

Art of Safe Communication

Annual Report
2016



Air Navigation Services
of the Czech Republic

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2016

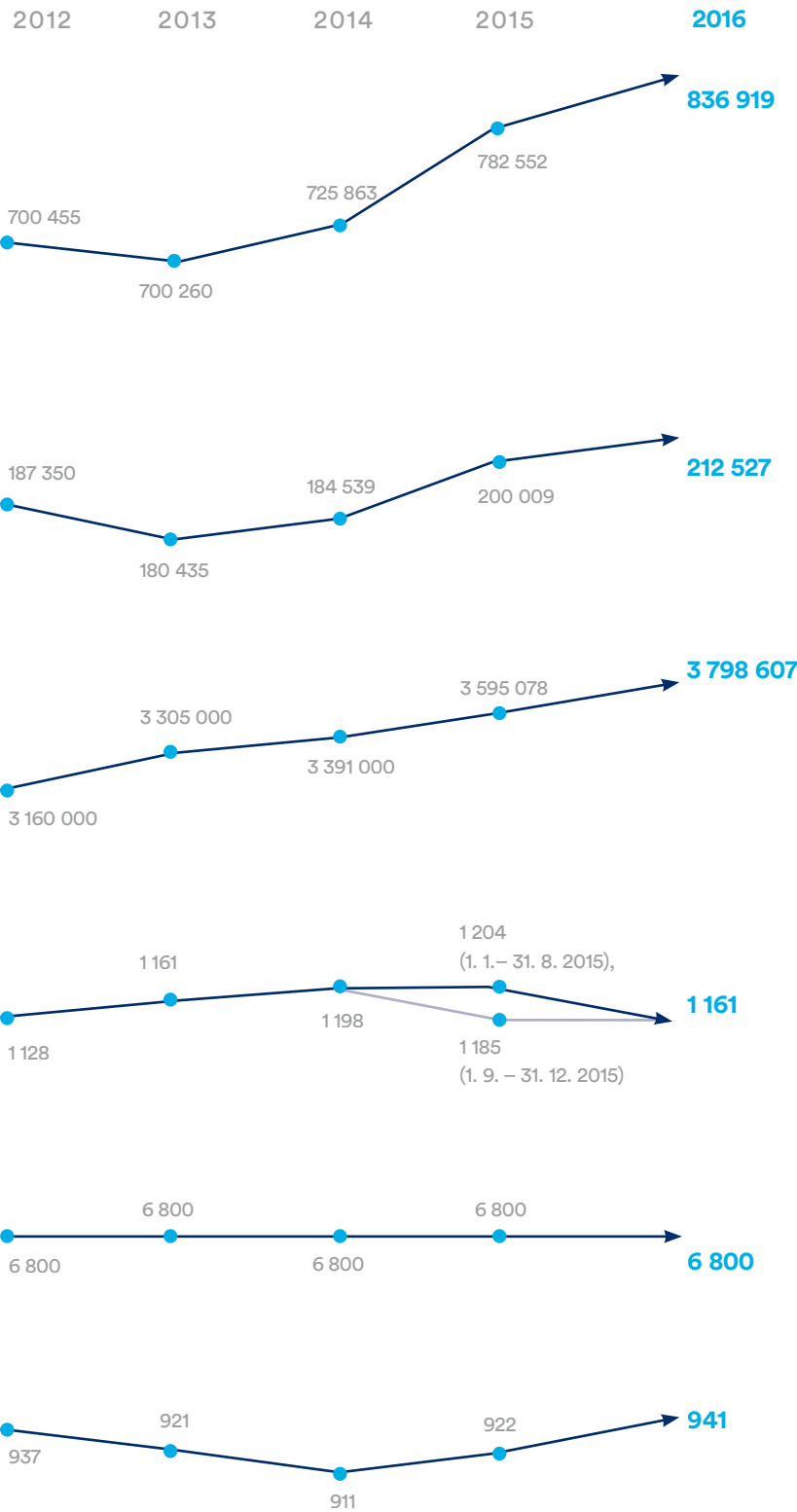


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Selected Performance Indicators

- Movements within FIR Prague
- Movements at aerodromes in the CR
- Turnover (CZK thousands)
- En-route navigation charges (CZK)
- Terminal navigation charges (CZK)
- Total number of employees



A Foreword from the Supervisory Board Chairwoman



The financial position of the state company Air Navigation Services of the Czech Republic has long been stable. In this competitive environment, the company has successfully sought new market opportunities; an indication of the high degree of professionalism and expertise of the management and all other employees.

