	75,694	--
Collateralised bank loan	EUR	Fixed	2019-2025	368,576	188,079	180,497	--
Collateralised bank loan	EUR	Variable	2019-2022	411,879	155,566	256,313	--
Collateralised bank loan	USD	Fixed	2019-2022	60,328	15,082	45,246	--
Uncollateralised bank loan	EUR	Variable	2019	17,159	17,159	--	--
Total				**4,853,390**	**3,888,760**	**964,630**	**--**

*The variable interest rate is derived from the PRIBOR, EURIBOR or LIBOR rate plus a mark-up. All interest rates correspond with arm's length conditions.

Non-interest bearing ownership loans are recognised at their carrying amounts using market interest rates, with the capital portion of the loan reported through equity – refer to Note 26.

Bank covenants primarily relate to loans received by EXCALIBUR ARMY, spol. s r.o. A majority of the Group's covenants is tied to the financial performance of EXCALIBUR ARMY, spol. s r.o. itself. Major indicators in the agreed covenants include:

- Equity to total assets;
- Minimum amount of equity; and
- Net debt to EBITDA.

Bonds

On 16 December 2016, the Company issued CSG VAR/21 bonds (ISIN CZ0003515405), which were admitted to trading on the Prague Stock Exchange. The nominal value of one bond amounts to CZK 3 million. The maximum volume of a placement is CZK 2,100 million with the possibility of placement on a tranche-by-tranche basis until 12 December 2017. As of 31 December 2016, bonds in the total nominal amount of CZK 1,002 million were subscribed.

During 2017, the Company issued additional bonds up to the maximum amount of CZK 1,098 million, of which CZK 507 million was subscribed to third parties and CZK 591 million was subscribed to the Company's own account. The Company does not account for own bonds. As of 31 December 2019, the Company recognised a payable from these bonds in the amount of CZK 1,203 million (31 December 2018: CZK 1,824 million).

VAR/21 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3% margin, with interest falling due biannually as of 16 June and 16 December each year. The due dates of bonds are determined at 16 December 2021.

On 30 November 2017, the Company issued CZECH. GR. 3,00/22 bonds (in two placements: ISIN CZ0003517757 and ISIN CZ0003517740), which were offered to qualified investors in the Czech Republic. Bonds were issued as securities in the book-entry form with a nominal value of CZK 5 million a piece. The total value of the placement is CZK 400 million (CZK 200 million during each placement). As of 31 December 2019, the Company records a payable from these private issues of CZK 70 million (2018: CZK 255 million).

CZECH. GR. 3,00/22 bonds bear a fixed interest rate of 3% p.a. Interest income will be paid for each income period retrospectively on a bi-annual basis, as of 30 November and 30 May each year. The first interest income payment was made as of 30 May 2018. The due dates of bonds are determined at 30 November 2022.

On 1 November 2019, the Company issued CSG VAR/24 bonds (ISIN CZ0003523151) with a floating interest income in the estimated total nominal value of placement of CZK 1,500 million with a possibility to increase up to CZK 2,000 million with maturity in 2024. The bonds were issued as securities in the book-entry form with a nominal value of CZK 100 thousand per bond. As of 31 December 2019, the Company recognised a payable from these issues in the amount of CZK 1,698 million.

The CSG VAR/24 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin, with interest falling due biannually as of 1 November and 1 May each year.

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Issued bonds	2,970,500	2,079,000
Outstanding interest	18,702	7,444
Subtotal	2,989,202	2,086,444
Placement costs	(36,306)	(12,891)
Total bonds	**2,952,896**	**2,073,553**
Non-current	2,944,313	2,066,109
Current	8,583	7,444
Total bonds	**2,952,896**	**2,073,553**

Bonds as of 31 December 2019 and 2018 were subject to the following conditions:

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2019	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS	DUE IN SUB-SEQUENT YEARS
CSG VAR/24	CZK	variable	2019-2024	1,713,237	15,737	1,697,500	--
CSG VAR/21	CZK	variable	2018-2021	1,205,784	2,784	1,203,000	--
CZECH. GR. 3,00/22	CZK	fixed	2018-2022	70,181	181	70,000	--

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2018	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS	DUE IN SUB-SEQUENT YEARS
CSG VAR/21	CZK	variable	2018-2021	1,831,444	7,444	1,824,000	--
CZECH. GR. 3,00/22	CZK	fixed	2018-2022	255,684	684	255,000	--

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 32 – Risk Management and Disclosure Methods.

20. Trade and Other Receivables and Other Assets

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Receivables from retentions	2,696	1,789
Trade receivables	2,874,058	2,274,530
Other receivables	1,581,422	753,256
Estimated receivables	540,785	88,609
Accrued income	484	180
Trade and other receivables	**4,999,445**	**3,118,364**
Deferred expenses	263,501	229,351
Prepayments made	1,268,801	956,035
Prepayments made and deferred expenses and accrued income	**1,532,302**	**1,185,386**
Trade and other receivables and total other assets	**6,531,747**	**4,303,750**
Long-term	261,648	368,691
Short-term	6,270,099	3,935,059
Trade and other receivables and total other assets	**6,531,747**	**4,303,750**

The Group's exposure to credit and currency risks and impairment losses in relation to trade and other receivables is disclosed in Note 32 – Risk Management and Disclosure Methods.
As of 31 December 2019, trade and other receivables amounted to CZK 164,685 thousand (2018: CZK 197,400 thousand) and were provided as collateral to bank loans.

Performance Contracts

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Income recognised in the current period*	2,606,317	4,510,055
Total expenses incurred to date**	5,539,931	5,465,660
Total recognised profit (minus reported losses) to date**	2,288,181	1,882,958
Total income from contracts to date**	**7,828,112**	**7,348,618**
Gradual billing**	6,214,698	5,749,911
	1,613,414	**1,598,707**
Of which:		
Gross amount due from customers for contractual work	1,898,585	2,160,157
Gross amount payable to customers for contractual work***	-285,171	-561,450
	1,613,414	**1,598,707**
Prepayments received offset against gross amounts dues from customers	-547,681	-829,333
Net amount due from customers for contractual work****	1,350,904	1,330,824
Prepayments received from customers for contractual work*****	549,819	477,795

*The amount is disclosed in Note 6 – Revenues from Performance Contracts
**Represents an amount from the commencement of contracts to 31 December 2019 and 31 December 2018, respectively.
***The amount is reported under contractual liabilities (refer to Note 6).
****The amount represents the gross amount due from customers after the corresponding amount of prepayments received has been offset. The amount has been reported under contractual assets – refer to Note 6.
*****The amount is included in prepayments received – refer to Note 28

21. Deferred Tax Assets and Liabilities

Reported Deferred Tax Assets and Liabilities

The following deferred tax assets (liabilities) were reported:

CZK THOUSAND	31 DECEMBER 2019 ASSETS	LIABILITIES	NET	31 DECEMBER 2018 ASSETS	LIABILITIES	NET
Intangible fixed assets	6,620	-92,738	-86,118	3,997	-106,151	-102,154
Property, plant and equipment	83,469	-215,609	-132,140	100,270	-239,090	-138,820
Investment property	--	-10,325	-10,325	--	-13,045	-13,045
Other investments	546	--	546	4,781	--	4,781
Provided loans	857	--	857	779	--	779
Receivables	18,748	--	18,748	50,356	-23,619	26,737
Other assets	2,807	-271	2,536	7	-279	-272
Inventories	6,628	-13,948	-7,320	14,214	-2,780	11,434
Provisions	22,413	--	22,413	7,186	2,809	9,995
Loan interest	3,429	--	3,429	3,522	-2,649	873
Payables	2,686	-17,724	-15,038	3,436	-4,995	-1,559
Other payables	4,826	-11,792	-6,966	4,567	-7,560	-2,993
Tax losses of prior years	16,776	--	16,776	19,770	--	19,770
Other temporary differences	7,864	-68,577	-60,713	--	-24,770	-24,770
Total	**177,669**	**-430,984**	**-253,315**	**212,885**	**-422,129**	**-209,244**
Tax offsetting	**-50,997**	**50,997**	**--**	**-96,447**	**96,447**	**--**
Net deferred tax asset (tax liability)	**126,672**	**-379,987**	**-253,315**	**116,438**	**-325,682**	**-209,244**

A deferred tax asset arising from unutilised tax losses of prior years is only recognised if it is likely that a future taxable profit will be generated in respect of which it will be possible to utilise unutilised tax losses. The moment when the possibility of utilising tax losses expires is presented in the table below:

CZK THOUSAND	2019	2020	2021	2022	2023 ONWARDS	TOTAL
Total tax losses	**17,853**	**16,267**	**8,779**	**33,895**	**15,440**	**92,234**
Tax losses – reported	609	7,333	727	890	7,217	16,776
Tax losses – unreported	17,244	8,934	8,052	33,005	8,223	75,458

Movements in Temporary Differences during the Year

CZK THOUSAND TEMPORARY DIFFERENCE IN RELATION TO THE BELOW ITEMS:	BALANCE AT 1 JANUARY 2019	REPORTED THROUGH COMPREHENSIVE INCOME	REPORTED THROUGH EQUITY	ACQUIRED	SOLD	EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	BALANCE AT 31 DECEMBER 2019
Intangible fixed assets	-102,154	11,306	-23	-2	4,759	-4	-86,118
Property, plant and equipment	-138,820	36,749	20,643	-50,964	-164	416	-132,140
Investment property	-13,045	--	2,178	--	542	--	-10,325
Receivables	26,737	-13,536	3,966	248	-62	1,395	18,748
Inventories	11,434	-15,387	-3,439	--	--	72	-7,320
Provisions	9,995	11,621	366	438	--	-7	22,413
Loan interest	873	1,528	1,028	--	--	--	3,429
Payables	-1,559	-14,704	1,543	-318	--	--	-15,038
Tax losses of prior years	19,770	-1,591	-1,706	334	--	-31	16,776
Other temporary differences	-22,475	-36,662	-6,933	1,918	215	197	-63,740
Total	**-209,244**	**-20,676**	**17,623**	**-48,346**	**5,290**	**2,038**	**-253,315**

CZK THOUSAND TEMPORARY DIFFERENCE IN RELATION TO THE BELOW ITEMS:	BALANCE AT 1 JANUARY 2018	REPORTED THROUGH COMPREHENSIVE INCOME	REPORTED THROUGH EQUITY*	ACQUIRED	SOLD	EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES	BALANCE AT 31 DECEMBER 2018
Intangible fixed assets	-60,293	-9,185	--	-32,558	--	-118	-102,154
Property, plant and equipment	-168,791	18,286	--	2,694	9,227	-236	-138,820
Investment property	-13,119	74	--	--	--	--	-13,045
Receivables	14,979	10,433	3,005	-1,412	--	512	27,517
Inventories	29,899	-19,378	--	913	--	--	11,434
Provisions	43,715	-34,792	--	1,073	--	--	9,996
Loan interest	-3,021	1,360	2,534	0	--	--	873
Payables	7,536	-9,338	--	220	--	24	-1,558
Tax losses of prior years	12,650	7,098	--	--	--	22	19,770
Other temporary differences	-1,914	-12,641	-9,227	--	--	529	-23,253
Total	**-138,359**	**-48,083**	**-3,688**	**-29,070**	**9 227**	**733**	**-209 240**

*The impact of financing by a non-interest bearing loan from the owner is disclosed in Note 24.

22. Inventories

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Material	2,508,532	2,260,885
Finished products	475,289	275,673
Goods	1,729,295	1,311,232
Work in progress	614,375	530,622
Prepayments to suppliers	79,120	182,230
Total inventories	**5,406,611**	**4,560,642**

As of 31 December 2019, the allowance for inventories was CZK 205,961 thousand (2018: CZK 317,620 thousand).
As of 31 December 2019, inventories of CZK 683,919 thousand (2018: CZK 460,116 thousand) were provided as collateral to secure bank loans.

23. Tax Receivables

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Corporate income tax	137,095	101,180
Value added tax	211,406	54,264
Other taxes	4,681	86
Total tax receivables	**353,182**	**155,530**

24. Cash and Cash Equivalents

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Current accounts with banks	773,359	475,220
Term deposits	59,201	28,759
Cash on hand	7,668	6,283
Limited-access bank accounts*	60,438	30,574
Other cash equivalents	813	563
Cash and cash equivalents in the cash flow statement	**901,479**	**541,399**

*Limited-access bank accounts contain cash deposited for the purpose of participation in tenders.

25. Assets Held for Sale

As of 31 December 2019, assets held for sale comprise a building in Jaroměř including land of KARBOX s. r. o. in the amount of CZK 3,717 thousand.
As of 31 December 2018, assets held for sale included railway carriages owned by Rosco Bohemia a. s. as in the amount of CZK 101,700 thousand and pledged production premises including equipment in Hořice of KARBOX s. r. o. in the amount of CZK 31,104 thousand.

Revaluation Loss
No revaluation loss was identified.

Assets and Liabilities Held for Sale
As of 31 December 2019, assets and liabilities held for sale were measured at fair value net of costs of sale. They predominantly included land and buildings of CZK 3,717 thousand (2018: CZK 132,803 thousand).

Cumulative Income or Expenses Included in Other Comprehensive Income
No cumulative income or expenses were included in other comprehensive income in relation to assets and liabilities held for sale.

Fair Value Measurement
Fair value measurement was classified as Level 3 by reference to the inputs for the applied measurement method.

Discontinued Operations
In 2019 and 2018, the Group generated no income from discontinued operations.

26. Equity

Share Capital
As of 31 December 2019, authorised, issued and fully paid-in share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000.
As of 31 December 2018, share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000.
The shareholder is entitled to a payment of dividends and is entitled to vote at the General Meetings of the Company's shareholders with one vote attributable to a share of CZK 100 thousand.
In 2019, the Company paid no dividends (2018: CZK 0 thousand). The dividend attributable to a share amounts to CZK 0.

31 DECEMBER 2019	NUMBER OF SHARES (PIECES)	SHARES (CZK '000)	OWNERSHIP PERCENTAGE (%)	VOTING RIGHTS (%)
Czechoslovak Group B.V.	20	2,000	100	100
Total shares	**20**	**2,000**	**100**	**100**

Funds reported in equity include the following items:

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Other capital reserves	3,108,770	3,139,513
Other indivisible reserves	88,575	98,161
Valuation difference on the revaluation of assets	--	--
Foreign currency translation reserve	-20,831	-26,262
Total	**3,176,514**	**3,211,412**

Other Capital Reserves
These reserves primarily include contributions outside the share capital provided by the parent company Czechoslovak Group B.V., which amounted to CZK 2,194,665 thousand as of 31 December 2017.
On 31 December 2018, the parent company Czechoslovak Group B.V. capitalised receivables of CZK 933,365 thousand and EUR 705,366.67 in the form of a contribution outside the share capital. The contribution outside the share capital totalled CZK 951,511 thousand. Performed repayments of non-interest bearing owner loans decreased other reserves by CZK 68,268 thousand. Furthermore, these reserves also include the remeasurement of property, plant and equipment to fair value applied as "deemed cost" in line with IFRS 1 – First-Time Adoption of International Financial Reporting Standards (the Group decided not to report the difference as of the transition date through retained earnings but through 'Other reserve').

Other Indivisible Reserves
A major portion of other indivisible reserves represents an effect on the Group's interest-rate advantage arising from the use of a non-interest bearing ownership loan, which is recognised through equity. The Group considers the ownership loan received from the owner acting from the actual position of an owner to constitute an instrument that brings a visible advantage to the Group in the form of exemption from interest. The fair value of a non-interest bearing ownership loan is highly likely to differ from the nominal value during its initial recognition. The Group recognises the difference between the fair value of an ownership loan during its initial recognition and its nominal value through equity, the reason being that the substance of non-interest bearing loans includes advantageous terms specifically in the form of zero interest representing the owner's non-reciprocal capital contribution. As of 31 December 2019, these non-reciprocal capital contributions totalled CZK 82,462 thousand (31 December 2018: CZK 82,278 thousand).

Valuation differences from the revaluation of assets
As of 31 December 2017, the reserve consisted of CZK 38,604 thousand arising from the remeasurement of non-current assets to fair value in relation to the change of its use and relating transfer to the category of investment property. As of 31 December 2018, the entity with these assets was sold.

27. Non-Controlling Interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests (NCI) is set out below.

31 DECEMBER 2019 CZK THOUSAND	EXCALIBUR ARMY SPOL. S R.O.	ZVS HOLDING, A. S.	MSM MARTIN, S. R. O.	REAL TRADE PRAHA A. S.	CS SOFT A. S.	DAKO-CZ, A. S.	JOB AIR TECHNIC A. S.	SKYPORT A. S.	MSM NOVÁKY, A. S.	OTHER IMMATERIAL SUBSIDIARIES*	CONSOLIDATION ELIMINATION	TOTAL
Non-controlling interest percentage	10%	59.5%	19%	100%	22%	49%	19.7%	27.78%	19%			
Non-current assets	806,947	360,237	848,010	29,035	209,611	992,720	882,436	673,759	175,099			
Current assets	4,449,638	629,504	1,338,420	814,648	152,477	579,162	328,823	50,488	1,330,693			
Non-current liabilities	127,638	91,071	356,018	0	92,263	173,158	12,715	255,052	8,206			
Current liabilities	2,544,351	534,574	1,112,347	984,184	79,631	429,090	538,115	51,505	1,193,296			
Net assets	**2,584,596**	**364,096**	**718,065**	**-140,501**	**190,194**	**969,634**	**660,429**	**417,690**	**304,290**			
Carrying amount of the non-controlling interest	**258,454**	**232,957**	**153,304**	**0**	**41,843**	**475,125**	**130,106**	**113,496**	**58,082**	**129,488**	**-204,138**	**1,388 717**
Revenue	3,336,316	566,762	1,146,062	766,419	167,411	1,144,052	665,540	68,209	366,819			
Profit (+)/loss (-)	281,886	2,847	261,910	-4,982	31,674	126,289	41,884	11,230	-232,942			
Other comprehensive income (OCI)		-4,635	-6,400						11			
Total comprehensive income	**281,886**	**-1,788**	**255,510**	**-4,982**	**31,674**	**126,289**	**41,884**	**11,230**	**-232,931**			
Profit (+)/loss (-) attributable to the NCI	**28,189**	**1,678**	**49,254**		**6,810**	**61,882**	**13,857**	**3,120**	**-43,809**	**6,598**	**--**	**127,579**
OCI attributable to the NCI		**-2,758**	**-1,216**						**2**	**286**	**--**	**-3,686**
Net increase (+)/decrease (-) in cash and cash equivalents	**-3,108**	**-17,156**	**-14,014**	**2,042**	**26,303**	**30,081**	**621**	**18,952**	**7,064**			
Dividends paid to the NCI	**40,000**	**3,024**		**1,000**	**17,356**	**39,200**				**-1,068**	**-483**	**99,029**

*This primarily includes non-controlling interests in VYVOJ Martin, a. s. (CZK 27,042 thousand), TRANSELCO CZ s. r. o. (CZK 22,157 thousand) and MSM Banská Bystrica, a. s. (CZK 15,812 thousand).

Material changes in the non-controlling interest during the year primarily include the following changes to the effective ownership interest:

In the year ended 31 December 2019:

- Česká letecká servisní a. s. from 90% to 100% (effective interest) as of 19 August 2019;
- FALCON CSG a. s. from 100% to 30% (effective interest) as of 6 August 2019;
- CSG CENTRAL ASIA a. s. from 100% to 30% (effective interest) as of 31 August 2019;
- EUROPEAN AIR SERVICES s. r. o. from 87.3% to 97% (effective interest) as of 19 August 2019;
- Slovak Training Academy, s. r. o. from 85.41% to 93.19% (effective interest) as of 19 August 2019;
- ZVS-Armory, s. r. o. from 39.69% to 81% (effective interest) as of 1 January 2019.

For effects of changes in non-controlling interests reported through equity, refer to the consolidated statement of changes in equity.

In the year ended 31 December 2018:

- ELTON hodinářská, a. s. from 42.85% to 73.16% (effective interest) as of 26 November 2018;
- MADE CS a. s. from 80% to 100% (effective interest) as of 20 December 2018;
- Virte, a. s. from 56.7% to 81% (effective interest) as of 2 October 2018.

For effects of changes in non-controlling interests reported through equity, refer to the consolidated statement of changes in equity.

31 DECEMBER 2018 CZK THOUSAND	EXCALIBUR ARMY SPOL. S R. O.	ZVS HOLDING, A. S.	MSM MARTIN, S. R. O.	REAL TRADE PRAHA A. S.	VÝVOJ MARTIN, A. S.	DAKO-CZ, A. S.	JOB AIR TECHNIC A. S.	ZTS METALURG, A. S.	EXCALIBUR INTERNATIONAL A. S.	ČESKÁ LETECKÁ SERVISNÍ A. S.	OTHER IMMATERIAL SUBSIDIARIES*	CONSOLIDATION ELIMINATION	TOTAL
Non-controlling interest percentage	10.0%	59.5%	19.0%	100.0%	19.0%	49.0%	59.9%	50.0%	10.0%	10.0%			
Non-current assets	725,723	378,389	174,776	29,039	205,621	932,527	663,469	350,040	89,200	21,854			
Current assets	4,354,553	553,323	1,478,854	576,311	193,349	502,239	301,396	57,933	1,668,438	574,323			
Non-current liabilities	116,653	150,876	42,215	--	59,940	178,623	98,356	6,689	193,601	0			
Current liabilities	2,259,817	402,158	1,245,501	739,864	139,044	332,798	247,943	400,075	602,901	530,372			
Net assets	**2,703,806**	**378,678**	**365,914**	**-134,514**	**199,986**	**923,345**	**618,566**	**1,209**	**961,136**	**65,805**			
Carrying amount of the non-controlling interest	**270,375**	**238,862**	**102,986**	**--**	**39,647**	**452,443**	**370,204**	**456**	**20,680**	**33,081**	**252,672**	**-294,448**	**1,486,958**
Revenue	2,933,813	493,530	1,662,546	1,051,180	220,777	927,054	542,933	195,032	2,229,407	1,337,616			
Profit (+)/loss (-)	388,021	27,619	142,492	-10,958	31,847	85,128	81,982	-179,468	939,599	370,210			
Other comprehensive income (OCI)	--	3,187	2,858	--	1,205	--	--	1,306	--	--			
Total comprehensive income	**388,021**	**30,806**	**145,350**	**-10,958**	**33,052**	**85,128**	**81,982**	**-178,162**	**939,599**	**370,210**			
Profit (+)/loss (-) attributable to the NCI	**38,802**	**16,485**	**27,161**	**--**	**6,071**	**41,713**	**48,535**	**-71,361**	**93,960**	**37,021**	**-97,812**	**--**	**140,574**
OCI attributable to the NCI	**--**	**1,896**	**543**	**--**	**229**	**--**	**--**	**653**	**--**	**--**	**-525**	**--**	**2,796**
Net increase (+)/decrease (-) in cash and cash equivalents	**-7,774**	**27,626**	**-100,262**	**-5,553**	**-5,695**	**12,166**	**-41,214**	**-2,247**	**-67,392**	**-367,034**			
Dividends paid to the NCI	**42,000**	**3,087**	**22,166**	**--**	**--**	**19,600**	**--**	**--**	**1,077**	**14,000**	**25,466**	**-44,478**	**82,918**

*This primarily includes non-controlling interests in CS SOFT a. s. (CZK 47,482 thousand), EUROPEAN AIR SERVICES s. r. o. (CZK 13,161 thousand) and ATLAN GROUP s. r. o. (CZK 13,012 thousand).

28. Trade and Other Payables

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Prepayments received	129,233	4,967
Trade payables	2,576,686	1,712,514
Other payables	710,987	380,260
Payables to employees	109,840	104,842
Payables arising from outstanding vacation days	28,096	31,333
State subsidy	4,093	--
Trade and other payables – subtotal	**3,558,935**	**2,233,916**
Unbilled supplies	1,197,474	971,091
Accrued expenses	14,565	18,235
Estimated payables – subtotal	**1,212,039**	**989,326**
Trade and other payables – total	**4,770,974**	**3,223 242**
Long-term	46,298	61,730
Short-term	4,724,676	3,161,512
Trade and other payables – total	**4,770,974**	**3,223,242**

29. Provisions

CZK THOUSAND	PROVISION FOR LOSS-MAKING CONTRACTS	PROVISION FOR COMPLAINTS	OTHER PROVISIONS	TOTAL
Balance at 1 January 2019	10,619	12,862	376,884	**400,365**
Acquisitions through transactions under joint control	--	--	--	**--**
Acquisitions through business combinations	--	--	19,760	**19,760**
Additions – provisions created in the given year	--	28,452	116,951	**145,403**
Creation (+) and release (-) of provisions through balance sheet	--	--	-57,298	**-57,298**
Use – provisions used in the given year	--	-3,357	-29,350	**-32,707**
Release – provisions released in the given year	-10,619	--	-69,814	**-80,433**
Sales outside the Group	--	--	-17,561	**-17,561**
Effects of changes in exchange rates	--	-19	718	**699**
Balance at 31 December 2019	**0**	**37,938**	**340,290**	**378,228**
Non-current	0	23,119	228,357	**251,476**
Current	0	14,819	111,933	**126,752**
Total provisions	**0**	**37,938**	**340,290**	**378,228**

Additions to other provisions primarily consisted of recognised provisions for losses from car sales of Hyundai Centrum CB s. r. o.
Release of provisions through balance sheet primarily includes release of provision of CSG RDR for conditioned portion of the purchase price for ELDIS Pardubice, s. r. o.

CZK THOUSAND	PROVISION FOR LOSS-MAKING CONTRACTS	PROVISION FOR COMPLAINTS	OTHER PROVISIONS	TOTAL
Balance at 1 January 2018	**0**	**16,474**	**609,370**	**625,844**
Acquisitions through transactions under joint control	--	--	--	**--**
Acquisitions through business combinations	--	--	1,935	**1,935**
Additions – provisions created in the given year	10,619	12,778	215,646	**239,043**
Use – provisions used in the given year	--	-11,783	-108,834	**-120,617**
Release – provisions released in the given year	--	-4,654	-342,308	**-346,962**
Sales outside the Group	--	--	--	**--**
Effects of changes in exchange rates	--	47	1,075	**1,122**
Balance at 31 December 2018	**10,619**	**12,862**	**376,884**	**400,365**
Non-current	0	10,135	282,530	**292,665**
Current	10,619	2,727	94,354	**107,700**
Total provisions	**10,619**	**12,862**	**376 884**	**400,365**

Additions to other provisions primarily consisted of newly recognised provisions for a contingent deferred payment for the purchased entity CS Soft in the amount of CZK 78,081 thousand.
Additions to other provisions primarily consisted of newly recognised provisions arising from the recognition of a put-option in respect of TRADITION CS a. s., which is part of the purchase contract of CS SOFT a. s.

30. Tax Payables

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Corporate income tax	76,915	48,628
Value added tax	110,326	79,280
Social security and health insurance	67,928	59,429
Other taxes	24,458	22,052
Total tax payables	**279,627**	**209,389**

As of 31 December 2019, the Group recorded no overdue payables arising from social security and health insurance or to tax authorities (2018: CZK 0). Other taxes primarily represent road tax and real estate tax.

