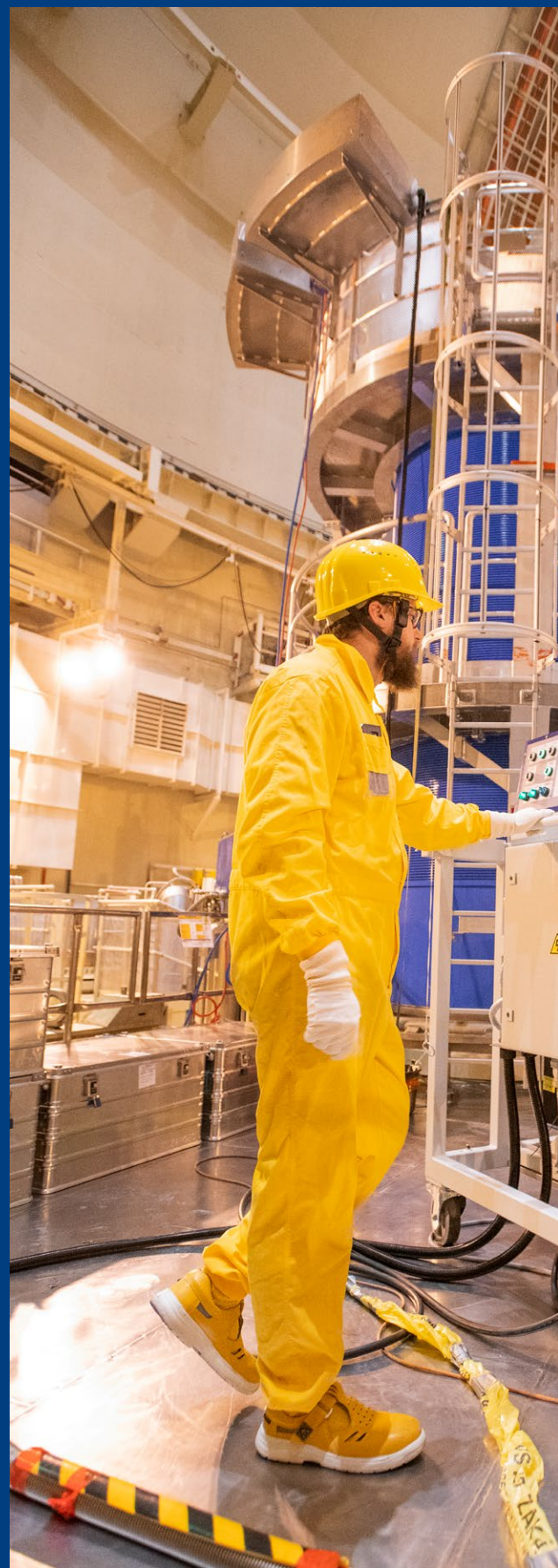




ŠKODA JS a.s.

Activity Report 2018

The Power of Nuclear Engineering





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Foreword by the Chairman of the Board of Directors and General Director

Dear shareholders, dear business partners, dear colleagues,

In 2018, ŠKODA JS a.s. maintained its good condition and key position in the sector, proved again its stability and dynamics both financial and technological and remained profitable. According to the international accounting standards we reached consolidated revenues of CZK 4.1 billion and profit before tax exceeding to CZK 235 million.

The Company continued its export orientation. The export destined to 14 countries accounted for 68% of the reached revenues, whereas supplies to Slovakia, Ukraine and Armenia had the highest share. For the future stability and development of the Company it is important that new contracts amounting to nearly 4.1 billion were signed for the next period. We permanently keep renewing the Company's equipment and facilities. In 2018, we spend CZK 137 million on the acquisition, modernization and maintenance of our investment assets.

ŠKODA JS proved its position of a major European Company in supplies for nuclear power industry. We continued both local and foreign projects and simultaneously investigated the possibilities of involvement in

future business opportunities in the sector at home and abroad as well as of further cooperation with major business partners world-wide.

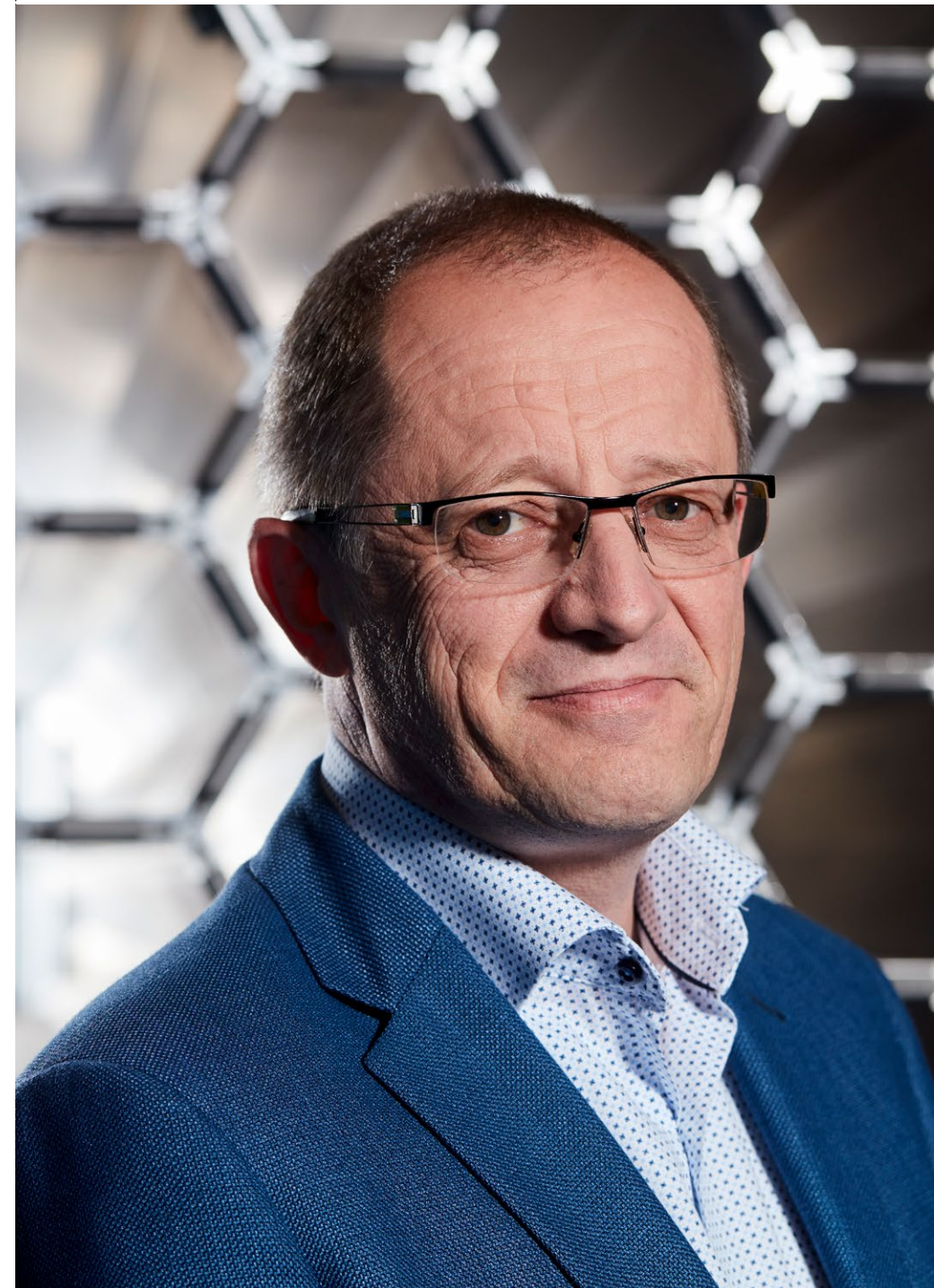
In 2018, it proved beneficial once again that the Company maintained its triangular model consisting in the merge of Engineering, Production and Service. The above merge enables offering complex services and supplies, guaranteeing high quality and providing our customers with a team that works for them in all phases of a project and throughout the entire period starting from an initial intention up to the end of its lifetime.

With its share exceeding 67 % Engineering contributed most significantly to Company's revenues in 2018. "Completion of Unit 3 and 4 of the Mochovce Nuclear Power Plant" in Slovakia remained the major project in this segment, where preparations for commissioning of Unit 3 and completion of assembly activities and initiation of tests at Unit 4 progressed. The projects of control systems replacement at the Paks Nuclear Power Plant in Hungary and modernization of Ukrainian nuclear power plants continued successfully.

Service represents a stable segment contributing by nearly 19 % to the Company's revenues. Service activities at the Dukovany and Temelín Nuclear Power Plants went

ahead under a framework contract concluded with ČEZ, a. s., on the maintenance of the Primary Circuit Logical Units. Within planned outages ŠKODA JS a.s. carried out, besides standard service and maintenance work, more significant repairs such as the replacement of the swing check valve of a low pressure emergency core cooling system at Unit 3 of the Dukovany Nuclear Power Plant. Within the above mentioned project we mastered safer and higher-quality automated welding technology that can be offered to other partners.

In 2018, the share of the Production segment in the Company's revenues amounted to nearly 14 %. It is our ambition to increase this share significantly in the next two years. The development phase of the ŠKODA 1000/19 cask supply contract performance was concluded by shipping the first piece. Until the year 2035 we plan to produce total 60 pieces of them. Works on the preparation of production of casks for the Dukovany Nuclear Power Plant were carried out. Production of control and regulation elements for VVER type reactors continued. We concluded a contract with the French Company FRAMATOME for production and supply of two sets of EPR 1600 MW type reactor pressure vessel internals for the construction of Hinkley Point C Nuclear Power Plant in Great Britain.



In 2018, ŠKODA JS a.s. proved again its ability to react to new challenges and development in the field. We maintained continuity and established a good starting position for the next periods. I would like to thank the representatives of our shareholder, Joint-Stock Company OMZ B.V., for their effective support, appreciate helpful approach of the banking institutions that provided us with vital financial services in connection with the development of our business activities especially abroad, I thank all our business partners and subcontractors. Many thanks also go out to all the employees of our Company for their exemplary cooperation, creative approach, reliability and efforts invested in fulfilling work tasks by which we have contributed to strengthening our trade mark.

Vladimír Poklop
*Chairman of the Board of Directors
and General Director*



**We are one of the leaders
of the nuclear power
industry in Europe.**

**We are part of its
history and we pass
on our knowledge and
experience from one
generation to the next.**

Company Introduction

The Power of Nuclear Engineering

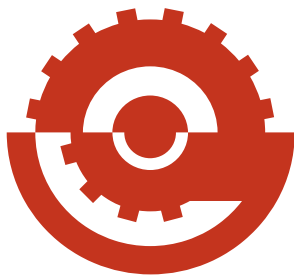
We are one of the leaders of the nuclear power industry in Europe. We are part of its history and we pass on our knowledge and experience from one generation to the next. We are a team of experts working with advanced technologies and our three pillars – production, service and engineering – provide a wide range of activities within the life cycle of a nuclear power plant. We constantly innovate and push ourselves and nuclear engineering forward.

Our strategic fields of activity



Engineering

- Construction of VVER nuclear units
- Supply and modernization of nuclear unit I&C systems
- EPC projects
- Computational analyses for nuclear power plants
- Design activities
- Piping systems in the power industry
- Owner's Engineer activities
- Spent fuel interim storage facilities
- Construction of research and training reactors



Production

- Equipment for VVER and RBMK nuclear power plants
- Equipment for PWR and BWR nuclear power plants
- Equipment for research reactors
- Equipment for spent nuclear fuel storage




Service

- Reactor building equipment outage management
- Reactor building equipment maintenance and repairs
- Reactor building equipment modernization
- Reactor building equipment lifetime management/extension
- Accredited material laboratory
- Reactor building key equipment in-service inspections
- Designer's supervision during reactor inspections and repairs
- Testing shops



A ŠKODA JS team in the Reactor hall of Temelín NPP during a non-active test of ŠKODA 1000/19 cask (in the background).

A photograph showing three workers in a nuclear reactor environment. They are wearing white protective suits, yellow helmets, and yellow gloves. One worker in the center is using a tool to work on a large, circular metal component with many holes. Another worker is to the left, and a third is to the right. The background shows the complex structure of the reactor with various pipes and metal components.

**ŠKODA JS is a stable
strategic partner offering
a comprehensive range
of activities, extensive
technical erudition,
and rich experience.**

Key Financial and Operating Results

Consolidated Group (ŠKODA JS a.s. + ŠKODA SLOVAKIA, a.s.) – Key Financial and Operating Indicators (according to IFRS)

(in CZK thousands)	2016	2017	2018
Assets=Liabilities (net)	3 430 139	3 479 156	3 672 482
Fixed assets (gross)	624 863	659 274	712 071
Current assets (gross)	2 805 276	2 819 882	2 960 411
Inventory (gross)	136 304	162 509	470 431
Receivables (gross)	1 645 854	1 763 711	1 818 342
Financial assets (gross)	713 245	639 408	330 981
Other assets (gross)	309 873	254 254	340 657
Shareholder's equity	1 779 203	1 976 607	1 990 127
Liabilities	1 650 936	1 502 549	1 682 355
Reserves	261 346	258 267	196 404
Payables	601 217	694 733	1 143 233
Credits	0	0	13 192
Other liabilities	788 373	549 549	329 526
Revenue from sale of goods, own products and services	4 402 312	4 655 851	4 137 904
Exports	2 485 388	3 195 418	2 826 527
Added value	821 879	890 856	938 004
Operating profit/loss	177 553	374 222	241 017
Profit/loss for the accounting period	130 624	290 350	150 950
Pre-tax profit/loss	178 014	373 722	235 205
Average number of employees*	1 131	1 133	1 125
Value added labour productivity = EBIT+personnel expenses/avarage number of employees (CZK/employee)	883 671	1 116 574	1 048 019

*average adjusted number

The selected indicators above are based on the company's consolidated financial statements, which have been properly published in the Commercial Register. The full financial statements, including the Notes, are available for inspection at the company's headquarters.

