ABS JETS

ANNUAL REPORT 2017

Content

Introduction by the Chairman of the Board of Directors

Dear colleagues, business partners, dear clients,

Last year, 2017, brought several major moments that helped affirm our position on the business aviation market and confirmed the dynamic growth of ABS Jets.

A major milestone for ABS Jets was undoubtedly earning Stage III ISBAO (International Standard for Business Aircraft Operations) certification. This is the highest level of the certificate, awarded only to companies where safety risk management constitutes an integral part of all corporate processes. During the audit, we successfully demonstrated our high and sustained emphasis on quality and safety and became one of the few Stage III IS-BAO certificate holders in the world and the first in the Czech and Slovak republics.

We have focused on a rebranding of our visual identity, on which our marketing team worked intensely for several months. The rebranding gave rise to a new design of our corporate materials and we also introduced a new website. With the change of our visual style, we also enhanced our external marketing communication and the company's presentation directed at our existing as well as potential clients.

In 2017, we also continued to innovate and improve our internal processes. A major step in this regard was the decision to implement a new integrated information system - ERP (Enterprise Resource Planning) – which replaced our existing solution and which constitutes, due to its extent, a key project for 2018.

Individual business departments, too, noted accomplishments: for the second time in a row, the Operation Control Centre topped its year-on-year record, this time numbering 4600 scheduled flights. Overall, last year was this department's most successful in the company's history.

Our maintenance centre again manifested high productivity, confirming its key position in the ABS Jets product portfolio. Last year, our technicians carried out more than 60,000 hours of work in line as well as base maintenance, which is the most since the establishment of the company.

The Flight Department also achieved exceptional results: a Gulfstream 550 from our fleet flew the longest ever direct flight in our company's history, from Jakarta to Prague, taking 13 hours and 46 minutes. Direct flights between Prague and Jakarta are rather exceptional for this type of aircraft, given the need to refuel or to obtain permits for flying at an optimal flight altitude.

2017 was a year of many challenges for ABS Jets. I am pleased, however, that I can say that we have successfully coped with those challenges and continue to hold a position of a strong and stable company in our field.

All these accomplishments are the product of the excellent work of our employees, which is why I would again like to thank, on behalf of the Company's Board, the entire team at ABS Jets. I also thank our shareholders, clients and business partners whose confidence we very much appreciate.

In concluding, allow me to express my belief that the challenges that will come in the following year will again yield positive things for the Company and help it along in its development.

Marcel Dostal
Chairman of the Board of Directors

2017 in Figures

13
aircraft managed

218
employees

4,600
flights planned

4,262
hours flown

3,055
rotations handled

60,140
hours worked by the Technical Department

24/7
operations

Report of the Company's Board of Directors on the Company's Business and Assets in the 2017 Accounting Period

Financial Results

In the 2017 accounting period, ABS Jets, a.s., reported an after-tax profit totalling CZK 23.488 mil., which is a result 15% better than the year before. Total assets as at the end of 2017 amounted to CZK 767.785 mil. (according to IFRS adopted by the European Union). The asset situation of ABS Jets, a.s., corresponds to the data shown in the regular financial statements draw up for the accounting period of 2017. In the 2017 accounting period, the Board of Directors duly fulfilled the obligations arising for it from generally binding legislation, in particular the Civil Code, the Act on Business Corporations, the Trade Licensing Act, the Accounting Act and other regulations, as well as from the Company's Articles of Association and from the conclusions adopted in a decision of shareholders acting in the capacity of a general meeting.

Main Characteristics of the 2017 Business Year and an Outlook for 2018

In 2017, the ABS Jets Operation Control Centre planned more than 4600 flights that were flown on 65 aircraft of external clients landing on the runways of 529 different airports on 5 continents. These figures constitute records in the history of the provision of the service, thanks to which last year was the most successful since the establishment of the Operation Control Centre.

Other departments, too, topped their year-on-year results. In line and base maintenance, our technicians worked more than 60,000 hours, which is the all-time high for the Technical Department. The team of the Prague Aircraft Ground Handling Department served over 2600 rotations of aircraft and helicopters of various categories, topping the 2016 figure by over 100 rotations.

Thorough preparations throughout the company, from senior management to executive staff, their motivation and training enabled the company to successfully undergo an audit in mid-2017, which was necessary in order to obtain the IS-BAO Stage III certificate. Today, ABS Jets is the only business jet operator in the Czech and Slovak republics to have attained this internationally recognised certificate and is a member of a narrow group of airlines in Europe that hold such a certificate.

The main challenges for ABS Jets in 2018 will include, above all, the implementation of a system for corporate resource planning (ERP), the further development and improvement of internal processes and the expansion of business activities.

Company Profile

Operational Bases

Prague / LKPR since 2004 (headquarters)

- Aircraft Management
- Aircraft Maintenance
- CAMO (Continuing Airworthiness Management Organisation)
- Ground Handling
- Flight Planning
- Jet Charter and Brokerage
- Travel Management
- Hangarage

Bratislava / LZIB since 2007

- Line Maintenance
- Ground Handling
- Hangarage

Headquarters in Prague, Czech Republic

ABS Jets, a.s. was established on 30 June 2004 by incorporation in the Commercial Register. The Company is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Entry 9421.

Registered office of the Company: K Letišti 549 - Hangar C, 161 00 Prague 6 - Ruzyně, Czech Republic

Contact details:

Website: 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
Hangarage and 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

Branch office Bratislava, Slovenská republika ABS Jets, a.s.,

ABS Jets also operates in Slovakia, through its branch enterprise which was incorporated on 9 November 2007 and is registered in the Commercial Register maintained by the Regional Court of Bratislava I, Section B, Entry 1532/B.

Registered office of the branch enterprise and mailing address: Letisko M.R. Štefánika, 823 11 Bratislava, Slovak Republic

Contact Details:

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

Hangarage and Ground Handling (24/7): +420 911 563 190, handlingbts@absjets.com
AOG Hotline (24/7): +421 911 748 546, engineering@absjets.com

Incorporation

ABS Jets, a.s. (the "Company") was incorporated on 30 June 2004 by entry to Commercial Register.

Line of Business:

The company's primary line of business consists of:

- The operation of commercial air transport;
- The development, design, production, testing, maintenance, repair, modification and structural changes of aircraft, aircraft components and aviation technology; sales and service brokerage;
- The provision of handling services at Prague – Ruzyně South Airport, including technical and operational aircraft handling on the apron and passenger and baggage handling;
- Pre-flight preparation and flight monitoring services;

Ownership structure of the Company valid and effective as of 31 December 2017:

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

Association Membership

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

Corporate Values

SAFETY

Safety in all regards is our number one priority.

QUALITY

Providing top-level services.

INNOVATION

Sustained work towards progress.

EMPLOYEES

Promoting the development of our employees' potential.

RESPECT

We value mutual respect and teamwork.

ENTHUSIASM

Sharing passion and commitment to achieve our common goals.

