ABS JETS

ANNUAL REPORT

2016

Content

Introduction by the Chairman of the Board of Directors

Dear colleagues, trading partners, dear clients,

As an introduction, let me make the observation that the year of 2016 was again very successful for ABS Jets.

During the past year, we managed to cross the magic border of 30,000 flight hours with no incidents. Within over 2,000 realized flights, from which more than 3 tens were long-distance flights to exotic destinations, lot of inspections of our crews were performed in the target destinations by local representatives of the Civil Aviation Authority. No significant issue was found during these random checks.

We attended to the advancing of the safety of our air traffic in a very intensive way all the year round. An evidence of it could be, for example, a new and mandatory Upset Prevention and Recovery Training (UPRT) was implemented on simulators, during which our crews actively train in the picking up of the so called unaccustomed positions of an aircraft. At the same time, we provided our pilots of fully unique drills of recognition of hypoxia symptoms in vacuum chambers from the Institute of Aviation Medicine. Although the occurrence of such situations is very improbable, we wish to be absolutely prepared for these events.

Our maintenance center has recently received an authorization for warranty repairs of aircraft interiors of the Brazil manufacturer Embraer. Among the performed maintenance projects during the last year, we performed the unique straight triple modernization of the avionics, consisting of the ADS-B Out implementation on type of the Embraer Legacy 600. We managed to extend even more our experience as a result of the first inspection at all in the range of A-Check on type of the Gulfstream G550 and the Embraer Phenom 300.

The quality of the services of our Maintenance Department was awarded two times within the international field during the last year. Firstly, in April during the international conference in Munich, where we were nominated as the best Embraer's maintenance center in the EMEA region, and consequently, in one of our the most important markets in Russia, where we gained the top position in the prestigious competition of Wings of Business, in the category MRO – International Participation.

The record-breaking year was also evidenced by our Flight Planning Department, for which over 3,600 scheduled flight segments in 2016 meant the definite maximum for the last 5 years. This result was also achieved due to the acquisition of a few clients from Latin America and the USA, as well as from Europe and the Near East.

Analogical good results were achieved by our Aircraft Ground Handling Department in Prague Airport. There we obtained the international IS-BAH certification, the holders of which must prove uncompromising observance of the standards for handling of aircraft and travelers specified by the IBAC International Organization, as the first company in the Central and East Europe, after almost two years of intensive preparations, in the end of 2016. For now, this certification is owned by less than one hundred organizations. That way, we have been lined up among the top companies in the sphere of handling organizations.

As a conclusion, let me express my gratitude to all employees of ABS Jets - without you, the mentioned achievements would not be possible. I also would like to thank our shareholders, clients and business partners for their constant faith in ABS Jets.

Marcel Dostal
Chairman of the Board of Directors

ABS Jets

3612
planned flights during the year

3971
flown hours during the year

2984
handled rotations during the year

211
employees

in figures

Worldwide activities

11 300m²
hangar area

12
managed aircraft

49
handled MEDEVAC flights during the year

Report of the Company's Board of Directors on the Company's business and assets in the 2016 accounting period

Financial Results

For the 2016's fiscal year, ABS Jets a.s. showed a stable trading income in the total amount of TCZK 20 345 (after tax) – which is a result 4% better when compared to the previous year, namely with the active capital in the total amount of TCZK 801 880 by the end of the year 2016. The property status of the company ABS Jets a.s. corresponds to the data described in the regular statement of financial balances made for the fiscal period of 2016. During that fiscal period, the company management carried out the obligations resulting from the general binding and valid legal provisions, especially the ones concerning the Civil Code, Business Corporation Act, Trade Law, Accounting Law and other legal provisions, as well as obligations resulting from the Articles of Association and from the conclusions adopted by the decision of shareholders while exercising activities related to the company's general meeting.

Main characteristics of the 2016 business year and outlook for the year 2017

In 2016, the company ABS Jets performed more than 2000 flights – while the total 30000 flight hours since the beginning of the company was reached. The obligatory UPRT (Upset Prevention and Recovery Training) was introduced, and the board staff was trained (using the under pressure chambers) to be capable of recognizing hypoxia's symptoms.

The maintenance center got the license to perform warranty repairs of interiors from Embraer, the 34th project C-Check was completed, and the first ever inspections of type A-Check for the aircraft Embraer Phenom 300 and the Gulfstream G550 were performed. The greatest success was the victory on the award „Wings of Business" as the best maintenance center, granted by the Russian Association for Business Aviation.

For the control department, this year was a record-breaking one – with more than 3600 supported rotations. This was due to new clients from North America and Latin America, as well as Europe.

The ABS Jets' Handling kept its leading position in both bases; by the end of the year, being fully prepared, it passed the certification audit for obtaining the international IS-BAH certification. Besides that, in the very end of the year, Handling Team cleared the 20,000 flight in company's history.

As a final action, the departments of Travel Management and Marketing were restructured and became independent, in order to increase the potential of these departments in both the domestic and foreign fields.

Company Profile

Branches

Prague / LKPR since 2004 (headquarters)

Aircraft Management
Aircraft Maintenance
CAMO
Ground handling
Flight planning
Charter services
Travel Management
Hangarage

Bratislava / LZIB since 2007

Aircraft Management
Aircraft Line Maintenance
Ground handling
Flight planning
Charter services
Travel Management
Hangarage

Headquarters, Prague, Czech Republic

ABS Jets a.s. was established on June 30th 2004 through the record into the Commercial Register. The company is recorded in the Commercial Register of the Municipal court in Prague, section B, file 9421.

Company's registered office:

K Letišti 549 – Hangár C, 161 00 Prague 6 – Ruzyně, Czech Republic

Contact data:

Web: www.absjets.com, **Email:** info@absjets.com

General Enquiries
+420 733 788 716
info@absjets.com

Aircraft Maintenance
(CZ) +420 733 788 206
maintenance@absjets.com

AOG Hotline (24/7)
(CZ) +420 725 529 489
engineering@absjets.com

Travel Management (24/7)
(CZ/SK) +420 733 788 792
travel@absjets.com

Ground Handling (24/7)
(CZ) +420 725 747 997
handling@absjets.com

Flight Planning (24/7)
(CZ/SK) +420 602 316 636
occ@absjets.com

Charter Services (24/7)
(CZ/SK) +420 602 136 230
sales@absjets.com

Organisatory Unit Bratislava, Slovakia

Company ABS Jets, a.s. also carries business on the territory of Slovakia, namely through its organisatory unit, being recorded in the Commercial register of the Regional Court Bratislava I, section B, file 1523/B.

This organisatory unit was established on November 9th, 2007.

Organisatory unit's registered office:

Letisko M.R. Štefánika, 823 11 Bratislava, Slovakia

Contact data:

Web: www.absjets.com, **Email:** bts@absjets.com

Charter Services (24/7)
(CZ/SK) +420 602 136 230

Ground Handling (24/7)
(SK) +420 911 563 190
handlingbts@absjets.com

Flight planning (24/7)
(CZ/SK) +420 602 316 636

AOG Hotline (24/7)
(SK) +421 911 748 546
engineering@absjets.com

Travel Management (24/7)
(CZ/SK) +420 733 788 792
travel@absjets.com

Establishment of the Company

The Company ABS Jets, a.s. Was established on June 30th 2004 by means of the record into the Commercial Register.

Subject of Enterprise:

The main subjects of enterprise of the company are as follows:

- pursuit of the international flight transport;
- development, design, manufacturing, testing, maintenance, repairing, modifying and design changes of aircraft, parts of aircraft, and aeronautical technics, procurement of commerce and services;
- rendering of services in clearing process in the airport Prague -Ruzyně Jih, which includes both the technical and operating clearance of aircraft in the handling area, check-in of the passengers and the luggage;
- services for pre-flight preparation and monitoring of flight;
- innkeeper activity;
- real property rentals, apartment rentals, non-residential room rentals, without rendering of services others than the essential services ensuring the proper function of the real properties, apartments, and non-residential rooms;
- the manufacture, trade and services not specified in Annexes 1 to 3 to the Trades Licensing Act.

Proprietary structure of the company, valid and effective on the date December 31st, 2015:

ARTHUR, BRADLEY & SMITH LTD
50 % of stock

BRIDGEHILL LIMITED
50 % of stock

Associations' Memberships

NBAA (National Business Aviation Association)
EBAA (European Business Aviation Association)
RUBAA (Russian United Business Aviation Association)

Mission, Vision & Values

Vision

To be the market leader in the Central European region in providing our Clients with the complete range of services related to their business aviation needs.

Mission

To provide our clients with a maximum care ensuring a high level of safety and eficiency, to increase company value and to expand our business activities for our shareholders.

Values

SAFETY
– Keeping safety as our priority.

QUALITY
– Serving our clients' needs and providing excellence and value.

INNOVATION
– Embracing and driving continuous improvement.

EMPLOYEES
– Empowering all employees.

RESPECT
– Fostering respect and teamwork.

ENTHUSIASM
– Cultivating passion and determination.

Management Team

Andrea Brdiarová

Chief Executive Officer, Member of the Board of Directors

Andrea graduated from the Technical University in Ostrava, with a degree in engineering. She has been working for ABS Jets since 2004. For a long time, she worked as Flight Coordinator, where maximum flexibility, loyalty to clients and profound knowledge of the aviation company's environment are expected. This job also requires the ability to keep a cool head as schedule of the flights frequently change, and their safety always comes first.

This job became a hobby for Andrea. Throughout her career, she has grown both professionally and personally. The quality of her work and long-term experience were awarded in 2016 when she was appointed Chief Executive. Together with her team of professionals, she strives for keeping ABS Jets at the top in the business aviation sector both in the Czech Republic and Slovakia, as well as in the entire Central European region.

Jan Králík

Chief Operating Officer, Accountable Manager, Member of the Board of Directors

Jan graduated in flight traffic control and management from the Czech Technical University in Prague. His career already began during his studies – he held all sorts of operational jobs in the aviation industry. He joined ABS Jets in 2006 as Operations Dispatcher, was promoted to Senior Dispatcher in just a few months and later to a Chief Dispatcher role. During his tenure, he has taken the Flight Planning department to an international level and implemented procedures for the planning of long-haul flights. Together with his teams, he launched cooperation of ABS Jets with third parties, which led to the acquisition of a lot of significant clients worldwide. He became Director of Ground Operations in 2011.

As Chief Operating Officer, he currently manages strategic leadership of the company and the development of its services worldwide.

Thierry Barre
Technical Director

Thierry's career began in the French Navy, where he studied aviation engineering. During his 20-year career in Luxair, he worked as Deputy Chief Engineer. This position provided him with important experience when cooperating with the aviation and technological company Embraer. Subsequently, he worked in Luxair for 4 more years as Director of Maintenance. He joined ABS Jets in October 2012. Led by him, the Maintenance Center has grown by 200 % in terms of man-hours, increased its capabilities in light and heavy maintenance and improved the support of AOG which reached the respectable quantity of 59 actions outside its own bases.

Michal Brejcha
Chief Financial Officer

Michal finished his studies at the Faculty of Economics and Management of the Czech University of Life Sciences in Prague. Throughout his career, he has held various positions in financial management. He also gained his experience in a company dealing with financial audits of both Czech and foreign entities operating in various sectors, ranging from services to production. From 2008, he worked as CFO in South-East Asia, where he helped establish a non-banking financial company and subsequently expand it territorially. For more than 10 years Michal has been a tax consultant certified by the Tax Consultants Chamber of the Czech Republic. He has been working at ABS Jets since April 2016 where he manages all financial matters of the company.

Štefan Kukura
Director of Flight Operations

Štefan graduated from the University of Žilina. He started his career in business aviation 28 years ago, working for 19 years as Director of Flight Operations. He has gained extensive experience as a pilot, having flown 12,200 flight hours in total during 24,650 flights, out of which 8,100 hours in private jets across all continents, excluding the Antarctic.

He owns EASA and FAA airline transport pilot licences, as well as Type Rating Instructor and Examiner qualifications for the Embraer Legacy 600/650 aircraft. He received the NBAA Commercial Business Flying Safety Award and the Pilot Safety Award.

