

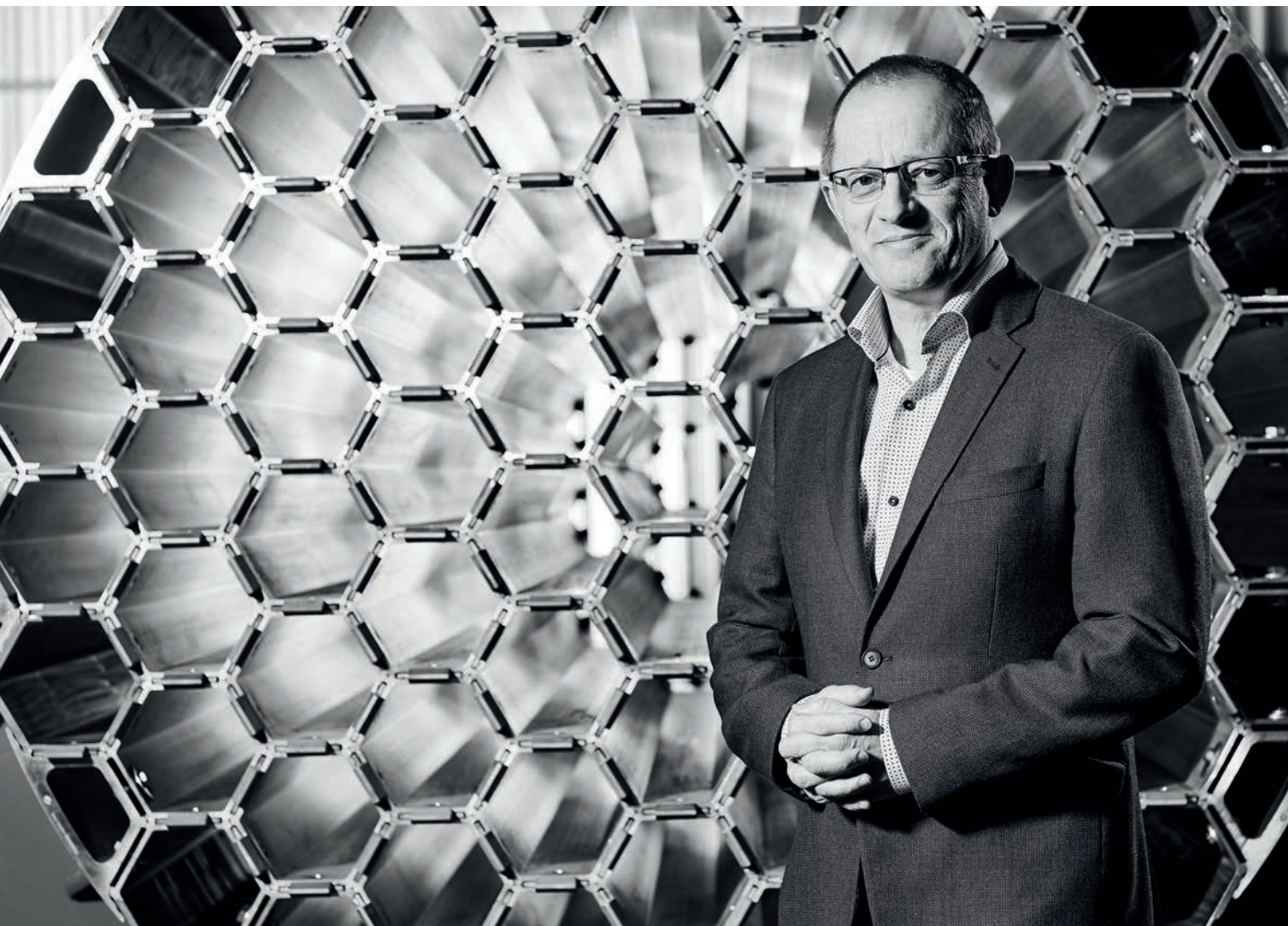


ACTIVITY REPORT **2017**

Contents

02	Foreword by the Chairman of the Board of Directors and General Director
06	Company Introduction
08	Key Financial and Operating Results
11	Report on Company's Activities and Assets
20	Integrated Management System (IMS)
22	People at ŠKODA JS a.s.
24	Corporate Social Responsibility
26	ŠKODA JS a.s. and the Consolidated Group
27	Organization Chart of ŠKODA JS a.s. at 1 June 2018
28	Statutory Bodies and Top Management at 1 June 2018
32	Comments on Financial Results
39	Financial Statements of ŠKODA JS a.s. (According to CAS)
44	Consolidated Financial Statements (According to IFRS)
48	Contact Details

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



Vladimír Poklop
Chairman of the Board of Directors
and General Director

Dear shareholders
and business partners,

ŠKODA JS a.s. is concluding yet another successful year, in which the Company once again strengthened its position in the market, reaffirmed its stability and dynamics, and again made a profit. According to the International Accounting Standards, our consolidated revenue was almost CZK 4.7 billion. Over 68% of the revenue came from exports to a total of 12 countries. The upward trend of an increasing number of contracts continued with signed contracts of a total value of just short of CZK 4.4 billion. The Company's earnings before taxes went up to almost CZK 374 million.

In 2017, ŠKODA JS a.s. received two significant awards related to exports. The Company won the Export Growth 2015–2016 category (larger exporters over CZK 500 million) in the Exporter of the Year 2017 competition. Its organizers acknowledged particularly the dynamic increase in the period 2015–2016. In the separate 'Best Exporters according to the Bisnode Rating' category, Czech companies with the highest annual growth in exports were ranked according to their own, internationally recognized Top Rating methodology. According to the Bisnode Rating, the most successful exporter of 2016 was also our company. In 2017, the share of exports in the Company's revenue grew again, from 56% to 68%. Our key export markets continue to be Slovakia, followed by Ukraine and Hungary.

We are an active member of the Czech Power Industry Alliance, which provides support in the search for new opportunities for Czech power industry companies.

At the International Forum ATOMEXPO 2017, held in Moscow, a memorandum on the cooperation between the Czech Power Industry Alliance and Rosatom was signed.

Our company has been operating in the nuclear power industry since its establishment in 1956. The company's main activities are divided into three segments: Engineering, Production and Services.

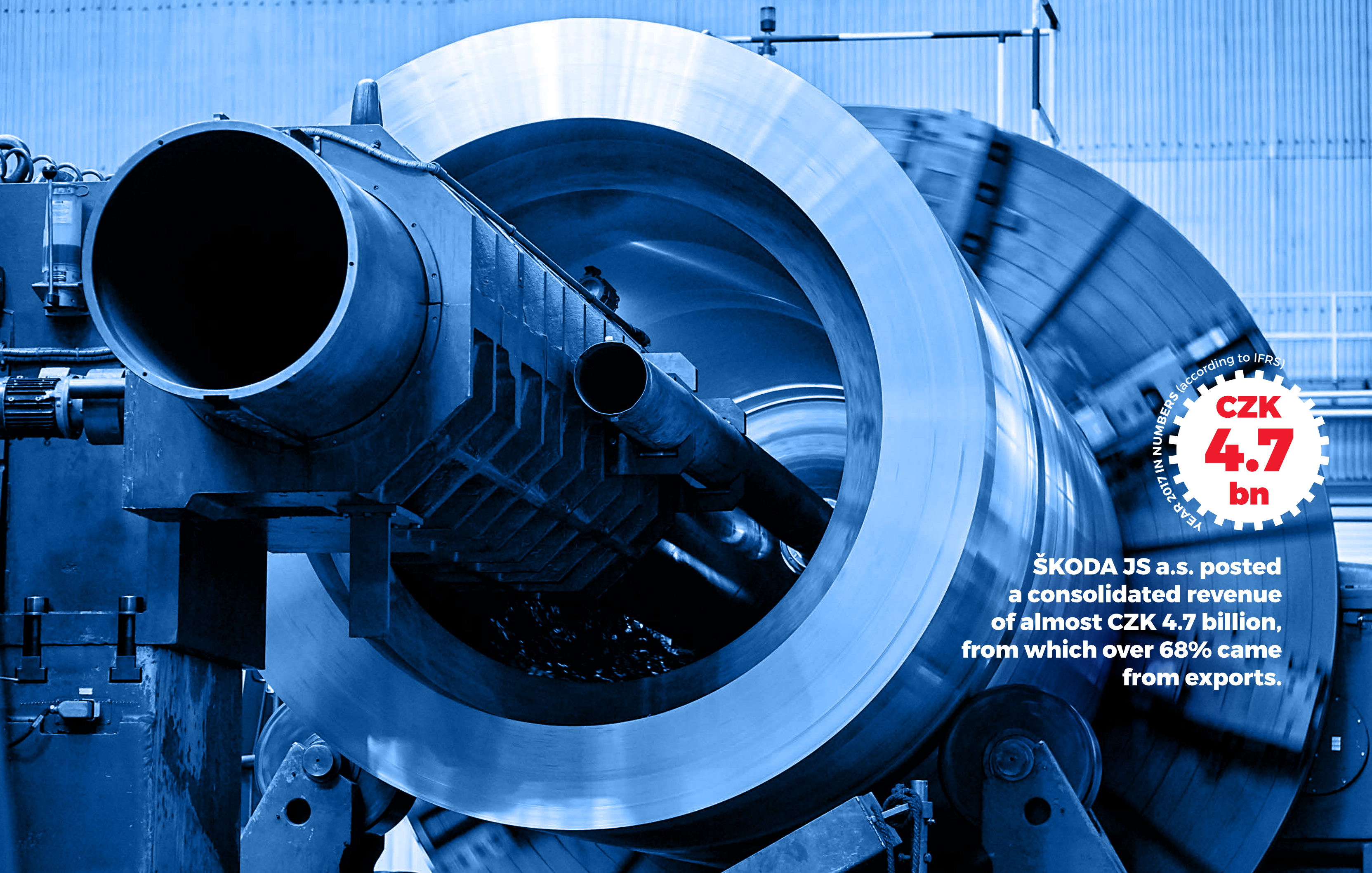
Engineering is currently the main segment, and makes up 66% of the Company's revenue. The major ongoing project in this segment is the "Completion of Units 3 and 4 at the Mochovce Nuclear Power Plant" in Slovakia, where in 2017 we reached significant milestones in the task completion schedule and the preparations for the commissioning. The work on the modernization of the Paks NPP continued successfully. The long-term "Dukovany NPP Instrumentation and Control System Replacement" project was completed in 2017. In Ukraine, we successfully implemented the project of "Protection ionization chambers channels" at three units of the Zaporozhye NPP for the state-owned power company NAEK Energoatom, and won similar contracts at another two units.

With an almost 17% share of the Company's revenue, Services for nuclear power plants represents a stable segment. Services continued to provide maintenance at the Dukovany and Temelín NPPs based on the framework agreement concluded with ČEZ, a. s. on the maintenance of the Primary Circuit Logical Units of all six Czech nuclear units. During a refueling outage at Unit 2 of the Temelín NPP, ŠKODA JS a.s. carried out an extensive reconstruction of one of the most signif-

icant systems of the primary circuit of the nuclear power plant – the pressurizer system, including the main safety valves. The Production segment had a share of more than 16% in the Company's revenue in 2017. In this segment, we continued in the production of ŠKODA casks for the transport and storage of spent fuel of the Company's own design for the Temelín and Dukovany NPPs. The first cask for the Temelín NPP will be supplied in 2018. The contracts with ČEZ, a. s. for the delivery of casks for both Czech nuclear power plants are concluded until 2035, which represents a significant stabilizing element. We also continued in the production of other types of casks for our European customers. We delivered and assembled equipment for the management of spent fuel casks in the EPR 1600 MW power plant currently being constructed at Flamanville. We also continue to produce control and regulation elements for VVER type nuclear reactors.

We keep renewing the Company's equipment and facilities. Over CZK 145 million was spent on the procurement and repairs of the Company's capital assets in 2017.

Our work results in 2017 have prepared a good starting position for the year 2018. I would like to thank the representatives of our shareholder, OMZ B.V., for their effective support, I appreciate the helpful approach of the banking institutions that provided us with vital financial services in connection with the development of our business activities, and I also want to thank all our business partners and subcontractors. My thanks also go out to all the employees of our company for their exemplary cooperation, creative approach, responsibility and efforts in fulfilling their work tasks.