Our Fleet

7x
Embraer Legacy 600/650

2x
Gulfstream 550

1x
Learjet 60XR

3x
Aircraft in private mode

Our Management Team

Andrea Brdiarová
Chief Executive Officer,
Member of the Board of Directors

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

Thierry Barre
Technical Director

Pavel Fuchs
Chief Financial Officer

Štefan Kukura
Flight Director

Martin Orlita
Quality and Safety Manager

Michal Pazourek
Director of Ground Operations

Eva Stoklásková
Legal Counsel

Events in 2017

Like every year, we took part in international business aviation fairs and trade shows as one of the key exhibitors.

EBACE
22-24 MAY 2017 | GENEVA

Jetexpo
7-9 september 2017 • www.jetexpo.ru

We also supported

Children's aviation summer camp at Třemošná

The 'Báječný svět létání' exhibition

The Embraer Executive Operators Conference

Business Activities of ABS Jets

Aircraft Management

As one of the first providers of private aviation services in the Czech and Slovak republics, ABS Jets has many years of experience in the provision of comprehensive and continuous support on a daily basis. It provides this support to owners and operators in the management and operation of aircraft of the aforementioned category. ABS Jets continues to hold its position as a market leader in the Central and East European region and it intends to further strengthen that position by continuous improvements of the services rendered, from technical aircraft maintenance to flight planning and monitoring.

At the beginning of 2017, our commercial fleet was expanded with the addition of another ultra-long-range category aircraft – an G550 from the US producer Gulfstream Aerospace. On the other hand, the smallest aircraft we operated, the Bombardier Learjet 60XR, left our hangars after ten years in service.

ABS Jets noted tremendous success at the mid-point of the year when it attained, as one of the few airlines in Europe, IS-BAO stage III certification – the highest level of certification on the basis of International Standards of Business Aviation Operations.

An IS-BAO III involves checks from the point of view of nearly 400 international standards, analysis among others professional competences of our flight personnel, comprehensive flight operations, or approach to environmental issues.

Given that aircraft management includes all other services in the company's product portfolio, the attainment of the certificates enhances the overall impression given by the company and confirms the excellent position of ABS Jets as a business jet operator and the top level of the services rendered as well as of the company's management.

Aircraft Maintenance

The aircraft maintenance unit continues to play a key role in the service portfolio of ABS Jets. Furthermore, this section continues to expand, which is confirmed, among other things, by the acquisition of several new clients. An international team of 50 highly qualified technicians who are the mainstay of the section clocked more than 60,000 man-hours of work in line and base maintenance last year.

Last year, 8 C-type inspections were carried out (C-Check), which is the highest level of scheduled maintenance. The total number of these checks in the company's history has thus risen to 44, which makes ABS Jets one of the most experienced service centres in the world.

Last year was also marked by the installation of modernised avionics in the Embraer Legacy aircraft fleet, namely 3 implementations of ADS-B position signal transmission systems and one FANS aircraft system that provides for immediate data communication between the pilot and the flight control centre.

Furthermore, cooperation between our Bratislava service base and Vienna airport was broadened significantly, when a part of the coating of a Legacy jet, damaged in a collision with an airport service vehicle, was replaced at Vienna Airport with the assistance of our Bratislava technicians.

As a part of the continued process of improvements in the management of the Technical Departments, the company commissioned a study in 2017 in order to cut the time an aircraft spends at a service centre during scheduled maintenance. The study's results will be implemented in 2018 and 2019.

Operation Control Centre

The ABS Jets Operation Control Centre was again an integral part of the company's comprehensive portfolio of flight support services last year. These services are well-established and very popular, not only within our fleet but also among other airlines and aircraft owners, whose individual needs we accommodate with customised solutions.

Our team of 13 highly qualified dispatchers and analysts took care of continuous operations as well as the immediate handling of ad-hoc tasks. In 2017, Operation Dispatching helped handle over 4600 flights operated by 65 aircraft with destinations at 529 different airports on 5 continents. These figures are all-times highs for the company, which makes 2017 the department's most successful year ever.

We have successfully retained our regular clients and acquired new ones in Latin America and on other markets, which has given the Operation Control Centre an opportunity for growth and for attaining financial stability. Due to that, we put a special emphasis on dispatcher training and on optimising their work models for operations management.

Flight Department

The accomplishments of our Flight Department last year can best be described in figures: 4262 flight hours clocked, 2137 flights, 33 pilots and 18 flight attendants (at our Prague and Bratislava bases). ABS Jets aircraft can boast an average of 12 flight hours every day, with a take-off and landing every 4 hours. Of the total number of flights flown, 62 were long-haul rotations to various destinations around the globe. One of the Embraer Legacy 600 aircraft we operate flew around the globe last year.

In order for ABS Jets to be able to live up to its requirements in terms of approved training programmes for flight staff, it was necessary to hold 381 training simulator sessions. Pilots spent over 380 hours on those simulators in standard training and subsequent testing. Each ABS Jets pilot also spent an average of 35 hours in the classroom or on self-study courses, flight-attendants 20 hours.

At the end of the year, our crew successfully beat ABS Jets's standing record in the duration of a single flight – on a route from Jakarta, Indonesia, to Prague. It took our Gulfstream G550 13 hours and 46 minutes to cover the more than 11,000 km, without a stopover.

Of significance for ABS Jets in 2017 was the company's association with the Nuclear Physics Institute of the Academy of Sciences in cooperating on an experiment monitoring the impact of space radiation in air transport. Several dozen various radiation detectors were placed on board our Embraer Legacy 600, which was the only one to comply with the demanding requirements of the scientific experiment in a tender. The results of the experiment will contribute to the development of a standardised precision dosimeter.

CAMO

The Continuing Airworthiness Management Organization (CAMO) provides necessary support to aircraft owners in relation to aircraft operation and ownership. In countries under the responsibility of the European Aviation Safety Agency using the services of CAMO organisation is a statutory obligation for all owners of comprehensive private aircraft. It does, however, yield considerable benefits to everyone whose aircraft are registered in third countries, as well – the services of this department include the issuance and extension of Airworthiness Review Certificates (ARC), flight permits for aircraft not compliant with type design, inspections of documentation, aircraft conditions, or maintenance schedules, inspections of aircraft prior to purchase, or representation in dealings with aviation authorities.

The role of the CAMO Department in the ABS Jets product portfolio strengthened significantly last year. This was manifest, among others, in the acquisition of several clients, including for example Gulfstream G550 and G650 aircraft.

Taking these new types of aircraft under our company's wings required the implementation of new processes and the successful application for additional service authorisations and technical certificates.

Ground Handling

In 2017, our airline carried on in the provision of its ground handling services at its bases in Prague and Bratislava. Both handling departments are key in caring for our clients. Trained handling agents arrange, aside from other services, the transport of passengers between the terminal and the aircraft, the loading/unloading of their baggage, but also the handling of the aircraft between the hangar and the gate, filling up with fresh water or arranging for the take-up fuel. These are important activities before the take-off and after the landing of each flight.