31. Financial Guarantees and Contingent Liabilities

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Provided guarantees	1,133,691	6,724,485
Total financial guarantees and contingent liabilities	**1,133,691**	**6,724,485**

The year-on-year decrease in the value of provided guarantees was caused by the lower value of guarantees provided by EXCALIBUR ARMY spol. s r.o. in the amount of CZK 281,059 thousand (2018: CZK 6,215,469 thousand).

The Company provided the following bank guarantees and collateral:

- Beneficiary: The President of India, issued on 29 October 2019, valid until 11 July 2020 in the amount of INR 5,400 thousand (CZK 1,711 thousand);
- Beneficiary: The President of India, issued on 25 October 2019, valid until 31 January 2020 in the amount of INR 3,650 thousand (CZK 1,157 thousand);
- Collateral for the Syndicated Loan Agreement concluded on 2 October 2018 between TATRA DEFENCE VEHICLE a. s. as the debtor and CZECHOSLOVAK GROUP a. s. as the guarantor, the amount of guarantee as of 31 December 2019 is CZK 620 million;
- Agreement establishing a pledge on receivables from accounts no. 1230940000/2250 in CZK, 101121434/2250 in EUR and 1011121442 in USD;
- Agreement establishing a pledge on securities, issuer NIKA Development a. s., 30 pieces / 1 piece with the nominal value of CZK 100 thousand;
- Blank promissory note with the aval of Mr. Michal Strnad and the Agreement on the right to complete a blank bill of exchange;
- Agreement establishing a pledge on securities, issuer INTEGRA CAPITAL a. s., 66 pieces / 1 piece with the nominal value of CZK 1,000 thousand, 34 pieces / 1 piece with the nominal value CZK 100 thousand, 2 pieces / 1 piece with the nominal value of CZK 50 thousand;
- Agreement establishing a pledge on a share in a corporation, 50% of the business share in anji s. r. o.;
- Agreement establishing a pledge on receivables;
- Agreement establishing a pledge on immovable property owned by TECHPARK Hradubická a. s.

The Group provided no other material guarantees.

32. Risk Management and Disclosure Methods

This Note provides a detailed description of the financial and operating risks to which the Group is exposed and the methods used in managing them. The major financial risks to which the Group is exposed include credit risk, liquidity risk, interest rate risk and currency risk.

Classes and Categories of Financial Instruments and Measurement of their Fair Value
The following table contains information about:

- Classes of financial instruments, their substance and characteristics;
- Amortised cost of financial instruments;
- Fair values of financial instruments (with the exception of financial instruments whose value approximates their fair value); and
- The hierarchy levels of the fair values of financial assets and financial liabilities for which fair value has been disclosed.

The hierarchy of Fair Value Levels 1 to 3 is based on the extent to which fair value is observable:

- Level 1 fair value measurements are derived from prices listed (unadjusted) on active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than the listed prices included in Level 1 that are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable in respect of the asset or liability; and
- Level 3 fair value measurements are derived from measurement techniques including inputs for the asset or liability that is not based on identifiable market information (unobservable inputs).

31 DECEMBER 2019 (CZK THOUSAND)	NOTE	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FAIR VALUE FVTPL - OTHER	FVOCI - DEBT INSTRUMENTS	FVOCI - EQUITY INSTRUMENTS	FINANCIAL ASSETS AT AMORTISED COSTS	OTHER FINANCIAL PAYABLES	TOTAL	STAGE 1	STAGE 2	STAGE 3	TOTAL
Financial assets at fair value												
Investment property	17		67,509					67,509			67,509	67,509
Derivatives	19		112,160					112,160		112,160		112,160
Total			**179,669**					**179,669**		**112,160**	**67,509**	**179,669**
Financial assets not reported at fair value												-
Trade and other receivables	20					4,999,445		4,999,445				
Prepayments made and accruals and deferrals	20					1,532,302		1,532,302				
Provided loans	19					1,937,669		1,937,669		1,937,669		1,937,669
Other financial assets	19					110,907		110,907		110,907		110,907
Cash and cash equivalents	24					901,479		901,479				
Costs of obtaining/fulfilling a contract						71,938		71,938				
Contractual assets						1,666,894		1,666,894				
Total						**11,220,634**		**11,220,634**		**2,048,576**		**2,048,576**
Financial liabilities reported at fair value												
Derivatives	19		105,624					105,624		105,624		105,624
Total			**105,624**					**105,624**		**105,624**		**105,624**

31 DECEMBER 2019 (CZK THOUSAND)	NOTE	FAIR VALUE - HEDGING INSTRUMENTS	MANDATORILY AT FAIR VALUE FVTPL - OTHER	FVOCI - DEBT INSTRUMENTS	FVOCI - EQUITY INSTRUMENTS	FINANCIAL ASSETS AT AMORTISED COSTS	OTHER FINANCIAL PAYABLES	TOTAL	STAGE 1	STAGE 2	STAGE 3	TOTAL
Financial liabilities not reported at fair value												
Overdraft	19						-2,183,946	-2,183,946		-2,183,946		-2,183,946
Secured bank loans	19						-3,026,714	-3,026,714		-3,026,714		-3,026,714
Unsecured bank loans	19											
Payables from finance leases	19											
Owner loans and loans from other related parties	19						-295,994	-295,994		-295,994		-295,994
Loans from third parties (other loans)	19						-388,844	-388,844		-388,844		-388,844
Trade and other payables	28						-3,558,935	-3,558,935				
Issued bonds including outstanding interest	19						-2,952,896	-2,952,896		-2,952,896		-2,952,896
Short- and long-term contractual payables							-3,222,631	-3,222,631				
Total							**-15,629,960**	**-15,629,960**		**-8,848,394**		**-8,848,394**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FINANCIAL PART — 10

a) Credit Risk

I. Credit Risk Exposure

Credit risk is a risk of the Company incurring a financial loss if the customer or counterparty fails to meet its contractual obligations in transactions with financial instruments. The risk primarily arises in respect of the Group's amounts due from customers and in respect of loans and borrowings. Credit risk is limited in respect of highly liquid assets (cash product on bank accounts) given that counterparties are entities with high credit ratings.

Credit Risk Management in Respect of Trade and Other Receivables

The Group reviews the financial positions of its existing customers and regularly assesses their creditworthiness. In respect of new customers requesting goods and services above a certain limit (determined on the basis of the size and nature of the specific business), the customer is firstly subject to an individual analysis of creditworthiness and only then are standard payment and supply terms proposed to it. The Group assesses the credit quality of customers by reference to their financial position, historical experience and other factors. Individual limits for managing this risk are determined based on internal or external ratings in compliance with the limits stipulated by the Group's internal guidelines. The Group's management regularly assesses the level of credit risk and the size of its exposure and, at least on a monthly basis, monitors the balance of overdue trade receivables. The Group also requires that its customers provide it with appropriate forms of guarantees or collateral.

Impairment Loss and Write-Off of Receivables

The Group recognises allowances for impairment based on an estimate of future expected losses that may be incurred in respect of trade receivables, other receivables and provided loans. Expected future losses are estimated in compliance with the methodology applied by the Group. To measure expected credit losses in relation to the transition to IFRS 9, trade receivables, loans and other receivables were assessed based on the customer's individual rating and days past due (referred to as the "individual approach"). The Group set the individual assessment of receivables in relation to the rating of the debtor's country, the reason being that a majority of the Group's business transactions are concluded with entities directly or closely related to state and public institutions.
Receivables are classified by country of origin of the business from which the receivable is recorded. These countries were assigned rating based on an assessment by Standard and Poors. Using this rating, receivables are classified into three groups based on the risk of potential failure to recover the receivables:

The first low-risk group includes receivables from entities based in countries with a rating of AAA to A-, which are considered to be stable with a low risk of default. A probability of default of 0.1% has been assigned to this group of receivables. This probability corresponds with a one-year probability of default of a corporate client included in the investment grade (refer to Standard and Poors 2016 Annual Global Corporate Default, Table No. 26).
The highest-risk group includes private businesses from countries with a rating of BBB+ and worse, which has been assigned the highest probability of default at 3.66% as of 31 December 2019 (3.83% as of 31 December 2018). This probability corresponds with a one-year probability of default of a corporate client included in the speculative grade (refer to Standard and Poors 2018 Annual Global Corporate Default, Table No. 26 and 2016 Annual Global Corporate Default, Table No. 26).
The middle-risk group includes public entities from countries with a rating of BBB+ and worse. This group has been assigned the probability of default at 2%. This value has been selected as the arithmetic average of the low-risk and high-risk values.
Furthermore, the Group has identified a group of critical receivables which includes receivables to bankrupt or insolvent entities, with a 100% probability of default. In this respect, the Group reports provisions at the level of lifetime loss in respect of all types of receivables (including provided loans).
The Group anticipates loss given default (LGD) at 100%. The Group always reports lifetime expected credit loss in respect of trade receivables, contract assets and receivables arising from leases.
The allowance amount measured in line with the above-described rating-based system additionally includes factors specific to the given debtors, general economic conditions in the debtor's country and the assessment of the existing and expected development of the conditions as of the reporting date, including the recognition of the time value of money, if relevant. The Group has identified GDP and the unemployment rate in the Czech Republic, Vietnam, Indonesia and India, which are the primary destinations of the sale of its goods and services, to be the most significant factors. If a change in these factors is expected, the Group adjusts the probability of default rate for a specific risk mark-up.
In respect of other financial instruments, the Group reports lifetime expected credit loss for their duration, provided a significant increase in credit risk has occurred since initial recognition. However, if credit risk has not significantly increased since initial recognition in respect of the financial instrument, the Group will calculate the allowance for the loss arising from this financial instrument in the amount of expected credit losses over 12 months.

[1] Refer to Standard and Poors 2016 Annual Global Corporate Default, Table No.. 26 – investment grade)
[2] Refer to Standard and Poors 2016 Annual Global Corporate Default, Table No.. 26 – speculative grade)
https://www.spratings.com/documents/20184/774196/2016+Annual+Global+Corporate+Default+Study+And+Rating+Transitions.pdf/2ddcf9dd-3b82-4151-9dab--8e3fc70a7035

Write-off of Receivables

The Group assesses default receivables. If the receivable is assessed not to be recoverable by any means and the statute of limitations has expired – i.e. a period greater than 3 years from the due date – the Group's management will decide to write it off.

II. Impairment losses

The aging analysis and impairment losses in respect of financial assets with the exception of cash and cash equivalents as of the balance sheet date:

Trade and other receivables and contractual assets

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
*Group**				
1	5,741,859	-195,859	-3.41%	No
2	976,648	-49,328	-5.05%	No
3	207,371	-14,352	-6.92%	No
4	518	-518	-100.00%	Yes
Total	**6,926,396**	**-260,057**		

*Low risk (group 1), Middle risk (group 2), High risk (group 3), Critical (group 4)

CZK THOUSAND	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
Maturity				
Before due date	5,917,149	-20,529	0.35%	No
1-90 days past due	659,015	-18,297	2.78%	No
91-180 days past due	107,656	-3,940	3.66%	No
181-360 days past due	50,571	-25,286	50.00%	Yes
More than 360 days past due	192,005	-192,005	100.00%	Yes
Total	**6,926,396**	**-260,057**		

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
Group				
1	2,423,682	-149,125	6.15%	No
2	1,913,900	-30,371	1.59%	No
3	476,038	-121,357	25.49%	No
4	15,952	-15,952	100.00%	Yes
Total	**4,829,572**	**-316,805**		

CZK THOUSAND	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
Maturity				
Before due date	4,305,592	-34,327	0.80%	No
1-90 days past due	195,895	-5,365	2.74%	No
91-180 days past due	37,744	-1,440	3.81%	No
181-360 days past due	29,336	-14,668	50.00%	Yes
More than 360 days past due	261,005	-261,005	100.00%	Yes
Total	**4,829,572**	**-316,805**		

Provided loans and other financial assets

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
Group				
1	2,121,045	-77,359	3.65%	No
2	5,035	-145	2.88%	No
Total	**2,126,080**	**-77,504**		

CZK THOUSAND	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
Maturity				
Before due date	1,958,624	-2,030	0.10%	No
1-90 days past due	93,791	-1,809	1.93%	No
91-180 days past due	--	--	0.00%	No
181-360 days past due	--	--	0.00%	No
More than 360 days past due	73,665	-73,665	100.00%	Yes
Total	**2,126,080**	**-77,504**		

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
Group				
1	1,213,976	-107,272	8.84%	No
2	10,680	-211	1.97%	No
4	568	-568	100.00%	Yes
Total	**1,225,224**	**-108,051**		

CZK THOUSAND	GROSS	ALLOWANCE	AVERAGE CREDIT LOSS	CREDIT IMPAIRED
Maturity				
Before due date	1,120,406	-3,265	0.29%	No
1-90 days past due	0	0	0.00%	No
91-180 days past due	33	-1	3.83%	No
More than 360 days past due	104,785	-104,785	100.00%	Yes
Total	**1,225,224**	**-108,051**		

The following movements were reported in allowances against financial assets in the year ended 31 December 2019:

	Allowance as of	
CZK THOUSAND	2019	2018
Balance at 1 January	**300,945**	**234,827**
Impairment losses reported during the period	80,821	180,288
Cancellation of the impairment loss reported during the period	-15,763	-52,573
Write-off of receivables	-156,917	-131,662
Acquisitions under joint control	--	69,953
Acquisitions via business combinations	6,508	--
Sale of equity investment with loss of control	-1,609	--
Impact of changes in FX rates	-334	112
Balance at 31 December	**213,651**	**300,945**

As of the balance sheet date, the maximum exposure to credit risk is classified by counterparty and geographical location as presented in the tables below.

Credit Risk by Counterparty

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	LEGAL ENTITIES (NON-FINANCIAL INSTITUTIONS)	STATE, GOVERNMENT	FINANCIAL INSTITUTIONS	INDIVIDUALS	OTHER	TOTAL
Other						
Loans and other financial assets	1,319,192	--	112,160	726,205	3,179	**2,160,736**
Trade and other receivables	4,634,599	42,855	7,830	102,948	211,213	**4,999,445**
Contractual assets	1,666,894	--	--	--	--	**1,666,894**
Tax receivables	944	352,238	--	--	--	**353,182**
Cash and cash equivalents	--	--	901,479	--	--	**901,479**
Total	**7,621,629**	**395,093**	**1,021,469**	**829,153**	**214,392**	**10,081,736**

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	LEGAL ENTITIES (NON-FINANCIAL INSTITUTIONS)	STATE GOVERNMENT	STATE GOVERNMENT	INDIVIDUALS	OTHER	TOTAL
Assets						
Loans and other financial assets	755,788	1,070	32,602	389,351	--	**1,178,811**
Trade and other receivables	2,449,856	28,852	184,193	3,258	452,205	**3,118,364**
Contractual assets	1,394,402	--	--	--	--	**1,394,402**
Tax receivables	--	100,350	55,180	--	--	**155,530**
Cash and cash equivalents	--	--	541,399	--	--	**541,399**
Total	**4,600,046**	**130,272**	**813,374**	**392,609**	**452,205**	**6,388,506**

Credit Risk by Territory

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	CZECH REPUBLIC	SLOVAKIA	NETHERLANDS	OTHER*	TOTAL
Assets					
Loans and other financial assets	1,977,442	126,670	5,849	50,775	**2,160,736**
Trade and other receivables	2,079,620	1,109,962	1,298	1,808,565	**4,999,445**
Contractual assets	265,585	155,817	--	1,245,492	**1 666,894**
Tax receivables	187,668	163,818	--	1,696	**353,182**
Cash and cash equivalents	713,403	180,799	--	7,277	**901,479**
Total	**5,223,718**	**1,737,066**	**7,147**	**3,113,805**	**10,081,736**

*The category of "Other" primarily includes receivables from other European Union countries, such as Hungary and Bulgaria, and from other than European Union countries, such as United Arab Emirates, Pakistan and Vietnam.

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	CZECH REPUBLIC	SLOVAKIA	NETHERLANDS	OTHER*	TOTAL
Assets					
Loans and other financial assets	1,052,505	109,531	5,796	10,979	**1,178,811**
Trade and other receivables	1,295,563	136,275	1,244	1,685,283	**3,118,365**
Contractual assets	7,540	63,578	--	1,323,283	**1,394,401**
Tax receivables	88,645	66,885	--	--	**155,530**
Cash and cash equivalents	449,758	90,320	--	1,321	**541,399**
Total	**2,894,011**	**466,589**	**7,040**	**3,020,866**	**6,388,506**

*The category of "Other" primarily includes receivables from other European Union countries, such as Hungary and Bulgaria, and from other than European Union countries, such as United Arab Emirates, Pakistan and Vietnam.

b) Liquidity Risk

Liquidity risk is a risk of the Group running into difficulties in meeting its commitments in relation to financial liabilities that are settled through cash or other financial assets. Individual Group entities use different methods to manage liquidity risk.

The Group's management focuses on the methods used by financial institutions, i.e. diversifying the sources of funds. Thanks to the diversification, the Group is more flexible and its dependency, if any, on a single source of funding, is limited. Liquidity risk is primarily assessed by monitoring the changes in the structure of funding and by comparing the changes with the Group's liquidity risk management strategy.

The below-stated table presents a breakdown of the Group's financial liabilities classified by their due dates, specifically by the period remaining from the balance sheet date until the contractual maturity date. In situations when options and payment schedules make earlier repayment possible, the Group applies maximum caution in assessing the due dates. Therefore, the due dates of liabilities are presented at the earliest possible dates. Liabilities without contractually stipulated due dates are classified under the "unspecified due date" category.

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	FEWER THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED DUE DATE
Liabilities							
Loans and borrowings	6,837,114	7,544,112	1,136,757	3,480,507	1,281,209	623,858	1,021,781
Bonds	2,952,896	3,539,869	38,854	135,075	3,365,940	--	--
Trade and other payables	1,345,464	1,239,956	1,138,540	55,979	44,724	713	--
Lease liabilities	830,694	936,201	--	127,062	298,985	510,154	--
Total	**11,966,168**	**13,260,138**	**2,314,151**	**3,798,623**	**4,990,858**	**1,134,725**	**1,021,781**

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	FEWER THAN 3 MONTHSE	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED DUE DATE
Liabilities							
Loans and borrowings	5,038,563	5,282,291	863,568	2,554,117	1,033,013	4,480	827,113
Bonds	2,073,553	2,342,186	21,749	72,690	2,247,747	--	--
Trade and other payables	2,147,970	2,147,970	668,706	1,320,886	50,866	8,980	98,532
Total	**9,260,086**	**9,772,447**	**1,554,023**	**3,947,693**	**3,331,626**	**13,460**	**925,645**

The value of loans under "unspecified due date" represents loans that have no set contractual maturity but they are payable upon the creditor's request.

The Group does not expect that the cash flows included in the analysis of due dates would fall due earlier or in much larger volumes.

Among others, financial liabilities were also used to fund non-current assets and inventories.

c) Interest Rate Risk

During its activities, the Group is exposed to the risk of interest rate fluctuations, the reason being that the interest-bearing assets (including investments) and interest-bearing liabilities have various due dates or interest rate refixing dates. The period during which a specific financial instrument has a fixed interest rate shows to what extent the financial instrument is exposed to interest rate risk.

The Group manages interest rate risk through interest rate swaps. As of 31 December 2019 and 2018, CSG a. s. had interest rate swaps in place, hedging floating 6M Pribor interest rates at a fixed rate of 1.5% for a credit facility in the total volume of CZK 2,100,000 thousand during the period from 2019 to 2025. As of 31 December 2019 and 2018, DAKO-CZ had an interest rate swap in place, hedging floating interest rates in EUR at a fixed rate of 1.21% for a credit facility in the total volume of EUR 282,644 (2018: EUR 1,130,780).

As of 31 December 2019 and 2018, JOB AIR TECHNIC a. s. had concluded an interest rate swap for the fixed rate of 0.365% to secure the floating interest rate of a loan of EUR 9,583,333 (2018: EUR 10,000,000).

As of 31 December 2019, EXCALIBUR ARMY spol. s r. o. had concluded an interest option for the fixed rate of 0.120% to secure the floating interest rate of a loan of EUR 1,963,500.

The table presented below shows information on the level of the Group's interest rate risk either based on the contractual maturity periods of the Group's financial instruments or – in respect of financial instruments remeasured at the market interest rate before the due date – based on the date of the next interest rate change. Assets and liabilities that do not have a contractually stipulated maturity period or do not bear interest are classified under the "unspecified due date" category.

Financial information relating to interest-bearing and non-interest-bearing assets and liabilities and their contractual maturity or restatement dates as of 31 December 2019 and 31 December 2018 not including the effects of derivatives are as follows:

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	FLOATING INTEREST RATE			FIXED INTEREST RATE OR UNSPECIFIED	TOTAL
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS		
Interest-bearing financial assets					
Loans and other financial assets	1,474,662	32,444	0	653,630	**2,160,736**
Total	**1,474,662**	**32,444**	**0**	**653,630**	**2,160,736**
Interest-bearing financial liabilities					
Loans and borrowings	3,760,476	1,281,217	195,681	658,124	**5,895,498**
Bonds	--	2,900,500	0	52,396	**2,952,896**
Total	3,760,476	4,181,717	195,681	710,520	**8,848,394**
Net interest-rate risk balance	**-2,285,814**	**-4,149,273**	**-195,681**	**-56,890**	**-6,687,658**

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	FLOATING INTEREST RATE			FIXED INTEREST RATE OR UNSPECIFIED	TOTAL
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS		
Interest-bearing financial assets					
Loans and other financial assets	982,213	33	--	196,565	**1,178,811**
Total	**982,213**	**33**	**--**	**196,565**	**1,178,811**
Interest-bearing financial liabilities					
Loans and borrowings	3,556,247	588,028	--	709,115	**4,853,390**
Bonds	--	2,066,109	--	7,444	**2,073,553**
Total	3,556,247	2,654,137	--	716,559	**6,926,941**
Net interest-rate risk balance	**-2,574,034**	**-2,654,104**	**--**	**-519,994**	**-5,748,130**

Sensitivity Analysis

The Group performs stress testing using the standardised interest rate shock scenario, during which an immediate decrease/increase in interest rates of 100 basis points is applied to the portfolio interest rate positions in the whole length of the revenue curve.

As of the balance sheet date, the change in interest rates of 100 basis points would increase or decrease profit by the amounts presented in the following table. The analysis assumes that all other variables, namely foreign currency exchange rates, will remain unchanged.

CZK THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Interest rate decrease of 100 basis points	51,545	40,783
Interest rate increase of 100 basis points	-51,545	-40,783

Following the recognition of the above-describe derivative, only a portion of CZK 870,500 thousand is effectively exposed to the floating interest rate risk.

d) Currency Risk

The Group's financial positions and cash flows are affected by fluctuations in the effective foreign exchange rate.

The entities in the Group are exposed to currency risk in relation to sales, purchases and loans denominated in currencies other than the relevant functional currencies applied by the Group. This primarily includes EUR and USD in respect of Czech entities and CZK and USD in respect of Slovak entities. For more information about the countries where the entities primarily operate, refer to Note 35.

The Company manages currency risk by concluding derivative transactions to hedge future cash flows (however, this does not constitute hedge accounting) and also covers currency risk management for the CSG Group.

The table below presents a summary of currency derivatives for sale and purchase in 2020, 2021 and 2022 recorded by the Group as of 31 December 2019 (the values are presented in CZK thousand as equivalents):

CZK THOUSAND	2020			2021			2022		
	EUR	USD	TOTAL	EUR	USD	TOTAL	EUR	USD	TOTAL
Currency derivatives for purchase									
FX forward	-44,494	--	**-44,494**	--	--	--	--	--	--
FX Option	-468,000	--	**-468,000**	-934,560	--	**-934,560**	-466,560	--	**-466,560**
FX Swap	-76,617	-32,930	**-109,547**	--	--	--	--	--	--
Total currency derivatives for purchase	**-589,111**	**-32,930**	**-622,041**	**-934,560**	**--**	**-934,560**	**-466,560**	**--**	**-466,560**
Currency derivatives for sale									
FX forward	1,159,695	425,453	**1,585,148**	471,712	13,803	**485,515**	--	--	**--**
FX Option	468,000	--	**468,000**	934,560	--	**934,560**	466,560	--	**466,560**
FX Swap	795,132	80,950	**876,082**	349,555	--	**349,555**	--	--	**--**
Total currency derivatives for sale	**2,422,827**	**506,403**	**2,929,230**	**1,755,827**	**13,803**	**1,769,630**	**466,560**	--	**466,560**

CZK THOUSAND	2019			2020		
	EUR	USD	TOTAL	EUR	USD	TOTAL
Currency derivatives for purchase						
FX forward	-429,922	--	**-429,922**	-484,239	--	**-484,239**
FX Option	-523,953	--	**-523,953**	-84,544	--	**-84,544**
Total currency derivatives for purchase	**-953,875**	**--**	**-953,875**	**-568,783**	**--**	**-568,783**
Currency derivatives for sale	1,367,751	952,658	**2,320,409**	868,339	418,059	**1,286,398**
FX forward	769,538	--	**769,538**	120,475	--	**120,475**
FX Option	33,469	33,913	**67,382**	39,665	--	**39,665**
Total currency derivatives for sale	**2,170,758**	**986,571**	**3,157,329**	**1,028,479**	**418,059**	**1,446,538**

The following table presents the structure of assets and liabilities as of 31 December 2019 (31 December 2018) by currency (translated to CZK thousand) at the level of the Group:

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	CZK	EUR	HUF	USD	OTHER	TOTAL
Assets						
Loans and other financial assets	1,745,318	373,242	--	41,663	513	**2,160,736**
Trade and other receivables	1,677,424	1,776,969	3,432	1,724,805	82,400	**5,265,030**
Contractual assets	--	221,985	330	1,178,994	--	**1,401,309**
Cash and cash equivalents	392,499	286,668	2,013	206,760	13,539	**901,479**
Total assets	**3,815,241**	**2,658,864**	**5,775**	**3,152,222**	**96,452**	**9,728,554**
Liabilities						
Loans and borrowings	3,341,925	3,039,250	1,627	453,410	902	**6,837,114**
Bonds	2,952,896	--	--	--	--	**2,952,896**
Trade and other payables	2,496,086	1,615,917	--	632,535	26,436	**4,770,974**
Total liabilities	**8,790,907**	**4,655,167**	**1,627**	**1,085,945**	**27,338**	**14,560,984**
Net currency risk balance	**-4,975,666**	**-1,996,303**	**4,148**	**2,066,277**	**69,114**	**-4,832,430**

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	CZK	EUR	USD	OTHER	TOTAL
Assets					
Loans and other financial assets	846,171	329,184	3,404	52	**1,178,811**
Trade and other receivables	889,278	1,057,408	1 113,980	57,698	**3,118,364**
Contractual assets	7,540	328,390	1,058,472	--	**1,394,402**
Cash and cash equivalents	204,738	244,897	85,327	6,437	**541,399**
Total assets	**1,947,727**	**1,959,879**	**2,261,183**	**64,187**	**6,232,976**
Liabilities					
Loans and borrowings	2,316,494	2,323,570	345,774	52,726	**5,038,564**
Bonds	2,073,553	--	--	--	**2,073,553**
Trade and other payables	1,130,820	1,085,237	815,450	191,734	**3,223,241**
Total liabilities	**5,520,867**	**3,408,807**	**1,161,224**	**244,460**	**10,335,358**
Net currency risk balance	**-3,573,140**	**-1,448,928**	**1,099,959**	**-180,273**	**-4,102,382**

The following table presents the exposure to currency risk as of 31 December 2019 (31 December 2018) without the recognition of financial derivatives:

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	CZK	EUR	HUF	USD	OTHER	TOTAL
Assets						
Loans and other financial assets	--	274,804	--	41,663	513	**316,980**
Trade and other receivables	125	1,399,105	3,432	2,810,124	82,400	**4,295,186**
Contractual assets	--	--	330	93,675	--	**94,006**
Cash and cash equivalents	20	106,054	2,013	206,760	13,539	**328,386**
Total assets	**145**	**1,779,963**	**5,775**	**3,152,223**	**96,452**	**5,034,558**
Liabilities						
Loans and borrowings	--	1,142,774	1,627	453,410	903	**1,598,714**
Trade and other payables	64,299	1,299,154	--	916,185	28,354	**2,307,992**
Total liabilities	**64,299**	**2,441,928**	**1,627**	**1,369,595**	**29,257**	**3,906,706**
Net currency risk balance	**-64,154**	**-661,965**	**4,148**	**1,782,628**	**67,195**	**1,127,852**

AS 31 DECEMBER 2018 (CZK THOUSAND)	CZK	EUR	USD	OTHER	TOTAL
Assets					
Loans and other financial assets	--	290,982	3,404	51	**294,437**
Trade and other receivables	--	467,127	1,113,980	57,698	**1,638,806**
Contractual assets	--	264,814	1,058,472	--	**1,323,283**
Cash and cash equivalents	232	164,403	85,327	6,437	**256,399**
Total assets	**232**	**1,187,324**	**2,261,183**	**64,186**	**3,512,925**
Liabilities					
Loans and borrowings	56,401	761,831	345,774	52,725	**1,216,731**
Bonds	--	--	--	--	**--**
Trade and other payables	3,234	532,041	815,450	191,734	**1,542,459**
Total liabilities	**59,635**	**1,293,872**	**1,161,224**	**244,459**	**2,759,190**
Net currency risk balance	**-59,403**	**-106,548**	**1,099,959**	**-180,273**	**753,735**

The following material exchange rates applied during the year:

CZK	31 DECEMBER 2019		31 DECEMBER 2018	
	AVERAGE RATE	SPOT EXCHANGE RATE AS OF THE BALANCE SHEET DATE	AVERAGE RATE	SPOT EXCHANGE RATE AS OF THE BALANCE SHEET DATE
1 EUR	25.672	25.410	25.642	25.725
1 USD	22.934	22.621	21.735	22.466

Sensitivity Analysis

The strengthening of the Czech crown as of the balance sheet date (as presented below) compared to EUR and USD would result in an increase/decrease of equity as presented in the table below. The analysis is based on the departures from foreign currency exchange rates which the Group considered to be sufficiently likely at of the balance sheet date. The sensitivity analysis anticipates that all other variables, namely interest rates, will remain unchanged.

