CZG - Česká zbrojovka Group SE

CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

AS OF 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CZG - Česká zbrojovka Group SE (formerly EHC CZUB, SE)

Having its registered office at: Opletalova 1284/37, Nové Město, 110 00 Praha 1

Opinion

We have audited the accompanying consolidated financial statements of CZG - Česká zbrojovka Group SE (formerly EHC CZUB, SE) and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2017 and 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague on 2 December 2019

Audit firm:

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

Statutory auditor:

Petr Michalík
registration no. 2020

CONSOLIDATED FINANCIAL STATEMENTS UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
FOR THE YEAR ENDED 31 DECEMBER 2018

Name of the Company:	**CZG - Česká zbrojovka Group SE**
Registered Office:	**Opletalova 1284/37, Nové Město, 110 00 Praha 1**
Corporate ID:	**291 51 961**

Components of the Financial Statements:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Consolidated Statement of Financial Position

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

Consolidated Notes to the Financial Statements

These consolidated financial statements were prepared on 2 December 2019.

Statutory body of the reporting entity:	Signature
Jan Drahota Lubomír Kovařík	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 2018 CZK '000	31 Dec 2017 CZK '000	31 Dec 2016 CZK '000
Revenues from the sale of own products, goods and services	7	5 818 256	4 999 734	4 930 283
Other operating income	8	72 312	42 308	53 101
Changes in inventories of finished goods and works in progress		7 814	245 171	59 355
Own work capitalised		103 919	116 209	134 422
Raw materials and consumables used	9	-2 716 074	-2 293 636	-2 321 984
Services	11	-875 512	-894 834	-693 097
Personnel costs	10	-1 180 807	-1 075 658	-947 866
Depreciation and amortisation	19	-406 689	-389 648	-348 586
Other operating expenses	12	-119 534	-151 372	-68 896
Operating profit		**703 685**	**598 274**	**796 732**
Interest income		13 232	51 721	4 326
Interest expense		-52 116	-36 264	-43 403
Other financial income	15	246 932	323 135	118 304
Other financial expenses	16	-160 001	-263 217	-189 640
Share in the profit of associates		42	428	-155
Profit before tax		**751 774**	**674 077**	**686 164**
Income tax	17, 18	-150 861	-136 060	-54 028
Profit for the period		**600 913**	**538 017**	**632 136**
Profit for the period attributable to:				
Shareholder of the parent company		588 221	520 070	559 506
Non-controlling interests		12 692	17 947	72 630
Items that may be subsequently reclassified to the statement of profit or loss				
Remeasurement of the fair value of derivative instruments		-403 353	253 764	-24 721
Foreign currency translation of foreign operations		18 290	-45 059	5 439
Other comprehensive income:		**-385 063**	**208 705**	**-19 282**
Comprehensive income for the period		**215 850**	**746 722**	**612 854**
Total comprehensive income for the period attributable to:				
Shareholder of the parent company		211 153	721 973	542 150
Non-controlling interests		4 697	24 749	70 704
Net earnings per share attributable to the owner of the parent company (CZK '000 per share)				
Basic		20	17	19
Diluted		20	17	19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

	Note	31 Dec 2018 CZK '000	31 Dec 2017 CZK '000	31 Dec 2016 CZK '000	1 Jan 2016 CZK '000
ASSETS					
Non-current assets					
Property, plant and equipment	19	2 108 476	1 980 045	1 946 146	1 841 765
Intangible assets	19	922 433	1 009 446	1 113 400	1 212 009
Long-term receivables		48 348	52 856	138 263	129 284
Equity-accounted securities and investments		644	602	175	0
Deferred tax asset		0	0	3 710	0
Goodwill	19	280 686	280 686	280 686	280 686
Total non-current assets		**3 360 587**	**3 323 635**	**3 482 380**	**3 463 744**
Current assets					
Inventories	21	1 772 415	1 746 802	1 575 053	1 447 641
Trade receivables	22	579 422	382 712	404 490	337 329
Current tax receivables		5 234	17 228	58 782	11 430
Other receivables	22	360 172	511 530	151 954	131 525
Cash and cash on bank accounts	23	1 345 628	323 360	343 005	263 925
Assets held for sale	20	62 296	0	0	0
Total current assets		**4 125 167**	**2 981 632**	**2 533 284**	**2 191 850**
Total assets		**7 485 754**	**6 305 267**	**6 015 664**	**5 655 594**
EQUITY AND PAYABLES					
Capital and funds					
Share capital		2 984	2 984	2 984	2 984
Capital funds	24	1 393 554	1 778 617	1 569 912	1 589 194
Accumulated profits		1 884 709	1 562 753	1 199 247	730 474
Equity attributable to the shareholder of the Company		**3 281 247**	**3 344 354**	**2 772 143**	**2 322 652**
Equity attributable to the shareholder of the Company		3 281 247	3 344 354	2 772 143	2 322 652
Non-controlling interests		28 128	66 294	178 922	148 597
Total equity		**3 309 375**	**3 410 648**	**2 951 065**	**2 471 249**
Non-current liabilities					
Bank loans and borrowings	26	2 253 987	1 526 862	1 526 991	1 188 956
Other payables	31	125 000	125 000	195 000	295 000
Finance lease payables	27	1 918	4 828	7 012	10 023
Deferred tax liability	18	254 752	365 518	344 244	416 487
Provisions	14	36 276	36 687	19 173	32 246
Other long-term payables		899	1 642	1 727	1 991
Total Non-current liabilities		**2 672 832**	**2 060 537**	**2 094 147**	**1 944 703**
Current liabilities					
Trade payables		323 711	312 637	421 289	389 279
Short-term bank loans and overdrafts	26	32 253	29 968	28 090	210 494
Finance lease payables	27	2 910	2 844	3 411	8 011
Provisions	14	37 061	36 104	51 267	38 836
Current tax payables		43 911	84 254	40 269	35 519
Other payables	25	1 001 405	368 275	426 126	557 503
Payables related to assets held for sale	20	62 296	0	0	0
Total Current liabilities		**1 503 547**	**834 082**	**970 452**	**1 239 642**
Total liabilities		**4 176 379**	**2 894 619**	**3 064 599**	**3 184 345**
Total liabilities and equity		**7 485 754**	**6 305 267**	**6 015 664**	**5 655 594**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Capital funds and funds from the translation of foreign currencies	Accumulated profits	Equity attributable to the shareholder of the parent company	Non-controlling interests	Equity
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Balance at 1 January 2016	**2 984**	**1 589 194**	**730 474**	**2 322 652**	**148 597**	**2 471 249**
Dividends	0	0	-140 000	-140 000	-8 621	-148 621
Profit for the period	0	0	559 506	559 506	72 630	632 136
Other comprehensive income	0	-17 356	0	-17 356	-1 926	-19 282
Change in non-controlling interests and treasury holdings	0	-1 926	49 267	47 341	-31 758	15 583
Balance at 31 December 2016	**2 984**	**1 569 912**	**1 199 247**	**2 772 143**	**178 922**	**2 951 065**
Dividends	0	0	-90 000	-90 000	-7 568	-97 568
Profit for the period	0	0	520 070	520 070	17 947	538 017
Other comprehensive income	0	201 903	0	201 903	6 802	208 705
Change in non-controlling interests and treasury holdings	0	6 802	-66 564	-59 762	-129 809	-189 571
Balance at 31 December 2017	**2 984**	**1 778 617**	**1 562 753**	**3 344 354**	**66 294**	**3 410 648**
Dividends	0	0	-255 000	-255 000	-5 467	-260 467
Profit for the period	0	0	588 221	588 221	12 692	600 913
Other comprehensive income	0	-377 068	0	-377 068	-7 995	-385 063
Change in non-controlling interests and treasury holdings	0	-7 995	-11 265	-19 260	-37 396	-56 656
Balance at 31 December 2018	**2 984**	**1 393 554**	**1 884 709**	**3 281 247**	**28 128**	**3 309 375**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 CZK '000	31 Dec 2017 CZK '000	31 Dec 2016 CZK '000
Opening balance of cash and cash equivalents	**323 360**	**343 005**	**263 925**
Cash flows from principal economic activity (operating activity)			
Profit from ordinary activity before tax	751 731	673 650	686 320
Adjustments for non-cash transactions	**356 290**	**28 186**	**189 608**
Depreciation/amortisation of non-current assets	406 689	389 648	348 586
Change in allowances and provisions	9 063	49 248	-86
Loss from the sale of non-current assets	-437	-1 086	-5 155
Interest expense and interest income	38 883	-15 458	39 076
Adjustments for other non-cash operations (deficit and damage on assets and inventories, unrealised profits/losses, remeasurement of derivative transactions)	-97 908	-394 166	-192 813
Net cash flow from operating activities before changes in working capital	**1 108 021**	**701 836**	**875 928**
Change in working capital	**40 160**	**-201 403**	**-296 006**
Change in receivables and deferred expenses/ accrued income	-76 283	-2 396	-97 890
Change in payables and accrued expenses/ deferred income	152 669	19 354	-56 263
Change in inventories	-36 226	-218 361	-141 853
Cash generated by operations	**1 148 181**	**500 433**	**579 922**
Interest paid	-42 495	-37 382	-24 286
Interest received	14 193	48 101	22
Income tax paid for ordinary activity	-190 826	-120 495	-112 735
Net cash flow from operating activities	**929 053**	**390 657**	**442 923**
Cash flows from investing activities			
Acquisition of non-current assets	-396 666	-313 934	-274 849
Income from the sale of non-current assets	11 034	1 319	6 696
Net cash flow from investing activities	**-385 632**	**-312 615**	**-268 153**
Cash flows from financing activities			
Change in payables from financing	739 314	-119	52 931
Changes in equity	-260 467	-97 568	-148 621
Dividends paid to shareholders	-255 000	-90 000	-140 000
Dividends paid to non-controlling interests	-5 467	-7 568	-8 621
Net cash flow from financing activities	**478 847**	**-97 687**	**-95 690**
Net change in cash and cash equivalents	**1 022 268**	**-19 645**	**79 080**
Closing balance of cash and cash equivalents	**1 345 628**	**323 360**	**343 005**

CZG - Česká zbrojovka Group SE

Consolidated Financial Statements

under International Financial Reporting Standards as Adopted by the European Union

for the Year Ended 31 December 2018

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1. Parent Company

CZG - Česká zbrojovka Group SE, former EHC CZUB, SE (hereinafter the "Consolidating Entity" or the "Company") is a joint stock company recorded in the Register of Companies held by the Municipal Court in Prague on 10 January 2013, having its registered office at Opletalova 1284/37, Nové Město, 110 00 Prague 1, Czech Republic, corporate ID No. 291 51 961. The Company's principal activity includes production trade and services not listed in Appendices 1 to 3 to the Trade Licensing Act. The Company proceeded to opt-in into the regime of Section 777 (5) of Act No. 90/2012 Coll., on Business Corporations and Cooperatives.

The following table shows individuals and legal entities with an equity interest greater than 10 percent:

Shareholder	**Ownership percentage as of 31 December**			
	2018	**2017**	**2016**	**2015**
Česká zbrojovka Partners SE	100%	0%	0%	0%
European Holding Company, SE	0%	100%	100%	100%

Since 2018, the majority owner of the Consolidating Entity has been Česká zbrojovka Partners, SE, based at Opletalova 1284/37, Nové Město, Prague 1.

The Consolidating Entity and consolidated entities are part of a larger consolidation group of the parent company European Holding Company, SE, based at Opletalova 1284/37, Nové Město, Prague.

Members of the statutory bodies as of 31 December 2018:

Board of Directors	
Member:	Hana Balounová

Supervisory Board	
Member:	René Holeček

The consolidation group (hereinafter the "Group") comprises the Company and the consolidated entities of the Group.

The consolidation group also includes entities controlled by the Company, i.e. entities in which the Company holds more than 50% of voting rights.

Information in these financial statements is presented in thousands of Czech crowns (CZK '000), which is also the functional currency.

2. Identification of the Group

Entity	Principal activity	Place of foundation and business operation	Consolidation method	Share of the Group in Equity			
				31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
CZG-Česká zbrojovka Group SE	Holding company	Prague	Full	100%	100%	100%	100%
EHC Zdravotní s.r.o.	Lease of real estate	Uherský Brod	Full	100%	100%	100%	-
CZUB Zdravotní s.r.o.	Providing medical services	Uherský Brod	Full	100%	100%	100%	-
CZ-US HOLDINGS Inc.	Purchase and sales of firearms and ammunition	USA	Full	100%	-	-	-
CZ-USA	Purchase and sale of firearms and ammunition	USA	Full	98%	97%	90%	90%
EHC -4 M, SE	Lease of real estate	Prague	Full	100%	100%	100%	-
4M SYSTEMS a.s.	Trade with military material	Prague	Full	51%	51%	51%	-
Česká zbrojovka a.s.	Production, purchase and sale of firearms and ammunition	Uherský Brod	Full	98%	97%	90%	90%
Česká zbrojovka CZ-AUTO a.s.	Lease of real estate	Uherský Brod	Full	98%	97%	90%	90%
UNION CS, spol. s r.o.	Production, purchase and sale of ammunition	Slovakia	Full	98%	97%	97%	97%
ZBROJOVKA BRNO, s.r.o.	Production, purchase and transport of firearms and ammunition	Brno	Full	100%	100%	90%	90%
CZ BRASIL LTDA	Purchase, sale of firearms and ammunition	Brazil	Equity	48%	48%	44%	44%
CZ - Slovensko s. r. o.	Production, purchase and sale of firearms and ammunition	Slovakia	Full	50%	50%	46%	46%
Latin America Holding, a.s.	Lease of real estate	Uherský Brod	Full	98%	98%	90%	90%
CARDAM s.r.o.	Development of firearms	Dolní Břežany	Equity	32%	32%	30%	0%

In 2018, a new entity was included in the consolidation group: CZ-US HOLDINGS Inc., which, however, did not perform any activity in 2018. During 2018, a decision on the sale of CZ – Slovensko s.r.o. was passed; in line with IFRS 5, assets and liabilities of this entity are reported as of 31 December 2018 as assets and liabilities held for sale. Česká zbrojovka a.s. is the major entity in the Group. In the text below, the term 'Group' refers to the consolidation group.

3. IFRS 1 – First-time Adoption of International Financial Reporting Standards

In line with the Accounting Act, the Company adopted International Financial Reporting Standards (IFRS) as adopted by the European Union in preparing the consolidated financial statements. The date of transition to IFRS 1 is 1 January 2016. A comment on the transition to IFRS is disclosed below in this Note. Reconciliation of IFRS and data from the financial statements under previous accounting standards are disclosed in Note 4. Note 5 discloses significant accounting principles and policies applied to the financial statements prepared as of 31 December 2018 with comparable periods ended 31 December 2017 and 31 December 2016 as well as to the preparation of the opening statement of financial position as of 1 January 2016.