Revenues from sale of goods, own products and services according to IFRS (in CZK thousands)



Profit before tax according to IFRS (in CZK thousands)



Export according to IFRS (in CZK thousands)



Revenue per employee according to IFRS (in CZK thousands)



Value added labour productivity according to IFRS (in CZK per employee)



Return on revenue (ROR) After-tax profit/ Revenues from sale according to IFRS (in %)



ŠKODA JS a.s. – Key Financial and Operating Indicators (according to CAS)

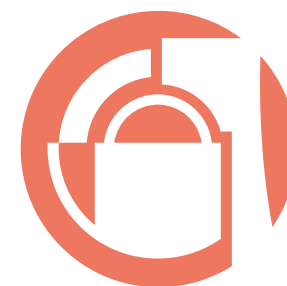
(in CZK thousands)	2016	2017	2018
Assets=Liabilities (net)	3 864 451	3 809 544	4 124 838
Fixed assets (gross)	2 078 635	2 080 206	2 111 163
Current assets (gross)	3 319 412	3 277 245	3 618 332
Inventory (gross)	1 392 481	1 510 124	2 058 786
Receivables (gross)	1 225 154	1 149 203	1 255 634
Financial assets (gross)	701 777	617 918	303 912
Other assets (gross)	24 705	24 519	15 458
Shareholder's equity	1 571 129	1 794 707	1 760 012
Liabilities	1 867 691	1 760 943	2 125 326
Reserves	436 672	429 695	314 867
Payables	1 431 018	1 331 248	1 810 459
Credits	0	0	0
Other liabilities	425 632	253 895	239 500
Revenue from sale of goods, own products and services	4 446 717	4 500 935	3 865 338
Exports	2 608 167	2 788 310	2 714 904
Operating profit/loss	257 244	450 653	256 587
Profit/loss for the accounting period	164 338	314 793	124 282
Pre-tax profit/loss	226 242	402 561	201 468
Average number of employees*	1 003	1 014	1 025

*average adjusted number

The selected indicators above are based on the company's non-consolidated financial statements, which have been properly published in the Commercial Register. The full financial statements, including the Notes, are available for inspection at the company's headquarters.



Work of the team of Mechanical Design Praha on the "Completion of Units 3 and 4 at the Mochovce Nuclear Power Plant" project.



Engineering

Engineering is one of the three main pillars (along with the Company's production program and services for nuclear power plants) supporting the development of ŠKODA JS a.s. This comprehensive term includes a wide range of specialized activities from the start of a business transaction to its conclusion. These include management activities, design, calculations, analyses, planning, budgeting and budget management, finance and cash flow management, production, provision of deliveries for the general supplier as well as sub-deliveries, measurements and quality assurance, equipment and systems inspections, assembly, commissioning and warranty terms and conditions management. To ensure the provision of these activities, ŠKODA JS uses the combination of the influence of experienced managers and the synergy of teamwork.

Completion of Units 3 and 4 at the Mochovce NPP

The main project in this segment is "Completion of Units 3 and 4 at the Mochovce Nuclear Power Plant" in Slovakia, where ŠKODA JS a.s. acts as the supplier of essential operating systems of the power plant – the primary circuit, fuel handling part, connecting pipes, intermediate cooling circuits, part of the I&C system and maintenance workshops. It is currently the largest contract in the field of engineering, which has meant a lot for the Company in terms of maintaining and developing valuable experience in handling large investment projects.

In 2018, the design, delivery and assembly stages were completed at Unit 3 and the Company successfully met the equipment readiness requirements for the launch of the inactive commissioning stage – namely the launch of the first stage of the cold hydrostatic testing of the primary circuit. The readiness

of the equipment was confirmed by the investor, Slovenské elektrárne, a.s., as well as the Nuclear Regulatory Authority of the Slovak Republic, and the initial phase of the cold hydrostatic testing of the primary circuit started on August 22, 2018. The successful completion of the cold hydrostatic testing program confirmed the high quality of the assembly performed by ŠKODA JS.

Subsequently, other programs within the inactive commissioning stage leading up to fuel delivery were initiated. At the end of 2018, the program of the so-called small inspection was successfully carried out and on December 21, 2018, hot hydrostatic testing commenced, which successfully verified the quality of assembly by ŠKODA JS at temperatures and pressures close to those during regular operation. The hot hydrostatic test is then followed by the program of the

so-called complex inspection, fuel delivery, physical and power commissioning, 144-hour demonstration run and the Preliminary Handover milestone, after which Unit 3 will be completed and handed over to the customer.

At Unit 4, activities leading to the completion of assembly works and the launch of construction tests continued. These will be followed by flushes of the piping systems, which will allow the completion of construction tests and subsequently the launch of an identical sequence of inactive tests as those at Unit 3.

In mid-2018, the investor officially announced a change in the deadline for the completion of Units 3 and 4 and set new dates for the preliminary handover of the work – April 30, 2019 for Unit 3 and April 30, 2020 for Unit 4. Following negotiations with the investor, the annex to the contract

regarding the postponement of the deadlines was signed at the beginning of this year.

In 2018, ŠKODA JS continued to provide the investor with specialists in several key areas (engineering, planning, licensing support, construction and assembly works and commissioning). The validity of the contracts for consultancy and support was extended in line with the new deadlines for the completion of the works, by way of annexes to these contracts.

Emergency Containment Depressurization

One of the interesting and important projects realized by ŠKODA JS and aimed at increasing the safety of Ukrainian power plants is the project of emergency depressurization inside the containment. In the event of a severe accident, the pressure in the containment would be reduced in a controlled fashion through a multi-stage filtration system in order to prevent any radionuclides from escaping into the surrounding area. The project is part of the so-called post-Fukushima measures and its implementation eliminates the risk of overpressurization of the containment and subsequently it being damaged.

This project, in which the main subcontractor for ŠKODA JS is FRAMATOME, is comprised of a series of deliveries of equipment, including assembly, at the nuclear power plants in Ukraine (Zaporozhye, Rovno, Khmelnytska, and South Ukraine NPPs). The first stages of deliveries in 2018 were successfully completed and the project will gradually continue to be implemented until 2020.

Paks NPP Instrumentation and Control System Replacement

The “Paks NPP Instrumentation and Control System Replacement” project is a continuation of a series of successful modernization contracts in the field of instrumentation and control systems at VVER nuclear power plants, where ŠKODA JS acts as the general supplier, the creator of the technical solution concept as well as the author of the Basic and Detail Design.

In this case, the original reactor control systems (RCS), reactor rod control systems (RRCS) and reactor trip breakers (RTB) are being replaced with modern, digital equipment. In 2018, the modernization was carried out at Unit 3, with the newly

installed equipment successfully commissioned in June. The trial operation of the refurbished units confirmed the reliability and safety of our equipment.

One of the keys to success is the ability of ŠKODA JS a.s. to integrate the various elements of the technical solution into a coordinated functional unit in an international environment (in this case there were deliveries by a traditional Czech industry partner, the company ZAT a.s., along with activities performed by the Hungarian companies MVM OVIT Zrt, Konkoly es Kis, Innomatrix, Scadanet and MTA EK).

Reconstruction of the Ancillary Switchboards at the Dukovany NPP

This contract, which commenced in 2017, is an extensive and complex modernization project at the Dukovany NPP. Its objective is to increase operational reliability and safety while reducing operating costs.

The implementation of the project is divided into 22 separate units, and approximately half of the switchboards of the total number planned were produced



Work of the Engineering and I&C team on the "Instrumentation & Control System Modernization" project.

in the four largest units in 2018. The fundamental condition for successful execution of the project was to stick to the schedule due to such a large number of switchboard arrays to be produced and installed and the great accumulation of design and implementation works. Thanks to the extraordinary efforts of both individuals and project teams, this phase was completed and equipment comprised of the first batch of units was successfully installed and commissioned at three of the power plant's production units. The installation at Unit 4 commenced in December 2018. The reconstructed equipment meets all safety and reliability requirements and will contribute to the safe and smooth operation of the Dukovany NPP.

Refurbishment of the Instrumentation and Control Systems at the Armenian Nuclear Power Plant

Last year, works continued on execution of the contract for the replacement of the RRCS systems and part of the emergency protection, including the RTB, at the Armenian Nuclear Power Plant.

In 2018, production of the equipment was completed and following successful tests in production, the equipment was handed over to the final customer, Metsamor NPP. In the upcoming year, the equipment will be installed and commissioned. The implementation of this project will significantly increase the operational reliability and

safety at the Armenian Nuclear Power Plant.

This project demonstrates the ability of ŠKODA JS to manage I&C projects also outside the territory and legislation of the EU.

PAMS2 and PAMS3 Extension

The project for adding radiation control monitoring to the Post-accident Monitoring System (PAMS) is another project in which ŠKODA JS contributes to meeting ever more stringent nuclear power plant safety requirements, in this case in collaboration with the companies VF, a.s., FRAMATOME and ZAT a.s.

Last year, the first stages of the project, dealing with preparation of the relevant documentation, were



The team of Mechanical Design uses a 3D scanner Leica to obtain the coordinates of the current states of nuclear power plant units as a basis for 3D model development.

completed. Works on the installation and commissioning of the modernized equipment will be carried out in the upcoming year.

CMIS.CE System – Configuration and Preparation of “Smart Data”

The development of computer technologies has affected a number of engineering fields. One of them is configuration management using so-called “smart data”. This development is supported by rising demands from customer and regulatory institutions with respect to the validity and accuracy of data regarding the operated equipment.

In this area, ŠKODA JS can offer high-quality services. In cooperation with the Hexagon Company, ŠKODA JS developed CMIS.CE, a software application based on the SmartPlant platform. This application significantly simplifies the processing, verification and uniqueness of data, increases their searchability, organization and usability, which makes it an effective tool for monitoring, verification, management and utilization of large amounts of interconnected data.

The functionality of the CMIS.CE system was verified even in connection with OCR systems on a number of pilot projects, and it delivered excellent results.

This makes this tool an ideal means of configuration management in EPC projects as well as very effective information consolidation and management for power equipment in operation.

CMIS.CE is also applied in projects for the construction of new nuclear power sources. The use of such an information system is a condition set out in the tender documentation for new locations, for example, in Akkuyu, Turkey, and Hanhikivi, Finland.

A Bid for the Delivery of “Main I&C” for the Project of the Construction of the Hanhikivi NPP

One of the strategic plans of ŠKODA JS is to actively participate in the construction of new nuclear units. In 2018, along with four other selected companies, ŠKODA JS was invited to take part in a tender for the delivery of a substantial part of the I&C systems for the Hanhikivi NPP.

The companies ŠKODA JS and Rolls-Royce Civil Nuclear (supplier of safety systems) have decided to continue in their cooperation from the successful project at the Dukovany NPP and filed a joint bid for the entire scope of the I&C systems in the tender. The

Rolls-Royce Company prepared the part of the bid dealing with safety systems, while ŠKODA JS prepared a bid for the delivery of systems pertaining to safety, regular operation as well as special, particularly diagnostic systems.

MECHANICAL DESIGN

Spatial Coordination at the Mochovce and Dukovany NPPs

At the beginning of 2018, the creation of a 3D model of the actual state for the Post-assembly clean-up operation at Unit 4 of the Mochovce NPP commenced. This activity was successfully completed on schedule at the end of 2018. The result was documentation for approx. 2,800 pipelines and auxiliary steel structures. The 3D model was created using approx. 140 scanned images of the technologies of the main production unit.

At the same time, a 3D model of the piping of the steam/water system (from the steam generator to the hermetic penetration) in Units 1, 2 and 4 at the Dukovany NPP was created. This model was made using scanned images taken in the buildings of the main production unit. The documentation from this model was used as the basis for the piping calculations.

Modernization of the Polar Bridge Crane in Units 1 and 2 at the South Ukraine NPP

The project will include complete replacement of the control management system and electrical components of the polar bridge crane. In the mechanical part of the crane, the existing 80-ton crane trolley will be replaced with a new trolley with a capacity of 160 and 2x80 tons. The crane trolley of the main 400-ton hoist will be equipped with a new hoist mechanism, trolley travel mechanism, equipped with an emergency brake, a new cable drum and wire rope, and the auxiliary 10-ton hoist with a block with a swivel fork will be replaced. Also replaced will be the rotation mechanism of the polar crane bridge, the runway rail for the cable folding system, and special loading and handling tools will be designed and supplied for disassembly and assembly.