Last year, the client target group was both ABS Jets' own fleet as well as external operators. Although the client portfolio included primarily flights from the business aviation category, our team also took part in handling flights of other categories, namely sports and ambulance. More than 2600 rotations of aircraft and helicopters of all categories were served in Prague, which tops the 2016 number by more than 100 rotations. The most significant increase was in the share of aircraft in the category of maximum take-off weight between 40 and 50 tonnes. Furthermore, ABS Jets provided hangarage in 1400 handling cases at its two Prague hangars.

This increase in the majority share of handling business aviation category aircraft at Prague airport was achieved primarily due to the promotion of our IS-BAH certification and the acquisition of several global clients.

At our Bratislava base, 455 rotations were served during the same period. The service was provided at other Czech and Slovak airports in supervision mode.

Jet Charter and Brokerage

In 2017, ABS Jets launched a new web presentation that includes a non-binding request form through which potential clients can express their interest in a private flight. The form had a direct impact in the form of an inflow of new requests and of the acquisition of several new clients for the Charter and Brokerage Department.

Our team also took part in several promotional and social events last year in order to increase awareness among our potential clients in the sphere of charter flights and new client acquisition.

In 2017, the department strengthened significantly and established itself yet more firmly as a broker.

ABS Jets' internal statistics point to an increasing trend in demand for higher-category aircraft, in particular for Midsize, Heavy and Ultra-long-range Jets, which is a trend not yet seen in private aviation.

Thanks to diverse operations in 2017, we had the opportunity to gain many new experiences: we organised flights to new, interesting destinations, such as a domestic flight in Vietnam and in the United States, or a flight to Greenland.

Travel Management

The Travel Management Department takes care of the optimisation of related travel services for our clients and our teams and staff within the company. These services include accommodation or car rental arrangements, but also limousine bookings and charter flights by helicopter. The department proved key in the provision of reliable passenger transport before and after the flight, in particular in those areas where these services are harder to get. Every day, the employees of our Travel Management Department take care of making several car and hotel room reservations. Like in the case of the Flight Planning Department, the work of this department is in no way restricted by the country or time.

In 2017, an emphasis was placed primarily on the adequate expansion of the team with a view to the expected increase in the number of operations. As a consequence, we welcomed a new colleague as a travel advisor. Thanks to having a sufficient number of well-trained specialists, the Travel Management Department was able to switch to a 24/7 mode of operation.

Corporate Social Responsibility

Human Resources

At the end of the year, ABS Jets had 182 full-time employees in the Czech Republic and 36 in the Slovak Republic. We continue to cooperate with university students as well as students from specialised secondary schools who are, like in previous years, given the opportunity to visit our company during their practical professional training, thereby preparing for their future occupation. During the summer vacation, we offered internships to students from the Czech Republic and abroad, to give them an opportunity to work at various departments of ABS Jets.

At the end of the year, Days with ABS Jets took place as a part of the Báječný svět létání exhibition. Visitors, mainly students from technical schools, were given the unique opportunity to learn about the work of the individual departments and job opportunities at ABS Jets. The main objective of the meeting was to tear down prejudices about the apparent unreachability of the world of private flights for young job applicants.

In addition to all statutorily required training and professional courses, we also offered other regular training, such as in soft skills development. During these courses, the company commenced expanding its employees' management skills and it plans to carry on in the programme this year. In the corporate social programme, employees were again able to take advantage of pension insurance contributions, cultural, language and sports activities. In addition to traditional benefits, ABS Jets organised several teambuilding events for its employees, for example a sports event at Slapy Reservoir, which was attended by nearly 60 employees. Most of the others were involved in fulfilling their work duties on a 24/7 basis.

2017 was demanding from the point of view of the situation on the labour market. In spite of that, the company did not let up on its criteria and continues to place an emphasis on the qualification as well as the personality of applicants to make sure they are a good fit for our company's team and work environment.

Science, Research and Technologies

Investments in the development of new processes, procedures and technologies in the world of aviation are an integral part of ABS Jets' corporate culture.

A detailed analysis of all business processes conducted in 2017, for example, is evidence of this. The analysis then served as a foundation for creating a conceptual data model and resource breakdown structure (RBS). All these elements were subsequently included in an inquiry document aimed at finding a potential supplier of an enterprise resource planning system (ERP).

This tender took place together with the approval of an investment in the ERP system in 2018, when implementation by the selected contractor will also take place. The system will replace the existing modular structure comprising accounting software, an invoice approval system and a reporting system, thereby significantly increasing the process efficiency throughout the company. An integral part of the solution will be data sharing from specialised software used in the operation of all of the company's sections and departments.

At the same time, a replacement and upgrade of the corporate server was performed, thereby achieving a yet higher standard of security for the company's data.

Quality and Safety

2017 was a milestone in terms of the further reinforcement a systemic approach to the management of ABS Jets. The company focused even more thoroughly on checking its compliance with applicable legislation and applying the principles of an integrated management system focused on achieving the highest possible standards of quality, operational safety and customer service. A thorough assessment of the existing management system and audits of operational procedures were carried out.

Strong motivation and a target was the achievement of the highest possible certification in our field of work – the International Standard for Business Aircraft Operations (IS-BAO), Stage III. The standard is applied not only on evaluating operating procedures, but on the entire system of management at the company, including systems for ensuring the service quality and safety of all activities in aircraft operation.

Thorough preparation of the entire company, from senior management to executive staff, their motivation and training enabled us to successfully pass the required audit in mid-2017, obtaining the IS-BAO Stage III without problems. Today, ABS Jets is the only airline in the Czech and Slovak republic to have achieved this internationally recognised certification, joining a small group of other European business jet operators that hold the certificate.

Obtaining the IS-BAO Stage III certification opens up new opportunities for cooperation with partners abroad, reduces certain costs of operations, but, above all, constitutes strong motivation for the further development of ABS Jets.

Environmental Protection

ABS Jets puts great emphases on using all facilities and ground equipment in compliance with user manuals, legislation and international standards in order to minimise the environmental impact.

Audits of compliance with all standards are carried out regularly and are conducted not only by government authorities, but also at the company's own request, by external entities and commissions.

As ABS Jets does not have its own source of drinking or process water, these are supplied under a lease agreement by external suppliers. The same applies to the disposal of waste, petroleum products and other specific substances, ensuring maximum control and quality of the disposal of waste substances.

ABS Jets views its approach to the environment as a natural component of its corporate social responsibility and strives to set an example for others in this regard. Cooperation with external suppliers and auditors contributes to this significantly, placing ABS Jets among the top environmentally responsible companies.

Key Goals and Business Plan for 2018

Several projects, both internally and externally, have been planned for 2018 in connection with the further development of the company. The most significant changes can be expected in connection with the expansion of the portfolio of services of the Technical Department, where the company plans to focus on several objectives. These include, for example, the provisioning of line maintenance services on its key market in Russia, the commencement of aircraft interior repairs and the preparation for obtaining authorisation for the maintenance of a new type of aircraft. The growth of the maintenance centre will also be promoted by the execution of complete process optimisation (known as process diagnosis), which will bring an increase in the efficiency of all operating components of the department.