The Company intends to issue securities traded on the European market; as a result, it has prepared the financial statements for the year ended 31 December 2018 under International Financial Reporting Standards as adopted by the European Union.

For preparing the Company's opening statement of financial position, the values presented in the latest published set of financial statements prepared as of 31 December 2015 under previous accounting standards (Czech Accounting Standards) were used. In the period immediately preceding the date of transition to IFRS (i.e. 31 December 2015), no consolidated financial statements were prepared by the Company. Reconciliation of individual items of assets, liabilities and equity as of the transition date and at the end of the reporting period for which financial statements were prepared under Czech Accounting Standards for the last time is thus performed between the Company's unconsolidated financial statements under Czech Accounting Standards and its consolidated financial statements under IFRS.

Before the date of transition to IFRS, the Company did not prepare the statement of comprehensive income. The impacts of the transition to IFRS on financial performance is presented by way of reconciliation of the profit and loss accounts prepared under Czech Accounting Standards and under IFRS for the last period in the Company's financial statements prepared under Czech Accounting Standards for the last time (i.e. for the year ended 31 December 2017).

Before the date of transition to IFRS, the Company did not present the cash flow statement; no reconciliation of the cash flow statements under previous accounting standards and IFRS has been made.

The column “Adjustments” in tables under Note 4 Reconciliation of the statement of financial position and the profit and loss account includes the following adjustments:

1. The consolidated financial statements include the impact of subsidiaries and associates. The carrying amount of investments in subsidiaries presented in the Company’s unconsolidated financial statements was replaced with the value of assets and liabilities of entities forming the consolidation group as presented in the unconsolidated financial statements of those entities (or adjusted to reflect a difference between Czech Accounting Standards and IFRS). Similarly, consolidated financial statements included income and expenses of those entities. Inter-company transaction between related parties forming the Group have been eliminated from the consolidated financial statements. For entities that adopted IFRS before 1 January 2016, assets and liabilities were included in consolidation in values assumed from the financial statements of those entities for individual reporting periods.
2. Adjustments related to business combinations were also reflected in the financial statements (including those realised before the transition to IFRS), including presentation of new intangible assets and goodwill.

The Company did not apply exceptions granted by IFRS 1 to first-time adopters. A description of accounting policies is disclosed in Note 5.

4. Reconciliation of the Statement of Financial Position and Profit and Loss Account

Reconciliation of the statement of financial position as of 1 January 2016

ASSETS	Prior accounting standards	Adjustments	IFRS
Property, plant and equipment	0	1 841 765	1 841 765
Intangible assets	0	1 212 009	1 212 009
Goodwill	0	280 686	280 686
Long-term receivables	173 059	-43 775	129 284
Investments in subsidiaries	2 761 993	-2 761 993	0
Total non-current assets	**2 935 052**	**528 692**	**3 463 744**
Inventories	0	1 447 641	1 447 641
Trade receivables	0	337 329	337 329
Current tax receivables	5 000	6 430	11 430
Other receivables	0	131 525	131 525
Cash and cash equivalents	658	263 267	263 925
Total current assets	**5 658**	**2 186 192**	**2 191 850**
Total assets	**2 940 710**	**2 714 884**	**5 655 594**

EQUITY AND LIABILITIES	Prior accounting standards	Adjustments	IFRS
Share capital	2 984	0	2 984
Capital funds	1 637 287	-48 093	1 589 194
Accumulated profits	552 853	177 621	730 474
Equity attributable to the Company's shareholder	2 193 124	129 528	2 322 652
Non-controlling interests	0	148 597	148 597
Total equity	**2 193 124**	**278 125**	**2 471 249**
Loans, borrowings and bonds	0	1 188 956	1 188 956
Other financial liabilities	295 000	0	295 000
Finance lease payables	0	10 023	10 023
Deferred tax liability	0	416 487	416 487
Provisions	0	32 246	32 246
Other long-term payables	0	1 991	1 991
Total non-current liabilities	**295 000**	**1 649 703**	**1 944 703**
Trade payables	5	389 274	389 279
Short-term loans, overdrafts and bonds	0	210 494	210 494
Finance lease payables	0	8 011	8 011
Provisions	0	38 836	38 836
Current tax payables	0	35 519	35 519
Other payables	452 581	104 922	557 503
Total current liabilities	**452 586**	**787 056**	**1 239 642**
Total liabilities	**747 586**	**2 436 759**	**3 184 345**
Total liabilities and equity	**2 940 710**	**2 714 884**	**5 655 594**

Reconciliation of the statement of financial position as of 31 December 2017

ASSETS	Prior accounting standards	Adjustments	IFRS
Property, plant and equipment	0	1 980 045	1 980 045
Intangible assets	0	1 009 446	1 009 446
Goodwill	0	280 686	280 686
Long-term receivables	0	52 856	52 856
Securities and equity-accounted investments	0	602	602
Investments in subsidiaries	2 764 884	-2 764 884	0
Total non-current assets	**2 764 884**	**558 751**	**3 323 635**
Inventories	0	1 746 802	1 746 802
Trade receivables	0	382 712	382 712
Current tax receivables	0	17 228	17 228
Other receivables	8 900	502 630	511 530
Cash and cash equivalents	13 688	309 672	323 360
Total current assets	**22 588**	**2 959 044**	**2 981 632**
Total assets	**2 787 472**	**3 517 795**	**6 305 267**

EQUITY AND LIABILITIES	Prior accounting standards	Adjustments	IFRS
Share capital	2 984	0	2 984
Accumulated profits	1 637 287	-74 534	1 562 753
Capital funds	952 186	826 431	1 778 617
Equity attributable to the Company's shareholder	2 592 457	751 897	3 344 354
Non-controlling interests	0	66 294	66 294
Total equity	2 592 457	818 191	3 410 648
Loans, borrowings and bonds	0	1 526 862	1 526 862
Other financial payables	125 000	0	125 000
Finance lease payables	0	4 828	4 828
Deferred tax liability	0	365 518	365 518
Provisions	0	36 687	36 687
Other long-term payables	0	1 642	1 642
Total non-current liabilities	125 000	1 935 537	2 060 537
Trade payables	14	312 623	312 637
Short-term loans, overdrafts and bonds	0	29 968	29 968
Finance lease liabilities	0	2 844	2 844
Provisions	0	36 104	36 104
Current tax payables	1	84 253	84 254
Other payables	70 000	298 275	368 275
Total current liabilities	70 015	764 067	834 082
Total liabilities	195 015	2 699 604	2 894 619
Total liabilities and equity	2 787 472	3 517 795	6 305 267

Reconciliation of the profit and loss account for the year ended 31 December 2017

	Prior accounting standards	Adjustments	IFRS
Income from the sale of goods, products and services	0	4 999 734	4 999 734
Income from principal activities	0	4 999 734	4 999 734
Other operating income	0	42 308	42 308
Change in internally developed inventories	0	245 171	245 171
Own work capitalised	0	116 209	116 209
Consumption of material, goods and energy	0	-2 293 636	-2 293 636
Services	-198	-894 636	-894 834
Personnel expenses	0	-1 075 658	-1 075 658
Depreciation and amortisation	0	-389 648	-389 648
Other operating expenses	0	-151 372	-151 372
Operating profit or loss	**-198**	**598 472**	**598 274**
Interest income	0	51 721	51 721
Interest expenses	0	-36 264	-36 264
Other financial income	90 353	232 782	323 135
Other financial expenses	-114	-263 102	-263 216
Share in the profit of associates	0	428	428
Profit before tax	**90 041**	**584 036**	**674 077**
Income tax	**1**	**-136 061**	**-136 060**
Profit for the period	**90 040**	**447 977**	**538 017**
Attributable to:			
Owner of the parent company	90 040	430 030	520 070
Non-controlling interests	0	17 947	17 947

5. Significant Accounting Policies

5.1. New and Revised IFRSs Adopted by the EU that Are Not Mandatorily Effective (but Allow Early Application) for the Year Ended 31 December 2018:

- IFRS 16 Leases;
- Amendments to IFRS 9 Financial Instruments;
- Amendments to IAS 28 Investments in Associates and Joint Ventures; and
- IFRIC 23 Uncertainty over Income Tax Treatments.

The Group did not apply these standards in 2018 before their binding effective date. The anticipated impact arising from the adoption of IFRS 16 is disclosed below. The impact of adopting other changes will not have a significant impact on the Group.

IFRS 16 – Leases

The standard was published by the IASB on 13 January 2016. In line with this standard, the lessee reports a liability corresponding to the present value of anticipated lease payments and, concurrently, the right of use of the subject of the lease. The right of use is presented as part of non-current assets based on the nature of the subject of the lease and is amortised over the lease term. The liability has to be gradually increased by the amount of interest and decreased by lease payments.

If the Group is a lessor, the lease is classified based on its nature as either operating or finance lease similarly as in prior periods. The Group will implement IFRS 16 as of 1 January 2019, with all adjustments reflected in the value of assets and liabilities as of 1 January 2019. The impact has been calculated to amount to CZK 35 million, whereby this amount will increase the value of the Company's assets. The amount is based on newly originated assets that have been classified and measured as the right of use arising from existing contracts for leased motor vehicles, except for leases with lease terms shorter than 12 months and low value items. No other significant effects of these contracts in 2019 have been identified.

5.2. Adoption of IFRS 9 – Financial Instruments in the first Financial Statements Prepared under IFRS and IFRS 15 Revenue from Contracts with Customers

IFRS 9 – Financial Instruments

The standard was published by the IASB on 24 June 2014. IFRS 9 has superseded IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 defines requirements for the recognition and measurement, impairment, derecognition and general hedge accounting.

The Group used the possibility of applying IAS 39 to assessing and maintaining hedge accounting also after 1 January 2018.

Classification and measurement of financial assets and liabilities

As of 1 January 2018, the Group assessed the classification and measurement of individual financial assets and the methods of their measurement. Financial assets classified as loans and receivables as of 31 December 2017 meet the criteria for measurement at amortised cost and since 1 January 2018, they have been classified under financial assets measured at amortised cost. The implementation of IFRS 9 did not result in a change in the classification or measurement of financial liabilities.

Financial asset impairment losses

IFRS 9 introduces an expected loss model for determining impairment losses. The Group assessed the impact of the new model for all financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income. Given the credit risk management method, the Group assessed the impact of the new rules for determining impairment losses to be insignificant.

Hedge accounting

The Group decided that, starting from 1 January 2018, hedge accounting would continue to be governed by IAS 39 rather than by the existing regulation in IFRS 9. Hedging derivatives refer to derivatives that may be used by the Group to hedge interest rate and currency risks. Hedging relationships are accounted for as a hedge only if all of the following criteria are met:

a) At the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;

b) It is anticipated that hedging will be highly effective in the compensation of changes in fair value or changes in cash flows relating to hedged risks, in line with the original documentation related to the company's strategy in the management of risks for the relevant hedging relationship;

c) For cash flow hedges, a forecast transaction that is subject to the hedge must be highly probably and must present an exposure to variations in cash flows that could ultimately affect profit or loss;

d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;

e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

IFRS 15 – Revenue from Contracts with Customers

The standard was published by the IASB on 28 May 2014 (on 11 September 2015, the IASB postponed the effective date to 1 January 2018 and on 12 April 2016 it published amendments to the standard – Clarifications to IFRS 15). The new standard principally focuses on accounting for performance obligations, a more-accurate definition of the principle of separately identifiable products and services, relationship between the principal and the agent, including the assessment of whether the Group acts as a represented or representing entity, the principle of control and licensing – the standard also includes other detailed provisions regulating accounting for intellectual property and licence fees. The Standard specifies how and when revenues are recognised, extending the area of disclosures. IFRS 15 supersedes IAS 18 Revenue, IAS 11 Construction Contracts and several interpretations relating to revenues.

The application of the standard comprises five basic steps:

- Identifying a contract with a customer;
- Identifying individual performance obligations under a contract;
- Determining the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the Group satisfies a performance obligation.

According to the basic principle of the new IFRS 15, the Group recognised revenue in the amount of the anticipated consideration which it should receive for goods or products transferred or services provided to the customer. Revenue is recognised when control of goods or services is transferred as part of specific contract performance.

In the application of IFRS 15, the Group used a modified retrospective approach. Upon the adoption of IFRS 15 from 1 January 2018, the Group analysed its contracts with customers and concluded that the adoption of this standard had not had any material impacts, which is why retained earnings of prior years were not adjusted. In 2018, the implementation of IFRS 15 did not result in any changes in the recognition of revenue from contracts with customers.

5.3. Standards and Interpretations Issued by the IASB but Not Yet Adopted by the EU:

- IFRS 14 Regulatory Deferral Accounts;
- IFRS 17 Insurance Contracts;
- Amendments to IFRS 3 Business Combinations;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures;
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors;
- Amendments to IAS 19 Employee Benefits;
- Amendments to various standards “Annual Improvements to IFRSs 2015–2017 Cycle”; and
- Amendments to references to the IFRS Conceptual Framework in IFRS.

The Group does not expect that the use of the above-listed changes in standards and interpretations will have a material impact on the financial statements.

5.4. Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

5.5. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants took those characteristics into account in pricing the asset or liability at the measurement date. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group applies Level 2 to financial instruments - derivatives.

5.6. Basis of Consolidation

The consolidated financial statements incorporate assets and liabilities of companies and entities (including structured entities and their subsidiaries) controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company holds less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and distribution of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intracompany assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

The measurement of inventories acquired from consolidated entities and presented in the statement of financial position at the end of the reporting period is reduced by the gross margin.

5.6.1. Changes in Accounting and Recognition

In 2018 or in other presented periods, no changes in the Group's general accounting policies were made, with the exception of new standards as disclosed in Note 5.2.

5.6.2. Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's controlling interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassify the gain or loss from equity to profit or loss or transfer directly to retained earnings if required by other IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost upon initial recognition of an investment in an associate or a joint venture.

5.7. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and equity interests held so far (if any), and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in an aquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration, which is classified as an asset or liability, is remeasured to fair value at subsequent reporting dates, in accordance with IFRS 9, Contingent Liabilities and Contingent Assets, with the relating gain or loss recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date

The Group did not use the exception allowing not to apply IFRS 3 to business combinations implemented before the transition to IFRS.

5.8. Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Profit or loss, assets and liabilities of associates are accounted for in these financial statements using the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether the value of the investment in an associate is impaired due to one or a series of events occurring after the initial recognition of the investment. The impairment of the investment is assessed by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of the impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

5.9. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

5.9.1. Sale of Products and Services

In recognising the sales of goods and services, the Group proceeds as follows:

- Identifying contracts with customers;
- Identifying performance obligations;
- Determining the transaction price;
- Allocating the transaction price; and
- Recognising revenue when the performance obligation has been satisfied.

Income from the sale of goods is recognised as soon as control over goods has been transferred to the customer.