Emergency Containment Depressurization (Venting) at Ukrainian Nuclear Power Plants

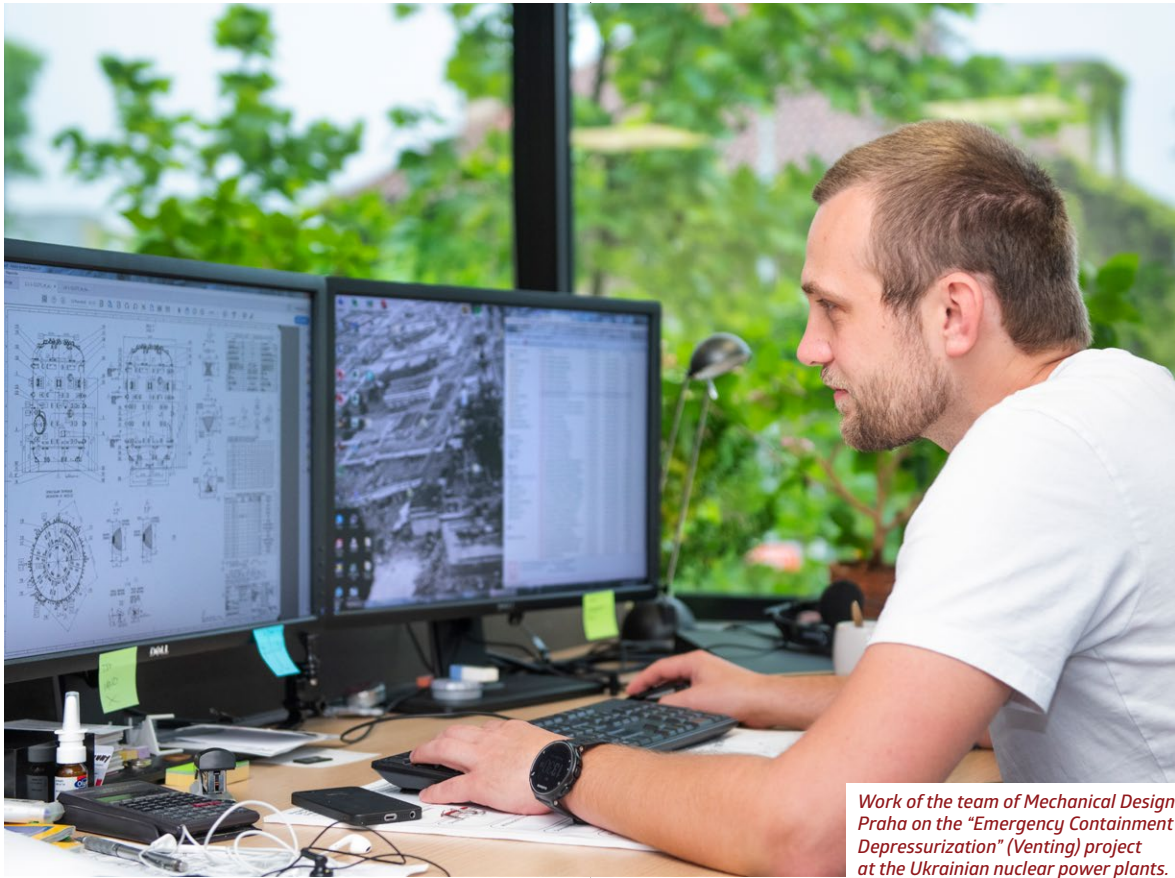
This project, including the design, deliveries, assembly and commissioning, is being implemented by ŠKODA JS in cooperation with the FRAMATOME Company and other companies at eleven VVER 1000 nuclear units in Ukraine. The design phase of the project took place in 2018. The complete documentation was prepared in line with the GOST and PNAEG standards. Venting is a passive system, which in the event of an increase in pressure inside the containment will release, through a filtration system, a mixture of steam and gas into the surrounding environment. It is a two-stage filtration system contained in a vessel 3.4 meters in diameter and 5 meters in height. Due to the temperature specification of 295°C and seismic resistance requirements, the vessel was made of 08Ch18N10T material of a thickness ranging between 22 and 24 mm. The assembly of the tank, consisting of 34 parts, will take place on site, as the clearance of the only transport route is a mere 60 x 160 cm.

The filtration process itself takes place in the vessel and the required filtration effectiveness is 99.999%. The system also serves to remove heat from the containment, which is achieved by steam condensation inside the vessel.

The project is currently in its assembly phase. All the assembly works are to be completed in 2020.

Leaky Spent Fuel Cask for the Temelín NPP

The development of a new cask for leaky VVER spent fuel is based on a modification of the existing ŠKODA 1000/19 cask. In collaboration with the University of Chemistry and Technology, Prague, in the design phase, additional water and hydrogen absorption was addressed by the special inner structure of the cask. In connection with the optimization of the system of cask drying, leaky fuel tightness tests have been prepared and partially conducted using mock fuel pellets. The issue of hardware and transferring the test results to the product is dealt with in the Department of Calculations at ŠKODA JS and the Těsnost s.r.o. Company.



Science and Research

As part of subsidy programs, we intensively work with the Generation IV reactor technology based on molten salt and helium. We also developed a Hydrogen Steam Autoclave for the Řež Research Center. The

new system allows for testing of changes to material properties in an environment of overheated water steam with an addition of hydrogen, a hydrogen steam mixture. One of the effects examined is, for example, hydrogen embrittlement.

NPP Engineering – Mechanical Design Praha

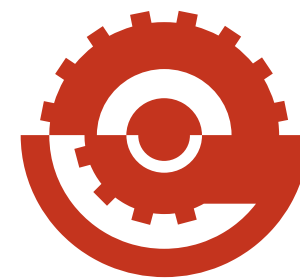
The largest project of Mechanical Design Praha in 2018 was work on the “Completion of Units 3 and 4 at the Mochovce NPP” project. At Unit 3 of this nuclear power plant, one of the key activities was providing documentation on the actual state and support provided on an as-needed basis during pressure and functional tests. At Unit 4, it was the preparations for clean-up operations and issuing documentation on the actual state.

The Mechanical Design Praha team also realized other projects for the companies Slovenské elektrárne, a.s., ČEZ, a. s., I&C Energo a.s., the Institute of Applied Mechanics Brno, and NAEK Energoatom (Ukraine):

- Seismic evaluation of large components for the Mochovce NPP, including the commencement of works on implementation projects.
- Stage 1 of the project for the replacement of measuring orifices and separators at the Mochovce NPP.
- Design and delivery of parts for the steam bench for the Temelín NPP.
- Documentation on the actual state and strength calculations for steam pipes and power supply in the engine room of the Dukovany NPP.
- Strength calculations for additional essential service water reconstruction at the Temelín NPP.
- Sensitivity analysis, calculation report and technical report – elimination of vibrations of the main circulation pump at the Bohunice NPP.
- Design and calculations for the refurbishment of the main safety valves assembly at the Temelín NPP.
- Design and delivery of a system for emergency containment depressurization (Venting) at Ukrainian nuclear power plants.



Check of PRO-M drives in the clean assembly shop in Plzeň-Bolevec.



Production

Production of Equipment for Spent Nuclear Fuel Storage

In 2018, ŠKODA JS a.s. delivered the first ŠKODA 1000/19 cask to the Temelín NPP. The company continued in the development and production of ŠKODA 440/84 casks for the Dukovany NPP, to which the first cask will be delivered in 2021.

ŠKODA JS a.s. successfully completed the contract to modify the CONSTOR® RBMK1500/M2 cask head rings for the GNS Company, with the Iganlina NPP in Lithuania as the end user. A delivery of CONSTOR® RBMK1500/M2 casks to the same power plant continued, with eight of the total number of 28 casks supplied. Based on the license from the GNS Company, CASTOR® 440/84M casks also continued to be supplied for the Dukovany NPP, to which five casks were delivered in 2018.

Production of Equipment for VVER-type Nuclear Power Plants

In 2018, PRO-M control rod drives were produced for the Slovenské elektrárne Company and for its Mochovce and Jaslovské Bohunice Nuclear Power Plants. According to the approved schedule, preparation for the production of a new inspection and NSIO fuel assemblies repair stand for the Temelín NPP continued. For both Czech nuclear power plants, Temelín and Dukovany, production and deliveries of neutron flux measurement channels continued. 33 inserted rods of PRO-M control rod drives and spare spent nuclear fuel storage racks were supplied for the Rovno NPP in Ukraine. In 2018, 49 inserted rods of

PRO-M control rod drives were supplied to one of our regular customers, the Loviisa NPP in Finland.

Production of Equipment for PWR-type Nuclear Power Plants

In 2018, following the signing of a contract with the FRAMATOME Company in June, ŠKODA JS a.s. commenced the technological preparation for the production of the EPR reactor internals for the construction of two units of the Hinkley Point C Nuclear Power Plant in Great Britain.

Research and Development

Research and Development (R&D) is a key part of the company structure of

ŠKODA JS a.s. The Company's own innovation potential represents a competitive advantage over purely manufacturing companies, and the development of new products and improving existing products helps the Company enter new markets.

The key areas of research and development are:

- **nuclear power plant services**
- **development of calculation methods and software** for the nuclear power industry
- **storage and transport of spent nuclear fuel**
- **verification of key components** of prototype equipment
- **research into materials** of nuclear power plant components or the Company's own products
- **production of nuclear power plant equipment**
- **implementation and verification of new technologies** in production
- **the CANUT project** (Center for Advanced Nuclear Technologies)

In the field of nuclear power plant services, research into the state of nuclear equipment maintenance in the Czech Republic and around the



A Virtual and Augmented Reality test took place during an outage at the Temelin NPP within the process of introduction of new technologies into production and services.

world continued with the aim of finding new possibilities of nuclear equipment repair development.

In the field of R&D calculations, reopening the Company’s own measurement laboratory continued along with its participation in the international interlaboratory “Round Robin test”, which is to be evaluated at the beginning of 2019.

In the area of spent nuclear fuel storage and transport, work continued on the development of the Company’s own type of cask for modern VVER 440 and 1000 fuel. R&D focused mainly on verification of the production and function of certain components and machining technology. As part of its R&D, the new TOFD method of ultrasound testing was successfully acquired. The acquisition and application of

this ultrasound testing method contributed to eliminating the costly technology of testing cask body welds by X-ray. The Company also continued to develop a basket for spent nuclear fuel made of welded austenitic boron-alloyed steel pipes. At the end of 2018, extensive tests of the first ŠKODA 1000/19 cask with all the accessories necessary for its use at the power plant, including the drying and tightness test equipment, were carried out.

In the area of material research, the project “Technology for the Production of Corrosion-Resistant Steel for Nuclear Power Plants” was successfully completed after three years. This project was part of the Epsilon subsidy program, in which suitable methods of heat treatment of certain corrosion-resistant steels were discovered and the chemical composition and production process modified to achieve the required mechanical and corrosion properties. At the same time, a new technical development task, “Development and Production of Corrosion-Resistant Boron-Containing Sheet Metal”, was commenced. It is aimed at developing sheet metal with specific useful properties for the implementation of ŠKODA JS contracts.

As part of verification of key components of equipment, the task of verifying sealing glass and the materials of the bodies and pins of the connectors and cable penetrations was performed.

In the field of the development of software for the nuclear power industry, the Company continued to be engaged in the project “Configuration of CMIS.CE – Configuration and Project Management Information System.”

In 2018, the development of linear stepper drives of the fourth generation (LKP-M/4) intended for modern units with VVER-type reactors

continued, with the production of a prototype completed and preparations for prototype lifetime tests commenced.

In the field of implementation of new technologies at ŠKODA JS a.s., the task of 3D printing utilization and using the Virtual and Augmented Reality tool to support production and services was under way. Virtual reality was also tested during an outage at the Temelín NPP and used for the purpose of training for the repairs of steam generator pipe welds, due to the very confined space.

Within CANUT, supported by the Technology Agency of the

Czech Republic, ŠKODA JS a.s. is in charge of two “work packages”: **Storage and Transport of Radioactive Waste**, especially Spent Nuclear Fuel; **Device for Inspecting Primary Circuit Components** of Pressurized Water Reactors.

Within the second CANUT project, the Manipulator for Inspecting Reactor Head Nozzles was developed. Its development will continue in 2019.

Investments

In 2018, ŠKODA JS a.s. spent almost CZK 145 million on acquisitions and repairs of capital assets, of which close to CZK 95 million was spent on the refurbishment of machinery, equipment and buildings, and almost CZK 60 million on the modernization and procurement of new technology, including IT projects.

The most important investment projects completed in 2018 included the purchase of an integrated 11,000-watt solid state optical fiber welding system, which will be used in the production of hexagonal pipes for fuel storage at a nuclear power plant, and for baskets of casks produced at ŠKODA JS a.s.

For productive, fast and safe measurements of large construction units, such as spent nuclear fuel casks, the Leica Absolute Tracker AT960-MR device was purchased in 2018. It is a portable coordinate measuring device intended for high-speed dynamic measurement of large objects featuring measuring capability using a probe, scanner as well as automated inspection and reflector measurement.

Both aforementioned projects were co-funded by the Operational Program Enterprise and Innovations for Competitiveness – Innovations Program.

The team of ŠKODA JS Service checking the steam generator heat transfer pipes at the Temelín NPP.