In ABS Jets, Štefan cooperated on the import of 8 new Legacy 600/650 aircraft from the manufacturer to the Czech Republic, and among other things, he also introduced procedures for landing at low visibility (CAT II) and a paperless cockpit.

Martin Orlita
Quality and Safety Manager

Martin received his aircraft design degree from the Faculty of Engineering of the Czech Technical University in Prague. He has been working in civil aviation for over 30 years. During that period, he worked as Structural Engineer in aircraft design for 5 years, followed by 8 years as Technical Director in aircraft maintenance; simultaneously, he worked as an external employee at the Slovak Republic's Aviation Department for 5 years, focusing on the implementation of new aviation regulations, as well as a representative of the Slovak Republic in JAA. He spent 8 years as Managing Director and Accountable Manager at ABA Air, ABS Jets and DSA. Since 2007, he has been working as an independent consultant, an international auditor for safety in civil aviation for IATA, as a chief auditor in the IOSA and ISSA programs, as well as a trainer of management systems for aviation companies and safety management systems.

He has been Quality and Safety Manager at ABS Jets since 2010, creating processes and managing redevelopment of its integrated management system. Furthermore, he is building up a safety management system, including a software application. The implemented management system enabled ABS Jets to receive the IS-BAO and IS-BAH international certificates.

Michal Pazourek
Director of Ground Operations

Michal learned about the air transport industry at the Czech Technical University in Prague. In 2007, he landed a job at ABS Jets in the Operations Control Centre, led by him since 2010. In July 2016, he was appointed Director of Ground Operations, which includes, in addition to operations dispatching, aircraft ground handling and travel management.

Alongside the correct setup of processes for operations departments, he is also in charge of clients' acquisition and subsequent client care. For a long time, he has been involved in the implementation of software solutions for flight traffic control across the company. He regularly presents ABS Jets services at a range of business aviation trade fairs around the world.

Eva Stoklásková
Corporate and Legal Advisor

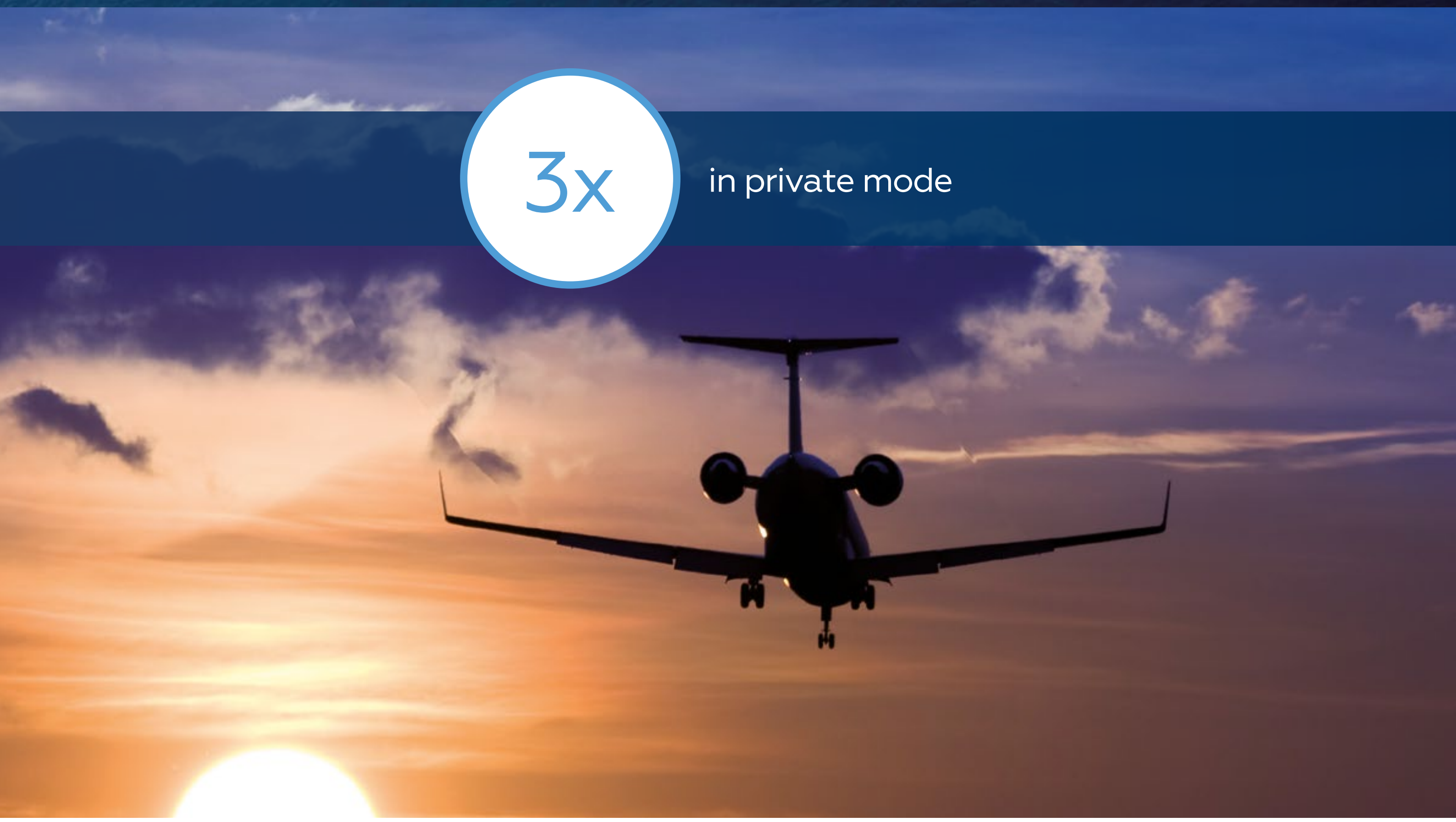
Eva graduated from the Faculty of Law at the Charles University where she received her JUDr. degree. She gained her work experience in aviation with Czech Airlines, also holding a position of Legal Affairs Director for 12 years there, reporting to the company's President. She joined ABS Jets in 2008. Eva represents the company in legal proceedings and arbitrations before state and legal authorities. She provides legal counseling and supervision across the entire company. She also prepares and comments on contracts in Czech and English, as well as on internal regulations. In addition, she supervises recovery of debts from corporations and natural persons. She successfully completed the certified IATA training courses in international aviation law and regulations.

Fleet

7x Embraer Legacy 600/650

1x Gulfstream G550


1x
Bombardier Learjet 60


3x
in private mode

Events in the year 2016

EBACE

Jet Expo

AirOps Europe

EEOC Conference

Certification IS-BAH

We supported
Czech Glider Aerobatic Team

Business Activities of ABS Jets

Aircraft management

ABS Jets has been a leader in maintenance and operation of aircraft in the business aviation category in the Central and Eastern European market for a long time. In recent years, the existing fleet of the Embraer Legacy 600 and Embraer Legacy 650 aircraft, one of the largest in the world, has been enhanced by the acquisition of a long-range and ultra-long-range category jets manufactured by an American company, Gulfstream Aerospace. The company has therefore retained its uniqueness in an imaginary prestigious club of large jet operators. Thanks to a number of experienced professionals, many years of experience in the market and customer focus, ABS Jets continues to create a product which is interesting for many existing as well as potential owners of luxury private aircraft.

The complete portfolio of services, offered by ABS Jets under the so-called one roof, ensures privacy as well as professionalism to clients whether it is aircraft maintenance, flight planning or ground handling. From home bases in Prague and Bratislava ABS Jets annually dispatches more than 2,000 flights worldwide.

Flight safety always comes first at ABS Jets, so the company continues to expand and improve training programs for its crews. This is evidenced, for example, by a newly introduced mandatory simulator training UPRT (Upset Prevention and Recovery Training) designed for the crews to practice actively unusual aircraft positions, or a completely unique training to recognize hypoxia symptoms in the altitude chambers of the Institute of Aviation Medicine.

In addition to the feeling of maximum comfort and safety on board during journeys, the company also offers to its clients comprehensive services associated with aircraft operation including the acquisition of an aircraft or the monitoring and reporting of operating costs.


N550GD

Flight Department

In the year of 2016, the ABS Jets' Flight Department employed 33 pilots and 18 flight attendants (for the bases at Prague and Bratislava Airports) within the commercial operations. During one year, crews that are part of the commercial operations have flown 3,971 flying hours within 2,112 flights. Aircraft flew, on a daily basis, an average of 11 flying hours and performed takeoff or landing every 4 hours. From those flights, there were 34 long-distance rotations, for example, to Thailand, China, USA, South Africa or Caribbean Islands.

In order to meet the requirements of the approved training programs for the flight personnel, 376 ground-based education courses and flight training on the flight simulators have to be completed. Each ABS Jets pilot spends about 36 hours a year in a classroom or in a self-study program, and afterwards, more than 290 hours on a flight simulator, going through flight training and posterior examination.

A unique training of pilots in the vacuum chamber is then performed in cooperation with the Institute of Aviation Medicine.

No significant issue was found or registered during 12 checks performed randomly on ABS Jets' aircraft by the local flying authorities abroad.

A new training program for UPRT (Upset Prevention and Recovery Training) had to be prepared during last year as well. Three instructors gained the authorization for providing this training to our pilots on the flight simulator of Embraer Legacy 600/650 aircraft.

Alongside the financial support of the Technological Agency of the Czech Republic, we contributed, in a very successful manner, to the developing of a new application of Honeywell WIS (Weather Information Service), built for providing advanced meteorological information for the crews.

30 000 flown hours

Aircraft Maintenance

The important part of ABS Jets is the maintenance center, providing technical assistance for its own fleet and more than 50 external clients. At the same, it is the easternmost authorized service center of Embraer, with authorization for maintenance of the Legacy 600/650 and the Phenom 100/300. The center can be proud of its extensive experience in supporting of AOG, something that can be evidenced by the Embraer manufacturer's award for the best AOG Support Service Organization with nonstop support in the world.

In 2016, ABS Jets was successful in obtaining the approval for warranty repairs of the interiors from Embraer Co., and by this ABS Jets completed its portfolio of already operated workshops, such as, painting shop and metal sheet shop.

The big success from the implemented jobs was a straight triple complete avionics modernization in the Legacy 600, consisting of the ADS B-out implementation. The 34th inspection of C-Check inside the company's history was also performed on the same machines during the last year. In this sphere, the company belongs among the most experienced world service centers.

For the first time ever inside ABS Jets, the A Check inspection on the Gulfstream G550 and the Embraer Phenom 300 were performed, as well as the software's update for the maintenance management to the AMOS 10.0.

The Russian Business Aviation Association (RUBAA) has granted the award „Wings of Business" to ABS Jets for best maintenance center.

24/7 Worldwide AOG Support


ABS JETS

Operation Dispatching

ABS Jets Dispatching provides complex flight support for both its own fleet and external customers, in the local market and abroad. It employs 15 dispatchers within nonstop operations currently. The great competing benefit in this department is the personal approach to clients and made-to-measure services modified to the concrete needs of each of them. Thanks to the long-term experience with planning in the whole world, including support of several aircraft manufacturers, this department disposes now of the unique knowledge of professional specifics. The OCC Support/ Travel Department was created to optimize related travel services for our customers.

The core success is the dispatching's staff. Therefore, in 2016, the emphasis was placed on increasing the qualification and completion of the team of dispatchers, analysts and travel management employees. Thanks to this, the department is being operated steadily and continues to grow. This was expressed mainly by the acquisition of several domestic and foreign clients from the traditionally successful market of Latin America and the Near East region. The record in the number of scheduled flights was overcome many times for the last 5 years. Among the department's successes, there is also the support's provision of the flyover of several new aircraft to customers and support of a series of expeditions

720 destinations all around the world

Flights of our fleet and external clients are quite often demanding, but we love new challenges and plan travels for many different types of aircraft to different destinations, which, standardly, are not frequently flown from Europe. During the last year, we provided flights for the historical Lockheed Electra, the Boeing 737 BBJ, the ultralight WT9 Dynamic and other 23 types other machines. On average, we schedule 3,600 flights a year, and just during the last two years, we visited over 720 different destinations in the whole world.