The primary source of the Group's revenues is the sale of own products (firearms and accessories). The majority of revenues are reported at the time of delivery, i.e. at the time of transfer of ownership title or at the time of transfer of the risk related to the product provided that the following criteria are met:

- The Group has transferred material risks and revenues from the goods to the buyer;
- The Group is no longer involved in the management generally related to the ownership and it does not maintain control over the products sold;
- The amount of revenues can be reliably measured;
- It is probable that the Group will receive economic benefits related to the transaction; and
- The costs related to the transaction can be reliably determined.

5.9.2. Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement

5.9.3. Dividends and Interest Income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognized over the relevant period for each financial asset. Interest income is calculated by applying the effective interest rate, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the gross carrying amount of the financial asset.

5.10. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

5.10.1. The Group as Lessee

Assets held under finance leases are capitalised (increasing the acquisition cost of assets) and subsequently depreciated/amortised over their estimated useful lives. The present value of the respective lease liability is presented in non-current or current liabilities as appropriate. The interest component of the lease liability is recognised through expenses so as to ensure that the interest rate is constant over the entire lease term.

Financial expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

5.11. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. During the course of the reporting period, assets and liabilities denominated in foreign currencies are translated by the Group using the exchange rate promulgated by the Czech National Bank on the previous business day; as of the end of the reporting period, the exchange rate promulgated by the Czech National Bank as of 31 December is used.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange rate differences on monetary items are recognised in the profit or loss for the period in which they occurred, except for exchange rate differences on transactions concluded to hedge certain monetary risks (see Notes 5.26 and 5.27 below; accounting policies relating to financial derivatives).

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into Czech crowns using exchange rates promulgated by the Czech National Bank at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences from translating the functional currency of foreign entities into Czech crowns are recognised in other comprehensive income and accumulated in capital funds as part of equity (and attributed to non-controlling interests as appropriate).

5.12. Borrowing Costs

Borrowing costs of the Group directly attributable to the asset are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Borrowing costs relate to those assets for which more than 180 days have passed between the date of their initial recognition (date of invoice) and the date of their readiness for intended use (date of capitalisation in assets). The value of capitalised interest in individual years was as follows: CZK 1,791 thousand in 2018, CZK 718 thousand in 2017 and CZK 566 thousand in 2016.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.13. Government Grants, Investment Incentives

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Out of the consolidation group, only Česká zbrojovka a.s. used subsidies in 2016, 2017 and 2018. The effect of subsidies on the Group’s income and expenses in individual years was as follows: CZK 2,562 thousand in 2018, CZK 588 thousand in 2017 and CZK 672 thousand in 2016. Česká zbrojovka a.s. further used tax relief arising from investment incentives and employment of selected persons as disclosed in Note 17.

5.14. Employee Benefits

The Group does not operate its own private pension and retirement benefit plans. Therefore, it does not have any contractual or constructive obligations to make such contributions to funds.

The Group provides bonuses in relation to life jubilees and retirement for the work performed. Bonuses are differentiated based on the length of employment at the Company and recognised as a payable to employees using the the projected unit credit method.

5.15. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

5.15.1. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated individually for each Group entity under tax legislation of the country in which the Company is domiciled.

5.15.2. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5.15.3. Current and Deferred Tax for the Year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

5.16. Assets Held for Sale

Assets and disposal groups classified as held for sale are measured at the lower of the carrying amount and the fair value net of costs of sale. The Group classifies assets as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is considered to be met only if the sale is highly probable and the asset or group of assets are ready for immediate sale in their present condition. The Company management has to take steps leading to the sale of the asset or groups of asset so that the sale is completed within one year of the date of classification of the asset or group of assets as held for sale.

5.17. Property, Plant and Equipment – Tangible Fixed Assets

Tangible fixed assets are recognised at acquisition cost net of accumulated depreciation and accumulated impairment losses.

Purchased tangible fixed assets are carried at cost upon acquisition. The cost includes the direct costs of acquisition, transportation costs, customs duty and other costs related to acquisition.

Tangible fixed assets manufactured by the Group are measured at internal cost including direct material and payroll expenses and production overheads.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is calculated based on the acquisition cost and estimated useful life of the respective assets. Estimated useful lives are estimated as follows:

	Number of years (from – to)
Buildings	16 - 50
Machinery and equipment	4 - 52
Furnaces, cranes, conveyors	16 - 50
Tools	2 - 4
Vehicles	5 - 10
Office equipment	4
Furniture and fixtures	2 - 20

Land owned by the Company, tangible assets under construction and a collection of firearms are not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

5.18. Intangible Assets

5.18.1. Intangible Assets Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as follows:

	Number of years (from – to)
Research and development	4
Software	2 – 4
Other valuable rights	2 – 6
Contractual customer relationships	10
Other intangible fixed assets	2 – 6

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

5.18.2. Internally-developed Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The entity's ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets arising as a result of successful development activities are assessed as of the date of the meeting of the external examination board for the prototype as it is presumed that the above-listed criteria will be met.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date (mostly the date of the external examination board meeting) when the intangible asset first meets the recognition criteria listed above. Assets with the aggregate expenditure exceeding CZK 100,000 are recognised. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

5.18.3. Emission Allowances

Intangible fixed assets include emission allowances for greenhouse allowances. An initial free-of-charge acquisition of the allowances is recognised as a grant at acquisition cost. Where such asset is used, sold or disposed of in another manner, the corresponding amount credited to the grant account will be reported through the relevant revenue accounts to match the relating expenses.

The use of emission allowances is accounted for at the end of the reporting period, depending upon the level of emissions produced by the Company in the calendar year. A provision is created for produced emissions for which the Company has no emission allowances.

5.18.4. Derecognition of Intangible Assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

5.19. Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives, intangible assets that have not yet been used and goodwill are tested for impairment every year regardless of whether any indication of impairment exists.

5.20. Cash, Cash Equivalents

These include current, immediately convertible and highly-liquid investments recognised as current assets by the Company. There is a minimum risk of changes in their value; nevertheless, they may be affected by foreign exchange rate fluctuations when transactions are executed in foreign currencies but reported in the entity's functional currency.

5.21. Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of purchased inventories includes the purchase cost and relating acquisition costs (freight costs, custom fees, commissions etc).

Purchased inventories of unit material are stated at cost using the method of fixed costs and valuation variances.

Purchased inventories of overhead material are stated at cost. Individual items are issued out of stock at cost determined using the weighted arithmetic average method.

Internally developed inventories and work in progress are valued at actual purchase cost (material) and the transformation cost including direct payroll costs and part of production overheads corresponding to regular production capacity net of interest.

The net realisable value is the estimated selling price of inventory less all estimated costs of completion and costs necessary to make the sale.

5.22. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions recognised by the Group principally relate to legal disputes, contractual penalties, warranties and employee benefits.

5.22.1. Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure, based on historical data, required to settle the Group's obligation.

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

5.23. Financial Assets

Classification and measurement of financial assets in the period from 1 January 2018 to 31 December 2018

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), financial assets 'at fair value through other comprehensive income' (FVTOCI), and financial assets 'at amortised cost'. Equity securities are valued at fair value. The Group does not use the possibility to value selected equity securities through other comprehensive income; all equity securities are valued at fair value through profit or loss (FVTPL).

The classification and subsequent measurement of debt financial assets depends on the selected business model and the nature of cash flow arising from the respective asset. Financial assets held to collect contractual cash flows representing the payment of interest and principal are stated at amortised cost. Financial assets held to collect contractual cash flows representing the payment of interest and principal with the possible objective of selling them (the so-called mixed business model) are valued at fair value through other comprehensive income.

All ordinary purchases and sales of financial assets are recognised or derecognised based on the transaction date. Ordinary purchases and sales refer to purchases or sales of financial assets, which require the assets to be delivered in a timeframe determined by a regulation or market convention.

With regard to financial assets at amortised cost and debt financial assets at fair value through other comprehensive income, the Group determines an impairment loss in an amount corresponding to expected losses. The amount of the expected losses is based on historical experience, reflecting the anticipated market development.

Changes in the classification and measurement of financial assets and liabilities arising from the adoption of IFRS 9 and their impact are disclosed in Note 5.2.

Classification and measurement of financial assets in the period from 1 January 2016 to 31 December 2017

Financial assets are classified into the following specific categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, and 'loans and receivables'. The classification depends merely on the nature and purpose of financial assets, being determined upon initial recognition. All ordinary purchases and sales of financial assets are recognised or derecognised based on the transaction date. Ordinary purchases and sales refer to purchases or sales of financial assets, which require the assets to be delivered in a timeframe determined by a regulation or market convention.

Financial assets are classified at fair value through profit or loss in case the respective financial assets are either held for trading or designated as at fair value through profit or loss.

A financial asset is classified as held for trading, if:

- It has been acquired principally for the purpose of sale it in the near term;
- Upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are recognised at fair value, whereby all gains or losses from remeasurement are reported as income or expense.

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities where the Company has the intent and ability to hold them until maturity. Subsequent to initial recognition, investments held to maturity are stated at amortised cost using the effective interest rate method less impairment.

Financial assets available for sale are non-derivative instruments, which are either designated as assets available for sale or are not classified as (a) loans and receivables, (b) investments held to maturity or (c) financial assets at fair value through profit or loss.

Securities available for sale are stated at fair value with the exception of equity instruments, the fair value of which cannot be determined reliably in line with IAS 39. Those capital instruments are valued at cost and at least once a year, the Group assesses whether any impairment occurred. Changes in the valuation of securities available for sale are recorded under 'Other comprehensive income', with the exception of impairment loss and interest income and foreign exchange rate gains or losses on the bonds. Upon realisation, the respective revaluation is transferred to income or expenses as appropriate.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables (including trade receivables and other receivables) are valued at amortised cost using the effective rate method less impairment.

Impairment loss indicators in respect of financial assets other than assets at fair value through profit or loss are assessed at the end of each reporting period. Financial assets are impaired, if there is objective evidence that due to one or multiple events, which occurred subsequent to the initial recognition of the financial assets, the estimated future cash flows of the respective investment were affected. In case of financial assets at amortised cost, the impairment loss represents the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted at the financial asset's original effective interest rate.

5.23.1. Effective Interest Rate Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised using the effective interest method for financial assets other than those financial assets classified as at FVTPL.

5.24. Financial Liabilities and Equity Instruments

5.24.1. Classification as Debt or Equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

5.24.2. Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

5.24.2.1. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration, held for trading or is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term;
- Upon initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking;
- It is a derivative that is not designated as an effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- It forms part of a group of financial assets or financial liabilities or both which are managed and their performance is assessed in line with the entity's documented risk strategy or investment strategy based on fair value and information on this group is disclosed internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other financial income/expenses' line item in the consolidated statement of other comprehensive income/ statement of profit or loss.

5.24.2.2. Other Financial Liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability.

5.24.2.3. Bonds

The Company issues book-entry bearer bonds. Bonds are publically traded and registered on the regulated market. The issue of bonds is initially recognised at fair value net of transaction costs under non-current liabilities. Subsequent to initial recognition, the Company remeasures the issued bonds at their amortised cost using the effective interest rate.

5.24.2.4. Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- Loss allowance determined in accordance with IFRS 9; and
- Initial recognition decreased by revenues recognised in line with IFRS 15.

5.24.2.5. Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5.25. Financial Derivatives

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps.

Derivative instruments are classified as trading or hedging. Hedging derivatives are arranged by the Group for the purpose of cash flow hedges.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair values of trading derivatives are recognised to financial expenses, or financial income as appropriate. Changes in the fair value of derivative instruments (other than interest rate swaps which are always classified by the Group as held for trading) classified as fair value hedges are also recognised under financial expenses, or financial income, along with the respective change in the fair value of the hedged asset or liability relating to the hedged risk. Changes in the fair value of derivatives classified as cash flow hedges are recognised through equity and presented in the statement of financial position as part of funds from hedging other cash flows/other funds. The ineffective part of the hedge is reported directly to financial expenses or financial income.

5.26. Hedge Accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

For a derivative to be classified as hedging, changes in the fair value or in cash flows arising from derivative instruments must compensate, entirely or in part, changes in the fair value of the hedged item or changes in cash flows arising from the hedged item and the Company must document and demonstrate the existence of a hedge relationship as well as high effectiveness of the hedge. Derivative instruments that do not meet the above criteria are classified as held for trading.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The parent company uses financial derivative instruments to hedge currency and interest rate risks which it is exposed to as a result of its operations.

Hedging derivatives (other than interest rate swaps which are always classified by the Group as held for trading) meet the following hedge accounting criteria:

(a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity’s risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.;

(b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.;

(c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; and

(d) The effectiveness of the hedge can be reliably measured, ie the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured;

(e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group classified the transaction as a cash flow hedge. Hedging currency forwards are measured at fair value as of the end of the reporting period and this fair value is reported under gains or losses from measurement in the Company's equity.

5.26.1. Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging provision. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other financial income/expenses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

5.27. Non-controlling Interests

The Group recognises non-controlling interests under the equity of consolidated controlled entities classified as shares in the share capital, capital funds, profit funds, profit or loss of prior years and profit or loss for the period.

5.28. Use of Estimates

The presentation of financial statements in line with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and presentation of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Management of the Group has made these estimates on the basis of all the relevant information available to it. Nevertheless, the actual results and outcomes in the future may differ from these estimates. Key sources of uncertainty in making estimates at the end of the reporting period primarily include the valuation and useful lives of non-current assets, valuation of inventories and receivables and the fair value of financial derivative instruments.

6. Operating Segments

Segment reporting must be prepared in accordance with IFRS 8 Operating Segments defining requirements for the disclosure of financial information on the entity's operating segments. Differences it Group's products were chosen by the management as a key factor to identify the Group's operating segments. The proceeds from the sale of own products, goods and services of the Company are primarily generated in the segments of firearms, comprising the production, purchase and sale of firearms including accessories, as well as licences and the production of automotive components.

The Group's management does not report assets and liabilities by operating segments.

6.1. Segment Revenues and Results

Revenues and profit by individual segments for the year ended 31 December 2018 (in CZK '000):

	Firearms and Accessories	Automotive Components	Aviation and Others	Total
Revenues from the sale of own products, goods and services	5 246 672	342 885	228 699	5 818 256
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	1 109 435	46 286	41 626	1 197 347
Depreciation and amortisation	358 426	31 992	16 271	406 689
Earnings before Interest and Taxes (EBIT)	751 009	14 294	25 355	790 658
Interest income and interest expense	33 056	3 410	2 418	38 884
Earnings before Taxes (EBT)	717 953	10 884	22 937	751 774

Revenues and profit by individual segments for the year ended 31 December 2017 (in CZK '000):

	Firearms and Accessories	Automotive Components	Aviation and Others	Total
Revenues from the sale of own products, goods and services	4 481 655	325 477	192 602	4 999 734
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	979 598	46 310	22 360	1 048 268
Depreciation and amortisation	343 405	30 865	15 378	389 648
Earnings before Interest and Taxes (EBIT)	636 193	15 445	6 982	658 620
Interest income and interest expense	-12 436	-2 130	-891	-15 457
Earnings before Taxes (EBT)	648 629	17 575	7 873	674 077

Revenues and profit by individual segments for the year ended 31 December 2016 (in CZK '000):

	Firearms and Accessories	Automotive Components	Aviation and Others	Total
Revenues from the sale of own products, goods and services	4 402 502	311 321	216 460	4 930 283
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)	977 004	69 080	27 743	1 073 827
Depreciation and amortisation	305 238	28 567	14 781	348 586
Earnings before Interest and Taxes (EBIT)	671 766	40 513	12 962	725 241
Interest income and interest expense	32 997	3 587	2 493	39 077
Earnings before Taxes (EBT)	638 769	36 926	10 469	686 164

The segment "Other" comprises the production and services for the aircraft industry, production of gearwheels and other cooperative production (such as metallurgy).