Service

Maintenance of Primary Circuit Equipment at Czech Nuclear Power Plants

2018 represented another year in the more than 10-year history of ŠKODA JS in the role of contractual general supplier of primary circuit equipment maintenance at all units of both Czech nuclear power plants, i.e., the Dukovany and Temelín NPPs. This significant long-term contract is effective until 2021, with ŠKODA JS representing a strong and stable partner for the operator of these two Czech nuclear power plants.

Similar to previous years, the quality of the personnel as well as the readiness of the group of subcontractors was put to the test in scheduled as well as unscheduled equipment repairs during the overhaul of the units and during their operation.

Besides the standard scope of work, the following operations were realized at the Temelín NPP during the scheduled outages of Units 1 and 2:

- **Dismantling and Reassembly of the nuclear reactor** for refueling, including the dismantling of selected LKP drives for inspections and the replacement of ionization chambers;
- **Removal and disposal of 41 pcs of neutron flux measurement channels** with new equipment that was produced by ŠKODA JS a.s.;
- **Inspection of the steam generator**, including an inspection of the heat transfer pipes by the new IRIS manipulator, repairs of level indicator nozzles, and blinding of periodic sludge blow-off lines;
- **Repairs of weld joints** that, following repeat X-ray
- tests, were identified as unfit for further operation;
- **Replacement of the bodies of the main safety valves of the pressurizer** and the modification of this assembly at Unit 1, and also a new method for inspecting the main safety valves at Unit 2;
- **Inspection of the hydraulic accumulators**, including repairs of the internal structures and surfaces by welding;
- **Inspection of the emergency cooling exchanger**, including examination and capping of heat transfer pipes;
- **Testing and optimization of the POMA equipment** for cutting material ampoules at selected clusters of the reactor core;
- Operational solution for **feed-water indicators at all steam generators** in Unit 1,

including calculations, design documentation, production, inspections and documentation of the actual solution by ŠKODA JS a.s.

- Preparation, execution and evaluation of **operational KSS** (welding of steam generator nozzles, feed-water for steam generators) using the material laboratories of ŠKODA JS a.s.

In 2018, both units were operated without unscheduled outages resulting from the low quality of work performed on the primary circuit. In fact, Unit 1 saw the longest fuel campaign ever, with very high availability.

At Dukovany NPP, maintenance works were carried out during four planned refueling outages and five unscheduled outages, as well as a number of service tasks performed while the units were in operation.



A ŠKODA JS team in the reactor hall of Temelín NPP during a non-active test of ŠKODA 1000/19 cask.

The following activities were performed beyond the standard scope:

- **Repair of defects in the guide wheel** and pressure lid of the main circulation pumps;
- **Assembly of a secondary thermal barrier** on the main circulation pumps;
- **Replacement of the bodies of the main safety valves** of the pressurizer system;
- **Replacement of the silicone bellows** on the main closure fittings;
- **Replacement of the DN250 swing check valve** on the primary circuit emergency supply line using an automated welding machine
- **Repairs of heterogeneous weld joints on steam generators;**
- **Cleaning (calibration) of reactor core bottom diaphragms;**
- **Cleaning of the bottom of the reactor pressure vessel;**
- **Cleaning of reactor core bottom drop shock absorbers** using a single-purpose device developed by ŠKODA JS a.s.;
- **Modification of sealing faces in the heat exchangers** of the emergency cooling system;
- **Repair of heterogeneous weld joints on the steam generator super-emergency supply pipe.**

ŠKODA JS a.s. is a reliable partner for power plant operators for unit outages, during the preparation and execution of maintenance as well as for preventive and corrective maintenance. The Company takes advantage not only of its service departments' experience, but, as an original equipment manufacturer of nuclear systems with many years of extensive experience, also of the support from specialized departments and the facilities of the mother company in Pilsen. Owing to its responsible approach to the execution of maintenance tasks and its expertise, ŠKODA JS a.s. is an integral part of the outage team at the Temelín and Dukovany NPPs.

Maintenance Activities at Other Nuclear Power Plants

- **Bohunice V2 NPP** – Repairs of heterogeneous weld joints on steam generators
- **Bohunice V1 NPP** – Project preparation and commencement of the dismantling of steam generators from the steam generator box;
- **Paks NPP** – maintenance of PRO-M control rod drives during refueling outages, Category I and II inspections and measurements;
- **Bohunice V2 NPP** – technical support for the general outage at Units 3 and 4;
- **Mochovce 1, 2 NPP** – technical support for the general outage at Units 1 and 2
- **Mochovce 3, 4 NPP** – participation in the test assembly of the reactor, maintenance of stud tensioners of the main flange joint and thermocouples and neutron flux sensors. Conducting pre-operation checks as part of the start of Unit 3. Tests and assembly of drives.

In-service Inspections and NDT

During the assessed period, ŠKODA JS a.s. performed the following inspections and measurements at Czech nuclear power plants:

- **Inspection of the reactor pressure vessel material** from the inner surface using the MKS manipulator at Unit 4 of the Dukovany NPP within the extended reactor core;
- **Inspection of reactor internals**, M170x6 threaded holes, circumferential welds of the main cooling piping loops and manual inspections of reactor pressure vessel components and the primary circuit of Units 1 and 2 at the Temelín NPP;
- **Inspection of the reactor head circumferential weld**, M140x6 threaded pole mounts, M140x6 nuts and bolts, circumferential welds of the main coolant piping loops, and manual inspections of primary circuit austenitic welds at the Dukovany NPP;
- **Eddy current inspection of stainless-steel housings of emergency control rod nozzles** in all four units of the Dukovany NPP;
- **Eddy current inspection of heat transfer pipes in the steam generators** in all units of the Dukovany NPP as well as all units of the Temelín NPP;
- **Inspection of heat transfer pipes in the exchangers and coolers** for the logical unit of the primary and secondary circuits in all units of the Dukovany and Temelín NPPs;
- **Capping damaged heat transfer pipes of steam generators** at the Dukovany NPP;
- **Measurement of efficiency of aerosol and iodine air-conditioning filters** in both units and in the auxiliary service building at the Temelín NPP;
- **Inspection of the cylindrical part of the vessel from the outer surface** in both units of the Temelín NPP by the SK 187 system – the bottom part of the reactor pressure vessel;
- **Inspection of M64x5 bolts** by the KOSUP and ROMAX system at the Dukovany NPP;
- **Ensuring pre-operation checks of the primary circuit equipment at Unit 3 of the Mochovce NPP** as part of Program 3P202.

A total of 95 LPG tanks were tested using the acoustic emission method in the Czech Republic.

Component Diagnostics and Lifetime

In 2018, apart from the standard activities in the field of reactor measurement assessment and the inspection of reactor coolant flow, the most significant activity of the staff of the Component Diagnostics and Lifetime department was measuring the hydraulic resistance coefficient in the Westinghouse Company's LTA testing fuel assembly. The results of these rare tests will be used in the planned mixed fuel assembly operation at the Temelín NPP. Another activity included preparations for the measurement of hydraulic characteristics of the primary circuit and the reactor during hydrostatic testing for the commissioning of Unit 3 at the Mochovce NPP.

In the field of component lifetime, the staff conducted two feasibility studies of placing spectrometric sets with fluence monitors on the reactor pressure vessel wall in the area of the socket rings, i.e., within the socket area. The studies were important for the assessment of neutron fluence monitoring above the reactor core, specifically for monitoring the radiation embrittlement of the material of the reactor pressure vessel support systems at the Dukovany and Temelín NPPs.

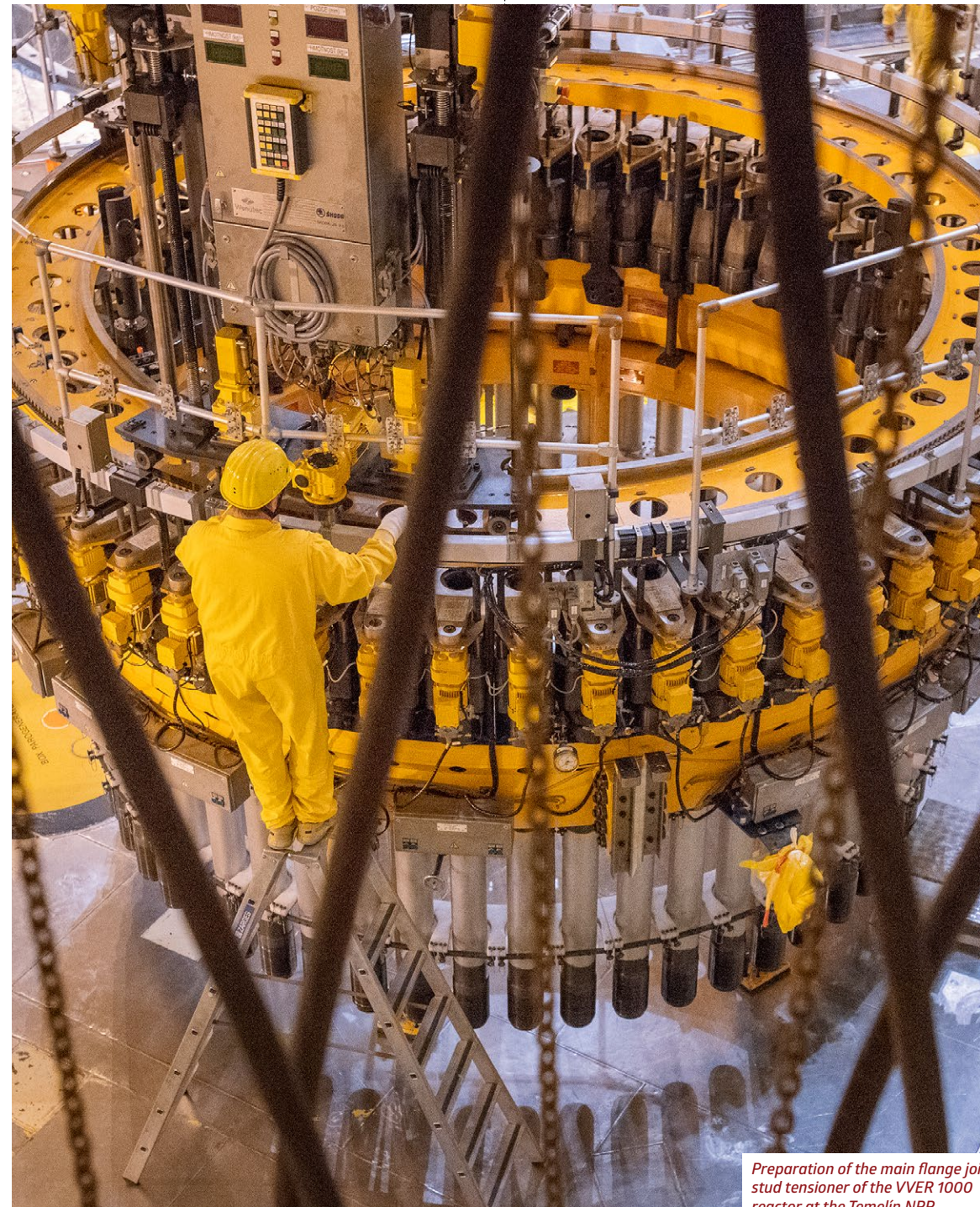
Material Laboratories

The Material Laboratories are engaged in material testing and expert examinations mainly for the internal needs of ŠKODA JS a.s. as part of production, maintenance and development contracts. They are an accredited testing laboratory pursuant to ČSN EN ISO/IEC 17025. Apart from these activities, in 2018 they continued to produce connectors and glass-sealed cable penetrations for PRO-M and LKP control rod drives. Other significant activities of the Material Laboratories included assessments of inspected welding joints for NPPs.

Testing Shops

At the LKP 1000 stand in the Testing Shops facility, hydraulic tests of a new Westinghouse fuel assembly model were performed in the experimental "C" channel. The tests of the model were preceded by preparations of the stand, its

calibration and verification of properties using a go/no-go gauge assembly. The results of the hydraulic tests were decisive for the delivery of 6 pcs of Westinghouse fuel assemblies to the reactor core at the Temelín NPP.



Preparation of the main flange joint stud tensioner of the VVER 1000 reactor at the Temelín NPP.

Another experiment for ČEZ, a. s., was verification of the tightness of selected flange joints for a 6-year period. The entire experiment was performed on flange joint models connected to a small-scale water test loop. The test revealed no leaks in the tested joints.

Throughout the year, tests of selected parts of the newly developed LKP-M/4 linear stepper drive for VVER 1000 reactors took place. In 2018, handover testing of a set of new PRO-M control rod drives for the Bohunice NPP commenced. Verification tests of newly developed components for the position indicator for delivery to Brazil also took place.


In 2018, approximately 5,000 units of various types of graphite gaskets were produced for the upper block flange joint of VVER reactors throughout Europe as well as for tests of PRO-M drives. An EZ 600 flange joint stud tensioner was successfully handed over to the customer.

Heřmanice Production Shop

This manufacturing shop serves as a maintenance and support facility for the production of devices and assembly components mainly for the needs of the Dukovany and Temelín NPPs.

Depending on available capacity, the production shop in Heřmanice also produces parts for other customers. In 2018, end caps for ionization chambers were produced there for the Zaporozhye and Khmelnytskyi NPPs in Ukraine.