YEAR 2017 IN NUMBERS (according to IFRS)

**CZK
4.7
bn**

**ŠKODA JS a.s. posted
a consolidated revenue
of almost CZK 4.7 billion,
from which over 68% came
from exports.**

Company Introduction

ŠKODA JS a.s. (hereinafter referred to as “ŠKODA JS” or “the company”), a member of the Russian OMZ Group, develops three strategic business lines focused on the development of technologies and supplies for the nuclear power industry.

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 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
- Reactor building key equipment in-service inspections
- Designer's supervision during reactor inspections and repairs
- Testing of VVER and RBMK control rod drive mechanisms
- Spare parts and consumables

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]

	2014	2015	2016	2017
Assets=Liabilities (net)	3 035 975	3 382 769	3 430 139	3 479 156
Fixed assets (gross)	753 702	661 527	624 863	659 274
Current assets (gross)	2 282 273	2 721 242	2 805 276	2 819 882
Inventory (gross)	122 930	172 737	136 304	162 509
Receivables (gross)	1 685 177	1 685 364	1 645 854	1 763 711
Financial assets (gross)	447 968	823 707	713 245	639 408
Other assets (gross)	26 198	39 434	309 873	254 254
Shareholder´s equity	1 694 501	1 712 417	1 779 203	1 976 607
Liabilities	1 341 474	1 670 352	1 650 936	1 502 549
Reserves	78 945	177 306	261 346	258 267
Payables	413 640	524 630	601 217	694 733
Credits	27 725	0	0	0
Other liabilities	821 164	968 416	788 373	549 549
Revenue from sale of goods, own products and services	2 953 136	3 509 061	4 402 312	4 655 851
Exports	1 457 909	2 044 245	2 485 388	3 195 418
Added value	743 571	799 616	821 879	890 856
Operating profit/loss	99 646	108 105	177 553	374 222
Profit/loss for the accounting period	61 383	69 401	130 624	290 350
Pre-tax profit/loss	86 062	107 878	178 014	373 722
Average number of employees*	1 137	1 098	1 131	1 133
Value added labour productivity = EBIT+personnel expenses/average number of employees (CZK per employee)	741 616	826 704	883 671	1 116 574

*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 fi nancial 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)

2014	2 953 136
2015	3 509 061
2016	4 402 312
2017	4 655 851

Profit before tax according to IFRS (in CZK thousands)

2014	86 062
2015	107 878
2016	178 014
2017	373 722

Export according to IFRS (in CZK thousands)

2014	1 457 909
2015	2 044 245
2016	2 485 388
2017	3 195 418

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

[in CZK thousands]

	2014	2015	2016	2017
Assets=Liabilities (net)	3 233 162	3 827 437	3 864 451	3 809 544
Fixed assets (gross)	2 022 072	2 025 403	2 078 635	2 080 206
Current assets (gross)	2 738 030	3 309 908	3 319 412	3 277 245
Inventory (gross)	1 269 880	1 710 329	1 392 481	1 510 124
Receivables (gross)	1 064 021	799 213	1 225 154	1 149 203
Financial assets (gross)	404 129	800 365	701 777	617 918
Other assets (gross)	24 734	22 570	24 705	24 519
Shareholder´s equity	1 456 522	1 472 577	1 571 129	1 794 707
Liabilities	1 709 887	2 185 216	1 867 691	1 760 943
Reserves	287 525	275 208	436 672	429 695
Payables	1 422 362	1 910 008	1 431 018	1 331 248
Credits	0	0	0	0
Other liabilities	66 753	169 644	425 632	253 895
Revenue from sale of goods, own products and services	2 935 290	2 762 756	4 446 717	4 500 935
Exports	1 677 409	1 346 419	2 608 167	2 788 310
Operating profit/loss	103 992	124 859	257 244	450 653
Profit/loss for the accounting period	36 339	67 965	164 338	314 793
Pre-tax profit/loss	56 442	96 157	226 242	402 561
Average number of employees*	1 018	971	1 003	1 014

*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 fi nancial statements, including the Notes, are available for inspection at the company's headquarters.

Revenue per employee according to IFRS (in CZK thousands)

2014	2 597
2015	3 196
2016	3 892
2017	4 109

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

2014	741 616
2015	826 704
2016	883 671
2017	1 116 574

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

2014	2
2015	2
2016	3
2017	6

Report on Company's Activities and Assets



ENGINEERING

Dukovany NPP Instrumentation and Control System Replacement

In 2017, the most significant project of the NPP I&C Division, "Dukovany NPP Instrumentation and Control System Replacement", was completed and the equipment was handed over to the customer for operation under full warranty.

This unique project, which started in 2000, involved a major replacement of the protective and control systems of the primary circuit, turbine and secondary circuit. A new part was added to the control system – the unit's superset diagnostic and information system, aimed at collecting and processing operational and diagnostic data.

What made this project unique was the fact that the replacement of the instrumentation and control system took place gradually in individual units without interfering with the power plant's operation. The installation, testing and commissioning of the new I&C systems were carried out solely during maintenance and refueling outages. This method of replacing the control system of an operating nuclear power plant has never been applied anywhere in the world.

Worth mentioning is the fact that despite the difficulties of the project and the unique nature of the entire modernization concept, the entire contract was completed on budget and on time, which is not always the case when it comes to large projects in the power industry.

In retrospect, ŠKODA JS a.s. has proven itself in the role of general supplier, as have its main subcontractors who took part in the completion of the project – AREVA (now Framatome), Rolls-Royce, ZAT a.s. and I&C Energo a.s.

The Dukovany power plant thus gradually gained a modern protection, instrumentation and control system compliant with current operation safety and reliability requirements.

Paks NPP Instrumentation and Control System Replacement

An interesting and extensive turnkey modernization contract is the "Paks NPP Instrumentation and Control System Replacement" project. In all four of the plant's production units, the existing reactor control systems (RCS), reactor rod control systems (RRCS) and reactor trip breakers (RTB) from the original Russian supplier are being replaced by ŠKODA JS with modern, digital equipment.

In 2017, the project was more than halfway through after the successful and timely completion of the second stage of installation of the new systems, and the production unit, controlled by modernized systems, was up and running at full capacity in September 2017.

As the general supplier in charge of both Basic and Detail Design, ŠKODA JS a.s. has applied its skills to effectively manage projects in an international environment, with the supplier model including supplies by the Czech company ZAT a.s. and activities provided by the Hungarian companies MVM OVIT Zrt, Konkoly es Kis, Innomatrix, Scadanet and MTA EK.

The completion of this modernization contract is scheduled for 2020.

Reconstruction of the Ancillary Switchboards at the Dukovany NPP

In 2017, a contract was signed with ČEZ, a. s., for a demanding contract for the Reconstruction of the Ancillary Switchboards at the Dukovany NPP. The contract is divided into 32 separate units scheduled to be completed by 2021. The goal of the contract is to modernize the existing equipment, increase the reliability and safety of its operation and reduce operating costs. In 2017, the design works began and production of the first unit commenced.

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

Another modernization project in the area of instrumentation and control systems at nuclear power plants executed by ŠKODA JS is the contract for the replacement of the RRCS systems and part of the emergency protection, including the RTB, at the Armenian nuclear power plant.

Replacing the original control systems with new, modern, high-performing and quality ones will ensure compliance with the quality and reliability requirements for automated processes, operation safety as well as the quality of data provided to the operating personnel.

The contract between ŠKODA JS and its customer, Rusatom Servis, was concluded.

YEAR 2017 IN NUMBERS (according to IFRS)

CZK 3.2 bn

ŠKODA JS a.s. won the Export Growth 2015–2016 category (larger exporters over CZK 500 million) in the Exporter of the Year 2017 competition. In 2017, the share of exports in the Company's revenue grew again, from 56% to 68%, to a total of CZK 3.2 bn. The key export markets continue to be Slovakia, followed by Ukraine and Hungary.

ed in August 2017. The project is being realized in well-proven cooperation with ZAT a.s. In 2017, the detail design documentation for the project was prepared and equipment production commenced.

PAMS2 and PAMS3 Extension

Since September 2017, ŠKODA JS has been cooperating with the company VF, a.s. on the “PAMS2 and PAMS3 Extension” project. The objective of the contract is to add radiation control monitoring to the Post-accident Monitoring System (PAMS) in line with the new nuclear power plant safety requirements.

The Company’s subcontractors for this project are, among others, AREVA (now Framatome), with which ŠKODA JS has long been cooperating on various nuclear power industry projects, and ZAT a.s., a steady partner of ŠKODA JS in refurbishment contracts.

Refurbishment of the Instrumentation and Control System in Ukraine

The project of refurbishing part of the I&C systems (a unified technology set) for the Zaporozhye NPP successfully continued in 2017. The project is financed from EBRD funds reserved for the improvement of safety at nuclear power plants in Ukraine.

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

Configuration Management, Digital Twins, Smart Solutions, Integrated environment, and “Smart Data” are terms that have

one thing in common – they are the new millennium tools for data management, validation and exchange between subcontractors, the general supplier and the customer. Each new contract for the realization of large-scale nuclear EPC projects requires this system.

CMIS.CE (a software application developed by ŠKODA JS in cooperation with the Hexagon Company based on the Smart-Plant platform) allows for the arrangement and utilization of data used specially in the construction and operation of nuclear power plants to be considerably improved. ŠKODA JS a.s. will be using it for the management of EPC projects that are currently under development, as well as for the benefit of operators of power systems for the generation of “smart data”, i.e., information that is structured, interconnected and verified.

The system saw its first deployment and operational use in the project “Paks NPP Instrumentation and Control System Replacement” in Hungary.

In 2017, use of the CMIS.CE system was expanded to include the project Refurbishment of the RRCS and RTB Instrumentation and Control Systems at the Armenian Nuclear Power Plant.

In connection with the pilot project for the construction of Units 3&4 at the Mochovce NPP, an „Optical Character Recognition” (OCR) technical documentation pilot project for ČEZ, a. s., was launched in late 2017. Within this project, the information system was utilized to gain information on the equipment from documents that were scanned and processed using OCR software, and to link the documents with this equipment data. On a similar scale,

the system was also piloted for the processing, validation and integration of data for the polypropylene unit at Slovnaft, a.s.

By developing the CMIS.CE system, ŠKODA JS a.s. has joined other companies that are increasing the efficiency of project management with the help of progressive new tools.

Completion of Units 3 and 4 at the Mochovce NPP

In 2017, ŠKODA JS a.s. continued in the execution of what is still the most significant investment project in Slovakia – “Completion of Units 3 and 4 at the Mochovce Nuclear Power Plant”. The Company 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.

For reasons pertaining to the progress of works, in mid-2017 the ŠKODA JS project management was modified to incorporate workers from the subsidiary company ŠKODA Slovakia, a.s., directly into the ŠKODA JS project management structure, reporting to the project director.

Intensive work on Units 3 and 4 continued throughout the year. The construction tests were completed in Unit 3 and at the end of 2017 ŠKODA JS declared its equipment to be ready for the official launch 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.

The test assembly of the reactor in Unit 4 was completed and the follow-up activities leading to the completion of assembly works and the launch of construction tests continued.

In mid-2017, 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 – December 31, 2018 for Unit 3 and December 31, 2019 for Unit 4. Negotiations with the investor about the annex to the contract regarding the postponement of the deadlines were held until the end of 2017 and were successfully concluded at the beginning of this year.

Based on contracts for consultancy and support, ŠKODA JS a.s. provided the investor with experts in several key areas, such as engineering, planning, licensing support, construction and assembly works, and commissioning. The validity of these contracts was extended until the end of 2019, in line with the new deadlines for the completion of works, by way of annexes to these contracts.

On December 31, 2017, the project at Unit 3 was 96.1% finished, while the status at Unit 4 was 84.5% complete.

NPP Engineering – Mechanical Design Praha

In 2017, the Mechanical Design Praha team primarily provided support for the completion of the assembly of the piping systems in Unit 3 at the Mochovce NPP, where at the end of the year the main

pressure tests commenced. At the same time, the documentation on the actual state was prepared, including the final strength, seismic and lifetime calculations. The assembly of the piping systems and their preparation for flushes took place in Unit 4 of the Mochovce NPP.

The team of designers also successfully continued in the realization of other projects for ČEZ, a. s., and ÚJV Řež, a.s.:

- > **Completion of the project “Reconstruction of the Main Pipelines and Safety Valves of the Pressurizer System”** at the Temelín NPP;
- > **Replacement of the injection control valve** in the pressurizer system at the Temelín NPP;
- > **Hydraulic calculation of non-essential service water** at the Temelín NPP;
- > **Strength calculations for additional essential service water reconstruction** at the Temelín NPP;
- > **Strength calculation for the project “Concentrated solar power”** for ÚJV Řež.