EFFECT ON PROFIT OR LOSS IN CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
EUR (10% strengthening)	235,391	144,856
USD (10% strengthening)	-178,263	-109,996

The weakening of the Czech crown as of the balance sheet date compared to the above listed currencies would have the same effect (albeit with the opposite sign), provided that all the other variables remained the same.

e) Operating Risk

Operating risk is a risk of losses arising from embezzlement, unlawful activities, errors, negligence, inefficiency or system failure. The risk of this type arises during all of the Group's activities and all of the corporate entities are exposed to it. Operating risk also includes legal risk.

The Group's objective is to manage operating risk so that balance is preserved between preventing financial losses and damage to the Group's good name on the one hand, and the total effectiveness of the costs incurred on the other hand. In addition, risk management procedures should not hinder initiative and creativity.

The primary responsibility for the implementation of control mechanisms to cope with operating risks is borne by management of each subsidiary. The Group's management is responsible for managing operating risks, whereby it may set the direction of procedures and measures resulting in the mitigation of operating risks and the adoption of decisions about:

- The acknowledgement of individual existing risks;
- The commencement of processes that will result in the mitigation of possible effects; or
- A decrease in the extent of risky activities or their full discontinuation.

f) Capital Management

The Group's objective in managing capital is to have a sufficient amount of funds to finance additional acquisitions and settlement of financial liabilities. The Company is subject to external capital requirements arising from bond placement terms. Furthermore, the Company and its subsidiaries are subject to requirements arising from contracts with banks.

As of the balance sheet date, the Group reported the following ratio of debt to adjusted capital:

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Total liabilities	18,821,457	12,709,952
Decrease for cash and cash equivalents	-901,479	-541,399
Adjusted net debt	**17,919,978**	**12,168,553**
Total equity attributable to the holders of the Company's equity	7,317,565	6,157,031
Decrease for amounts accumulated in equity in relation to cash flow hedging	--	--
Adjusted capital	7,317,565	6,157,031
Ratio of debt to adjusted capital	**2.45**	**1.98**

33. Operating Segments

The Group reports its results divided by individual operating segments, for which individual financial indicators exist and are monitored and assessed by management on an individual basis. These financial indicators principally include income from external customers (from the sale of own products, goods, from provided services, rental and long-term contracts) and operating expenses which, in the aggregate, constitute the income from operating activities. Management also monitors and assesses total assets and liabilities in respect of individual segments.
At the Group level, operating segments comprise individual group entities with a similar economic specialisation and business activity.

The Group is divided into the following segments:

1) Defence industry

This segment comprises group entities whose principal business activity involves trade and manufacturing activities, or providing services in the area of military material, military equipment and systems. A major portion of sales is realised with external customers outside the CSG Group, namely in the European Union, Asia and Africa. This segment is dominated by Excalibur Army s. r. o., Czech leader on the military material market offering a wide range of military vehicles, weapon systems and ammunition for which it provides comprehensive services – spare parts, ammunition, repairs and modernisation. Some vehicles are manufactured internally directly by Excalibur Army s. r. o. and so is a wide array of spare parts. EXCALIBUR INTERNATIONAL specialises in trading with aviation technology and special material including related logistics and after-sale services. The Slovak entity MSM Martin a. s. predominantly focuses on the repairs of ground military equipment and modernisation of military and special vehicles including the sale of spare parts. Furthermore, the company specialises in the production of ammunition; its services cover the entire ammunition life cycle including technical life extensions. The Company also develops and produces radio-navigation electronics. The Slovak entities ZVS deal with the production of ammunition and development, production and sale of guns.

2) Engineering

Major players in the engineering segment principally include DAKO-CZ, a. s. and Vagonka Louny a. s. DAKO-CZ, a. s. specialises in the production of braking systems for railway vehicles and Vagonka Louny a. s. specialises in the repair and production of railway cars. Companies in this segment realise most of their sales outside the CSG Group.

3) Services to the aircraft industry

The following entities operate in this segment: Česká letecká servisní a. s., EUROPEAN AIR SERVICES s. r. o., JOB AIR Technic a. s. and ELDIS Pardubice, s. r. o. These entities principally focus on the maintenance and repairs of aircraft and aircraft equipment. In 2019, this segment was expanded to include Skyport a. s.

4) Other

The operating segment 'Other' includes entities having an economic specialisation different from that of entities included in the operating segments disclosed above. The income generated by those entities is principally attributable to the rental of real estate and sales of consumables. In 2019, this segment was expanded to include companies acquired with the Car Star Group.
The above-specified operating segments have their individual management at the level of individual entities; their accounting policies are identical. The Company accounts for the income and transactions between segments as if they represented income and transaction with third parties, i.e. at the level of arm's length prices.

The following tables summarise information on operating segments for the period from 1 January 2019 to 31 December 2019 and as of 31 December 2019 and for the period from 1 January 2018 to 31 December 2018 and as of 31 December 2018:

Profit after tax

YEAR ENDED 31 DEC 2019 (CZK THOUSAND)	DEFENCE INDUSTRY	ENGINEERING	SERVICES TO THE AIRCRAFT INDUSTRY	TOTAL MONITORED SEGMENTS	ALL OTHER SEGMENTS	ELIMINATION OF MUTUAL RELATIONS	CONSOLIDATED DATA
External customers	5,853,993	1,360,621	2,899,134	10,113,748	1,725,378	--	11,839,126
Between segments	31,584	5,313	54,665	91,562	193,195	-284,757	--
Sales	**5,885,577**	**1,365,934**	**2,953,799**	**10,205,310**	**1,918,573**	**-284,757**	**11,839,126**
Totel operating expenses*	-5,205,618	-1,263,530	-2,111,152	-8,580,300	-1,608,860	284,757	-9,904,403
EBITDA**	**679,959**	**102,404**	**842,647**	**1,625,010**	**309,713**	**--**	**1,934,723**
Depreciation of fixed assets	-189,735	-127,539	-157,479	-474,753	-81,112	--	-555,865
Operating income***	**490,224**	**-25,135**	**685,168**	**1,150,257**	**228,601**	**--**	**1,378,858**
Interest income	7,063	2,212	12,215	21,490	93,018	-41,277	73,231
Interest expenses	-116,185	-17,134	-41,533	-174,852	-201,357	41,277	-334,932
Share on the profit of associates	--	--	--	--	102,257	--	102,257
Profit /loss from the sale of a business share	--	--	--	--	552,936	--	552,936
Profit before tax	**381,102**	**-40,057**	**655,850**	**996,895**	**775,455**	**--**	**1,772,350**
Income tax	-161,610	-33,368	-105,887	-300,865	-64,882	--	-365,747
Profit after tax	**219,492**	**-73,425**	**549,963**	**696,030**	**710,573**	**--**	**1,406,603**

*Operating expenses include material consumption, movements in products and production in progress, costs of sold goods, staff costs, net other operating expenses/income, net financial expenses/income (net of interest).
**EBITDA includes profit before tax, interest and depreciation.
***The above turnovers do not correspond to the final statement positions due to the inclusion of net financial income/expenses (net of interest) in this position.

YEAR ENDED 31 DEC 2018 (CZK THOUSAND)	DEFENCE INDUSTRY	ENGINEERING	SERVICES TO THE AIRCRAFT INDUSTRY	TOTAL MONITORED SEGMENTS	ALL OTHER SEGMENTS	ELIMINATION OF MUTUAL RELATIONS	CONSOLIDATED DATA
External customers	6,957,417	1,095,475	2,901,198	**10,954,090**	501,958	--	**11,456,048**
Between segments	1,490,920	100,656	70,902	**1 662,478**	185,014	-1,847,492	**--**
Sales	**8,448,337**	**1,196,131**	**2,972,100**	**12,616,568**	**686,972**	**-1,847,492**	**11,456,048**
Totel operating expenses*	**-7,391,273**	**-1,294,779**	**-1,978,416**	**-10,664,468**	**-761,880**	**1,847,492**	**-9,578,856**
EBITDA**	**1,057,064**	**-98,647**	**993,684**	**1,952,101**	**-74,909**	**--**	**1,877,192**

YEAR ENDED 31 DEC 2018 (CZK THOUSAND)	DEFENCE INDUSTRY	ENGINEERING	SERVICES TO THE AIRCRAFT INDUSTRY	TOTAL MONITORED SEGMENTS	ALL OTHER SEGMENTS	ELIMINATION OF MUTUAL RELATIONS	CONSOLIDATED DATA
Depreciation/amortisation of fixed assets	-143,328	-104,223	-121,044	**-368,595**	-34,620	--	**-403,215**
Operating income* **	**913,736**	**-202,870**	**872,640**	**1,583,506**	**-109,529**	**--**	**1,473,978**
Interest income	167	355	9,483	**10,005**	43,774	-26,697	**27,081**
Interest expenses	-76,004	-11,709	-13,636	**-101,349**	-140,630	26,697	**-215,282**
Share on the profit of associates	--	--	-8,450	**-8,450**	-269,933	--	**-278,383**
Profit /loss from the sale of a business share	-13,059	--	--	**-13,059**	281,699	--	**268,640**
Profit before tax	**824,839**	**-214,224**	**860,037**	**1,470,652**	**-194,619**	**--**	**1,276,033**
Income tax	-114,043	-11,476	-181,334	**-306,854**	-18,915	--	**-325,769**
Profit after tax	**710,796**	**-225,700**	**678,702**	**1,163,799**	**-213,534**	**--**	**950,265**

*Operating expenses include material consumption, movements in products and production in progress, costs of sold goods, staff costs, net other operating expenses/income, net financial expenses/income (net of interest).
**EBITDA includes profit before tax, interest and depreciation.
***The above turnovers do not correspond to the final statement positions due to the inclusion of net financial income/expenses (net of interest) in this position.

Total assets and liabilities by segments

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	DEFENCE INDUSTRY	ENGINEERING	SERVICES TO THE AIRCRAFT INDUSTRY	TOTAL MONITORED SEGMENTS	ALL OTHER SEGMENTS	ELIMINATION OF MUTUAL RELATIONS	CONSOLIDATED DATA
Total assets per segment	13,316,422	2,319,225	7,225,234	22,860,881	7,417,669	-2,750,811	27,527,739
Entities accounted for using the equity method	--	--	--	--	1,875,945	--	1,875,945
Capital expenses (CAPEX)	594,157	81,533	1,031,054	1,706,744	362,630	--	2,069,374
Total liabilities per segment	-10,164,431	-1,319,820	-3,926,341	-15,410,592	-6,161,676	2,750,811	-18,821,457

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	DEFENCE INDUSTRY	ENGINEERING	SERVICES TO THE AIRCRAFT INDUSTRY	TOTAL MONITORED SEGMENTS	ALL OTHER SEGMENTS	ELIMINATION OF MUTUAL RELATIONS	CONSOLIDATED DATAE
Total assets per segment	10,320,151	1,992,744	4,189,066	16,501,961	5,698,417	-1,846,436	20,353,942
Entities accounted for using the equity method	17,225	--	28,143	45,368	1,769,209	--	1,814,577
Capital expenses (CAPEX)	403,216	103,651	527,936	1,034,803	561,013	--	1,595,816
Total liabilities per segment	-7,005,531	-1,066,214	-1,902,499	-9,974,243	-4,582,145	1,846,436	-12,709,952

Information by country

The tables below summarise the assets of operating segments by asset location:

AS OF 31 DECEMBER 2019 (CZK THOUSAND)	CZECH REPUBLIC	SLOVAKIA	SERBIA	MACEDONIA	TOTAL OPERATING SEGMENTS	CONSOLIDATED DATA
Property, plant and equipment	4,332,928	1,844,492	114,138	75,566	6,367,124	6,367,124
Intangible assets	734,087	235,066	--	10,008	979,161	979,161
Investment property	67,509	--	--	--	67,509	67,509
Total	**5,134,524**	**2,079,558**	**114,138**	**85,574**	**7,413,794**	**7,413,794**

AS OF 31 DECEMBER 2018 (CZK THOUSAND)	CZECH REPUBLIC	SLOVAKIA	SERBIA	TOTAL OPERATING SEGMENTS	CONSOLIDATED DATA
Property, plant and equipment	2,664,642	1,377,497	107,846	4,149,985	4,149,985
Intangible assets	672,697	210,173	--	882,870	882,870
Investment property	142,102	--	--	142,102	142,102
Total	**3,479,441**	**1,587,670**	**107,846**	**5,174,957**	**5,174,957**

Major customers

The Group's analysis of the customer base identified a single major customer in 2019. Its total income amounted to CZK 1,272,661 thousand (year ended 31 December 2018: CZK 1,088,282 thousand), accounting for 10.75% of the Group's aggregate sales, 23% in the aircraft segment and 77% in the defence industry (2018: 9.50% in the aircraft segment). In 2019, five major customers accounted for 29.84% of the Group's aggregate sales. In 2018, three major customers accounted for 17.67% of the Group's aggregate sales.

34. Related Parties

Definition of related parties
The Group's relations with related parties include relations with shareholders and other parties as disclosed in the table below.

a) Summary of balances with related parties as of 31 December 2019 and 31 December 2018:

CZK THOUSAND	RECEIVABLES AND OTHER FINANCIAL ASSETS (2019)	PAYABLES AND OTHER FINANCIAL LIABILITIES (2019)	RECEIVABLES AND OTHER FINANCIAL ASSETS (2018)	PAYABLES AND OTHER FINANCIAL LIABILITIES (2018)
Shareholders	715,625	--	298,954	--
Related parties and related individuals	1,085,072	749,108	455,859	485,159
Key management of the Group	49,176	8,845	2,000	36,584
Non-controlling equity interests	144,874	360,165	3,092	124,139
Associates and joint ventures	49,904	236,474	37,796	569,571
Total	**2,044,651**	**1,354,592**	**797,701**	**1,215,453**

b) Summary of balances with related parties for the years ended 31 December 2019 and 31 December 2018:

CZK THOUSAND	INCOME 2019	EXPENSE 2019	INCOME 2018	EXPENSE 2018
Shareholders	30 188	1 500	--	--
Related parties and individuals	80 571	146 180	272 327	253 187
Key management of the Group	20	607	--	--
Non-controlling equity interests	184 559	6 474	--	--
Associates and joint ventures	74 800	50 288	52 156	148 557
Total	**370 138**	**205 049**	**324 483**	**401 744**

Transactions with shareholders and the Group's key management consist of relations arising from received and provided loans. Transactions with related parties and related individuals as well as with associates and joint ventures principally include business relations and relations arising from received and provided loans.
Transactions with members of the top management are disclosed in Note 9 – Staff Costs.
All transactions have been realised under arm's length conditions.

35. Group Entities

Disclosed below is a list of Group entities as of 31 December 2019:

		31 DECEMBER 2019			31 DECEMBER 2018		
ENTITY	COUNTRY OF REGISTRATION	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD
CZECHOSLOVAK GROUP a. s.	Czech Republic	100%	Parent company	--	100%	Parent company	--
EXCALIBUR ARMY spol. s r. o.	Czech Republic	90.00%	Direct	Full	90.00%	Direct	Full
EG POLSKA sp. z.o.o.	Poland	42.66%	Direct	Unconsolidated	42.66%	Direct	Unconsolidated
Tovární 1112 a. s.	Czech Republic	--	--	--	90.00%	Direct	Full
CZECH DEFENCE SYSTEMS a. s.	Czech Republic	90.00%	Direct	Full	90.00%	Direct	Full
SHER Technologies a. s.	Czech Republic	45.90%	Direct	Full	45.90%	Direct	Full
LIKVIDACE ODPADU CZ a. s.	Czech Republic	--	--	--	100.00%	Direct	Full
TATRA DEFENCE VEHICLE a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
TATRA Holdings s. r. o.	Czech Republic	19.65%	Direct	Unconsolidated	--	--	--
TECHPARK Hradubická a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
TATRA AVIATION a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
VÍTKOVICKÁ DOPRAVA, a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
TRADITION CS a. s.	Czech Republic	97.50%	Direct	Full	100.00%	Direct	Full
ATRAK a. s. (TRADITION SPV 1 a. s.)	Czech Republic	97.50%	Direct	Full	--	--	--
CS SOFT a. s.	Czech Republic	78.00%	Direct	Full	80.00%	Direct	Full
MSM GROUP s. r. o.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
CZECHOSLOVAKIA TRADE a. s.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
MSM Martin, s. r. o.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
MSM Banská Bystrica, a. s. (TESLA Pardubice, a. s.)	Slovakia	81.00%	Direct	Full	78.57%	Direct	Full
MSM Nováky, a. s. (ZVS Industry, a. s.)	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
ZVS-Armory, s. r. o. (CZ-Slovensko s. r. o.)	Slovakia	81.00%	Direct	Full	39.69%	Direct	Equity
MSM Holding, s. r. o.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
Slovak Training Academy, s. r. o.	Slovakia	93.19%	Direct	Full	86.54%	Direct	Full

ENTITY	COUNTRY OF REGISTRATION	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD
EHC Service s. r. o.	Slovakia	93.19%	Direct	Full	86.54%	Direct	Full
HELI COMPANY s. r. o.	Slovakia	83.87%	Direct	Full	77.89%	Direct	Full
STA Technology, s. r. o. (MSM DEFENCE INDUSTRY s. r. o.)	Slovakia	93.19%	Direct	Full	81.00%	Direct	Full
ZVS IMPEX, akciová spoločnosť	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
Industry Defence, s. r. o.	Slovakia	81.00%	Direct	Unconso-lidated	81.00%	Direct	Equity
ZVS Technology, s. r. o.	Slovakia	27.54%	Direct	Unconso-lidated	27.54%	Direct	Equity
ATLAN GROUP, spol. s r. o.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
ZVS holding, a. s.	Slovakia	40.50%	Indirect	Full	40.50%	Indirect	Full
SBS ZVS, s. r. o.	Slovakia	40.50%	Direct	Full	40.50%	Direct	Full
ZVS Defence Industrial, s. r. o.	Slovakia	4.05%	Direct	Unconso-lidated	4.05%	Direct	Unconso-lidated
VÝVOJ Martin, a. s.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
VMT Trade s. r. o.	Slovakia	81.00%	Direct	Unconso-lidated	81.00%	Direct	Full
Virte, a. s.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
MSM LAND SYSTEMS s. r. o. (Montservis s. r. o)	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
ZVS Ammunition, a. s.	Slovakia	81.00%	Direct	Full	81.00%	Direct	Full
MSM TATRA Special Vehicles, s. r. o.	Slovakia	73.16%	Direct	Full	73.16%	Direct	Full
MSM - OPTICAL, s. r. o.	Slovakia	41.31%	Direct	Unconso-lidated	41.31%	Direct	Equity
MSM e-mobility division j. s. a.	Slovakia	72.90%	Direct	Full	48.60%	Indirect	Full
PPS VEHICLES, s. r. o.	Slovakia	76.95%	Direct	Unconso-lidated	--	--	--
European Automotive Technology Centre j. s. a.	Slovakia	48.6%	Direct	Unconso-lidated	--	--	--
MSM BUSINESS DEVELOPEMENT s. r. o.	Slovakia	81.00%	Direct	Full	--	--	--
Slovak Aviation Factory, s. r. o.	Slovakia	81.00%	Direct	Full	--	--	--
DPTU SUMBRO TRADE Dooel Samokov Makedonski Brod	Macedo-nia	81.00%	Direct	Full	--	--	--
KARBOX Holding s. r. o.	Czech Republic	100.00%	Direct	Full	15.00%	Indirect	Full
KARBOX s. r. o.	Czech Republic	100.00%	Direct	Full	15.00%	Indirect	Full
DEFENCE EXPORT a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
CSG FACILITY a. s.	Czech Republic	--	--	--	100.00%	Direct	Full
AVIA Motors s. r. o.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full

ENTITY	COUNTRY OF REGISTRATION	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD
AVIA Electric a. s.	Czech Republic	50.00%	Direct	Equity	--	--	--
INTEGRA CAPITAL a. s.	Czech Republic	100.00%	Direct	Full	50.00%	Direct	Full
JOB AIR Technic a. s.	Czech Republic	80.30%	Direct	Full	40.15%	Direct	Full
ZTS METALURG a. s.	Slovakia	--	--	--	50.00%	Direct	Full
ZTS METALURG špeciál, s. r. o.	Slovakia	--	--	--	50.00%	Direct	Full
EXCALIBUR INTERNATIONAL a. s.	Czech Republic	100.00%	Direct	Full	90.00%	Direct	Full
EXCALIBUR INTERNATIONAL HU Kft.	Hungary	100.00%	Direct	Unconso-lidated	90.00%	Direct	Unconso-lidated
REAL TRADE PRAHA a. s.	Czech Republic	0.00%	Indirect	Full	0.00%	Indirect	Full
SPVRTP CZ s. r. o.	Czech Republic	0.00%	Indirect	Unconso-lidated	0.00%	Indirect	Unconso-lidated
CSGM a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
DAKO-CZ, a. s.	Czech Republic	51.00%	Direct	Full	51.00%	Direct	Full
JWL DAKO-CZ (INDIA) LIMITED RN	India	16.98%	Direct	Unconso-lidated	16.98%	Direct	Equity
Shenyang Czech Design Rail Brake System Co., Ltd	China	51.00%	Direct	Unconso-lidated	51.00%	Direct	Unconso-lidated
DAKO-CZ RE, s. r. o.	Czech Republic	51.00%	Direct	Full	--	--	--
TRANSELCO CZ s. r. o.	Czech Republic	51.00%	Direct	Full	--	--	--
Vagonka Louny a. s.	Czech Republic	51.00%	Direct	Full	--	--	--
Anji s. r. o.	Czech Republic	50.00%	Direct	Equity	50.00%	Direct	Equity
Na Poříčí 17 s. r. o.	Czech Republic	50.00%	Direct	Equity	50.00%	Direct	Equity
TATRA a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
EXCALIBUR USA a. s.	Czech Republic	51.00%	Direct	Unconso-lidated	51.00%	Direct	Unconso-lidated
ARMY TRADE a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
CSG INDUSTRY a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
Car Star Fleet s. r. o.	Czech Republic	100.00%	Direct	Full	--	--	--
Car Star Immo s. r. o.	Czech Republic	100.00%	Direct	Full	--	--	--

ENTITY	COUNTRY OF REGISTRATION	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD
Car Star Praha s. r. o.	Czech Republic	100.00%	Direct	Full	--	--	--
Hyundai Centrum CB s. r. o.	Czech Republic	100.00%	Direct	Full	--	--	--
Hyundai Centrum Praha s. r. o.	Czech Republic	100.00%	Direct	Full	--	--	--
Whare factory s. r. o.	Czech Republic	100.00%	Direct	Full	--	--	--
CSG RDR a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
ELDIS Pardubice, s. r. o.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
CZECHOSLOVAK EXPORT a. s. (ARMY SYSTEMS a. s.)	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
HTH land a. s.	Czech Republic	100.00%	Direct	Full	88.00%	Direct	Full
LIAZ TRUCKS a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
NIKA Development a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
TATRA TRUCKS a. s.	Czech Republic	65.00%	Direct	Equity	65.00%	Direct	Equity
TATRA METALURGIE a. s.	Czech Republic	65.00%	Direct	Equity	65.00%	Direct	Equity
TATRA EXPORT s. r. o.	Czech Republic	65.00%	Direct	Equity	65.00%	Direct	Equity
TATRA DEFENCE INDUSTRIAL s. r. o.	Czech Republic	3.25%	Direct	Unconso-lidated	3.25%	Direct	Unconso-lidated
PROGRESS SPV a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
ARMY SYSTEMS a. s. (CZECHOSLOVAK EXPORT a. s.)	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
MADE CS a. s.	Czech Republic	100.00%	Direct	Full	80.00%	Direct	Full
ELTON hodinářská, a. s.	Czech Republic	73.16%	Direct	Full	58.53%	Direct	Full
TATRA MANUFACTURE a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
DEFENCE TRADE a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
ROSCO Bohemia a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
LOSTR a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
14. OKTOBAR d.o.o. Kruševac	Serbia	100.00%	Direct	Full	85.00%	Direct	Full
FUTURE CS a. s.	Czech Republic	--			100.00%	Direct	Full

ENTITY	COUNTRY OF REGISTRATION	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD
CSG AEROSPACE a. s.	Czech Republic	100.00%	Direct	Full	90.00%	Direct	Full
P F Support s.r.o	Czech Republic	100.00%	Direct	Full	90.00%	Direct	Full
ARS Europe a. s.	Czech Republic	50.00%	Direct	Full	45.00%	Indirect	Full
New Space Technologies a. s.	Czech Republic	60.00%	Direct	Full	45.00%	Direct	Equity
Česká letecká servisní a. s.	Czech Republic	100.00%	Direct	Full	90.00%	Direct	Full
AVIEN, spol. s r. o.	Czech Republic	100.00%	Direct	Unconso-lidated	90.00%	Direct	Unconso-lidated
Ceska letecka servisni d.o.o.	Croatia	100.00%	Direct	Unconso-lidated	90.00%	Direct	Unconso-lidated
CLS Polska SP z.o.o.	Poland	100.00%	Direct	Unconso-lidated	90.00%	Direct	Unconso-lidated
EUROPEAN AIR SERVICES s. r. o.	Czech Republic	97.00%	Direct	Full	87.30%	Direct	Full
EUROPEAN AIR SERVICES SLOVAKIA s. r. o.	Slovakia	97.00%	Direct	Full	87.30%	Direct	Full
DEFENCE SYSTEMS a.s	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
MERIT SPV a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
FALCON CSG a. s. (PERFORMANCE SPV a. s.)	Czech Republic	30.00%	Direct	Equity	100.00%	Direct	Full
CSG CENTRAL ASIA a. s. (ARMY EXPORT, a. s.)	Czech Republic	30.00%	Direct	Equity	100.00%	Direct	Full
Engineering SPV a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
AVIA AVIATION a. s.	Czech Republic	50.00%	Direct	Unconso-lidated	50.00%	Direct	Equity
LOGRIS a. s.	Czech Republic	--	--	--	100.00%	Direct	Full
CSG RAIL a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
CSG DEFENCE a. s.	Czech Republic	100.00%	Direct	Full	100.00%	Direct	Full
CSG LAND SYSTEM CZ a. s.	Czech Republic	100.00%	Direct	Full	--	--	--
Milconn, a. s.	Czech Republic	50.00%	Direct	Equity	50.00%	Direct	Equity
CSG USA, Inc.	US	100.00%	Direct	Unconso-lidated	100.00%	Direct	Full
BUSINESS SPV a. s.	Czech Republic	100.00%	Direct	Full	--	--	--

ENTITY	COUNTRY OF REGISTRATION	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD	EFFECTIVE OWNERSHIP PERCENTAGE	OWNERSHIP PERCENTAGE*	CONSOLIDATION METHOD
CSG a. s.	Czech Republic	100.00%	Direct	Full	--	--	--
Skyport a. s.	Czech Republic	100.00%	Direct	Full	--	--	--
Skyport Catering s. r. o.	Czech Republic	100.00%	Direct	Full	--	--	--
SPV REAL ESTATE a. s.	Czech Republic	100.00%	Direct	Full	--	--	--
VALUE SPV a. s.	Czech Republic	100.00%	Direct	Full	--	--	--

*Unconsolidated entities – these entities are immaterial in the Group's consolidated financial statements; both on the individual and aggregate bases.
**Indirect ownership percentage means an ownership percentage controlled by way of the management rather than by shares. Other types of ownership percentages are referred to as direct.