Another key objective is the acquisition of new aircraft for the company's own fleet and obtaining a licence for commercial helicopter operations. With a view to the excellent results of the Operations Dispatching Department in recent years, the company has decided to extend its services in flight support and planning to new markets. The Travel Management Department's portfolio will be enriched with new services for clients and its integration with other departments of the company will be enhanced.

ABS Jets has pursued a philosophy of success based on a perfectly functioning synergy of internal and external processes.

This will be facilitated by the planned replacement of the existing accounting system, invoice approval system and reporting system. The architecture of the new information system will help satisfy the company's existing needs and provide the flexibility required for the promotion of business in a changing future environment. The outcome will be the increased efficiency of all work activities and the ability to provide services of a yet higher standard to our clients. Last but not least, ABS Jets will continue to strengthen its position as a stable and promising employer with the objective of setting up a long-term strategy for increasing the motivation of its current employees and appealing to potential new team members.

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, on this day 29.5. 2018

Marcel Dostal
Chairman of the Board of Directors

Andrea Brdiarová
Member of the Board of Directors

Financial statements as at 31 December 2017 prepared in accordance with IFRS as adopted by the European Union

Company name: ABS Jets, a.s.

Registered office: Hangar C, K Letišti 549, Ruzyně, 161 00 Prague 6

Legal form: Joint stock company

Identification number: 271 63 628

Statement of comprehensive income

For the year ended 31 December 2017 in thousands of Czech crowns (TCZK)

	Note	2017	2016
Revenue	4	1 683 192	1 448 698
Cost of sales	5	-1 322 081	-1 089 998
Personnel expenses	7	-279 744	-271 414
Depreciation and amortisation expense	11	-18 750	-22 063
Other operating income	6	6 751	6 243
Other operating expenses	8	-16 944	-16 491
Results from operating activities		**52 424**	**54 975**
Finance income		80	44
Finance costs	9	-22 807	-29 348
Net finance costs		**-22 727**	**-29 304**
Profit before tax		**29 697**	**25 671**
Income tax expense	10	-6 209	-5 326
Profit for the period		**23 488**	**20 345**
Other comprehensive income for the period (net of income tax)		--	--
Total comprehensive income for the period		**23 488**	**20 345**

The notes on pages 33 to 67 are an integral part of these financial statements.

Statement of financial position

for the year ended 31 December 2017 in thousands of Czech crowns (TCZK)

	Note	2017	2016
Assets			
Intangible assets	11	183	424
Property, plant and equipment	11	423 080	430 249
Deferred tax assets	21	938	880
Non-current trade receivables and other non-current assets		2 990	3 422
Total non-current assets		**427 191**	**434 975**
Inventories	14	75 200	85 702
Current trade receivables and other current assets	15	226 078	222 425
Income tax receivables	10	--	1 764
Cash and cash equivalents	16	39 316	57 014
Total current assets		**340 594**	**366 905**
Total assets		**767 785**	**801 880**
Equity			
Share capital	17	74 000	74 000
Reserves		5 061	5 061
Retained earnings		167 368	143 880
Total equity		**246 429**	**222 941**
Liabilities			
Long-term loans	18	250 901	257 830
Non-current trade payables and other non-current liabilities	19	13 857	13 700
Total non-current liabilities		**264 758**	**271 530**
Current liabilities			
Short-term loans	18	28 467	111 656
Income tax liabilities	10	416	--
Current trade payables and other current liabilities	20	227 715	195 753
Total current liabilities		**256 598**	**307 409**
Total liabilities		**521 356**	**578 939**
Total equity and liabilities		**767 785**	**801 880**

The notes on pages 33 to 67 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2017 in thousands of Czech crowns (TCZK)

	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**

	Share capital	Reserves	Retained earnings	Total equity
Balance at 1 January 2017	**74 000**	**5 061**	**143 880**	**222 941**
Net profit for the period	--	--	23 488	23 488
Total comprehensive income for the period	**--**	**--**	**23 488**	**23 488**
Balance at 31 December 2017	**74 000**	**5 061**	**167 368**	**246 429**

The notes on pages 33 to 67 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2017 in thousands of Czech crowns (TCZK)

	Note	2017	2016
OPERATING ACTIVITIES			
Profit for the period		23 488	20 345
Adjustments for:			
Income tax expense	10	6 209	5 326
Depreciation and amortisation	11	18 750	22 063
Gain (-) loss (+) on sale of tangible and intangible assets	6, 8	-493	-94
Net interest expense	9	10 904	22 046
Change in adjustments (+) increase/ (-) decrease	8	-2 782	4 407
Unrealised foreign exchange gains (-)/losses (+)		2 343	116
Operating profit before changes in working capital		**58 419**	**74 209**
Change in trade receivables and other assets	15	-7 142	113 037
Change in inventories (including proceeds from sale)	14	9 990	-7 565
Change in trade payables and other liabilities	20	38 273	-111 458
Cash flows generated from operating activities		**99 540**	**68 223**
Interest paid		-10 944	-19 493
Income tax paid	10	-4 087	-7 927
Cash flow generated from operating activities		**84 509**	**40 803**
INVESTING ACTIVITIES			
Acquisition of tangible fixed assets	11	-11 447	-4 335
Acquisition of intangible fixed assets	11	-127	-228
Proceeds from sale of tangible and intangible assets		727	169
Interest received		5	--
Cash flow used in investing activities		**-10 842**	**-4 394**
FINANCING ACTIVITIES			
Loans and borrowings received	18	13 467	367 343
Repayment of bonds and other publicly traded financial instruments	18	--	-381 000
Loans and borrowings repaid	18	-103 550	-2 697
Cash flow used in financing activities		**-90 083**	**-16 354**
Net increase in cash and cash equivalents		-16 416	20 055
Cash and cash equivalents at beginning of period		**57 014**	**36 987**
Effect of exchange rate fluctuations on cash held		-1 282	-28
Cash and cash equivalents at end of period		**39 316**	**57 014**

The notes on pages 33 to 67 are an integral part of these financial statements.

Notes to the Financial Statements (non-consolidated)

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 2017:
- 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