Realizations abroad included projects on VVER units:

- > **Design of the new Venting system** at the Zaporozhye NPP (Ukraine);
- > **Development of new hermetic penetrations** for a bid for the Akkuyu NPP (Turkey) and the Hanhikivi NPP (Finland).

The Capping of Channels of Ionization Chambers

In 2017, ŠKODA JS a.s. successfully completed two deliveries of “Equipment for the prevention of early containment core melt-through” for Unit 4 at the

Zaporozhye NPP and Unit 3 at the Rovno NPP. Part of the contract is not only the production of the equipment, but also the supervision of its assembly and training for operating staff.

This equipment, simply referred to as “The Capping of Channels of Ionization Chambers”, is supplied to the owner of Ukrainian power plants, the NAEK Energoatom Company, based on the “Complex Safety Upgrade Program of Power Units of Nuclear Power Plants”, approved by NAEK Energoatom and the State Nuclear Regulatory Inspectorate of Ukraine. ŠKODA JS a.s. had installed similar equipment in Units 1, 2 and 3 of the Zaporozhye NPP, Ukraine, and in both units of the Temelín NPP, Czech Republic.

As part of the study of severe accidents and countermeasures for VVER-1000 reactors, a number of analyses were conducted that showed that in the event of the complete reactor core meltdown, there is a risk of the melt leaking outside the containment and breaching the floor from the reactor shaft into room A 336. In this respect, the most critical place are the so-called channels of ionization chambers, in which there are neutron flux detectors (ionization chambers). The channels are made up of pipes [54 of them, 63 and 108 mm in diameter] placed vertically in the wall of the concrete reactor shaft and leading to room A 336, i.e., outside the reactor containment. In order to reduce the potential melt leakage, the lower part of these channels is equipped with caps in the shape of hollow casings made of stainless steel sheet metal and filled with heat-resistant ceramic material. The caps do not affect the correct functioning of the system of neutron flux measurement of reactor performance.

PRODUCTION

Production of Equipment for Spent Nuclear Fuel Storage

In 2017, ŠKODA JS a.s. continued in the production of casks of its own design for the Temelín and Dukovany NPPs. The first deliveries of ŠKODA 1000/19 casks will be made in 2018. The first ŠKODA 440/84 casks will be delivered in 2021. The design of the ŠKODA casks is based on the ŠKODA VPVR cask for the transport of spent nuclear fuel from research reactors.

ŠKODA JS a.s. continues to successfully cooperate with the GNS mbH Company in modifying the CONSTOR® RBMK1500/M2 cask head rings for the Ignalina NPP in Lithuania. Following the successful qualification of the process of machining and testing, ŠKODA JS a.s. continued in modifying the first 16 of a total number of 137 casks. Based on the license from the GNS Company, CASTOR® 440/84M casks also continued to be supplied for the Dukovany NPP.

Production of Equipment for VVER-type Nuclear Power Plants

In 2017, production of a set of PRO-M control rod drives for ČEZ, a. s., and its Dukovany NPP commenced. For the Slovenské elektrárne Company, PRO-M drives were also produced for the Mochovce and Jaslovské Bohunice NPPs.

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, experience gained in the project "Development of New Technology for Repair Welding of VVER 1000 Reactor Pressure Vessels" was further developed and research into the state of nuclear equipment maintenance in the Czech Republic and around the world initiated with the aim of finding new possibilities of nuclear equipment repair development.

In the field of R&D calculations, 2017 was the last year the Company continued in

the project focused on the assessment of low cycle fatigue combined with multi-axis stress as part of the ALFA 4 subsidy program, which was successfully completed. The significant equipment developed as part of this task was a special oil tests loop (pipes fatigue damage simulation device), which allowed for material samples to be exposed to stress caused by the flow of oil as well as rapid changes in the temperature of the flowing oil.

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 acquired and successfully applied in testing cask body welds. The acquisition and application of this ultrasound testing method will contribute to eliminating the costly technology of testing cask body welds by X-ray. As part of cask development, the Company started to develop a basket for spent nuclear fuel made of welded austenitic boron-alloyed steel pipes.

One of the important projects ŠKODA JS a.s. engaged in was again the development of new bearings for work in the primary circuit of nuclear power plants. The project was successfully completed, including all the relevant qualification documentation.

In the area of material research, the project "Technology for the Production of Corrosion-Resistant Steel for Nuclear Power Plants" was conducted as part of the Epsilon subsidy program, in which suitable methods of heat treatment of

certain corrosion-resistant steels to achieve the required mechanical properties was discovered. As part of verification of key components of equipment, the task of verifying sealing glass and the material 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 engaged in the project "Configuration of CMIS.CE - Configuration and Project Management Information System."

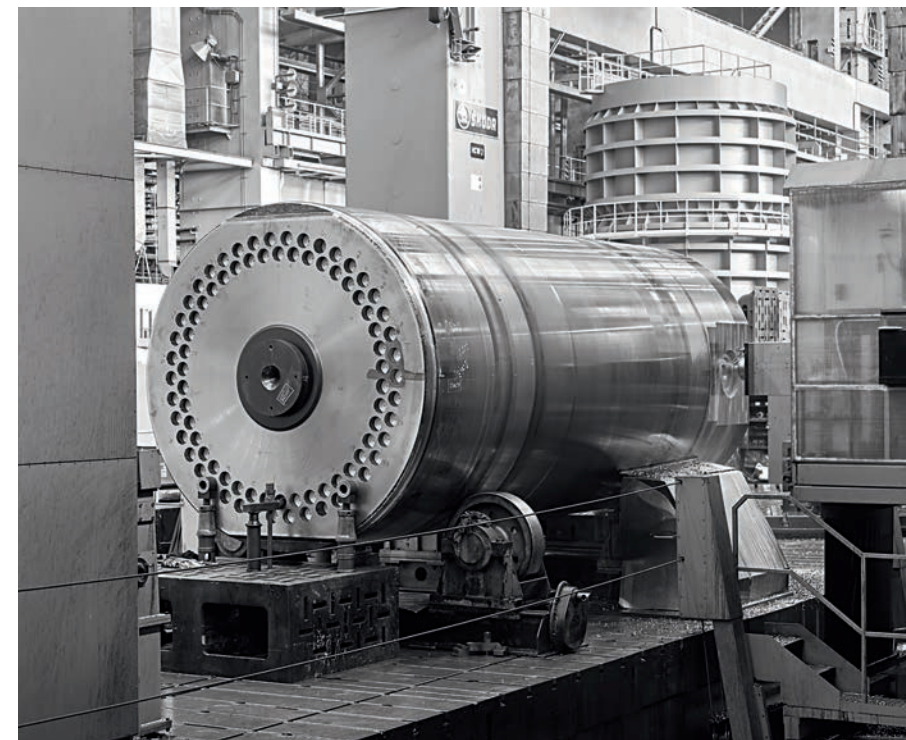
In 2017, the development of linear stepper drives of the fourth generation (LKP-M/4), intended for modern units with VVER-type reactors, continued. The prototype production stage of this new type of drive has begun.

In the field of new technologies implementation at ŠKODA JS a.s., the task of 3D printing utilization and using the Virtual and Augmented Reality tool to support production, services and sales was under way. Virtual reality was also used directly at the customer during the defense of the Port Plug Handling System for the ITER project.

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 the years to come.

Investments

In 2017, ŠKODA JS a.s. spent over CZK 145 million on acquisitions and repairs of capital assets, of which more than CZK 78 million was spent on the refurbishment of machinery, equipment and buildings, and almost CZK 67 million on the modernization and procurement of new technology, including IT projects.

The most important investment projects completed in 2017 included the purchase of welding heads and preheating gas burners as well as welding and tacking tools. All these investments were made

for the purpose of producing the ŠKODA 1000/19 cask.

With the aim of increasing the level of security on the premises and in individual buildings, an investment was made in 2017 in expanding the surveillance camera system at the Bolevec plant as well as the modernization of the access equipment in individual buildings.

New software tools were purchased for the IT/IS division to ensure greater data security as well as that of end-user terminals.

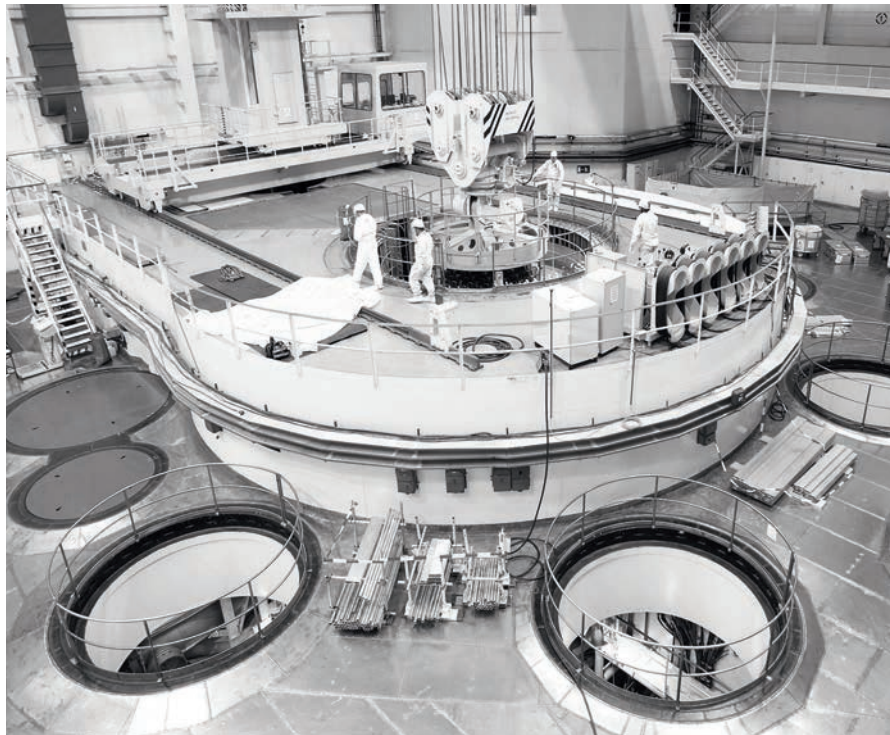
In 2017, the old oil transformers were replaced with new hermetic ones that for a number of years will ensure reliable electrical power supply from the substations.



SERVICE

Maintenance of Reactor Building Logical Units at Czech Nuclear Power Plants

In 2017, for the tenth consecutive year, ŠKODA JS a.s. continued to provide maintenance services at the Dukovany and Temelín NPPs, based on the general contracts concluded in 2008 and 2016. This significant long-term contract for the provision of maintenance services for the primary circuit equipment at all units of the Czech nuclear power plants is effective until 2021.



Similar to previous years, the quality of the personnel as well as the readiness of the group of subcontractors has been put to the test in scheduled as well as unscheduled 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 outage of Unit 2:

- > **Dismantling and reassembly of the nuclear reactor** for refueling, including the relevant inspections, resealing the compensation valves and source zone ionization chamber replacement;
- > **Removal and disposal of 23 pcs of neutron flux measurement channels** with new equipment that was produced by ŠKODA JS a.s.;

- > **Inspection of the steam generator**, including the heat transfer pipes, and repairs of selected nozzles of all steam generators;
- > **Repairs of weld joints** that, following repeated X-ray tests, were identified as unfit for further operation, including heterogeneous weld joints;
- > **Replacement of the bodies of the main safety valves of the pressurizer** and the modification of this assembly, which was an unprecedented project at the power plant, both in terms of its scope as well as impact on operational safety;
- > **Examination and replacement of the removable components and the drive of the main circulation pump**;
- > **Repair of an indication in the blade of the pump impeller wheel** of the emergency and regular cooling;
- > **Inspection of the hydraulic accumulator**, including repairs of the internal structures by welding;
- > **Inspection of the emergency cooling exchanger**, including the examination and capping of heat transfer pipes;
- > **Inspections and repairs of high-speed valves** in the localization systems at the containment perimeter.

In December 2017, a planned outage at Unit 1 began, scheduled to last until the beginning of March 2018. In 2017, complete disassembly of the nuclear reactor as well as the maintenance, inspections and examinations of the primary circuit equipment.

At Dukovany NPP, maintenance works were carried out during four planned refueling outages; a number of service tasks were completed while the units were in operation.