The production program at Heřmanice also included the production and implementation of inspected welding joints, the production of jigs for the repair of the heterogeneous weld joints at steam generator DN 1100 at the Bohunice NPP, the production of steel casings for decay tanks, and the PETA 6/SB 160T cask.

A misty forest scene with tall, slender evergreen trees. Sunlight streams through the canopy from the right, creating a hazy, golden atmosphere. The ground is covered in low-lying vegetation and fallen leaves.

**The nuclear energy is and
will remain a stable and
emission-free source for
electricity production.**

Integrated Management System (IMS) and Contract Quality Assurance

Through its policies, ŠKODA JS a.s. expresses its attitude to its employees, customers, suppliers and other stakeholders in the areas of quality management, occupational health and safety, and environmental protection. The Company continually develops its Integrated Management System (IMS) in compliance with the requirements of standards ČSN EN ISO 9001:2016, ČN EN ISO 14001:2016, ČSN OHSAS 18001:2008 and CEFRI. On an annual basis, compliance with quality requirements is checked by customer audits.

IMS Audits and Customer Audits

The correct functionality of the integrated system is regularly checked by audits carried out by the supervisory organization DNV-GL as well as by internal and mainly customer audits.

In February, the recertification CEFRI audit focused on the dosimetric monitoring of employees of our company working in the controlled areas at NPPs in France was carried out. Based on the successful fulfillment of the requirements and confirmation of IMS preparedness pursuant to CEFRI, a new certificate valid until 2021 was issued.

Assessment of the compliance with product quality standards is conducted by the independent certification authorities TÜV SÜD Czech and TÜV SÜD Industrie Service GmbH from the point of view of compliance with the welding procedure requirements set out in ISO 3834-2 and 1090-1, 2. In this area, the Company

successfully renewed its certification for another three years.

A number of customer audits were conducted last year, based on which the qualification of ŠKODA JS a.s. for the implementation of nuclear contracts was extended by another term. These included audits by foreign companies, e.g. FRAMATOME, Fortum and others.

Development of Safety Culture principles

One of the permanent goals of the Company is to continually develop Safety Culture principles and apply the requirements of international standards (GS-R Part 2) and the regulations of the State Office for Nuclear Safety (Decree No. 408/2016 Coll.) and ensure their integration into its corporate culture.

Based on the results of a company-wide Safety Culture survey which was carried out in 2017, the Company initiated

projects last year aimed at improving communication among its various divisions.

Supplier Quality Management and Contract Quality Assurance

In the area of supplier quality management with respect to materials, semi-finished products, parts and services, including the performance of services and maintenance at the Reactor Building Logical Units at the Temelín and Dukovany Nuclear Power Plants, the Company meets the relevant legislative requirements, standards and decrees of the various national nuclear regulatory bodies and other requirements of the customer regarding the technological and nuclear safety of products and services.

For the most part, this concerns the application of the Czech nuclear legislation of the State Office for Nuclear Safety and the Nuclear Regulatory Authority of the Slovak

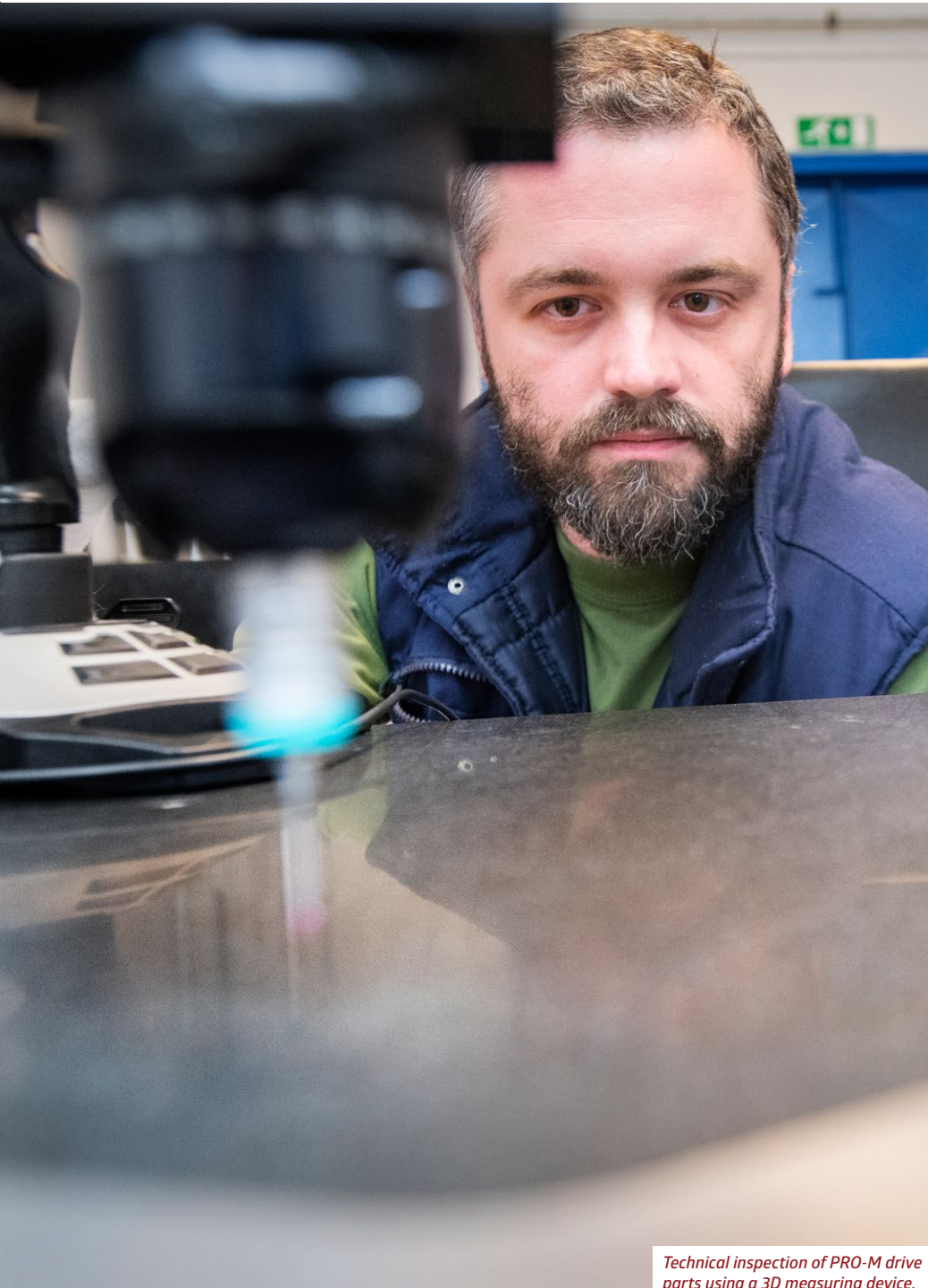
Republic. In other significant contracts, this concerns the French code RCC-M, the Russian regulations of the PNAE G standards and GOST standards, and the German KTA nuclear safety standards.

In connection with the aforementioned legislative and technological requirements, the quality of our suppliers is continually checked and evaluated. In 2018, a total of 47 companies from the Czech Republic as well as from abroad were inspected and qualified by external audits or quality inspections.

A major asset in the area of supplier quality assurance is cooperation with proven suppliers, who already know the specifics of nuclear production, proof of which is the greater number of external audits focusing on the extension and expansion of the qualifications of existing suppliers.

Increasing Qualifications

The qualifications of Technical Inspection personnel are ensured by regular training of staff and presents a condition for the qualified performance of activities associated with quality assurance and control



Technical inspection of PRO-M drive parts using a 3D measuring device.

in executed contracts. Much attention is devoted over the long term to this matter. Maintaining the required qualifications of Technical Inspection personnel for visual inspections is in line with the requirements of legislation applicable to non-destructive testing, ČSN EN ISO 9712, Czech legislation (Decree of the State Office for Nuclear Safety No. 358/2016 Coll.) and the internal IMS documentation. Personnel qualifications pursuant to ASME Code requirements are maintained by means of in-house training.

In 2018, the process of further increasing the qualifications of Technical Inspection specialists in the area of welding inspections continued, and will conclude upon gaining the EWI-S qualification in 2019.

A new addition to instrumentation equipment is the portable 3D Leica Absolute Tracker AT960 for large scale measurements and measuring straightness, flatness, ovality and cylindricity.

Non-destructive testing is an integral part of the production

process; it is one of the fundamental conditions for compliance with the strict criteria for product quality control in the nuclear power industry, where emphasis is placed on nuclear safety.

The required quality level cannot be achieved without highly qualified personnel, which is why also in 2018 the Non-destructive Testing Laboratory specialists' qualifications were further expanded and re-certification of personnel after five (ten) years was carried out in compliance with the requirements of ČSN EN ISO 9712. In the Non-destructive Testing Laboratory, personnel are also qualified pursuant to SNT-TC-1A as required by the ASME Code. Under both systems, the personnel are qualified at Levels II and III for the RT, UT, PT and MT methods.

In 2018, the Non-destructive Testing Laboratory underwent a regular supervisory visit by the Czech Accreditation Institute pursuant to ČSN EN ISO/IEC 17025. No discrepancies were identified during this audit.

Environmental Protection

ŠKODA JS a.s. fully observes all applicable environmental protection principles. Environmental safety and protection form an integral part of the Company's management system and the way of thinking, behavior and work habits of all its employees as well as suppliers.

The Company's environmental behavior is the subject of interest of legislation as well as a number of stakeholders, and it can significantly influence business prosperity. The approach to the environment plays an important role in the selection of business partners not only in foreign tenders, but also with larger domestic companies. Environmental aspects form part of the business strategy and everyday

management of optional tools recommended by international organizations and the policies of the European Union and individual member states.


Two inspections by the Czech Environmental Inspectorate were performed at ŠKODA JS a.s., confirming that environmental protection forms an integral part of the Company's policies.

ICT Development

In 2018, a significant investment was made in increasing the capacity of the DELL Compellent disk array, increasing the storage capacity of the DELL/EMC Datadomain backup appliance, renewal of the main optical switches, and expanding 10Gb/s connectivity.



Manufacture of parts for PRO-M drives in the machining workshop in Plzeň-Bolevec.

A man wearing a bright yellow protective suit and a yellow hard hat with a 'KP TEMELIN' label is holding a black clipboard. He is standing in a control room with blue panels and equipment in the background. The text is overlaid on the right side of the image.

**Our success, even that
achieved in the future,
is based on our people.
It is just them who
develop the reputation
of ŠKODA JS day by day.**

People at ŠKODA JS a.s.

At the end of 2018, 1,042 persons worked at the Company.
The average adjusted number of employees in 2018 was 1,025.

The number of Company staff, including its subsidiary, ŠKODA SLOVAKIA, a.s., at the end of 2018 was 1,134, with its average adjusted number of employees, including those working at ŠKODA SLOVAKIA, a.s., being 1,125 in 2018.

Age Structure of Employees

In 2018, the average age of employees at ŠKODA JS was 45.5 years. Over the long term, the average age of the Company’s employees has been maintained at approximately the same level, despite the gradual putting back of retirement age.

Development of Staff and Their Education

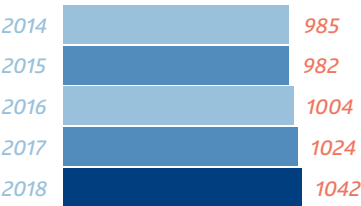
In 2018, ŠKODA JS invested CZK 7,252,905 in training for its employees.

In 2018, ŠKODA JS a.s. continued with staff training as part of the Supporting Employment and Workforce Adaptability project funded by the Operational Program Employment. CZK 1,147,600 was spent within this program in 2018. Including the subsidy from Operational Program Employment of the European Social Fund, a total of CZK 8,400,505 was spent on staff training. On average, each employee underwent 1.9 days of training in the value of CZK 8,196. In 2018, the average training costs per employee

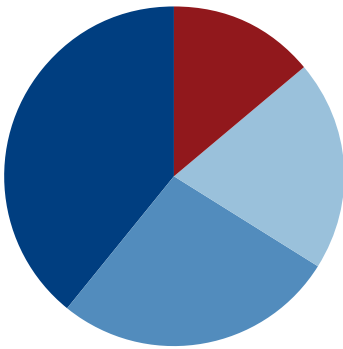
were CZK 2,029 higher compared to the previous year.

Staff training focused on professional seminars regarding the nuclear power industry, economics and tax issues. Company employees continually improve their foreign language and computer skills as well as professional knowledge resulting from legally binding decrees and standards. Young up-and-coming employees take part in training sessions focused on identifying and developing management potential.

Number of employees in ŠKODA JS a.s. in 2014–2018

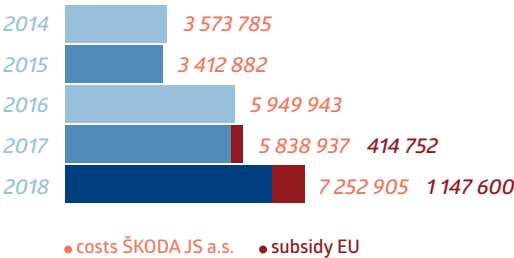


Age structure of employees of ŠKODA JS a.s. as of December 31, 2018



14 % up to 30 years
20 % 31–40 years
27 % 41–50 years
39 % 51 years or more

Staff training costs in 2014–2018



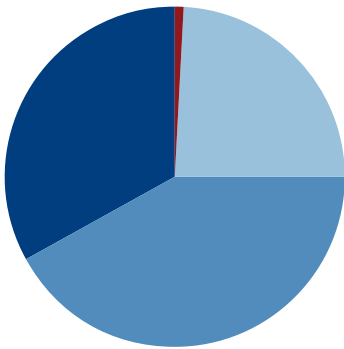
Occupational Health and Safety

The Company’s OHS management system is certified under OHSAS 18001:2007.

