

 ABS JETS

ANNUAL REPORT
2018



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INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear colleagues, business partners, and clients,
We have successfully completed another year, the fourteenth since the establishment of our company, and it is my pleasant duty to glance back at the most important moments that last year brought. Our company set several major objectives for itself for 2018, which it successfully fulfilled, outperforming on some of them. We celebrated important milestones and our activities were rewarded on the global scale.

Last year, we closely focused on the development of our internal processes. In order for our company to continue growing and to keep at the top of its field, we deem it necessary to continue improving not only our services, but also our internal processes and procedures. We have therefore launched several projects to which we devoted intensive attention, in order to improve the efficiency of corporate management and aircraft maintenance, which enjoys a prominent position in the ABS Jets portfolio. In May 2018, implementation of a project entitled Critical Chain Project Management

(CCPM) was commenced in the Technical Department. This method that allows for efficient coordination of individual project activities, including resource planning, has enabled us to achieve excellent results during the pilot. Our goal was to reduce the time needed for the highest-level aircraft inspection, known as C-Check. I am pleased to confirm the success of the Technical Department team, which cut the duration of C-Checks by 25%.

Another major step in this area was the implementation of a new ERP system. The size of our company, with the scope of the services it provides, the demanding data safety requirements, and the requirements of the management of all operational components, necessitate a comprehensive and flawlessly functioning information system. Although it was not easy to find a solution that would meet our needs, we have successfully deployed the system and prepared it for roll-out. The new ERP system will significantly simplify corporate processes and make them more efficient, especially in the sphere of financial management and supplier-client relations. We expect to roll the new system out in mid- 2019.

The Ground Handling Department at our Prague base celebrated its 10th anniversary last year. Furthermore, we achieved the attractive number of 20,000 rotations handled. At the end of the year, these accomplishments were concluded with the acquisition of the prestigious level II IS-BAH certificate, which confirms our important position on the domestic market in providing VIP aircraft ground handling services.

Last year was also marked by intense preparations for the arrival of a new aircraft in the fleet and the establishment of a new helicopter division, as helicopter operation is required for extending the licence that allows ABS Jets to operate commercial air transport (AOC).

Last but not least, we became an official supporter in the unique Winged Lion mission that was the first-ever solo flight around the globe in a single-engine aircraft. Our operational flight control centre planned the entire route and arranged all the permits required, thereby bringing the mission to successful completion. The planning of the mission took several months, and our entire team of flight controllers took part in it.

Our employees have dedicated many hours of work to the projects mentioned above. I would again like to use this opportunity to thank them for their commitment and loyalty. I believe that the changes we have started in internal processes will result in an improved work environment and in the end will have a positive impact, in terms of increasing the above-standard level of service to which ABS Jets remains committed. I also thank our shareholders, clients and business partners who have shown their sustained confidence in us.

– Marcel Dostal, Chairman of the Board of Directors

REPORT OF THE COMPANY'S BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS AND ASSETS IN THE 2018 ACCOUNTING PERIOD



FINANCIAL RESULTS

In the 2018 accounting period, ABS Jets, a.s. reported after-tax profit of CZK 0.1 million, which is a drop compared to the previous period. The drop was caused in particular by negative developments in the Maintenance Department. Corrective actions were adopted as soon as 2018, promising better results.

For 2019, we are planning a profit before tax of CZK 13 million. In the following years, we are expecting similar developments as in 2019, i.e. revenue stabilisation resulting from an expansion of the client portfolio for individual sections and from an in-depth analysis of processes and expenses, as well as more effective sales of our services. The asset situation of ABS Jets, a.s. corresponds to the data presented in the regular financial statements drawn up for the 2018 accounting period. In the 2018 accounting period, the Board of Directors of ABS Jets, a.s. duly fulfilled its obligations arising 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 the shareholders acting in the capacity of the general meeting.

MAIN CHARACTERISTICS OF THE 2018 BUSINESS YEAR AND THE BUSINESS PLAN FOR 2019

The employees of the ABS Jets maintenance centre reached the milestone of 400,000 hours worked since the establishment of the aircraft maintenance section in 2007. C-Checks account for the vast majority of that work. They represent the highest level of scheduled aircraft maintenance. Our team has performed 52 C-Checks, namely on Embraer Legacy 600 and Legacy 650 aircraft. Last year, we also obtained a B1 type-qualification authorisation for inspecting aircraft engines using the borescope testing method.

ABS Jets' Prague Handling Department was rewarded for its work. Aside from celebrating 10 years in existence, our handling was the first in the Czech Republic to fulfil the demanding criteria required for obtaining the internationally recognised level II IS-BAH certificates. We also handled our 20,000th departure from Prague – Ruzyně Airport.

The work of our Slovak colleagues at the M. R. Štefánik Airport in Bratislava has noted an important expansion, as they took over from the Prague handling team supervision of external clients' aircraft headed to Slovak airports.

We also invested in an enterprise resource planning system (ERP). The introduction of an ERP involves the implementation of new accounting software and a new controlling and reporting system. In preparation for the ERP, we prepared a data structure in 2018, corresponding to the requirements of effective controlling and reporting, and optimised processes across the company. We also introduced the critical chain project management method (CCPM) at the Aircraft Maintenance Department. This project allows us to cut maintenance time by up to 25% and offer clients shorter aircraft down-periods. We also focused on the personnel area and on increasing employee satisfaction at the workplace.

We focused on quality recruitment and continue to work on increasing the satisfaction of our current employees, through financial as well as non-financial incentives. A satisfaction survey took place in 2018, which has shown us the direction on which we need to focus.

We have newly taken over wage administration from an external company and switched to new wage software in the new year, thereby saving on costs.

And finally, the challenges that we will face in 2019 include, above all, an expansion of our business portfolio. Our fleet will welcome a new member – a new Gulfstream G650 aircraft, and a new helicopter division will be established. This step is the beginning of a brand-new chapter in our company's history, as we have thus far focused exclusively on operating business jets.

COMPANY PROFILE

OPERATIONAL BASES



Prague / LKPR since 2004 (headquarters)

Aircraft Management | Aircraft Maintenance | CAMO (Continuing Airworthiness Management Organisation) | Ground Handling | Flight Planning | Aircraft 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, e-mail: info@absjets.com

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

Aircraft Maintenance (24/7): (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

BRATISLAVA BRANCH, SLOVAK REPUBLIC

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

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



Contact Details:

Web: www.absjets.com, e-mail: 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.