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 piping section of hermetic penetrations** for essential service water;
- > **Repair of the heterogeneous weld joint at steam generator DN 1100**;
- > **Repairs of heterogeneous weld joints at steam generators**;
- > **Replacement of the reactor guiding tubes block outlet** due to the looseness of the tube sheet;
- > **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.

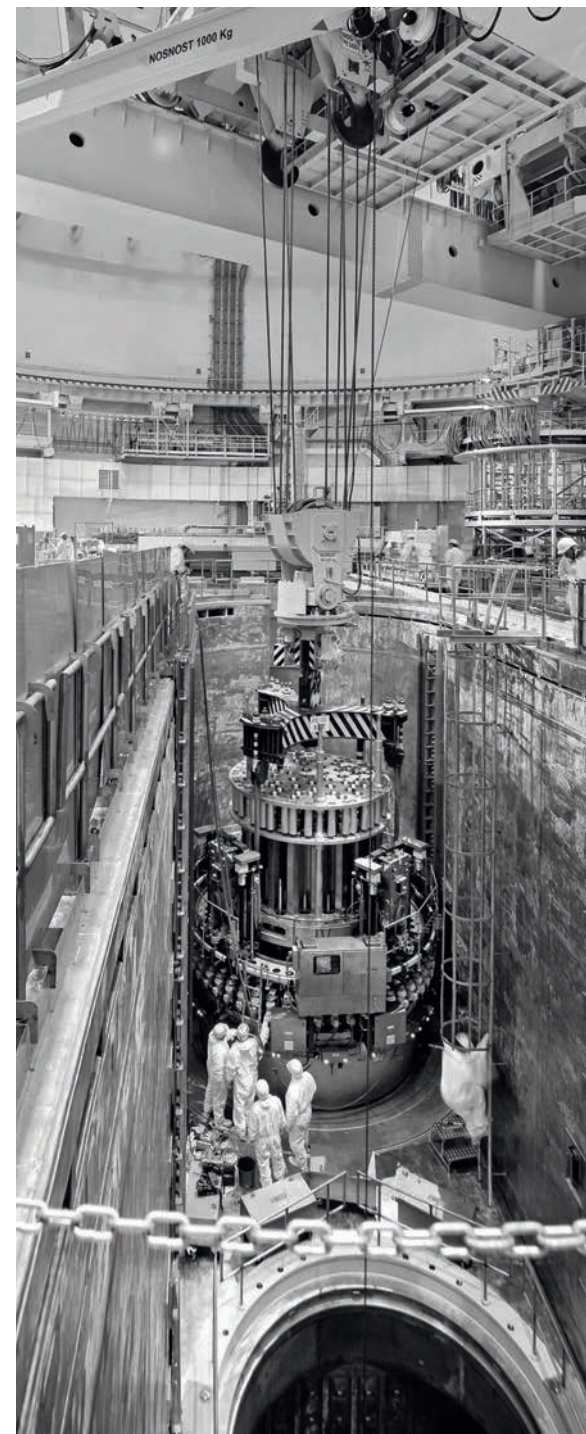
ŠKODA JS a.s. is a reliable partner for power plant operators for unit outages, during the preparation and execution of maintenance as well as for preventive and corrective maintenance. The Company takes advantage not only of its service departments' experience, but, as an original equipment manufacturer 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 component of the outage team at the Temelín and Dukovany NPPs.

In-service Inspections

During the assessment 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 3 of the Dukovany NPP and subsequently securing a sample of the weld deposit using the SKIN manipulator;
- > **Inspection of reactor internals**, M170x6 threaded holes, circumferential welds of one main coolant piping loop, 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** at Units 1, 3 and 4 of the Dukovany NPP and Units 1 and 2 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 Units 1, 3 and 4 of the Dukovany NPP and Units 1 and 2 of the Temelín NPP.

> **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.

A total of 55 LPG tanks were tested using the acoustic emission method in the Czech Republic.

Component Diagnostics and Lifetime

In 2017, apart from the standard activities in the field of reactor measurement assessment and the inspection of reactor coolant flow, the staff of the Component Diagnostics and Lifetime department

carried out preparations for measuring the hydraulic resistance coefficient in the Westinghouse Company's LTA testing fuel assembly scheduled to take place, in collaboration with the Testing Shops and Calculations departments, at the beginning of 2018. This type of measurement is very rare (last performed in 1994 and 2008) and its results will be used in the planned mixed fuel assembly operation at the Temelín NPP.

Another significant activity in 2017 was taking samples of the weld deposits from the inner surface of the reactor pressure vessel in Unit 3 of the Dukovany NPP using the manipulator of the In-service Inspections department. The sample was taken for the purpose of increasing the accuracy of determining the fluence of fast neutrons impacting the pressure vessel of VVER-440 reactors, which is one of the most important factors in

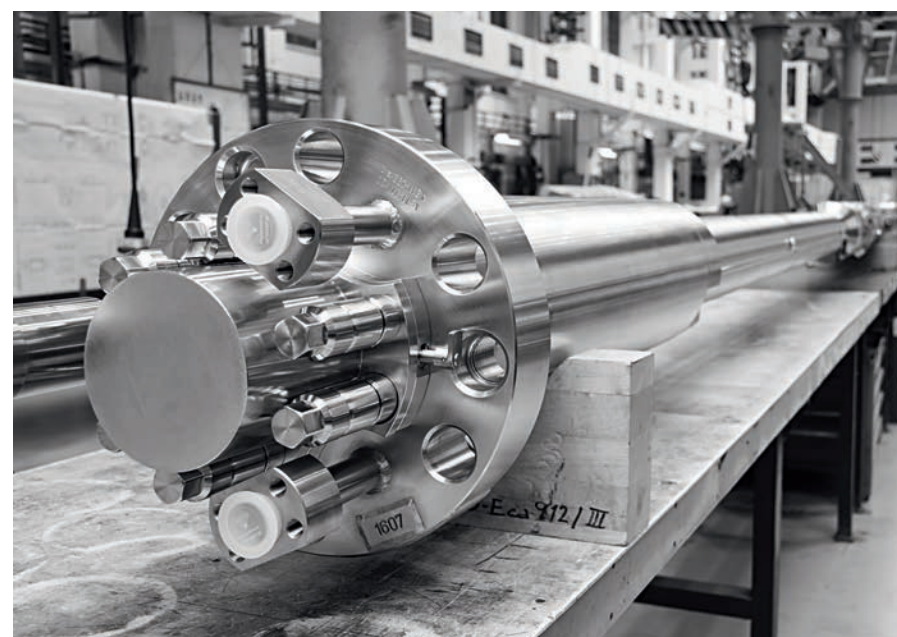
assessing the residual lifetime of the reactor pressure vessel.

Material Laboratories

Material Laboratories are engaged in production, 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 standard and special material testing, in 2017 they also continued to produce connectors and glass-sealed cable penetrations for PRO-M and LKP-M control rod drives. Material Laboratories also performed assessments of inspected welding joints for NPPs.

Testing Shops

In the large water loop, the Testing Shops department conducted hand-over tests of a set of new PRO-M control rod drives from the delivery for the Dukovany NPP. Tests of the repaired LD-1 position indicators were also performed. In 2017, 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. Another phase of lifetime tests was conducted for the new type of bearings that are part of PRO-M control rod drives. The assemblies of the newly developed LKP-M/4 drive for VVER 1000 reactors were tested throughout the year. In the second half of the year, preparations of an LKP stand for hydraulic tests of a Westinghouse Electric Company fuel assembly model and the actual calibration tests of the testing channel started.



In 2017, ŠKODA JS a.s. spent over CZK 145 million on acquisitions and repairs of capital assets, of which more than CZK 78 million was spent on the refurbishment of machinery, equipment and buildings, and almost CZK 67 million on the modernization and procurement of new technology, including IT projects.

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 the 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.

Product Certification pursuant to ASME Code

In 2017, the Company successfully passed a supervisory ASME audit and continues to hold its certification pursuant to ASME Code Section III. ŠKODA JS a.s. has long maintained the ability to design and produce nuclear equipment in compliance with the requirements of the ASME Code as well as meeting the requirements of the ASTM standards.

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. The assessment of the compliance with product quality standards is conducted by the independent certification authority TÜV SÜD Czech from the point of view of compliance with the welding procedure requirements set out in ISO 3834-2 and 1090-1, 2.

A number of customer audits were conducted last year, based on which the qualification of ŠKODA JS a.s. for the realization of nuclear contracts was extended by another term. These included audits by, e.g., ČEZ, a. s., Slovenské Elektrárne, a.s., Doosan Heavy Industries and the GNS Company.

Development of Safety Culture principles

The Company strives to continually develop Safety Culture principles and apply the requirements of international standards [GS-R Part 2] and ensure their integration into its corporate culture.

In 2017, a voluntary company-wide survey aimed at evaluating the nuclear safety culture was carried out, in which the respondents answered 27 questions regarding Safety Culture. Almost 600 employees of the Company took part in the survey. Based on the survey results, measures aimed at improving and developing Safety Culture principles will be put forward this year.

Supplier Quality Management and Contract Quality Assurance

In the area of supplier quality management for the Reactor Building Logical Units at the Dukovany and Temelín nuclear power plants, the new legislation of the State Office for Nuclear Safety was fully applied last year. Sixteen suppliers were audited and qualified by joint external audits conducted together with ČEZ, a. s.

Another 44 major suppliers of materials, parts and services for the production of

nuclear equipment from the Czech Republic, Slovakia, Germany, France, Italy, Russia and Ukraine were inspected and qualified by the Company's own teams of auditors and specialists.

Standard attention was also paid to ensuring the quality of production contracts, from preparing documentation required for the commencement of production, its approval by second and third parties, to the actual contract execution and the final handover of equipment and appropriate technical documentation to customers.

Increasing Qualifications

The qualification of Technical Inspection personnel is ensured by the regular training of staff and presents a condition for the qualified performance of activities associated with quality assurance and control in executed contracts. A lot of attention is devoted over the long term to this matter. Maintaining the required qualification 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.), the ASME Code and the Company's internal IMS documentation.

In 2017, the process of further increasing the qualification of Technical Inspection specialists in the area of welding inspections was commenced, and will conclude with gaining the EWI-S qualification in 2018.

A new addition to the instrumentation equipment is the MarSurf M 400 device

for measuring surface roughness with accessories for measuring deep grooves.

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 2017 the Non-destructive Testing Laboratory specialists' qualifications were further increased and re-certification of personnel after five (ten) years was also 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 2017, the Non-destructive Testing Laboratory underwent a re-accreditation audit by the Czech Accreditation Institute pursuant to ČSN EN ISO/IEC 17025. Part of the audit was the extension of the laboratory's accreditation in the UT method by the TOFD and Phased Array techniques. These techniques further increase the accuracy of the results of the existing method and increase its sensitivity. Another advantage is the fact that they allow for better documentation of these tests.

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 a part of the business strategy and the everyday management of optional tools recommended by international organizations and the policies of the European Union and individual member states.

ICT Development

In 2017, a significant investment was made – the purchase of the DELL/EMC Datadomain backup appliance. An upgrade of the server operating systems to version 2016 was carried out and the capacity of the DELL Compellent disk array increased.

Also completed was the development and full implementation of the Lotus Notes application "Bid administration" and its data interface with ERP RAMSES. The plan for 2018 is to develop a new LN app "Electronic management of invoices" and search for suitable IT tools to be used for internal communication, e-learning, surveys and questionnaires.

People at ŠKODA JS a.s.

At the end of 2017, 1,024 employees worked at the Company, of whom 713 were white-collar workers in technical and economic professions and 311 were blue-collar workers. The average adjusted number of employees in 2017 was 1,014, i.e., 11 average adjusted employees more than in 2016.

The average adjusted number of employees in the consolidated entity (ŠKODA JS a.s. and its subsidiary ŠKODA SLOVAKIA, a.s.) in 2017 was 1,133, i.e., 2 average adjusted employees more than in 2016.

Age and Educational Structure of Employees

One-third of the staff of ŠKODA JS a.s. is made up of university educated employees and one-quarter of the Company's staff are graduates of technical vocational schools. The remaining employees have completed secondary education with

the Maturita (school-leaving) exam. This educational structure fully reflects the nature of the Company's activities.

The average age of employees at ŠKODA JS is 45.38 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.

Staff Training

The goal of human resources management at ŠKODA JS a.s. is to have high-performance and qualified staff of the required age and educational structure.