The list in the table above is structured based on the ownership of entities at different levels in the Group.

Transactions with the key management of the CSG Group
Remuneration to the key management of the CSG Group are disclosed in Note 9 – Staff Costs.

36. Legal Disputes

CSG is a party in an ongoing legal dispute initiated by the American company SARN SD3 LLC ("SARN"), represented by a US-based pair of lobbyists from Washington, D.C. On 13 December 2017, SARN filed a civil action against CSG at the Delaware Supreme Court and the case is filed as SARN SD3 LLC vs. Czechoslovak Group a. s., file no. N17C-12-185 EMD (CCLD). The plaintiff states that CSG allegedly breached the Purchase Option Agreement between SARN and the Issuer of 7 October 2016 concerning a minority investment of SARN in a subsidiary of CSG, i.e. RETIA a. s. ("RETIA") by failing to make a specific payment (contractual penalty) as set in the Agreement in the event of a change of control over RETIA or by breaching the contractual "fiduciary obligation" to seek to increase the value of RETIA following the conclusion of the aforestated Purchase Option Agreement.
SARN's claim based on the alleged breach of the contractual fiduciary obligation to increase the value of RETIA as calculated by the plaintiff amounts to USD 108.8 million, i.e. exceeding CZK 2.7 billion. CSG believes that this demand and the alleged claim of SARN in this respect are speculative, coercive and have absolutely no factual or legal justification. SARN has not provided evidence or statements to justify or prove the amount of such damage. The Company strongly objects against all statements and strongly asserts its claim against SARN. In the legal dispute, the Company is represented by the law firm Dentons in Prague and Washington, D.C.

37. Subsequent Events

a) New major acquisitions

On 15 January 2020, the contract for the business transfer took effect and ATRAK a. s. acquired ownership of the business represented by a "separate organisational branch IFIELD COMPUTER CONSULTANCY LIMITED - organizační složka" of IFIELD COMPUTER CONSULTANCY LIMITED, a limited liability company.

The Group is finalising a negotiated transaction regarding the acquisition of the Spanish company Fábrica de Municiones de Granada from the US conglomerate General Dynamics. The speed of the transaction completion depends on the limitations in connection with COVID-19.

b) Other changes in the Group

In the period between 31 December 2019 and the date of preparation of the consolidated annual report, the following changes took place within the Group's structure:

- **6 February 2020**
  CSG transferred 100% of the shares of VALUE SPV a. s. to CE Power Industries a. s.;
- **10 February 2020**
  CSG purchased 100% of the shares of MACHINERY SPV a. s. (currently CSG EXPORT a. s.) from Mr Michal Strnad;
- **28 February 2020**
  CSG transferred its 50% share in anji s. r. o. to JT CAPITAL a. s.;
- **1 March 2020**
  CSG sold 100% shares of Rosco Bohemia a. s. to CE Industries a. s.;
- **9 March 2020**
  a transfer of the shares of Skyport a. s. between CSG a. s. and CSG AUTOMOTIVE a. s. was settled when CSG a. s. increased its share in Skyport a. s. to 88.88%;
- **13 March 2020**
  CSG purchased a 100% share in TRUCK SERVICE GROUP s. r. o. from Mr Jaroslav Strnad;
- **31 March 2020**
  10% of the shares of TATRA DEFENCE VEHICLE a. s. were sold to Sages Consulting a. s.;
- **31 March 2020**
  CSG sold 100% of the shares of SPV REAL ESTATE a. s. to BlackBird Real Estate s. r. o.;
- **March 2020**
  part of the business share of STA TECHNOLOGY, s. r. o. was transferred to a company under SST Aersopace, LLC (USA); and
- **March 2020**
  a 97.5% share in TRADITION CS a. s. was transferred from CZECHOSLOVAK GROUP a. s. to CSG AEROSPACE a. s. (transfer within the Group).

c) Other subsequent events

The Group is implementing a merger project with the aim of merging the parent company Czechoslovak Group B.V. with CZECHOSLOVAK GROUP a. s. as the successor company. The estimated effective day of the merger is 1 January 2020. The most critical subsequent event with a global impact is the pandemic of COVID-19 which, in the territory of the Czech and Slovak Republics where the majority of companies within the Group operate, had unprecedented impacts on the community and the business sphere.
In compliance with the recommendations issued by the relevant authorities (European Securities and Markets Authority) and significant institutions (e.g. leading audit companies), the Group summarises the impacts of the current situation. The below-mentioned information corresponds to the moment when it is processed, which is 15 April 2020.
The Group describes the above event as non-adjusting pursuant to IAS 10 with respect to the fact that the outbreak of COVID-19 was declared a pandemic by the WHO as late as in March 2020. In this context, with a few exceptions, the current accounting policies and valuation methods are not modified, the useful life and impairment of tangible assets and the valuation of goodwill and other intangible assets as well as the saleability and valuation of inventories is not altered. The assumptions concerning the recoverability and valuation of receivables remain unchanged.
The following categories are not affected: recognition of potential government support (IAS 20), changes in income tax liabilities (IAS 12), modifications in repayments of credit liabilities (if any), impacts on the reporting of revenue from contracts with customers (IFRS 15), etc. The management of the reporting entity deems the current situation temporary and assumes its normalisation within weeks. Subsequently, it expects a gradual recovery of the economic activity. Although it may not reach the level that existed before the announcement of the pandemic (e.g. in the aircraft industry), the Group does not expect a major drop in the order volume. In certain specific cases, payments from clients may be delayed with an impact on the amount of allowances for receivables in the future. With regard to the above-mentioned facts, the management does not quantify potential impacts.

Going concern

The assumption of the impact on the Company's ability to continue as a going concern under IAS 1 is essential. On this issue, it should be reaffirmed that at the time of the preparation of the annual report (March–April 2020), the situation developed in a way that was difficult to

predict. Most likely, the pandemic of COVID-19 may cause a global slowdown or decline in economic development, the extent of which cannot be estimated or predicted at this time.
From the perspective of the Group's companies, the assumption of the companies' ability to continue as a going concern is mainly conditional on the following:

- Order volume – ability of the companies to enter into contracts or sell services and products (impact on the stabilisation of the companies, preserving employment, keeping prosperity of the companies);
- Risk of counterparties – customers – ability of customers to meet their contractual liabilities, i.e. mainly to pay for the delivered goods and services (impact on the cash flow of the Group);
- Supply chain risk – risks related to the supply of goods and services necessary for the proper functioning of the companies (impact on the execution of orders on time and productivity of the companies);
- Labour force risk – sufficient human capital to carry out activities of the companies (impact on the prosperity of the companies); and
- Liquidity risk – ability of the companies to finance their activities (and, if necessary, their investments), the possibility of covering unexpected interruption of revenue or unforeseen expenses (impact on the stabilisation of the companies).

Order volume and customer risk
In terms of order volumes (sales) and counterparty/customer risk, it is essential to divide the activities according to the main segment. Within the Group, the segments are divided as follows for the purpose of this analysis:

- Aircraft industry services;
- Defence industry;
- Transport segment (automotive and railway); and
- Other segments.

AEROSPACE
The current situation has significantly affected public air transport, with most flights being restricted or cancelled. In connection with a lower volume of traffic, a lower demand for service can also be expected on the one hand, on the other hand, the airlines can use this situation for aircraft service. New opportunities may also arise, e.g. transfer control when returning machines to lessors. Overall, the Group anticipates a shift in orders over time. At the same time, it is possible that some carriers will cease their activities or fail economically to withstand the current situation.
From the point of view of products related to air transport management (management systems), we do not expect major changes, as air traffic safety is a priority at the national level.

Defence
We do not expect major changes in the defence industry segment, where state institutions are usually a key customer, even if the world economy decreases significantly. On the one hand, countries will face budget deficits, but for most countries, external security is one of the priorities. A time shift in implementation is therefore more probable.
We will temporarily face possible logistic limitations with an impact on the supply of goods, as well as problems in negotiating (mainly foreign) orders due to cancelled trade fairs and limited travel opportunities.

Transport
The transport segment in the Group represents both part of the railway transport and (freight) car transport. At present, it is not possible to clearly estimate future developments in this segment. From the perspective of large rail clients, we do not expect major changes. In the case of the automotive part, the situation will depend on developments in the sectors where clients operate. A more significant long-term decline may shift some planned investments.
Supply chains may experience problems, mainly suppliers from Southern Europe. Nevertheless, at present the situation appears stabilised and key suppliers are gradually resuming production.

Other
In the last part, it is worth mentioning primarily the sales to retail clients (passenger cars including service, consumer goods). The pandemic has significantly affected distribution channels, since sales in permanent stores (with certain exceptions) have been banned and alternative distribution channels do not fully compensate for this outage (especially given the nature of the goods sold). In this context, we anticipate a time shift in demand, both for households and selected business customers. In case of an extremely unfavourable development of the economic situation (rise in unemployment), households may also defer some significant investments (e.g. in means of transport).

Ability of customers to meet their contractual obligations
In this part, the essential aspect is the ability of customers to fulfil their contractual obligations, i.e. to receive the agreed quantity of products and services and fulfil the payment conditions. In this context, credit scoring of customers and related changes in financing of business cases and/or collateral will play a greater role.

Supply chains
The risk of supply chain disruption may affect the ability of Group companies to meet obligations from contracts with clients or other obligations. This disruption may be characterised by a (temporary) shortage of certain commodities. In the case of non-unique supplies, the situation can be dealt with by substitutes. For unique supplies, it is necessary to consider technological procedures, technical solutions, etc.

Labour force risk
In view of the ongoing COVID-19 pandemic, there is a risk of shortage in connection with possible government measures, which may have the character of temporary closures of selected areas or other restrictions. There is also a risk of transmission of infection and the associated shortage of larger groups of employees affecting the functioning of the companies.
All companies take steps to reduce the above-listed risks in the form of combined measures as recommended by the government and professional institutions.

Liquidity risk
In the context of the economic effects of the pandemic, there is a risk that creditor institutions will change their approach to clients. As a result, the initially agreed credit frameworks may be changed or additional collateral may be required. The Group continuously communicates with key partners.

Opinion of the reporting entity's management regarding the going concern assumption
The management of the reporting entity considered the potential impact of the COVID-19 pandemic on its activities and concluded that it has no significant effect on the assumption of the Group's ability to continue as a going concern. The consolidated financial statements were prepared in this respect.

Statement of Comprehensive Income

For the years ended 31 December 2019 and 2018

CZK THOUSAND	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2019	FOR THE YEAR ENDED 31 DECEMBER 2018
Service costs	5	-50,964	-100,516
Other operating income	6	956	1,457
Other operating expense	6	-28,526	-24,135
Loss from operating activities		**-78,534**	**-123,194**
Financial income	7	694,931	634,345
Financial expense	7	-187,889	-195,651
Profit (+) / loss (-) from the sale of investments	8	26,990	397,126
Profit from financing activities		**534,032**	**835,820**
Profit (+) / loss (-) before taxation		**455,498**	**712,626**
Income tax	9	-31,701	-1,439
Net profit (+) / loss (-) from continuing operations		**423,797**	**711,187**
Other comprehensive income			
Interest-rate advantage on a non-interest bearing loan	15	184	-68,268
Other comprehensive income		**184**	**-68,268**
Total other comprehensive income		**423 981**	**642,919**

The notes to the financial statements form an inseparable part of these financial statements.

Statement of Financial Position

For the years ended 31 December 2019 and 2018

CZK THOUSAND	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Assets			
Investments in subsidiaries	10	4,069,657	4,020,050
Investments in associates	10	105,849	104,212
Loans and other non-current financial assets	11	61,866	110,632
Trade and other long-term receivables	12	--	33,743
Deferred tax asset	19	2,028	77
Total non-current assets		**4,239,400**	**4,268,714**
Trade and other short-term receivables	12	1,097,337	995,162
Loans and other short-term financial assets	11	4,120,659	2,393,600
Tax receivables arising from the current income tax payable	13	--	1,106
Cash and cash equivalents	14	9,828	63,830
Total current assets		**5,227,824**	**3,453,698**
Total assets		**9,467,224**	**7,722,412**

CZK THOUSAND	NOTE	31 DECEMBER 2019	31 DECEMBER 2018
Equity			
Share capital	15	2,000	2,000
Other reserves	15	3,228,638	3,228,454
Retained earnings including profit (loss) for the current period		1,275,900	854,132
Total equity		**4,506,538**	**4,084,586**
Liabilities			
Long-term loans and borrowings	16	243,750	228,192
Long-term financial instruments and financial payables	16	66,700	67,177
Bonds and bills of exchange	17	2,944,313	2,066,109
Total non-current liabilities		**3,254,763**	**2,361,478**
Short-term loans and borrowings	16	1,127,521	710,528
Short-term financial instruments and financial payables	16	31,663	56,456
Trade and other short-term payables	18	510,419	495,952
Short-term provisions		--	5,967
Tax payables arising from the current income tax payable	13	27,737	--
Bonds – short-term portion	17	8,583	7,444
Total current liabilities		**1,705,923**	**1,276,348**
Total liabilities		**4,960,686**	**3,637,826**
Total equity and liabilities		**9,467,224**	**7,722,412**

The notes to the financial statements form an inseparable part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2018 and 2019

CZK THOUSAND	NOTE	SHARE CAPITAL	OTHER RESERVES	RETAINED EARNINGS	TOTAL
Balance at 1 January 2018	15	2 000	2 345 211	147 413	2 494 623
Total comprehensive income for the year:					
Profit for the year		--	--	711 187	711 187
Initial application of IFRS 9 (net)		--	--	-1 996	-1 996
Other movements	15	--	--	-2 473	-2 473
Other comprehensive income		--	-68 286	--	-68 286
Total comprehensive income for the year		--	**-68 286**	**706 718**	**638 450**
Transactions with shareholders and MI	15	--	951 511	--	951 511
Total transactions with shareholders			**883 243**	**706 718**	**1 589 961**
Balance at 31 December 2018	15	**2 000**	**3 228 454**	**854 131**	**4 084 584**
Total comprehensive income for the year:					
Profit for the year		--	--	423 797	423 797
Remeasurement - other comprehensive income		--	184	--	184
Other movements				-2 028	-2 028
Total comprehensive income for the year		--	**184**	**421 769**	**421 953**
Balance at 31 December 2019	15	**2 000**	**3 228 638**	**1 275 900**	**4 506 538**

The notes to the financial statements form an inseparable part of these financial statements.

Statement of Cash Flows

For the years ended 31 December 2019 and 2018

CZK THOUSAND	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2019	FOR THE YEAR ENDED 31 DECEMBER 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (+) / loss (-) for the year		**423,797**	**711,187**
Adjustments for:			
Profit (-) /loss (+) from the sale of investments	8	-26,990	-396,802
Net interest income (-) / expense (+)	7	49,506	56,846
Recognition (+) / release (-) of allowances and provisions	6	752	20,885
Dividend income	7	-452,118	-519,913
Income tax	9	31,701	1,439
Profit (-) / loss (+) from derivative financial instruments		-75,063	65,799
Operating profit before movements in working capital		**-48,415**	**-60,559**
Increase (-) / decrease (+) in trade and other receivables		-625,491	-145,275
Increase (+) / decrease (-) in trade and other payables		206,430	29,579
Cash generated by operations		**-467,476**	**-176,255**
Interest paid		-159,675	-83,462
Income taxes paid		-4,852	-4,834
Net cash from operating activities		**-632,003**	**-264,551**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments in subsidiaries	10	-311,398	-132,741
Acquisition of investments in associates	10	-1,637	-1,000
Income from the sale of investments		697,185	11,771
Dividends received		447,572	391,105
Provided loans		-4,085,490	-1,475,091
Repayment of provided loans		2,704,597	1,562,869
Interest received		50,120	64,682
Net cash (used in)/from investing activities		**-499,051**	**421,595**

CZK THOUSAND	NOTE	FOR THE YEAR ENDED 31 DECEMBER 2019	FOR THE YEAR ENDED 31 DECEMBER 2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,125,618	983,853
Repayments of borrowings		-910,838	-1,422,708
Proceeds on bond placements	17	1,976,000	170,000
Costs related to bond placements		-28,728	--
Repayment of bonds		-1,085,000	--
Net cash (used in)/from financing activities		**1,077,052**	**-268,855**
Net increase in cash and cash equivalents		-54,002	-111,811
Cash and cash equivalents at beginning of year	14	**63,830**	**175,641**
Cash and cash equivalents at end of year	14	9,828	63,830

Notes to the Financial Statements

1. Description of the Company

CZECHOSLOVAK GROUP a. s. (the "Company" or "CSG") is a joint stock company formed in compliance with the legal regulations of the Czech Republic on 13 October 2014. Its registered office is located at Sokolovská 675/9, Karlín, 186 00 Prague 8. The Company changed its name from EXCALIBUR GROUP a. s. to CZECHOSLOVAK GROUP a.s, and the change was adopted and recorded in the Czech Register of Companies on 14 January 2016.
As of 1 January 2015, CZECHOSLOVAK GROUP a. s. merged with EXCALIBUR ARMY CZ a. s. and EXCALIBUR INDUSTRY a. s., the successor company being CZECHOSLOVAK GROUP a. s.

As of 1 January 2016, CZECHOSLOVAK GROUP a. s. merged with LOGEKO a. s., the successor company being CZECHOSLOVAK GROUP a. s.
The financial statements of the Company were prepared for the years ended 31 December 2019 and 31 December 2018. These financial statements are unconsolidated separate financial statements.
The Company's principal activities include production, trade and services not listed in Appendices 1–3 to the Trade Licencing Act.

As of 31 December 2019 and 31 December 2018, the Company's sole shareholder is:

	CZK '000	EQUITY INVESTMENT (%)	VOTING RIGHTS (%)
Czechoslovak Group B.V.	2,000	100	100
Total	**2,000**	**100**	**100**

As of 31 December 2019, the ultimate owner was Michal Strnad.
On 26 January 2018, Mr Jaroslav Strnad transferred his 100% investment in Czechoslovak Group B.V. to Mr Michal Strnad, whereby the latter became the sole shareholder of the Czechoslovak Group, which also includes CZECHOSLOVAK GROUP a. s. The transfer was made through a donation contract.

Composition of the Board of Directors as of 31 December 2019:

- Michal Strnad (Chairperson of the Board of Directors)
- Ilona Kadlecová (Member of the Board of Directors)
- Petr Formánek (Member of the Board of Directors)

Composition of the Supervisory Board as of 31 December 2019:

- Tomáš Hasman (Member of the Supervisory Board)
- Marián Goga (Member of the Supervisory Board)
- Rudolf Bureš (Member of the Supervisory Board)

2. Basis of Preparation of the Financial Statements

a) Statement of Compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards containing International Accounting Standards (IAS) promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the IASB's International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union, and with Czech legislative requirements, as the unconsolidated financial statements. The consolidated financial statements are part of the annual report in which these unconsolidated financial statements are included. The financial statements give a true and fair view of the Company's financial position as of 31 December 2019. The Board of Directors approved the financial statements on 24 April 2020.

b) Measurement Method

These financial statements were prepared under the going concern assumption and the historical cost (amortised cost) convention, with the exception of the following material statement of financial position items, which are carried at fair value:

- Derivative financial instruments.

c) Functional and Presentation Currencies

The financial statements are presented in Czech crowns ("CZK"). All financial information presented in Czech crowns is rounded to the nearest thousand, unless stated otherwise. The presentation currency is the Czech crown.

d) Use of Estimates and Judgement

In preparing these financial statements in compliance with International Financial Reporting Standards, management is required to make certain critical accounting estimates that affect the reported balances of assets, liabilities, income and expense. In applying the Company's accounting policies, management is also required to make assumptions based on its own judgement. Due to their nature, the resulting accounting estimate are rarely equal to the relevant actual results.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
Information on the estimates and critical judgement used in applying accounting policies that have the most significant effect on the balances reported in the financial statements are disclosed in the following Notes:

- Note 3 (b), (c), (d)
  Measurement of financial instruments
- Note 25
  Legal disputes

e) Adoption of new and revised International Financial Reporting Standards (IFRSs)

I. Newly adopted standards, amendments to standards and interpretations effective for the year ended 31 December 2019 applied in preparing the Company's financial statements

In the current year, the Company has applied all changes to International Financial Reporting Standards (IFRS) effective from 1 January 2019 that are mandatory and concern the Company's activities. The impact of the application of these new and amended IFRSs on the financial statements of the Company is specified below.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
In 2019, the Company adopted IFRS 16 Leases (issued on 13 January 2016) which is effective for annual periods beginning on or after 1 January 2019.
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases.
The standard significantly changes the accounting treatment of leases from the perspective of the lessee by eliminating the distinction between finance leases and operating leases. The standard provides a single lessee accounting model, requiring lessees, at the beginning of the lease term, to recognise right-of-use assets and the aggregate amount of lease liabilities unless the lease term

is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. During 2019 and 2018, the Company did not identify any lease agreements where it would act as the lessor.
The date of initial application of IFRS 16 is 1 January 2019. Defined transition options allow the Company to use a modified retrospective approach and not to recalculate comparable data retrospectively. In the period from 1 January 2019 to 31 December 2019, the Company did not identify any lease agreement to which IFRS 16 would apply.

IFRIC 23 – Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2021)
The interpretation clarifies how to apply the requirements for recognition and measurement pursuant to IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation primarily addresses: a) whether the reporting entity assess uncertain tax treatments individually; b) the assumptions made by the entity regarding the review of tax procedures preformed by taxation authorities; c) how the reporting entity determines taxable income (tax loss), tax bases, accumulated tax losses, unused tax deductions and tax rates; and d) how the reporting entity reflects changes in facts and circumstances. This amendment does not have a material impact on the Company's financial statements.

IFRS 9 (amendments) – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)
The amendments address the concerns about the recognition of particular prepayable financial assets. The concerns primarily related to how the entity would classify and measure a debt instrument if the debtor was allowed to repay the instrument in advance for an amount that would be lower than the amount of outstanding principal and interest. The prepayment is frequently referred to as containing "negative compensation". In applying IFRS 9, the entity would measure the financial asset with negative compensation at fair value through profit or loss.
The amendment allows reporting entities to state certain prepayable financial assets with negative compensations at amortised cost. This amendment does not have a material impact on the Company's financial statements.

IAS 28 (amendments) - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests in associates or joint ventures that are part of a net investment in an associate or a joint venture but that are not subject to the equity method.

This amendment does not have a material impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for annual periods beginning on or after 1 January 2019)
The Annual Improvements (2015–2017) include amendments to four Standards. They primarily include the following changes:

/ Clarification that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business in line with IFRS 3 Business Combinations;
/ Clarification that when an entity obtains joint control of a business that is a joint operation, it remeasures previously held interests in that business in line with IFRS 11 Joint Arrangements;
/ Clarification that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the profits to be distributed; and
/ Clarification that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

This amendment does not have a material impact on the Company's financial statements.

II. Standards and amendments to standards in issue not yet effective and applicable to the Company's financial statements
Several new standards and amendments to standards have not become effective as of 31 December 2019 and have not been applied in preparing these financial statements. For a list of those that may affect the Company's activities, refer to below. The Company is planning to implement these provisions as soon as they become effective.

a) Amendments to the existing standards already adopted for use in the EU
Amendments to IAS 1 Presentations of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020)
The amendments apply to the definition of materiality, with the new definition adding other aspects for the correct assessment such as obscuring information. The existing version of the definition merely includes the omitting or misstating of information even though obscuring information may have a completely identical impact. Furthermore, the amendments specify the aspects of "could influence" and "primary users of financial statements".
The Company anticipates that the amendments will not have significant effects on the financial statements upon initial application or during the new assessment given the addition of aspects for assessment.

Amendments to References to the Conceptual Framework (effective for annual periods beginning on or after 1 January 2020)
On 29 March 2018, the International Accounting Standards Board (IASB) published its amended Conceptual Framework for Financial Reporting, which became effective as of the publication date.
The Conceptual Framework is used by the IASB primarily as an aid in the development of IFRS. The framework may also be a good aid for entities reporting pursuant to IFRS if there are no specific or similar standards dealing with the relevant matter.
The IASB also published a document entitled "Amendments to References to the Conceptual Framework", which contains subsequent amendments to the relevant standards to ensure that the standards refer to the new Conceptual Framework. These amendments are effective for annual periods beginning on or after 1 January 2020. The Company anticipates that the amendments will not have significant effects on the financial statements upon initial application.

b) Standards and amendments to standards not yet adopted for use in the EU
Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020)
The amendments primarily apply to extending the definition of a "business" and its differentiation from a "group of assets". This amendment will not have a material impact on the Company's financial statements.

IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been postponed indefinitely by the IASB)
The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
The Company anticipates that the amendments will not have significant effects on the financial statements upon initial application.