Line of Business:

The company’s primary line of business consists of:

- The operation of commercial air transport; development, design, production, testing, maintenance, repair, modification, and structural changes of aircraft, aircraft components, and aviation technology;
- Sales and service brokerage; 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 2018:

- On 13 June 2018, **ARTHUR, BRADLEY & SMITH LTD** sold its entire 50% of shares to the corporation **J&T PRIVATE EQUITY GROUP LIMITED**, having its registered office at Klimentos, 41-43, Klimentos Tower, 2nd Floor, Flat/Office 22, Nicosia 1061, Republic of Cyprus. As at that day, 13 June 2018, the new owner was registered in the List of Shareholders.
- **BRIDGEHILL LIMITED** 50% of shares



ASSOCIATION MEMBERSHIP

NBAA (National Business Aviation Association)



EBAA (European Business Aviation Association)



RUBAA (Russian Business Aviation Association)



GAMA (General Aviation Manufacturers Association)



CORPORATE VALUES



EMPLOYEES

Promoting the development of our employees' potential



SAFETY

Safety in all regards is our number one priority



ENTHUSIASM

Sharing passion and commitment to achieve our common goals



INNOVATION

Sustained work towards progress



RESPECT

We value mutual respect and teamwork



QUALITY

Providing top-level services

OUR FLEET



6x Embraer Legacy
600/650

2x Gulfstream
550



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 Barré
Technical Director



Radek Doubek
Chief Financial Officer



Štefan Kukura
Flight Director



Martin Orlita
Quality and Safety Manager



Michal Pazourek
Director of Ground Operations



Eva Stoklásková
Legal Counsel

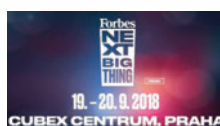
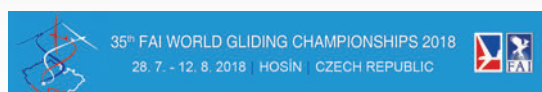
EVENTS IN 2018

INTERNATIONAL BUSINESS AVIATION FAIRS



WE SUPPORTED

- Wings of Business (February 2018, Moscow, Russia)
- Embraer Executive Operators Conference (May 2018, Amsterdam, Netherlands)
- World Gliding Championship (July 2018, Hosín Airport)
- The Winged Lion Mission (July - September 2018)
- Honeywell Operators Conference (September 2018, Moscow, Russia)
- Forbes Next Big Thing (October 2018, Prague)
- The Wonderful World of Flying – ABS Jets Days (October 2018, Prague)



AIRCRAFT MANAGEMENT

PRODUCT PORTFOLIO

At the beginning of the year, we bade farewell to one of our Embraer Legacy 600 aircraft, which had been a member of our commercial fleet since 2007, having logged nearly 3,000 flight hours. In terms of the number of aircraft and their sizes, ABS Jets is still the largest company in the Czech Republic and Slovakia engaged in business jet operation. We hold yet another primacy – we are the only company in those countries to hold level III IS-BAO and level II IS-BAH safety and quality certificates. In addition, the company has its own hangars, service centre, and a team of specialists, who are, thanks to their enthusiasm and ever-improving know-how, top in their field.

The sizeable fleet of Embraer Legacy 600 and Embraer Legacy 650 aircraft is supplemented by two G550 aircraft of the US manufacturer Gulfstream Aerospace. Given their properties, these are among the best the producer has to offer and are the absolute world top in the category of business jets. The inclusion of this premium aircraft in our fleet required careful preparation, including pilot training at the Gulfstream base in the United States, which took place last year. With this move, ABS Jets confirms its specialisation in business jets in the large and ultra-long-range categories.

The company's ambition for 2019 is to establish a division for helicopter operation, which involves many administrative as well as technological challenges, for which we needed to prepare in order to successfully obtain all the relevant authorisations.



AIRCRAFT MAINTENANCE

The ABS Jets aircraft maintenance centre is a leading service centre in the Central and East-European region, due to its size as well as the range of services provided. Since 2007, it has been a proud holder of an authorised service centre certificate for Embraer aircraft. Since then, its technicians have put in more than 400,000 hours of work. Our team has carried out the highest level of scheduled maintenance, known as the C-Check, 52 times on Embraer Legacy 600 and Legacy 650-type aircraft.

Our maintenance centre is also fully equipped for performing inspection and service work on aircraft manufactured by Gulfstream. Last year, two basic A-Checks took place on G550-type aircraft, which are carried out approximately after every 400–600 flight hours. The objective of increasing the efficiency of corporate processes has been significantly reflected in the operation of the Technical Department. In May 2018, the implementation of Critical Chain Project Management (CCPM) was commenced. This is a sophisticated method of process management developed specifically for technical disciplines. This project management method emphasises reorganisation of individual steps within a project, in order that their succession would save on time and reduce stress factors at the workplace. During pilot project testing, we achieved a 25% reduction in the duration of a C-Check. Among other things, this optimisation will increase the quality of the work performed and have a positive impact on safety. For clients, this naturally means that their aircraft will be available to them sooner, and with CCPM, we can also provide them with more detailed statistics during the inspection.

Within the framework of expanding our services, we have attained a B1-type qualification authorisation for checking aircraft engines using the borescope method, and a certification from the Russian Civil Aviation Authority to carry out light and heavy maintenance on Embraer Phenom 100 and 300 aircraft and line maintenance on the Gulfstream G550.



CAMO

PRODUCT PORTFOLIO

ABS Jets is a Continuing Airworthiness Management Organization (CAMO) providing important support in the administration and maintenance of aircraft, from the in-house fleet as well as external clients' aircraft. Supervision over regular aircraft inspections in line with the legislative requirements of the European Union Aviation Safety Agency (EASA) is a mandatory component of aircraft ownership and, as such, CAMO is an integral service in our product portfolio, including comprehensive services for private aviation.

For the CAMO Department, 2018 was marked by preparation for the arrival of new types of aircraft that will soon join the ABS Jets fleet. Specifically, these include the Gulfstream G650 and the H145 helicopter (made by Airbus).

Like all other organisations operating in aviation, CAMO too must meet the ever-expanding requirements imposed by competent national and international authorities, as well as those that arise when new types of aircraft are being taken in under the airline's wings. In 2018, type training was therefore organised that acquainted the relevant members of the CAMO team with current principles for the evaluation and maintenance of flightworthiness of new types of aircraft. During the training, the manufacturer's documentation had to be examined in detail and the department's work processes had to be adapted to it.

For the reasons mentioned above, the CAMO team expanded to a total of 5 employees in 2018, which confirms the increasing importance of the service in the ABS Jets portfolio.



FLIGHT DEPARTMENT

The 2018 statistics of the ABS Jets Flight Department shows figures similar to those from the previous year. Thirty pilots and eighteen flight attendants flew a total of 3,930 hours on 2,000 flights to various destinations, including countries such as Cuba, Maldives, Indonesia, and Seychelle. The average daily flying time of aircraft from our fleet was 11 hours.

The Flight Department prepared to welcome a new member of our fleet – the Gulfstream G650 aircraft. For that reason, our pilots underwent initial training in the USA last December.

Regular courses and training, whether in the form of theoretical ground preparation or simulator training, are fundamental building blocks of operability and absolute reliability of staff. In addition to compulsory self-study, we also pay attention to regular simulator training and the testing of pilots' knowledge.

In the framework of training for Upset Prevention and Recovery, which regularly takes place on simulators, selected pilots – instructors also managed to fly several hours in an acrobatic aircraft. Next year, we plan to offer this experience to all other ABS Jets pilots.

The Flight Department continued to monitor data from flight recorders. The general trend is very positive and documented that the level of our flight crews is top-notch and that they can easily withstand comparison with leading international airlines.



AIRCRAFT HANDLING

Ground handling services constitute an important component of client experience and include all aircraft, passenger, baggage, and catering-related services during an aircraft's landing and departure. Two major milestones were reached in this sphere last year – the Prague Handling Department celebrated its 10th anniversary and also handled its 20,000th aircraft.

ABS Jets also became the first and, as of yet, the only airline in the Czech Republic to have passed an IS-BAH certification audit; in 2018, we achieved a second level of the audit. This is an exceptionally important event that underscores our commitment to adhere to the strictest aviation safety standards.

Last year confirmed our ability to provide premium service to a broad range of diverse types of aircraft, from small, turbo-propeller, to large passenger jets, such as Airbus and Boeing. In addition to commercial flights, we also provide ambulance flights in the AMBULANCE or MEDEVAC mode. As in previous years, we again noted an increasing trend in the representation of larger aircraft with a higher maximum take-off weight. Increasingly, we handle flights of famous bands and government delegations.