The training of the Company's employees is determined by the specific needs for the realization of projects and contracts. This requires the employees' professional knowledge to be deepened and broadened.

In the area pertaining to the nuclear power industry, the company holds seminars as part of the established "Nuclear Education" series. Training of staff commenced pursuant to the Amendment of Atomic Act No. 263/2016 Coll. and Act No. 412/2005 Coll. on protection of classified information and security capacity.

In 2017, ŠKODA JS a.s. joined the Supporting Employment and Workforce Adaptability project funded by the operational program "Employment". This year, CZK 414,752 was spent on further professional training of staff in technical, foreign language and computer skills.

In 2017, the Company invested CZK 5.838 million in this area, i.e., an average of CZK 5,758 per employee. Including the subsidy from the European Social Fund Operational Program Employment, the total amount spent on training for the Company's employees was CZK 6,273,689.

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.

Over the long term, the number of work-related injuries has been very low. In 2017, there were four minor work-related injuries resulting in sick leave.

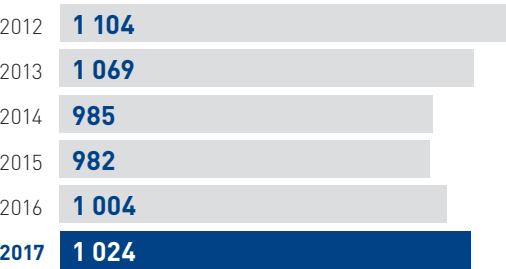
SOCIAL PROGRAM

- 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 provides 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.

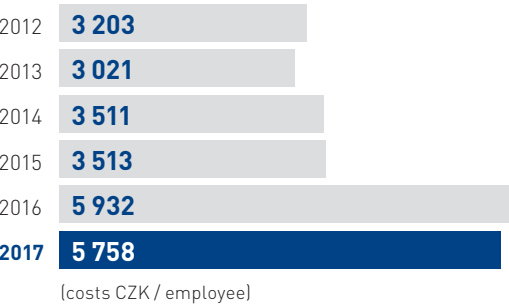
Social fund utilization in 2017 (CZK thousands)

Catering contribution	307
Recreation for children and families	219
Contribution towards preventive healthcare programs	1,151
Sports, cultural and other activities	459
Used in total	2,136

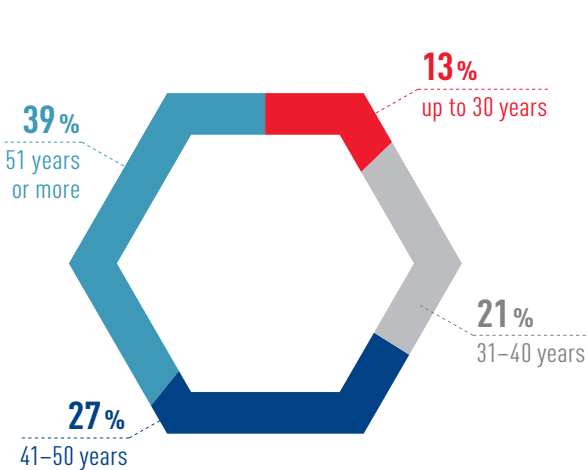
Number of employees in ŠKODA JS a.s. in 2012-2017



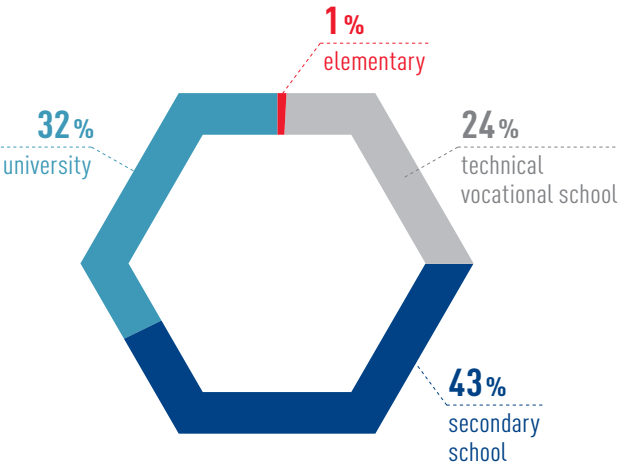
Staff training costs in 2012-2017



Age structure of employees of ŠKODA JS a.s. as of December 31, 2017



Educational structure of employees of ŠKODA JS a.s. as of December 31, 2017



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, sporting and charitable projects.

The company has provided long-term support for technical education. ŠKODA JS a.s. supports, both financially as well as by 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 third place in the 4th year of the Pilsen Region Governor's Award for Corporate Social Responsibility for the year 2016 in the Business Sector category, thus continuing in its past successes 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 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 generation, transmission and consumption of modern forms of energy in the Czech Republic.

The Regional Chamber of Commerce of the Pilsen Region

The Chamber for Commercial Relations with the Confederation of Independent States

YEAR 2017 IN NUMBERS

1,024 employees

At the end of 2017, 1,024 employees worked at ŠKODA JS a.s., of whom 713 were white-collar workers in technical and economic professions and 311 were blue-collar workers.

ŠKODA JS a.s. and the Consolidated Group

Parent company

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

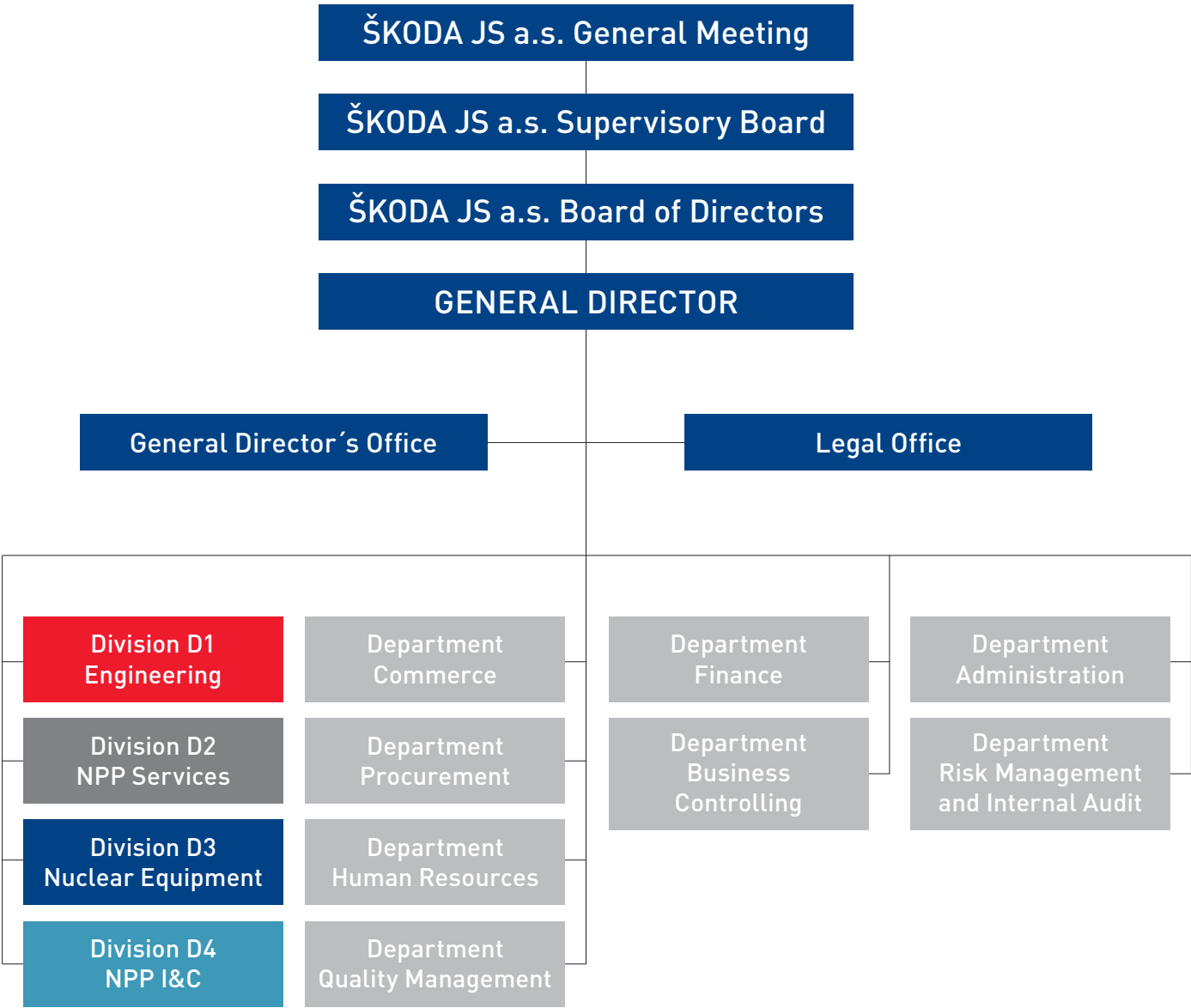
Subsidiary	ŠKODA SLOVAKIA, a.s.
Registered office	Hornopotočná 4, 917 01 Trnava, Slovak Republic
Date of establishment	25 April 1995 (incorporated in the Commercial Register maintained by the Registration Court in Bratislava, Part "s.r.o.", Insert 3544/K)
Founder	ŠKODA JS a.s. (at the time of founding 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	Kitaygorodskiyi 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 2018