6.2. Geographical Information

The table below specifies income from the sale of own products, goods and services by the most significant countries (in CZK '000):

Sales to external customers			
	2018	**2017**	**2016**
Czech Republic (home country)	1 366 718	520 162	946 767
USA	2 832 424	2 444 619	2 327 278
Europe (except for the Czech Republic)	921 423	882 262	868 466
Africa	137 929	476 328	261 644
Asia	279 423	412 774	298 980
Other	280 339	263 589	227 148
Total	**5 818 256**	**4 999 734**	**4 930 283**

7. Revenues

The table below shows a breakdown of the Group's sales by type (CZK '000):

	2018	2017	2016
Sale of goods	839 833	508 930	787 263
Sale of services	83 434	47 850	49 329
Sale of own products	4 786 330	4 442 954	4 093 691
Sale of a licence	108 659	0	0
Total	**5 818 256**	**4 999 734**	**4 930 283**

The Group's major sale in 2018 included the sale of an old licence for the production of firearms from Česká zbrojovka a.s. to CZ Export Praha, s.r.o.

8. Other Operating Income

The table below shows a breakdown of the Group's other operating income in individual years (CZK '000):

	2018	2017	2016
Contractual penalty	2 612	276	36
Sale of other licences	3 136	777	772
Rental income	1 932	3 218	1 985
Grants	1 562	588	615
Reimbursement from the insurance company	4 098	2 157	2 197
Reimbursement from employees, claims from suppliers etc.	471	443	945
Proceeds from the sale of fixed assets	437	1 145	6 447
Proceeds from the sale of material	27 209	19 377	27 585
Other	30 855	14 327	12 519
Total	**72 312**	**42 308**	**53 101**

9. Consumed Material, Goods and Energy

The table below shows a breakdown of consumption and costs of goods sold in individual years (CZK '000):

	2018	2017	2016
Costs of goods sold	593 874	334 930	570 099
Material consumption	2 047 696	1 882 833	1 684 694
Energy consumption	74 504	75 873	67 191
Total	**2 716 074**	**2 293 636**	**2 321 984**

10. Personnel Expenses

Breakdown of personnel expenses (CZK '000):

	2018		2017		2016	
	Total employees	Of which members of management bodies and managers	Total employees	Of which members of management bodies and managers	Total employees	Of which members of management bodies and managers
Average recalculated headcount	1 953	35	1 904	36	1 820	29
Wages and bonuses to members of the Company's bodies	881 469	84 806	800 974	67 881	706 606	64 611
Social security and health insurance	269 221	10 719	250 468	8 258	216 181	8 106
Social costs	30 117	598	24 216	450	25 079	325
Total	**1 180 807**	**96 123**	**1 075 658**	**76 589**	**947 866**	**73 042**

In 2018, members of statutory bodies, the Supervisory Board and managers received no loans, guarantees, advances and other benefits. Members of statutory bodies, the Supervisory Board and managers may use company cars for private purposes.

As of 31 December 2018, five individuals, i.e. four members of the Board of Directors and one manager of the Company, held 14,275 book-entry registered Class B shares with a nominal value of CZK 700 per share.

11. Services

The breakdown of services in individual years is as follows (CZK '000):

	2018	2017	2016
Maintenance of machinery and buildings, cleaning	31 721	30 841	28 223
Freight expenses relating to sale	89 851	88 998	83 523
Commission from sale	43 071	137 118	42 948
External services	50 585	46 008	29 317
Promotion, advertising and exhibitions	86 335	79 541	74 950
Postage, freight and telecommunication expenses	50 786	49 849	47 065
Rental	30 106	29 193	23 237
Travel expenses	36 072	38 838	38 487
Repairs	60 906	61 715	58 882
Advisory, legal services, translations, expertise	134 547	87 092	80 629
Leasing	10 914	9 171	7 963
Employment agency	44 719	67 261	62 745
Recycling and waste handling	2 819	2 692	2 613
Services related to firearms and services of immaterial nature	106 613	82 439	36 917
Other	96 467	84 078	75 598
Total	**875 512**	**894 834**	**693 097**

12. Other Operating Expenses

The table shows the composition of other operating expenses in individual years is as follows (CZK '000):

	2018	2017	2016
Taxes and levies	10 200	7 965	6 562
Change in provisions and allowances	8 835	52 144	2 084
Gifts	3 924	3 632	2 809
Fines and penalties	5 251	987	3 365
Insurance	18 195	17 982	18 375
Write-off of receivables	11 132	2 758	338
Assigned receivables	0	0	3 290
Damage compensation	616	719	365
Liquidation of inventories	10 224	36 788	8 710
Impairment – assets held for sale	20 192	0	0
Other operating expenses	30 965	28 397	22 998
Total	**119 534**	**151 372**	**68 896**

13. Allowances

Allowances constituting an impairment of assets and their changes were as follows (CZK ‘000):

Allowances for:	Balance at 1 Jan 2016	Charge for allowances	Release of allowances	Reversal of allowances	Impact of FX rate fluctuations	Balance at 31 Dec 2016	Charge for allowances	Release of allowances	Reversal of allowances	Impact of FX rate fluctuations	Balance at 31 Dec 2017	Charge for allowances	Release of allowances	Reversal of allowances	Impact of FX rate fluctuations	Balance at 31 Dec 2018
Non-current assets	-23 142	-15 332	0	0	0	-38 474	-2 870	0	0	0	-41 344	-1 581	0	0	0	-42 925
Inventories	-149 809	-21 139	5 433	0	0	-165 515	-77 585	33 662	0	0	-209 438	-70 476	72 626	0	0	-207 288
Prepayments made for inventories	-227	0	0	0	0	-227	-679	0	0	0	-906	-18 141	15 483	0	0	-3 564
Receivables – statutory	-13 151	-6 021	79	0	0	-19 093	-2 175	3 956	0	0	-17 312	-2 105	69	0	0	-19 348
Receivables – other	-51 060	-42 618	76 951	0	0	-16 727	-6 026	6 739	0	30	-15 984	-3 435	6 708	0	594	-12 117
Long-term prepayments made	-775	0	775	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	-238 164	-85 110	83 238	0	0	-240 036	-89 335	44 357	0	30	-284 984	-257 309	256 457	0	594	-285 242

Statutory allowances for receivables are created in line with the Act on Reserves and are tax-deductible. Substantially all impairment losses are reported within the segment Firearms and Accessories, as disclosed in the Section 6.1.

14. Provisions

The table below shows changes in current provisions (CZK ‘000):

Provisions	Balance at 1 Jan 2016	Charge of provisions	Release of provisions	Impact of exchange rate fluctuations	Balance at 31 Dec 2016	Charge of provisions	Release of provisions	Impact of exchange rate fluctuations	Balance at 31 Dec 2017	Charge of provisions	Release of provisions	Impact of exchange rate fluctuations	Balance at 31 Dec 2018 before adjustment	Transfer to assets held for sale	Balance at 31 Dec 2018
Legal disputes	0	0	0	0	0	2 600	0	0	2 600	0	0	0	2 600	0	2 600
Warranty repairs	0	0	0	0	0	779	0	0	779	0	-785	6	0	0	0
For outstanding vacation days	1 201	852	-551	0	1 502	347	0	0	1 849	0	-50	0	1 799	-468	1 331
For employee benefits - bonuses	37 491	47 420	-35 262	0	49 649	18 510	-37 399	0	30 760	31 077	-28 718	0	33 119	0	33 119
Other	144	108	-136	0	116	0	0	0	116	0	0	0	116	-105	11
Total	**38 836**	**48 380**	**-35 949**	0	**51 267**	**22 236**	**-37 399**	0	**36 104**	**31 077**	**-29 553**	**6**	**37 634**	**-573**	**37 061**

The table below shows changes in non-current provisions (CZK ‘000):

Provisions	Balance at 1 Jan 2016	Charge of provisions	Release of provisions	Impact of exchange rate fluctuations	Balance at 31 Dec 2016	Charge of provisions	Release of provisions	Impact of exchange rate fluctuations	Balance at 31 Dec 2017	Charge of provisions	Release of provisions	Impact of exchange rate fluctuations	Balance at 31 Dec 2018 before adjustment	Transfer to assets held for sale	Balance at 31 Dec 2018
Legal disputes	573	0	-323	0	250	17 000	0	0	17 250	0	0	0	17 250	0	17 250
Warranty repairs	11 495	0	-4 147	28	7 376	748	0	-143	7 981	4 280	-4 745	35	7 551	0	7 551
For outstanding vacation days	0	0	0	0	0	689	-445	-27	217	1 051	-694	6	580	-580	0
For employee benefits - bonuses	15 178	0	-5 131	0	10 047	348	-139	-8	10 248	361	0	0	10 609	-127	10 482
For the risks of legal disputes etc. in the area of business	5 000	0	-3 500	0	1 500	0	-500	0	1 000	0	0	0	1 000	0	1 000
Other	0	0	0	0	0	102	-111	0	-9	103	-103	2	-7	0	-7
Total	**32 246**	0	**-13 101**	**28**	**19 173**	**18 887**	**-1 195**	**-178**	**36 687**	**5 795**	**-5 542**	**43**	**36 983**	**-707**	**36 276**

These notes are an integral part of the consolidated financial statements.

The provisions for legal disputes relate to pending legal cases and lawsuits against the Group. The provision for warranty repairs is the management's best estimate concerning the future outflow of resources embodying economic benefits required in relation to warranty repairs of the Group under local legislation regulating the sale of products and commercial goods. The estimate is based on the present development of warranty repairs and estimated future development and may be changed as a result of introducing new materials, adjustments to production procedures or due to other circumstances affecting product quality.

The provision for employee benefits represents the accruals for outstanding vacation days, retirement bonuses upon the employee's entitlement to old-age, premature old-age or disability pensions and bonuses on the occasion of the 50th birthday. The terms for providing such bonuses are regulated by the Collective Agreement for the respective year and their amount depends, *inter alia*, on the length of employment at the Group. This provision is also created for unpaid remuneration of the respective period.

15. Other Financial Income

Other financial income in individual years (CZK '000):

	2018	2017	2016
Exchange rate gains	99 534	83 143	76 208
Income from derivative transactions	144 087	238 593	41 139
Other financial income	3 311	1 383	855
Other non-current financial income	0	16	102
Total	**246 932**	**323 135**	**118 304**

16. Other Financial Expenses

Financial expenses in individual years (CZK '000):

	2018	2017	2016
Expenses incurred by derivative transactions	61 373	63 875	123 283
Banking fees	10 156	13 563	10 001
Exchange rate losses	86 694	183 606	55 063
Other financial expenses	1 778	2 173	1 293
Total	**160 001**	**263 217**	**189 640**

17. Current Tax

Income tax in the individual years was as follows (CZK '000):

	2018	2017	2016
Income tax payable	162 895	168 506	123 783
Deferred tax	-12 034	-32 446	-69 755
Total	**150 861**	**136 060**	**54 028**

The table below shows the reconciliation of the profit or loss with current tax (CZK ‘000) in individual years:

	2018	2017	2016
Profit before tax	751 774	674 077	686 164
Difference between depreciation for accounting and tax purposes	-108 162	-93 791	-103 494
Tax non-deductible expenses			
Charge for provisions	1 826	2 351	-642
Charge for allowances	12 017	42 167	1 872
Other (such as representation costs, deficits and damage, estimates)	54 350	85 744	423 948
Other			
Impact of IFRS and consolidation adjustments	185 808	163 493	155 691
Expenses incurred by research and development projects	-34 450	-34 637	-31 748
Tax deduction for professional practice	-3 703	-4 157	-4 110
Value of gifts	-2 967	-3 498	-2 466
Tax losses of subsidiaries	0	0	0
Taxable income	**856 493**	**831 749**	**1 125 215**
Taxable income (Czech Republic) - 19%	782 970	753 234	1 015 551
Taxable income (USA) – 21% in 2018, 34% in 2017	73 523	78 516	109 664
Tax	**164 204**	**169 810**	**230 241**
Tax relief (disabled employees)	-1 309	-1 304	-1 110
Relief for investment incentives	0	0	-105 348
Tax paid abroad	0	0	0
Current tax	**162 895**	**168 506**	**123 783**

18. Deferred Tax

The Group calculated deferred tax as follows (CZK '000):

	31 Dec 2018				31 Dec 2017		31 Dec 2016		1 Jan 2016	
Deferred tax components	**Deferred tax asset before adjustment**	**Deferred tax liability before adjustment**	**Transfer to assets/liabilities held for sale**	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**
Difference between the net and tax book value of fixed assets	0	-165 139	1 388	-163 751	0	-155 795	0	-120 224	0	-118 343
Difference in allocating revaluation	0	-218 193	0	-218 193	0	-241 275	0	-268 984	0	-294 050
Other temporary differences:	0	0	0	0	0	0	0	0	0	0
Allowance for inventories	39 885	0	0	0	40 294	0	31 948	0	28 704	0
Consolidation adjustments (unrealised profit)	6 941	0	0	0	6 260	0	6 222	0	6 209	0
Provisions	15 511	0	0	0	14 024	0	13 826	0	14 377	0
Allowance for receivables	2 302	0	0	0	1 951	0	2 826	0	9 627	0
Derivative instruments (impact on equity)	61 018	0	0	0	13 927	-47 524	42 302	-16 373	35 236	-16 763
Inventory revaluation	0	0	0	0	0	0	0	-35 736	0	-81 953
Other	1 535	0	0	0	2 619	0	3 659	0	469	0
Total	127 192	-383 332	1 388	-381 944	79 075	-444 594	100 783	-441 317	94 622	-511 109
Deferred tax asset	**0**	**0**	**0**	**0**	**0**		**3 710**	**0**	**0**	**0**
Deferred tax liability	**0**	**-256 140**	**1 388**	**-254 752**	**0**	**-365 518**	**0**	**-344 244**	**0**	**-416 487**

These notes are an integral part of the consolidated financial statements.