ABS Jets' Prague base handled over 2,500 rotations last year and welcomed several new team members. We served another 100 rotations in the supervision mode at other regional airports in the Czech Republic.

Our Slovak branch at M. R. Štefánik Airport in Bratislava took over from the Prague handling team supervision over third-party aircraft. The number of flights handled at Bratislava exceeded 550, whereas 30 rotations were handled in the supervision mode.



OPERATION DISPATCHING

We again provided comprehensive around-the-clock flight support in 2018, both to our own fleet and to external clients throughout the world. The key to the success and further development of our Operation Dispatching is undoubtedly increased efficiency and expertise of the entire department, into which considerable funds were invested in 2018. The department also hired several new dispatchers.

The demands of personnel management grow with the increasing number of employees, which is why business intelligence (BI) tools were implemented last year, in order to increase efficiency in human resource allocation and allow better adaptation of the operation of our Operation Dispatching to our clients' demands.

The team of ABS Jets dispatchers handled over 3,500 flights to more than 500 destinations throughout the world last year, flown by more than 70 different types of aircraft.

The Latin-American market has been an important market in the sphere of business aviation on a sustained basis. In 2018, we noted a high increase in clients interested in private flights, which was related primarily to the World Football Championship held in Russia.

An extraordinary accomplishment of our Operation Dispatching was the planning of the Winged Lion expedition, completing the first solo flight around the globe by a single-engine Cessna 210N aircraft flown by a Czech pilot. While planning the mission, we cashed-in on our experience with previous flights around the globe and manifested our ability to provide qualified support to aircraft types smaller than jets. We are proud that we were able to make this contribution to the celebration of Czechoslovakia's centennial.



JET CHARTER AND BROKERAGE

Saving on time is one of the most frequent reasons for a client's choice of travel by private aircraft. In 2018, the department brokering private flights proved its flexibility in this field. Our team of experienced professionals can arrange a flight in as little as 2.5 hours from receiving the request, depending on the destination.

Interesting challenges handled by our consultants was the organisation of a flight for 80 passengers, which took approximately three months. In addition to being demanding logistically, this flight involved the resolution of specific catering requirements. Even though our department specialises primarily in aircraft with a capacity of 4 to 19 passengers, we are able to arrange a larger-capacity passenger aircraft.

In the second half of the year, the merger with the Travel Management Department commenced, to create the new Charter & Travel Department. The process involved, for example, training of new members and a change in the structure of the team. The objective of the merger is to create a unique and comprehensive premium travel service that offers everything, from private jet, car, or helicopter rental to hotel arrangements and the arrangement of other services around the world.

The total number of flights sold was up year-on-year, particularly in May, June, and October. The flights operated included several long-haul flights, for example, to the Maldives.



TRAVEL MANAGEMENT

Travel Management complements the comprehensive package of ABS Jets' private aviation services. The department provides around-the-clock support for our clients' travel around the world. This includes hotel or car reservations, but also travel on a luxury yacht or a charter helicopter flight.

In addition to services for external clients, 2018 also brought a higher volume of work for our internal purposes, as this department provided comprehensive and professional support to our crews and technical staff on their business travel.

We have also begun cooperating with new suppliers to expand our partner network of tested providers of high-quality services, which is our priority. This allows us to offer our clients broader coverage in nearly any destination around the world, whether it be long-term car rental in the United States or the selection and booking of a hotel in a hard-to-access insular destination.

The second half of the year was marked by the gradual merger with the Jet Charter and Brokerage Department, which aims to create a unique highly luxurious travel service.



HUMAN RESOURCES

SOCIAL RESPONSIBILITY

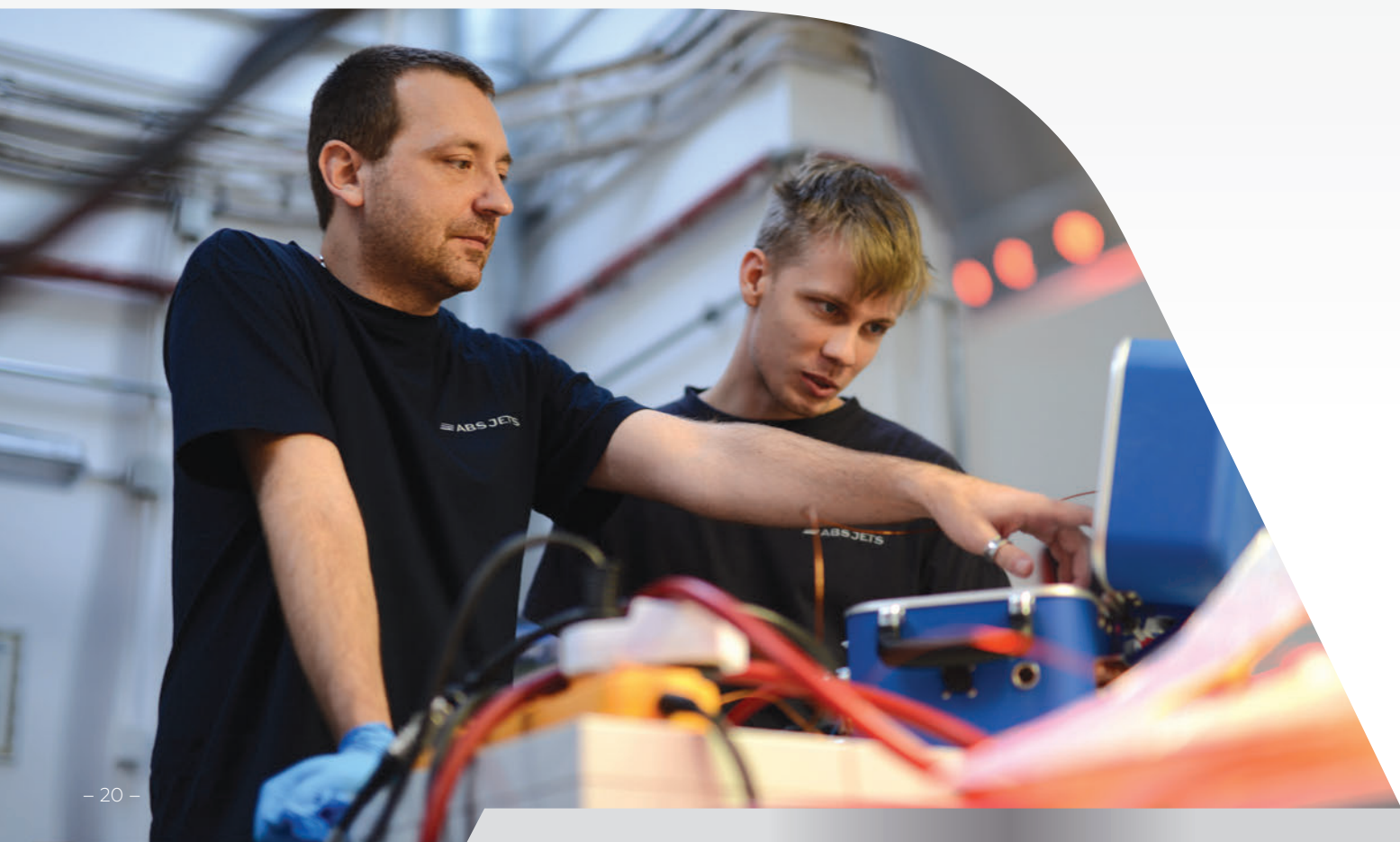
Despite the generally more demanding situation on the labour market, ABS Jets is maintaining a stable headcount, employing 191 full-time employees in the Czech Republic and 36 in Slovakia. Last year, 46 of our employees celebrated 10 or more years with the company. That means that our company can boast having experienced professionals in the field.