Statutory Bodies and Top Management at 1 June 2018

Supervisory Board

Dmitrii Vorobev
Chairman

Vladimir Dyukov
Vice Chairman

Yan Tsenter
Member

Oleg Shumakov
Member

Board of Directors

Vladimír Poklop
Chairman of the Board of Directors

Stanislav Patrikeev
Vice Chairman of the Board of Directors

Sergey Khoshenko
Vice Chairman of the Board of Directors

Jan Kleisner
Member of the Board of Directors

Vadim Pevzner
Member of the Board of Directors

František Krček
Member of the Board of Directors



Vladimír Poklop

Top Management

Vladimír Poklop
General Director

Jan Kleisner
Finance Director

Stanislav Patrikeev
Risk Management and Internal Audit Director

Sergey Khoshenko
Administration Director

František Krček
NPP Services Division Director

Karel Hegner
Nuclear Equipment Division Director

Petr Kryl
NPP I&C Division Director

Kateřina Říhová
Human Resources Director

Libor Holík
Business Controlling Director

Petr Altschul
Director of Procurement Department

Peter Luptáčík
Entrusted with Management
of Commercial Department

Lukáš Řežáb
Director of Quality Management Department



Stanislav Patrikeev



Petr Kryl



Sergey Khoshenko



Jan Kleisner



Peter Luptáčík



Kateřina Říhová



František Krček



Lukáš Řežáb



Karel Hegner



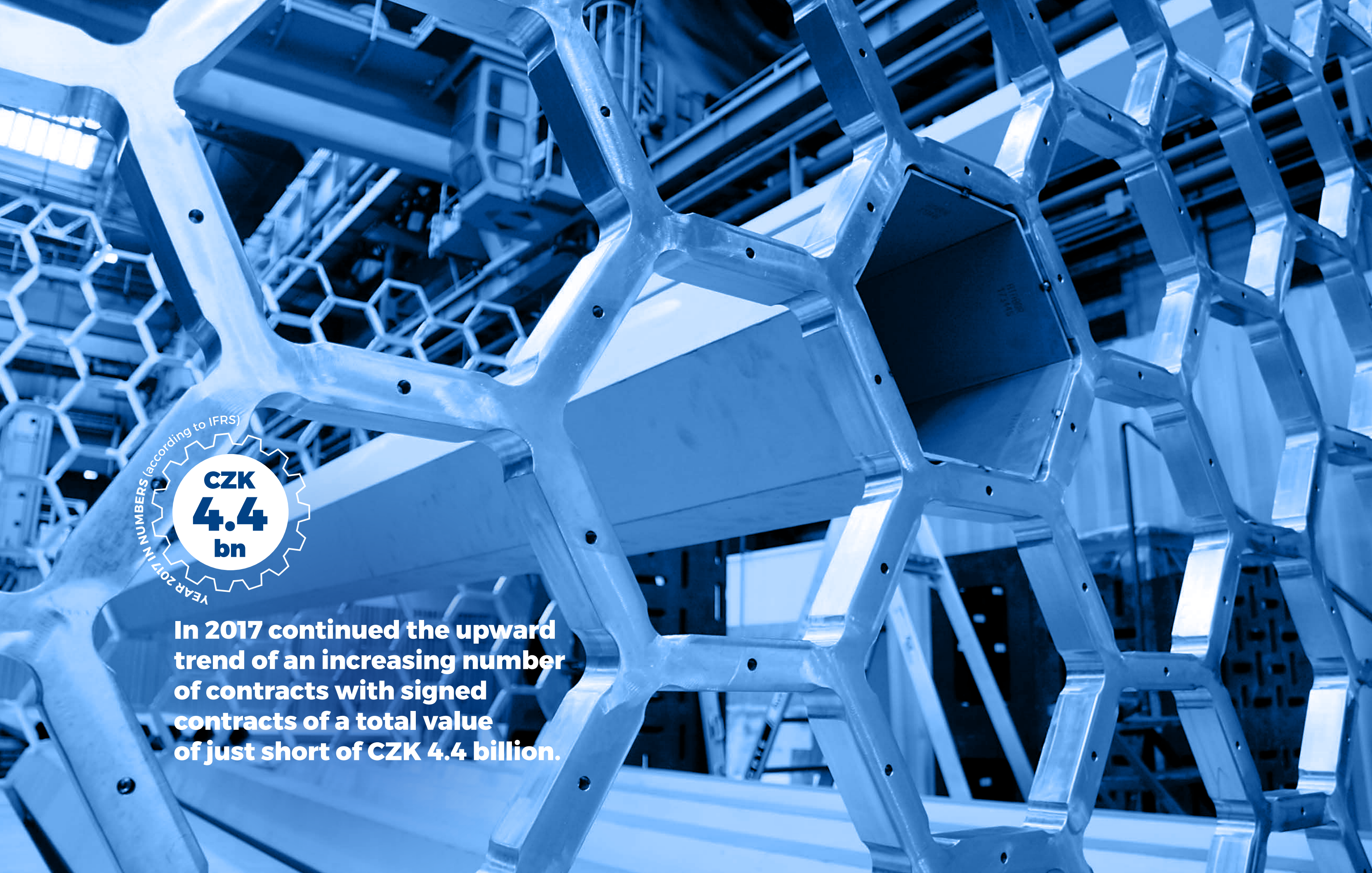
Petr Altschul



Vadim Pevzner



Libor Holík



YEAR 2017 IN NUMBERS (according to IFRS)

**CZK
4.4
bn**

In 2017 continued the upward trend of an increasing number of contracts with signed contracts of a total value of just short of CZK 4.4 billion.

Comments on Financial Results

Profit and Loss Statement, Balance Sheet

For ŠKODA JS a.s. (hereinafter referred to as “the Company”), 2017 was the most successful year in its modern history. According to the International Accounting Standards (IFRS), the Company posted a consolidated revenue of CZK 4.656 billion, which constitutes an increase of CZK 253.5 million compared to the year before. There was a substantial increase in pretax profit for the given period of CZK 195.7 million to CZK 373.7 million. This year-on-year growth was achieved thanks to the successful realization of contracts connected with the completion of the Mochovce Nuclear Power Plant. Contracts with NAEK Energoatom, MVM

Paks and ČEZ, a. s., also significantly contributed to this result. A total of CZK 3.195 billion in revenues posted according to the International Accounting Standards was realized in exports, which accounts for CZK 68.6%. In terms of individual segments, 66% came from investment engineering, 16.8% from services, and 17.2% from the production of equipment for nuclear power plants. While there was a significant year-on-year increase in investment engineering, the other segments of our business saw a slight decrease in revenue.

As the Company realizes exclusively contracts covered by contracts of sale, the increase in unfinished production of CZK 149.7 million to CZK 1.121 billion

(according to Czech accounting standards) means the promise of a sound level of revenue even in the following accounting period. It can be said that the Company is stabilized in terms of its contracts.

Whether the Company will maintain its profitability of contracts in the following accounting period will depend primarily on the structure of contracts that will generate revenue. Based on a profitability analysis of the expected contracts to be realized, it can be inferred that the return on revenue will decrease by about 25%. Thus, the Company’s profit in the next accounting period can only be maintained through major cost restrictions, should such measures be meaningful in the medium term.

The Company’s Financial Situation, Project Funding and Insurance

In 2017, the Company again maintained a steady liquidity position and all liabilities were settled by their due dates. Most of the cash flow occurred in the Company’s operating activities and was mostly affected by the realization of the aforementioned long-term projects.

The Company’s long-term approach to maximizing the amount of advance payments collected under the payment terms, as opposed to bank guarantees, of contracts realized contributes to the positive development of the Company’s cash flow. In 2017, the Company did not have to

utilize external financing through credit lines arranged with the financing banks, Komerční banka, a.s., and Československá obchodní banka, a.s. During the year, the subsidiary ŠKODA SLOVAKIA, a.s., drew on a revolving credit from VÚB a.s., the value of which fluctuated around EUR 1 million.

In the Company’s investment activity, the cash flow consisted only of expenses, namely in the manufacturing base and IT projects, in the total value of CZK 78 million.

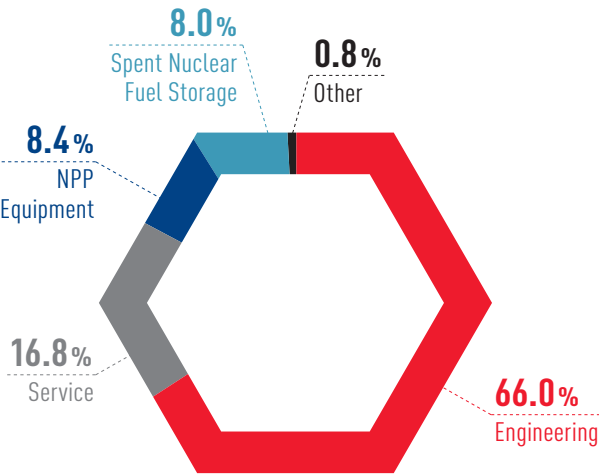
Due to the sufficient volume of financial resources in its accounts, ŠKODA JS a.s. settled all its liabilities by their due dates. The amount of receivables past due did

not present a major problem in 2017 either, oscillating around similar values as in recent years. The usual delay in payments of receivables was by a matter of days, occasionally several weeks.

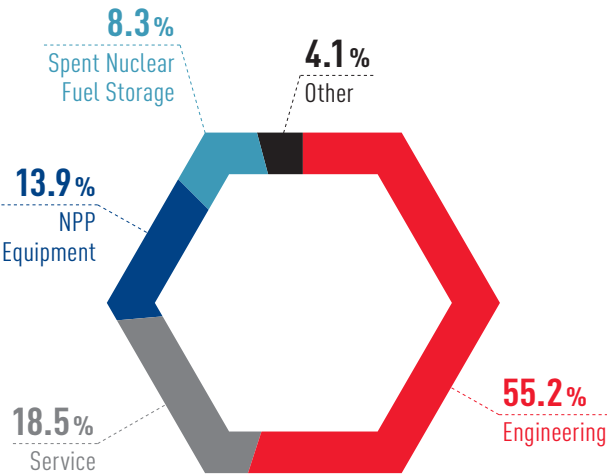
To issue a large number of bank guarantees in 2017, the Company used lines of collateral established with Komerční banka, a.s., and Československá obchodní banka, a.s. Within the “Completion of Units 3 and 4 at the Mochovce NPP” project, all bank guarantees were further extended in accordance with contractual documentation and the current contractual deadlines.

In the area of insurance, in 2017 ŠKODA JS a.s. continued to successfully

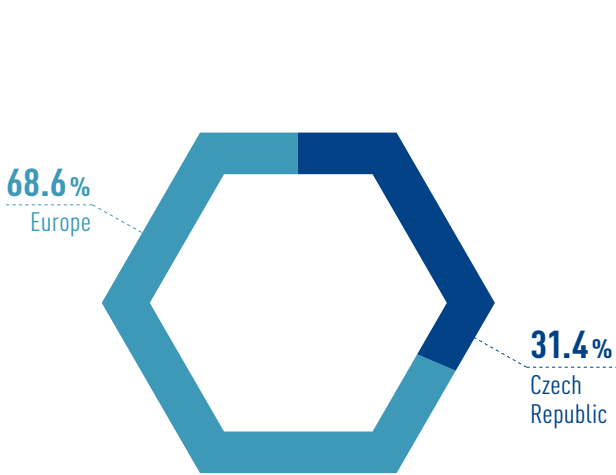
Structure of the consolidated group’s revenues by segment in 2017 (IFRS)



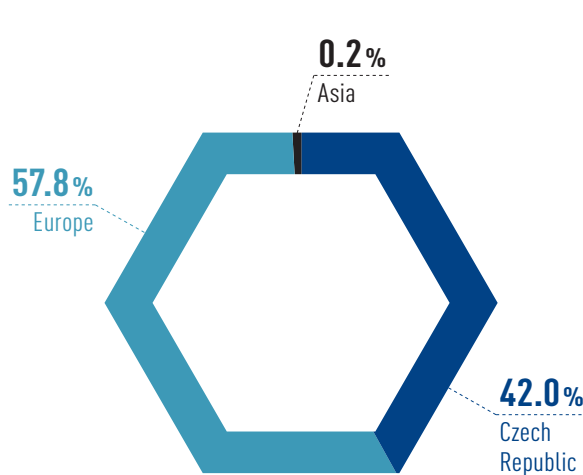
Structure of the consolidated group’s revenues by segment in 2013–2017 (IFRS)



Structure of the consolidated group’s revenues by destination in 2017 (IFRS)



Structure of the consolidated group’s revenues by destination in 2013–2017 (IFRS)



cooperate with the largest Czech insurance broking company, RENOMIA, a.s. In collaboration with this insurance company, the professional liability insurance coverage as well as the general liability for damage caused by our products were specified and expanded, thus limiting any impacts of potential risks resulting mainly from the Company's service and supplier contracts.

Management of liquidity and exchange rate risks

ŠKODA JS a.s. exports a large part of its products and services abroad and the majority of income from these exports is collected in EUR. In the long term, income in EUR exceeds expenditures in this currency and that is why we have to sell part of the EUR income for CZK. The exchange rate differences resulting from the realization of financial transactions in foreign currencies influence the Company's financial results. This partly includes the sale of foreign currencies on the financial market, called FX transactions. Last year, the majority of these transactions were currency spots and swaps constituting the sale of EUR for CZK.

The liquidity risk is managed in the Company in such a way as to ensure a sufficient amount of financial resources necessary for the fulfillment of the Company's liabilities. The process of managing the liquidity risk at the Company is conducted at several levels.

With significant contracts that exceed the set limit of monetary value, the costs of funding each such contract and its impact on the Company's liquidity are analyzed in accordance with the Company's internal

policies. In the event of a significant need for additional funding, the resources and financial conditions are worked out as part of the bid stage of the tendering process.

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

Long-term liquidity management lies in analysis of the development of the Company's liquidity for the period of a rolling year and on a monthly basis. It contains all known as well as planned cash flows in individual currencies. As needed, the Company responds to the current development by implementing both external and internal measures aimed at preventing any worsening of the Company's liquidity position, particularly by negotiating sufficient lines of credit with the financing banks.

The Company is currently working on developing payment systems in order to maximize the automation of the payment process. The changes include, for example, a transition in communication with banks regarding SEPA payments within the EEA from the text format to the new XML format (in accordance with EU Regulation No. 260/2012).