ŠKODA JS a.s. devotes attention to continually raising its employees’ awareness of occupational health and safety as well as systematically searching for and reducing risks of potential harm to the health of employees.

Thanks to the long-term and intensive efforts in this area, no work-related injuries resulting in sick leave occurred at the Company in 2018.

Educational structure of employees of ŠKODA JS a.s. as of December 31, 2018



1 % elementary
24 % technical vocational school
42 % secondary school
33 % university

Social fund utilization in 2018 (CZK thousands)

Catering contribution	260
Recreation for children and families	102
Contribution towards preventive healthcare programs	1173
Sports, cultural and other activities	405
Used in total	1940

Social Program and Fringe Benefits

- In the Company, working hours of 37.5 hours per week have been set.
- The employer contributes CZK 900 a month to employees’ supplementary pension insurance.
- Reconditioning rehabilitation care and leave are provided to employees working in challenging work environments.
- The employer has set up a special fund to assist employees in meeting their social needs.
- The Company further provided for its employees:
 - an extra week of annual leave beyond the framework of statutory leave pursuant to the Labor Code,
 - supplementary pay for work beyond the legislative framework,
 - time off with wage compensation beyond the legislative framework,
 - anniversary rewards,
 - sickness benefits for the first three days of sick leave.

There is a new fringe benefit for employees in the form of three sick days.

Corporate Social Responsibility

Socially responsible behavior is part of the corporate philosophy of ŠKODA JS a.s. The company is aware of the obligations arising from its position as one of the most important companies in the Pilsen Region. Every year, it supports a number of cultural, educational, sports and charitable projects.

The company has provided long-term support for technical education. ŠKODA JS a.s. supports, both financially as well as through its experts’ teaching activities, the University of West Bohemia in Pilsen and the Czech Technical University in Prague. Students at the technical faculties of these universities also have the opportunity to write their bachelor’s and master’s theses according to the instructions and under the expert supervision of the company’s employees.

ŠKODA JS a.s. has traditionally developed the most extensive cooperation in the area of education in the Pilsen Region. The company’s experts are involved in teaching students majoring in the “Design of Nuclear Power Systems” in the Department of Power System Engineering at the Faculty of Mechanical Engineering. Cooperation also continues in working with engineering apprentices, particularly in the area of practical teaching, which takes place in the production facilities of ŠKODA JS a.s.

ŠKODA JS a.s. is the main organizer of the annually held “Nuclear Days” event, which is an exhibition complemented with lectures that aims to present the area of nuclear power and its use mainly to students at secondary schools and universities and increase their interest in science and technology. ŠKODA JS a.s. organizes this exhibition in cooperation with the organization CENEN (Czech Nuclear Education Network) and the University of West Bohemia in Pilsen.

ŠKODA JS a.s. also took second place in the 5th year of the Pilsen Region Governor’s Award for Corporate Social Responsibility for the year 2017 in the Business Sector category, thus continuing in its past success in this competition.

Over the long term, ŠKODA JS a.s. helps those in need, in particular through social welfare homes, children’s homes and charities operating in the Pilsen Region.

ŠKODA JS a.s. Is a Member of the Following Organizations

The Czech Power Industry Alliance is an association of companies whose purpose is to increase its members’ chances of winning foreign tenders, particularly in the nuclear power industry. The initiative emerged from the National Action Plan for the Development of the Nuclear Energy Sector.

The Czech Nuclear Society is an organization comprised of individuals interested in the nuclear power industry as well as organizations, schools, research institutes, production companies as collective members in the form of membership of legal entities or their organizational units.

The Czech Nuclear Education Network is a voluntary academic association of educational institutions engaged in education in the area of Nuclear Engineering and production companies striving



The “Nuclear Days” aim at familiarizing students of secondary schools and universities with the sphere of utilization of nuclear energy and at increasing their interest in science and technology.



Former Minister of Industry and Trade Miroslav Grégr speaking at the “Question Marks of Nuclear Power Industry” workshop within the “Nuclear Days” organized by ŠKODA JS at the University of West Bohemia in Pilsen.

to develop and maintain the quality of Czech nuclear education and its position within the European context.

The Technology Platform “Sustainable Energy for the Czech Republic” is an institutional tool for the support of activities in connection with research, development and implementation of technologies usable for the sustainable expansion of the generation, transmission and consumption of modern forms of energy in the Czech Republic.

The Regional Chamber of Commerce of the Pilsen Region

ŠKODA JS a.s. and the Consolidated Group

Parent company	ŠKODA JS a.s.
Registered office	Orlík 266/15, Bolevec, 316 00 Plzeň, Czech Republic
Date of establishment	5. 3. 1993
Founder	ŠKODA a.s.
Shareholder	OMZ B.V.
Contribution	100 %
Company reg. No.	25235753

Subsidiaries Included in the Consolidated Group

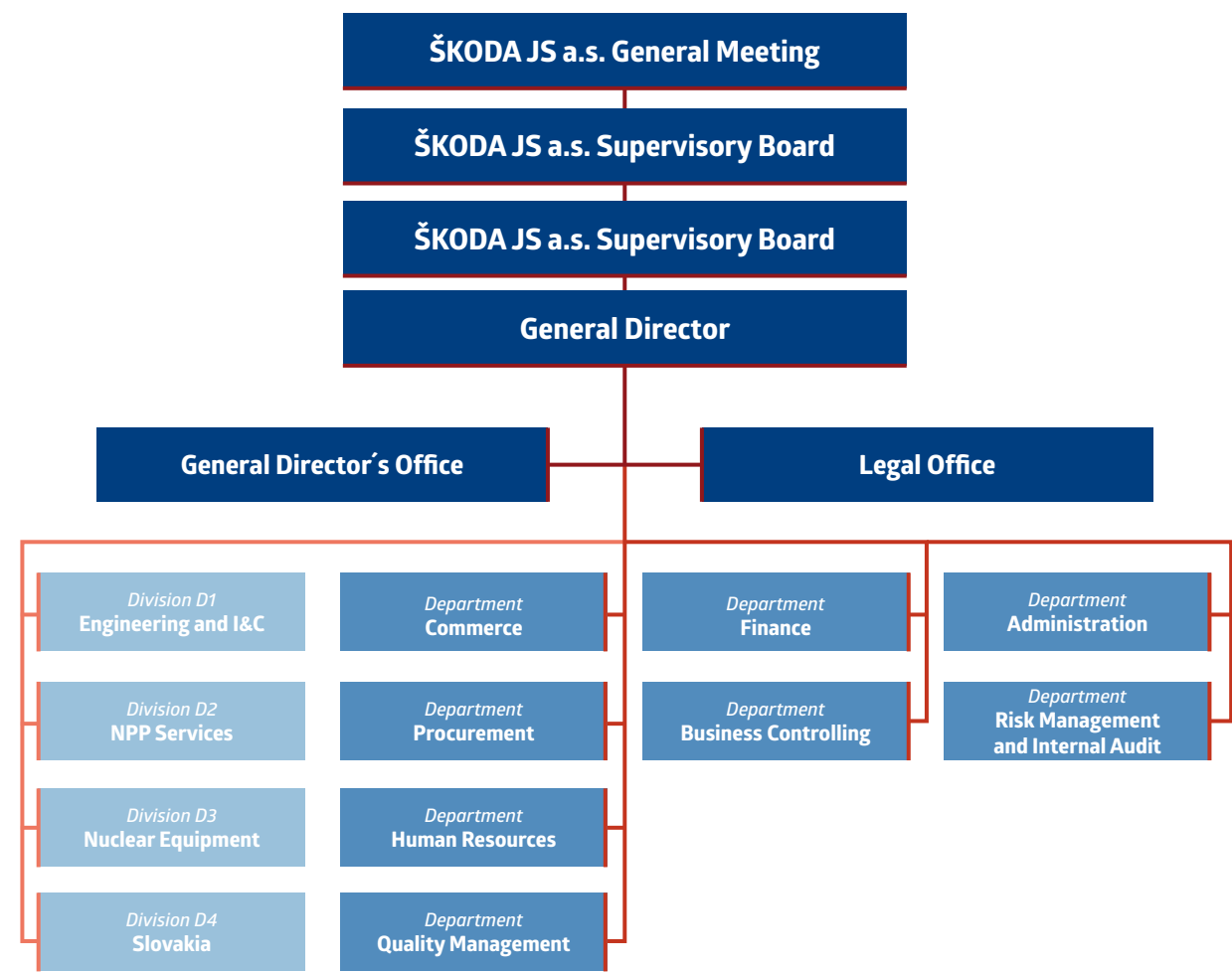
Subsidiary	ŠKODA SLOVAKIA, a.s.
Registered office	Hornopotočná 4, 917 01 Trnava, Slovenská republika
Date of establishment	25 April 1995 (incorporated in the Commercial Register maintained by the Registration Court in Bratislava, Part "s.r.o.", Insert 3544/K)
Founder	ŠKODA JS a.s. (at the time of founding ŠKODA JADERNÉ STROJÍRENSTVÍ, Plzeň, s.r.o.)
Shareholder	ŠKODA JS a.s.
Contribution	100 %
Company reg. No.	34120220

Other Securities and Holdings

Company	ÚJV Řež, a. s.
Registered office	Husinec – Řež, Hlavní 130, post code 250 68, Czech Republic
Date of establishment	31 December 1992 (incorporated in the Commercial Register maintained by the Municipal Court in Prague, Part B, Insert 1833)
Founder	The company was founded by a sole founder – the Federal national Property Fund
ŠKODA JS a.s. share in the registered capital	17,40 %
Company reg. No.	46356088

Company	Interatomenergo M.CH.O.
Registered office	Kitaygorodskiy proyezd, d. 7, 109074, Moscow, Russian
Date of establishment	13 December 1973
Founder	The association was founded on the basis of a decision by the governments of former CMEA countries
ŠKODA JS a.s. share in the registered capital	12,78 %
Legal form	International economic association

Organization Chart of ŠKODA JS a.s. at 1 June 2019



Statutory Bodies and Top Management at 1 June 2019

Supervisory Board

Dmitrii Vorobev
Chairman

Vladimír Dyukov
Vice Chairman

Kirill Neginskiy
Member

Oleg Shumakov
Member

Top Management

Vladimír Poklop
General Director



Josef Šára
Finance Director



Petr Kryl
Engineering and I&C Division Director



Kateřina Říhová
Human Resources Director



Libor Holík
Business Controlling Director



Board of Directors

Vladimír Poklop
Chairman of the Board of Directors

Vadim Pevzner
Vice Chairman of the Board of Directors

František Krček
Member of the Board of Directors

Andrey Epifanov
Member of the Board of Directors

Josef Šára
Member of the Board of Directors

Miloš Mostecký
Member of the Board of Directors

Maksim Shcherbakov
Member of the Board of Directors

Vadim Pevzner
Risk Management and Internal Audit Director



Maksim Shcherbakov
Administration Director



Jan Vybulka
Slovakia Division Director



Miloš Mostecký
Commercial Department Director



Lukáš Řežáb
Director of Quality Management Department



František Krček
NPP Services Division Director




Karel Hegner
Nuclear Equipment Division Director



Petr Altschul
Director of Procurement Department



An aerial photograph of a nuclear power plant. Three large, white, hyperboloid cooling towers are prominent in the upper left, each emitting a thick plume of white steam that rises into the sky. The towers have red-and-white striped bands near their bases. Below the towers, the main reactor buildings are visible, featuring red and white facades and circular containment domes with red-and-white striped chimneys. A complex network of pipes and walkways connects the various structures. The plant is situated in a green, hilly landscape with a small pond nearby. In the background, a blue body of water is visible under a clear sky.

The contracts we have signed give us a realistic chance to maintain a healthy and stable economy in the years to come.

Comments on Financial Results

Company's economy

ŠKODA JS a.s. (hereinafter referred to as „the Company“) can evaluate 2018 as a successful year in its modern history. According to the International Accounting Standards (IFRS), the Company's consolidated revenues reached CZK 4.138 billion. The pretax profit for the given period amounts to CZK 213 million. These indicators were achieved thanks to the successful implementation of contracts relating to the completion of the Mochovce Nuclear Power Plant for Slovenské elektrárne, a.s. Contracts for ČEZ, a. s., NAEK Energoatom and MVM Paks also contributed significantly. A total of CZK 2.826 billion in revenues posted in accordance with the International Accounting Standards, accounting for 68.3 %, was realized in export. The highest share of export was realized in Slovakia. In terms of individual segments, 67.8 % came from investment engineering, 18.6 % from services and 13.6 % from the production of equipment for nuclear power plants.

As the Company implements exclusively orders covered by contracts for sale, the increase in unfinished production

by CZK 322 million to CZK 1.443 billion (according to the Czech Accounting Standards) represents a promise for keeping a sound level of revenues even in the following accounting period. Speaking of contracts, it can be said that the Company is stabilized.