Our company also gives opportunities to talented students of specialised secondary schools and to university students. We have initiated close cooperation primarily with the Secondary School of Aviation and Computing in Odolena Voda, where we help students develop their language skills, and with the Faculty of Transportation Services of the Czech Technical University, helping students of the faculty with their honours papers and thesis and organising lectures led by our experienced managers, who provide students with the highly demanded linking of theoretical knowledge and practice.

We again organised Days with ABS Jets, as a part of the Wonderful World of Flying exhibition, and took part in the Flying for Students projects. These activities give students as well as others an opportunity to see how various departments work and what employment opportunities there may be for them at ABS Jets.

In 2018, we ran an in-house satisfaction survey in which 78% of our employees took part. The survey results helped us modify and improve the efficiency of our company benefit system, offer our employees greater variability in the use of leisure-time activities and training, and switch to an online system of benefit administration.

In 2018, we prepared three company-wide activities for our staff – a summer event on the Sázava River, a beach volleyball afternoon, and a Christmas party.



QUALITY AND SAFETY

An uncompromising approach to quality and safety is ABS Jets' trademark in all areas in which the airline operates. Specific procedures in this regard are overarched by the Quality and Safety Management Department. Alongside our company's managers, this department takes an active part in managing quality and safety, both in everyday corporate processes and in long-term projects, thereby jointly ensuring flawless execution of all procedures in line with the requirements of the European Union Aviation Safety Agency (EASA), the Civil Aviation Authority, and international higher aviation standards.

Last year, the department proved its important role as a coordinator of the preparation of manuals and other technical documentation for the planned helicopter operations. Throughout the process, the Quality and Safety Department was in close communication with the Civil Aviation Authority to take it to the stage of approval of all of the requisite parts of documentation at the end of last year.

An accomplishment in the sphere of quality and safety was the obtaining of a level II international IS-BAH certificate. In an audit, we proved flawless compliance with the standards of the safety risk management system, including in the sphere of staff training, documentation, work equipment, and passenger and baggage handling. ABS Jets is the only Czech company thus far to have obtained the certificate, which confirms its unique position on the Czech business aviation market.



SCIENCE, RESEARCH, AND TECHNOLOGIES

Innovation and constant progress are a corporate value of ABS Jets, which is why important steps were taken in this area in 2018. We focused primarily on improving internal corporate processes. A major event that had an impact on the entire airline was the launch of the implementation of an enterprise resource planning system (ERP). The system will replace the existing modular structure, significantly increasing the efficiency of all intra-company processes. Its roll-out is planned for the beginning of 2019. The financial ERP includes a model for customer relation management (CRM) which should simplify the work primarily of our Sales Department.

The IT Department implemented several other projects throughout the year which contributed to the simplification of the everyday work of all our company's employees and allowed us to provide yet better services to our clients. This includes the deployment of a new application that allows our employees to operate as a mobile call centre on a 24/7 basis. Even though each team member has his own mobile telephone and may be in a different location, clients can call one shared telephone number. An application redirects the call to a team member who is available at the moment.

Also our corporate wage management software underwent an overhaul. A tender was held for the selection of the supplier and the software was commissioned at the end of 2018.

Another modernisation involved the BAH application used by the Handling Department. The process of the calculation and payment of fees for aircraft handling at the airport has been significantly simplified for our clients.

Last year, the General Personal Data Protection Regulation, known as GDPR, took effect. The regulation had a significant impact on the method of personal data processing and necessitated major adaptations in our corporate information systems.



ENVIRONMENTAL PROTECTION

A considerate and friendly approach to the environment is a natural component of ABS Jets' corporate culture. We follow binding international standards in using all equipment, in pumping fuel, in the use of fresh water, as well as in any other activities with a potentially adverse environmental impact.

All the waste generated by our company, especially that which is hazardous, is disposed of in line with applicable legislation, using external companies that hold the applicable permits. We have an emergency plan (approved by the Environmental Department of the City of Prague) that forms a part of our internal corporate management manual and is in compliance with the emergency plan of Prague Airport.

We also strive to eliminate paper documents and actively promote a paperless approach. In order to restrict excess use of paper, we have introduced iPads as an everyday component of the work of the technicians of the Technical Departments. They have replaced traditional paper documentation, which no longer needs to be printed.



KEY GOALS AND BUSINESS PLAN FOR 2019

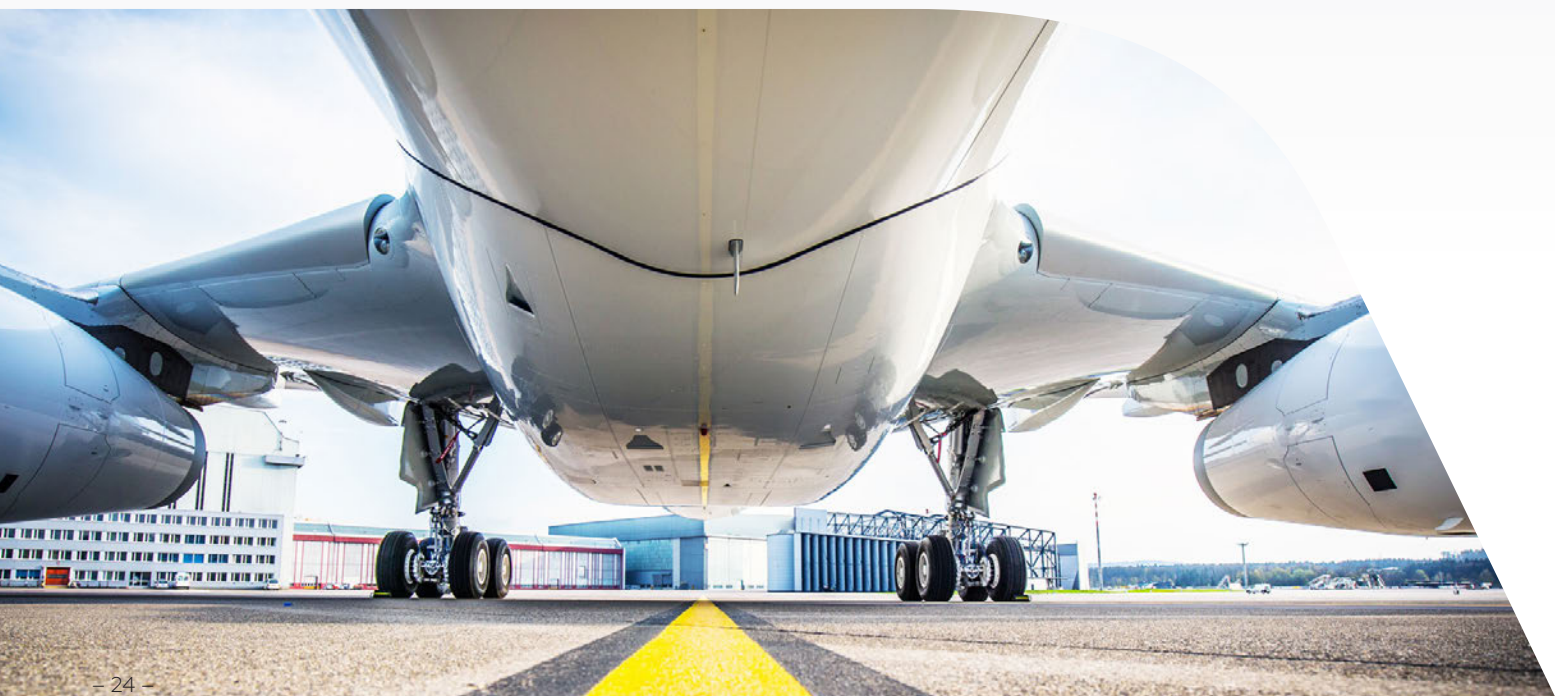
For ABS Jets, the objective for next year will be successful integration of new aircraft in the parent fleet. At the beginning of 2019, we will welcome a new Gulfstream G650. What makes this aircraft unique is the fact that it is the first-ever aircraft of this type to be operated with a Czech registration. Mid-year, the company's business portfolio will be expanded with the addition of helicopter transport, which is another turning point in the growth of ABS Jets. The first helicopter will be available at our Bratislava branch, where preparations are already underway, both in terms of technical and personnel arrangements.