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)
IFRS 17 supersedes IFRS 4, which was issued as an interim standard in 2004. IFRS 4 allowed companies to continue to account for insurance contracts according to national accounting standards, as a result of which many different approaches were applied.
IFRS 17 addresses the comparability issues caused by IFRS 4 by requiring all insurance contracts to be treated uniformly, to the benefit of both investors and insurance companies. Insurance liabilities will be recognised at current values, not at historical cost.
This new standard will not have a material impact on the presentation of the financial statements when initially applied as the Company does not operate in the insurance sector.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022)
The amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period.
The Company anticipates that the amendments will not have significant effects on the financial statements upon initial application.

3. Significant Accounting Policies

a) Foreign Currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company using the exchange rate valid as of the date of transaction.
Cash assets and liabilities in foreign currencies are translated to Czech crowns using the exchange rate promulgated by the Czech National Bank. Non-cash assets and liabilities in foreign currencies that are reported at historical costs are translated to the functional currency using the exchange rate valid as of the transaction date. Exchange rate gains and losses arising from the translation of foreign currencies are reported as profit or loss. However, this does not apply to exchange rate gains and losses arising from the revaluation of realisable capital instruments (with the exception of impairment, where exchange rate gains and losses recognised in other comprehensive income will be reported through profit or loss), financial instruments intended for hedging a net investment in cross-border activities or cash flow hedging instruments (meeting the applicable conditions) up to the amount of the effective hedge. Such gains and losses are reported through other comprehensive income.
Overview of primary exchange rates valid for the reporting period is included in Note 23 to the financial statements – Risk Management Methods and Disclosures.

b) Financial Instruments – Derivatives

Financial assets and financial liabilities are reported in the Company's statement of financial position if the Company becomes a party to contractual provisions concerning the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction expenses that are directly related to the acquisition or issuing of financial assets and financial liabilities (with the exception of financial assets and financial liabilities measured at fair value through profit or loss) increase or decrease the fair value on initial recognition in the corresponding amount. Transaction expenses that are directly related to the acquisition of financial assets and financial liabilities measured at fair value through profit or loss are reported directly to profit or loss.

c) Financial Assets

All purchases or sales of financial assets with the regular type of acquisition are reported and recognised as of the date of conclusion of the transaction. A purchase or sale with the regular type of acquisition is a purchase or sale of a financial asset that requires the delivery of the asset within a timeframe set by a regulation or market agreement.

All reported financial assets are subsequently remeasured as a whole either at amortised cost or at fair value, depending on their classification.

Classification of financial assets

Debt securities that meet the following conditions are measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual conditions of the financial asset stipulate specific dates of cash flows generated exclusively by payments of principal and interest on the unpaid amount of principal.

As standard, all other financial assets are subsequently remeasured at fair value through profit or loss (FVTPL).

I. Amortised cost and effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.
For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and interest paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.
Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.
Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 7).

II. Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see I. to III. above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see III. above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (Note 12). Fair value is determined in the manner described in Note 4.

III. Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Financial income and expenses' line item (Note 7); and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Financial income and expenses'.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognitionof the respective financial instrument. The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using an individual assessment of each debtor using rating, knowledge of the debtor and the Company's historical experience with each individual debtor. The allowance is additionally expanded using factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.
For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.
Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12– month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

I. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring

on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.
In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.
Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1) The financial instrument has a low risk of default,
2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.
The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

II. Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a different definition of default is more appropriate for the financial instrument.

III. Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) a significant financial difficulty of the issuer or the borrower;
b) a breach of contract, such as a default or past due event (see II. above);
c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
e) the disappearance of an active market for that financial asset because of financial difficulties.

IV. Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

V. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.
The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.
For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.
For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.
If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.
A detailed description of the allowance methodology is provided in the section on risk management and disclosure methods, refer to Note 23.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity.

Financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is I. contingent consideration of an acquirer in a business combination, II. held for trading or III. it is designated as at FVTPL.
A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other financial gains and losses' line item (Note 12) in profit or loss.
However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.
Fair value is determined in the manner described in Note 4.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not I. contingent consideration of an acquirer in a business combination, II. held-for-trading, or III. designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss (Note 7) for financial liabilities that are not part of a designated hedging relationship.
The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank and short-term highly liquid investments with an original maturity of three months or less.

e) Impairment of non-financial assets

The carrying amount of the Company's assets, excluding deferred tax liabilities (refer to Note 13), is reviewed as of the balance sheet date in order to determine if there are any objective reasons for impairment. If there are no such reasons, the recoverable amount of the asset is estimated.

f) Provisions

A provision is recognised in the Statement of Financial Position if the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the settlement of the obligation will require outflow of economic benefits and a reliable estimate can be made of the amount of the obligation
Provisions are recognised in the expected amount of settlement. Significant non-current liabilities are recognised as liabilities at the present value of the expected settlement. If the impact of discount is significant, they are recognised using a discount rate reflecting the present market expectation and specific risks of the obligation. Regular release of discount is recognised in profit or loss as part of financial expenses.
Impacts of changes in exchange rates, inflation rate and other factors are recognised in profit or loss as operating income or expense. Changes in estimates of provision amounts may predominantly result from differences from originally estimated expenses or a changed date of settlement or a changed scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss as of the date of the change in the estimate.

g) Revenue from services provided

Revenue is recognised under the following conditions: solid evidence exists (usually in the form of a concluded sale contract) that material risks and bonuses arising from ownership have been transferred to the buyer; the Company is likely to obtain a consideration; relevant costs and the possibility of returning the goods may be reliably estimated, management no longer has any engagement in respect of the goods, and the amount of revenue may be reliably determined.
Revenue from provided services is proportionally reported through the statement of comprehensive income based on the stage of completion of the transaction as of the balance sheet date. The stage of completion is assessed based on the status of work performed. Revenue is not reported if the Company has serious doubts about receiving the payable consideration, about relating costs or the possibility of returning the goods.
As of 1 January 2018, the Company adopted and applied new IFRS 15 providing guidance on reporting revenues from contracts with customers. The application of the new standard, IFRS 15 – Revenue from contracts with customers, had no impact on the Company's financial statement line items, the reason being that the Company is a holding company and generated no revenue as of 31 December 2018 and 31 December 2019. Therefore, it was unnecessary to disclose any information on the method of accounting of revenues under IFRS 15.

h) Financial income and expenses

I. Financial income

Financial income includes interest income from provided funds, income from dividends, exchange rate gains, and sales of investments in securities.
Interest income is recognised on an accrual basis in the Statement of Comprehensive Income using the effective rate method. Income from dividends is recognised in the Statement of Comprehensive Income as of the date of establishment of the Company's right for the receipt of the relevant payment.

II. Financial expenses

Financial expenses include interest expenses on loans and borrowings, exchange rate losses, costs of fees and commissions of payment transactions and guarantees, impairment losses recognised for financial assets and losses, if any, from the sale of investments in securities.

i) Income taxation

The income taxation includes tax payable and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, which does not apply to tax related to items recognised directly in equity or other comprehensive income. Tax payable includes a tax estimate (tax liability or tax asset) calculated from taxable income or loss for the current period using the tax rate effective as of the balance sheet date and all adjustments to the tax payable relating to prior periods. Deferred tax is calculated using the balance sheet method based on temporary differences between the accounting values of assets and liabilities in the balance sheet and their amounts for tax purposes. No deferred tax is recognised for the following temporary differences: temporary differences on the initial recognition of assets or liabilities that is not a business combination and has no impact on the accounting or tax income or loss, temporary differences relating to investments in subsidiaries and joint operations in the scope in which it is probable that they will not be derecognised in the foreseeable future. The amount of deferred tax is based on the assumed use or settlement of temporary differences using the tax rates effective or substantially enacted as of the balance sheet date. A deferred tax liability is only recognised if it is probable that a future taxable profit will be available against which outstanding tax losses, tax reliefs and tax-deductible temporary differences may be applied. Deferred tax liabilities are decreased to the extent to which it is probable that the relating tax relief will be applied.

j) Dividends

Dividends are recognised in equity as distribution of profit to shareholders after the approval of the payment by the Company's shareholders.

4. Fair value measurement

A number of accounting procedures and disclosures of the Company require determining a fair value of financial and non-financial assets and liabilities.
Fair values include various levels of fair value hierarchy based on the input used in valuation as follows:

Level 1: quoted prices (unadjusted) on active markets of identical assets or liabilities

Level 2: inputs not including quoted prices of Level 1 that may be identified for an asset or liability on the market either directly (ie prices) or indirectly (ie derived from prices).

Level 3: data on assets and liabilities not based on observable market data (market non-observable data).

If the inputs used to measure an asset or liability at fair value may be classified within various levels of fair value hierarchy, the fair value measurement as a whole is classified within the same level of fair value hierarchy as the lowest level input that is material with respect to the entire measurement.
The Company reports transfers between the levels of fair value hierarchy always at the end of the reporting period in which the change occurred.

a) Non-derivative financial assets

The fair value of financial assets at fair value through profit or loss, investments held to maturity and recoverable financial assets is based on their quoted market price as of the balance sheet date with no deduction of transaction costs. If no quoted market price is available, the management estimates the fair value of the given instrument using price models or techniques based on discounted cash flows. If techniques based on discounted cash flows are applied, the estimated future cash flows are based on best estimates made by the management, and a market-based rate as of the balance sheet date for an instrument with similar conditions is used as the discount rate. If price models are used, inputs are based on market rates as of the balance sheet date.
The fair value of trade receivables and other receivables, except for construction work in progress but including receivables from services provided based on a concession, is estimated as the present value of future cash flows discounted using the interest rate as of the balance sheet date. The fair value of trade receivables, other receivables and investments held to maturity is only determined for the disclosure purposes.

b) Non-derivative financial liabilities

The fair value determined in order to be disclosed is based on the present value of future cash flows from principals and interest discounted by a market interest rate as of the balance sheet date. For finance leases, the market interest rate is determined using similar lease contracts.

c) Derivatives

Financial derivatives are measured at fair value classified under level 2, the measurement is based on market valuation.

5. Services

CZK THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Costs of sub-suppliers and other external costs	46,040	60,880
Rental	117	133
Advisory fees	2,487	5,701
Other services	2,320	33,802
Total services	**50,964**	**100,516**

6. Other Operating Income and Expenses

Other Operating Income

In 2019, other operating income in the amount of CZK 956 thousand consisted of release of an estimated receivable for ITS a. s. services created in 2018.
In 2018, other operating income consisted of proceeds generated based on the regulation governing the proportional amount of the receivable arising from the sale of Nika Logistics a. s.

Other Operating Expenses

CZK THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Taxes and fees	7	42
Insurance payments	960	2,912
Recognition, use and release of provisions	-5,967	1,468
Recognition (+) / release (-) of allowances	6,719	19,417
Other	26,807	296
Total other operating expenses	**28,526**	**24,135**

In 2019, the line 'Other' includes an estimated payable for a compensation for damage to TATRA DEFENCE VEHICLE a. s. in the amount of CZK 25,662 thousand.
The recognition of allowances is described in greater detail in Note 23a) Risk Management and Disclosure Methods – Credit Risk.

7. Financial Income and Expenses

CZK THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Interest income	129,014	72,218
Exchange rate gains	--	20,434
Profit from derivative transactions	75,063	--
Dividend income	452,118	519,913
Other financial income	38,736	21,780
Financial income	**694,931**	**634,345**
Interest expense - related parties	29,451	11,814
Interest expense - bonds	122,238	78,027
Interest expense - banks	26,831	39,223
Exchange rate losses	5,730	--
Loss from derivative transactions	--	65,799
Other financial expenses	3,639	788
Financial expenses	**187,889**	**195,651**
Net financial income/expense	**507,042**	**438,694**

In 2019, the Company generated income from dividends of CZK 452,118 thousand originating from profit shares received from subsidiaries EXCALIBUR ARMY spol. s r.o. (CZK 360,000 thousand), DAKO-CZ, a. s. (CZK 40,800 thousand), CSG RDR a. s. (CZK 34,634 thousand) and Rosco Bohemia a. s. (CZK 16,684 thousand).
In 2018, the Company generated income from investments in subsidiaries of CZK 519,913 thousand originating from profit shares received from EXCALIBUR ARMY spol. s r.o. (CZK 378,000 thousand), CSG AEROSPACE a. s. (CZK 81,000 thousand), DAKO-CZ, a. s. (CZK 20,400 thousand), LIKVIDACE ODPADU CZ a. s. (CZK 10,000 thousand), MSM GROUP s. r. o. (CZK 20,817 thousand) and EXCALIBUR INTERNATIONAL a. s. (CZK 9,696 thousand).

8. Profit/Loss from the Sale of Investments

CZK THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Sales of investments	278,781	420,179
Investments sold	-261,791	-23,377
Income from the dividends of sold entities	10,000	324
Profit/loss from the sale of investments	**26,990**	**397,126**

In 2019, income from the dividends of sold entities includes income from the profit shares of LIKVIDACE ODPADU CZ a. s. (CZK 10,000 thousand). In 2018, income from the dividends of sold entities includes income from the profit shares of Industrial Trade Services a. s. of CZK 324 thousand.

9. Income tax

Income tax reported in profit or loss

CZK THOUSAND	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Income tax payable:		
For the year	-33,695	-3,275
Total income tax payable	**-33,695**	**-3,275**
Deferred tax:		
Deferred income tax	1,994	1,836
Total deferred tax	**1,994**	**1,836**
Total income tax expense (-) / income (+)	**-31,701**	**-1,439**

Deferred tax is calculated using the currently applicable tax rates that are assumed to be effective in the period when the asset will be recovered or the liability will be settled. Under Czech legislation, the corporate income tax rate is 19% for the fiscal year ended 31 December 2019 (2018: 19%).

Reconciliation of the effective tax rate

CZK THOUSAND	%	YEAR ENDED 31 DECEMBER 2019	%	YEAR ENDED 31 DECEMBER 2018
Profit / (loss) before tax on continued operation		455,498		712,626
Tax calculated using the corporate income tax rate	-19%	-86,545	-19%	-135,399
Tax effect:				
Non-deductible expenses	-18%	-84,029	-14%	-98,269
Tax-exempt income	31%	142,078	35%	245,901
Losses with no deferred tax receivable identified for the current year			-2%	-13,672
Changes in estimates relating to prior periods	-1%	-3,205	--	--
Income tax reported in the statement of comprehensive income	6.96%	-31,701	0.2%	-1,439

Sales of investments, including dividend income, are reduced in the reconciliation of the effective tax rate by the costs of investments sold and the balance is reflected in the 'Tax-exempt income' line.
The Company anticipated a tax loss in 2018, which was however not reflected in the calculation of deferred tax on the grounds of prudence.

10. Investments in Entities

I. Investments in Subsidiaries

NAME OF THE COMPANY	COUNTRY OF INCORPORATION	31 DECEMBER 2019	31 DECEMBER 2018
14. OKTOBAR d.o.o. Kruševac	Serbia	100.00%	85.00%
ARMY SYSTEMS a. s.	Czech Republic	100.00%	100.00%
ARMY TRADE a. s.	Czech Republic	100.00%	100.00%
ARS Europe a. s.	Czech Republic	50.00%	50.00%
ATLAN GROUP, spol. s r. o.	Slovakia	81.00%	81.00%
ATRAK a. s.[9]	Czech Republic	97.50%	--
AVIA Motors s. r. o. [1]	Czech Republic	100.00%	100.00%
BUSINESS SPV a. s.	Czech Republic	100.00%	--
Car Star Fleet s. r. o.	Czech Republic	100.00%	--
Car Star Immo s. r. o.	Czech Republic	100.00%	--
Car Star Praha s. r. o.	Czech Republic	100.00%	--
CS SOFT a. s.	Czech Republic	78.00%	100.00%
CSG a. s.	Czech Republic	100.00%	--
CSG AEROSPACE a. s. [5]	Czech Republic	100.00%	90.00%
CSG DEFENCE a. s.	Czech Republic	100.00%	100.00%
CSG FACILITY a. s.	Czech Republic	0.00%	100.00%
CSG INDUSTRY a. s.	Czech Republic	100.00%	100.00%
CSG LAND SYSTEM CZ a. s.	Czech Republic	100.00%	--
CSG RAIL a. s.	Czech Republic	100.00%	100.00%
CSG RDR a. s.	Czech Republic	100.00%	100.00%
CSG USA, Inc.	USA	100.00%	100.00%
CSGM a. s.	Czech Republic	100.00%	100.00%
CZECH DEFENCE SYSTEMS a. s. [3]	Czech Republic	90.00%	90.00%
CZECHOSLOVAK EXPORT a. s.	Czech Republic	100.00%	100.00%
CZECHOSLOVAKIA TRADE s. r. o.	Slovakia	81.00%	81.00%
Česká letecká servisní a. s.	Czech Republic	100.00%	100.00%
DAKO-CZ RE, a. s.	Czech Republic	51.00%	--
DAKO-CZ, a. s.	Czech Republic	51.00%	51.00%
DEFENCE EXPORT a. s.	Czech Republic	100.00%	100.00%
DEFENCE SYSTEMS a. s.	Czech Republic	100.00%	100.00%
DEFENCE TRADE a. s. [4]	Czech Republic	100.00%	100.00%
DPTU SUMBRO TRADE Dooel Samokov Makedonski Brod	Macedonia	81.00%	--
EHC Service s. r. o.	Slovakia	93.19%	100.00%
ELDIS Pardubice, s. r. o.	Czech Republic	100.00%	100.00%
ELTON hodinářská, a. s.	Czech Republic	73.16%	73.16%
ENGINEERING SPV a. s.	Czech Republic	100.00%	100.00%
EUROPEAN AIR SERVICES s. r. o.	Czech Republic	97.00%	97.00%
EUROPEAN AIR SERVICES SLOVAKIA s. r. o.	Slovakia	97.00%	85.00%
EXCALIBUR ARMY spol. s r. o.	Czech Republic	90.00%	90.00%
EXCALIBUR INTERNATIONAL a. s.	Czech Republic	100.00%	90.00%
EXCALIBUR USA a. s.	Czech Republic	51.00%	51.00%
FUTURE CS a. s.	Czech Republic	0.00%	100.00%
HELI COMPANY s. r. o.	Slovakia	83.87%	90.00%
HTH land a. s.	Czech Republic	100.00%	88.00%
Hyundai Centrum CB s. r. o.	Czech Republic	100.00%	--
Hyundai Centrum Praha s. r. o.	Czech Republic	100.00%	--
INTEGRA CAPITAL a. s.	Czech Republic	100.00%	50.00%
JOB AIR Technic a. s.	Czech Republic	80.30%	40.15%
KARBOX Holding s. r. o.	Czech Republic	100.00%	15.00%
KARBOX s. r. o.	Czech Republic	100.00%	99.98%
LIAZ TRUCKS a. s.	Czech Republic	100.00%	100.00%
LIKVIDACE ODPADU CZ a. s.	Czech Republic	0.00%	100.00%
LOGRIS a. s.	Czech Republic	0.00%	100.00%
LOSTR a. s. [6]	Czech Republic	100.00%	100.00%
MADE CS a. s.	Czech Republic	100.00%	80.00%
MERIT SPV a. s.	Czech Republic	100.00%	100.00%
Milconn, a. s.	Czech Republic	50.00%	50.00%
MSM Banská Bystrica, a. s.[12]	Slovakia	81.00%	--
MSM BUSINESS DEVELOPEMENT s. r. o.[10]	Slovakia	81.00%	--
MSM e-mobility division j.s.a.	Slovakia	72.90%	
MSM GROUP s. r. o.	Slovakia	81.00%	81.00%
MSM holding s. r. o.	Slovakia	81.00%	81.00%
MSM LAND SYSTEMS, s. r. o.[8]	Slovakia	81.00%	--
MSM Martin s. r. o.	Slovakia	81.00%	81.00%
MSM Nováky, a. s.[11]	Slovakia	81.00%	--

NAME OF THE COMPANY	COUNTRY OF INCORPORATION	31 DECEMBER 2019	31 DECEMBER 2018
MSM TATRA Special Vehicles, s. r. o.	Slovakia	73.16%	73.16%
New Space Technologies s. r. o.	Czech Republic	60.00%	--
NIKA Development a. s.	Czech Republic	100.00%	100.00%
P F Support s. r. o.	Czech Republic	100.00%	100.00%
PPS VEHICLES, s. r. o.	Slovakia	76.95%	--
PROGRESS SPV a. s.	Czech Republic	100.00%	100.00%
REAL TRADE PRAHA a. s.[15]	Czech Republic	0.00%	0.00%
ROSCO BOHEMIA a. s.	Czech Republic	100.00%	100.00%
SBS ZVS, s. r. o.	Slovakia	40.50%	40.50%
SHER Technologies a. s.	Czech Republic	45.90%	45.90%
Skyport a. s.	Czech Republic	72.22%	--
Skyport Catering s. r. o.	Czech Republic	72.22%	--
Slovak Aviation Factory s. r. o.	Slovakia	81.00%	--
Slovak Training Academy, s. r. o.	Slovakia	93.19%	82.00%
SPV REAL ESTATE a. s.	Czech Republic	100.00%	--
STA TECHNOLOGY, s. r. o.[14]	Slovakia	93.19%	--
TATRA a. s.	Czech Republic	100.00%	100.00%
TATRA AVIATION a. s.	Czech Republic	100.00%	100.00%
TATRA DEFENCE VEHICLE a. s.	Czech Republic	100.00%	100.00%
TATRA MANUFACTURE a. s. [2]	Czech Republic	100.00%	100.00%
TECHPARK Hradubická a. s.	Czech Republic	100.00%	100.00%
Tovární 1112 a. s.	Czech Republic	0.00%	90.00%
TRADITION CS a. s.	Czech Republic	97.50%	100.00%
TRANSELCO CZ s. r. o.	Czech Republic	51.00%	--
Vagonka Louny a. s.	Czech Republic	51.00%	--
VALUE SPV a. s.	Czech Republic	100.00%	--
Virte, a. s.	Slovakia	81.00%	81.00%
VÍTKOVICKÁ DOPRAVA, a. s.	Czech Republic	100.00%	100.00%
VÝVOJ Martin, a. s.	Slovakia	81.00%	81.00%
Whare factory s. r. o.	Czech Republic	100.00%	--
ZVS Ammunition, a. s.	Slovakia	81.00%	81.00%
ZVS Holding a. s.[16]	Slovakia	40.50%	40.50%
ZVS IMPEX, akciová spoločnosť	Slovakia	81.00%	81.00%
ZVS-Armory, s. r. o.[7]	Slovakia	81.00%	--

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

10 FINANCIAL PART

1. As part of the merger by amalgamation project, AVIA a. s. (dissolving company) merged with its subsidiary AVIA Motors s. r. o. (successor company). The effective date of the merger was 1 January 2017. As of 13 April 2017, AVIA a. s. was deregistered from the Register of Companies.
2. In 2018, DEFENCE SYSTEMS a. s. was renamed to TATRA MANUFACTURE a. s.
3. In 2016, Vojenský opravárenský podnik CZ a. s. was renamed to CZECH DEFENCE SYSTEMS a. s.
4. In 2016, DEFENCE TRADE a. s. was renamed to EXCALIBUR USA a. s. and, at the same time, a new entity was formed – DEFENCE TRADE a. s.
5. In 2018, EAS Holding a. s. was renamed to CSG AEROSPACE a. s.
6. In 2017, FUNDI CS a. s. was renamed to LOSTR a. s.
7. In 2019, CZ - Slovensko, s. r. o. was renamed to ZVS-Armory, s. r. o.
8. In 2019, Montservis, s. r. o. was renamed to MSM LAND SYSTEMS, s. r. o.
9. In 2019, TRADITION SPV 1 a. s. was renamed to ATRAK a. s.
10. In 2019, MSM AIPORT SOLUTION s. r. o. was renamed to MSM BUSINESS DEVELOPMENT s. r. o.
11. In 2019, ZVS industry, a. s. was renamed to MSM Nováky, a. s.
12. In 2019, TESLA Pardubice, a. s. was renamed to MSM Banská Bystrica, a. s.
13. In 2019, PERFORMANCE SPV a. s. was renamed to FALCON CSG a. s.
14. In 2019, MSM DEFENCE INDUSTRY s. r. o. was renamed to STA TECHNOLOGY s. r. o.
15. It is the exclusive seller of EXCALIBUR ARMY spol. s r.o., therefore it is an entity with controlling influence.
16. The controlling influence is exercised on the basis of a shareholder agreement.

In 2019, the following entities were sold:

/ LOGRIS a. s.
/ Tovární 1112 a. s.
/ LIKVIDACE ODPADU CZ a. s.
/ CSG FACILITY a. s.
/ FUTURE CS a. s.

The effect of investments in entities sold in 2019 and 2018 (Industrial Trade Services a. s. and SPV VTK a. s.) is disclosed in Note 8.

The costs of investments (net of the effect of allowances) and accompanying information on selected investments are presented in the tables below.

As of 31 December 2019

CZK THOUSAND	TOTAL PROFIT (+) LOSS (-) FOR 2019	EQUITY AS OF 31 DECEMBER 2019	COST
NIKA DEVELOPMENT a. s.	-94,406	1,682,282	1,834,785
EXCALIBUR ARMY spol. s r.o.	281,886	2,584,596	1,051,030
DAKO-CZ, a. s.	126,289	969,634	321,723
INTEGRA CAPITAL a. s.	-148,686	89,968	252,685
TATRA DEFENCE VEHICLE a. s.	25,530	108,630	113,731
AVIA Motors s. r. o.	-17,614	-3,559	109,790
CSG AEROSPACE a. s.	279,635	424,612	70,283
TECHPARK HRADUBICKÁ a. s.	-336	61,332	57,133
CSGM a. s.	-4,191	62,042	52,350
MSM Group s. r. o.	-12,579	332,234	44,216
Other			161,931
Total			**4,069,657**

As of 31 December 2018

CZK THOUSAND	TOTAL PROFIT (+) LOSS (-) FOR 2018	EQUITY AS OF 31 DECEMBER 2018	COST
NIKA DEVELOPMENT a. s.	-51,174	1,781,251	1,834,785
EXCALIBUR ARMY spol. s r.o.	388,021	2,703,806	1,051,030
DAKO-CZ, a. s.	85,128	923,345	321,723
FUTURE CS a. s.	-4,947	10,079	245,374
TATRA DEFENCE VEHICLE a. s.	46,466	83,173	113,731
AVIA Motors s. r. o.	-137,130	-945	109,790
INTEGRA CAPITAL a. s.	-3,898	238,654	68,760
TECHPARK HRADUBICKÁ a. s.	-225	61,660	57,123
CSGM a. s.	28,349	66,232	52,350
MSM Group s. r. o.	141,313	201,278	44,216
CSG AEROSPACE a. s.	158,830	255,409	41,683
Other			79,485
Total			**4,020,050**

In line with the accounting policies disclosed in Note 3 e), the Company recognised an allowance for non-current financial assets of CZK 1,085 thousand as of 31 December 2019 (31 December 2018: CZK 1,085 thousand).
The Company did not recognise an allowance for other financial investments either owing to the anticipated profits in the coming years or for the reason that the market cost of the asset is greater than its valuation in the accounting records.

II. Investment in Associates
During 2018, the Company acquired a 50% investment in AVIA AVIATION a. s., which is registered in the Czech Republic. The cost of the investment was CZK 300 thousand.
In 2019, the Company founded AVIA Electric a. s., where it holds a 50% investment. In addition, the Company sold a 70% investment in FALCON CSG a. s. (formerly PERFORMANCE SPV), where it held a 100% investment, which thus became an associate.