19. Non-Current Assets

19.1. Intangible Fixed Assets

Cost

Year ended 31 December 2018 with the opening balance as of 31 December 2017. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Additions	Disposals	Decrease in cost/ transfers - subsidy	Impact of exchange rate fluctuations	Closing balance before adjustment	Transfer to assets held for sale	Closing balance
Research and development	403 307	24 381	-1 117	-289	0	426 282	0	426 282
Software	184 066	5 865	-2 882	0	9	187 058	-1 224	185 834
Valuable rights	63 867	527	0	0	0	64 394	0	64 394
Contractual customer relations	864 727	0	0	0	0	864 727	0	864 727
Other intangible fixed assets	68 439	672	-995	0	848	68 964	0	68 964
Intangible fixed assets under construction	12 456	22 844	-13 669	71	0	21 702	0	21 702
Prepayments made for intangible fixed assets	0	15	-3	0	0	12	0	12
Total in 2018	**1 596 862**	**54 304**	**-18 666**	**-218**	**857**	**1 633 139**	**-1 224**	**1 631 915**

Year ended 31 December 2017 with the opening balance as of 31 December 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Additions	Disposals	Decrease in cost/ transfers - subsidy	Impact of exchange rate fluctuations	Closing balance
Research and development	401 190	10 646	-8 529	0	0	403 307
Software	177 221	8 088	-1 178	0	-65	184 066
Valuable rights	63 164	752	-49	0	0	63 867
Contractual customer relations	864 727	0	0	0	0	864 727
Other intangible fixed assets	71 882	662	-963	0	-3 142	68 439
Intangible fixed assets under construction	7 225	15 634	-11 966	1 563	0	12 456
Prepayments made for intangible fixed assets	1 875	2 947	-4 822	0	0	0
Total in 2017	**1 587 284**	**38 729**	**-27 507**	**1 563**	**-3 207**	**1 596 862**

Year ended 31 December 2016 with the opening balance as of 1 January 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Additions	Disposals	Decrease in cost/ transfers - subsidy	Impact of exchange rate fluctuations	Closing balance
Research and development	382 317	20 946	-2 073	0	0	401 190
Software	172 604	7 412	-2 795	0	0	177 221
Valuable rights	61 834	1 330	0	0	0	63 164
Contractual customer relations	864 727	0	0	0	0	864 727
Other intangible fixed assets	71 422	642	-771	0	589	71 882
Intangible fixed assets under construction	13 183	11 326	-17 284	0	0	7 225
Prepayments made for intangible fixed assets	0	2 369	-494	0	0	1 875
Total in 2016	**1 566 087**	**44 025**	**-23 417**	0	**589**	**1 587 284**

Accumulated amortisation and allowances

Year ended 31 December 2018 with the opening balance as of 31 December 2017. Amounts in the table are presented (CZK '000).

GROUP	Opening balance	Amortisation	Sales, liquidation, disposals	Disposals	Impact of exchange rate fluctuations	Allowance for intangible FA	Closing balance before adjustment	Carrying amount before adjustment	Transfer to assets held for sale	Closing balance	Carrying amount
Research and development	-88 491	-18 093	463	0	0	0	-106 121	320 161	0	-106 121	320 161
Software	-124 538	-12 474	2 720	44	-8	46	-134 210	52 848	1 166	-133 044	52 790
Valuable rights	-24 219	-4 972	0	0	0	0	-29 191	35 203	0	-29 191	35 203
Contractual customer relations	-324 273	-86 473	0	0	0	0	-410 746	453 981	0	-410 746	453 981
Other intangible fixed assets	-25 550	-3 729	0	0	149	-675	-29 805	39 159	0	-29 805	39 159
Intangible fixed assets under construction	-345	-563	345	0	0	0	-563	21 139	0	-563	21 139
Prepayments made for intangible fixed assets	0	-12	0	0	0	0	-12	0	0	-12	0
Total in 2018	**-587 416**	**-126 316**	**3 528**	**44**	**141**	**-629**	**-710 648**	**922 491**	**1 166**	**-709 482**	**922 433**

Year ended 31 December 2017 with the opening balance as of 31 December 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Amortisation	Sales, liquidation	Disposals	Impact of exchange rate fluctuations	Allowance for intangible FA	Closing balance	Carrying amount
Research and development	-78 376	-17 902	8 529	0	0	-742	-88 491	314 816
Software	-114 902	-10 816	1 156	24	41	-41	-124 538	59 528
Valuable rights	-19 426	-4 843	50	0	0	0	-24 219	39 648
Contractual customer relations	-237 800	-86 473	0	0	0	0	-324 273	540 454
Other intangible fixed assets	-23 380	-4 267	349	0	1 640	108	-25 550	42 889
Intangible fixed assets under construction	0	-345	0	0	0	0	-345	12 111
Prepayments made for intangible fixed assets	0	0	0	0	0	0	0	0
Total in 2017	**-473 884**	**-124 646**	**10 084**	**24**	**1 681**	**-675**	**-587 416**	**1 009 446**

Year ended 31 December 2016 with the opening balance as of 1 January 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Amortisation	Sales, liquidation	Disposals	Impact of exchange rate fluctuations	Allowance for intangible FA	Closing balance	Carrying amount
Research and development	-62 170	-18 277	2 071	0	0	0	-78 376	322 814
Software	-107 463	-10 038	2 778	0	0	-179	-114 902	62 319
Valuable rights	-14 888	-4 538	0	0	0	0	-19 426	43 738
Contractual customer relations	-151 327	-86 473	0	0	0	0	-237 800	626 927
Other intangible fixed assets	-18 220	-4 229	0	0	-289	-642	-23 380	48 502
Intangible fixed assets under construction	0	0	0	0	0	0	0	7 225
Prepayments made for intangible fixed assets	0	0	0	0	0	0	0	1 875
Total in 2016	**-354 068**	**-123 555**	**4 849**	**0**	**-289**	**-821**	**-473 884**	**1 113 400**

Intangible assets also include intangible assets with indefinite useful lives. This principally relates to trademarks and logos with the carrying amount of CZK 233,000 thousand. As disclosed in Note 5.19, intangible assets with indefinite useful lives, intangible assets that have not yet been used and goodwill are tested for impairment by the Group on an annual basis. Intangible assets with indefinite useful lives are part of the same cash-generating unit as goodwill and are tested together with goodwill. As of 31 December 2018, 31 December 2017 and 31 December 2016, no impairment was identified.

19.2. Goodwill

Goodwill presented in the statement of financial position in the amount of CZK 280,686 thousand relates to the acquisition of Česká zbrojovka a.s. in 2014. As of the acquisition date, the amount of goodwill was determined as a difference between the (i) purchase price of the controlling interest increased by the fair value of previously purchased interests and (ii) the fair value of acquired assets net of the fair value of liabilities assumed as of the acquisition date. The value of the purchase price increased by the fair value of previously purchased interests was CZK 2,900,000 thousand, the fair value of assets net of the fair value of liabilities was CZK 2,619,314 thousand. The resulting difference of CZK 280,686 thousand was recognised as goodwill.

At least once a year, the Group assesses whether or not goodwill has been impaired. The recoverable amount is determined as the value in use based on the long-term cash flow plan. This plan anticipates a gradual growth in sales, operating profit and cash flow from operating activities for 2019-2023 (the average anticipated growth of 5%); on the grounds of prudence, the values for 2023 are also used for periods following 2023. In order to determine the discount rate, the internally set WAAC indicator is used, reflecting the costs of debt and capital financing of the Group. In 2018, this value was set at 7.5%.

19.3. Tangible Fixed Assets

Cost

Year ended 31 December 2018 with the opening balance as of 31 December 2017. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Additions	Disposals	Impact of exchange rate fluctuations	Closing balance before adjustment	Transfer to assets held for sale	Closing balance
Land	66 221	3	-5	0	66 219	0	66 219
Buildings	974 688	76 445	-10 386	1 922	1 042 669	-19 128	1 023 541
Movable tangible assets and their sets	3 316 831	445 511	-123 041	4 408	3 643 709	-59 420	3 584 289
Other tangible FA	7 006	124	-100	0	7 030	0	7 030
Tangible FA under construction	54 299	358 103	-371 921	1 000	41 481	-348	41 133
Prepayments made for tangible FA	54 060	116 237	-159 191	1 347	12 453	-2 269	10 184
Total 2018	**4 473 105**	**996 423**	**-664 644**	**8 677**	**4 813 561**	**-81 165**	**4 732 396**

Year ended 31 December 2017 with the opening balance as of 31 December 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Additions	Disposals	Impact of exchange rate fluctuations	Closing balance
Land	66 017	694	-490	0	66 221
Buildings	958 131	40 683	-13 905	-10 221	974 688
Movable tangible assets and their sets	3 230 467	242 568	-140 529	-15 675	3 316 831
Other tangible FA	7 088	48	-130	0	7 006
Tangible FA under construction	54 352	213 801	-213 855	1	54 299
Prepayments made for tangible FA	11 215	119 429	-76 584	0	54 060
Total 2017	**4 327 270**	**617 223**	**-445 493**	**-25 895**	**4 473 105**

Year ended 31 December 2016 with the opening balance as of 1 January 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Additions	Disposals	Impact of exchange rate fluctuations	Closing balance
Land	66 012	5	0	0	66 017
Buildings	946 723	10 423	0	985	958 131
Movable tangible assets and their sets	3 004 056	314 839	-90 336	1 908	3 230 467
Other tangible FA	6 791	418	-121	0	7 088
Tangible FA under construction	39 130	281 204	-265 982	0	54 352
Prepayments made for tangible FA	12 976	78 177	-79 937	-1	11 215
Total 2016	**4 075 688**	**685 066**	**-436 376**	**2 892**	**4 327 270**

Accumulated depreciation and allowances

Year ended 31 December 2018 with the opening balance as of 31 December 2017. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Depreciation	Sales, liquidation	Impact of exchange rate fluctuations	Allowance for tangible FA	Closing balance before adjustment	Carrying amount before adjustment	Transfer to assets held for sale	Closing balance after the transfer	Carrying amount
Land	0	0	0	0	0	0	66 219	0	0	66 219
Buildings	-425 538	-28 081	104	-344	-2 973	-456 832	585 837	160	-456 672	566 869
Movable tangible assets and their sets	-2 059 287	-248 823	136 170	-2 624	-1 858	-2 176 422	1 467 287	17 484	-2 158 938	1 425 351
Other tangible FA	-1 542	-185	18	0	0	-1 709	5 321	0	-1 709	5 321
Tangible FA under construction	-2 613	-2 072	0	0	180	-4 505	36 976	0	-4 505	36 628
Prepayments made for tangible FA	-4 080	-1 213	3 915	0	-718	-2 096	10 357	0	-2 096	8 088
Total 2018	**-2 493 060**	**-280 373**	**140 207**	**-2 968**	**-5 369**	**-2 641 564**	**2 171 997**	**17 644**	**-2 623 920**	**2 108 476**

Year ended 31 December 2017 with the opening balance as of 31 December 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Depreciation	Sale, liquidation	Impact of exchange rate fluctuations	Allowance for tangible FA	Closing balance	Carrying amount
Land	0	0	0	0	0	0	66 221
Buildings	-402 348	-24 829	9 513	926	-8 800	-425 538	549 150
Movable tangible assets and their sets	-1 977 422	-233 564	179 248	7 839	-35 388	-2 059 287	1 257 544
Other tangible FA	-1 348	-206	12	0	0	-1 542	5 464
Tangible FA under construction	-6	-2 324	6	0	-289	-2 613	51 686
Prepayments made for tangible FA	0	-4 080	0	0	0	-4 080	49 980
Total 2017	**-2 381 124**	**-265 003**	**188 779**	**8 765**	**-44 477**	**-2 493 060**	**1 980 045**

Year ended 31 December 2016 with the opening balance at 1 January 2016. Amounts in the table are presented in (CZK '000).

GROUP	Opening balance	Depreciation	Sale, liquidation	Impact of exchange rate fluctuations	Allowance for tangible FA	Closing balance	Carrying amount
Land	0	0	0	0	0	0	66 017
Buildings	-379 223	-19 637	0	-589	-2 899	-402 348	555 783
Movable tangible assets and their sets	-1 851 996	-205 218	106 734	-1 894	-25 048	-1 977 422	1 253 045
Other tangible FA	-1 264	-177	93	0	0	-1 348	5 740
Tangible FA under construction	-269	0	0	0	263	-6	54 346
Prepayments made for tangible FA	-1 171	0	0	0	1 171	0	11 215
Total 2016	**-2 233 923**	**-225 031**	**106 827**	**-2 483**	**-26 513**	**-2 381 124**	**1 946 146**

20. Assets and Liabilities Held for Sale

During 2018, the Group decided to sell its equity interest in CZ – Slovensko, s.r.o. In line with IFRS 5, assets and liabilities of this entity were recognised as of 31 December 2018 as assets and liabilities held for sale. The entity's activity was not classified as a discontinued operation as its loss does not represent a significant segment or geographical area for the Group. The sale of CZ – Slovensko, s.r.o. took place in 2019.

CZ – Slovensko, s.r.o. was sold for EUR 1. The value of the entity's liabilities was determined at CZK 62,296 thousand net of consolidation adjustments. The value of assets being disposed of in the amount of CZK 82,488 thousand was reduced such that the value of assets and liabilities being disposed of did not exceed the selling price of the group being disposed of. The impairment loss of CZK 20,192 thousand was reflected in the Group's other operating expenses.

The Group discloses in the tables below balance/value of assets and liabilities before "adjustment", which represents reclassification to Held for Sale and then the closing balance/value after the reclassification.

21. Inventories

The structure of inventories in individual years is as follows (CZK '000):

	31 Dec 2018 before adjustment	Value of inventories transferred to assets held for sale	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Material	415 893	-14 268	401 624	403 676	312 017	260 458
Production in progress and semi-finished products	356 190	0	356 190	364 587	370 333	283 943
Products	861 006	-1 557	859 449	840 743	743 262	738 612
Goods	141 863	0	141 863	132 043	140 333	136 092
Prepayments made for inventories	13 289	0	13 289	5 753	9 108	28 536
Total	**1 788 241**	**-15 825**	**1 772 415**	**1 746 802**	**1 575 053**	**1 447 641**

The valuation of redundant, obsolete and slow-moving inventories is decreased to the selling price net of the costs of sale by means of allowances. The allowance (refer to Note 13) was determined by the Group's management based on the movements of inventories and their planned consumption.

22. Receivables

The structure of other short-term receivables in individual years was as follows (CZK '000):

	31 Dec 2018 before adjustment	Value of receivables transferred to assets held for sale	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Short-term prepayments made	17 437	0	17 437	25 573	37 686	6 608
Sundry receivables	302 691	-230	302 461	464 519	92 369	101 729
Estimated receivables	12 196	0	12 196	186	0	0
Deferred expenses and accrued income	28 217	-139	28 078	21 253	21 899	23 188
Total	**360 540**	**-369**	**360 172**	**511 531**	**151 954**	**131 525**

The value of other receivables is composed primarily of derivative operations. The most significant items are receivables for purchased options and forwards.