Ground Handling

ABS Jets provides ground handling inside Prague and Bratislava airports. At the same time, the company helps its clients to carry out immediate handling at other airports in the Czech and Slovak Republics. Within Prague airport, the company disposes of hangars and other equipment needed for servicing various aircraft of its pattern fleet and external customers, ranging from the Cessna Citation Mustang up to the Airbus A320 or the Boeing 767.

In 2016, the Ground Handling Department maintained a dominant position in the field of ground handling services for corporate aircraft at Prague airport. In despite of the increasing number of competitors, ABS Jets continues to satisfy most of the interested parties with its services, fact proven by 3,000 rotations carried out during the last year. The Handling Department, was the first facility in the Czech Republic and Slovakia to succeed in obtaining the IS-BAH certification last December – a great achievement. This prestigious certification is owned currently by less than houndred of companies in the whole world, examined by an independent audit and obliged to observe the highest safety-related standards.

20,000 serviced rotations

The Flight Handling in AMBULANCE/MEDEVAC mode is a very prestigious subject for ABS Jets, which is provided by us free of charge. Most of the transferred patients are in a very serious health condition, connected to medical devices, and in many cases, these are just a few-months-old toddlers. The whole handling process from the arrival up to the ambulance car's departure must run as smoothly and quickly as possible, as well as without complications, as it is very demanding for all the participants involved. From day one to now we have performed more than 170 of these transfers


EXIT

Charter & Brokerage

The ABS Jets Charter and Brokerage Department ensures mediation of flights for company's clients and uninterrupted client-oriented support. During the whole last year, the department was focused on increasing the effectiveness of its internal processes. The development of the next internal software, planning and sale of flights were very important matters in the year of 2016 for ABS Jets. A new concept of the department, connecting marketing and sales was very successful as well. The marketing part of the department has started the re-branding of the company's visual identity. The brokerage sphere was also strengthened. Thanks to it, we could offer aircraft of all categories to our clients, including high-capacity airliners. In comparison with the year of 2015, the number of flight hours was increased by 11%. The number of flights was increased in the same way; the number of trips was increased by 13 %. The interest of clients has also been growing regarding the Light Jet's category.

As for the charter flights' category, the company established cooperation in 2016 with new clients; another great success for our company was the participation in a tender for provision of flights for transnational matters, in which we became one of the selected air transport operators for the given company. One of the most significant flights in 2016 was the mediation of the nonstop flight from Prague to Costa-Rica with a Global Express aircraft or the flight to one of the most demanding airports in the world, Courchevel.

When it comes to sales, CBD contributed to selling private aircraft in the categories Mid-size Jet and Heavy Jet in the form of qualified consultations. Besides that, the team at Prague airport participated in the organization of a presentation action for a private aircraft aimed at TOP clients that thus had a chance to take a look at the machine's interior and participate in a demonstrative flight.

CAMO

The Continuing Airworthiness Management Organization (CAMO) is responsible, primarily, for the maintenance planning of its own fleet, as well as for the external clients' aircraft. The company also provides inspections and takeover of documentation of new aircraft, pre-purchase visual inspections or communication with authorities in connection with the requirements for maintenance. Regarding the range of experience and authorization, CAMO ABS Jets has a privileged position within Eastern Europe. The company is capable of offering its services for aircraft registered within the entire Europe, including, for example, British and Dutch territories.

When it comes to work, 25 visual inspections for 11 aircraft operated by ABS Jets and 3 external planes were performed in the year of 2016. Among them were some large , for example, an 2C-Check for the type of Gulfstream G550 or an 2C-Check and a 3C-Check together with the ADSB-OUT built-in for type of the Legacy 600. Recently, two new contracts were signed, one of them for Embraer Legacy 600, and the second one for the Gulfstream G550.

The Continuing Airworthiness Management Organization works independently from the maintenance center of ABS Jets, while still cooperating deeply with this center, having both departments actively sharing their experiences. Within the company's portfolio of services, the organization keeps increasing its strategic importance.

Quality and Safety is a part of the Company Style

Increased number of SMS training sessions and strengthening the established safety processes brought its results in the past year. The ABS Jets Team, despite the demanding market environment, has succeeded to combine business and safety angle of view. The core value shared by the team is to use the safety thinking as an opportunity to understand and achieve business goals in better and more efficient way.

The quick and efficient direct communication has been further supported by utilization of improved ABS Jets' Discrepancy Database software which creates a platform for upkeeping, communicating and resolving the safety and business issues across the whole company. The Discrepany Database development progressed in 2016 and now it provides for the deeper safety analysis and the company safety performance assessment depicted in the form of Safety Performance Indicators trends. We have succeeded to get the whole management actively involved and to merge the business and safety into one.

In 2016 the Quality and Safety department was leading the project aiming to establishing the Division NCC and thus implementing the non commercial operations under the new EASA regulations into the ABS Jets structure.

The Quality and Safety department directly supported the ground handling department in preparation for the IS-BAH audit and participated on its successful accomplishment at the end of the year.

The guidance and support was provided by the Quality and Safety department to the project of the new G550 aircraft delivery through leading certain parts of project, processing and preparation of required documentation and communication with the Civil Aviation Authority.

The Quality and Safety has proven to be not only a stand alone system on its own but the active and contributing component in the ABS Jets daily business life.

Corporate Social Responsibility

Environmental Protection

Inside ABS Jets' company policy, a very important obligation can be found: the considerate environmental approach in all performed activities. It is accentuated that the entire equipment and terrestrial facilities are to be utilized in accordance with appropriated User Manuals, legislation and international standards. The audits for compliance with such standards are not only performed by the public authorities, but also external subjects and commissions requested by the company for the execution of such audits. During the last year, ABS Jets was subject to an IS-BAH audit, which – in addition to the handling – also included the waste treatment inspection and the proper approach to the environmental protection.

Both the fresh and processed water for ABS Jets are delivered by an external supplier; the disposal of oil products, waste and other specific substances are also performed externally. That makes possible the compliance with the maximum quality level in such processes.

The company's objective is to become a leader concerning the responsible environmental approach. The collaboration with external suppliers and auditors presents an important contribution and makes the company ABS Jets one of the top companies concerning the environmental responsibility and protection.

Human Resources

The year 2016 was a year of personnel changes for the company. With the aim to further improve the quality of services and satisfy clients and their growing needs, the team was strengthened by both new employees and new departments. The Travel Management department is one of such examples, specializing in providing follow-up transportation and accommodation. At the same time, we restructured our Flight Sales and Marketing departments.

At the end of the year, the company ABS Jets was employing 211 employees. Throughout the year, we again collaborated with students from universities and vocational colleges; some of the graduates became our employees.

We intensively engaged in all training programs required by law, including several training courses for crews and technical staff. In addition to these professional courses, regular first aid and safe drive training programs (skid school) were taking place. As part of improving soft skills, sales skills training was also held. Next year we would like to expand our language courses for our employees and focus on the development of managerial skills.

Within our company social program, we continue to provide benefits to our employees such as pension schemes as well as cultural, language and sports activities.

Although the last year was a very challenging year for the company as an employer due to the situation in the labor market, ABS Jets did not ease off in its criteria and continued to emphasize qualification and personality of its applicants to fit best the teams and the company work environment. Employee turnover, however, increased in 2016 as a result of the mentioned situation on the labor market and tough competition; nevertheless, we have been able to keep it at a minimum level

Research and Development

ABS Jets continuously invests in the development of processes and technologies in the aviation world.

This is demonstrated by the cooperation with Honeywell on developing the Weather Information Service (WIS) application.


ABS JETS
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Key Goals and Business Plan

Since its establishment, ABS Jets has been experiencing stable growth which presents an unrelenting source of motivation for its employees. In 2017, the company plans to grow all its business activities even more. The most interesting ones traditionally include the expansion of the operated aircraft fleet; the plan is to enlarge the fleet particularly in the mid-size jet or higher category. In the light-jet category, the company wants to develop its offering in charter-flight sales, especially to gain new opportunities for future growth in this area. Similar growth is also planned in brokerage services, i.e. resale of charter flights, where the team was strengthened by new employees at the end of the year. ABS Jets continues to work on enhancing its technical capabilities: therefore, it plans to develop a feasibility study for a new paint shop and, in cooperation with the Prague Airport, to expand horizons concerning the future growth of the entire company at the Václav Havel Airport in Prague.

As part of handling services at the Prague Airport, the company plans to increase its own market share again for the next year. Although ABS Jets is unequivocally a market leader, competition is tough and it is, therefore, necessary to constantly refine the offering and improve the quality of services.

In the Flight Planning Department, the offering of which has been traditionally successful particularly abroad, ABS Jets will continue to promote and develop this service in Latin America, North America as well as in Europe.

Maintenance planning represents one of the products that will be put at the forefront of the service portfolio in 2017 to support its growth in foreign markets.

To achieve these objectives successfully, ABS Jets has been therefore gradually upgrading its established sales strategy of all its products within the wide portfolio of its services.

Sworn Statement

ABS Jets, a.s. declares that any and all information provided in this Annual Report corresponds to reality and no material circumstances have been omitted.

Prague, 31 May 2017

Marcel Dostal
Chairman of the Board of Directors

Andrea Brdiarová
Member of the Board of Directors

Financial statements as at 31 December 2016 prepared in accordance with IFRS as adopted by the European Union

Company name:	ABS Jets, a.s.
Registered office:	Hangár C, K Letišti 549, Ruzyně, 161 00 Praha 6
Legal form:	joint stock company
Identification number:	271 63 628

Statement of comprehensive income

For the year ended 31 December 2016 in thousands of Czech crowns (TCZK)

	Note	2016	2015
Revenue	4	1 448 698	1 550 060
Cost of sales	5	-1 089 998	-1 184 206
Gross profit		**358 700**	**365 854**
Personnel expenses	7	-271 414	-262 921
Depreciation and amortisation expense	11	-22 063	-30 956
Other operating income	6	6 243	5 548
Other operating expenses	8	-16 491	-16 799
Results from operating activities		**54 975**	**60 726**
Finance income		44	10
Finance costs	9	-29 348	-34 738
Net finance costs		**-29 304**	**-34 728**
Profit before tax		**25 671**	**25 998**
Income tax expense	10	-5 326	-6 511
Profit for the period		**20 345**	**19 487**
Other comprehensive income for the period (net of income tax)		--	--
Total comprehensive income for the period		**20 345**	**19 487**

The notes on pages 52 to 88 are an integral part of these financial statements.