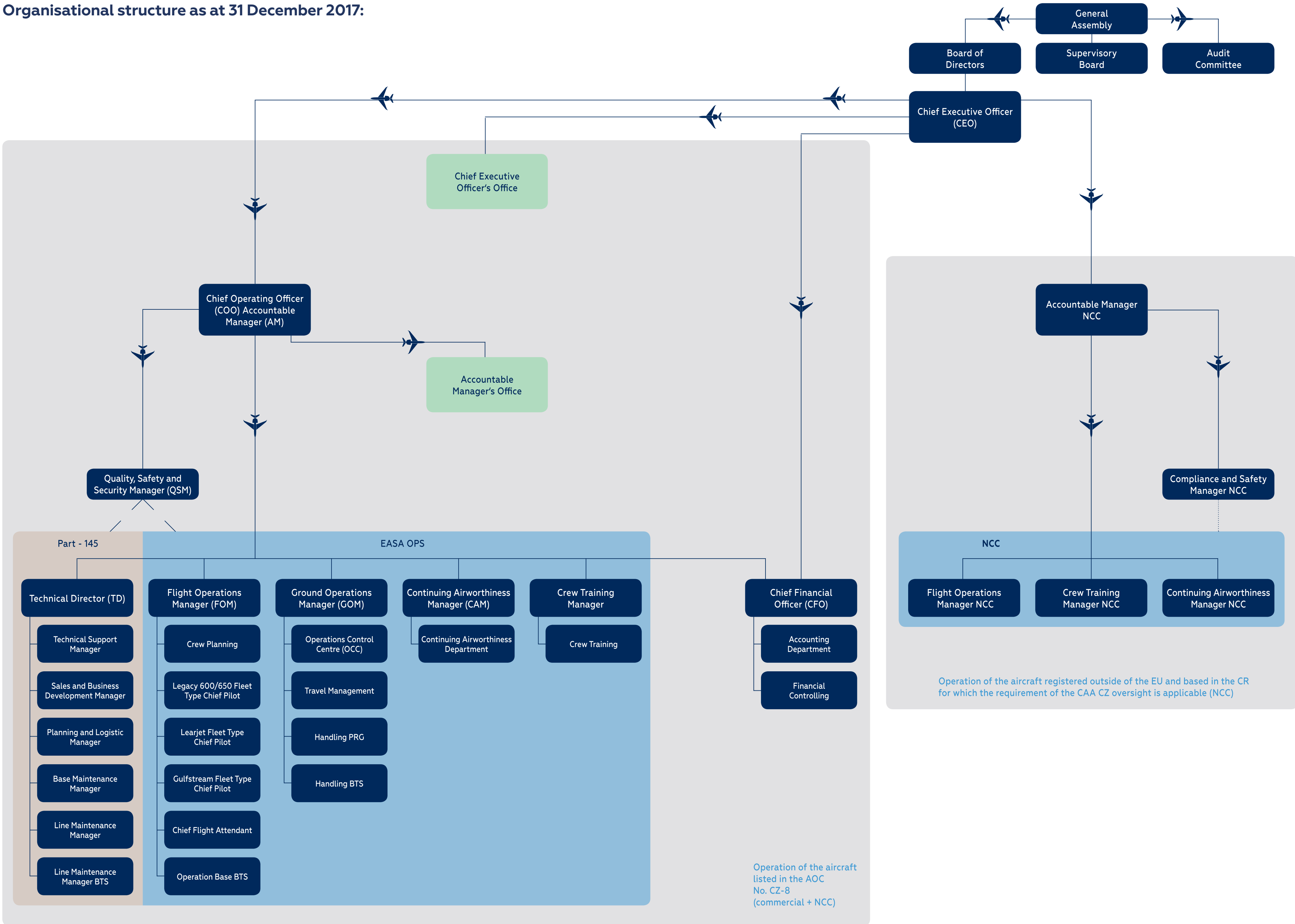
Entry in the Commercial Register:
maintained with the Municipal Court in Prague, section B, insert 9421

Members of the board of directors as at 31 December 2017:
Marcel Dostal, chairman
Andrea Brdiarová, member
Jan Králík, member

Members of the supervisory board as at 31 December 2017:
Richard Sedláčko, chairman
Markéta Bobková, member
Stanislav Kučera, member

Changes in the Commercial Register:
In 2017, no changes were made to the entries in the Commercial Register.

Organisational structure as at 31 December 2017:



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 22 May 2018.

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 2017. Relevant amendments are provided below.

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.

The above amendments, when initially applied, did not have a significant 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 2017 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.

As at the date of preparation of the financial statements, the impact of implementing the Standard was assessed by analysing selected contracts for each segment. The key conclusions are as follows:

Timing and amount of recognised revenue

The Company currently provides services in the following operating segments: maintenance, handling, hangaring, flights and related services, sales, lease of hangars, and control centre.

In all cases, revenue is currently recognised in the month in which the service is rendered or to which the service relates, in accordance with IAS 18.

Under IFRS 15, revenue will be recognised when control of a service is transferred to a customer. The timing will not differ from current practice.

The analysis of individual contracts did not identify any specific features, such as variable consideration, non-refundable upfront fees, options and loyalty programmes, whose recognition would require further impact analysis.

The Company therefore expects no changes to its existing approach under IFRS 15.

Principal versus agent considerations

Another area that required detailed analysis due to the nature of services provided involved considering whether the Company's role is that of a principal or agent.

The assessment of whether the Company acts as a principal or agent was conducted using an analysis of services currently provided and of the terms and conditions of individual contracts.

Given that the Company is responsible for providing support to customers and handling potential complaints, and for the quality of provided services, i.e. the Company is primarily responsible for fulfilling contracts, it can be concluded that it acts as a principal. In this case, the entity recognises revenue at the amount of consideration to which it expects to be entitled in exchange for transferred services, i.e. not only at the amount of fees or commissions.

Under IAS 18, the Company currently recognises revenue based on the same principle as required by IFRS 15, and thus no changes have been identified compared with current practice.

Timing of the transition to the new Standard

The Company plans to implement the requirements of IFRS 15 using the cumulative effect method at the date of initial application (i.e. 1 January 2018).

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.

The Company is currently in the process of assessing the potential impact of IFRS 16 on its financial statements by way of contract analysis.

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.

IFRIC 23 Uncertainty over Income Tax Treatments (Effective for annual periods beginning on or after 1 January 2019.)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value.

The Entity does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Entity does not operate in a complex multinational tax environment / does not have material uncertain tax positions.

Annual improvements to IFRSs

Annual improvements to IFRSs 2014-2016 cycle introduces three amendments to three standards (IFRS 1, IFRS 9 and IAS 28) and Annual improvements to IFRSs 2015-2017 cycle introduces four amendments to two standards (IFRS 3 and IFRS 11) that result in accounting changes for presentation, recognition or measurement purposes. The amendments are effective for annual periods beginning on or after 1 January 2018 and 1 January 2019, respectively, and shall 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.

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.
- *Note 15* – Estimated receivables, which the Company establishes mainly in respect of uninvoiced revenue from aircraft maintenance and flight sales, based on its best estimate.
- *Note 20* – Estimated payables, which primarily include uninvoiced expenses incurred for the lease and operation of aircraft and expenses for aircraft maintenance, and which the Company establishes based on its best estimate.

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 14* – Adjustments to inventories
- *Note 15* – Adjustments for doubtful receivables

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 2016, taking into account the above analysis of the impact of standards and amendments to standards effective for annual periods beginning on 1 January 2017.

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 in the month in which the flight occurs.
- 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 (1).