The value of trade receivables past their due dates as of 31 December 2018 was CZK 302,692 thousand (31 December 2017: CZK 464,519 thousand). Allowances against unpaid receivables that are considered doubtful in 2018 and 2017 were created based on the period since their maturity date. Allowances are disclosed in Note 13.

22.1. Allowance against Receivables

The following allowances were recognised against the values of the Group's short-term receivables disclosed below (CZK '000):

	31 December 2018					31 December 2017		
	Receivables before adjustment	Value of receivables transferred to assets held for sale	Receivables	Allowance	Net receivables	Receivables	Allowance	Net receivables
Up to 3 months	457 343	-590	456 753	0	456 753	379 745	0	379 745
3-6 months	120 272	0	120 272	0	120 272	2 606	0	2 606
6-12 months	7 898	0	7 898	6 280	1 618	1 730	1 369	361
More than 1 year	25 964	0	25 964	25 185	779	25 900	25 900	0
Total	**611 477**	**-590**	**610 887**	**31 465**	**579 422**	**409 981**	**27 269**	**382 712**

	31 December 2016			1 January 2016		
	Receivables	Allowance	Net receivables	Receivables	Allowance	Net receivables
Up to 3 months	405 045	555	404 490	329 396	0	329 396
3-6 months	1 948	1 948	0	4 211	0	4 211
6-12 months	1 070	1 070	0	5 312	1 693	3 619
More than 1 year	31 373	31 373	0	62 386	62 283	103
Total	**439 436**	**34 946**	**404 490**	**401 305**	**63 976**	**337 329**

Structure of other long-term receivables in individual years was as follows (CZK '000):

	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Receivables for subscribed share capital	1 755	1 800	3 877	0
Trade receivables	9 910	4 221	0	0
Receivables from shareholders	14 061	37 308	126 251	123 284
Long-term prepayments made	2 750	2 750	2 772	2 537
Estimated receivables	10 137	0	0	0
Sundry receivables	9 736	6 777	5 363	3 463
Total	**48 349**	**52 856**	**138 263**	**129 284**

Receivables pledged in favour of the Group's creditors as of 31 December 2018 (CZK '000):

Receivables	Amount	Description
Short-term trade receivables pledged in favour of Komerční banka, a.s.	906 033	Agreement on a pledge on receivables from business contracts
Short-term trade receivables pledged in favour of Citizens Bank & Trust Company	126 427	Loan Agreement - Citizens Bank & Trust Company

* including receivables from related parties eliminated on consolidation

Receivables pledged in favour of the Group's creditors as of 31 December 2017 (CZK '000):

Receivables	Amount	Description
Short-term trade receivables pledged in favour of Komerční banka, a.s.	696 220	Agreement on a pledge on receivables from business contracts
Short-term trade receivables pledged in favour of Citizens Bank & Trust Company	150 606	Loan Agreement - Citizens Bank & Trust Company

* including receivables from related parties eliminated on consolidation

Receivables pledged in favour of the Group's creditors as of 31 December 2016 (CZK '000):

Receivables	Amount	Description
Short-term trade receivables pledged in favour of Komerční banka, a.s.	678 815	Agreement on a pledge on receivables from business contracts
Short-term trade receivables pledged in favour of Sberbank Slovensko, a.s.	2 868	Financing agreement no. 404 035 5402 - Sberbank Slovensko, a.s.
Short-term trade receivables pledged in favour of Citizens Bank & Trust Company	165 620	Loan agreement - Citizens Bank & Trust Company

* including receivables from related parties eliminated on consolidation

Receivables pledged in favour of the Group's creditors as of 1 January 2016 (CZK '000):

Receivables	Amount	Description
Short-term trade receivables pledged in favour of Komerční banka, a.s.	480 238	Agreement on a pledge on receivables from business contracts
Short-term trade receivables pledged in favour of Sberbank Slovensko, a.s.	79	Financing agreement no. 404 035 5402 - Sberbank Slovensko, a.s.
Short-term trade receivables pledged in favour of Citizens Bank & Trust Company	110 283	Loan agreement - Citizens Bank & Trust Company

* including receivables from related parties eliminated on consolidation

23. Cash and cash on bank accounts

The structure of cash was as follows (CZK '000):

	31 Dec 2018 before adjustment	Value of cash transferred to assets held for sale	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Cash on hand	4 893	-10	4 883	3 950	3 880	3 952
Cash at bank	1 340 841	-96	1 340 745	319 410	339 125	259 973
Total	**1 345 734**	**-106**	**1 345 628**	**323 360**	**343 005**	**263 925**

In 2018, Česká zbrojovka a.s. held a term deposit:

Bank	Term/Conditions	Interest Rate %	Amount in foreign currency	Currency	Amount in CZK '000 at 31 Dec 2018
Česká spořitelna, a.s.	13 Dec 2018 – 7 Jan 2019	2.10%	4 290	USD	96 379
Total			**4 290**		**96 379**

24. Capital and funds

The share capital of the consolidating company comprises 100 ordinary registered shares. The shares are in the certificate form with a nominal value of CZK 29,838 per share.

The structure of capital funds is summarised in the table below. The item 'Other capital funds' principally includes capital funds of the parent company, representing differences from the revaluation of assets and liabilities and the shareholder's contributions that do not increase the share capital.

	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Other comprehensive income	-243 733	141 330	-67 375	-48 093
Other capital funds	1 637 287	1 637 287	1 637 287	1 637 287
Total	**1 393 554**	**1 778 617**	**1 569 912**	**1 589 194**

25. Current liabilities

The structure of other current liabilities in individual years was as follows (CZK '000):

	31 Dec 2018 before adjustment	Value of liabilities transferred to liabilities held for sale	31 Dec 2018	31 Dec 2017	31 Dec 2016	1 Jan 2016
Short-term prepayments received	34 228	0	34 228	65 039	11 954	179 195
Liabilities – controlled or controlling entity outside of the CZG group	111 511	0	111 511	70 000	0	3 054
Payables to shareholders	7 121	0	7 121	2 136	3 306	3 307
Payables to employees	83 950	-1 512	82 438	51 011	46 475	45 731
Payables arising from social security and health insurance	26 599	-1 062	25 537	25 020	23 116	23 685
Accrued payables	126 211	0	126 211	13 154	11 440	15 749
Sundry payables	583 856	-50	583 806	122 975	309 817	279 814
Accrued expenses and deferred income	30 554	0	30 554	18 940	20 018	6 968
Total	**1 004 030**	**-2 624**	**1 001 406**	**368 275**	**426 126**	**557 503**

As of 31 December 2018, the Group recorded the following current liabilities which were subject to a pledge or guarantee in favour of the creditor:

Trade payables	Amount	Currency	Maturity date	Description of collateral or guarantee
	1,000,000.00	CZK	28 Feb 2019	Customs guarantee – Czech Republic
	73,195.00	USD	31 Mar 2019	Bank guarantee - Jordan
	8,926.10	USD	15 Feb 2020	Bank guarantee - Egypt
	29,930.00	USD	15 Feb 2020	Bank guarantee - Egypt
	19,043.00	USD	30 Mar 2020	Bank guarantee - Egypt
	200,000.00	EUR	20 May 2020	Bank guarantee - Hungary
	37,984.30	USD	10 Apr 2019	Bank guarantee - Egypt
	100,000.00	EUR	20 May 2020	Bank guarantee - Hungary
	36,460.00	USD	15 Sep 2019	Bank guarantee - Egypt
	100,000.00	EUR	20 May 2020	Bank guarantee - Hungary

As of 31 December 2017, the Group recorded the following current liabilities which were subject to a pledge or guarantee in favour of the creditor:

Trade payables	Amount	Currency	Maturity date	Description of collateral or guarantee
	1,000,000.00	CZK	31 Jan 2018	Customs guarantee – Czech Republic
	37,984.30	USD	10 Apr 2018	Bank guarantee - Egypt
	38,460.00	USD	30 Sep 2018	Bank guarantee - Egypt

As of 31 December 2016, the Group recorded the following current liabilities which were subject to a pledge or guarantee in favour of the creditor:

Trade payables	Amount	Currency	Maturity date	Description of collateral or guarantee
	3,920.00	EUR	31 Jan 2017	Bank guarantee
	434,137.00	USD	28 Apr 2017	Bank guarantee
	299,525.50	USD	22 May 2017	Bank guarantee
	50,000.00	USD	1 June 2017	Bank guarantee
	1,000,000.00	CZK	30 Nov 2017	Customs guarantee

As of 1 January 2016, the Group recorded the following current liabilities which were subject to a pledge or guarantee in favour of the creditor:

Trade payables	Amount	Currency	Maturity date	Description of collateral or guarantee
	3,920.00	EUR	31 Jan 2017	Bank guarantee – Turkey
	1,000,000.00	CZK	15 Apr 2016	Customs guarantee – Czech Republic
	50,000.00	USD	6 June 2016	Incentive guarantee – India
	2,311,703.00	USD	6 Feb 2016	Imports L/C – Mexico
	577,926.00	USD	6 Feb 2016	Imports L/C – Mexico

26. Bank Loans and Financial Borrowings

As of 31 December, the Company used bank loans as follows (CZK '000):

				31 Dec 2018				31 Dec 2017	
Bank	**Terms/ Conditions**	**Interest rate in %**	**Aggregate limit as of 31 Dec 2018 (CZK'000)**	**Amount in a foreign currency ('000)**	**Amount in CZK'000**	**Value of loans transferred to payables held for sale**	**31 Dec 2018**	**Amount in a foreign currency ('000)**	**Amount in CZK'000**
Komerční banka, a.s. and Česká spořitelna, a.s.	30 Sep 2021	1M Pribor + margin % p.a.	500 000	0	0	0	0	0	0
Bonds	27 Jan 2022	6M Pribor + margin % p.a.	2 250 000	0	2 250 000	0	2 250 000	0	1 500 000
Citizens Bank & Trust Company	30 Sep 2016	Prime lending rate % p.a.	112 330	0	0	0	0	0	0
Prima Banka Slovensko, a.s. – investment loan	31 Dec 2021	3M Euribor + % p.a.	61 740	940 EUR	24 174	-24 174	0	1 350 EUR	34 471
Prima Banka Slovensko, a.s. – overdraft loan	Within 1 month from giving notice	1M Euribor + p.a.	5 145	109 EUR	2 799	-2 799	0	184 EUR	4 709
Česká spořitelna, a.s.	2 May 2018	3M/6M Pribor + margin % p.a.	0	0	0	0	0	0	9 275
Česká spořitelna, a.s.	30 June 2019	1D Pribor + margin % p.a.	40 000	0	32 253	0	32 253	0	15 984
Total			**2 969 215**	0	**2 309 226**	**-26 973**	**2 282 253**	0	**1 564 439**
Repayment in the following year			0	0	13 346	-13 346	0	0	4 709
Long Term portion of long term debt			0	0	2 295 880	0	2 282 253	0	1 559 730

Bank	Terms/ Conditions	Interest rate in %	Aggregate limit as of 31 Dec 2018 (CZK'000)	31 Dec 2016		1 Jan 2016	
				Amount in a foreign currency (CZK'000)	Amount in CZK'000	Amount in a foreign currency (CZK'000)	Amount in CZK'000
Komerční banka, a.s. and Česká spořitelna, a.s.	30 Sep 2021	1M Pribor + margin % p.a.	500 000	0	0	0	50 000
Komerční banka, a.s. and Česká spořitelna, a.s.	30 Sep 2021	3M Pribor + margin % p.a.	0	0	0	0	450 000
Komerční banka, a.s. and Česká spořitelna, a.s.	30 Sep 2021	3M Pribor + margin % p.a.	0	0	0	0	819 579
Bonds	27 Jan 2022	6M Pribor + margin % p.a.	2 250 000	0	1 500 000	0	0
Citizens Bank & Trust Company	30 Sep 2016	Prime lending rate % p.a.	112 330	0	0	1 094 USD	27 149
Prima Banka Slovensko, a.s. – investment loan	31 Dec 2021	3M Euribor + % p.a.	61 740	1 700 EUR	45 926	1 678 EUR	45 342
Prima Banka Slovensko, a.s. – overdraft loan	Within 1 month from giving notice	1M Euribor + p.a.	5 145	190 EUR	5 136	259 EUR	7 003
Česká spořitelna, a.s.	2 May 2018	3M/6M Pribor + margin % p.a.	0	0	8 782	0	377
Česká spořitelna, a.s.	30 June 2019	1D Pribor + margin % p.a.	40 000	0	4 715	0	0
Total			**2 969 215**	0	**1 564 559**	0	**1 399 450**
Repayment in the following year			0	0	5 136	0	210 116
Long Term portion of long term debt			0	0	1 559 423	0	1 189 334

In 2018, Česká zbrojovka a.s. issued bonds with a nominal value of CZK 750,000 thousand. In 2016, the Consolidating Entity issued bonds with a nominal value of CZK 1,500,000 thousand. Both issues will fall due for redemption in 2022. Over the term of holding, the owners of such bonds will receive interest income. The interest period of such bonds is six months.

The relating interest expenses determined using the effective interest rate are part of interest expenses. As of 31 December 2018, they amounted to CZK 43,811 thousand, of which CZK 22,176 thousand includes outstanding interest expenses.

As of 31 December 2017, interest expense amounted to CZK 31,385 thousand, of which CZK 13,693 thousand includes outstanding interest expenses.

The costs related to the issue are part of the effective interest rate. The carrying amounts of issued bonds as of 31 December 2018, 31 December 2017 and 31 December 2016 was CZK 2,253,987 thousand, CZK 1,492,391 thousand and CZK 1,490,552 thousand, respectively.

Issued bonds bear a variable interest rate. Their fair value as of 31 December 2016, 31 December 2017 and 31 December 2018 did not substantially differ from their carrying amount.

The bank loans, also including those from CZ-Slovensko spol. s r.o., which were transferred to liabilities related to assets held for sale were subject to a pledge in favour of the creditor (CZK ‘000):

Liability	Balance in 2018	Description of the pledge
Prima Banka Slovensko, a.s. – overdraft loan	2 799	Pledge of movable assets, receivables from bank accounts, cash on a blocked account
Prima Banka Slovensko, a.s. – investment loan	24 174	Pledge of trade receivables, company guarantee of the Consolidating Entity 51% and 49% of another owner
Loan agreement - Česká spořitelna, a.s.	32 253	Pledge of movable assets and inventories, trade receivables, bank accounts, shares

In 2017, the following guarantee were established (CZK ‘000):

Liability	Balance in 2017	Description of the pledge
Prima Banka Slovensko, a.s. – overdraft loan	4 709	Pledge of movable assets, receivables from bank accounts, cash on a blocked account
Prima Banka Slovensko, a.s. – investment loan	34 471	Pledge of trade receivables, company guarantee of the Consolidating Entity
Loan agreement – Česká spořitelna, a.s.	9 275	Pledge of movable assets and inventories, trade receivables, bank accounts, shares
Loan agreement – Česká spořitelna, a.s.	15 984	Pledge of movable assets and inventories, trade receivables, bank accounts, shares

In 2016, the following guarantee were established (CZK ‘000):

Liability	Balance in 2016	Description of the pledge
Financing agreement no. 154 467 - Sberbank Slovensko, a.s.	45 926	Pledge of movable assets, receivables from bank accounts, cash on a blocked account
Financing agreement no. 404 035 5402 - Sberbank Slovensko, a.s.	5 136	Pledge of trade receivables, company guarantee of the Consolidating Entity
Loan agreement - Česká spořitelna, a.s.	8 782	Pledge of movable assets and inventories, trade receivables, bank accounts, shares
Loan agreement - Česká spořitelna, a.s.	4 715	Pledge of movable assets and inventories, trade receivables, bank accounts, shares

27. Finance Lease Payables

In line with its common practice, the Group holds part of machinery, cars and IT equipment under finance leases. The average lease term is 3-5 years.