Statement of financial position
As at 31 December 2016 in thousands of Czech crowns (TCZK)

	Note	2016	2015
Assets			
Intangible assets	11	424	2 552
Property, plant and equipment	11	430 249	445 696
Deferred tax assets	21	880	772
Non-current trade receivables and other non-current assets		3 422	3 959
Total non-current assets		**434 975**	**452 979**
Inventories	14	85 702	80 119
Current trade receivables and other current assets	15	222 425	337 457
Income tax receivables	10	1 764	--
Cash and cash equivalents	16	57 014	36 987
Total current assets		**366 905**	**454 563**
Total assets		**801 880**	**907 542**
Equity			
Share capital	17	74 000	74 000
Reserves		5 061	5 061
Retained earnings		143 880	123 535
Total equity		**222 941**	**202 596**
Liabilities			
Long-term loans	18	257 830	--
Non-current trade payables and other non-current liabilities	19	13 700	21 300
Total non-current liabilities		**271 530**	**21 300**
Current liabilities			
Short-term bonds issued	18	--	380 595
Short-term loans	18	111 656	2 697
Income tax liabilities	10	--	729
Current trade payables and other current liabilities	20	195 753	299 625
Total current liabilities		**307 409**	**683 646**
Total liabilities		**578 939**	**704 946**
Total equity and liabilities		**801 880**	**907 542**

The notes on pages 52 to 88 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2016 in thousands of Czech crowns (TCZK)

	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2015	**74 000**	**5 061**	**104 048**	**183 109**
Net profit for the period	--	--	19 487	19 487
Total comprehensive income for the period	**--**	**--**	**19 487**	**19 487**
Balance at 31 December 2015	**74 000**	**5 061**	**123 535**	**202 596**

	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2016	**74 000**	**5 061**	**123 535**	**202 596**
Net profit for the period	--	--	20 345	20 345
Total comprehensive income for the period	**--**	**--**	**20 345**	**20 345**
Balance at 31 December 2016	**74 000**	**5 061**	**143 880**	**222 941**

The notes on pages 52 to 88 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2016 in thousands of Czech crowns (TCZK)

	Note	2016	2015
OPERATING ACTIVITIES			
Profit for the period		20 345	19 487
Adjustments for:			
Income tax expense	10	5 326	6 511
Depreciation and amortisation	11	22 063	30 956
Gain (-) loss (+) on sale of tangible and intangible assets	6, 8	-94	98
Net interest expense	9	22 046	25 892
Change in adjustments	8	4 407	6 456
Unrealised foreign exchange gains (-)/losses (+)		116	-47
Operating profit before changes in working capital		**74 209**	**89 353**
Change in trade receivables and other assets	15	113 037	-107 086
Change in inventories (including proceeds from sale)	14	-7 565	-19 013
Change in trade payables and other liabilities	20	-111 458	85 710
Cash flows generated from operating activities		**68 223**	**48 964**
Interest paid		-19 493	-25 299
Income tax paid	10	-7 927	-10 311
Cash flow generated from operating activities		**40 803**	**13 354**
INVESTING ACTIVITIES			
Acquisition of tangible fixed assets	11	-4 335	-9 405
Acquisition of intangible fixed assets	11	-228	-206
Proceeds from sale of tangible and intangible assets		169	307
Cash flow used in investing activities		**-4 394**	**-9 304**
FINANCING ACTIVITIES			
Loans and borrowings received	18	367 343	2 689
Repayment of bonds and other publicly traded financial instruments	18	-381 000	--
Loans and borrowings repaid	18	-2 697	-3 037
Cash flow used in financing activities		**-16 354**	**-348**
Net increase in cash and cash equivalents		20 055	3 702
Cash and cash equivalents at beginning of period		**36 987**	**33 287**
Effect of exchange rate fluctuations on cash held		-28	-2
Cash and cash equivalents at end of period		**57 014**	**36 987**

The notes on pages 52 to 88 are an integral part of these financial statements.

Attachment to the Financial Statements
(non-consolidated, translated from the Czech original)

1. Description of the Company

Incorporation of the Company:

ABS Jets, a.s. (the "Company") was recorded in the Commercial Register on 30 June 2004.

Principal activities:

The Company's principal activities are:

- the operation of commercial air transport;
- the development, design, manufacture, testing, maintenance, repair and modification of, and structural changes to, aircraft, aircraft parts and aviation technology;
- the provision of handling services at Václav Havel Airport, including technical and operational aircraft handling on the apron, and passenger and baggage check-in;
- pre-flight preparation and flight monitoring services;
- catering services;
- brokerage of trade and services;
- the lease of real estate, apartments and non-residential premises, including the provision of basic services ensuring the due operation of the real estate, apartments and non-residential premises;
- the manufacture, trade and services not specified in Annexes 1 to 3 to the Trades Licensing Act.

Ownership structure valid and effective as at 31 December 2016:

- ARTHUR, BRADLEY & SMITH LTD 50% of shares
- BRIDGEHILL LIMITED 50% of shares

Registered office of the Company:

ABS Jets, a.s.
K Letišti 549 – Hangár C
161 00 Praha 6 - Ruzyně
Czech Republic

Registered office of the branch abroad:

ABS Jets, a.s., organizačná zložka
Letisko M.R. Štefánika
823 11 Bratislava
Slovakia

Identification number:

271 63 628

Entry in the Commercial Register:

maintained with the Municipal Court in Prague, section B, insert 9421

Members of the board of directors as at 31 December 2016:

Marcel Dostal, chairman
Andrea Brdiarová, member
Jan Králík, member

Members of the supervisory board as at 31 December 2016:

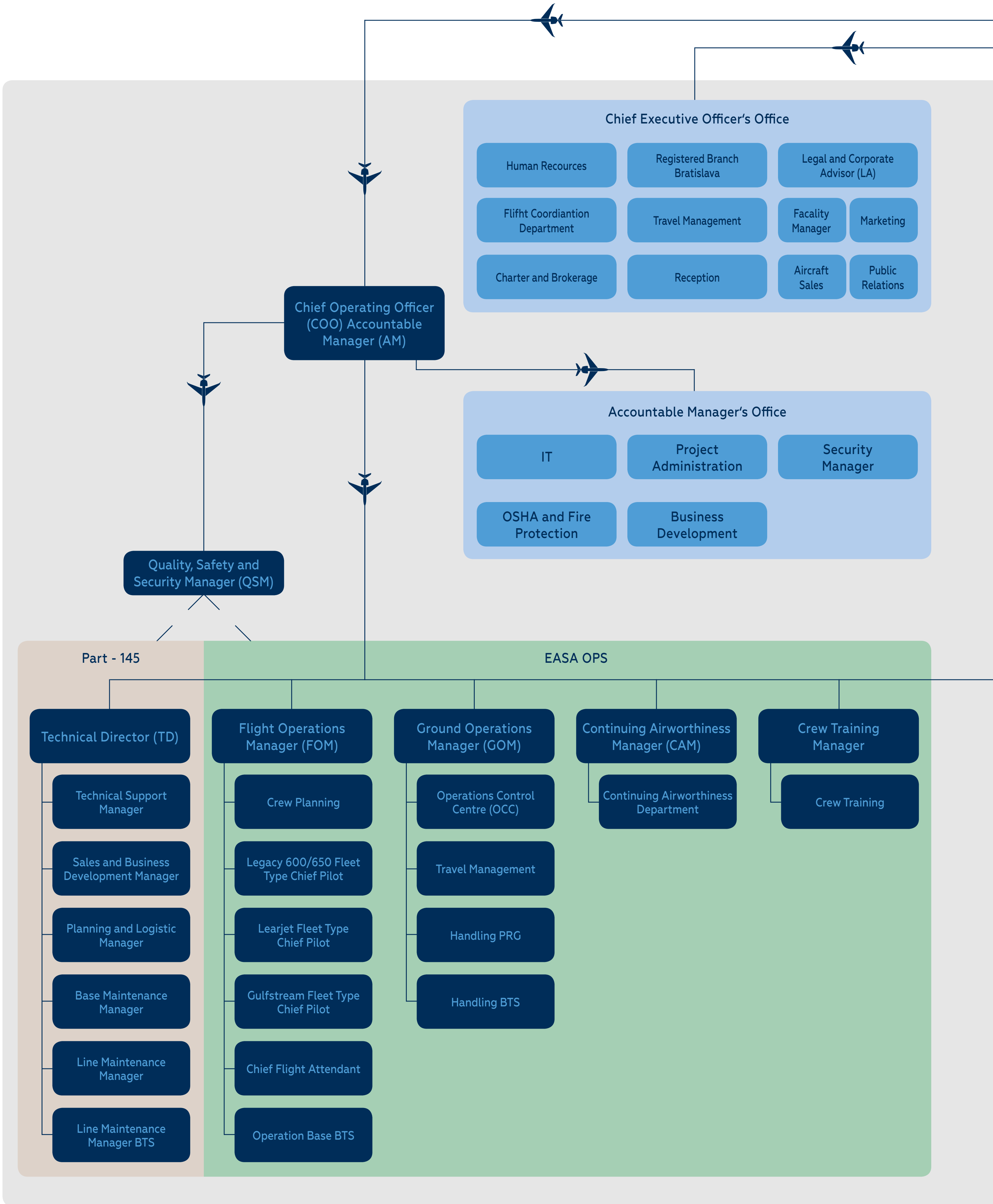
Richard Sedláčko, chairman
Markéta Bobková, member
Stanislav Kučera, member

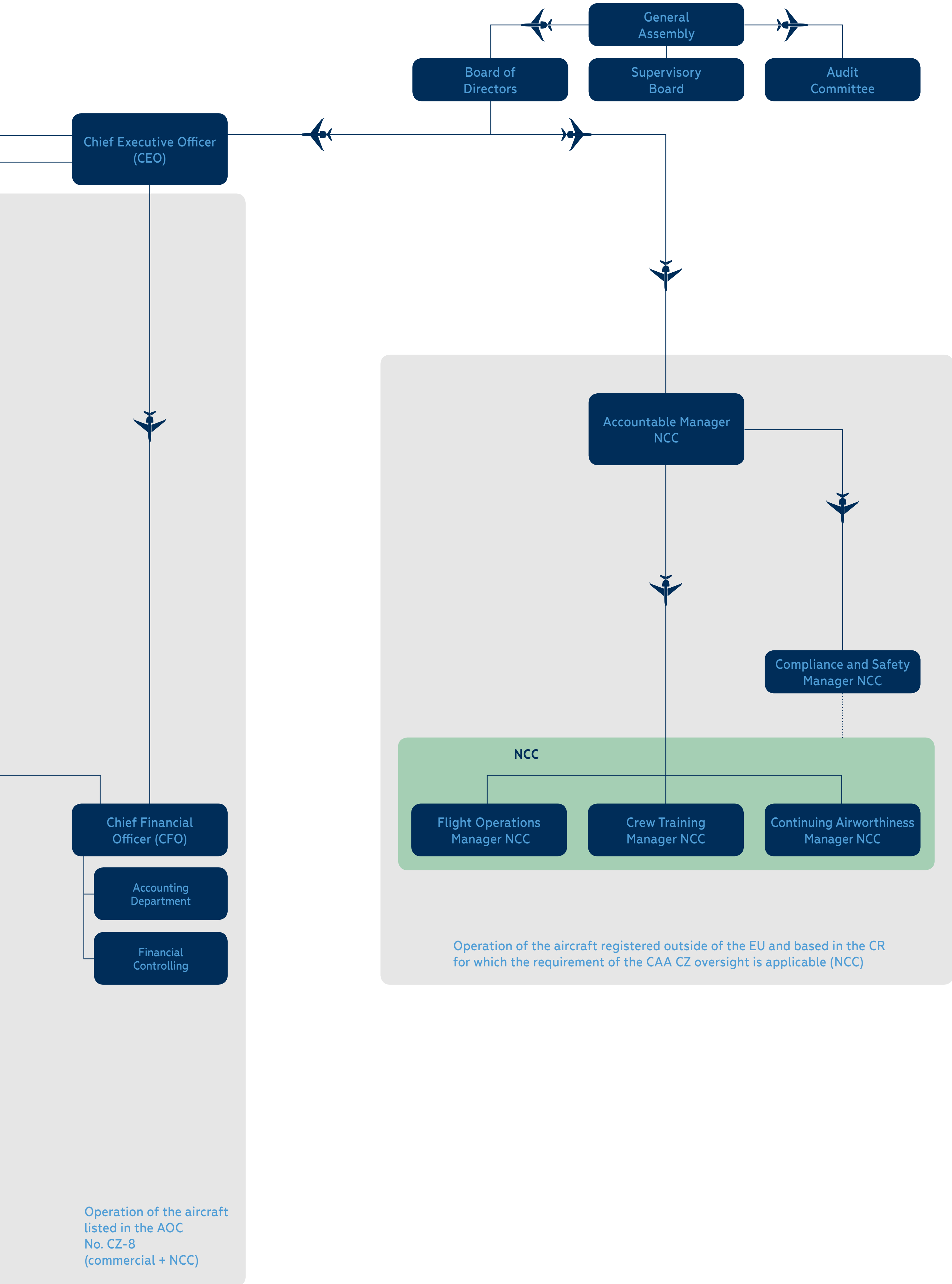
Changes in the Commercial Register:

In 2016, the following changes were made to the entries in the Commercial Register:

- On 30 March 2016 Mr Petr Horský was deleted as chairman of the supervisory board, with his office and membership ending on 8 February 2016. Mr Richard Sedláčko was co-opted as Mr Horský's replacement until the next general meeting, with 8 February 2016 being recorded (on 30 March 2016) as the date of commencement of his membership and office. On 27 July 2016, after the general meeting held on 17 June 2016, another entry was made, specifying the dates of commencement of his membership and office as at 17 June 2016 and 20 June 2016, respectively.
- On 27 July 2016 Mr Vladimír Peták was deleted as a member of the board of directors, with his office and membership ending as at 13 June 2016. At the general meeting held on 17 June 2016, Mr Jan Králík was elected as Mr Peták's replacement, with 17 June 2016 being recorded (on 27 July 2016) as the date of commencement of his membership and office.
- At the general meeting held on 17 June 2016, Ms Markéta Bobková was re-elected as a member of the supervisory board, with 17 June 2016 being recorded (on 27 July 2016) as the date of commencement of her membership and office.
- In connection with personnel changes made in 2016, the original entry was amended and the following entry regarding 'Other matters' was made on 27 July 2016: "Based on the decision of the board of directors dated 26 September 2007, ABS Jets, a.s., organizačná zložka, a branch with its registered office at Letisko M.R.Štefánika, Bratislava, postcode 823 11, ID# 43 811 914, recorded in the Commercial Register kept by the Bratislava I District Court, section Po, insert 1532/B, was established in Slovakia. Effective from 14 June 2016, the managing director of the branch is Ms Andrea Brdiarová, born on 7 February 1977, residing at Ukrajinská 2587, Kročehlavy, 272 01 Kladno. The managing director of the branch is authorised to perform any juridical acts relating to the branch."