(vii) A person identified in (1) 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

	2017	2016
Revenue from flights	1 063 758	910 192
Revenue from services	619 434	538 506
Total	1 683 192	1 448 698

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

5. Cost of services

	2017	2016
Lease of aircraft*	622 690	512 015
Aviation fuel	108 856	83 177
Aircraft spare parts	83 463	57 569
Airport charges	43 076	37 119
Catering	23 191	23 788
Navigation charges	31 938	29 017
Handling	40 015	34 522
Fees for replacement of spare parts	35 055	22 147
Accommodation	25 951	23 663
Training and workshops	27 534	16 739
Labour hire	18 047	8 388
Meal allowance	10 591	9 697
Repair of aircraft	36 883	50 213
Repair of spare parts	53 669	28 612
Travel expenses	6 874	5 316
Lease of land and buildings	18 718	18 954
Change service	11 172	10 730
Hangarage and parking aircraft	13 517	12 568
Other services	110 843	105 764
Total	**1 322 081**	**1 089 998**

** 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 services'.

6. Other operating revenues

	2017	2016
Contractual penalties and default interest	1 115	--
Insurance benefits	663	876
Net gain on sale of tangible fixed assets	492	94
Refunded VAT	1 741	1 079
Recognition of receivables from employees	2 234	1 493
Write-off of payables	66	481
Stock-taking differences	55	68
Subsidies	--	769
Contributions from insurer and bonuses	275	918
Other	110	465
Total	**6 751**	**6 243**

7. Personnel expenses

Average number of executives and employees and personnel expenses for 2017:

	Number	Wages and salaries	Social security and health insurance expenses	Social expenses	Adjustment to personnel expenses due to untaken holidays	Total
Executives	8	21 629	4 547	60	-394	25 842
Employees	210	192 380	57 727	3 127	668	253 902
Total	**218**	**214 009**	**62 274**	**3 187**	**274**	**279 744**

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**

In 2017, members of the board of directors received fees totalling TCZK 1 404 (2016 – TCZK 0).

8. Other operating expenses

	2017	2016
Taxes, fees and visas	2 056	1 824
Additions to adjustments, write-off of receivables	4 189	4 465
Insurance	7 909	7 354
Other operating expenses	2 790	2 848
Total	**16 944**	**16 491**

9. Finance costs

	2017	2016
Interest expense	10 904	22 046
Net foreign exchange loss	9 569	3 522
Bank charges	2 324	1 795
Other	10	1 985
Total	**22 807**	**29 348**

For more information on interest expense, see Note 18.

10. Current and deferred tax

Income tax recognised in the statement of comprehensive income

	2017	2016
Current income tax:		
Current tax for the period	6 267	5 434
Total current tax	**6 267**	**5 434**
Deferred income tax:		
Change in temporary differences	-58	-108
Total deferred tax	**-58**	**-108**
Total income tax recognised in the statement of comprehensive income	6 209	5 326

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 2016 and 2017.

In 2017, the income tax provision of TCZK 6 313 (2016 – TCZK 5 434) was reduced by income tax prepayments of TCZK 5 897 (2016 – TCZK 7 198). The adjustment to tax payable for previous years totals TCZK 0 (2016 – TCZK 0). The net liability of TCZK 416 is presented in income tax liabilities (2016 – a receivable of TCZK 1 764, presented in income tax receivables).

Reconciliation of effective tax rate

	%	2017	%	2016
Profit for the period before tax		**29 697**		**25 671**
Income tax using the Company's domestic tax rate	19%	5 642	19%	4 877
Non-deductible expenses	2%	567	10%	2 661
Tax exempt income	0%	--	-9%	-2 212
Total income tax recognised in comprehensive income	**21%**	**6 209**	**21%**	**5 326**

11. Fixed assets

Major additions to fixed assets in 2017 included the acquisition of an aircraft nose maintenance platform of TCZK 1 140; and a technical improvement to Hangar C, amounting to TCZK 1 975.

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.

Machinery, equipment and vehicles include items purchased in the form of financing lease. Total net book value of those items as at 31 December 2017 was TCZK 826 (2016 – TCZK 1 131).

As at 31 December 2017 the Company had no liabilities arising from finance leases for machinery, equipment and vehicles (as at 31 December 2016 – all liabilities were duly paid).

(a) Intangible fixed assets

	Software	Other intangible fixed assets	Total
Cost			
Balance at 1 January 2016	**28 537**	**3 796**	**32 333**
Additions	291	--	291
Disposals	-158	--	-158
Balance at 31 December 2016	**28 670**	**3 796**	**32 466**
Balance at 1 January 2017	**28 670**	**3 796**	**32 466**
Additions	--	127	127
Disposals	--	-150	-150
Balance at 31 December 2017	**28 670**	**3 773**	**32 443**
Accumulated amortisation			
Balance at 1 January 2016	**26 052**	**3 729**	**29 781**
Amortisation expense	2 331	25	2 356
Disposals	-95	--	-95
Balance at 31 December 2016	**28 288**	**3 754**	**32 042**
Balance at 1 January 2017	**28 288**	**3 754**	**32 042**
Amortisation expense	323	45	368
Disposals	--	-150	-150
Balance at 31 December 2017	**28 611**	**3 649**	**32 260**
Net book values			
At 31 December 2016	**382**	**42**	**424**
At 31 December 2017	**59**	**124**	**183**

(b) Tangible fixed assets

	Land	Buildings	Machinery, equipment and vehicles	Low value assets	Tangible assets under construction	Total
Cost						
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**
Balance at 1 January 2017	**74 134**	**425 966**	**68 528**	**8 015**	**--**	**576 643**
Additions	--	2 805	5 491	487	2 664	11 447
Disposals	--	--	-3 034	-432	--	-3 466
Transfers	--	--	--	--	--	--
Balance at 31 December 2017	**74 134**	**428 771**	**70 985**	**8 070**	**2 664**	**584 624**
Accumulated depreciation						
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**
Balance at 1 January 2017	**--**	**92 492**	**46 463**	**7 439**	**--**	**146 394**
Depreciation expense	--	11 646	6 182	554	--	18 382
Disposals	--	--	-2 800	-432	--	-3 232
Transfers	--	--	--	--	--	--
Balance at 31 December 2017	**--**	**104 138**	**49 845**	**7 561**	**--**	**161 544**
Net book values						
At 31 December 2016	**74 134**	**333 474**	**22 065**	**576**	**--**	**430 249**
At 31 December 2017	**74 134**	**324 633**	**21 140**	**509**	**2 664**	**423 080**

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 2017, the total cost of the leases amounted to TCZK 18 718 (2016 – TCZK 18 954).

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

	31 December 2017	31 December 2016
Less than one year	5 862	5 602
Between two and five years	23 449	22 408
More than five years	79 140	84 030
Total	**108 451**	**112 040**

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 2017 was TCZK 622 690 (2016 – TCZK 512 015).

In 2017 and 2016 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 2017	31 December 2016
Tangible fixed assets	14 060	22 209
Intangible fixed assets (software)	2 181	1 846
Total	**16 241**	**24 055**

14. Inventory

At the stocktaking held on 31 December 2017 the Company identified inventories of TCZK 77 695 (2016 – TCZK 87 684), 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 2017 the Company established an adjustment to inventory of TCZK 2 495 (2016 – TCZK 1 982).

15. Current trade receivables and other current assets

	31 December 2017	31 December 2016
Trade receivables (a)	120 974	152 244
Advance payments (b)	3 692	7 001
Estimated receivables (c)	80 697	41 190
Other receivables	5 309	6 189
Prepaid expenses (d)	13 666	15 551
Tax receivables, excluding income tax	1 740	250
Balance at the end of the period	**226 078**	**222 425**

(a) The net amount of current trade receivables at 31 December 2017 is TCZK 120 974 (2016 – TCZK 152 244), of which TCZK 32 440 (2016 – TCZK 61 653) is overdue. An impairment adjustment of TCZK 7 685 (2016 – TCZK 8 089) was created at 31 December 2017 for doubtful receivables.