In 2016, we not only met, but significantly exceeded the operational indicators based on the predictions of STATFOR and the founder, Ministry of Transport CR. Costs reached 3,521 billion CZK and total revenues 4.0 billion CZK. Pre-tax earnings of 479.6 million CZK exceeded the approved plan by 268 million CZK, i.e. by 79 %. Our revenue structure is the same as in previous years, with air navigation services accounting for 3,680 billion CZK, representing 92 % of total revenues. An important item of other operating revenues is the payment of 70.9 million CZK from the state budget for air services for flights not charged in the Czech Republic's airspace. Nor should we forget the revenues from CANI and flight inspection services, which totalled 92.4 million CZK.

The net earnings of 383.8 million CZK affirm to the stability of the company and ensure that in the coming period our obligations to suppliers and employees, and financial allocations to the statutory funds of the company will be continuously met.

Allow me to briefly present the activities of the Supervisory Board of the state company Air Navigation Services of the Czech Republic in 2016, which held three meetings at the headquarters of the company and two in the form of correspondence. The Supervisory Board reviewed the annual financial statements and net

earnings for 2015, discussed the net earnings for the first half of 2016, and approved the sponsorship activities of the company for 2016. With regard to the establishment of the audit committee, the Supervisory Board recommended its nominations and expressed an opinion on changing the statutes of the company. Following an amendment to the State Enterprise Act, the new procedural rules from the Supervisory Board were submitted to the founder for approval. It can be clearly said that the Supervisory Board has created the conditions for the smooth running of its activities, where it has proceeded particularly in terms of the State Enterprise Act. This work arose out of mutual awareness and effective cooperation with management.

In closing, I can therefore state that the flawless management of costs and customer-oriented pricing policy of the state company Air Navigation Services of the Czech Republic in 2016 has allowed it to achieve an exceptional financial performance.

I am honoured that as a representative of the founder, I can express my deep gratitude to all employees for their professionalism, expertise and responsibility in the performance of their demanding work.


Magdalena Faltýsková
Chairwoman of the Supervisory Board

A Word from the Director General

Air transport has long been one of the fields of human activity where the condition of the economy and mood of the consumer are instantly recognisable. The appetite for investment and expansion of the businesses of airline companies, supported by an increased interest from passengers in 2016, is strongly reflected in our business operations. Almost 130 million passengers on board planes from around the world making use of Czech airspace provide the best proof of this.

I am therefore pleased to be able to describe 2016 as a successful year. In terms of international development, civil aviation in 2016 has echoed the trends established in previous years. Our evaluations, carried out on a global scale and on regional levels, have shown a steady increase in the number of passengers, in the amount of cargo transported, the number of flights, and the number of orders for new aircraft. International air transport has again demonstrated its stability and capability to sustain growth in the current economic and socio-political conditions.

For the first time in the history of our company, we have surpassed 800,000 flights in Czech airspace during one year. The volume of air traffic in our country has doubled over the last 12 years. As you would expect, the increased interest in air travel has substantially impacted on the high demands for security and safety, and for the quality of our services. In this respect, we have passed the test with flying colours. Safety and delays associated with our company comply with the most stringent requirements of the airlines and the regulatory authorities.

The company's operations have had a positive impact on our company's performance. From an economic perspective, we have achieved the standards, and more significantly, exceeded the economic indicators that were set by our founder - the Ministry of Transport. These results have allowed us to achieve our objectives as a successful and socially responsible company that seeks to cultivate the business environment of the Czech Republic.

We took a major step in 2016 during the implementation of our development projects. The successful construction and subsequent commissioning of a new control tower at the Ostrava-Mošnov Airport completed a long process of renovation and modernization of our centres at regional airports.

ANSCR will continue in its efforts to strengthen its commercial activities in the field of training and specialized consultation, and to penetrate new markets. A recent testament to this occurred at the end of 2016 - our successful bid against an international competition to train air traffic controllers for Bosnia and Herzegovina. Our current results validate the integrity of our chosen business strategy. We can therefore develop our commercial activities in accordance with the requirements of our current and potential customers. The basic prerequisite to fulfil our mission is the careful cultivation of human resources. We try to discover new talents with skills and education that satisfy the best prerequisites for our success.



The year 2016 meant another fundamental change for our company, i.e. corporate identity. The modern and dynamic concept of our new logo, and the story behind it, is the reason for its successful adoption and extensive use in business, advertising and promotional activities. The new logo has made the company more identifiable and has strengthened our position in relation to employees, customers and the general public.

We must naturally share what awaits the future development of our business. ANS CR will continue to apply our customer-oriented approach, in particular for capacity and our pricing policy. Concerning capacity and avoiding delays, our position is at the highest possible level. On the other hand, our company is not increasing fees; on the contrary, we are slightly decreasing them. Paradoxically, this comes at a time when we face huge challenges in the coming years, especially in ensuring sufficient capacity. I am convinced that the excellent preparation and training of new air traffic controllers and the technological modernization and optimization of our processes will contribute to Czech airspace being a natural choice for airlines.