Organisational structure as at 31 December 2016




General Assembly
Board of Directors
Supervisory Board
Audit Committee
Chief Executive Officer (CEO)
Accountable Manager NCC
Compliance and Safety Manager NCC
NCC
Flight Operations Manager NCC
Crew Training Manager NCC
Continuing Airworthiness Manager NCC
Operation of the aircraft registered outside of the EU and based in the CR for which the requirement of the CAA CZ oversight is applicable (NCC)
Chief Financial Officer (CFO)
Accounting Department
Financial Controlling
Operation of the aircraft listed in the AOC No. CZ-8 (commercial + NCC)

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards IAS and International Financial Reporting Standards IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union ("EU IFRS").

These financial statements were authorised for issue by the board of directors on 31 May 2017.

Adoption of new or revised standards

In the preparation of the financial statements, the Company considered the impact of new or revised standards and interpretations that are mandatory for annual periods beginning 1 January 2016. Relevant amendments are provided below.

Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.)

The Amendments to IAS 1 include the following five narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

The Company does not expect the amendments, when initially applied, to have a material impact on the financial statements. The Company did not apply these amendments early.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.)

The amendments define rules for revenue-based methods of depreciation. These amendments, when initially applied, had no impact on the financial statements as the Company does not apply revenue-based methods of amortisation/depreciation.

Annual Improvements to IFRS – 2010-2012 and 2011-2013 Cycles (effective for annual periods beginning on or after 1 February 2015) and Annual Improvements – 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016)

The above amendments, when initially applied, did not have a material impact on the financial statements.

Standards, interpretations and amendments to published standards that are not yet effective.

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2016 and have not been applied in preparing these financial statements:

IFRS 9 Financial Instruments – 2014 (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

The Company (as a non-bank entity) does not expect IFRS 9 (2014) to have a material impact on the financial statements.

IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although it has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's financial statements, management does not expect that the new Standard, when initially applied, will have a material impact on the Company's financial statements. The timing and measurement of the Company's revenues are not expected to change under IFRS 15 because of the nature of the Company's operations and the types of revenues it earns.

IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Although the Company has not yet fully completed its initial assessment of the potential impact of IFRS 16 on its financial statements, it is expected that the new Standard may have a material impact on the financial statements, as the Company acts as a lessee in respect of operating leases for land and other assets (see note 12).

Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted.)

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising from obtaining or losing control of subsidiaries, changes in fair value).

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018.)

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Company does not expect that the Interpretation, when initially applied, will have a material impact on the financial statements.

Annual improvements to IFRSs

The improvements introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. These amendments are applicable to annual periods beginning on or after either 1 January 2017 or 1 January 2018; to be applied retrospectively.

None of these amendments are expected to have a significant impact on the Company's financial statements.

Basis of measurement

The financial statements have been prepared on a going concern basis using the historical cost convention. The Company does not hold or issue financial instruments at fair value through profit or loss or financial instruments classified as available for sale, which would otherwise be measured at fair value.

Functional and presentation currency

These financial statements are presented in Czech crowns (CZK), which is the Company's functional currency. All financial information presented in CZK has been rounded to the nearest thousand.

For tax purposes, the accounts of the Slovak branch are maintained separately in euros. The balances of the accounts are accounted for monthly and are translated at the Czech National Bank official rate applied by the Czech entity to transactions in the respective month. As at the balance sheet date, assets and liabilities denominated in euros are translated at the Czech National Bank official rate. Foreign exchange differences arising from the translation of the balance sheet and profit or loss as at the balance sheet date are recognised in the statement of comprehensive income.

Accounting period

The current accounting period of the Company is the calendar year ended 31 December 2016.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 – The Company reviews the estimated useful life of property, plant and equipment and intangible assets at the end of each annual period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 15 – Adjustments for doubtful receivables
- Note 25 – Contingencies

Change in accounting policies

The accounting policies applied in preparing the financial statements are consistent with the policies applied to the financial statements as at 31 December 2015, taking into account the above analysis of the impact of standards and amendments to standards effective for annual periods beginning on 1 January 2016.

3. Significant accounting policies applied by the Company

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Tangible and intangible fixed assets

(i) Recognition and measurement

Tangible and intangible fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses (see accounting policy 3 (i)).

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the purchase price (including customs duty), freight costs, and other expenses associated with the acquisition.

The Company accounts for tangible and intangible assets using asset accounts. Tangible assets comprise land and structures, including buildings, regardless of their cost and useful life, and individual movable assets with a value of at least CZK 40 000 and a useful life of more than one year. Intangible assets comprise individual intangible assets with a value of at least CZK 60 000 and a useful life of more than one year. Tangible assets costing between CZK 20 000 and CZK 40 000 and having a useful life exceeding one year are recorded by the Company as low value assets with a depreciation period of 24 months.

(ii) Subsequent costs

Subsequent costs are capitalised only if it is probable that the future economic benefits associated with such costs will flow to the Company. All other costs are recognised in profit or loss as incurred. The carrying amount of replaced assets or replaced parts is derecognised.

(iii) Depreciation and amortisation

Tangible and intangible fixed assets are depreciated/amortised based on their cost and estimated useful life on a monthly straight-line basis, starting in the month following the date on which the asset is put into use. Leased assets, which are accounted for in accordance with Note 3(b) (i), are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Assets are depreciated using the following methods over the following periods:

Assets	Number (range) of years
Buildings, halls and structures	30-50
Machinery and equipment	2-5
Vehicles	4-10
IT equipment	2-5
Intangible assets	3-10

(b) Leased assets

(i) Finance leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The remaining balance of finance lease liabilities is presented in other current liabilities (for liabilities due within 12 months of the end of the current period) and in other non-current liabilities (for liabilities due in more than 12 months from the end of the current period).

(ii) Operating leases

Leased assets in respect of which a significant part of the risks and rewards of ownership is retained by another party (the lessor) are classified as operating leases.

Payments, including prepayments, made under operating leases (net of lease incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the term of the lease.

(c) Inventories

The Company measures inventories using the weighted average method applied to the costs of identical materials. Cost includes the purchase price of the inventory and related customs duties and in-transit storage and freight costs incurred in delivering the inventory to the facility.

(d) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and if it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(e) Foreign currency transactions

The Company applies the Czech National Bank official rate to foreign currency transactions. Assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Foreign currency differences arising on retranslation are recognised as profit or loss in the statement of comprehensive income.

(f) Current and deferred income tax

Income tax expense comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net asset (if any) is recorded in tax assets. The net liability (if any) is recorded in tax liabilities.

Deferred tax is recognised in respect of temporary differences between the carrying and tax amounts of assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and if they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they are intended to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Cost and revenue recognition

Costs and revenues are generally recognised on an accrual basis.

In accordance with the prudence principle, the Company charges to expenses the establishment of provisions and adjustments covering all risks, losses and impairment known as at the reporting date.

The Company operates in several segments, with revenue in individual segments recognised as follows:

- Maintenance: Revenue is recognised in the month in which maintenance is completed.
- Handling: Revenue is recognised in the month in which the respective rotation is completed.
- Hangaring: Revenue is recognised in the month to which the service relates. For ad hoc hangaring, revenue is recognised in the month of departure.
- Flights and related services: Revenue is recognised in the month in which the flight ends.
- Sales: Revenue is recognised as a lump sum for the respective month, or the month in which the flight is completed (for brokerage services).
- Hangars: Revenue is recognised in the month to which the service relates.
- Control centre: Revenue is recognised in the month to which the service relates.

For all segments, revenue is recognised on an accrual basis, i.e. in the period to which it relates. For more segment information, see Notes 3 (k) and 23.

(h) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise investments in equity and debt securities, provided loans, trade and other receivables, and cash and cash equivalents.

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 3(i)).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term cash commitments. Bank accounts and call deposits that are repayable on demand and which form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings, bonds issued, bank overdrafts, and trade and other payables.

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including financial liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are 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 through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial liability.

Interest-bearing loans, borrowings and bank overdrafts

Interest-bearing loans and borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method.

The Company commonly utilises bank overdrafts to finance its short-term liabilities.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Company classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

At the balance sheet date, the nominal value of loans is increased by the unpaid interest.

Transaction costs

Bonds payable are initially recognized at the amount of the proceeds from issued bonds, net of transaction costs.

Bond transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges. Transaction costs are recognised in profit or loss on an accrual basis using the effective interest method.

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest method.

Bonds issued

The Company issued bearer bonds in book-entry form, which were admitted to trading on the open market of the Prague Stock Exchange. These were fixed interest income bonds. The bond coupons were paid half-yearly – every March and September.

The bonds were issued via a public offering in the Czech Republic under Czech law.

In 2016 the bonds were fully repurchased by the Company and subsequently withdrawn from trading on the open market.

(i) Impairment

(i) Non-financial assets

The carrying amounts of non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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. The Company establishes adjustments to tangible fixed assets to reduce the net book value of buildings and land to their market value.

Adjustments are established to reduce the cost of inventory to net realisable value.

(ii) Non-derivative financial assets

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, and adverse changes in the credit status of debtors or issuers.

Financial assets carried at amortised cost

The Company considers evidence of impairment for financial assets carried at amortised cost (loans provided and trade and other receivables) at both the specific asset and the collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an adjustment account against loans provided, trade and other receivables or financial assets held to maturity. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(j) Share capital

Ordinary shares are classified as share capital. External costs directly attributable to the issue of new shares and share options, other than in a business combination, are recognised as a deduction from equity, net of any tax effects.

(k) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Discrete financial information is available for operating segments. The operating results of segments are reviewed regularly by the board of directors to make decisions about resources to be allocated to individual segments and to assess their performance.

Each of the Company's segments is periodically evaluated, and the evaluation results are reported to the board of directors. Reported results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets.

The basic segment reporting format is based on operating segments which are determined on the basis of the management and internal reporting structure. Segment information is presented in accordance with the Company's operating segments.

The Company's business activities are structured into six segments: control centre, handling and hangaring, hangars, flights and related services (including crews), sales and maintenance.

Pricing between segments is based on the arm's length principle.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest, interest on provided loans), and reclassifications of amounts (losses) previously recognised in other comprehensive income.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings, on finance leases and on bonds issued, interest charges related to finance leases, bank charges, and reclassifications of amounts (gains) previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(m) Related parties

a) A related party is a person or entity that is related to the entity that is preparing its financial statements (the "reporting entity").

A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Revenue

	2016	2015
Revenue from flights	910 192	941 622
Revenue from services	538 506	608 438
Total	**1 448 698**	**1 550 060**

For a detailed analysis of revenue by segment, see Note 23.