The most significant business focus for ABS Jets is aircraft maintenance, which is why the development of the Technical Department is our primary goal every year. The situation will be similar next year, as we plan to expand not only the geographic portfolio of our clients, but also the portfolio of MRO (interiors) services. Furthermore, we plan to apply the positive results of the CCPM project to all types of aircraft inspections, in order to be able to achieve time-savings in maintenance and hence handle our clients' requests faster.

Furthermore, the merger of the Travel Management Department and the Charter & Brokerage Department will take place, to produce a new service in the ABS Jets product portfolio, covering not only private aviation, but also comfortable and flexible VIP travel, all in one package.

As concerns its further development, the company remains faithful to its long-term goals aimed at continuous improvements of the efficiency of corporate processes which are essential for maintaining the high level of VIP services. The new ERP system that constitutes an integral part of the development and optimisation of all processes across the company is already in the process of implementation. Related to this are investments in staff education and an overall focus on the sphere of human resources. ABS Jets values its employees, who are a key pillar of the company's successful operation. That is why we will continue to strategically develop our corporate culture next year, creating incentive programmes and improving work processes. We want to continue to focus on supporting students in aviation disciplines. Another objective is to implement a comprehensive communication strategy towards employees, based on our corporate values. A major investment in this regard will be, for example, an extensive renovation of office premises that will bring greater comfort and flexibility for our staff.

This year, our company will celebrate its 15th anniversary. Several external and internal communication activities are planned on this occasion.



SWORN STATEMENT

ABS Jets, a.s. solemnly 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 31. 5. 2019


.....
Marcel Dostal
Chairman of the Board of Directors


.....
Andrea Brdiarová
Member of the Board of Directors

FINANCIAL STATEMENT AS AT 31 DECEMBER 2018

*PREPARED IN ACCORDANCE WITH CZECH
ACCOUNTING LEGISLATION*

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



Balance sheet in full format

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

Ident.	ASSETS	line	Current period		Prior period	
a	b	c	Gross 1	Adjust. 2	Net 3	Net 4
	TOTAL ASSETS	1	1 013 404	-219 954	793 450	767 090
B.	Fixed assets	2	619 965	-207 053	412 912	422 436
B.I.	Intangible fixed assets	3	35 563	-32 412	3 151	183
B.I.2.	Intellectual property rights	4	28 730	- 28 675	55	61
B.I.2.1.	Software	5	28 730	- 28 675	55	61
B.I.4.	Other intangible fixed assets	6	3 838	- 3 737	101	122
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	7	2 995		2 995	
B.I.5.2.	Intangible fixed assets under construction	8	2 995		2 995	
B.II.	Tangible fixed assets	9	584 402	-174 641	409 761	422 253
B.II.1.	Land and buildings	10	503 617	-115 974	387 643	398 767
B.II.1.1.	Land	11	74 134		74 134	74 134
B.II.1.2.	Buildings	12	429 483	-115 974	313 509	324 633
B.II.2.	Plant and equipment	13	80 741	-58 667	22 074	20 822
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	14	44		44	2 664
B.II.5.1.	Advance payments for tangible fixed assets	15	44		44	
B.II.5.2.	Tangible fixed assets under construction	16				2 664
C.	Current assets	17	376 944	-12 901	364 043	326 595
C.I.	Inventories	18	85 001	-2 329	82 672	75 492
C.I.	Raw materials	19	84 502	-2 329		75 200
C.I.5.	Advance payments for inventories	20	499			292
C.II.	Receivables	21	234 996	-10 572	224 424	211 786
C.II.1.	Long-term receivables	22	4 146		4 146	4 089
C.II.1.1.	Trade receivables	23	3 047		3 047	2 990
C.II.1.4.	Deferred tax asset	24	1 099		1 099	1 099
C.II.2.	Short-term receivables	25	230 850	-10 572	220 278	207 697
C.II.2.1.	Trade receivables	26	187 065	-10 432	176 633	121 286
C.II.2.4.	Receivables - other	27	43 785	-140	43 645	86 411
C.II.2.4.3.	Tax receivables	28	6 176		6 176	1 740
C.II.2.4.4.	Short-term advances paid	29	4 618	-140	4 478	3 255
C.II.2.4.5.	Estimated receivables	30	30 879		30 879	80 697
C.II.2.4.6.	Other receivables	31	2 112		2 112	719
C.IV.	Cash	32	56 947		56 947	39 317
C.IV.1.	Cash in hand	33	329		329	354
C.IV.2.	Bank accounts	34	56 618		56 618	38 963
D.	Deferrals	35	16 495		16 495	18 059
D.1.	Prepaid expenses	36	16 306		16 306	13 666
D.3.	Accrued revenues	37	189		189	4 393

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY	38	793 450	767 090
A.	Equity	39	245 789	245 739
A.I.	Registered capital	40	74 000	74 000
A.I.1.	Registered capital	41	74 000	74 000
A.III.	Funds from profit	42	5 085	5 085
A.III.1.	Other reserve funds	43	5 085	5 085
A.IV.	Retained earnings (+/-)	44	166 654	142 920
A.IV.1.	Retained profits (+/-)	45	166 654	142 920
A.V.	Profit (loss) for the current period (+/-)	46	50	23 734
B. + C.	Liabilities	47	544 255	518 746
B.	Provisions	48	3 089	4 039
B.2.	Income tax provision	49		416
B.4.	Other provisions	50	3 089	3 623
C.	Liabilities	51	541 166	514 707
C.I.	Long-term liabilities	52	252 410	264 674
C.I.2.	Liabilities to credit institutions	53	237 341	250 888
C.I.3.	Long-term advances received	54	14 857	13 377
C.I.9.	Liabilities - other	55	212	409
C.I.9.3.	Other payables	56	212	409
C.II.	Short-term liabilities	57	288 756	250 033
C.II.2.	Liabilities to credit institutions	58	69 082	26 445
C.II.3.	Short-term advances received	59	29 399	53 525
C.II.4.	Trade payables	60	150 178	108 473
C.II.8.	Liabilities - other	61	40 097	61 590
C.II.8.3.	Payables to employees	62	14 815	14 373
C.II.8.4.	Social security and health insurance liabilities	63	6 514	5 940
C.II.8.5.	Tax liabilities and subsidies	64	3 689	3 544
C.II.8.6.	Estimated payables	65	14 015	36 973
C.II.8.7.	Other payables	66	1 064	760
D.	Accruals	67	3 406	2 605
D.1.	Accrued expenses	68	3 406	2 605