	Minimum lease payments				Future payments of interest				Amount of future payables			
	2018	2017	2016	2015	2018	2017	2016	2015	2018	2017	2016	2015
Within 1 year	2 993	2 993	3 653	8 453	83	150	242	442	2 910	2 844	3 411	8 011
from 1 to 5 years	1 944	4 937	7 228	10 454	26	109	216	431	1 918	4 828	7 012	10 023
Total	**4 937**	**7 930**	**10 881**	**18 907**	**109**	**259**	**458**	**873**	**4 828**	**7 672**	**10 423**	**18 034**

28. Financial Assets and Liabilities

The table below provides an overview of financial assets and liabilities in the accounting records (CZK ‘000):

Financial assets	**31 Dec 2018 before adjustment**	**Financial assets transferred to assets held for sale**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2016**	**1 Jan 2016**
Short-term portion						
Cash and cash equivalents	1 345 734	-106	1 345 628	323 360	343 005	263 925
Trade receivables	580 012	-590	579 422	382 712	404 490	337 329
Financial derivatives held for trading	66 074	0	66 074	175 063	5 772	12 975
Financial derivatives used for hedge accounting	192 376	0	192 376	250 124	86 175	88 225
Due and other tax receivables	5 669	-435	5 234	17 228	58 782	11 430
Other short-term receivables	73 874	-230	73 644	65 091	38 108	7 137
Total	**2 263 739**	**-1 361**	**2 262 378**	**1 213 578**	**936 332**	**721 021**
Long-term portion						
Other long-term receivables	48 349	0	48 349	52 856	138 263	129 284
Total	**48 349**	**0**	**48 349**	**52 856**	**138 263**	**129 284**

Financial liabilities	**31 Dec 2018 before adjustment**	**Financial liabilities transferred to liabilities held for sale**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2016**	**1 Jan 2016**
Short-term portion						
Trade payables	330 852	-7 141	323 711	312 637	421 289	389 279
Finance lease payables	2 910	0	2 910	2 844	3 411	8 011
Financial derivatives held for trading	18 160	0	18 160	42 969	85 469	69 316
Financial derivatives used for hedge accounting	552 039	0	552 039	73 302	222 643	185 451
Due and other tax liabilities	44 213	-302	43 911	84 254	40 269	35 519
Other short-term payables	424 190	-23 537	400 653	233 064	97 996	295 768
Loans, bonds and borrowings	45 599	-13 346	32 253	29 968	28 090	210 494
Total	**1 417 963**	**-44 326**	**1 373 637**	**779 038**	**899 167**	**1 193 838**
Long-term portion						
Finance lease payables	1 918	0	1 918	4 828	7 012	10 023
Other long-term payables	125 993	-94	125 899	126 642	196 727	296 991
Loans and borrowings	2 267 613	-13 626	2 253 987	1 526 862	1 526 991	1 188 956
Total	**2 395 524**	**-13 720**	**2 381 804**	**1 658 332**	**1 730 730**	**1 495 970**

29. Derivative Instruments

29.1. Currency Contracts

Pursuant to the Group's decision, as of 31 December 2018, 31 December 2017, 31 December 2016 and 1 January 2016, derivative instruments denominated in USD with the settlement date within 100 days will be reported as trading derivatives, depending on the maturity of hedged receivables denominated in USD.

As of 31 December 2018, 31 December 2017, 31 December 2016 and 1 January 2016, derivative instruments denominated in EUR with the settlement date within 60 days will be reported as trading derivatives, depending on the maturity of hedged receivables denominated in EUR.

The following table provides an overview of nominal values and positive or negative fair values of open trading derivatives as of 31 December (CZK '000):

	31 Dec 2018			31 Dec 2017		
		Fair value			Fair value	
CZK '000	**Nominal**	**Positive**	**Negative**	**Nominal**	**Positive**	**Negative**
Interest rate swap	0	47 652	0	0	40 001	0
Put option	485 516	6 745	0	776 956	53 570	0
Call option	723 781	0	18 160	1 103 690	0	16 358
Currency swap	11 233	728	0	0	0	0
Forwards	288 973	10 949	0	347 053	81 492	26 611
Total	**1 509 503**	**66 074**	**18 160**	**2 227 699**	**175 063**	**42 969**

	31 Dec 2016			1 Jan 2016		
		Fair value			Fair value	
CZK '000	**Nominal**	**Positive**	**Negative**	**Nominal**	**Positive**	**Negative**
Interest rate swap	0	0	11 857	0	0	8 926
Put option	653 795	5 772	0	372 360	12 903	0
Call option	1 039 661	0	58 738	1 005 372	0	24 523
Currency swap	0	0	495	0	0	0
Forwards	202 548	0	14 379	629 527	71	35 867
Total	**1 896 004**	**5 772**	**85 469**	**2 007 259**	**12 974**	**69 316**

The following table provides an overview of nominal values and positive or negative fair values of open trading derivatives as of 31 December (CZK '000):

	31 Dec 2018			31 Dec 2017		
		Fair value			Fair value	
CZK '000	**Nominal**	**Positive**	**Negative**	**Nominal**	**Positive**	**Negative**
Currency contracts						
Put option	10 176 550	188 335	0	2 590 404	144 148	0
Call option	13 487 408	0	525 001	3 617 176	0	73 234
Currency swap	232 763	0	1 426	305 608	9 865	0
Forwards	1 800 750	4 041	25 612	2 064 675	96 111	68
Total	**25 697 471**	**192 376**	**552 039**	**8 577 863**	**250 124**	**73 302**

	31 Dec 2016			1 Jan 2016		
		Fair value			Fair value	
CZK '000	**Nominal**	**Positive**	**Negative**	**Negative**	**Positive**	**Negative**
Put option	2 566 770	77 966	0	1 710 248	87 744	0
Call option	3 268 344	0	183 581	2 178 143	0	129 952
Forwards	1 542 098	8 209	39 062	766 131	481	55 499
Total	**7 377 212**	**86 175**	**222 643**	**4 654 522**	**88 225**	**185 451**

The fair value of financial derivatives (interest rate swaps and currency forwards) is determined based on the present value of future cash flows based on market data as yield curves of referential interest rate swaps, spot foreign exchange rates and forward points. For currency options, the respective option model is used (primarily the Black-Scholes model or its modifications), with the specific input data including the volatility of currency exchange rates reflecting specific realisation rates of individual transactions ("volatility smile"). The fair values determined by the Company are verified in view of the valuation of transactions obtained from individual counter-parties on an individual basis. Interest rate risks relating to derivative transactions are considered immaterial.

The fair values of derivative transactions are classified as level 2, whereby the market data used in models originate from active markets. For other financial instruments, the fair value approximates the carrying amount.

The tables below show open foreign-currency forwards at the end of the reporting period and open foreign currency Put Options at the end of the reporting period

Open Currency Forwards	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due within 100 days (held for trading) - SWAP	23,915	24,196	500	7 500	11 958	181 473	728	22 282
Due within 100 days (held for trading) – USD/EUR	1,105	-	10 000	-	9 048	-	9 417	-
Due in more than 100 days (held for hedging)	-	23,930	-	25 000	-	598 240	-	69 817
Due in more than 100 days (held for trading)	-	24,245	-	-	-	8 495	-	8 474
Due in more than 100 days (held for trading) - USD/EUR	-	1,105	-	10 000	-	9 048	-	24 251
EUR	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due in more than 60 days (held for trading)	26,354	25,665	2 500	-1 000	65 885	-25 665	1 532	-125
Due in more than 60 days (held for hedging)	26,281	26,405	70 000	60 000	1 839 668	1 584 283	-21 571	26 226
Due in more than 60 days (held for hedging) - SWAP	25,800	-	9 048	-	233 442	-	-1 425	-

Open Currency Forwards	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due within 100 days (held for trading)	23,782	24,824	7 900	23 400	187 875	580 882	-14 379	-34 910
Due in more than 100 days (held for hedging)	24,039	22,139	33 800	21 500	812 515	475 987	-28 074	-50 788
EUR	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due within 60 days (held for trading)	-	26,533	-	1 800	-	47 759	-	-886
Due in more than 60 days (held for hedging)	26,353	26,446	25 000	8 600	658 830	227 434	-2 779	-4 230

Open Put Option	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due within 100 days (held for trading)	22,605	24,053	1 000	12 400	22 605	298 260	163	34 137
Due in more than 100 days (held for hedging)	24,030	23,710	6 000	29 000	144 180	687 565	10 424	78 572
EUR	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due within 60 days (held for trading)								
Due in more than 60 days (held for hedging)	26,087	26,210	390 350	77 250	10 183 132	2 024 689	177 911	65 576
Due in more than 60 days (held for trading)	26,380	26,380	18 000	18 000	474 840	474 840	6 582	12 136

Open Put Option	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due within 100 days (held for trading)	24,109	26,500	15 500	5 000	373 692	132 500	1 579	-271
Due in more than 100 days (held for hedging)	23,630	23,739	76 400	44 400	1 805 326	1 054 030	57 330	61 918
EUR	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due in more than 60 days (held for hedging)	26,433	26,433	22 500	22 500	594 750	594 750	20 636	25 826

The table below shows open foreign currency Call Options at the end of the reporting period, open foreign currency Put Options with a barrier at the end of the reporting period and open foreign currency Call Options with a barrier at the end of the reporting period:

Open Call Options	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due within 100 days (held for trading)	25,500	24,295	1 300	16 200	33 150	393 576	-	-57
Due in more than 100 days (held for hedging)	24,513	24,011	7 800	37 400	191 198	898 011	-432	-2 741
EUR	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due within 60 days (held for trading)								
Due in more than 60 days (held for hedging)	26,088	26,201	517 480	110 450	13 499 894	2 893 918	-524 569	-70 493
Due in more than 60 days (held for trading)	26,380	26,380	27 000	27 000	712 260	712 260	-18 160	-16 301

Open Put Option with a barrier	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due within and in more than 100 days (held for trading)	-	24,200	-	2 500	-	60 500	-	7 297

Open Call Option with a barrier	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Due within and in more than 100 days (held for trading)	-	24,200	-	3 250	-	78 650	-	-

Open Call Option	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due within 100 days (held for trading)	24,261	23,500	18 550	10 000	450 048	235 000	-27 077	949
Due in more than 100 days (held for hedging)	24,350	24,787	96 650	55 900	2 353 447	1 385 610	-154 444	-83 038
EUR	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due in more than 60 days (held for hedging)	26,433	26,433	29 250	29 250	773 175	773 175	-29 137	-46 913

Open Call Option - (PUT Sold)	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due within and in more than 100 days (held for trading)	24,760	26,067	9 000	17 500	222 839	456 175	-10 887	-6 339

Open Put Option with a barrier	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Due within and in more than 100 days (held for trading)	24,100	24,100	10 000	10 000	241 000	241 000	4 193	13 174

Open Call Option with a barrier	Average exchange rate		Foreign currency		Nominal value		Fair value	
USD								
Due within and in more than 100 days (held for trading)	24,100	24,100	13 000	13 000	313 300	313 300	-20 774	-19 134

Derivatives are included in other receivables and payables and recorded as short-term as they are always assessed within one year. The table below shows maturity dates of individual currency swaps as of 31 December 2018 and 31 December 2017 based on their fair and nominal values:

		31 Dec 2018	
Aging structure	**Type of transaction**	**Fair value in CZK '000**	**Nominal value in CZK '000**
Within 3 months	Trading	11 839	351 877
3-6 months	Hedging (cash flow hedge)	11 416	2 789 008
6-12 months	Hedging (cash flow hedge)	-7 960	2 042 787
1-2 years	Trading	-3 675	707 438
	Hedging (cash flow hedge)	-55 206	5 070 912
2-3 years	Trading	-7 903	450 188
	Hedging (cash flow hedge)	-85 490	5 462 961
3-4 years	Hedging (cash flow hedge)	-108 215	5 249 444
	Trading	47 652	1 200 000
4-5 years	Hedging (cash flow hedge)	-114 207	5 082 360
Total		**-311 749**	**28 406 975**

		31 Dec 2017	
Aging structure	**Type of transaction**	**Fair value in CZK '000**	**Nominal value in CZK '000**
3-6 months	Trading	8 474	0
	Hedging (cash flow hedge)	95 030	1 059 204
6-12 months	Trading	41 974	1 176 123
	Hedging (cash flow hedge)	63 533	865 488
1-2 years	Trading	24 251	212 910
	Hedging (cash flow hedge)	31 390	1 419 296
2-3 years	Trading	1 397	702 350
3-4 years	Trading	7 044	1 965 303
	Hedging (cash flow hedge)	-5 562	446 950
4-5 years	Trading	-1 587	1 652 438
	Hedging (cash flow hedge)	-6 894	999 891
Total		**259 050**	**10 499 953**

		31 Dec 2016	
Aging structure	**Type of transaction**	**Fair value in CZK '000**	**Nominal value in CZK '000**
Within 3 months	Trading	-50 134	1 232 535
3-6 months	Trading	-5 274	139 920
	Hedging (cash flow hedge)	-25 812	799 593
6-12 months	Trading	-8 078	277 150
	Hedging (cash flow hedge)	-36 943	1 352 774
1-2 years	Trading	-3 860	139 150
	Hedging (cash flow hedge)	-62 375	3 016 932
2-3 years	Trading	-6 152	978 954
3-4 years	Trading	-3 724	586 726
4-5 years	Trading	-1 461	263 068
Total		**-203 813**	**8 786 802**

		1 January 2016	
Aging structure	**Type of transaction**	**Fair value in CZK '000**	**Nominal value in CZK '000**
Within 3 months	Trading	-31 929	1 010 308
	Hedging (cash flow hedge)	-498	23 818
3-6 months	Trading	-4 995	176 509
	Hedging (cash flow hedge)	-15 748	229 758
6-12 months	Trading	-4 532	228 088
	Hedging (cash flow hedge)	-33 379	316 850
1-2 years	Trading	-4 014	415 150
	Hedging (cash flow hedge)	-14 017	1 488 097
2-3 years	Trading	-1 945	139 150
	Hedging (cash flow hedge)	-17 168	1 261 580
3-4 years	Trading	-8 748	735 626
4-5 years	Trading	-7 669	455 256
Total		**-144 642**	**6 480 190**

29.2. Interest Rate Swaps

This interest rate swap contract obliges for the exchange of the difference between the fixed and variable interest calculated on the agreed principal. This contract allows eliminating the risk of impact of changes in interest rates on the value of issued debt instruments with a fixed rate and the risk of changes in cash flows of debt instruments with a variable rate. The fair value of the interest rate swap at the end of the reporting period is determined by discounting future cash flows. The fair value of the interest rate swap is shown in the table below.