5. Cost of sales

	2016	2015
Lease of aircraft*	512 015	500 324
Aviation fuel	83 177	117 845
Aircraft spare parts	57 569	75 061
Airport charges	37 119	47 355
Catering	23 788	25 685
Navigation charges	29 017	33 898
Handling	34 522	40 332
Fees for replacement of spare parts	22 147	42 082
Accommodation	23 663	25 474
Training and workshops	16 739	23 683
Labour hire	8 388	14 543
Meal allowance	9 697	10 964
Repair of aircraft	50 213	47 203
Repair of spare parts	28 612	27 466
Travel expenses	5 316	7 391
Lease of land and buildings	18 954	15 032
Change service	10 730	10 104
Other services	118 332	119 764
Total	**1 089 998**	**1 184 206**

** For more information on the lease of aircraft, see Note 12.*

Directly attributable costs such as personnel expenses and depreciation are not included in ‘cost of sales’.

6. Other operating revenues

	2016	2015
Contractual penalties and default interest	--	818
Insurance benefits	876	519
Net gain on sale of tangible fixed assets	94	--
Refunded VAT	1 079	885
Recognition of receivables from employees	1 493	1 377
Write-off of payables	481	98
Stock-taking differences	68	172
Subsidies	769	712
Contributions from insurer and bonuses	918	665
Other	465	967
Total	**6 243**	**5 548**

7. Personnel expenses

Average number of executives and employees and personnel expenses for 2016:

	Number	Wages and salaries	Social security and health insurance expenses	Social expenses	Adjustment to personnel expenses due to untaken holidays	Total
Executives	8	23 941	5 083	12	-515	28 529
Employees	202	186 719	53 154	3 089	-279	242 885
Total	**210**	**210 660**	**58 237**	**3 101**	**-794**	**271 414**

Average number of executives and employees and personnel expenses for 2015:

	Number	Wages and salaries	Social security and health insurance expenses	Social expenses	Adjustment to personnel expenses due to untaken holidays	Total
Executives	7	18 971	4 080	55	36	23 142
Employees	194	185 153	52 757	3 246	-1 377	239 779
Total	**201**	**204 124**	**56 837**	**3 301**	**-1 341**	**262 921**

In 2016 and 2015, members of the board of directors and the supervisory board did not receive any benefits.

8. Other operating expenses

	2016	2015
Net loss on disposal of tangible fixed assets	--	98
Taxes, fees and visas	1 824	1 738
Additions to adjustments, write-off of receivables	4 465	6 456
Insurance	7 354	7 631
Other operating expenses	2 848	876
Total	**16 491**	**16 799**

9. Finance costs

	2016	2015
Interest expense	22 046	25 892
Net foreign exchange loss	3 522	6 254
Bank charges	1 795	1 666
Other	1 985	2 592
Total	**29 348**	**34 738**

For more information on interest expense, see Note 18.

10. Current and deferred tax

Income tax recognised in the statement of comprehensive income

	2016	2015
Current income tax:		
Current tax for the period	5 434	6 787
Adjustments for prior periods	--	1 139
Total current tax	**5 434**	**7 926**
Deferred income tax:		
Change in temporary differences	-108	-1 415
Total deferred tax	**-108**	**-1 415**
Total income tax recognised in the statement of comprehensive income	**5 326**	**6 511**

Deferred tax is calculated using the tax rates that are expected to be valid at the time the asset will be realised or the liability settled. In accordance with Czech legislation, the corporate income tax rate is 19% for financial years ending in 2015 and 2016.

In 2016, the income tax provision of TCZK 5 434 (2015 – TCZK 6 787) was reduced by income tax prepayments of TCZK 7 198 (2015 – TCZK 6 058). The adjustment to tax payable for previous years totals TCZK 0 (2015 – TCZK 1 139). The net receivable of TCZK 1 764 is presented in income tax receivables (2015 – a liability of TCZK 729, presented in income tax liabilities).

Reconciliation of effective tax rate

	%	2016	%	2015
Profit/(loss) for the period before tax		**25 671**		**25 998**
Income tax using the Company's domestic tax rate	19%	4 877	19%	4 940
Tax adjustments related to prior periods	0%	--	4.4%	1 139
Non-deductible expenses	10%	2 661	7.3%	1 903
Tax exempt income	-9%	-2 212	-5.7%	-1 471
Total income tax recognised in comprehensive income	**21%**	**5 326**	**25%**	**6 511**

11. Fixed assets

(a) Intangible fixed assets

	Software	Other intangible fixed assets	Total
Cost			
Balance at 1 January 2015	**28 189**	**3 796**	**31 985**
Additions	348	--	348
Disposals	--	--	--
Transfers	--	--	--
Balance at 31 December 2015	**28 537**	**3 796**	**32 333**
Balance at 1 January 2016	**28 537**	**3 796**	**32 333**
Additions	291	--	291
Disposals	-158	--	-158
Transfers	--	--	--
Balance at 31 December 2016	**28 670**	**3 796**	**32 466**
Accumulated amortisation			
Balance at 1 January 2015	**19 949**	**3 382**	**23 331**
Amortisation expense	6 103	347	6 450
Disposals	--	--	--
Transfers	--	--	--
Balance at 31 December 2015	**26 052**	**3 729**	**29 781**
Balance at 1 January 2016	**26 052**	**3 729**	**29 781**
Amortisation expense	2 331	25	2 356
Disposals	-95	--	-95
Transfers	--	--	--
Balance at 31 December 2016	**28 288**	**3 754**	**32 042**
Net book values			
At 31 December 2015	**2 485**	**67**	**2 552**
At 31 December 2016	**382**	**42**	**424**

(b) Tangible fixed assets

	Land	Buildings	Machinery, equipment and vehicles	Low value assets	Tangible assets under construction	Total
Cost						
Balance at 1 January 2015	**74 134**	**424 034**	**61 184**	**6 550**	**1 290**	**567 192**
Additions	--	1 423	9 890	756	151	12 220
Disposals	--	--	-5 798	-487	--	-6 285
Transfers	--	--	1 218	--	-1 218	--
Balance at 31 December 2015	**74 134**	**425 457**	**66 494**	**6 819**	**223**	**573 127**
Balance at 1 January 2016	**74 134**	**425 457**	**66 494**	**6 819**	**223**	**573 127**
Additions	--	286	3 039	1 312	--	4 637
Disposals	--	--	-1 005	-116	--	-1 121
Transfers	--	223		--	-223	--
Balance at 31 December 2016	**74 134**	**425 966**	**68 528**	**8 015**	**--**	**576 643**
Accumulated depreciation						
Balance at 1 January 2015	**--**	**66 143**	**37 439**	**5 222**	**--**	**108 804**
Depreciation expense	--	14 737	8 733	1 036	--	24 506
Disposals	--	--	-5 393	-486	--	-5 879
Transfers	--	--	--	--	--	--
Balance at 31 December 2015	**--**	**80 880**	**40 779**	**5 772**	**--**	**127 431**
Balance at 1 January 2016	**--**	**80 880**	**40 779**	**5 772**	**--**	**127 431**
Depreciation expense	--	11 612	6 341	1 754	--	19 707
Disposals	--		-657	-87	--	-744
Transfers	--	--	--	--	--	--
Balance at 31 December 2016	**--**	**92 492**	**46 463**	**7 439**	**--**	**146 394**
Net book values						
At 31 December 2015	**74 134**	**344 577**	**25 715**	**1 047**	**223**	**445 696**
At 31 December 2016	**74 134**	**333 474**	**22 065**	**576**	**--**	**430 249**

Major additions to fixed assets in 2016 included the acquisition of a Mobile GPU AXA2400 machine of TCZK 1 136; and a technical improvement to Hangar C, amounting to TCZK 509.

Major additions to fixed assets in 2015 included the acquisition of towing vehicles totalling TCZK 4 992.

Machinery, equipment and vehicles include items purchased in the form of financing lease. Total net book value of those items as at 31 December 2016 was TCZK 1 131 (2015 – TCZK 1 560).

All liabilities arising from finance leases for machinery, equipment and vehicles mentioned above, were duly paid as at 31 December 2016 (2015 – 366 TCZK).

12. Leased assets

Operating leases

The Company has long-term lease contracts for the land under Hangar N, the car park in front of Hangar C, and land and a hangar in Bratislava. The Company also leases non-residential premises in Kunovice, and an office and an information booth at Václav Havel Airport. In 2016, the total cost of the leases amounted to TCZK 18 954 (2015 – TCZK 14 231).

Lease payments under non-cancellable operating leases are payable as follows:

	31 December 2016	31 December 2015
Less than one year	5 602	5 586
Between two and five years	22 408	22 342
More than five years	84 030	89 376
Total	**112 040**	**117 304**

The cost of the lease of aircraft as disclosed in Note 5 relates to aircraft leased from related and third parties. The Company does not have its own aircraft. Instead, based on customer demand, it uses special operating leases to lease aircraft, which it then subleases to its customers. The cost of the lease of aircraft depends on the type of aircraft leased and the amount of hours flown during the lease term. The amount of revenue from flights is also based on the type of aircraft leased and the number of hours flown during the time that the aircraft is leased to the customer. The total term of the special operating lease of individual aircraft is significantly lower than their useful lives. The Company leases 10 aircraft under these special long-term operating leases. In the event of increased customer demand, it uses short-term leases to lease the additional number of aircraft required to satisfy increased demand. The total cost of the lease of aircraft in 2016 was TCZK 512 015 (2015 – TCZK 500 324).

In 2016 and 2015 the Company did not lease any cars.

13. Non-capitalised tangible and intangible fixed assets

In accordance with the accounting policy described in Note 3 (a) above, the Company expensed low value tangible and intangible fixed assets in the year that they were acquired. The cumulative acquisition cost of these tangible and intangible fixed assets that were still in use was as follows:

	31 December 2016	31 December 2015
Tangible fixed assets	22 209	21 657
Intangible fixed assets (software)	1 846	1 705
Total	**24 055**	**23 362**

14. Inventory

At the stocktaking held on 31 December 2016 the Company identified inventories of TCZK 87 684 (2015 – TCZK 80 119), of which 90% represent spare parts for aircraft, with the most expensive ones being spare parts for engines and recording equipment.

As at 31 December 2016 the Company established an adjustment to inventory of TCZK 1 982 (2015 – TCZK 0).

15. Current trade receivables and other current assets

	31 December 2016	31 December 2015
Trade receivables (a)	152 244	221 199
Advance payments (b)	7 001	7 959
Estimated receivables (c)	41 190	88 071
Other receivables	6 189	5 502
Prepaid expenses (d)	15 551	12 662
Tax receivables, excluding income tax	250	2 064
Balance at the end of the period	**222 425**	**337 457**

(a) The net amount of current trade receivables at 31 December 2016 is TCZK 152 244 (2015 – TCZK 221 199), of which TCZK 61 653 (2015 – TCZK 81 375) is overdue. An impairment adjustment of TCZK 8 089 (2015 – TCZK 5 264) was created at 31 December 2016 for doubtful receivables.

(b) Advance payments, amounting to TCZK 7 001 as at 31 December 2016 (2015 – TCZK 7 959), primarily comprise refundable advances paid for the acquisition of fixed assets and other operating advances. As at 31 December 2016 an adjustment to advance payments of TCZK 3 029 (2015 – TCZK 3 429) was recorded.

(c) Estimated receivables, amounting to TCZK 41 190 as at 31 December 2016 (2015 – TCZK 88 071), primarily include uninvoiced revenue from aircraft maintenance and flight sales.

(d) Prepaid expenses primarily comprise costs of TCZK 4 526 (2015 – TCZK 4 387) related to the subscription to navigation databases for aircraft and other databases for the Company's operations, costs of TCZK 5 468 (2015 – TCZK 3 641) related to the lease of aircraft, insurance costs of TCZK 1 248 (2015 – TCZK 1 308), training costs of TCZK 1 590 (2015 – TCZK 359) and other deferred costs of TCZK 4 231 (2015 – TCZK 2 148).

The overall year-on-year decrease in current trade receivables and other current assets stems from the current market situation (a decreased volume of orders) and the timing of December invoicing.

For information on transactions with related parties, see Note 24.