11. Loans and Other Financial Assets

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Assets at amortised cost		
Granted loans	3,932,433	2,493,621
Other financial assets	239	1,344
Receivables from the payment of dividends	151,369	6,000
Total assets at amortised cost - subtotal	**4,084,041**	**2,500,965**
Financial derivatives	98,484	3,267
Total financial assets at fair value	**98,484**	**3,267**
Total loans and other financial assets	**4,182,525**	**2,504,232**

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Long-term	61,866	110,632
Short-term	4,120,659	2 393,600
Total loans and other financial assets	**4,182,525**	**2,504,232**

Granted loans namely represent the loans provided to related parties. Relations with related parties including the loans granted are described in more detail in Note 24 – Related Parties. Receivables arising from the payment of dividends as of 31 December 2019 include receivables from EXCALIBUR ARMY s. r. o. in the amount of CZK 122,732 thousand (31 December 2018 – LIKVIDACE ODPADU CZ a. s. in the amount of CZK 6,000 thousand).
Other financial assets primarily include the unpaid part of the purchase price of acquired equity investments in companies.

Derivatives
As of 31 December 2019, the Company records receivables from concluded derivative trades measured at fair value in the amount of CZK 98,484 thousand (as of 31 December 2018 in the amount of CZK 3,267 thousand), where receivables in the amount of CZK 61,735 thousand represent the long-term portion (as of 31 December 2018 in the amount of CZK 2,012 thousand) and receivables in the amount of CZK 36,749 thousand represent the short-term portion (as of 31 December 2018 in the amount of CZK 1,165 thousand).
In addition, the Company records payables from concluded derivative trades in the amount of CZK 98,363 thousand (as of 31 December 2018 in the amount of CZK 29,037 thousand), corresponding to their fair value as of the balance sheet date. The payable in the amount of CZK 66,700 thousand represents the long-term portion (as of 31 December 2018 in the amount of CZK 17,869 thousand) and payable in the amount of CZK 31,663 thousand represents the short-term portion (as of 31 December 2018 in the amount of CZK 11,168 thousand). These amounts are reported under Short-term or Long-term financial instruments and financial liabilities. All the concluded derivative transactions are speculative in nature.
As of 31 December 2019, the Company records the following types of derivatives and volume of open position:

- FX forwards for the sale of EUR for CZK in the total volume of EUR 22,500 thousand in 2020 and EUR 8,000 thousand in 2021
- FX forwards for the sale of USD for CZK in the total volume of USD 14,000 thousand in 2020
- FX forwards for the purchase of EUR 1,000 thousand in 2020
- Currency options for the sale of EUR for CZK in the total volume of EUR 18,000 thousand in 2020
- Currency options for the sale of EUR for CZK in the total volume of EUR 36,000 thousand in 2021
- Currency options for the sale of EUR for CZK in the total volume of EUR 18,000 thousand in 2022
- Currency options for the purchase of EUR for CZK in the total volume of EUR 18,000 thousand in 2020
- Currency options for the purchase of EUR for CZK in the total volume of EUR 36,000 thousand in 2021
- Currency options for the purchase of EUR for CZK in the total volume of EUR 18,000 thousand in 2022
- Currency swaps for the purchase of EUR for CZK in the total volume of EUR 3,000 thousand in 2020
- Currency swaps for the sale of EUR for CZK in the total volume of EUR 43,444 thousand in 2020

As of 31 December 2018, the Company records the following types of derivatives and volume of open position:

- FX forwards for the sale of EUR for CZK in the total volume of EUR 52,500 thousand in 2019 and EUR 33,000 thousand in 2020
- FX forwards for the sale of USD for CZK in the total volume of USD 14,000 thousand in 2020
- FX forwards for the purchase of EUR 7,500 thousand for CZK in 2019 and EUR 10,000 thousand for CZK in 2020
- FX forwards for the purchase of USD 28,956 thousand for CZK in 2019
- Currency options for the sale of EUR for CZK in the total volume of EUR 18,000 thousand in 2019
- Currency options for the purchase of EUR 12,000 thousand for CZK in 2019
- Currency swaps for the sale of EUR for CZK in the total volume of EUR 1,500 thousand in 2020
- Interest-rate swaps to secure the floating interest rate 6M Pribor with a fixed rate of 1.5% for a loan facility in the total volume of 1,800,000 thousand during 2019–2021.

The total impact on profit arising from the performed derivative transactions in 2019 is an income of CZK 75,063 thousand presented under Financial income (2018: expense in the amount of CZK 65,799 thousand presented under Financial expenses).

12. Trade Receivables and Other Assets

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Trade receivables	33,426	26,369
Other receivables	1,028,575	979,621
Estimated receivables	182	22,827
Total trade receivables and other receivables	**1,062,183**	**1,028,817**
Deferred expenses	64	88
Prepayments made	35,090	--
Accruals	**35,154**	**88**
Total trade receivables and other assets	**1,097,337**	**1,028,905**
Long-term	--	33,743
Short-term	1,097,337	995,162
Total trade receivables and other assets	**1,097,337**	**1,028,905**

As of 31 December 2019, the balance of Other receivables predominantly includes a receivable from CSG RDR a. s. from assigned bonds in the amount of CZK 400,000 thousand, a receivable from INTEGRA CAPITAL a. s. from an assigned loan to ZTS METALURG, a. s. in the amount of CZK 156,384 thousand and a receivable from BlackBird Real Estate s. r. o. from the sold investment in CSG Facility a. s. and FUTURE CS a. s. in the amount of CZK 175,000 thousand.
As of 31 December 2018, the balance of Other receivables predominantly includes a receivable in the amount of CZK 408,407 thousand arising from the unpaid purchase price for the sale of Industrial Trade Services a. s., a receivable arising from the refund of a contribution above and beyond the share capital balance in the amount of CZK 63,128 thousand and from the reclassification of a portion of short-term loans in the amount of CZK 474,557 thousand to other receivables, which predominantly include receivables arising from assigned receivables.
The Company's exposure to credit and currency risks and impairment losses in relation to trade and other receivables is disclosed in Note 23 – Risk Management and Disclosure Methods.

13. Tax Receivables and Payables

As of 31 December 2018, the Company recorded tax payables in the amount of CZK 27,737 thousand, of which CZK 27,507 thousand represents income tax payables.
As of 31 December 2018, the Company recorded tax receivables from an income tax overpayment arising from the prepayments made during the year in the amount of CZK 1,106 thousand.

14. Cash and Cash Equivalents

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Current bank accounts	9,828	63,528
Cash on hand	--	302
Cash and cash equivalents in the cash flow statement	**9,828**	**63,830**

In 2019, the Company stopped using cash and all monetary transactions are cashless.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

15. Equity

Share Capital

As of 31 December 2019 and 2018, authorised, issued and fully paid-in share capital consisted of twenty ordinary registered shares in the book entry form in the nominal value of CZK 100,000.
The shareholder is entitled to a payment of dividends and is entitled to vote at the General Meetings of the Company's shareholders with one vote attributable to a share of CZK 100 thousand.
In 2019 and 2018, the Company paid no dividends.

31 December 2019 and 2018

CZK THOUSAND	SHARES (CZK '000)	OWNERSHIP PERCENTAGE(%)	VOTING RIGHTS(%)
Czechoslovak Group B.V.	2,000	100	100
Total shares	**2,000**	**100**	**100**

Other funds

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Other capital reserves	3,146,176	3,146,176
Other indivisible reserves	82,462	82,278
Total	**3,228,638**	**3,228,454**

A major portion of other funds represents an effect on the Company's interest-rate advantage arising from the use of a non-interest bearing ownership loan, which is recognised through equity. The Company considers the ownership loan received from the owner acting from the actual position of an owner to constitute an instrument that brings a visible advantage to the Company in the form of exemption from interest. The fair value of a non-interest bearing ownership loan is highly likely to differ from the nominal value during its initial recognition. The Company recognises the difference between the fair value of an ownership loan during its initial recognition and its nominal value through equity, the reason being that the substance of non-interest bearing loans includes advantageous terms specifically in the form of zero interest representing the owner's non-reciprocal capital contribution. As of 31 December 2019, these non-reciprocal capital contributions totalled CZK 54,854 thousand (31 December 2018: CZK 82,278 thousand). The decrease was due to the partial repayment of the loans by the Company.
On 31 December 2018, the parent Company Czechoslovak Group B.V. capitalised receivables of CZK 273,365 thousand, CZK 120,000 thousand, CZK 540,000 thousand and EUR 705,367 in the form of a contribution above and beyond the share capital balance. The contribution above and beyond the share capital balance amounted to CZK 951,511 thousand. The repayments of non-interest bearing ownership loans decreased other funds by CZK 68,268 thousand.

Retained earnings brought forward
In 2019, the decrease in retained earnings in the amount of CZK 2,028 thousand is caused by the write-off of a receivable from CSG Industry a. s., which was dissolved by a merger with CSG in 2015.

In 2018, movements in retained earnings represented the profit for the period in the amount of CZK 709,572 thousand, the impact from the settlement of the difference in the purchase price of an equity investment purchased in 2017 in the amount of CZK (2,473 thousand) and the impact of the initial application of IFRS 9 in 2018 in the amount of CZK (1,996 thousand).

16. Loans and Borrowings – Received

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Owner loans and loans from other related parties	685,879	561,040
Loans from third parties (other loans)*	685,392	377,681
Total	**1,371,271**	**938,721**
Long-term	243,750	228,192
Short-term	1,127,521	710,528
Total	**1,371,271**	**938,721**

In 2019, the weighted average interest rate of loans amounted to 4.96% (2018: 3.63%)

Terms and Summary of Loan Maturities
The following terms applied to outstanding loans and borrowings:

31 December 2019

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2019	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS
Loans from related parties	CZK	fixed	2020	200,326	200,326	0
Loans from related parties	CZK	non interest bearing	2020	54,854	54,854	0
Loans from third parties	CZK	variable	2020	430,699	430,699	0
Loans from third parties	CZK	fixed	2020	379,857	379,857	0
Loans from third parties	CZK	variable	2020-2024	305,535	61,785	243,750
Total	**CZK**			**1,371,271**	**1,127,521**	**243,750**

31 December 2018

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2018	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS
Loans from related parties	CZK	fixed	2019	515,381	515,381	
Loans from related parties	CZK	non interest bearing	2019-2023	4,009	1,817	2,192
Loans from third parties	CZK	fixed	2019-2023	261,474	35,474	226,000
Loans from third parties	CZK	variable	2019	150,000	150,000	--
Loans from third parties	CZK	non interest bearing	2019	7,856	7,856	--
Total				**938,720**	**710,528**	**228,192**

*More information on the interest rate risk is provided in Note 23 (d).

Non-interest bearing loans are recognised at their carrying amounts using market interest rates, with the capital portion of the loan reported through equity – refer to Note 15.

Other financial instruments

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Financial derivatives	98,363	29,037
Other financial payables	0	94,596
Total	**98,363**	**123,633**
Long-term	66,700	67,177
Short-term	31,663	56,456
Total	**98,363**	**123,633**

As of 31 December 2018, other financial payables in the amount of CZK 64,306 thousand included payables related to the purchase price of equity investments.

17. Bonds

On 16 December 2016, the Company issued CSG VAR/21 bonds (ISIN CZ0003515405), which were admitted to trading on the Prague Stock Exchange. The nominal value of one bond amounts to CZK 3 million. The maximum volume of a placement is CZK 2,100 million with the possibility of placement on a tranche-by-tranche basis until 12 December 2017. As of 31 December 2016, bonds in the total nominal amount of CZK 1,002 million were subscribed. During 2017, the Company issued additional bonds up to the maximum amount of CZK 1,098 million, of which CZK 507 million was subscribed to third parties and CZK 591 million was subscribed to the Company's own account. The Company does not account for own bonds. As of 31 December 2019, the Company recorded a liability from these issues in the amount of CZK 1,203 million (31 December 2018: CZK 1,824 million).
VAR/21 bonds bear a floating interest rate consisting of 6M PRIBOR + 3% margin, with interest falling due biannually as of 16 June and 16 December each year. The due dates of bonds are determined at 16 December 2021.
On 30 November 2017, the Company issued CZECH. GR. 3,00/22 bonds (in two placements: ISIN CZ0003517757 and ISIN CZ0003517740), which were offered to qualified investors in the Czech Republic. Bonds were issued as securities in the book-entry form with a nominal value of CZK 5 million a piece. The total value of the placement is CZK 400 million (CZK 200 million during each placement).
A of 31 December 2019, the Company records a payable from these private issues of CZK 70 million (2018: CZK 255 million).
CZECH. GR. 3,00/22 bonds bear a fixed interest rate of 3% p.a. Interest income will be paid for each income period retrospectively on a bi-annual basis, as of 30 November and 30 May each year. The first interest income payment was made as of 30 May 2018. The due dates of bonds are determined at 30 November 2022.
On 1 November 2019, the Company issued CSG VAR/24 bonds (ISIN CZ0003523151) with a floating interest income in the estimated total nominal value of placement of CZK 1,500 million with a possibility to increase up to CZK 2,000 million with maturity in 2024. The bonds were issued as securities in the book-entry form with a nominal value of CZK 100 thousand per bond. As of 31 December 2019, the Company recognised a payable from these issues in the amount of CZK 1,698 million.
The CSG VAR/24 bonds bear a floating interest rate consisting of 6M PRIBOR + a 3.25% margin, with interest falling due biannually as of 1 November and 1 May each year.

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Issued bonds	2,970,500	2,079,000
Outstanding interest	18,702	7,444
Subtotal	2,989,202	2,086,444
Placement costs	-36,306	-12,891
Total bonds	**2,952,896**	**2,073,553**
Non-current	2,944,313	2,066,109
Current *	8,583	7,444
Total bonds	**2,952,896**	**2,073,553**

Bonds as of 31 December 2019 and 31 December 2018 were subject to the following conditions:

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2019	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS	DUE IN SUBSEQUENT YEARS
CSG VAR/24	CZK	variable	2019-2024	1,713,237	15,737	1,697,500	--
CSG VAR/21	CZK	variable	2018-2021	1,205,784	2,784	1,203,000	--
CZECH. GR. 3,00/22	CZK	fixed	2018-2022	70,181	181	70,000	--

CZK THOUSAND	CURRENCY	NOMINAL INTEREST RATE	DUE IN	BALANCE AT 31 DECEMBER 2018	DUE IN 1 YEAR	DUE IN 1 TO 5 YEARS	DUE IN SUBSEQUENT YEARS
CSG VAR/21	CZK	variable	2018-2021	1,831,444	7,444	1,824,000	--
CZECH. GR. 3,00/22	CZK	fixed	2018-2022	255,684	684	255,000	--

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 23 – Risk Management and Disclosure Methods.

18. Trade and Other Payables

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Prepayments received	323,240	193,005
Trade payables	10,971	6,366
Other payables	127,975	245,612
Trade and other payables – subtotal	**462,186**	**444,983**
Unbilled supplies	48,233	50,969
Estimated payables – subtotal	**48,233**	**50,969**
Trade and other payables – total	**510,419**	**495,952**
Long-term	--	--
Short-term	510,419	495,952
Trade and other payables – total	**510,419**	**495,952**

Prepayments received as of 31 December 2019 represent a prepayment for dividends from CSG AEROSPACE a. s. (CZK 239,040 thousand) and a prepayment from ELDIS Pardubice s. r. o. for the purchase of bonds (CZK 80,000 thousand). Prepayments received as of 31 December 2018 represent a payment of an interim dividend from AVIA Motors s. r. o. (CZK 15,000 thousand), CSG AEROSPACE a. s. (CZK 103,005 thousand), an advance on the purchase of bonds and JOB AIR Technic a. s. (CZK 75,000 thousand).

19. Deferred Tax Assets and Liabilities

Reported Deferred Tax Assets and Liabilities

The following deferred tax assets and liabilities were reported:

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Non-interest bearing owner loans	-367	-868
Financial assets	2,395	945
Total	**2,028**	**77**
Tax offsetting	**--**	**--**
Net deferred tax asset (+) / tax liability (-)	**2028**	**77**

Movements in Temporary Differences during the Year

TEMPORARY DIFFERENCE IN RELATION TO THE BELOW ITEMS:	BALANCE AT 1 JANUARY 2019	REPORTED THROUGH COMPREHENSIVE INCOME	REPORTED THROUGH EQUITY	BALANCE AT 31 DECEMBER 2019
Allowance against receivables	945	1,450	--	2,395
Non-interest bearing owner loans	-868	544	-43	-367
Total	**77**	**1,994**	**-43**	**2,028**

TEMPORARY DIFFERENCE IN RELATION TO THE BELOW ITEMS:	BALANCE AT 1 JANUARY 2018	REPORTED THROUGH COMPREHENSIVE INCOME	REPORTED THROUGH EQUITY	BALANCE AT 31 DECEMBER 2018
Allowance against receivables	--	476	469**	945
Non-interest bearing owner loans	-4,762	1,360	2,534*	-868
Total	**-4,762**	**1,836**	**3,003**	**77**

*The impact of financing by a non-interest bearing loan from the owner is disclosed in Note 15.
**Impact of application of IFRS 9 as of 1 December 2018

20. Fair Value of Financial Instruments

Fair Value Hierarchy of Financial Instruments Carried at Fair Value

The Company has no financial instruments (assets or liabilities) for the years ended 31 December 2019 and 2018 carried at fair value with the exception of bonds and derivatives. The fair values of financial instruments reported at their carrying amounts are presented below:

/ Bonds and derivatives are recognised at fair value within Level 2.

Level 3 includes other financial assets and liabilities and their fair value does not significantly differ from their carrying amounts (for additional details about the valuation methods refer to Note 2 (d) Use of Estimates and Judgement).

The sensitivity analysis relating to fair values of financial instruments is disclosed in Note 23 – Risk Management and Disclosure Methods.

21. Leases

The Company did not enter into any significant lease contracts whether as a lessee or lessor.

22. Provided Guarantees

The Company provided the following bank guarantees and collateral:

/ Beneficiary: The President of India, issued on 29 October 2019, valid until 11 July 2020 in the amount of INR 5,400 thousand (CZK 1,711 thousand);
/ Beneficiary: The President of India, issued on 25 October 2019, valid until 31 January 2020 in the amount of INR 3,650 thousand (CZK 1,157 thousand);
/ Collateral for the Syndicated Loan Agreement concluded on 2 October 2018 between TATRA DEFENCE VEHICLE a. s. as the debtor and CZECHOSLOVAK GROUP a. s. as the guarantor, the amount of guarantee as of 31 December 2019 is CZK 620 million;
/ Agreement establishing a pledge on receivables from accounts no. 1230940000/2250 in CZK, 101121434/2250 in EUR and 1011121442 in USD;
/ Agreement establishing a pledge on securities, issuer NIKA Development a. s., 30 pieces / 1 piece with the nominal value of CZK 100 thousand;
/ Blank promissory note with the aval of Mr. Michal Strnad and the Agreement on the right to complete a blank bill of exchange;
/ Agreement establishing a pledge on securities, issuer INTEGRA CAPITAL a. s., 66 pieces / 1 piece with the nominal value of CZK 1,000 thousand, 34 pieces / 1 piece with the nominal value CZK 100 thousand, 2 pieces / 1 piece with the nominal value of CZK 50 thousand;
/ Agreement establishing a pledge on a share in a corporation, 50% of the business share in anji s. r. o.;
/ Agreement establishing a pledge on receivables;
/ Agreement establishing a pledge on immovable property owned by TECHPARK Hradubická a. s.

The Company did not provide any other significant guarantees.

23. Risk Management and Disclosure Methods

This Note provides a detailed description of the financial and operating risks to which the Company is exposed and the methods used in managing them. The major financial risks to which the Company is exposed include credit risk, liquidity risk, interest rate risk and currency risk.

Classes and Categories of Financial Instruments and Measurement of their Fair Value.

The following table contains information about:

/ Classes of financial instruments, their substance and characteristics;
/ Amortised cost of financial instruments;
/ Fair values of financial instruments (with the exception of financial instruments whose value approximates their fair value); and
/ The hierarchy levels of the fair values of financial assets and financial liabilities for which fair value has been disclosed.

The hierarchy of Fair Value Levels 1 to 3 is based on the extent to which fair value is observable:

/ Level 1 fair value measurements are derived from prices listed (unadjusted) on active markets for identical assets or liabilities;
/ Level 2 fair value measurements are derived from inputs other than the listed prices included in Level 1 that are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable in respect of the asset or liability; and
/ Level 3 fair value measurements are derived from measurement techniques including inputs for the asset or liability that is not based on identifiable market information (unobservable inputs).

31 DECEMBER 2019 (CZK THOUSAND)	NOTE	MANDATORILY AT FAIR VALUE FVTPL - OTHER	FINANCIAL ASSETS AT AMORTISED COSTS	OTHER FINANCIAL PAYABLES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value									
Derivatives	11	98,484	--	--	**98,484**	--	98,484	--	**98,484**
Total		**98,484**	**--**	**--**	**98,484**	**--**	**98,484**	**--**	**98,484**
Financial assets not reported at fair value									
Trade and other receivables	12	--	1,062,183	--	**1,062,183**	--	--	--	**--**
Provided loans	11	--	3,932,433	--	**3,932,433**	--	3,932,433	--	**3,932,433**
Other financial assets	11	--	151,608	--	**151,608**	--	151,608	--	**151,608**
Cash and cash equivalents	14	--	9,828	--	**9,828**	--	--	--	**--**
Total		**--**	**5,156,052**	**--**	**5,156,052**	**--**	**4,084,041**	**--**	**4,084,041**
Financial payables reported at fair value									
Derivatives	11	98,363	--	--	**98,363**	--	98,363	--	**98,363**
Total		**98,363**	**--**	**--**	**98,363**	**--**	**98,363**	**--**	**98,363**
Financial payables not reported at fair value									
Secured bank loans		--	--	679,857	**679,857**	--	679,857	--	**679,857**
Loans from related parties	16	--	--	685,879	**685,879**	--	685,879	--	**685,879**
Loans from third parties		--	--	5,535	**5,535**	--	5,535	--	**5,535**
Trade and other payables	18	--	--	510,419	**510,419**	--	--	--	**--**

31 DECEMBER 2019 (CZK THOUSAND)	NOTE	MANDATORILY AT FAIR VALUE FVTPL – OTHER	FINANCIAL ASSETS AT AMORTISED COSTS	OTHER FINANCIAL PAYABLES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Long-term bonds	17	--	--	2,944,313	**2,944,313**	--	2,944,313	--	**2,944,313**
Short-term bonds	17	--	--	8,583	**8,583**	--	8,583	--	**8,583**
Total		**--**	**--**	**4,834,586**	**4,834,586**	**--**	**4,324,167**	**--**	**4,324,167**

a) Credit Risk

I. Credit Risk Exposure

Credit risk is a risk of the Company incurring a financial loss if the customer or counterparty fails to meet its contractual obligations in transactions with financial instruments. The risk primarily arises in respect of the Company's amounts due from customers and in respect of loans and borrowings. Credit risk is limited in respect of highly liquid assets (cash product on bank accounts) given that counterparties are entities with high credit ratings.
As of the balance sheet date, the maximum credit risk exposure is divided by counterparty as shown in the following tables. The majority of financial assets as of 31 December 2019 are from counterparties within the European Union, with the exception of a loan to a counterparty in Serbia in the amount of CZK 125,425 thousand (31 December 2018: CZK 118,226 thousand), in the USA in the amount of CZK 21,588 thousand (31 December 2018: CZK 0) and in Singapore in the amount of CZK 18,932 thousand (31 December 2018: CZK 0).

Credit Risk Management in Respect of Trade and Other Receivables

The Company reviews the financial positions of its existing customers and regularly assesses their creditworthiness. In respect of new customers requesting goods and services above a certain limit (determined on the basis of the size and nature of the specific business), the customer is firstly subject to an individual analysis of creditworthiness and only then are standard payment and supply terms proposed to it.
The Company assesses the credit quality of customers by reference to their financial position, historical experience and other factors. Individual limits for managing this risk are determined based on internal or external ratings in compliance with the limits stipulated by the Company's internal guidelines. The Company's management regularly assesses the level of credit risk and the size of its exposure and, at least on a monthly basis, monitors the balance of overdue trade receivables. The Company also requires that its customers provide it with appropriate forms of guarantees or collateral.

Impairment Loss and Write-Off of Receivables

The Company recognises allowances for impairment based on an estimate of future expected losses that may be incurred in respect of trade receivables, other receivables and provided loans. Expected future losses are estimated in compliance with the methodology applied by the Company.

To measure expected credit losses in relation to the transition to IFRS 9, trade receivables, loans and other receivables were assessed based on the customer's individual rating and days past due (referred to as the "individual approach"). The Company set the individual assessment of receivables in relation to the rating of the debtor's country, the reason being that a majority of the Company's business transactions are concluded with entities directly or closely related to state and public institutions. Receivables are classified by country of origin of the business from which the receivable is recorded. These countries were assigned rating based on an assessment by Standard and Poors. Using this rating, receivables are classified into three groups based on the risk of potential failure to recover the receivables:

The first low-risk group includes receivables from entities based in countries with a rating of AAA to A-, which are considered to be stable with a low risk of default. A probability of default of 0.1% has been assigned to this group of receivables. This probability corresponds with a one-year probability of default of a corporate client included in the investment grade (refer to Standard and Poors 2016 Annual Global Corporate Default, Table No. 26).

The middle-risk group includes public entities from countries with a rating of A- to BB. This group has been assigned the probability of default at 1.9%. This value has been selected as the arithmetic average of the low-risk and high-risk values.

The highest-risk group includes private businesses from countries with a rating of BB- and worse, which has been assigned the highest probability of default at 3.7%. This probability corresponds with a one-year probability of default of a corporate client included in the speculative grade (refer to Standard and Poors 2016 Annual Global Corporate Default, Table No. 26).

Furthermore, the Company has identified a group of critical receivables which includes receivables to bankrupt or insolvent entities, with a 100% probability of default. In this respect, the Company reports provisions at the level of lifetime loss in respect of all types of receivables (including provided loans).
The Company anticipates loss given default (LGD) at 100%. The Company always reports lifetime expected credit loss in respect of trade receivables.

The allowance amount measured in line with the above-described rating-based system additionally includes factors specific to the given debtors, general economic conditions in the debtor's country and the assessment of the existing and expected development of the conditions as of the reporting date, including the recognition of the time value of money, if relevant.
The Company has identified GDP and the unemployment rate in the Czech Republic, Slovakia and Serbia, which are the primary destinations of the sale of its goods and services, to be the most significant factors. If a change in these factors is expected, the Company adjusts the probability of default rate for a specific risk mark-up.

In respect of other financial instruments, the Company reports lifetime expected credit loss for their duration, provided a significant increase in credit risk has occurred since initial recognition. However, if credit risk has not significantly increased since initial recognition in respect of the financial instrument, the Company will calculate the allowance for the loss arising from this financial instrument in the amount of expected credit losses over 12 months.

Write-off of Receivables

The Company assesses default receivables. If the receivable is assessed not to be recoverable by any means and the statute of limitations has expired – i.e. a period greater than 3 years from the due date – the Company's management will decide to write it off.