(b) Advance payments, net amounting to TCZK 3 692 as at 31 December 2017 (2016 – TCZK 7 001), primarily comprise refundable advances paid for the acquisition of fixed assets and other operating advances. As at 31 December 2017 an adjustment to advance payments of TCZK 140 (2016 – TCZK 3 029) was recorded.

(c) Estimated receivables, amounting to TCZK 80 697 as at 31 December 2017 (2016 – TCZK 41 190), primarily include uninvoiced revenue from aircraft maintenance and flight sales.

(d) Prepaid expenses primarily comprise costs of TCZK 1 039 (2016 – TCZK 4 526) related to the subscription to navigation databases for aircraft and other databases for the Company's operations, costs of TCZK 4 928 (2016 – TCZK 5 468) related to the lease of aircrafts and hangar in Bratislava, insurance costs of TCZK 1 243 (2016 – TCZK 1 248), training costs of TCZK 0 (2016 – TCZK 1 590) and other deferred costs of TCZK 6 456 (2016 – TCZK 4 231).

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 2017	31 December 2016
Cash in hand	354	382
Cash at bank	27 962	56 632
Other	11 000	--
Total	**39 316**	**57 014**

17. Share capital

	Share capital
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
Balance at 31 December 2017	**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 2017	31 December 2016
Non-current financial liabilities		
Bank loans (a)	250 901	257 830
Total	**250 901**	**257 830**
Current financial liabilities*		
Bank loans (a)	28 467	111 656
Total	**28 467**	**111 656**

** During 2016 the Company repurchased all 127 bonds at their nominal value. The repurchase was financed by a newly received long-term loan.*

(a) Loans and other financial liabilities

31 December 2017	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 a.s.	CZK	6M PRIBOR + 2,5% p.a.	30/9/2026	265 901	265 901	15 000	60 000	190 901
Loan KTK* PPF banka a.s.	CZK	1M PRIBOR / EURIBOR / LIBOR + 2,20% p.a.	31/1/2018	13 289	13 289	13 289	--	--
Loan KTK* Komerční banka, a.s	CZK	13% p.a.	20/1/2018	178	178	178	--	--
Total				**279 368**	**279 368**	**28 467**	**60 000**	**190 901**

** overdraft*

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 a.s.	CZK	6M PRIBOR + 2,5% p.a.	30/9/2026	281 000	281 000	23 170	92 680	165 150
Loan KTK* PPF banka a.s.	CZK	1M PRIBOR / EURIBOR / LIBOR + 2,20% p.a.	31/12/2017	86 774	86 774	86 774	--	--
Loan KTK* Komerční banka, a.s	CZK	13% p.a.	20/1/2017	1 712	1 712	1 712	--	--
Total				**369 486**	**369 486**	**111 656**	**92 680**	**165 150**

** kontokorentní úvěr*

As at 31 December 2017 the Company had a Komerční banka, a.s. overdraft of TCZK 178 (2016 – TCZK 1 712), 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.

As at 31 December 2017 the Company also had a PPF banka a.s. (here in after PPF banka) overdraft of TCZK 13 289 (2016 – TCZK 86 774), with a credit line of up to TCZK 160 000; and a long-term PPF banka a.s. loan of TCZK 265 901 (2016 – TCZK 281 000).

The loan from PPF banka a.s. is secured by a real estate pledge agreement, an agreement on the pledge of receivables arising from a bank account, a blank promissory note, and an agreement on the pledge of receivables and an assignment request confirmed by the insurance company.

Compliance with financial covenants

The bank loans provided by PPF banka, totalling TCZK 279 190 (2016 – 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 2017 the Company had long-term advances received of TCZK 13 377 (2016 – TCZK 12 741), which related to the operation of aircraft.

Other non-current liabilities comprise other payables of TCZK 480 (2016 – TCZK 959).

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

20. Current trade payables and other current liabilities

	31 December 2017	31 December 2016
Trade payables (a)	107 678	111 611
Operating advances received (a)	53 525	31 004
Short-term finance leases	--	--
Estimated payables (b)	36 973	20 575
Other payables (c)	25 995	28 725
Other tax liabilities (d)	3 544	3 838
Balance at the end of the period	**227 715**	**195 753**

(a) Current trade payables

Current trade payables total TCZK 107 678 (2016 – TCZK 111 611), of which TCZK 24 506 (2016 – TCZK 14 800) 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 36 973 (2016 – TCZK 20 575) 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 5 940 (2016 – TCZK 5 668), of which TCZK 3 632 (2016 – TCZK 3 486) relates to social security and TCZK 2 308 (2016 – TCZK 2 182) to health insurance; none of these liabilities are overdue;
- payables to employees of TCZK 14 373 (2016 – TCZK 14 349) arising from unpaid wages and salaries for December;

• payables to employees of TCZK 3 623 (2016 – TCZK 3 348) arising from untaken holidays; for more details see Note 7.

(d) Tax liabilities

Tax liabilities amount to TCZK 3 544 (2016 – TCZK 3 838), 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 2017. 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 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Assets	**Assets**	**Liabilities**	**Liabilities**	**Net**	**Net**
Temporary differences are attributable to:						
Property, plant and equipment	--	--	-1 686	-1 744	-1 686	-1 744
Trade receivables and other assets	1 988	1 988	--	--	1 988	1 988
Liabilities from untaken holidays	636	636	--	--	636	636
Tax asset (liability)	2 624	2 624	-1 686	-1 744	938	880
Set off of tax	- 1 686	-1 744	1 686	1 744	--	--
Net tax asset (liability)	**938**	**880**	**--**	**--**	**938**	**880**

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 2017 and subsequent years (2016 – 19% for 2016 and subsequent years).

Movement in temporary differences during the year:

	Balance at 31 December 2017	Recognised in profit or loss 2017	Balance at 31 December 2016	Recognised in profit or loss 2016
Property, plant and equipment	-1 686	58	-1 744	-213
Trade receivables and other assets	1 988	--	1 988	447
Liabilities from untaken holidays	636	--	636	-203
Bonds issued	--	--	--	77
Total	**938**	**58**	**880**	**108**

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 2017 the Company had the following currency risk exposure:

Items denominated in:	CZK	EUR	USD	Other	Total
Assets					
Cash and cash equivalents	14 543	22 119	2 652	2	39 316
Trade receivables and other assets*	89 605	124 507	14 896	60	229 068
Total	**104 148**	**146 626**	**17 548**	**62**	**268 384**
Liabilities					
Loans and borrowings	279 368	--	--	--	279 368
Other financial liabilities	416	--	--	--	416
Trade payables and other liabilities*	114 888	106 194	19 456	1 035	241 573
Total	**394 672**	**106 194**	**19 456**	**1 035**	**521 357**

** 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 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					
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*

The following exchange rates applied during the year:

	2017		2016	
	Average rate	Spot rate at 31 Dec 2017	Average rate	Spot rate at 31 Dec 2016
EUR	26.326	25.540	27.033	27.020
USD	23.382	21.291	24.432	25.639

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)	
	2017	**2016**
EUR (5% strengthening)	-2 022	-4 551
USD (5% strengthening)	95	281

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(a)) and Komerční banka, a.s. (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	**2017**	**2016**
Financial assets	--	--
Financial liabilities	279 190	369 486

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.