16. Cash and cash equivalents

	31 December 2016	31 December 2015
Cash in hand	382	658
Cash at bank	56 632	36 290
Other	--	39
Total	**57 014**	**36 987**

17. Share capital

	Share capital
Balance at 31 December 2015	**74 000**
72 shares at CZK 1 000 000 per share	72 000
4 shares at CZK 500 000 per share	2 000
Balance at 31 December 2016	**74 000**
72 shares at CZK 1 000 000 per share	72 000
4 shares at CZK 500 000 per share	2 000
Share capital	**74 000**

18. Financial liabilities

	31 December 2016	31 December 2015
Non-current financial liabilities		
Bank loans (b)	257 830	--
Total	**257 830**	**--**

	31 December 2016	31 December 2015
Current financial liabilities		
Short-term bonds issued (a)	--	380 595
Bank loans (b)	111 656	2 697
Total	**111 656**	**383 292**

(a) Bonds issued

	Number of bonds	Nominal value per bond	Total
Balance at 1 January 2015	127	3 000	381 000
Total bonds issued	--	--	--
Repurchase	--	--	--
Balance at 31 December 2015	**127**	**--**	**381 000**

	Number of bonds s	Nominal value per bond	Total
Balance at 1 January 2016	127	3 000	381 000
Total bonds issued	--	--	--
Repurchase	-127	-3 000	-381 000
Balance at 31 December 2016	**--**	**--**	**--**

As at 31 December 2015 the difference between the carrying amount and nominal value of bonds issued, amounting to TCZK 405, was caused by the accrual of initial transaction costs, which is allocated to bond accounts (thereby decreasing the issue value).

During 2016 the Company repurchased all 127 bonds at their nominal value. The repurchase was financed by a newly received long-term loan – see Note (b) for details.

(b) Loans and other financial liabilities

31 December 2016	Currency	Nominal interest rate	Maturity date	Fair value	Carrying amount	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Loan PPF banka	CZK	6M PRIBOR + 2.5% p.a.	30/9/2026	281 000	281 000	23 170	92 680	165 150
Loan KTK* PPF banka	CZK	1M PRIBOR / EURIBOR / LIBOR + 2.20% p.a.	31/12/2017	86 774	86 774	86 774	--	--
Loan KTK* KB	CZK	13% p.a.	20/1/2017	1 712	1 712	1 712	--	--
Total				**369 486**	**369 486**	**111 656**	**92 680**	**165 150**

** overdraft*

31 December 2015	Currency	Nominal interest rate	Maturity date	Fair value	Carrying amount	Due within 1 year	Due in 1 to 5 years	Due in more than 5 years
Úvěr KTK* JT	CZK	3M PRIBOR + 9,69%	1.8.2016	8	8	8	--	--
Úvěr KTK* KB	CZK	13% p.a.	20.1.2016	2 689	2 689	2 689	--	--
Celkem				**2 697**	**2 697**	**2 697**	**--**	**--**

** overdraft*

As at 31 December 2016 the Company had a KB overdraft of TCZK 1 712 (2015 – TCZK 2 689), with a credit line of up to TCZK 6 000.

In addition, in 2016 the Company repurchased all 127 bonds issued, totalling TCZK 381 000. The repurchase was financed by bank loans provided by PPF banka a.s. ("PPF banka").

As at 31 December 2016 the Company also had a new PPF banka overdraft of TCZK 86 774, with a credit line of up to TCZK 160 000; and a long-term PPF banka loan of 281 000 TCZK.

Compliance with financial covenants

The bank loans provided by PPF banka, totalling TCZK 367 774, are subject to financial covenants, with which the Company complies.

19. Non-current trade payables and other non-current liabilities

As at 31 December 2016 the Company had long-term advances received of TCZK 12 741 (2015 – TCZK 20 247), which related to the operation of aircraft.

Other non-current liabilities comprise other payables of TCZK 959 (2015 – TCZK 1 053).

For information on transactions with related parties, see Note 24.

20. Current trade payables and other current liabilities

	31 December 2016	31 December 2015
Trade payables (a)	111 611	171 695
Operating advances received (a)	31 004	48 135
Short-term finance leases	--	340
Estimated payables (b)	20 575	45 415
Other payables (c)	28 725	30 789
Other tax liabilities (d)	3 838	3 251
Balance at the end of the period	**195 753**	**299 625**

(a) Current trade payables

Current trade payables total TCZK 111 611 (2015 – TCZK 171 695), of which TCZK 14 800 (2015 – TCZK 67 881) is overdue. The Company continuously monitors overdue payables and has assessed the risk of insolvency as low. Short-term advances received primarily comprise advances paid for aircraft maintenance (replacement and repairs of spare parts, aircraft repairs, etc.).

(b) Estimated payables

Estimated payables of TCZK 20 575 (2015 – TCZK 45 415) include uninvoiced expenses incurred for the lease and operation of aircraft (handling, airport and overflight charges, fuel, etc.) as well as uninvoiced expenses for aircraft maintenance.

(c) Other payables

Other payables primarily include:

- social security and health insurance liabilities totalling TCZK 5 668 (2015 – TCZK 5 337), of which TCZK 3 486 (2015 – TCZK 3 238) relates to social security and TCZK 2 182 (2015 – TCZK 2 099) to health insurance; none of these liabilities are overdue;
- payables to employees of TCZK 14 349 (2015 – TCZK 12 694) arising from unpaid wages and salaries for December;
- payables to employees of TCZK 3 348 (2015 – TCZK 4 414) arising from untaken holidays; for more details see Note 7.

(d) Tax liabilities

Tax liabilities amount to TCZK 3 838 (2015 – TCZK 3 251), primarily comprising withheld income tax prepayments relating to employees of ABS Jets, a.s. that had not been transferred to the state budget by 31 December 2016. None of these liabilities are overdue.

The overall year-on-year decrease in current trade payables and other current liabilities stems from the current market situation (a decreased volume of orders and the related decrease in the volume of sub-deliveries) and the timing of December invoicing.

21. Deferred tax assets and liabilities

The Company recognised the following deferred tax assets and liabilities:

	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Assets	**Assets**	**Liabilities**	**Liabilities**	**Net**	**Net**
Temporary differences are attributable to:						
Property, plant and equipment	--	--	-1 744	-1 531	-1 744	-1 531
Trade receivables and other assets	1 988	1 541	--	--	1 988	1 541
Bonds issued	--	--	--	-77	--	-77
Liabilities from untaken holidays	636	839	--	--	636	839
Tax asset (liability)	2 624	2 380	-1 744	-1 608	880	772
Set off of tax	-1 744	-1 608	1 744	1 608	--	--
Net tax asset (liability)	**880**	**772**	**--**	**--**	**880**	**772**

In accordance with the accounting policy described in Note 3 (f), deferred tax was calculated using the tax rates valid for the periods in which the tax asset/liability is to be utilised, i.e. 19% for 2016 and subsequent years (2015 – 19% for 2015 and subsequent years).

Movement in temporary differences during the year

	Balance at 31 December 2016	Recognised in profit or loss 2016	Balance at 31 December 2015	Recognised in profit or loss 2015
Property, plant and equipment	-1 744	-213	-1 531	370
Trade receivables and other assets	1 988	447	1 541	1 199
Liabilities from untaken holidays	636	-203	839	-257
Bonds issued	--	77	-77	103
Total	**880**	**108**	**772**	**1 415**

22. Risk management and disclosure policies

This note describes the Company's exposure to financial and operational risks, as well as how these risks are managed. The Company is primarily exposed to the following financial risks:

- market risk
  - currency risk
  - interest rate risk
- credit risk
- liquidity risk
- capital management.

The financial instruments maintained by the Company are defined as part of the accounting policy relating to financial instruments (see above).

(a) Market risk

Market risk is the risk of fluctuations in market prices, such as foreign exchange rates and interest rates, affecting the Company's income or the value of financial instruments. The objective of market risk management is to maintain the Company's exposure to foreign exchange and interest rate risks within acceptable parameters.

(i) Currency risk

The Company's financial position and cash flows are affected by fluctuations in foreign exchange rates. The Company is exposed to a currency risk on sales, purchases and borrowings that are denominated in currencies other than Czech crowns. Such currencies primarily include the euro and the US dollar.

As at 31 December 2016 the Company had the following currency risk exposure:

Items denominated in:	CZK	EUR	USD	Other	**Total**
Assets					
Cash and cash equivalents	5 305	50 820	829	60	**57 014**
Trade receivables and other assets*	79 345	127 921	18 320	261	**225 847**
Total	**84 650**	**178 741**	**19 149**	**321**	**282 861**
Liabilities					
Short-term bonds issued	--	--	--	--	**--**
Loans and borrowings	369 486	--	--	--	**369 486**
Other financial liabilities	--	--	--	--	**--**
Trade payables and other liabilities*	96 964	87 730	24 759	--	**209 453**
Total	**466 450**	**87 730**	**24 759**	**--**	**578 939**

** comprises both the current and non-current portion*

Note: The amounts in the table have already been translated using the appropriate exchange rates stated below. The amounts are thus in thousands of CZK.

As at 31 December 2015 the Company had the following currency risk exposure:

Items denominated in:	CZK	EUR	USD	Other	**Total**
Assets					
Cash and cash equivalents	15 904	19 999	1 003	81	**36 987**
Trade receivables and other assets*	161 515	164 684	14 905	292	**341 396**
Total	**177 419**	**184 683**	**15 908**	**374**	**378 383**
Liabilities					
Short-term bonds issued	380 595	--	--	--	**380 595**
Loans and borrowings	2 697	--	--	--	**2 697**
Other financial liabilities	--	--	--	--	**--**
Trade payables and other liabilities*	135 897	150 109	32 227	2 672	**320 905**
Total	**519 189**	**150 109**	**32 227**	**2 672**	**704 197**

** comprises both the current and non-current portion*

The following exchange rates applied during the year:

	2016		**2015**	
	Average rate	Spot rate at 31 Dec 2016	Average rate	Spot rate at 31 Dec 2015
EUR	27.033	27.020	27.283	27.025
USD	24.432	25.639	24.600	24.824

Sensitivity analysis

A strengthening (weakening) of the Czech crown, as indicated below, against the euro and the US dollar as at the reporting date would have (decreased)/increased equity by the amounts shown in the table below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit/(Loss)	
	2016	**2015**
EUR (5% strengthening)	-4 551	-689
USD (5% strengthening)	281	836

A weakening of the Czech crown against the above currencies as at the reporting date would have had an equal but opposite effect, on the basis that all other variables remain constant. This scenario is illustrative as the Company manages its currency risk exposure largely by passing it on to the customer (re-invoicing).

(ii) Interest rate risk

The Company's interest rate risk exposure currently stems from variable-rate loans newly received from PPF banka (an overdraft and a fixed-term loan, as described in Note 18(b)) and KB (an overdraft presented also in prior year) Other, fixed-rate instruments are not exposed to the risk of fluctuations in market interest rates (in prior year mainly fixed interest bearing issued bonds).

At the reporting date the Company's interest rate risk profile was as follows:

	Carrying amount	
Variable-rate instruments	**2016**	**2015**
Financial assets	--	--
Financial liabilities	369 486	2 697

Sensitivity analysis

A change in variable interest rates at the reporting date would have increased/(decreased) equity by the amounts shown in the table below. This analysis is based on interest rate fluctuations that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that the variable interest rate changes by +/- 10 basis points and that all other variables remain constant.

2016	Profit/(Loss)	
	10 bp increase	**10 bp decrease**
Variable-rate bank loans	-369	369

(b) Credit risk

(i) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. For liquid instruments, the credit risk exposure is limited as the counterparties are companies with a high credit rating.

The Company establishes an adjustment for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The estimate is based on the Company's own analysis of the credit status of customers and the ageing structure of receivables.