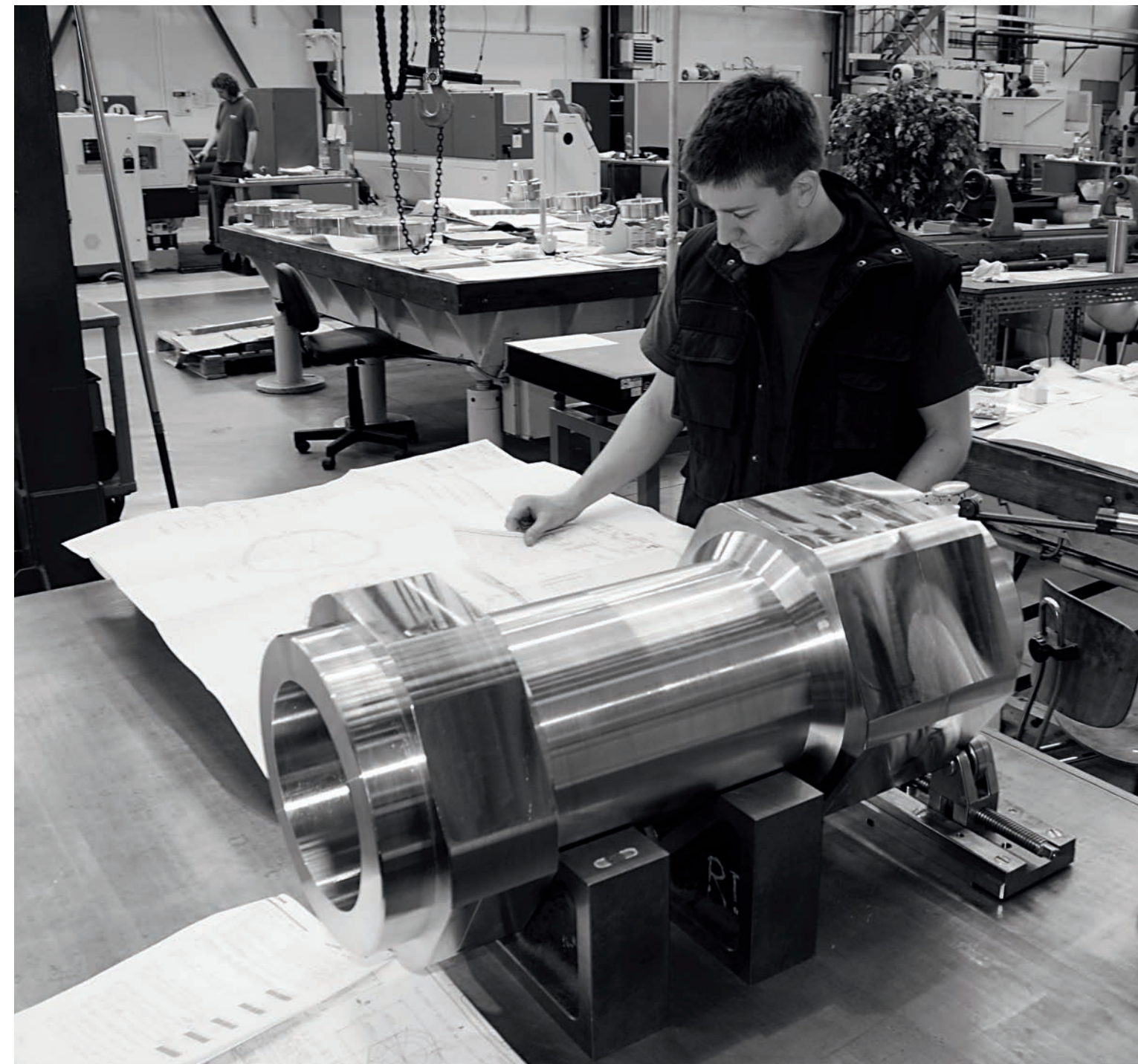
In terms of market risks, which include the exchange rate risk, the interest rate risk and the commodity risk, the most significant for the Company is the exchange rate risk, which is connected with its exports performance. The goal of exchange rate risk management is to keep the planned budget exchange rates

and thus help to ensure the planned profitability of all running contracts. The Company manages the exchange rate risk in order not to allow the Company's financial results to be significantly influenced by changes in exchange rates on the financial markets. To that end, the Company uses all available non-transactional ways of eliminating exchange rate risks as well as standard hedging derivative instruments, which include currency forwards, currency swaps and a combination of currency options, all in compliance with approved internal procedures. The allowed hedging instruments, hedging strategy, accounting procedures and set risk limits are defined in the document "The Strategy of Exchange Rate Risk Management at ŠKODA JS a.s."

Conclusion

In 2017, ŠKODA JS a.s. achieved significantly better financial results than what the shareholders had set for it as a target, and it can be said that it was one of the most successful fiscal years since the Company's transformation into a joint stock company. The Company managed to conclude a number of new as well as long-term contracts, and given the list of concluded contracts mainly for deliveries for the nuclear power industry, there is a real chance of maintaining good financial results in the years to come.

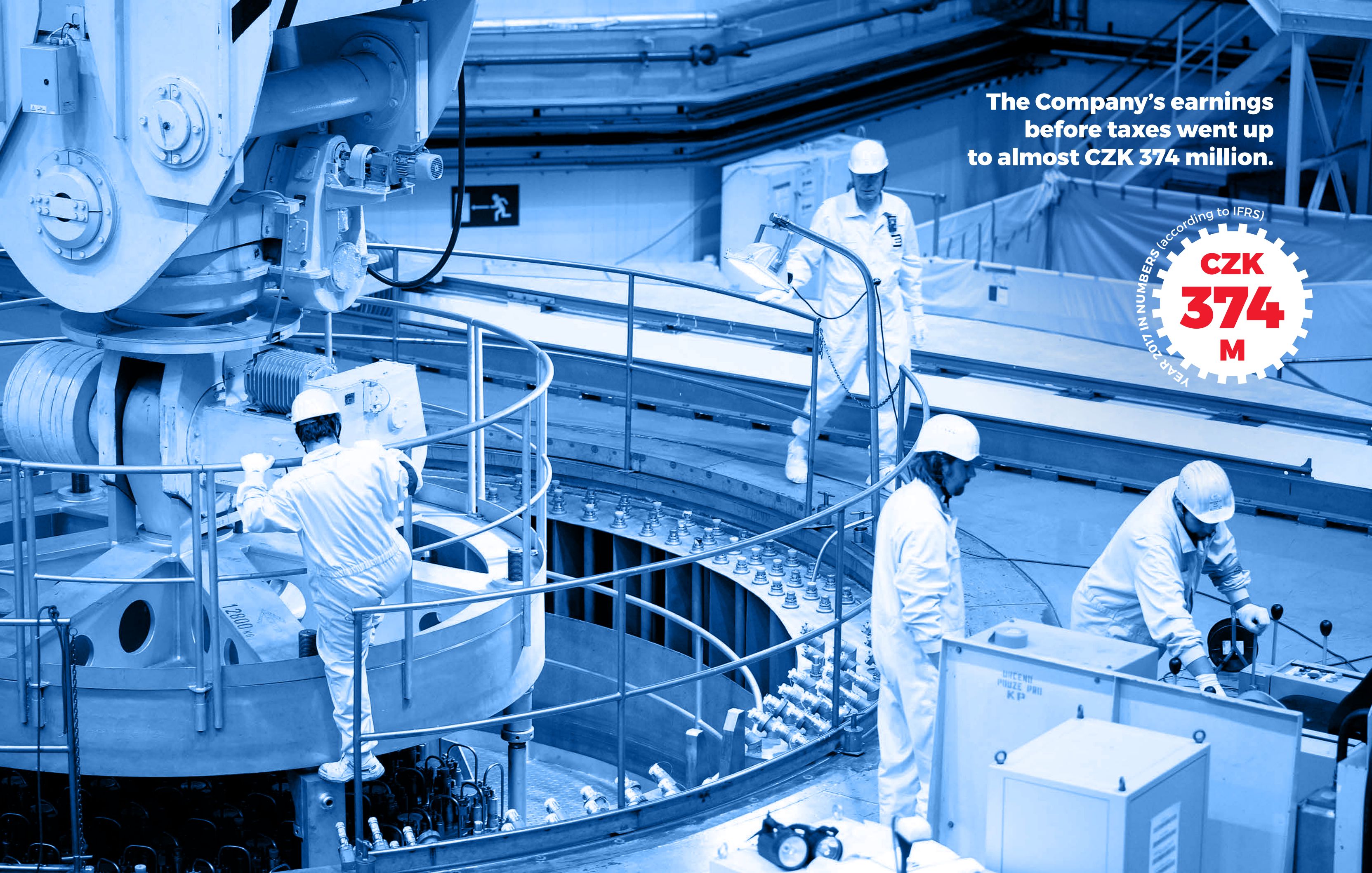
Jan Kleisner
Jan Kleisner
Finance Director



The Company's earnings
before taxes went up
to almost CZK 374 million.

YEAR 2017 IN NUMBERS (according to IFRS)

CZK
374
M



FINANCIAL STATEMENTS
OF ŠKODA JS a.s.
(According to CAS)

Income statement for the year ended 31 December 2017

(in thousands of CZK)

Ident.		2017	2016
I.	Revenue from products and services	4 499 180	4 444 966
II.	Revenue from goods	1 755	1 751
A.	Cost of sales	3 319 798	3 171 672
A.1.	Cost of goods sold	1 584	1 469
A.2.	Materials and consumables	843 407	740 923
A.3.	Services	2 474 807	2 429 280
B.	Change in inventory of own production (+/-)	-172 176	95 575
C.	Own work capitalised (-)		-692
D.	Personnel expenses	795 033	718 783
D.1.	Wages and salaries	589 539	536 075
D.2.	Social security, health insurance and other expenses	205 494	182 708
D.2.1.	Social security and health insurance expenses	187 173	165 679
D.2.2.	Other expenses	18 321	17 029
E.	Adjustments relating to operating activities	78 555	59 441
E.1.	Adjustments to intangible and tangible fixed assets	61 069	62 034
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	63 838	59 265
E.1.2.	Impairment of intangible and tangible fixed assets	-2 769	2 769
E.2.	Adjustments to inventories	18 514	-16 265
E.3.	Adjustments to receivables	-1 028	13 672
III.	Other operating revenues	13 971	21 055
III.1.	Proceeds from disposals of fixed assets	1 251	268
III.2.	Proceeds from disposals of raw materials	1 424	745
III.3.	Miscellaneous operating revenues	11 296	20 042
F.	Other operating expenses	43 043	165 749
F.1.	Net book value of fixed assets sold		9
F.2.	Net book value of raw materials sold	1 248	3 114
F.3.	Taxes and charges	824	1 124
F.4.	Provisions relating to operating activity and complex prepaid expenses	1 585	120 937
F.5.	Miscellaneous operating expenses	39 386	40 565
*	Operating profit (loss) (+/-)	450 653	257 244
VI.	Interest revenue and similar revenue	268	770
VI.2.	Other interest revenue and similar revenue	268	770
VII.	Other financial revenues	38 585	4 859
K.	Other financial expenses	86 945	36 631
*	Profit (loss) from financial operations	-48 092	-31 002
**	Profit (loss) before tax (+/-)	402 561	226 242
L.	Income tax	87 768	61 904
L.1.	Current tax	93 750	69 742
L.2.	Deferred tax (+/-)	-5 982	-7 838
**	Profit (loss) after tax (+/-)	314 793	164 338
***	Profit (loss) for the accounting period (+/-)	314 793	164 338
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	4 553 759	4 473 401

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Balance sheet as at 31 December 2017

(in thousands of CZK)

Ident.	ASSETS	2017			2016
		Gross	Adjust.	Net	Net
	TOTAL ASSETS	5 386 514	-1 572 426	3 814 088	3 864 451
B.	Fixed assets	2 080 205	-1 469 042	611 163	606 232
B.I.	Intangible fixed assets	131 839	-99 645	32 194	27 143
B.I.2.	Intellectual property rights	126 705	-99 645	27 060	24 818
B.I.2.1.	Software	113 179	-86 956	26 223	23 788
B.I.2.2.	Other intellectual property rights	13 526	-12 689	837	1 030
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	5 134		5 134	2 325
B.I.5.1.	Advance payments for intangible fixed assets	1 490		1 490	
B.I.5.2.	Intangible fixed assets under construction	3 644		3 644	2 325
B.II.	Tangible fixed assets	1 894 109	-1 369 397	524 712	524 340
B.II.1.	Land and buildings	140 653	-41 116	99 537	104 603
B.II.1.2.	Buildings	140 653	-41 116	99 537	104 603
B.II.2.	Plant and equipment	1 708 173	-1 327 097	381 076	376 021
B.II.4.	Other tangible fixed assets	1 706	-1 184	522	513
B.II.4.3.	Other tangible fixed assets	1 706	-1 184	522	513
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	43 577		43 577	43 203
B.II.5.1.	Advance payments for tangible fixed assets	1 664		1 664	15 151
B.II.5.2.	Tangible fixed assets under construction	41 913		41 913	28 052
B.III.	Long-term investments	54 257		54 257	54 749
B.III.1.	Equity investments - group undertakings	8 478		8 478	8 970
B.III.5.	Other long-term securities and equity investments	45 779		45 779	45 779
C.	Current assets	3 281 790	-103 384	3 178 406	3 233 514
C.I.	Inventories	1 510 124	-86 943	1 423 181	1 324 052
C.I.1.	Raw materials	189 623	-39 095	150 528	112 315
C.I.2.	Work-in-progress and semi-finished products	1 164 791	-44 086	1 120 705	970 965
C.I.3.	Finished goods and goods for resale				1 158
C.I.3.2.	Goods for resale				1 158
C.I.5.	Advance payments for inventories	155 710	-3 762	151 948	239 614
C.II.	Receivables	1 153 748	-16 441	1 137 307	1 207 685
C.II.1.	Long-term receivables	59 431	-1 105	58 326	37 551
C.II.1.1.	Trade receivables	15 876	-1 105	14 771	125
C.II.1.4.	Deferred tax asset	36 040		36 040	37 426
C.II.1.5.	Receivables - other	7 515		7 515	
C.II.1.5.4.	Other receivables	7 515		7 515	
C.II.2.	Short-term receivables	1 094 317	-15 336	1 078 981	1 170 134
C.II.2.1.	Trade receivables	1 026 223	-15 327	1 010 896	1 141 004
C.II.2.4.	Receivables - other	68 094	-9	68 085	29 130
C.II.2.4.3.	Tax receivables	12 915		12 915	22 706
C.II.2.4.4.	Short-term advances paid	1 931		1 931	3 852
C.II.2.4.5.	Estimated receivables	1 429		1 429	987
C.II.2.4.6.	Other receivables	51 819	-9	51 810	1 585
C.IV.	Cash	617 918		617 918	701 777
C.IV.1.	Cash in hand	379		379	991
C.IV.2.	Bank accounts	617 539		617 539	700 786
D.	Deferals	24 519		24 519	24 705
D.1.	Prepaid expenses	24 519		24 519	24 705