Income statement, classification by nature

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

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
I.	Revenue from products and services	1	1 587 824	1 683 192
A.	Cost of sales	2	1 243 405	1 322 081
A.2.	Materials and consumables	3	218 886	237 116
A.3.	Services	4	1 024 519	1 084 965
D.	Personnel expenses	5	297 345	279 470
D.1.	Wages and salaries	6	227 634	214 009
D.2.	Social security, health insurance and other expenses	7	69 711	65 461
D.2.1.	Social security and health insurance expenses	8	66 248	62 274
D.2.2.	Other expenses	9	3 463	3 187
E.	Adjustments relating to operating activities	10	21 177	15 880
E.1.	Adjustments to intangible and tangible fixed assets	11	18 596	18 446
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	12	18 596	18 446
E.2.	Adjustments to inventories	13	-166	728
E.3.	Adjustments to receivables	14	2 747	-3 294
III.	Other operating revenues	15	9 586	6 985
III.1.	Proceeds from disposals of fixed assets	16		727
III.3.	Miscellaneous operating revenues	17	9 586	6 258
F.	Other operating expenses	18	18 755	20 018
F.1.	Net book value of fixed assets sold	19		234
F.3.	Taxes and charges	20	2 043	2 056
F.4.	Provisions relating to operating activity and complex prepaid expenses	21	-534	274
F.5.	Miscellaneous operating expenses	22	17 246	17 454
*	Operating profit (loss) (+/-)	23	16 728	52 728
VI.	Interest revenue and similar revenue	24	4	5
VI.2.	Other interest revenue and similar revenue	25	4	5
J.	Interest expense and similar expense	26	11 881	10 904
J.2.	Other interest expense and similar expense	27	11 881	10 904
VII.	Other financial revenues	28	12 762	11 385
K.	Other financial expenses	29	16 540	23 213
*	Profit (loss) from financial operations	30	-15 655	-22 727
**	Profit (loss) before tax (+/-)	31	1 073	30 001
L.	Income tax	32	1 023	6 267
L.1.	Current tax	33	1 023	6 267
**	Profit (loss) after tax (+/-)	34	50	23 734
***	Profit (loss) for the accounting period (+/-)	35	50	23 734
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	36	1 610 176	1 701 567

Cash flow statement

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

		Current period	Prior period
P.	Cash and cash equivalents, beginning of period	39 317	57 013
	Net operating cash flow		
Z.	Accounting profit (loss) from ordinary activities	1 073	30 001
A.1.	Non-cash transactions	32 520	26 348
A.1.1.	Depreciation and amortisation of fixed assets	18 596	18 446
A.1.2.	Change in:	2 047	-2 505
A.1.2.2.	provisions and other adjustments		
A.1.3.	Profit(-) Loss(+) on sale of fixed assets		-493
A.1.5.	Expense and revenue interests accounted for	11 877	10 899
A.1.6.	Other non-cash transactions		1
A*.	Net operating cash flow before taxation financial items, changes in working capital and extraordinary items	33 593	56 349
A.2.	Changes in working capital	-20 625	43 855
A.2.1.	Change in receivables from operating activities, estimated receivables and deferrals	-9 509	-219
A.2.2.	Change in short-term liabilities from operating activities, estimated payables and accruals	-4 102	33 765
A.2.3.	Change in inventories	-7 014	10 309
A.**	Net operating cash flow before taxation, financial balances, and extraordinary items	12 968	100 204
A.3.	Interest paid excluding amounts capitalised	-11 881	-10 904
A.4.	Interest received	4	5
A.5.	Income tax paid on ordinary income and income tax relating to prior periods	-5 751	-4 087
A.***	Net operating cash flow	-4 660	85 218
	Investing activities		
B.1.	Acquisition of fixed assets	-8 083	-11 574
B.1.1.	Acquisition of tangible fixed assets	-5 029	-11 448
B.1.2.	Acquisition of intangible fixed assets	-3 054	-126
B.2.	Proceeds from sales of fixed assets		727
B.2.1.	Proceeds from sales of tangible and intangible fixed assets		727
B.***	Net cash flow from investing activities	-8 083	-10 847
	Financing activities		
C.1.	Change in long-term resp. short-term liabilities from financing	30 373	-92 067
C.***	Net cash flow from financing activities	30 373	-92 067
F.	Net increase or decrease in cash balance	17 630	-17 696
R.	Cash and cash equivalents, end of period	56 947	39 317

Statement of changes in equity

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

	Registered capital	Other reserve funds	Retained profits (+/-)	Profit (loss) for the current period	Total
Balance as at 1.1.2018	74 000	5 085	142 920	23 734	245 739
Transfer of the profit (loss) of prior year period	–	–	23 734	–23 734	–
Profit (loss) for the current period	–	–	–	50	50
Balance as at 31.12.2018	74 000	5 085	166 654	50	245 789

	Registered capital	Other reserve funds	Retained profits (+/-)	Profit (loss) for the current period	Total
Balance as at 1.1.2017	74 000	5 085	122 254	20 665	222 004
Transfer of the profit (loss) of prior year period	–	–	20 665	–20 665	–
Rounding	–	–	1	–	1
Profit (loss) for the current period	–	–	–	23 734	23 734
Balance as at 31.12.2017	74 000	5 085	166 654	23 734	245 739

Notes to the Czech statutory financial statements

1. Description and principal activities

Establishment and description of the Company

ABS Jets, a.s. ("the Company") was incorporated on 30 June 2004 by being recorded in the Commercial Register maintained by the Municipal Court in Prague, under file number 9421, section B.

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 Praha-Ruzyně South 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.

Owners of the Company as at 31 December 2018

J&T PRIVATE EQUITY GROUP LIMITED	50% of shares
Bridgehill Limited	50% of shares

On 13 June 2018, ARTHUR, BRADLEY & SMITH LTD, the shareholder, sold all 50% of its shares of J&T PRIVATE EQUITY GROUP LIMITED, with its registered office at Klimentos, 41-43, Klimentos Tower, 2nd Floor, Flat/Office 22, Nicosia 1061, Cyprus. The new shareholder was recorded in the list of shareholders as at 13 June 2018.

Registered office

ABS Jets, a.s.
K Letišti 549, Hangar C
161 00 Praha 6
Czech Republic

Identification number

271 63 628

Members of the board of directors and supervisory board as at 31 December 2018

Members of the board of directors:

Ing. Marcel Dostal (předseda)
Ing. Andrea Brdiarová (členka)
Ing. Jan Králík (člen)

Members of the supervisory board:

Ing. Richard Sedláčko (předseda)
Ing. Markéta Bobková (člen)
Ing. Stanislav Kučera (člen)

The Company does not prepare the consolidated financial statements for groups of entities nor is it part of any group of entities.

2. General accounting principles, accounting policies and their changes and deviations

These financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, ("the Act on Accounting") and Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of the Act on Accounting, as amended, for business entities using double-entry bookkeeping, ("the Decree").

The financial statements have been prepared on a going concern basis.

a) **Tangible and intangible fixed assets**

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 TCZK 40 and a useful life of more than one year. Intangible assets comprise individual intangible assets with a value of at least TCZK 60 and a useful life of more than one year. Tangible assets costing between TCZK 20 and TCZK 40 and having a useful life exceeding one year are recorded by the Company as low value assets with a depreciation period of 24 months.

The cost of internally produced fixed assets includes direct materials, direct wages and overheads directly related to the creation of the asset until it is put into use.

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. 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

In the income statement, depreciation is presented in “Depreciation and amortisation of intangible and tangible fixed assets”. Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and their estimated useful lives.

b) **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 manufacturing facility.

c) **Establishment of adjustments and provisions**

Receivables

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables. In the income statement, the establishment and release of adjustments is presented in “Adjustments to receivables”.