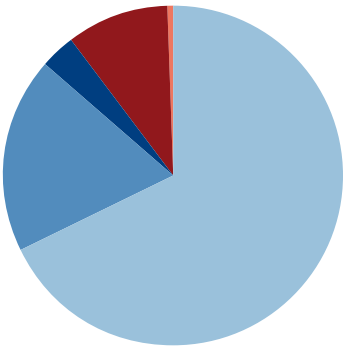
Considering the future development of the Company it is important that at this moment (beginning of 2019) the Company has contracted revenues for 2019 amounting CZK 3.770 billion.

The Company's Financial Situation, Project Funding and Insurance

In 2018, the Company showed a stable liquidity position and settled all its liabilities. Major volumes of cash flow occurred in the Company's operating activities, particularly in the field of execution of long-term projects.

During 2018, the Company made use of short-term external financing through credit lines provided by the financing banks. In agreement with the owner the Company

Structure of the consolidated group's revenues by segment in 2018 (IFRS)

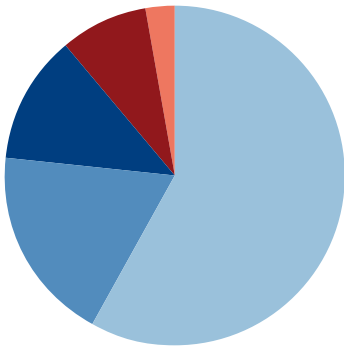


67,8 % *Engineering*
18,6 % *Service*
3,4 % *NPP Equipment*
9,8 % *Spent Nuclear Fuel Storage*
0,4 % *Other*

postponed the payment of dividends for 2017. The reason for the above mentioned were new contracts concluded at the turn of 2017 that required financing from the Company's own sources. In reaction to this situation the Company engages intensively in controlling the cash flows of individual projects, particularly in the field of the payment terms of running projects and advance payments received.

The Company's investment expenses reached CZK 67 million and that was mainly in the manufacturing base and IT.

Structure of the consolidated group's revenues by segment in 2014–2018 (IFRS)



58,2 % *Engineering*
18,6 % *Service*
12,0 % *NPP Equipment*
8,4 % *Spent Nuclear Fuel Storage*
2,7 % *Other*

In 2018 the Company settled its liabilities by due dates. The amount of receivables past due did not represent a major problem in 2018 and oscillated around similar values as in the recent years. The usual delay in the payment of receivables was by matter of days, occasionally several weeks.

For issuing, extending and adjusting bank guarantees in 2018, the Company used lines of collateral established with Komerční banka, a.s., Československá obchodní banka, a.s., and Česká exportní banka, a.s.

Within the “Completion of Unit 3 and 4 of Mochovce NPP” project, all bank guarantees were further extended in accordance with the contractual documentation and current contractual deadlines. ŠKODA JS a.s. also mediated an increase in funding of the “Completion of Unit 3 and 4 of Mochovce NPP” project by EUR 135 342 120 by arranging a new direct buyer's credit (received by a foreign importer) that was provided to Slovenské elektrárne, a.s. by Česká exportní banka, a.s., with insurance provided by Exportní garanční a pojišťovací společnosti, a.s. (Export Guarantee and Insurance Corporation).

As for insurance, in 2018 ŠKODA JS a.s. continued its cooperation with the Czech insurance broking company RENOMIA, a.s. The Company has concluded total 16 insurance contracts, particularly in the field of damage liability insurance, assets all risk insurance, insurance of projects, vehicles, etc. During 2018, the Company unified its insurance program.

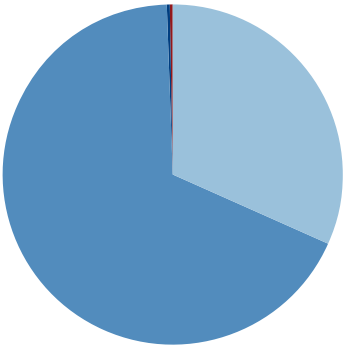
Management of Liquidity and Exchange Rate Risks

A large part of the Company’s revenues comes from export and most of it is collected in EUR. In the long term, the income collected in EUR exceeds the expenditures in this currency and therefore a part of it has to be sold for CZK. The Company’s financial results are influenced by exchange rate differences resulting from financial transactions carried out in foreign currencies that partly include the sale of foreign currencies on the financial market, so-called FX transactions. Last year, most of such transactions were currency spots and swaps consisting in the sale of EUR for CZK.

The liquidity risk is managed in the Company so as to ensure a sufficient amount of financial resources necessary for fulfilling the Company’s liabilities. The process of liquidity management is carried out in the Company at several levels.

With important contracts exceeding the set limit of financial performance, the costs of funding of each such contract and its impact on

Structure of the consolidated group's revenues by destination in 2018 (IFRS)



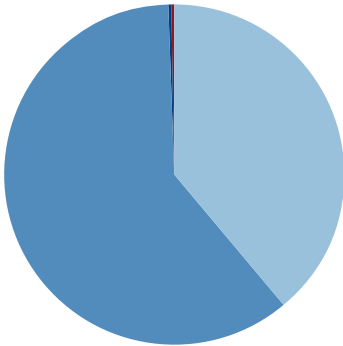
31,7 % Czech Republic
67,8 % Europe
0,3 % Asia
0,2 % America

the Company’s liquidity are analyzed in accordance with the Company’s regulations. Where there is a significant need of additional funding, the resources and conditions of funding are prepared yet within the bidding phase of a tender.

Short-term liquidity management in the Company is represented by cash-flow management based on data obtained from the information system that monitors the volume and due dates of all liabilities and receivables.

Long-term liquidity management consists in

Structure of the consolidated group's revenues by destination in 2014–2018 (IFRS)



38,9 % Czech Republic
60,8 % Europe
0,2 % Asia
0,1 % America

analyzing the development of the Company’s liquidity for the period of a rolling year and on a monthly basis. It includes all known as well as planned cash flows in individual currencies. If needed, the Company responds to the current development by implementing both external and internal measures that are to prevent any worsening of the Company’s liquidity position, particularly by negotiating sufficient credit lines with the financing institutions.

The Company has introduced payment systems so as to ensure maximum automation of the payment process.

A particular example is the change in communication with banks for SEPA payments within EPH from a text format to XML format (in accordance with EU Regulation No. 260/2012).

In terms of market risks that include the exchange rate risk, interest risk and commodity risk, the most significant for the Company is the exchange rate risk connected with export performance. The goal of exchange rate risk management is to keep the scheduled exchange rates and thus to help ensure the planned profitability of all running contracts. Thereby the Company’s exchange rate risk is maintained so as not to allow the Company’s financial results to be affected significantly by the development of exchange rates on the financial markets. To that end, the Company uses all available non-transactional methods of eliminating exchange rate risks as well as standard hedging derivative instruments that include currency forwards, currency swaps and combinations of currency options, all the above in accordance with approved internal procedures. The allowed hedging instruments, hedging strategies, accounting procedures and set risk limits

are specified in the document „The Strategy of Exchange Rate Risk Management in ŠKODA JS a.s.“

Conclusion

In 2018, the Company reached the financial results targeted by the shareholders and therefore this year can be considered a successful one. The Company managed to conclude a number of new as well as long-term contracts. For 2019 (as at the beginning of the year) the Company has contracted projects in the value of CZK 3.770 billion. Therefore, considering the above mentioned backlog of contracts for supply, namely for the nuclear power industry, there is a chance for us to maintain good and stable financial results in the upcoming years as well.

Josef Šára
Finance Director



Financial Statements of ŠKODA JS a.s. (According to CAS)

Income Statement

for the year ended 31 December 2018 (in thousands of Czech crowns)

Ident.		2018	2017
I.	Revenue from products and services	3 865 338	4 499 180
II.	Revenue from goods		1 755
A.	Cost of sales	3 079 227	3 319 798
A.1.	Cost of goods sold		1 584
A.2.	Materials and consumables	775 607	843 407
A.3.	Services	2 303 620	2 474 807
B.	Change in inventory of own production (+/-)	- 352 067	- 172 176
C.	Own work capitalised (-)	- 630	
D.	Personnel expenses	856 323	795 033
D.1.	Wages and salaries	639 571	589 539
D.2.	Social security, health insurance and other expenses	216 752	205 494
D.2. 1.	Social security and health insurance expenses	198 250	187 173
D.2. 2.	Other expenses	18 502	18 321
E.	Adjustments relating to operating activities	76 701	78 555
E.1.	Adjustments to intangible and tangible fixed assets	64 818	61 069
E.1. 1.	Depreciation and amortisation of intangible and tangible fixed assets	64 818	63 838
E.1. 2.	Impairment of intangible and tangible fixed assets		- 2 769
E.2.	Adjustments to inventories	25 664	18 514
E.3.	Adjustments to receivables	- 13 781	- 1 028
III.	Other operating revenues	20 680	13 971
III.1.	Proceeds from disposals of fixed assets	490	1 251
III.2.	Proceeds from disposals of raw materials	1 481	1 424
III.3.	Miscellaneous operating revenues	18 709	11 296
F.	Other operating expenses	- 30 123	43 043
F.2.	Net book value of raw materials sold	578	1 248
F.3.	Taxes and charges	3 864	824
F.4.	Provisions relating to operating activity and complex prepaid expenses	- 81 857	1 585
F.5.	Miscellaneous operating expenses	47 292	39 386
*	Operating profit (loss) (+/-)	256 587	450 653
VI.	Interest revenue and similar revenue	6	268
VI.2.	Other interest revenue and similar revenue	6	268
J.	Interest expense and similar expense	663	
J.2.	Other interest expense and similar expense	663	
VII.	Other financial revenues	32 071	38 585
K.	Other financial expenses	86 533	86 945
*	Profit (loss) from financial operations	- 55 119	- 48 092
**	Profit (loss) before tax (+/-)	201 468	402 561
L.	Income tax	77 186	87 768
L.1.	Current tax	73 075	93 750
L.2.	Deferred tax (+/-)	4 111	- 5 982
**	Profit (loss) after tax (+/-)	124 282	314 793
***	Profit (loss) for the accounting period (+/-)	124 282	314 793
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	3 918 095	4 553 759

The above financial figures represent only data selected from the company's financial statements. The complete financial statements are stored at the company headquarters and published in the Collection of Documents of the Registration Court. On 18th March 2019 an auditor's report without reservations was issued to these financial statements, by auditing company KPMG Česká Republika Audit, s.r.o., registration number 71.

Balance Sheet

as at 31 December 2018 (in thousands of Czech crowns)

Ident.	ASSETS	2018		2017	
		Gross	Adjust.	Net	Net
	TOTAL ASSETS	5744 953	-1620 115	4 124 838	3 814 088
B.	Fixed assets	2 111 163	-1504 849	606 314	611 163
B.I.	Intangible fixed assets	134 018	- 104 456	29 562	32 194
B.I.2.	Intellectual property rights	129 001	- 104 456	24 545	27 060
B.I.2. 1.	Software	115 475	- 91 573	23 902	26 223
B.I.2. 2.	Other intellectual property rights	13 526	- 12 883	643	837
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	5 017		5 017	5 134
B.I.5. 1.	Advance payments for intangible fixed assets				1490
B.I.5. 2.	Intangible fixed assets under construction	5 017		5 017	3 644
B.II.	Tangible fixed assets	1922 826	-1400 393	522 433	524 712
B.II.1.	Land and buildings	147 605	- 48 551	99 054	99 537
B.II.1. 2.	Buildings	147 605	- 48 551	99 054	99 537
B.II.2.	Plant and equipment	1767 372	-1350 611	416 761	381 076
B.II.4.	Other tangible fixed assets	1706	- 1231	475	522
B.II.4. 3.	Other tangible fixed assets	1706	- 1231	475	522
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	6 143		6 143	43 577
B.II.5. 1.	Advance payments for tangible fixed assets	1800		1800	1664
B.II.5. 2.	Tangible fixed assets under construction	4 343		4 343	41 913
B.III.	Long-term investments	54 319		54 319	54 257
B.III.1.	Equity investments - group undertakings	8 540		8 540	8 478
B.III.5.	Other long-term securities and equity investments	45 779		45 779	45 779
C.	Current assets	3 618 332	- 115 266	3 503 066	3 178 406
C.I.	Inventories	2 058 786	- 112 606	1 946 180	1 423 181
C.I.1.	Raw materials	295 356	- 32 552	262 804	150 528
C.I.2.	Work-in-progress and semi-finished products	1516 858	- 73 865	1442 993	1120 705
C.I.5.	Advance payments for inventories	246 572	- 6 189	240 383	151 948
C.II.	Receivables	1 255 634	- 2 660	1 252 974	1 137 307
C.II.1.	Long-term receivables	46 047		46 047	58 326
C.II.1. 1.	Trade receivables	5 167		5 167	14 771
C.II.1. 4.	Deferred tax asset	38 285		38 285	36 040
C.II.1. 5.	Receivables - other	2 595		2 595	7 515
C.II.1. 5. 4.	Other receivables	2 595		2 595	7 515
C.II.2.	Short-term receivables	1209 587	- 2 660	1206 927	1078 981
C.II.2. 1.	Trade receivables	1119 435	- 2 660	1116 775	1010 896
C.II.2. 4.	Receivables - other	90 152		90 152	68 085
C.II.2. 4. 3.	Tax receivables	45 806		45 806	12 915
C.II.2. 4. 4.	Short-term advances paid	2 484		2 484	1 931
C.II.2. 4. 5.	Estimated receivables	10 450		10 450	1429
C.II.2. 4. 6.	Other receivables	31 412		31 412	51 810
C.IV.	Cash	303 912		303 912	617 918
C.IV.1.	Cash in hand	977		977	379
C.IV.2.	Bank accounts	302 935		302 935	617 539
D.	Deferrals	15 458		15 458	24 519
D.1.	Prepaid expenses	15 458		15 458	24 519