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Ident.	LIABILITIES	2017	2016
		3 814 088	3 864 451
	TOTAL LIABILITIES AND EQUITY		
A.	Equity	1 794 706	1 571 128
A.I.	Registered capital	550 000	550 000
A.I.1.	Registered capital	550 000	550 000
A.II.	Premium and capital contributions	141 497	110 576
A.II.1.	Premium	111 696	111 696
A.II.2.	Capital contributions	29 801	-1 120
A.II.2.1.	Other capital contributions	50	50
A.II.2.2.	Revaluation of assets and liabilities (+/-)	29 751	-1 170
A.III.	Funds from profit	114 707	114 343
A.III.1.	Other reserve funds	111 472	111 472
A.III.2.	Statutory and other funds	3 235	2 871
A.IV.	Retained earnings (+/-)	673 709	631 871
A.IV.1.	Retained profits	673 709	631 871
A.V.	Profit (loss) for the current period (+/-)	314 793	164 338
B. + C.	Liabilities	1 765 487	1 867 691
B.	Provisions	429 695	436 673
B.2.	Income tax provision	32 971	41 533
B.4.	Other provisions	396 724	395 140
C.	Liabilities	1 335 792	1 431 018
C.I.	Long-term liabilities	254 836	202 958
C.I.3.	Long-term advances received	237 358	202 739
C.I.4.	Trade payables	17 012	166
C.I.9.	Liabilities - other	466	53
C.I.9.3.	Other payables	466	53
C.II.	Short-term liabilities	1 080 956	1 228 060
C.II.3.	Short-term advances received	228 416	535 780
C.II.4.	Trade payables	651 563	517 933
C.II.8.	Liabilities - other	200 977	174 347
C.II.8.3.	Payables to employees	57 931	53 354
C.II.8.4.	Social security and health insurance liabilities	32 890	30 998
C.II.8.5.	Tax liabilities and subsidies	40 438	34 877
C.II.8.6.	Estimated payables	63 772	55 008
C.II.8.7.	Other payables	5 946	110
D.	Accruals	253 895	425 632
D.2.	Deferred revenues	253 895	425 632

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Cash flow statement for the year ended 31 December 2017

(in thousands of CZK)

		2017	2016
P.	Cash and cash equivalents, beginning of period	701 777	800 365
	Net operating cash flow		
Z:	Accounting profit (loss) from ordinary activities	402 561	226 242
A.1.	Non-cash transactions	93 801	182 658
A.1.1.	Depreciation and amortisation of fixed assets	63 838	59 265
A.1.2.	Change in:	16 302	121 113
A.1.2.2.	provisions and other adjustments	16 302	121 113
A.1.3.	Profit(-) Loss(+) on sale of fixed assets	-1 251	-259
A.1.5.	Expense and revenue interests accounted for	-268	-770
A.1.6.	Other non-cash transactions	15 180	3 309
A*.	Net operating cash flow before taxation financial items, changes in working capital and extraordinary items	496 362	408 900
A.2.	Changes in working capital	-291 199	-256 908
A.2.1.	Change in receivables from operating activities, estimated receivables and deferrals	94 625	-419 849
A.2.2.	Change in short-term liabilities from operating activities, estimated payables and accruals	-267 362	-151 604
A.2.3.	Change in inventories	-118 462	314 545
A.**	Net operating cash flow before taxation, financial balances, and extraordinary items	205 163	151 992
A.4.	Interest received	268	770
A.5.	Income tax paid on ordinary income and income tax relating to prior periods	-102 312	-29 214
A.***	Net operating cash flow	103 119	123 548
	Investing activities		
B.1.	Acquisition of fixed assets	-66 093	-95 761
B.1.1.	Acquisition of tangible fixed assets	-57 200	-86 536
B.1.2.	Acquisition of intangible fixed assets	-8 893	-9 225
B.2.	Proceeds from sales of fixed assets	1 251	268
B.2.1.	Proceeds from sales of tangible and intangible fixed assets	1 251	268
B.***	Net cash flow from investing activities	-64 842	-95 493
	Financing activities		
C.2.	Increase and decrease in equity from cash transactions	-122 136	-126 643
C.2.5.	Payments from funds created from net profit	-2 136	-2 004
C.2.6.	Dividends paid, including withholding tax paid and bonuses paid to board members	-120 000	-124 639
C.***	Net cash flow from financing activities	-122 136	-126 643
F.	Net increase or decrease in cash balance	-83 859	-98 588
R.	Cash and cash equivalents, end of period	617 918	701 777

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CONSOLIDATED FINANCIAL STATEMENTS

(According to IFRS)

Consolidated statement of financial position as at 31 December 2017

(in thousands of CZK)

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents - restricted cash	485 249	552 302
Accounts receivable - financial	154 159	160 943
Receivables from long-term contracts	1 021 062	1 150 844
Inventories	742 649	492 469
Receivables from derivative operations	162 509	136 304
Other non-financial accounts receivable	20 312	0
Other current assets - financial	203 526	284 774
Other current assets - non-financial	5 635	2 541
Ostatní oběžná aktiva - nefinanční	24 781	25 099
Total current assets	2 819 882	2 805 276
NON-CURRENT ASSETS		
Intangible fixed assets	30 704	27 235
Property, plant and equipment	548 255	541 789
Available-for-sale financial assets	45 779	45 779
Other long-term receivables - financial	14 565	124
Receivables from derivative operations	7 515	0
Deferred tax asset	12 456	9 936
Total non-current assets	659 274	624 863
TOTAL ASSETS	3 479 156	3 430 139

EQUITY AND LIABILITIES		
CURRENT LIABILITIES		
Payables - financial	647 978	540 959
Payables from derivative operations	1 086	0
Tax liabilities - current income tax	27 256	42 975
Other payables - financial	21 617	16 184
Other payables - non-financial	526 846	788 373
Provisions	258 267	261 346
Total current liabilities	1 483 050	1 649 837
NON-CURRENT LIABILITIES		
Other non-current liabilities - financial	16 788	165
Payables from derivative operations	367	934
Other non-current liabilities - non-financial	2 344	0
Total non-current liabilities	19 499	1 099
EQUITY		
Registered capital	550 000	550 000
Capital and other funds	253 806	226 752
Retained profits	1 172 801	1 002 451
Total equity	1 976 607	1 779 203
TOTAL EQUITY AND LIABILITIES	3 479 156	3 430 139

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Consolidated statement of comprehensive income for the year ended 31 December 2017

(in thousands of CZK)

	2017	2016
Sales of goods, products and services	4 655 851	4 402 312
Sales	4 655 851	4 402 312
Cost of material and services	-3 256 023	-3 210 417
Change in finished goods and work-in-progress inventories	-14 897	5 703
Capitalisation of property, plant and equipment	0	692
Payroll expenses	-890 856	-821 879
Depreciation and amortisation	-71 355	-72 716
Other operating income	54 705	25 830
Other operating expense	-103 203	-151 972
Operating profit	374 222	177 553
Financial income	28	891
Financial expense	-528	-430
Profit before tax	373 722	178 014
Corporate income tax	-83 372	-47 390
Profit after tax	290 350	130 624
Other comprehensive income:		
Items that may be under certain conditions reclassified to profit and loss		
Foreign exchange gains/(losses) from translation of foreign operations	-4 359	-20
Gains/(losses) from hedging of cash flows	38 781	-2 075
Corporate income tax relating to other cumulative income items	-7 368	394
Other comprehensive cumulative income after tax	27 054	-1 701
TOTAL CUMULATIVE INCOME FOR THE PERIOD	317 404	128 923

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Consolidated statement of changes in equity
for the year ended 31 December 2017

(in thousands of CZK)

	Registered capital	Statutory reserve fund	Capital and other contributions	Cumulative FX translation differences	Cash Flow Hedges	Revaluation	Retained earnings	Total
Balance at 1 January 2016	550 000	115 456	109 201	3 486	1 681	-1 371	933 927	1 712 380
Profit for 2016	-	-	-	-	-	-	130 624	130 624
Other comprehensive income								
Foreign exchange differences from recalculation	-	-	-	-20	-	-	-	-20
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-2 075	-	-	-2 075
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-	-	-
Income tax on changes in fair value of cash flow hedges	-	-	-	-	394	-	-	394
Total other comprehensive income	-	-	-	-20	-1 681	-	-	-1 701
Transactions with owners booked in equity								
Contribution from profit to statutory reserve fund	-	-	-	-	-	-	-	-
Paid dividends	-	-	-	-	-	-	-62 100	-62 100
Total transactions with owners	-	-	-	-	-	-	-62 100	-62 100
Balance at 31 December 2016	550 000	115 456	109 201	3 466	0	-1 371	1 002 451	1 779 203

	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
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	-	-	-	-	-	-
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

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Consolidated cash flow statement for the year ended 31 December 2017

(in thousands of CZK)

	2017	2016
Profit before tax	373 722	178 014
Depreciation and amortisation	71 355	72 716
Profit from sale of fixed assets and financial investments	-1 272	-310
Interest paid / (interest received)	500	-461
Net change in provisions	-3 079	84 040
Interest received	28	891
Interest paid	-528	-430
Other monetary and non-monetary transactions	13 726	1 033
Income tax paid	-109 390	-35 866
Operating cash flow before working capital changes	345 062	299 627
Changes in working capital:		
Change in receivables	-53 592	-196 180
Change in inventories	-33 894	36 433
Change in payables	125 419	182 627
Change in other current assets and liabilities	-258 871	-217 583
Change in restricted cash	6 784	11 649
Total cash flow from operations	130 908	116 573
Investing activities:		
Acquisition of fixed assets	-79 286	-86 373
Acquisition of investments in associates	0	0
Proceeds from sale of fixed assets	1 325	310
Total cash flow from investing activities	-77 961	-86 063
Financing activities:		
Net change in borrowings and long term liabilities	0	-4 684
Payment of dividends	-120 000	-124 639
Total cash flow from financing activities	-120 000	-129 323
Net change in cash and cash equivalents	-67 053	-98 813
Cash and cash equivalents at the beginning of the year	552 302	651 115
Cash and cash equivalents at the end of the year	485 249	552 302

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E-mail: info@skoda-js.cz
Internet: www.skoda-js.cz

Company Reg. No.: 25 23 57 53
VAT Reg. No.: CZ25235753
Commercial Register: Registration Court in Plzeň, Part B, Insert 811

Bank: Komerční banka a.s., pobočka Plzeň, Goethova 1, 309 95 Plzeň

Account No. (CZK): 74303311/0100
IBAN CZ12 0100 0000 0000 7430 3311

Account No. (USD): 4848440247/0100
IBAN CZ09 0100 0000 0048 4844 0247
Swift: KOMB CZ PP

Account No. (EUR): 4848610277/0100
IBAN CZ15 0100 0000 0048 4861 0277
Swift: KOMB CZ PP