Inventories

Adjustments are established to reduce the cost of inventory to net realisable value. In the income statement, the establishment and release of adjustments is presented in “Adjustments to inventories”.

Provisions

As at the balance sheet date, a provision for untaken holidays is established based on an analysis of untaken holidays in the accounting period and average payroll expenses, including social security and health insurance expenses per employee.

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables and the net liability in the income tax provision.

d) **Foreign currency translation**

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year foreign exchange gains and losses are only recognised when realised at the time of settlement. As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the Czech National Bank official rate prevailing on the transaction date. Unrealised foreign exchange gains and losses are recognised in profit or loss.

e) **Leased assets**

Lease payments are expensed on a straight-line basis over the lease term. Where an asset is purchased at the end of the lease, it is recorded at its purchase price (replacement cost).

f) **Recognition of revenues and expenses**

Expenses and revenues generally recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing.

g) Income tax

Income tax for the period comprises current tax and the change in deferred tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability is utilised.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

h) Classification of liabilities

The Company classifies as short-term any part of long-term liabilities, bank loans and overdrafts that is due within one year of the balance sheet date.

3. Transition from International Financial Reporting Standards (IFRS) to Czech Accounting Standards (CAS)

Before 31 December 2017, the Company prepared its financial statements in compliance with IFRS as adopted by the European Union. This obligation arose in the past for the Company as it was an issuer of securities in 2011. On 31 August 2016, the Company repaid the issued securities, but the Company's board of directors was planning to issue securities again by the end of 2019. The option to prepare the financial statements under IFRS thus did not cease to exist. However, in May 2018, the Company's board of directors made a decision that the repeated issuance of securities would not occur in the foreseeable future. As a result, the Company has no option to prepare the financial statements under IFRS and therefore, it will prepare the financial statements under CAS from 2018 .

The Company prepared the first separate financial statements under CAS as at 31 December 2018. The decisive date for the transition to CAS was set at 1 January 2017, in compliance with the requirement of Act No. 563/1991 Coll., on Accounting, concerning the comparative information for 2017. In the case of the Company, major differences between CAS and IFRS include insignificant differences in the tangible fixed assets in respect of finance leases and the related deferred tax.

In the case of IFRS, the finance lease was capitalised in assets together with the lease liability and subsequently depreciated. Under CAS, the finance lease is not capitalised, it is included directly in expenses based on lease payments.

In the preparation of its first statements under CAS, the Company restated comparative values presented in the financial statements prepared under IFRS for 2017. The following table explains the impact of the transition from IFRS to CAS on the Company's equity:

	1 January 2017	31 December 2017
Total equity - IFRS	222 941	246 429
Elimination of adjustment to other reserve funds	24	24
Elimination of adjustment to retained profits	-1 281	-960
Elimination of impact of IFRS adjustments on profit or loss	320	246
Total equity - CAS	222 004	245 739

¹ Act No. 563/1991 Coll., on Accounting; Decree of the Ministry of Finance of the Czech Republic No. 500/2002 Coll.

4. Intangible and tangible fixed assets

a) Intangible fixed assets

	Software	Other intangible fixed assets	Intangible fixed assets under construction	Total 2018	Total 2017
Acquisition cost					
Opening balance	28 671	3 838	–	32 509	32 533
Additions	59	–	2 995	3 054	126
Disposals	–	–	–	–	–150
Transfers	–	–	–	–	–
Closing balance	28 730	3 838	2 995	35 563	32 509
Accumulated amortisation					
Opening balance	28 610	3 716	–	32 326	32 109
Amortisation expense	65	21	–	86	367
Disposals	–	–	–	–	–150
Transfers	–	–	–	–	–
Closing balance	28 675	3 737	–	32 412	32 326
Net book value 1 Jan	61	122	–	183	424
Net book value 31 Dec	55	101	2 995	3 151	183

b) Tangible fixed assets

	Land	Buildings	Machinery, equipment and vehicles	Low value assets	Tangible fixed assets under construction	Advances paid	Total 2018	Total 2017
Acquisition cost								
Opening balance	74 134	428 771	65 397	8 078	2 664	–	579 044	571 062
Additions	–	712	4 244	1 018	–	44	6 018	11 448
Disposals	–	–	–27	–633	–	–	–660	–3 466
Transfers	–	–	2 664	–	–2 664	–	–	–
Closing balance	74 134	429 483	72 278	8 463	–	44	584 402	579 044
Accumulated depreciation								
Opening balance	–	104 138	45 089	7 564	–	–	156 791	141 944
Depreciation expense	–	11 836	6 090	584	–	–	18 510	18 079
Disposals	–	–	–27	–633	–	–	–660	–3 232
Transfers	–	–	–	–	–	–	–	–
Closing balance	–	115 974	51 152	7 515	–	–	174 641	156 791
Net book value 1 Jan	74 134	324 633	20 308	514	2 664	–	422 253	429 118
Net book value 31 Dec	74 134	313 509	21 126	948	–	44	409 761	422 253

5. Inventories

At the stocktaking held on 31 December 2018 the Company identified gross balance of material inventories of TCZK 84 502 (2017 – TCZK 77 695). 90% of these are spare parts for aircraft, with the most expensive items being spare parts for engines and recording devices.

As at 31 December 2018, the Company created an adjustment to inventories of TCZK 2 329 (2017 – TCZK 2 495).

6. Trade receivables and payables

- a) Short-term trade receivables total TCZK 186 869 (2017 – TCZK 128 971), of which TCZK 74 874 (2017 – TCZK 32 440) is overdue. An adjustment of TCZK 10 432 (2017 – TCZK 7 685) was set up at 31 December 2018 for doubtful receivables. The Company records long-term trade receivables of TCZK 3 047 (2017 – TCZK 2 990).
- b) Short-term trade payables total TCZK 150 178 (2017 – TCZK 108 473), of which TCZK 60 425 (2017 – TCZK 24 506) is overdue. The Company monitors overdue payables on an ongoing basis and has assessed that the risk of inability to pay due liabilities is very low. The Company records other long-term liabilities of TCZK 212 (2017 – TCZK 409).

7. Short-term advances received

As at 31 December 2018, the Company records short-term advances received that represent advances paid on the aircraft maintenance (replacement and repairs of spare parts, repairs of aircraft and other) of TCZK 29 399 (2017 – TCZK 53 525).

8. Estimated receivables

As at 31 December 2018, the estimated receivables of TCZK 30 879 (2017 – TCZK 80 697) include in particular uninvoiced revenue from aircraft maintenance and flight sales.

9. Estimated payables

As at 31 December 2018, the estimated payables of TCZK 14 015 (2017 – TCZK 36 973) include uninvoiced expenses incurred for the lease and operation of aircraft (handling, airport and overflight charges, fuel, etc.) and expenses for aircraft maintenance.

10. Registered capital

	Registered capital
Balance at 31/12/2017	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 31/12/2018	74 000
72 shares at CZK 1 000 000 per share	72 000
4 shares at CZK 500 000 per share	2 000
Registered capital	74 000

11. Equity

As at the date of preparation of the financial statements, no decision was taken on the distribution of profit for 2018.

12. Provisions

In 2018, the income tax provision of TCZK 1 330 (2017 – TCZK 6 313) was reduced by income tax prepayments of TCZK 5 642 (2017 – TCZK 5 897). The net receivable of TCZK 4 312 is recorded in tax receivables (2017 – the net liability of TCZK 416 was recorded in the income tax provision).