Credit risk exposure by type of counterparty

31 December 2016	Businesses (non-financial institutions)	Government	Banks	Individuals	**Total**
Cash and cash equivalents	382	--	56 632	--	**57 014**
Trade receivables and other assets*	223 060	555	--	2 232	**225 847**
Total	**223 442**	**555**	**56 632**	**2 232**	**282 861**

** comprises both the non-current and current portion*

31 December 2015	Businesses (non-financial institutions)	Government	Banks	Individuals	**Total**
Cash and cash equivalents	694	--	36 294	--	**36 987**
Trade receivables and other assets*	308 190	2 064	--	31 142	**341 396**
Total	**308 884**	**2 064**	**36 294**	**31 142**	**378 384**

** comprises both the non-current and current portion*

The credit risk exposure in respect of cash and cash equivalents was assessed using external rating agency Moody's ratings:

Cash and cash equivalents	**2016**	**2015**
A2	3 939	15 059
Ba1	9 546	7 452
Baa1	2 774	--
No rating	40 373	13 779
Total	**56 632**	**36 290**

Credit risk exposure by geographic region

31 December 2016	Czech Republic	Slovakia	Ireland	Austria	Cyprus	British Virgin Islands	France	Monaco	Luxembourg	Other	Total
Cash and cash equivalents	53 052	3 962	--	--	--	--	--	--	--	--	57 014
Trade receivables and other assets*	33 927	13 719	15 874	2 800	37 962	40 511	11 305	1 705	1 075	66 969	225 847
Total	**86 979**	**17 681**	**15 874**	**2 800**	**37 962**	**40 511**	**11 305**	**1 705**	**1 075**	**66 969**	**282 861**

** comprises both the non-current and current portion and excludes 'income tax receivables'*

31 December 2015	Czech Republic	Slovakia	Ireland	Austria	Cyprus	British Virgin Islands	France	Monaco	Luxembourg	Other	Total
Cash and cash equivalents	34 436	2 551	--	--	--	--	--	--	--	--	36 987
Trade receivables and other assets*	91 824	11 429	67 739	5 349	12 559	29 679	23 721	28 213	9 331	61 552	341 396
Total	**126 260**	**13 980**	**67 739**	**5 349**	**12 559**	**29 679**	**23 721**	**28 213**	**9 331**	**61 552**	**378 383**

** comprises both the non-current and current portion*

(ii) Impairment losses

The ageing structure of financial assets (excluding cash and cash equivalents) at the reporting date:

Credit risk exposure – impairment of financial assets – trade receivables and other assets

	2016	**2015**
Not past due – current and non-current (net)	172 282	260 021
Past due – current and non-current (net)	53 565	81 375
Total	**225 847**	**341 396**
A – assets in respect of which an adjustment has been established		
(past due and impaired)		
- gross	11 118	5 264
- specific adjustment	-11 118	-5 264
- general adjustment	--	--
Net	--	--
B – assets in respect of which an adjustment has not been established		
(past due)		
- past due < 30 days	30 702	37 177
- past due 31-60 days	6 187	8 540
- past due 61-90 days	4 148	15 718
- past due 91-180 days	9 825	8 273
- past due 181-365 days	2 148	4 662
- past due >365 days	555	7 005
Net	**53 565**	**81 375**
Total (net)	**53 565**	**81 375**

The movement in the adjustment for impairment in respect of financial assets during the year ended 31 December 2016 and 31 December 2015 was as follows:

Balance at 1 January 2015	**2 238**
Impairment losses recognised during the period	6 771
Reversal of impairment loss recognised during the period	-269
Write-offs	--
Foreign currency translation differences	-47
Balance at 31 December 2015	**8 693**
Impairment losses recognised during the period	5 938
Reversal of impairment loss recognised during the period	-3 571
Write-offs	58
Foreign currency translation differences	--
Balance at 31 December 2016	**11 118**

The impairment losses in respect of trade receivables and other assets as at 31 December 2016 and 31 December 2015 relate to outstanding balances that are not expected to be repaid by customers, mainly due to economic circumstances. The Company believes that the unimpaired amounts that are past due by more than 90 days are still collectible, based on analyses of the underlying credit ratings of customers.

Based on historic default rates, the Company believes that no impairment adjustment is necessary in respect of trade receivables and other assets not past due or past due by up to 90 days.

Impairment adjustments in respect of financial assets are used to record impairment losses unless the Company is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off directly against the financial asset in profit or loss.

(c) Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash, cash equivalents or other financial assets. The liquidity risk exposure is evaluated primarily by monitoring changes in the financing structure and comparing these changes with the Company's liquidity risk management strategy.

The following table analyses the Company's financial liabilities and expected contractual cash flows (including interest). Liabilities with no contractual maturity are grouped into the "undefined maturity" category. The following structure is strongly influenced by the maturity of newly received loans, which occurred in 2016. For more information on the loans, see Note 18(b) above.

Maturity of financial assets and liabilities

31 December 2016	Carrying amount	Contractual cash flows	Up to 3 months	3-12 months	1 – 5 years	More than 5 years	Undefined maturity or non-interest--bearing
Trade receivables and other assets	227 611	227 611	222 425	1 764	3 422	--	--
Total	**227 611**	**227 611**	**222 425**	**1 764**	**3 422**	**--**	**--**
Loans and borrowings	369 486	369 486	1 712	109 944	92 680	165 150	--
Trade payables and other liabilities	209 453	209 453	195 753	--	13 700	--	--
Total	**578 939**	**578 939**	**197 465**	**109 944**	**106 380**	**165 150**	**--**

31 December 2015	Carrying amount	Contractual cash flows	Up to 3 months	3-12 months	1 – 5 years	More than 5 years	Undefined maturity or non-interest--bearing
Trade receivables and other assets	341 396	341 396	341 396	--	--	--	--
Total	**341 396**	**341 396**	**341 396**	**--**	**--**	**--**	**--**
Short-term bonds issued	380 595	405 765	6 191	399 574	--	--	--
Loans and borrowings	2 697	2 697	2 689	8	--	--	--
Other secured financial liabilities	--	--	--	--	--	--	--
Trade payables and other liabilities	320 925	320 925	320 925	--	--	--	--
Total	**704 217**	**729 387**	**329 805**	**399 582**	**--**	**--**	**--**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly larger amounts.

(d) Capital management

The Company aims to maintain a strong capital base. By managing capital and optimising the debt to equity ratio, the Company seeks to ensure its ability to continue as a going concern and to maximise returns for shareholders.

The Company is not subject to externally imposed capital requirements.

The Company's debt to equity ratio at the end of the reporting period was as follows:

	2016	2015
Total liabilities	578 939	704 946
Less: cash and cash equivalents	-57 014	-36 987
Net debt	**521 925**	**667 959**
Total equity attributable to holders of the Company's equity	222 941	202 596
Debt to equity ratio	**2.3**	**3.3**

23. Operating segments

The Company operates within the following segments:

Control Centre

The Control Centre segment provides flight planning services, including comprehensive flight plan delivery; securing overflight and landing permits; flight monitoring; delivering up-to-date information on air traffic, weather conditions and handling companies along the flight path; and other services.

Handling and hangaring

Handling primarily includes coordinating flights with the respective airport operator; securing airport slots and parking space; monitoring ATC slots; transferring passengers, crew and luggage to and from the aircraft; a VIP lounge; lavatory cleaning; refilling water tanks, etc.

Hangars

The hangars segment includes financing, maintaining and depreciation of the hangars; electricity and hangar cleaning fees; and rentals from other segments.

Flights and related services (including crews)

The Flights segment comprises transactions relating to client flights, particularly the lease of flight crew. This segment also includes sales of client aircraft to third parties for cost optimisation.

Sales

The Sales segment focuses on providing the services requested by clients.

Maintenance

The Maintenance segment primarily includes installing and repairing avionics; overhauls and repair of parts; pre-purchase inspections; assistance in delivering new aircraft; long-term storage of spare parts; interior remodelling; scheduled and non-scheduled maintenance; and comprehensive airworthiness maintenance and assessment management.

Information about operating segments

	Control centre		Handling and hangaring		Hangars		Flights and related services		Sales		Maintenance		Shared services		Other		**Total**	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	**2016**	**2015**
External revenues	56 708	67 447	84 992	89 948	2 939	1 670	910 192	941 623	83 129	96 481	308 776	353 029	1 962	-138	--	--	**1 448 698**	**1 550 060**
Inter-segment revenue	5 626	3 288	14 812	15 161	971	--	27 584	1 187	97	302	10 539	5 289	5 657	330	--	--	**65 286**	**25 557**
Revenues from operating segments	62 334	70 735	99 804	105 109	3 910	1 670	937 776	942 810	83 226	96 783	319 315	358 318	7 619	192	--	--	**1 513 984**	**1 575 617**
Interest revenue	--	--	--	--	--	--	0,23	--	--	--	--	--	0,46	--	--	--	**1**	**--**
Interest expense	-117	--	-904	-38	-16 277	-24 765	-590	--	-70	--	-2 761	-6	-1 327	-497	--	-586	**-22 046**	**-25 892**
Depreciation and amortisation	-45	-56	-2 628	-2 260	-12 136	-16 908	-1 203	-1 203	-21	-386	-4 085	-5 110	-1 945	-4 423	--	-610	**-22 063**	**-30 956**
Profit/loss before tax	2 769	7 176	11 111	5 556	5 887	5 359	12 088	16 181	1 595	11 146	34 101	31 393	-41 880	-50 376	--	-237	**25 671**	**25 998**
Property, plant, equipment and intangible assets	2	55	5 607	11 318	412 921	420 057	1 046	2 291	31	17	8 209	8 497	2 432	4 230	--	1 783	**430 249**	**448 248**
Additions to intangible assets	--	--	--	--	--	125	--	48	--	--	229	--	--	175	--	--	**229**	**348**
Additions to tangible assets	--	29	--	5 990	997	1 570	20	555	34	--	3 391	3 511	194	414	--	151	**4 637**	**12 220**

Reconciliations of revenues, profit or loss, and assets

	2016	2015
Revenues		
Revenue for operating segments	1 513 984	1 575 617
Other revenue	--	--
Elimination of inter-segment revenue	-65 286	-25 557
Total revenues	**1 448 698**	**1 550 060**
Profit or loss		
Profit or loss for operating segments	67 551	76 611
Other profit or loss	-41 880	-50 613
Elimination of inter-segment profits or losses	--	--
Total profit before tax	**25 671**	**25 998**
Property, plant and equipment and intangible assets		
For reportable segments	422 040	442 235
For other segments	8 209	4 230
Other unallocated assets	--	1 783
Total	**430 249**	**448 248**

Other material items 2016

	Operating segment totals	Other	**Total**
Interest revenue	--	--	**--**
Interest expense	-20 719	-1 327	**-22 046**
Depreciation and amortisation	-20 118	-1 945	**-22 063**

Other material items 2015

	Operating segment totals	Other	**Total**
Interest revenue	--	--	**--**
Interest expense	-24 809	-1 083	**-25 892**
Depreciation and amortisation	-25 923	-5 033	**-30 956**

In 2016, a total of 13% of the Company's revenues (2015 – 10%) was generated vis-à-vis a single customer. This amounted to TCZK 190 247 (2015 – TCZK 149 148) in the following segments:

- flights: TCZK 180 522 (2015 – TCZK 141 865);
- sales: TCZK 9 725 (2015 – TCZK 7 283).

24. Related parties

(a) Trade receivables and payables

The trade receivables and payables described in Notes 15, 19 and 20 above do not include any related party balances.

(b) Transactions with related parties

In 2016 the Company did not carry out any material transactions with related parties.

25. Contingencies

The Company has provided a bank guarantee of EUR 60 000 in favour of ENI S.p.A., valid until 31 December 2016; and a bank guarantee of TCZK 20 337 in favour of J&T FINANCE GROUP, a.s.

26. Fees payable to statutory auditors

As at 31 December 2016 the Company reported statutory audit fees totalling TCZK 520 (2015 – TCZK 550).

27. Material subsequent event

As at the date of preparation of the financial statements, the Company's management is not aware of any material subsequent events that would have an effect on the financial statements as at 31 December 2016.

Date: Signature of the authorised representatives:

31 May 2017

Marcel Dostal
Chairman of the Board of Directors

Andrea Brdlarová
Member of the Board of Directors

Independent Auditor´s Report

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This document is an signed English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of ABS Jets, a.s.

Opinion

We have audited the accompanying financial statements of ABS Jets, a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

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

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

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance 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.

KPMG

Statutory Auditor Responsible for the Engagement

Martina Štegová is the statutory auditor responsible for the audit of the financial statements of ABS Jets, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague
31 May 2017

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.
Registration number 71

M. Štegová
Martina Štegová
Director
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Annual Report 2016

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ABS JETS