1 Refer to Standard and Poors 2016 Annual Global Corporate Default, table no. 26 – investment grade)
2 Refer to Standard and Poors 2016 Annual Global Corporate Default, table no. 26 – speculative grade)
https://www.spratings.com/documents/20184/774196/2016+Annual+Global+Corporate+Default+Study+And+Rating+Transitions.pdf/2ddcf9dd--3b82-4151-9dab-8e3fc70a7035

Credit Risk by Counterparty

As of 31 December 2019

CZK THOUSAND	LEGAL ENTITIES (NON-FINANCIAL INSTITUTIONS)	STATE GOVERNMENT	FINANCIAL INSTITUTIONS	INDIVIDUALS	OTHER	TOTAL
Assets						
Loans and other financial assets	3,368,629	--	98,484	715,412	0	4,182,525
Trade receivables and other assets	1,095,331	--	0	-3,997	6,003	1,097,337
Cash and cash equivalents	0	--	9,828	0	0	9,828
Total	**4,463,960**	**--**	**108,312**	**711,415**	**6,003**	**5,289,690**

As of 31 December 2018

CZK THOUSAND	LEGAL ENTITIES (NON-FINANCIAL INSTITUTIONS)	STATE GOVERNMENT	FINANCIAL INSTITUTIONS	INDIVIDUALS	OTHER	TOTAL
Assets						
Loans and other financial assets	2,204,855	--	--	299,377	--	2,504,232
Trade receivables and other assets	1,028,905	--	--	--	--	1,028,905
Tax receivables	--	1,106	--	--	--	1,106
Cash and cash equivalents	--	--	63,830	--	--	63,830
Total	**3,233,760**	**1,106**	**63,830**	**299,377**	**--**	**3,598,073**

II. Impairment Losses

As of the balance sheet date, the aging analysis of financial assets (without derivatives), excluding cash and cash equivalents was as follows:

Financial assets

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Before due date (net)	5,164,473	3,442,320
Past due date (net)	18,933	90,817
Total	**5,183,406**	**3,533,137**

The allowance for financial assets is used to recognise impairment losses, provided the Company does not conclude that the outstanding amount can no longer be recovered. In this situation, the amounts are considered to be irrecoverable and are written off directly through financial assets.

The aging analysis and impairment losses on financial assets excluding cash and cash equivalents as of the balance sheet date:

As of 31 December 2019

CZK THOUSAND	NET CARRYING AMOUNT	BEFORE DUE DATE - GROSS	0-90 DAYS PAST DUE - GROSS	MORE THAN 360 DAYS PAST DUE - GROSS	ALLOWANCE	RISK GROUP 1 NET
Loans and other financial assets	3,929,848	3,916,654	19,295	74,320	-80,421	3,929,848
Trade receivables and other financial assets	1,220,094	1,221,193	0	16,890	-17,989	1,220,094
Total	**5,149,942**	**5,137,847**	**19,295**	**91,210**	**-98,410**	**5,149,942**

As of 31 December 2018

CZK THOUSAND	NET CARRYING AMOUNT	BEFORE DUE DATE - GROSS	MORE THAN 360 DAYS PAST DUE - GROSS	ALLOWANCE	RISK GROUP 1 NET	RISK GROUP 2 NET
Loans and other financial assets	2,500,969	2,504,512	74,232	-77,775	2,385,108	115,867
Trade receivables and other financial assets	1,028,817	1,029,865	16,585	-17,633	1,028,811	--
Total	**3,529,786**	**3,534,377**	**90,817**	**-95,408**	**3,413,919**	**115,867**

In 2018, the rating of business partners in risk group 1 was between A+ and AA-, rating of business partners in risk group 2 was between AAA- and BB.

The following movements in allowances against financial assets were reported in the reporting period ended 31 December 2019:

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Balance at 1 January	**95,408**	**73,526**
Adjustment at initial application of IFRS 9	--	2,465
Impairment losses reported during the period	6,720	19,417
Release (recognition) of impairment loss reported during the period	-1	--
Balance at 31 December	**102,127**	**95,408**

Impairment losses on loans and other financial assets as of 31 December 2019 and 2018 primarily concern companies in insolvency proceedings.

b) Liquidity Risk

Liquidity risk is a risk of the Company running into difficulties in meeting its commitments in relation to financial liabilities that are settled through cash or other financial assets.

The Company's management focuses on the methods used by financial institutions, i.e. diversifying the sources of funds. Thanks to the diversification, the Company is more flexible and its dependency, if any, on a single source of funding, is limited. Liquidity risk is primarily assessed by monitoring the changes in the structure of funding and by comparing the changes with the Company's liquidity risk management strategy.

The below-stated table presents a breakdown of the Company's financial assets and liabilities classified by their due dates, specifically by the period remaining from the balance sheet date until the contractual maturity date. In situations when options and payment schedules make earlier repayment possible, the Company applies maximum caution in assessing the due dates. Therefore, the due dates of liabilities are presented at the earliest possible dates and for assets at the latest possible date. Assets and liabilities without contractually stipulated due dates are classified under the "unspecified due date" category.

As of 31 December 2019

CZK THOUSAND	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	FEWER THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	UNSPECIFIED DUE DATE
Liabilities						
Loans and borrowings	1,371,271	1,474 417	128,325	607,270	283,597	455,225
Bonds	2,952,896	3,542,520	--	174,712	3,367,808	0
Financial instruments and financial payables	98,363	98,363	19,274	12,389	66,700	--
Trade and other payables	510,419	510,419	392,829	92,225	--	25,365
Tax payables	27,737	27,737	230	27,507	--	--
Total	**4,960,686**	**5,653,456**	**540,658**	**914,103**	**3,718,105**	**480,590**

As of 31 December 2018

CZK THOUSAND	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	FEWER THAN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPE-CIFIED DUE DATE
Liabilities							
Loans and borrowings	938,721	1,118,181	298,720	217,955	373,962	--	227,544
Bonds	2,073,553	2,322,422	8,069	31,650	2,282,703	--	--
Financial instruments and financial payables	123,633	123,633	--	56,456	65,869	1,308	--
Trade and other payables	495,952	495,952	271,266	224,686	--	--	--
Total	**3,631,859**	**4,060,188**	**578,055**	**530,747**	**2,722,534**	**1,308**	**227,544**

The value of loans in the category "unspecified due date" represents loans that have no set maturity date but they are payable on the creditor's request.

The Company does not expect that the cash flows included in the analysis of due dates would fall due earlier or in much larger volumes.

c) Interest Rate Risk

During its activities, the Company is exposed to the risk of interest rate fluctuations, the reason being that the interest-bearing assets (including investments) and interest-bearing liabilities have various due dates or interest rate change dates. The period during which a specific financial instrument has a fixed interest rate shows to what extent the financial instrument is exposed to interest rate risk.

The Company manages interest rate risk through interest rate swaps. As of 31 December 2019, the Company had interest rate swaps in place, hedging floating 6M PRIBOR interest rates at fixed rates 1.5% for a credit facility in the total volume of CZK 2,100,000 thousand during the period from 2019 to 2025.

As of 31 December 2018, the Company had interest rate swaps in place, hedging floating 6M Pribor interest rates at a fixed rate of 1.5% for a credit facility in the total volume of CZK 1,800,000 thousand during the period from 2018 to 2021.

The table presented below presents information on the level of the Company's interest rate risk either based on the contractual maturity periods of the Company's financial instruments or – in respect of financial instruments remeasured at the market interest rate before the due date – based on the date of the next interest rate change. Assets and liabilities that do not have a contractually stipulated maturity period or do not bear interest are classified under the "unspecified due date" category.

Financial information relating to interest-bearing and non-interest-bearing assets and liabilities and their contractual maturity or restatement dates as of 31 December 2019 and 31 December 2018 not including the effects of derivatives and receivables from the payment of dividends and other financial assets are as follows:

As of 31 December 2019

CZK THOUSAND	FLOATING INTEREST RATE		FIXED INTEREST RATE OR UNSPECIFIED	TOTAL
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS		
Interest-bearing financial assets				
Loans and other financial assets	3,391,997	--	790,528	**4,182,525**
Total	**3,391,997**	**--**	**790,528**	**4,182,525**
Interest-bearing financial liabilities				
Bonds	--	2,900,500	52,396	**2,952,896**
Loans and borrowings - received	736,234	--	635,037	**1,371,271**
Total	**736,234**	**2,900,500**	**687,433**	**4,324,167**
Net interest-rate risk balance	**2,655,763**	**-2,900,500**	**103,095**	**-141,642**

As of 31 December 2018

CZK THOUSAND	FLOATING INTEREST RATE		FIXED INTEREST RATE OR UNSPECIFIED	TOTAL
	LESS THAN 1 YEAR	1 YEAR TO 5 YEARS		
Interest-bearing financial assets				
Loans and other financial assets	786,104	--	1,714,861	**2,500,965**
Total	**786,104**	**--**	**1,714,861**	**2,500,965**
Interest-bearing financial liabilities				
Bonds	--	2,066,109	7,444	**2,073,553**
Loans and borrowings - received	150,000	--	788,721	**938,721**
Total	**150,000**	**2,066,109**	**796,165**	**3,012,274**
Net interest-rate risk balance	**636,104**	**-2,066,109**	**918,696**	**-511,309**

Sensitivity Analysis

As of 31 December 2019, financial assets with a floating interest rate primarily include loans provided to subsidiaries of the Company. As of 31 December 2019 and 2018, out of the interest-bearing financial liabilities, especially bonds are subject to a floating interest rate. Following the recognition of the above-described derivative, as of 31 December 2019, only a portion of these issued bonds of CZK 800,500 thousand is effectively exposed to the floating interest rate risk (2018: CZK 24,000 thousand).

Due to the aforementioned, the Company did not perform stress tests of the sensitivity of interest rates.

d) Currency Risk

The Company's financial positions and cash flows are affected by fluctuations in the effective foreign exchange rate.
The Company is exposed to currency risk in relation to sales, purchases and loans denominated in currencies other than the Company's functional currency, primarily in EUR.
As of 31 December 2019 a as of 31 December 2018, the Company was exposed to currency risk (translated to CZK thousand) in the following scope:

As of 31 December 2019

CZK THOUSAND	CZK	EUR	USD	OTHER	TOTAL
Assets					
Loans and other financial assets	3,019,885	1,080,495	82,145	--	**4,182,525**
Trade receivables and other assets	1,088,698	8,639		--	**1,097,337**
Cash and cash equivalents	5,891	3,742	195	--	**9,828**
Total assets	**4,114,474**	**1,092,876**	**82,340**	**--**	**5,289,690**
Liabilities					
Loans and borrowings	1,026,438	344,833	--	--	**1,371,271**
Financial instruments and financial liabilities	43	79,456	18,864	--	**98,363**
Bonds	2,952,896	--	--	--	**2,952,896**
Trade and other payables	484,800	21,573	4,046	--	**510,419**
Tax liabilities	27,737	--	--	--	**27,737**
Total liabilities	**4,491,914**	**445,862**	**22,910**	**--**	**4,960,686**

As of 31 December 2018

CZK THOUSAND	CZK	EUR	USD	OTHER	TOTAL
Assets					
Loans and other financial assets	1,878,280	507,077	649	118,226	**2,504,232**
Trade receivables and other assets	1,025,051	3,854	--	--	**1,028,905**
Tax receivables	1,106	--	--	--	**1,106**
Cash and cash equivalents	49,039	14,765	26	--	**63,830**
Total assets	**2,953,476**	**525,696**	**675**	**118,226**	**3,598,073**
Liabilities					
Loans and borrowings	762,691	128,632	47,398	--	**938,721**
Financial instruments and financial liabilities	123,633	--	--	--	**123,633**
Bonds	2,073,553	--	--	--	**2,073,553**
Trade and other payables	495,952	--	--	--	**495,952**
Total liabilities	**3,455,829**	**128,632**	**47,398**	**--**	**3,631,859**

The following material exchange rates applied during the year:

	31 DECEMBER 2019		31 DECEMBER 2018	
CZK	AVERAGE RATE	SPOT EXCHANGE RATE AS OF THE BALANCE SHEET DATE	AVERAGE RATE	SPOT EXCHANGE RATE AS OF THE BALANCE SHEET DATE
1 EUR	25.672	25.41	25.643	25.725
1 USD	22.934	22.621	21.735	22.466

Sensitivity Analysis

The strengthening of the Czech crown as of the balance sheet date (as presented below) compared to EUR and USD would result in an increase/decrease of equity as presented in the table below. The analysis is based on the departures from foreign currency exchange rates which the Company considered to be sufficiently likely as of the balance sheet date. The sensitivity analysis anticipates that all other variables, namely interest rates, will remain unchanged.

EFFECT ON PROFIT OR LOSS IN CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2019
EUR (10% strengthening)	1,644	1,021
USD (10% strengthening)	136	105

The weakening of the Czech crown as of the balance sheet date compared to the above listed currencies would have the same effect (albeit with the opposite sign), provided that all the other variables remained the same.

e) Operating Risk

Operating risk is a risk of losses arising from embezzlement, unlawful activities, errors, negligence, inefficiency or system failure. The risk of this type arises during all of the Company's activities and all of the corporate entities are exposed to it. Operating risk also includes legal risk. The Company's objective is to manage operating risk so that balance is preserved between preventing financial losses and damage to the Company's good name on the one hand, and the total effectiveness of the costs incurred on the other hand. In addition, risk management procedures should not hinder initiative and creativity. The primary responsibility for the implementation of control mechanisms to cope with operating risks is borne by management of each subsidiary. The Company's management is responsible for managing operating risks, whereby it may set the direction of procedures and measures resulting in the mitigation of operating risks and the adoption of decisions about:

- The acknowledgement of individual existing risks;
- The commencement of processes that will result in the mitigation of possible effects; or
- A decrease in the extent of risky activities or their full discontinuation.

f) Commodity Risk

The Company's activities do not face a significant commodity risk.

g) Capital Management

The Company's objective in managing capital is to have a sufficient amount of funds to finance additional acquisitions. As of the balance sheet date, the Company reported the following ratio of debt to equity:

CZK THOUSAND	31 DECEMBER 2019	31 DECEMBER 2018
Total liabilities	4,960,686	3,637,826
Decrease for cash and cash equivalents	-9,828	-63,830
Adjusted ned debt	**4,950,858**	**3,573,996**
Total equity	4,506,538	4,084,586
Ratio of debt to equity	**1.10**	**0.88**

24. Related Parties

Definition of related parties
The Company's relations with related parties include relations with shareholders and other parties as disclosed in the table below.

a) Summary of balances with related parties as of 31 December 2019 and 31 December 2018:

	31 DECEMBER 2019		31 DECEMBER 2018	
CZK THOUSAND	RECEIVABLES AND OTHER FINANCIAL ASSETS	PAYABLES AND OTHER FINANCIAL LIABILITIES	RECEIVABLES AND OTHER FINANCIAL ASSETS	PAYABLES AND OTHER FINANCIAL LIABILITIES
Shareholders	0	0	298,954	-10,604
Companies with controlling interest	3,040,320	-857,052	2,253,214	-934,304
Companies with significant interest	147	-16,936	37	-29,766
Key management of the Company	715,620	--	2,000	-309
Other related parties	1,343,881	-269,082	246,073	-63,076
Total	**5,099,968**	**-1,143,070**	**2,800,278**	**-1,038,059**

b) Summary of transactions with related parties as of 31 December 2019 and 31 December 2018:

	2019		2018	
CZK THOUSAND	INCOME	EXPENSE	INCOME	EXPENSE
Companies with controlling interest	104,306	74,977	601,538	95,686
Companies with significant interest	106	669	--	1,013
Key management of the Company	30,188	--	--	--
Other related parties	15,713	4,508	7,184	16,162
Total	**150,313**	**80,154**	**608,722**	**112,861**

25. Legal Disputes

CSG is a party in an ongoing legal dispute initiated by the American company SARN SD3 LLC ("SARN"), represented by a US-based pair of lobbyists from Washington, D.C. On 13 December 2017, SARN filed a civil action against CSG at the Delaware Supreme Court and the case is filed as SARN SD3 LLC vs. Czechoslovak Group a. s., file no. N17C-12-185 EMD (CCLD). The plaintiff states that CSG allegedly breached the Purchase Option Agreement between SARN and the Issuer of 7 October 2016 concerning a minority investment of SARN in a subsidiary of CSG, i.e. RETIA a. s. ("RETIA") by failing to make a specific payment (contractual penalty) as set in the Agreement in the event of a change of control over RETIA or by breaching the contractual "fiduciary obligation" to seek to increase the value of RETIA following the conclusion of the aforestated Purchase Option Agreement. SARN's claim based on the alleged breach of the contractual fiduciary obligation to increase the value of RETIA as calculated by the plaintiff amounts to USD 108.8 million, i.e. exceeding CZK 2.7 billion. CSG believes that this demand and the alleged claim of SARN in this respect are speculative, coercive and have absolutely no factual or legal justification. SARN has not provided evidence or statements to justify or prove the amount of such damage. The Company strongly objects against all statements and strongly asserts its claim against SARN. In the legal dispute, the Company is represented by the law firm Dentons in Prague and Washington, D.C.

26. Subsequent Events

Changes in the Group
In the period between 31 December 2019 and the date of preparation of the consolidated annual report, the following changes took place within the Group's structure:

- **6 February 2020**
  CSG transferred 100% of the shares of VALUE SPV a. s. to CE Power Industries a. s.;
- **10 February 2020**
  CSG purchased 100% of the shares of MACHINERY SPV a. s. (currently CSG EXPORT a. s.) from Mr Michal Strnad;
- **28 February 2020**
  CSG transferred its 50% share in anji s. r. o. to JT CAPITAL a. s.;
- **1 March 2020**
  CSG sold 100% shares of Rosco Bohemia a. s. to CE Industries a. s.;
- **9 March 2020**
  a transfer of the shares of Skyport a. s. between CSG a. s. and CSG AUTOMOTIVE a. s. was settled when CSG a. s. increased its share in Skyport a. s. to 88.88%;
- **13 March 2020**
  CSG purchased a 100% share in TRUCK SERVICE GROUP s. r. o. from Mr Jaroslav Strnad;
- **31 March 2020**
  CSG sold 100% of the shares of SPV REAL ESTATE a. s. to BlackBird Real Estate s. r. o.;
- **March 2020**
  a 97.5% share in TRADITION CS a. s. was transferred from CSG to CSG AEROSPACE a. s. (transfer within the Group).

Other subsequent events
The Group is implementing a merger project with the aim of merging the parent company Czechoslovak Group B.V. with Czechoslovak Group a. s. as the successor company. The estimated effective day of the merger is 1 January 2020.
The most critical subsequent event with a global impact is the pandemic of COVID-19 which, in the territory of the Czech and Slovak Republics where majority of companies within the Group operates, had unprecedented impacts on the community and the business sphere.
In compliance with the recommendations issued by the relevant authorities (European Securities and Markets Authority) and significant institutions (e.g. leading audit companies), the Group summarises the impacts of the current situation. The below-mentioned information corresponds to the moment when it is processed, which is 15 April 2020.
The reporting entity describes the above event as non-adjusting pursuant to IAS 10 with respect to the fact that the outbreak of COVID-19 was declared a pandemic by the WHO as late as in March 2020. In this context, with a few exceptions, the current accounting policies and valuation methods are not modified, the useful life and impairment of tangible assets as well as the valuation of intangible assets is not altered. The assumptions concerning the recoverability and valuation of receivables remain unchanged. The following categories are not affected: recognition of potential government support (IAS 20), changes in income tax liabilities (IAS 12), modifications in repayments of credit liabilities (if any), impacts on the reporting of revenue from contracts (IFRS 15).
The management of the reporting entity deems the current situation temporary and assumes its normalisation within weeks. Subsequently, it expects a gradual recovery of the economic activity. In certain specific cases, the Company may be affected indirectly through its subsidiaries, which may face a temporary drop in the order volume or delayed payments from clients. With regard to the above-mentioned facts, the management does not quantify potential impacts.

Going concern
The assumption of the impact on the Company's ability to continue as a going concern under IAS 1 is essential. On this issue, it should be reaffirmed that at the time of the preparation of the financial statements (March – April 2020), the situation developed in a way that was difficult to predict. Most likely, the pandemic of COVID-19 may cause a global slowdown or decline in economic development, the extent of which cannot be estimated at this time.
From the perspective of the holding company, which is a consolidating entity, the assumption of the Company's ability to continue as a going concern is mainly conditional on the operation of its subsidiaries, which can be regarded as both financial investments and, in some cases, loan recipients. From the perspective of the parent company, the relevant risks are those regarding counterparties, liquidity and labour force (selected areas of administration are covered by the subsidiary CSGM a. s.). Further indirect risks exist at the level of the subsidiaries providing services and products: these may face risks concerning a decrease in the order volume, counterparties, supply chains, labour force and liquidity.

Opinion of the reporting entity's management regarding the going concern assumption
The management of the reporting entity considered the potential impact of the COVID-19 pandemic on its activities and concluded that it has no significant effect on the assumption of the Company's ability to continue as a going concern. The consolidated financial statements were prepared in this respect.

Report on Related Party Transactions 2019

CZECHOSLOVAK GROUP a. s.

Registered office:	Sokolovská 675/9, Karlín, 186 00 Prague 8
Identification No.:	034 72 302
Controlled Entity:	CZECHOSLOVAK GROUP a. s.

I. Controlling Entities

This Report on Relations between the below mentioned related parties was prepared pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations.

Since 13 October 2014, Czechoslovak Group B.V. has been the controlling entity of CZECHOSLOVAK GROUP a. s. (hereinafter the "Company"). Czechoslovak Group B.V. is controlled by Michal Strnad. These facts are also valid as of 31 December 2019.

II. Controlled Entity

The Controlled Entity is CZECHOSLOVAK GROUP a. s. CZECHOSLOVAK GROUP a. s. controls the below listed related parties except for parties controlled by Michal Strnad.

III. Structure of Relations between Related Parties

Entities controlled by CZECHOSLOVAK GROUP a. s.

- 14. OKTOBAR d.o.o Kruševac, Corporate ID: 211 78 772, with its seat at: Jasički put br. 2, Kruševac, Serbia
- ARMY SYSTEMS a. s., Corporate ID: 061 35 013, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22517
- ARMY TRADE a. s., Corporate ID: 061 23 724, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22516
- ARS Europe a. s., Corporate ID: 027 51 402, with its seat at: Václavské náměstí 808/66, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 19664
- ATLAN GROUP, spol. s r.o., Corporate ID: 35 754 2 22, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 13718/R
- ATRAK a. s., Corporate ID 082 08 638, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1. recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 24436
- AVIA Motors s. r. o., Corporate ID: 274 22 356, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 112025
- AVIEN, spol.s. r. o., Corporate ID 475 39 682, with its seat at: Pernerova 691/42, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 19027
- BlackBird Services a. s., Corporate ID: 275 28 065, with its seat at: 101 Čepí, 533 32, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: B 2671[1]
- Car Star Fleet s. r. o., Corporate ID: 051 93 214, with its seat at: Českobrodská 42, Dolní Počernice, 190 12 Prague 9, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 259624[2]
- Car Star Immo s. r. o., Corporate ID: 043 33 543, with its seat at: Českobrodská 42, Dolní Počernice, 190 12 Prague 9, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 246051[3]
- Car Star Praha s. r. o., Corporate ID: 051 98 305, with its seat at: Českobrodská 42, Dolní Počernice, 190 12 Prague 9, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 259625[4]
- Česká letecká servisní d.o.o., OIB: 08991167713, with its seat at: Jakova Gotovca 25, HR-10360 Sesvete, Croatia
- CLS Polska SP z.o.o., KRS: 0000433767, with its seat at: ul. Królowej Marysieńki 50A, 02-954 Warsaw, Poland
- CS SOFT a. s., Corporate ID: 257 81 723, with its seat at: K Letišti 6/1019, 160 08 Prague 6, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 15253
- CSG a. s., Corporate ID: 078 80 383, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 24188[5]
- CSG AEROSPACE a. s., Corporate ID: 033 12 208, with its seat at: Pernerova 691/42, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 19923
- CSG CENTRAL ASIA a. s., Corporate ID: 050 81 335, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21532[6]
- CSG DEFENCE a. s., Corporate ID: 073 33 528, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23675
- CSG INDUSTRY a. s., Corporate ID: 060 15 689, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22298
- CSG Land System CZ a. s., Corporate ID: 085 84 923, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 24764[7]
- CSG RAIL a. s., Corporate ID: 073 33 552, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23677
- CSG RDR a. s., Corporate ID: 062 88 898, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22708
- CSG USA, INC., FN: 699 94 86, with its seat at: 251 Little Falls Drive, 198 08 Wilmington, New Castle, Delaware, United States of America
- CSGM a. s., Corporate ID: 013 84 694, with its seat at: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 19596
- CZECH DEFENCE SYSTEMS a. s., Corporate ID: 241 47 133, with its seat at: náměstí 14. října 1307/2, Smíchov, 150 00 Prague 5, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 17410
- CZECHOSLOVAK EXPORT a. s., Corporate ID: 049 86 512, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21489
- CZECHOSLOVAK GROUP a. s., Corporate ID: 034 72 302, with its seat at: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 20071
- CZECHOSLOVAKIA TRADE s. r. o., Corporate ID: 50 018 175, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10724/R
- Česká letecká servisní a. s., Corporate ID: 251 01 137, with its seat at: Mladoboleslavská 1081, Kbely, 197 00 Prague 9, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 4510
- DAKO-CZ, a. s., Corporate ID: 465 05 091, with its seat at: Josefa Daňka 1956, 538 43 Třemošnice, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: B 668
- DAKO-CZ RE, a. s., Corporate ID: 087 41 000, with its seat at: Josefa Daňka 1956, 538 43 Třemošnice, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: C 44950[8]
- DEFENCE EXPORT a. s., Corporate ID: 051 72 187, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21668

[1] Part of the Group until 31 December 2019; in 2019 under the name CSG Facility a.s. (renamed on 7 February 2020)
[2] Part of the Group since 22 February 2019
[3] Part of the Group since 22 February 2019
[4] Part of the Group since 22 February 2019
[5] Part of the Group since 8 February 2019
[6] Part of the Group until 31 August 2019; thereafter an associate
[7] Part of the Group since 8 October 2019
[8] Part of the Group since 4 December 2019