Open interest rate swaps (receipt of a variable interest rate)	**Agreed fixed interest rate**		**Agreed principal**		**Fair value of payables**		**Fair value of receivables**	
	31 Dec 2018 %	**31 Dec 2017** %	**31 Dec 2018** CZK '000	**31 Dec 2017** CZK '000	**31 Dec 2018** CZK '000	**31 Dec 2017** CZK '000	**31 Dec 2018** CZK '000	**31 Dec 2017** CZK '000
Komerční banka, a.s. – within 5 years	0	0	0	0	0	0	0	0
Komerční banka, a.s.	0	0	0	0	0	0	0	0
Komerční banka, a.s.	0,6770	0,6770	1 200 000	1 200 000	0	0	47 652	40 001

Open interest rate swaps (receipt of a variable interest rate)	**Agreed fixed interest rate**		**Agreed principal**		**Fair value of payables**	
	31 Dec 2016	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
	%	%	CZK '000	CZK '000	CZK '000	CZK '000
Komerční banka, a.s. – within 5 years	0	0,8750	0	250 000	0	4 310
Komerční banka, a.s.	0	0,9075	0	250 000	0	4 616
Komerční banka, a.s.	0,6770	0	1 200 000	0	11 857	0

The interest rate swap agreement is agreed with the financing bank for a period from 27 January 2016 to 27 January 2022. The interest rate swap falls due biannually, with the variable rate being the respective interbanking rate (6M PRIBOR). CZUB shall pay the difference between the fixed and variable interest rates on a net basis. This interest rate swap is classified by the Company as held for trading. As of the end of the reporting period, these transactions are remeasured at fair value.

Changes in the fair values of derivatives held for trading are recognised through financial expenses, or income. All interest rate swaps are classified by the Company as held for trading. Changes in the fair values of derivatives held for trading are recognised through financial expenses, or income.

29.3. Option Contracts

Members of the Board of Directors and managers of the parent company own 14,275 Class B book-entry registered shares with a nominal value of CZK 700 per share. Class B shares have carried the right to the payment of profit since 2015 and other rights defined by law and the Company's statutes. For these shares, members of the statutory body owe CZK 14,061 thousand to the Company, including interest income. Simultaneously, the Company concluded option contracts with members of the statutory body for the resale/repurchase of the Company's 14,275 ordinary shares whereby options may be exercised from 31 December 2019. As the amount of a potential liability cannot be determined with a reasonable level of certainty, these contracts are treated as a contingent liability.

30. Risk Management

30.1. Currency Risk Management

The Company performs certain transactions denominated in a foreign currency, giving rise to the risk relating to exchange rate fluctuations. Exposure to exchange rate risks is governed by parameters approved based on currency forwards and options.

The carrying amount of the Group's monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period:

In '000	**Payables**		**Receivables and assets**	
	31 Dec 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
EUR	2 377	4 127	20 523	6 949
USD	1 039	484	14 604	537

In '000	**Payables**		**Receivables and assets**	
	31 Dec 2016	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
EUR	5 855	4 455	8 084	5 481
USD	537	5 984	14 293	14 734

30.2. Sensitivity to Exchange Rate Fluctuations

The Group is exposed to currency risk, especially in relation to EUR and USD.

The following table shows the Company's sensitivity to a 10% appreciation and depreciation of the Czech crown towards the respective foreign currencies. The sensitivity analysis only includes outstanding monetary items denominated in a foreign currency, adjusting their translation at the end of the reporting period by a 10% change in exchange rates. The positive value indicates an increase in profits or equity due to a potential appreciation of the Czech crown by 10% towards the respective currency. A 10% depreciation of the Czech crown towards the respective currency resulted in a corresponding impact on the profit and the amounts disclosed below were reported with an opposite sign.

CZK '000	Impact of EUR		Impact of USD	
	31 Dec 2018	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Profit	46 679	7 210	30 475	77 872

CZK '000	Impact of EUR		Impact of USD	
	31 Dec 2016	**1 Jan 2016**	**31 Dec 2016**	**1 Jan 2016**
Profit	6 024	2 773	35 268	21 722

30.3. Interest rate risk management

The Group is exposed to the risk of interest rates changes as the Group borrows funds with variable interest rates. The Group has managed interest rate risk using interest rate swap agreements since 2014. This ensures the utilisation of hedging strategies which are economically most effective.

The Group's exposure to interest rates for financial assets and financial liabilities is disclosed below in detail in the part concerning liquidity risk management.

30.4. Interest Rate Sensitivity Analysis

The below interest rate sensitivity analysis was determined based on the exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period. Payables with a floating interest rate are subject to the analysis provided that the value of principal remains unchanged throughout the reporting period based on a calculation of the average annual principal.

If interest rates were higher/lower by 50 basis points and all other variables remained constant, the profit or loss would change based on the values specified below. This primarily involves exposures of Česká zbrojovka a.s. towards interest rates for loans with a variable rate.

	Impact of changes in interest rates (CZK '000)	
	31 Dec 2018	31 Dec 2017
Profit or loss/Equity	8 333	7 698

	Impact of changes in interest rates (CZK '000)	
	31 Dec 2016	1 Jan 2016
Profit or loss/Equity	8 133	6 164

30.5. Liquidity Risk Management

The Group manages liquidity risk by retaining banking sources and loan instruments, ongoing monitoring of anticipated and actual cash flows and adapting the maturity of financial assets and financial liabilities.

Liquidity Risk

Liquidity risk is a risk that the Group will not have sufficient available resources to meet its payables arising from financial contracts.

The table below includes assets and liabilities based on the residual maturity of undiscounted cash expenditure (residual maturity is the period from the end of the reporting period and the date of contractual maturity). Receivables and payables past their due dates are included in the 'Within 3 months' column. Short-term receivables which are neither past their due date nor allowed for have good credit quality. Trade receivables include short-term as well as long-term trade receivables.

31 Dec 2018	Within 3 months	From 3 to 6 months	From 6 months to 1 year	1 - 5 years	More than 5 years	Total	Value transferred to assets held for sale	Carrying amount
Trade receivables	548 075	48 570	14 622	10 120	0	621 387	-590	620 797
Long-term payables	0	0	0	125 000	0	125 000	0	125 000
Bank loans, bonds and overdraft loans	13 346	0	0	2 295 880	0	2 309 226	-26 973	2 282 253
Finance lease payables	728	728	1 455	1 917	0	4 828	0	4 828
Trade payables	310 163	22 195	243	995	0	333 596	-9 885	323 711

31 Dec 2017	Within 3 months	From 3 to 6 months	From 6 months to 1 year	1 - 5 years	More than 5 years	Carrying amount
Trade receivables	347 387	60 970	9 076	2 795	0	420 228
Long-term payables	0	0	0	125 000	0	125 000
Bank loans, bonds and overdraft loans	4 709	0	0	59 730	1 500 000	1 564 439
Finance lease payables	748	748	1 238	4 938	0	7 672
Trade payables	299 836	12 275	0	526	0	312 637

31 Dec 2016	Within 3 months	From 3 to 6 months	From 6 months to 1 year	1 - 5 years	More than 5 years	Carrying amount
Trade receivables	412 880	7 478	19 078	0	0	439 436
Long-term payables	0	0	0	195 000	0	195 000
Bank loans, bonds and overdraft loans	3 648	3 648	7 297	49 966	1 500 000	1 564 559
Finance lease payables	956	864	1 591	7 012	0	10 423
Trade payables	401 941	19 348	0	0	0	421 289

1 Jan 2016	Within 3 months	From 3 to 6 months	From 6 months to 1 year	1 - 5 years	More than 5 years	Carrying amount
Trade receivables	347 423	8 796	45 087	0	0	401 306
Long-term payables	0	0	0	295 000	0	295 000
Bank loans, bonds and overdraft loans	110 116	20 000	80 000	711 648	477 686	1 399 450
Finance lease payables	2 684	3 048	2 279	10 023	0	18 034
Trade payables	370 166	15 067	4 046	0	0	389 279

The fair value of financial assets and financial liabilities approximates their carrying amount.

30.6. Credit Risk Management

Credit risk management of the Group is based on the ongoing monitoring of its customers creditworthiness and regular review of receivables aging. Impairment losses are recognised using expected losses model based on historical data and management assessment of future development.

30.7. Other Risks

The Group’s business can be additionally affected by the following factors:

- Competitive environment: the Group does business on a highly competitive market. An increase in production capacities or portfolio expansion of competitors may have a negative impact on the Group’s business.
- Innovation, research and development: requirements for success in the production and sale of firearms are continuous investments in the research and development of new products, which may, in the event that the result cannot be commercially used, have a negative impact on the Group’s business.
- Expansion of production capacities: in relation to the planned expansion of production capacities, the Group is exposed to the risk that in the event of a decline in sales it will not be able to fully utilise the capacities.
- Regulation of the sale of firearms: stricter regulation of the sale of firearms may have a negative impact on the Group’s business in the future.

The Group regularly analyses and evaluates the factors that could have an impact on the Group’s business.

31. Information on Related Parties

In 2018, 2017 and 2016, members of statutory and supervisory bodies of the parent company and other consolidated entities and managers received no loans, guarantees, advances and other benefits. Members of statutory and supervisory bodies and managers may use company cars for private purposes.

In 2018, members of the Board of Directors and managers held 14,275 Class B book-entry registered shares with a nominal value of CZK 700 per share. Class B shares do not carry the right to participation in the Company's voting rights. Class B shares carry the right to the payment of profit shares paid out by the Company and other rights defined by law and the Company's statutes including the right to the potential liquidation value. For these shares, members of the statutory body owe CZK 14,061 thousand (i.e. the Company records a long-term receivable including interest income). Simultaneously, the Company concluded option contracts with members of the statutory body for the repurchase of the Company's 14,275 ordinary shares.

The Company has transactions with the following related parties. Payables and receivables as of 31 December 2018 are translated using the final exchange rate as of 31 December 2018 and purchases and sales for the year ended 31 December 2018 are translated using the average exchange rate as of 31 December 2018 (table in CZK '000):

Name of the related party	Payables as of 31 Dec 2018	Volume of purchases in 2018	Receivables as of 31 Dec 2018	Volume of sales in 2018
European Holding Company, SE	91 500	0	0	0
CZ Export Praha, s.r.o.	20 011	11	0	0
Česká zbrojovka Partners SE	125 000	0	0	0

32. Off Balance Sheet Commitments

As of 31 December 2018, guarantees issued by the Group in respect of third-party liabilities, refer to Note 26. As of 31 December 2018, the Group recorded option contracts, refer to Note 29.3.

As of 31 December 2018, records no significant legal disputes where the Group acts as a plaintiff and a defendant or investment, environmental and other off balance sheet commitments.

33. Net Earnings per Share

Basic and diluted earnings per share were determined as follows:

	2018	2017	2016
Numerator (CZK '000)			
Profit after tax attributable to the owner of the parent company	588 221	520 070	559 506
Denominator (average number of shares in CZK '000)			
Basic	29 838	29 838	29 838
Diluted	29 838	29 838	29 838
Net earnings per share (CZK/ share)			
Basic	20	17	19
Diluted	20	17	19

As disclosed in Note 34, the parent company's ordinary shares split before preparing the financial statements without any change in the share capital; specifically, 100 shares split into 29,838,000 shares. For calculating net earnings per share, the value of 29,838,000 shares was used.

34. Significant Events After the Reporting Period

As of 1 January 2019, a change was made in the structure of the Company's registered share capital. The registered share capital is composed of 612,324 A Class shares and 75,170 B Class shares. A Class shares entail a pre-emptive right to B Class shares.

Subsequent to the end of the reporting period, Česká zbrojovka a.s. demerged in the form of spin-off with the formation of a new entity. The demerged part of net assets was constituted by a 100% equity investment in CZ-USA Kansas. The merger effective date was 1 January 2019. The demerged equity interest remains to be controlled by the Group.

On 16 January 2019, approved dividend advances were paid out to the parent company and statutory bodies.

On 14 March 2019, UNION CS, spol. s r.o. was renamed as CZ – Slovensko s.r.o.

On 28 May 2019, the General Meeting approved the transfer of shares of Česká zbrojovka CZ-AUTO a.s. from Česká zbrojovka a.s. to CZG – Česká zbrojovka Group SE (former EHC CZUB, SE).

On 4 June 2019, EHC CZUB, SE, the majority shareholder of Česká zbrojovka a.s., was renamed as CZG – Česká zbrojovka Group SE.

On 17 June 2019, the remaining portion of dividends was paid to the parent company and members of statutory bodies.

On 17 June 2019, the Group sold equity investments in EHC Zdravotní s.r.o. and CZUB Zdravotní s.r.o. and obtained control over CZ Export Praha, s.r.o.

In October 2019, Jan Drahota and Lubomír Kovařík were appointed new members of the parent company's Board of Directors.

In October 2019, the existing ordinary shares of the parent company split without any change in the share capital; specifically, 100 shares split into 29,838,000 shares. The new nominal value per share is CZK 0.10. Furthermore, the shares changed from shares in certificate form to book-entry shares.

In the period after 31 December 2018, the composition of statutory and supervisory bodies of selected consolidated entities changed. However, these changes will have no impact on the Group's operation.

On 1 August 2019, a merger of CZG - Česká zbrojovka Group SE (the "Successor Company"), as the Successor Company, with CZUSA HOLDING COMPANY a.s., (the "Dissolving Company"), as the Dissolving Company, was realised under Section 1 (2) and Section 61 *et seq*. and Section 100 *et seq.* of Act No. 125/2008 Coll., on Transformation of Business Companies and Cooperatives, as amended, the process of a merger by amalgamation (the "Merger by Amalgamation"), with effect as of the date of recording the Merger.

On 30 August 2019, CZG - Česká zbrojovka Group SE contributed a 100% equity investment in CZ-USA to the equity of CZ-US Holdings Inc. The amount of the contribution was determined based on Expert Opinion of 30 June 2019 prepared by Equity Solutions Appraisals s.r.o., No. 305-4605/2019, in the amount of USD 24,992,626, which is an equivalent of CZK 558,910,095, translated using the Czech National Bank's exchange rate as of 30 June 2019.

Before the preparation of the financial statements, the Group started planning the spin-off of production of parts for the automotive industry outside of the Group. The production for the automotive industry is reported in these financial statements as a separate operating segment in Note 6.