13. Liabilities to credit institutions

Loans and other financial liabilities

31 December 2018	Currency	Nominal interest rate	Maturity date	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	251 341	14 000	56 000	181 341
Loan KTK* PPF banka a.s.	CZK	1M PRIBOR / EURIBOR / LIBOR + 2,20 % p. a.	30. 1. 2019	54 281	54 281	–	–
Loan KTK* Komerční banka, a.s.	CZK	13 % p. a.	20. 1. 2019	801	801	–	–
Total				306 423	69 082	56 000	181 341

*Overdraft loan

31 December 2017	Currency	Nominal interest rate	Maturity date	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	265 972	15 084	60 000	190 888
Loan KTK* PPF banka a.s.	CZK	1M PRIBOR / EURIBOR / LIBOR + 2,20 % p. a.	31. 1. 2018	11 182	11 182	–	–
Loan KTK* Komerční banka, a.s.	CZK	13 % p. a.	20. 1. 2018	179	179	–	–
Total				277 333	26 445	60 000	190 888

*Overdraft loan

As at 31 December 2018, the Company drew an overdraft loan "KTK Komerční banka, a.s." of TCZK 801 (2017 – TCZK 179) with a credit line of up to TCZK 6 000.

As at 31 December 2018, the Company drew an overdraft loan "KTK PPF banka a.s." of TCZK 54 281 (2017 – TCZK 11 182) with a credit line of up to TCZK 160 000 and a long-term fixed-term loan "Loan PPF banka" of TCZK 251 341 (2017 – TCZK 265 972).

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

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 305 622 (2017 – TCZK 277 154), are subject to financial covenants, with which the Company complies.

14. Segment information

Revenues by geography (based on the customer's registered office) and by major segments for 2018 and 2017 are disclosed in the following tables:

	Flights and related services	Maintenance	Other	Total 2018
Czech Republic	395 925	3 603	78 788	478 316
Ireland	105 167	122 722	47 019	274 908
Cyprus	103 551	9 937	49 068	162 556
British Virgin Islands	161 022	29 689	3 116	193 827
Slovakia	50 056	92	118 184	168 332
Netherlands	95 937	0	10	95 947
Russia	0	21 786	3 206	24 992
Other	13 969	111 201	63 776	188 946
Total	925 627	299 030	363 167	1 587 824

	Flights and related services	Maintenance	Other	Total 2017
Czech Republic	367 074	3 659	73 882	444 615
Ireland	101 588	136 898	48 620	287 106
Cyprus	185 450	18 157	44 317	247 924
British Virgin Islands	194 473	7 217	10 799	212 489
Slovakia	120 274	0	1 191	121 465
Netherlands	80 817	0	34	80 851
Russia	0	37 031	0	37 031
Other	14 082	168 226	69 403	251 711
Total	1 063 758	371 188	248 246	1 683 192

15. Services

	2018	2017
Lease of aircraft*	589 678	622 690
Airport charges	33 174	43 076
Navigation charges	28 506	31 938
Handling	44 075	40 015
Fees for replacement of spare parts	46 572	35 055
Accommodation	23 320	25 951
Training and workshops	33 837	27 534
Labour hire	10 729	18 047
Meal allowance	9 119	10 591
Repair of aircraft	34 873	36 883
Repair of spare parts	32 639	53 669
Travel expenses	5 263	6 874
Lease of land and buildings	18 421	18 718
Change service	12 334	11 172
Hangarage and parking aircraft	13 371	13 517
Other services	88 608	89 235
Total	1 024 519	1 084 965

* The expenses incurred on the lease of aircraft are described in detail in note 23.

16. Materials and consumables

	2018	2017
Aviation fuel	114 469	108 856
Spare parts for aircraft	62 694	83 463
Catering	19 372	23 191
Other	22 351	21 606
Total	218 886	237 116

17. Fees payable to statutory auditors

As at 31 December 2018, the Company records expenses incurred on statutory audit totalling TCZK 620 (2017 – TCZK 526).

18. Employees and members of management, supervisory and administrative bodies

Average number of executives, employees and personnel expenses for 2018:

	Number of employees	Wages and salaries	Social security and health insurance expenses	Social expenses	Total
Executives	8	23 078	4 824	0	23 083
Employees	218	204 556	66 243	3 463	274 262
Total	226	227 634	66 248	3 463	297 345

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

	Number of employees	Wages and salaries	Social security and health insurance expenses	Social expenses	Total
Executives	8	21 629	4 547	60	26 236
Employees	210	192 380	57 727	3 127	253 234
Total	218	214 009	62 274	3 187	279 470

In 2018, the remuneration paid to board members totalled TCZK 1 400 (2017 – TCZK 1 404).

19. Social security and health insurance liabilities

As at 31 December 2018, social security and health insurance liabilities total TCZK 6 514 (2017 – TCZK 5 940), of which TCZK 3 879 (2017 – TCZK 3 632) relates to social security liabilities and TCZK 2 635 (2017 – TCZK 2 308) to health insurance liabilities. None of these liabilities are overdue.

20. Tax liabilities

As at 31 December 2018, tax liabilities amount to TCZK 3 689 (2017 – TCZK 3 544). This amount primarily includes employee income tax prepayments withheld. None of these liabilities are overdue.

21. Income tax

a) Current tax

Current income tax comprises the tax estimate for 2018 of TCZK 1 330 (2017 – TCZK 6 313) and an adjustment to the tax estimate for 2017 of TCZK -307 (2017 – TCZK -46).

b) Deferred tax

The deferred tax asset value of TCZK 1 099 (2017 – TCZK 1 099) is not significant. In 2018, the Company also did not account for a change in deferred tax due to insignificance. The deferred tax asset arises in particular due to provisions and adjustments.

In accordance with the accounting policy described in note 2g), a tax rate of 19% was used to calculate deferred tax (2017 – 19%).

22. Related parties

a) Transactions with related parties

The trade receivables and payables described in note 6 above do not include any related party balances. In 2018 and 2017, the Company did not carry out any material transactions with related parties.

b) In 2018 and 2017 members of management, supervisory and administrative bodies received no advances, deposits, loans, guarantees or other benefits, nor do they hold any shares/equity investments in the Company.

As at 31 December 2018 and 2017, the Company had incurred no pension liabilities to former members of management, supervisory and administrative bodies.

23. 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 2018, the total cost of the leases amounted to TCZK 19 401 (2017 – TCZK 18 718).

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

	31 December 2018	31 December 2017
Less than one year	6 009	5 862
Between two and five years	24 036	23 449
More than five years	75 113	79 140
Total	105 158	108 451

The cost of the lease of aircraft as disclosed in note 15 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 2018 was TCZK 589 678 (2017 – TCZK 622 690).

In 2018 and 2017, the Company did not lease any cars.

24. Contingencies and commitments

As at 31 December 2018, the Company records a bank guarantee of TCZK 14 000 (2017 – TCZK 0) in favour of Letiště Praha, a.s.

25. Cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents are defined to include cash in hand, cash in transit, cash at the bank and other financial assets whose valuation can be reliably determined and that can be readily converted to cash. Cash and cash equivalents as at the year end are as follows:

	Balance at 31/12	
	2018	2017
Cash	56 947	39 317
Cash and cash equivalents	56 947	39 317

In the cash flow statement, cash flows from operating, investing or financing activities are reported on a gross basis.

26. Material subsequent event

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2018.



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 Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

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 Czech accounting legislation 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.

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 2018, based on which this independent auditor's report has been prepared.

Prague
31 May 2019


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


Martina Štegová
Partner
Registration number 2082

 **ABS JETS**