Ident.	LIABILITIES	2018		2017	
		TOTAL LIABILITIES AND EQUITY		4 124 838 3 814 088	
A.	Equity	1760 012	1794 706		
A.I.	Registered capital	550 000	550 000		
A.I.1.	Registered capital	550 000	550 000		
A.II.	Premium and capital contributions	114 461	141 497		
A.II.1.	Premium	111 696	111 696		
A.II.2.	Capital contributions	2 765	29 801		
A.II.2. 1.	Other capital contributions	50	50		
A.II.2. 2.	Revaluation of assets and liabilities (+/-)	2 715	29 751		
A.III.	Funds from profit	115 767	114 707		
A.III.1.	Other reserve funds	111 472	111 472		
A.III.2.	Statutory and other funds	4 295	3 235		
A.IV.	Retained earnings (+/-)	855 502	673 709		
A.IV.1.	Retained profits (+/-)	855 502	673 709		
A.V.	Profit (loss) for the current period (+/-)	124 282	314 793		
B. + C.	Liabilities	2 125 326	1 765 487		
B.	Provisions	314 867	429 695		
B.2.	Income tax provision		32 971		
B.4.	Other provisions	314 867	396 724		
C.	Liabilities	1 810 459	1 335 792		
C.I.	Long-term liabilities	318 977	254 836		
C.I.3.	Long-term advances received	312 682	237 358		
C.I.4.	Trade payables	179	17 012		
C.I.9.	Liabilities - other	6 116	466		
C.I.9. 3.	Other payables	6 116	466		
C.II.	Short-term liabilities	1 491 482	1 080 956		
C.II.2.	Liabilities to credit institutions	13 192			
C.II.3.	Short-term advances received	424 655	228 416		
C.II.4.	Trade payables	739 756	651 563		
C.II.8.	Liabilities - other	313 879	200 977		
C.II.8. 1.	Liabilities to shareholders/members	120 908			
C.II.8. 3.	Payables to employees	51 749	57 931		
C.II.8. 4.	Social security and health insurance liabilities	29 668	32 890		
C.II.8. 5.	Tax liabilities and subsidies	26 978	40 438		
C.II.8. 6.	Estimated payables	76 696	63 772		
C.II.8. 7.	Other payables	7 880	5 946		
D.	Accruals	239 500	253 895		
D.1.	Accrued expenses	26			
D.2.	Deferred revenues	239 474	253 895		

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Cash Flow Statement
for the year ended 31 December 2018 (in thousands of Czech crowns)

	2018	2017
P. Cash and cash equivalents, beginning of period	617 918	701 777
Net operating cash flow		
Z. Accounting profit (loss) from ordinary activities	201 468	402 561
A.1. Non-cash transactions	- 6 919	93 801
A.1.1. Depreciation and amortisation of fixed assets	64 818	63 838
A.1.2. Change in:	- 69 975	16 302
A.1.2.2. provisions and other adjustments	- 69 975	16 302
A.1.3. Profit(-) Loss(+) on sale of fixed assets	- 490	- 1 251
A.1.5. Expense and revenue interests accounted for	657	- 268
A.1.6. Other non-cash transactions	- 1 929	15 180
A.* Net operating cash flow before taxation financial items, changes in working capital and extraordinary items	194 549	496 362
A.2. Changes in working capital	- 331 797	- 291 199
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	- 96 309	94 625
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	313 174	- 267 362
A.2.3. Change in inventories	- 548 662	- 118 462
A.** Net operating cash flow before taxation, financial balances, and extraordinary items	- 137 248	205 163
A.3. Interest paid excluding amounts capitalised	- 663	
A.4. Interest received	6	268
A.5. Income tax paid on ordinary income and income tax relating to prior periods	- 123 021	- 102 312
A.*** Net operating cash flow	- 260 926	103 119
Investing activities		
B.1. Acquisition of fixed assets	- 55 730	- 66 093
B.1.1. Acquisition of tangible fixed assets	- 53 857	- 57 200
B.1.2. Acquisition of intangible fixed assets	- 1 873	- 8 893
B.2. Proceeds from sales of fixed assets	490	1 251
B.2.1. Proceeds from sales of tangible and intangible fixed assets	490	1 251
B.*** Net cash flow from investing activities	- 55 240	- 64 842
Financing activities		
C.1. Change in long-term resp.short-term liabilities from financing	13 192	
C.2. Increase and decrease in equity from cash transactions	- 11 032	- 122 136
C.2.5. Payments from funds created from net profit	- 1 940	- 2 136
C.2.6. Dividends paid, including withholding tax paid and bonuses paid to board members	- 9 092	- 120 000
C.*** Net cash flow from financing activities	2 160	- 122 136
F. Net increase or decrease in cash balance	- 314 006	- 83 859
R. Cash and cash equivalents, end of period	303 912	617 918

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Consolidated Financial Statements
(According to IFRS)

Consolidated Statement of Financial Position

as at 31 December 2018 (in CZK thousands)

ASSETS	2018	2017
Current assets		
Cash and cash equivalents – available cash	169 368	485 249
Restricted cash	161 613	154 159
Accounts receivable - financial	1 118 350	1 021 062
Unbilled receivables from customers	0	742 649
Contract assets	699 992	0
Inventories	470 431	162 509
Receivables from derivative operations	1 348	20 312
Tax receivable - current income tax	19 853	0
Other non-financial accounts receivable	303 725	203 526
Other current assets - financial	0	5 635
Other current assets - non-financial	15 731	24 781
Total current assets	2 960 411	2 819 882
Non-current assets		
Intangible assets	29 562	30 704
Property, plant and equipment	559 689	548 255
Equity securities	98 859	45 779
Other non-current receivables - financial	5 162	14 565
Receivables from derivative operations	2 594	7 515
Deferred tax asset	16 205	12 456
Total non-current assets	712 071	659 274
Total assets	3 672 482	3 479 156
EQUITY AND LIABILITIES		
Current liabilities		
Payables - financial	729 905	647 978
Contract liabilities	406 987	0
Payables from derivative operations	4 206	1 086
Tax liabilities - current income tax	0	27 256
Short-term bank loans and borrowings	13 192	0
Other payables - financial	141 608	21 617
Other payables - non-financial	183 712	526 846
Provisions	196 404	258 267
Total current liabilities	1 676 014	1 483 050
Non-current liabilities		
Other non-current liabilities - financial	179	16 788
Payables from derivative operations	6 061	367
Other non-current liabilities - non-financial	101	2 344
Total non-current liabilities	6 341	19 499
Equity		
Registered capital	550 000	550 000
Capital and other funds	229 595	253 806
Retained profits	1 210 532	1 172 801
Total equity	1 990 127	1 976 607
TOTAL EQUITY AND LIABILITIES	3 672 482	3 479 156

Consolidated Statement Of Comprehensive Income

for the year ended 31 December 2018 (in CZK thousands)

	2018	2017
Sales of goods, products and services	4 137 904	4 655 851
Sales	4 137 904	4 655 851
Cost of material and services	-3 012 359	-3 241 200
Change in finished goods and work-in-progress inventories	126 387	-14 897
Capitalisation of property, plant and equipment	630	0
Payroll expenses	-938 004	-890 856
Depreciation and amortisation	-70 474	-71 355
Other operating income	53 461	47 022
Other operating expense	-58 492	-105 125
Impairment of financial and contract assets	1 964	-5 218
Operating profit	241 017	374 222
Financial income	6	28
Financial expense	-5 818	-528
Profit before tax	235 205	373 722
Corporate income tax	-84 255	-83 372
Profit after tax	150 950	290 350
Other comprehensive income:		
<i>Items that may be under certain conditions reclassified to profit and loss</i>		
Foreign exchange gains/(losses) from translation of foreign operations	2 503	-4 359
Gains/(losses) from hedging of cash flows	-33 454	38 781
Corporate income tax relating to other cumulative income items	6 356	-7 368
Other comprehensive cumulative income after tax	-24 595	27 054
TOTAL CUMULATIVE INCOME FOR THE PERIOD	126 355	317 404

The above financial figures represent only data selected from the company’s financial statements. The complete financial statements are stored at the company headquarters and published in the Collection of Documents of the Registration Court. On 15th April 2019 an auditor’s report without reservations was issued to these financial statements, by auditing company KPMG Česká Republika Audit, s.r.o., registration number 71.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018 (in CZK thousands)

	Registered capital	Statutory reserve fund	Capital and other contributions	Cumulative FX translation differences	Cash flow hedges	Revaluation	Retained earnings	Total
Balance at 1 January 2017	550 000	115 456	109 201	3 466	0	-1 371	1 002 451	1 779 203
Profit for 2017	-	-	-	-	-	-	290 350	290 350
Other comprehensive income								
Foreign exchange differences from recalculation	-	-	-	-4 359	-	-	-	-4 359
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	38 781	-	-	38 781
Income tax on changes in fair value of cash flow hedges	-	-	-	-	-7 368	-	-	-7 368
Total other comprehensive income	-	-	-	-4 359	31 413	-	-	27 054
Transactions with owners booked in equity								
Contribution from profit to statutory reserve fund	-	-	-	-	-	-	-	-
Paid dividends	-	-	-	-	-	-	-120 000	-120 000
Total transactions with owners	-	-	-	-	-	-	-120 000	-120 000
Balance at 31 December 2017	550 000	115 456	109 201	-893	31 413	-1 371	1 172 801	1 976 607

	Registered capital	Statutory reserve fund	Capital and other contributions	Cumulative FX translation differences	Cash flow hedges	Revaluation	Retained earnings	Total
Balance at 1 January 2018	550 000	115 456	109 201	-893	31 413	-1 371	1 172 801	1 976 607
Application of new standards at 1 January 2018								
IFRS 15	-	-	-	-	384	-	-25 311	-24 927
IFRS 9					-	-	42 092	42 092
Restated balance at 1 January 2018	550 000	115 456	109 201	-893	31 797	-1 371	1 189 582	1 993 772
Profit for 2018	-	-	-	-	-	-	150 950	150 950
Other comprehensive income								
Foreign exchange differences from recalculation	-	-	-	2 503	-	-	-	2 503
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-33 454	-	-	-33 454
Income tax on changes in fair value of cash flow hedges	-	-	-	-	6 356	-	-	6 356
Total other comprehensive income	-	-	-	2 503	-27 098	-	-	-24 595
Transactions with owners booked in equity								
Contribution from profit to statutory reserve fund	-	-	-	-	-	-	-	-
Paid dividends	-	-	-	-	-	-	-130 000	-130 000
Total transactions with owners	-	-	-	-	-	-	-130 000	-130 000
Balance at 31 December 2018	550 000	115 456	109 201	1 610	4 699	-1 371	1 210 532	1 990 127

Consolidated Cash Flow Statement

for the year ended 31 December 2018 (in CZK thousands)

	2018	2017
Profit before tax	235 205	373 722
Depreciation and amortisation	70 474	71 355
Profit from sale of fixed assets and financial investments	-531	-1 272
Interest expense / (Interest income)	5 812	500
Net change in provisions	-68 922	-3 079
Interest received	6	28
Interest paid	-737	-528
Other non-monetary transactions	1 748	13 726
Income tax paid	-120 768	-109 390
Operating cash flow before working capital changes	122 287	345 062

Changes in working capital:

Change in receivables and contract assets	-257 697	-53 592
Change in inventories	-244 087	-33 894
Change in payables and contract liabilities	153 468	125 419
Change in other current assets and liabilities	-6 698	-258 871
Change in restricted cash	-7 454	6 784

Total cash flow from operations	-240 181	130 908
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Investing activities:

Acquisition of tangible assets	-77 087	-75 817
Acquisition of intangible assets	-3 679	-3 469
Proceeds from sale of fixed assets	531	1 325

Total cash flow from investing activities	-80 235	-77 961
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Financing activities:

Drawing of borrowings	545 470	0
Repayment of borrowings	-533 312	0
Dividends paid	-9 092	-120 000

Total cash flow from financing activities	3 066	-120 000
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Net change in cash and cash equivalents	-317 350	-67 053
Cash and cash equivalents at the beginning of the year	485 249	552 302
Effect of foreign exchange rate movements on cash and cash equivalents	1 469	0

Cash and cash equivalents at the end of the year	169 368	485 249
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The above financial figures represent only data selected from the company's financial statements. The complete financial statements are stored at the company headquarters and published in the Collection of Documents of the Registration Court. On 15th April 2019 an auditor's report without reservations was issued to these financial statements, by auditing company KPMG Česká Republika Audit, s.r.o., registration number 71.

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IBAN CZ12 0100 0000 0000 7430 3311

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Account No. (EUR): 4848610277/0100
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