- DEFENCE SYSTEMS a. s., Corporate ID: 073 33 544, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23691
- DEFENCE TRADE a. s., Corporate ID: 053 32 923, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21782
- DPTU SUMBRO TRADE Dooel, Corporate ID: 664 97 26, with its seat at: Samokov bb, 6535 Samokov, Makedonski Brod, Macedonia[9]
- EHC service, s. r. o., Corporate ID: 36 507 245, with its seat at: Sibírská 2, Prešov 080 01, Slovakia, recorded in the Register of Companies held at the District Court in Prešov, File No.: Sro 16386/P
- ELDIS Pardubice, s. r. o., Corporate ID: 150 50 742, with its seat at: Dělnická 469, Pardubičky, 533 01 Pardubice, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: C 524
- ELTON hodinářská a. s., Corporate ID: 259 31 474, with its seat at: Náchodská 2105, 549 01 Nové Město nad Metují, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: B 2007
- ENGINEERING SPV a. s., Corporate ID: 069 26 827, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23253
- ESPA REAL s. r. o. in liquidation, Corporate ID: 259 60 806, with its seat at: Průmyslová 393, Pardubice - Černá za Bory, 530 45 Pardubice, recorded in the Register of Companies held at the Municipal Court in Hradec Králové, File No.: C 17594
- EUROPEAN AIR SERVICES s. r. o., Corporate ID: 291 31 987, with its seat at: Pernerova 691/42, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 202310
- EUROPEAN AIR SERVICES SLOVAKIA s. r. o., Corporate ID: 52 014 673, with its seat at: Cimborkova 13, Košice – mestská časť Sever 040 01, Slovakia, recorded in the Register of Companies held at the District Court in Košice, File No.: Sro 44919/V
- EXCALIBUR ARMY spol. s r.o., Corporate ID: 645 73 877, with its seat at: Prague 10 – Vršovice, Kodaňská 521/57, PSČ 10100, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 41695
- EXCALIBUR INTERNATIONAL a. s., Corporate ID: 292 89 688, with its seat at: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 20148
- EXCALIBUR INTERNATIONAL HU Kft., Reg. No.: 01-09-327774, with its seat at: 1011 Budapest, Fő utca 14-18. PALA-HÁZ. lház. 3. em, Hungary
- EXCALIBUR USA a. s., Corporate ID: 044 07 571, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 20938
- FALCON CSG a. s., Corporate ID: 069 26 894, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23254[10]
- FUTURE CS a. s., Corporate ID: 054 88 966, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21933
- Havlíčkova 648 a. s., Corporate ID: 086 55 553 with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 24807[11]
- HELI COMPANY s. r. o., Corporate ID: 36 492 124, with its seat at: Vranovská 72, Prešov 080 01, Slovakia, recorded in the Register of Companies held at the District Court in Prešov, File No.: Sro 14788/P
- HTH land a. s., Corporate ID: 061 43 946, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22493
- Hyundai Centrum CB s. r. o., Corporate ID: 044 13 687, with its seat at: U Staré trati 1733/5, 370 11 České Budějovice 2, recorded in the Register of Companies held at the Regional Court in České Budějovice, File No.: C 26108[12]
- Hyundai Centrum Praha s. r. o., Corporate ID: 291 27 289, with its seat at: Českobrodská 42, Dolní Počernice, 190 12 Prague 9, recorded in the Register of Companies held at the Regional Court in Prague, File No.: C 202215[13]
- Industry Defence, s. r. o., Corporate ID: 50 926 748, with its seat at: Štúrova 925/27, Dubnica nad Váhom 018 41, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 34828/R
- INTEGRA CAPITAL a. s., Corporate ID: 275 28 103, with its seat at: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21504
- JOB AIR Technic, a. s., Corporate ID: 277 68 872, with its seat at: Gen. Fajtla 370, 742 51 Mošnov, recorded in the Register of Companies held at the Regional Court in Ostrava, File No.: B 3029
- KARBOX Holding s. r. o.,: Corporate ID 276 01 374, with its seat at: Havlíčkova 648, 508 01 Hořice, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: C 23915

[9] Part of the Group since 24 October 2019
[10] Part of the Group until 31 August; thereafter an associate; on 22 July 2019 renamed (original name: PERFORMANCE SPV a.s.)
[11] Part of the Group from 31 October 2019 to 10 December 2019
[12] Part of the Group since 22 February 2019
[13] Part of the Group since 22 February 2019

- KARBOX s. r. o., Corporate ID: 260 02 370, with its seat at: Tovární 1553, 535 01 Přelouč, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: C 19384
- LIAZ TRUCKS a. s., Corporate ID: 067 10 697, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23100
- LIKVIDACE ODPADU CZ a. s., Corporate ID: 248 23 473, with its seat at: Sokolovská 675/9, Karlín, 186 00 Prague 8, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 17019[14]
- LOGRIS a. s., Corporate ID: 018 34 002, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22077[15]
- LOSTR a. s., Corporate ID: 051 97 104, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21657
- MADE CS a. s., Corporate ID: 050 57 779, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21533
- MERIT SPV a. s., Corporate ID: 069 77 545, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23278
- MSM Banská Bystrica, a. s., Corporate ID: 44 739 630, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10742/R
- MSM BUSINESS DEVELOPMENT s. r. o., Corporate ID: 52 283 241, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 37975/R[16]
- MSM e-mobility division j. s. a., Corporate ID: 514 14 945, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sja 3/R
- MSM GROUP s. r. o., Corporate ID: 46 553 509, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 31504/R
- MSM holding, s. r. o., Corporate ID: 48 006 122, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 31197/R
- MSM LAND SYSTEMS s. r. o., Corporate ID: 36 396 711, with its seat at: Kasárenská 8, 911 05 Trenčín, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 34630/R
- MSM Martin, s. r. o., Corporate ID: 36 422 991, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 30764/R
- MSM Nováky, a. s., Corporate ID: 35 820 322, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10564/R
- MSM TATRA Special Vehicles, s. r. o., Corporate ID: 50 755 749, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 34330/R
- MSM – OPTICAL, s. r. o., Corporate ID: 52 070 972, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 37466/R
- New Space Technologies s. r. o., Corporate ID: 019 54 717, with its seat at: Zerzavice 2146, 686 01 Staré Město, recorded in the Register of Companies held at the Regional Court in Brno, File No.: C 96819[17]
- NIKA Development a. s., Corporate ID: 275 28 910, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23310
- P F Support s. r. o., Corporate ID: 043 90 121, with its seat at: Pernerova 691/42, Karlín, 186 00 Prague 8 recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 242270
- PPS VEHICLES, s. r. o., Corporate ID: 36 032 646, with its seat at: Tajovského 7, 962 12 Detva, Slovakia, recorded in the Register of Companies held at the Regional Court in Banská Bystrica, File No.: Sro 5603/S[18]
- PROGRESS SPV a. s., Corporate ID: 067 10 875, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23102
- REAL TRADE PRAHA a. s., Corporate ID: 256 42 740, with its seat at: náměstí 14. října 1307/2, Smíchov, 150 00 Prague 5, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 5185
- Rosco Bohemia a. s., Corporate ID: 041 82 626, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 20739
- SBS ZVS, s. r. o., Corporate ID: 36 306 070, with its seat at: Štúrova 1, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 11273/R
- Shenyang Czech Design Rail Brake System Co., Ltd, with its seat at: Economic Development Zone, Street No. 13, 12Jia 3-2, ShenYang, Peoples Republic of China

[14] Part of the Group until 1 October 2019
[15] Part of the Group until 21 February 2019
[16] Part of the Group since 16 March 2019
[17] Part of the Group (fully consolidated) since 1 September 2019; before that an associate
[18] Part of the Group since 18 December 2019

- SHER Technologies a. s., Corporate ID: 275 28 171, with its seat at: No. 101, 533 32 Čepí, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: B 2669
- Skyport a. s., Corporate ID: 278 80 176, with its seat at: Laglerové 1075/4, Ruzyně, 161 00 Prague 6, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 11728[19]
- Skyport Catering s. r. o., Corporate ID: 036 80 835, with its seat at: Laglerové 1075/4, Ruzyně, 161 00 Prague 6, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 236200[20]
- Slovak Aviation Factory s. r. o., Corporate ID: 50 885 201, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 34705/R[21]
- Slovak Training Academy, s. r. o., Corporate ID: 47 055 952, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 30298/R
- Space T a. s., Corporate ID: 086 55 600, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 24808[22]
- SPV REAL ESTATE a. s., Corporate ID: 068 12 716, with its seat at: Opletalova 1015/55, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.:23230[23]
- STA TECHNOLOGY, s. r. o., Corporate ID: 50 479 717, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 33646/R
- TATRA a. s., Corporate ID: 051 27 548, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21585
- TATRA AVIATION a. s., Corporate ID: 039 99 203, with its seat at: Kodaňská 521/57, Vršovice, 101 00 Prague 10, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 20535
- TATRA DEFENCE VEHICLE a. s., Corporate ID: 241 52 269, with its seat at: Kodaňská 521/57, Vršovice, 101 00 Prague 10, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 17463
- TATRA MANUFACTURE a. s., Corporate ID: 051 27 394, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21580
- TECHPARK Hradubická a. s., Corporate ID: 275 19 546, with its seat at: No. 101, 533 32 Čepí, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: B 2620
- Tovární 1112 a. s., Corporate ID: 077 54 345, with its seat at: Tovární 1112, Chrudim IV, 537 01 Chrudim, recorded in the Register of Companies held at the Municipal Court in Hradec Králové, File No.: B 3646[24]
- TRADITION CS a. s., Corporate ID: 060 79 598, with its seat at: Na poříčí 1071/17, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22466
- TRANSELCO CZ s. r. o., Corporate ID: 257 33 117, with its seat at: Chrudimská 41, Dolní Bučice, 285 71 Vrdy, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 65291[25]
- Vagonka Louny a. s., Corporate ID: 086 48 697, with its seat at: Husova 402, 440 01 Louny, recorded in the Register of Companies held at the Regional Court in Ústí nad Labem, File No.: B 2764[26]
- VALUE SPV a. s., Corporate ID: 086 55 642, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 24809[27]
- Virte, a. s., Corporate ID: 359 17 491, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10739/R
- VÍTKOVICKÁ DOPRAVA a. s., Corporate ID: 259 09 339, with its seat at: 1. máje 3302/102a, Moravská Ostrava, 703 00 Ostrava, recorded in the Register of Companies held at the Regional Court in Ostrava, File No.: B 2595
- VMT Trade s. r. o., Corporate ID: 50 927 477, with its seat at: Komenského 19, Martin, 036 01, Slovakia, recorded in the Register of Companies held at the Municipal Court in Žilina, File No.: Sro 67978/L
- VÝVOJ Martin, a. s., Corporate ID: 36 381 829, with its seat at: Komenského 19, 036 01 Martin, Slovakia, recorded in the Register of Companies held at the District Court in Žilina, File No.: Sa 10119/L
- Whare factory s. r. o., IČO: 027 00 042, se sídlem Českobrodská č.ev. 42, Dolní Počernice, 190 12 Prague 9, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 222555[28]
- ZTS METALURG špeciál, s. r. o., Corporate ID: 51 087 723, with its seat at: Továrenská 56, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 35274/R[29]

[19] Part of the Group since 20 September 2019
[20] Part of the Group since 20 September 2019
[21] Part of the Group since 10 January2019
[22] Part of the Group since 31 October 2019; renamed on 13 February 2020 (original name: BUSINESS SPV a.s.)
[23] Part of the Group since 7 August 2019
[24] Součást skupiny do 23 May 2019
[25] Součást skupiny od 6 August 2019
[27] Součást skupiny od 31 October2019
[28] Součást skupiny od 22 February2019
[29] Součást skupiny do 30 November 2019

REPORT ON RELATED PARTY TRANSACTIONS 2019

10 FINANCIAL PART

- ZTS METALURG, a. s., Corporate ID: 46 933 913, with its seat at: Továrenská 56, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10696/R[30]
- ZVS Ammunition, a. s., Corporate ID: 50 704 575, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10719/R
- ZVS holding, a. s., Corporate ID: 36 305 600, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10152/R
- ZVS IMPEX, akciová spoločnosť, Corporate ID: 36 302 848, with its seat at: Štúrova 925/27, 018 41 Dubnica nad Váhom, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sa 10104/R
- ZVS-Armory, s. r. o., Corporate ID: 46 100 466, with its seat at: Priemyselná 7, 971 01 Prievidza, Slovakia, recorded in the Register of Companies held at the District Court in Trenčín, File No.: Sro 32061/R[31]

Entities, the highest controlling entity of which is Mr Michal Strnad

- ARMY SPV a. s., Corporate ID: 068 61 202, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23219
- ASSET SPV a. s., Corporate ID: 069 79 505, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23337
- CASERMANIX s. r. o., Corporate ID: 016 18 377, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 209337
- Cognus Solutions, s. r. o., Corporate ID: 028 45 474, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 224442
- CSG AUTOMOTIVE a. s., IČO: 078 80 316, se sídlem Na poříčí 1071/17, Nové Město, 110 00 Praha 1, zapsaná v OR vedeném u Městského soudu v Praze, sp. zn. B 24189
- DEFENCE SPV a. s., Corporate ID: 068 61 318, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23220
- DEVELOP SPV a. s., Corporate ID: 065 94 786, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22989
- HELA GROUP s. r. o., Corporate ID: 242 56 382, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: C 197399
- INDUSTRY INNOVATION a. s., Corporate ID: 017 71 892, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 19432
- INDUSTRY SPV a. s., Corporate ID: 061 85 878, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22602
- INDUSTRYIN a. s., Corporate ID: 055 95 240, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 21960
- INNOVATION CS a. s., Corporate ID: 018 52 515, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22092
- KOVOSVIT MAS Foundry, a. s., Corporate ID: 069 78 347, with its seat at: náměstí Tomáše Bati 419, 391 02 Sezimovo Ústí, recorded in the Register of Companies held at the Regional Court in České Budějovice, File No.: B 2407
- KOVOSVIT MAS Machine Tools, a. s., Corporate ID: 073 33 536, with its seat at: náměstí Tomáše Bati 419, 391 02 Sezimovo Ústí, recorded in the Register of Companies held at the Regional Court in České Budějovice, File No.: B 2406
- KOVOSVIT MAS Management, a. s., Corporate ID: 073 98 778, with its seat at: náměstí Tomáše Bati 419, 391 02 Sezimovo Ústí, recorded in the Register of Companies held at the Regional Court in České Budějovice, File No.: B 2408
- CSG EXPORT a. s., Corporate ID: 062 24 971, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22599[32]
- PROJECT SPV a. s., Corporate ID: 061 85 771, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22601
- ReDat Recording, a. s., Corporate ID: 056 48 114, with its seat at: Pražská 341, Zelené Předměstí, 530 02 Pardubice, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: B 3523
- Retia, a. s., Corporate ID: 252 51 929, with its seat at: Pražská 341, Zelené Předměstí, 530 02 Pardubice, recorded in the Register of Companies held at the Regional Court in Hradec Králové, File No.: B 1440
- SKYPORT GROUP (UK) PLC, with its seat at: Lion House Red Lion Street, London WC1R 4BG

[30] Part of the Group since 30 November 2019
[31] Renamed on 17 January 2019; original name: CZ – Slovensko, s.r.o.
[32] Renamed on 13 February 2020; original name: MACHINERY SPV a.s

- Skyport s. r. o., Corporate ID: 31 373 844, with its seat at: Letisko M. R. Štefánika, 820 01 Bratislava, Slovakia, recorded in the Register of Companies held at the Regional Court in Bratislava, File No.: Sro 7125/B
- SYNERGY CS a. s., Corporate ID: 060 72 585, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22465
- TECHNOLOGY CS a. s., Corporate ID: 057 74 888, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22200
- TESLA CS a. s., Corporate ID: 068 61 041, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23216
- TESLA RADARS a. s., Corporate ID: 068 61 083, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 23217
- VEHICLE SPV a. s., Corporate ID: 065 94 794, with its seat at: Na poříčí 1071/17, Nové Město, 110 00 Prague 1, recorded in the Register of Companies held at the Municipal Court in Prague, File No.: B 22988[33]

[33] Part of the structure since 29 October 2019

IV. Role of the Controlled Entity, Method and Means of Control

The role of the Controlled Entity involves mainly covering the activities of subsidiaries in the Czech and Slovak Republics.

Control over the entities is exercised by means of a 100% or a controlling interest in the voting rights at the company's General Meeting.

V. List of Acts Performed in 2019 at the Instigation or in the Interest of the Controlling Entity or Entities Controlled by it, in Case such Acts Included Assets Exceeding 10% of the Controlled Entity's Equity according to the Most Recent Set of Financial Statements

In 2019, CZECHOSLOVAK GROUP a. s. records no transaction with respect to assets exceeding 10% of the equity.

VI. List of Mutual Contracts and Agreements Concluded between the Controlled Entity and the Controlling Entity or between Controlled Entities

- CZECHOSLOVAK GROUP a. s. records an agreement with Mr Michal Strnad arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with 14. OKTOBAR d.o.o Kruševac a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG CENTRAL ASIA a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with ARMY SYSTEMS a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with ARMY TRADE a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with AVIA MOTORS s. r. o. arising from loans.
- CZECHOSLOVAK GROUP a. s. records agreements with AVIA MOTORS s. r. o. arising from a contribution over and above the share capital balance.
- CZECHOSLOVAK GROUP a. s. records an agreement with BUSINESS SPV a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG AEROSPACE a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG AEROSPACE a. s. arising from the assignment of a receivable.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG DEFENCE a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG Facility a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG Facility a. s. arising from the provision of maintenance services.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG Facility a. s. arising from the sublease of non-residential premises.
- CZECHOSLOVAK GROUP a. s. records agreements with CSG INDUSTRY a. s. arising from a contribution over and above the share capital balance.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG INDUSTRY a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG RAIL a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with CSG RDR a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records agreements with CSG RDR a. s. arising from the take-over of debt and off-setting
- CZECHOSLOVAK GROUP a. s. records an agreement with CSG USA, Inc. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CSGM a. s. arising from the assignment of receivables.
- CZECHOSLOVAK GROUP a. s. records agreements with CSGM a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records agreements with CSGM a. s. arising from the provision of maintenance services.
- CZECHOSLOVAK GROUP a. s. records agreements with CSGM a. s. arising from the take-over of debt.
- CZECHOSLOVAK GROUP a. s. records an agreement with CZECH DEFENCE SYSTEMS a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CZECHOSLOVAK GROUP B.V. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with CZECHOSLOVAK EXPORT a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records agreements with DEFENCE SYSTEMS a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with DEFENCE EXPORT a. s.. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with DEFENCE TRADE a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with ELDIS Pardubice, s. r. o. arising from loans.
- CZECHOSLOVAK GROUP a. s. records an agreement with ELDIS Pardubice, s. r. o. arising from the future acquisition of bonds.
- CZECHOSLOVAK GROUP a. s. records an agreement with ENGINEERING SPV a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with EXCALIBUR USA a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records an agreement with FALCON CSG a. s. arising from the sale of the equity interest.
- CZECHOSLOVAK GROUP a. s. records an agreement with HTH land a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records an agreement with HTH land a. s. arising from a contribution over and above the share capital balance.
- CZECHOSLOVAK GROUP a. s. records an agreement with Hyundai Centrum CB s. r. o. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with Hyundai Centrum Praha s. r. o. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with INTEGRA CAPITAL a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records agreements with INTEGRA CAPITAL a. s. arising from the assignment of receivables.
- CZECHOSLOVAK GROUP a. s. records an agreement with JOB AIR Technic a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with JOB AIR Technic a. s. arising from the future acquisition of bonds.
- CZECHOSLOVAK GROUP a. s. records an agreement with KARBOX s. r.o. arising from the transfer of physical securities against payment.
- CZECHOSLOVAK GROUP a. s. records an agreement with KARBOX Holding s. r. o. arising from the assignment of receivables.
- CZECHOSLOVAK GROUP a. s. records an agreement with KARBOX Holding s. r. o. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with KARBOX Holding s. r. o. arising from a contribution over and above the share capital balance.
- CZECHOSLOVAK GROUP a. s. records an agreement with LIAZ TRUCKS a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with LOSTR a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with MADE CS a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records an agreement with MADE CS a. s. arising from the assignment of a receivable.
- CZECHOSLOVAK GROUP a. s. records an agreement with MADE CS a. s. arising from a contribution over and above the share capital balance..
- CZECHOSLOVAK GROUP a. s. records an agreement with MERIT SPV a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with MSM GROUP s. r. o. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with MSM Martin s. r. o. arising from loans.
- CZECHOSLOVAK GROUP a. s. records an agreement with MSM Nováky, a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with NIKA Development a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with FALCON CSG a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with PROGRESS SPV a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with REAL TRADE PRAHA a. s. arising from the purchase of the equity interest.
- CZECHOSLOVAK GROUP a. s. records an agreement with ROSCO BOHEMIA a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records agreements with SHER Technologies a. s. arising from the assignment of receivables.
- CZECHOSLOVAK GROUP a. s. records agreements with SHER Technologies a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with Skyport a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with SPV REAL ESTATE a. s. arising from a loan.

- CZECHOSLOVAK GROUP a. s. records an agreement with TATRA a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with TATRA AVIATION a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records agreements with TATRA AVIATION a. s. arising from a contribution over and above the share capital balance.
- CZECHOSLOVAK GROUP a. s. records an agreement with TATRA DEFENCE VEHICLE a. s. arising from netting.
- CZECHOSLOVAK GROUP a. s. records an agreement with TATRA MANUFACTURE a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records agreements with TRADITION CS a. s. arising from loans.
- CZECHOSLOVAK GROUP a. s. records an agreement with Vagonka Louny a. s.. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with VÍTKOVICKÁ DOPRAVA, a. s. arising from a loan.
- CZECHOSLOVAK GROUP a. s. records an agreement with ZVS IMPEX, akciová spoločnosť arising from a loan.

VII. Assessment of Detriment Incurred from Business Relations with Related Entities

The Company uses financing services from related parties in the normal course of its business.
The Company incurred no detriment arising from the aforementioned contracts, legal acts and other acts.

VIII. Assessment of Advantages and Disadvantages Arising from the Relations between Related Entities

Generally, it can be stated that mainly advantages follow from the relations between related parries. These include predominantly as follows:

- Using synergies, as part of promotion, using packaged solutions in multiple companies within the Group and financing.
- No disadvantages arising from the relations between related parties were noted and the Company does not record any risks arising from the aforementioned relations.

In Prague on 27 March 2020

Member of the Board of Directors

Chairman of the Board of Directors

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Tax ID. No.: CZ49620592

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
CZECHOSLOVAK GROUP a.s.

Having its registered office at: Sokolovská 675/9, Karlín, 186 00 Praha 8

Audit Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of CZECHOSLOVAK GROUP a.s. and its subsidiaries (hereinafter also the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as of 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2019, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, 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 Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Existence of revenues and revenue recognition date	
The key audit matter is the Group's revenues (Note 6 to the consolidated financial statements). Revenues are a significant indicator in evaluating the Group's performance. The existence	In addressing this key audit matter we performed a combination of tests of internal controls and substantive testing.

of revenues and the revenue recognition date correctness represent a risk for the audit of the Group because the Group realises revenues from various types of activities, including construction contracts, on various markets and under various conditions. Principally the recognition of revenue on construction contracts is based on a high degree of judgement applied by the Group.	• We tested the design and implementation of the key internal controls of all significant Group entities relating to revenue recognition. • We performed a substantive test of specific revenue transactions on a sample basis. • We tested whether revenue was recognised in the relevant reporting periods and whether revenue was not misstated through reporting in an incorrect period. On a sample basis, we selected invoices recorded around the year-end and based on supporting documents related to these invoices we assessed if the revenue was recorded in the correct period. • We tested receivables by sending year-end confirmation letters to selected customers and compared the amounts confirmed by the customers with the balance of receivables reported by the Group. • We performed analytical tests of significant revenue accounts and compared the expected amount of revenues on the basis of our calculation with the amount presented in the accounting records. Our audit procedures on revenues from contracts with customers and construction contracts included: • We critically assessed the methodology applied by the Group to determine the stage of completion and subsequently, for the calculation of revenue on the basis of this stage of completion, compliance of the methodology with IFRS 15. • We evaluated the estimates made by the Group in respect of total and future expected costs and revenues on construction contracts. • We tested the detail of the calculations of revenue on a sample of construction contracts, primarily focused on checking the used input data from contracts with customers and financial plans of construction contracts and reviewing the calculation for mathematical correctness. • We assessed the adequacy of disclosures made in the notes to the consolidated financial statements with regard to revenues recognised in terms of the stage of completion of construction contracts and judgement applied.

Correctness and completion of the presentation of financial liabilities (bank loans and bonds issued)

The correctness and completion of the presentation of financial liabilities (Note 19 to the consolidated financial statements) represent a key audit matter since the Group uses significant external financing in the form of issued bonds and banking loans for its operating and investment activities. These types of financing carry covenants and other criteria, the evaluation of which by the Group has a material impact on the presentation in the consolidated financial statements (e.g. on the presentation of long-term and short-term components).	Our audit procedures, included, among others: • We sent bank confirmation letters and based on received responses, we compared the confirmed amounts of bank loans with the amounts presented by the Group in the accounting records. • We determined whether the loan balance is appropriately presented as a short-term or long-term payable pursuant to the concluded contract, repayment schedule or bank confirmation letter. • With regard to issued bonds, we compared the information reported in public sources of the Prague Stock Exchange with the information disclosed in the consolidated financial statements. • We agreed the year-end balance of issued bonds to the confirmation from the issue manager. • We agreed the information on covenants in respect of received bank loans and issued bonds to supporting documentation (e.g. contract, prospectus). • We tested the mathematical correctness of the calculation of the covenants. • We assessed compliance with the relevant covenants. • We assessed the adequacy of disclosures made in the notes to the consolidated financial statements with regard to issued bonds and external funding in the form of bank loans.

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; 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 Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU 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 applicable, 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 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, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

10 FINANCIAL PART

Audit Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of CZECHOSLOVAK GROUP a.s. (hereinafter also the "Company") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the statement of financial position as of 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of CZECHOSLOVAK GROUP a.s. as of 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How it was addressed
Valuation of investments in subsidiaries and associates	
The correct valuation of investments in subsidiaries and associates (Note 10 to the financial statements) represents a key audit matter. The Company reports investments in a number of companies that carry the risk of the value of the investment being greater than its fair value. The correct valuation requires a significant degree of judgement and estimates dependent upon, e.g. future demand or successful implementation of restructuring plans.	Our audit procedures included, among others: • We critically assessed the indicators of potential impairment of investments in subsidiaries which may trigger provisioning. For this purpose, we primarily: – Compared the valuation of the investment with the amount of equity of the subsidiary at the balance sheet date; – Assessed the profitability of investments for the relevant reporting period; – Determined the amount of dividends and profit shares paid out. • Where the indicator of potential impairment of investments in subsidiaries was identified, we focused on: – Inquiring the company's management and the reasons that led to the recognition or non-recognition of a provision; – Assessing financial plans prepared by the subsidiaries; and – Assessing whether the provision is recognised appropriately and in a sufficient amount.

	– We assessed the adequacy of disclosures made in the notes to the financial statements with regard to material investments and their financial position and profitability.
Correctness and completion of the presentation of financial liabilities (bank loans and bonds issued)	
The correctness and completion of the presentation of financial liabilities (Notes 16 and 17 to the financial statements) represent a key audit matter since the Company uses significant external financing in the form of issued bonds, borrowings and banking loans for its operating and investment activities. These types of financing carry covenants and other criteria, the evaluation of which by the Company has a material impact on the presentation in the financial statements (e.g. on the presentation of long-term and short-term components).	Our audit procedures, included, among others: • We sent bank confirmation letters and based on received responses, we compared the confirmed amounts of bank loans with the amounts presented by the Company in the accounting records. • We determined whether the loan balance is appropriately presented as a short-term or long-term payable pursuant to the concluded contract, repayment schedule or bank confirmation letter. • With regard to issued bonds, we compared the information reported in public sources of the Prague Stock Exchange with the information disclosed in the financial statements. • We agreed the year-end balance of issued bonds to the confirmation from the issue manager. • We agreed the information on covenants in respect of received bank loans and issued bonds to supporting documentation (e.g. contract, prospectus). • We tested the mathematical correctness of the calculation of the covenants. • We assessed compliance with the relevant covenants. • We assessed the adequacy of disclosures made in the notes to the consolidated financial statements with regard to issued bonds and external funding in the form of bank loans.

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 International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 10 October 2019 and our uninterrupted engagement has lasted for two years.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 24 April 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements.

In Prague on 24 April 2020

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	David Batal registration no. 2147

Comment

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