2017	Profit/(Loss)	
	10 bp increase	**10 bp decrease**
Variable-rate bank loans	-279	279

(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 2017	Businesses (non-financial institutions)	Government	Banks	Individuals	Total
Cash and cash equivalents	353	--	38 963	--	**39 316**
Trade receivables and other assets*	217 628	--	--	11 440	**229 068**
Total	**217 981**	**--**	**38 963**	**11 440**	**268 384**

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

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*

Credit risk exposure by geographic region

31 December 2017	Czech Republic	Slovakia	Ireland	Austria	Cyprus	British Virgin Islands	France	Monaco	Luxembourg	Germany	Other	Total
Cash and cash equivalents	38 429	887	--	--	--	--	--	--	--	--	--	**39 316**
Trade receivables and other assets*	30 806	11 255	9 123	1 659	37 900	29 961	22 502	2 497	1 483	19 330	62 552	**229 068**
Total	**69 235**	**12 142**	**9 123**	**1 659**	**37 900**	**29 961**	**22 502**	**2 497**	**1 483**	**19 330**	**62 552**	**268 384**

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

31 December 2016	Czech Republic	Slovakia	Ireland	Austria	Cyprus	British Virgin Islands	France	Monaco	Luxembourg	Other	Other
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'*

(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

	2017	2016
Not past due – current and non-current (net)	204 452	172 282
Past due – current and non-current (net)	24 616	53 565
Total	**229 068**	**225 847**
A – assets in respect of which an adjustment has been established (past due and impaired)		
• gross	7 824	11 118
• specific adjustment	-7 824	-11 118
• general adjustment	--	--
Net	--	--
B – assets in respect of which an adjustment has not been established (past due)		
• past due < 30 days	12 527	30 702
• past due 31-60 days	3 260	6 187
• past due 61-90 days	2 638	4 148
• past due 91-180 days	4 424	9 825
• past due 181-365 days	1 767	2 148
• past due >365 days	--	555
Net	**24 616**	**53 565**
Total (net)	**24 616**	**53 565**

The movement in the adjustment for impairment in respect of financial assets during the year ended 31 December 2017 and 31 December 2016 was as follows:

Balance at 1 January 2016	**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**
Impairment losses recognised during the period	6 616
Reversal of impairment loss recognised during the period	-9 910
Write-offs	--
Foreign currency translation differences	--
Balance at 31 December 2017	**7 824**

The impairment losses in respect of trade receivables and other assets as at 31 December 2017 and 31 December 2016 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 (a) above.

Maturity of financial assets and liabilities

31 December 2017	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	229 068	229 068	226 078	--	2 990	--	--
Total	**229 068**	**229 068**	**226 078**	**--**	**2 990**	**--**	**--**
Loans and borrowings*	279 368	279 368	178	28 289	60 000	190 901	--
Trade payables and other liabilities	241 989	241 989	228 132	--	13 857	--	--
Total	**521 357**	**521 357**	**228 310**	**28 289**	**73 857**	**190 901**	**--**

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**	**--**

** excluding the effect of interest accrued in the following years at the rates specified in note 18(a)*

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:

	2017	2016
Total liabilities	521 356	578 939
Less: cash and cash equivalents	-39 316	-57 014
Net debt	**482 040**	**521 925**
Total equity attributable to holders of the Company's equity	246 429	222 941
Debt to equity ratio	**2,0**	**2,3**

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		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenues	74 003	56 708	83 462	84 992	976	2 939	1 063 793	910 192	80 971	83 129	371 188	308 776	8 799	1962	**1 683 192**	**1 448 698**
Inter-segment revenue	3 324	5 626	14 202	14 812	0	971	25 604	27 584	2 841	97	14 765	10539	5 520	5657	**66 256**	**65 286**
Revenues from operating segments	77 327	62 334	97 663	99 804	976	3 910	1 089 397	937 776	83 812	83 226	385 953	319 315	14 318	7619	**1 749 446**	**1 513 984**
Interest revenue	--	--	--	--	--	--	--	0,23	--	--	--	--	5	0,46	**5**	**1**
Interest expense	-63	-117	-264	-904	-8 237	-16 277	-323	-590	-29	-70	-1 573	-2 761	-415	-1 327	**-10 904**	**-22 046**
Depreciation and amortisation	-12	-45	-2 388	-2 628	-12 027	-12 136	-243	-1 203	-17	-21	-2 527	-4 085	-1 536	-1 945	**-18 750**	**-22 063**
Profit/loss before tax	3 216	2 769	12 088	11 111	2 690	5 887	12 929	12 088	-944	1 595	43 223	34 101	-43 505	-41 880	**29 697**	**25 671**
Property, plant, equipment and intangible assets	41	2	6 498	5 607	401 482	412 921	849	1 046	14	31	11 192	8 209	3 187	2 432	**423 263**	**430 249**
Additions to intangible assets	--	--	--	--	--	--	--	--	--	--	--	229	127	--	**127**	**229**
Additions to tangible assets	52	--	1 155	--	2 843	997	22	20	--	34	5 259	3 391	2 116	194	**11 447**	**4 637**

In 2017, a total of 10 % of the Company's revenues (2016 – 13%) was generated vis-à-vis a single customer. This amounted to TCZK 164 074 (2016 – TCZK 190 247) in the following segments:

- flights: TCZK 162 214 (2016 – TCZK 180 522);
- sales: TCZK 1 860 (2016 – TCZK 9 725).

Revenues by geography

	2017	2016
Czech Republic	444 615	294 953
Ireland	287 106	281 760
Cyprus	247 924	316 190
British Virgin Islands	212 489	235 685
Slovak Republic	121 465	39 538
Netherlands	80 851	60 722
Russia	37 031	55 601
Other	251 711	164 249
Total	**1 683 192**	**1 448 698**

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 2017 the Company did not carry out any material transactions with related parties.

25. Contingencies

The Company has provided 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 2017 the Company reported statutory audit fees totalling TCZK 526 (2016 – TCZK 520).

27. Material subsequent event

As at the date of preparation of the financial statements, the Company's management is not aware of any material subse¬quent events that would have an effect on the financial statements as at 31 December 2017.

Date: 29. 5. 2018

Signature of the authorised representatives:

Marcel Dostal
Chairman of the Board of Directors

Andrea Brdiarová
Member of the Board of Directors

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This document is an 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 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory 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 2017, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 2017, based on which this independent auditor's report has been prepared.

Prague
29 May 2018

KPMG Česká republika Audit

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

M. Štegová

Martina Štegová
Partner
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ABS JETS