Finally, I would like to thank all our employees and external partners for their professional work in 2016. It is mainly thanks to them, that the company has a strong position on a domestic and international level, and that our customers know that they can depend on us. I believe that this annual report will provide you with the most complete picture of the activities of ANS CR during the course of the past year.


Jan Klas
Director General

Company Management

Jan Klas
Director General

Graduated from the University of Transport and Communications in Žilina, specialized in aviation. He has been working in the field of air traffic control since 1986, where he has served in several managerial positions. In 1999, he started working for the EUROCONTROL (European Organisation for the Safety of Air Navigation) as a director of its organizational unit CSPDU (CEATS Strategy Planning and Development Unit) in Prague, which was responsible for the methodology and development of Central European air traffic control services within the CEATS project. He was appointed CEO of ANS CR on 1 October 2007.



Jan Štindl
Director of the Operations Division

Graduated from the Czech Technical University, Faculty of Electrical Engineering, has been working for the company since 1983, initially as an aviation systems security engineer and as a head of the Telecommunication Department from 1988. After an organizational transformation within the company in 2001, he was appointed a Deputy Operations Division Director for ATM systems. On 12 September 2003, he was appointed Operations Division Director.



Luboš Hlinovský
Director of the Strategy and Management Support Unit

Graduated from the Prague University of Economics, Faculty of National Economy. He joined the company in 1990. Previously he had worked for the Economic Institute of the Czechoslovak Academy of Sciences before. On 1 May 1998 he was appointed Deputy Finance Division director. On 1 January 2001 he became a Finance Division director. In 2006 he graduated from the Maastricht School of Management, where he was awarded a Master of Business Administration degree. He has been managing the Unit of Strategy and Management Support since 1 January 2012.



Petr Fajtl
Director of the ANS Planning and Development Division

Graduated from the West Bohemia University in Pilsen, faculty of law. He has been working for the company since 1987. Between 1987–1995 he worked as an air traffic controller at the ACC Prague. From 1 December 1995 to 31 October 2000 he was the head of the Training Centre. On 1 November 2000 he was appointed Deputy ANS Planning and Development Division Director. Since 1 January 2001, he has been the ANS Planning and Development Division Director.



Miloslava Mezerová
Director of the Human Resources and Finance Division

Graduated from the University of Economics, Faculty of Commerce. After graduation she worked for a foreign trade company. She has been working for ANS CR since 1998. In 2001, she became the head of the Labour and Wages Department in the Human Resources Division. On 1 February 2008 she was appointed director of Human Resources Division, since 1 January 2012 she has been managing the Human Resources and Finance Division.



Roman Náhončík
Director of Regional Services and Logistics Division

Graduated from the Military University of Ground Forces in Moravia, the Faculty of Economics. He has been working for the company since 2008. Between 2004–2006 he worked as an executive director for Social and Wages policy for Czech Airlines. From 2007 to 2008 he worked as a senior consultant in the company M. C. Triton. In April 2008, he became director of the office of the transformation project. On 1 April 2009 he was appointed director of Regional Services and Logistics.



Petr Klikar
Director of the Safety Unit

Graduated from the Czech Technical University, Faculty of Electrical Engineering in Prague. Immediately after graduation in 1980 he joined the company as a development worker in the Development Department and Manufacturing of Aviation Safety Technology. On 1 January 2014, he was appointed Safety Unit Director.



Jana Navrátilová
Director of CANI and Business Development

Graduated from University of Economics Prague, International trade, logistics, international transport and forwarding Programme. She has been working for ANS CR since 2000. She worked as a head of the Investment Department from 2002 and as a Deputy Director of the Planning and Development Division for the section of Air navigation training centre from 2008. On 1 January 2016 she was appointed the director of CANI and Business Development.



Supervisory Board

● **Magdalena Faltýsková**
Chairwoman of the Supervisory Board

● **Milan Feranec**
Deputy Chairman of the Supervisory Board

● **Roman Kubíček**
Supervisory Board Member

● **Libor Štefánik**
Supervisory Board Member

● **Milan Vondra**
Supervisory Board Member

● **Petr Kolomazník**
Supervisory Board Member

Company Profile

HISTORY

The state enterprise Air Navigation Services of the Czech Republic (ANS CR) was founded on 1 January 1995 under a Resolution of the Minister of Transport and Communications of 28 December 1994. ANS CR is registered in the Commercial Register at the Municipal Court in Prague, Section A, Entry No. 10771.

MISSION

The mission of ANS CR is to provide safe, quality and cost-effective air navigation services that meet the expectations of our customers in a cooperative and also competitive environment of air transport, both at national level and in the context of the ATM development in Europe.

VISION

ANS CR is a stable, reliable and predictable part of civil aviation in the Czech Republic, actively supporting its further dynamic development, but also a confident element of European integration and liberalization processes in the ATM environment, within which its overall value and competitiveness will be further increased.

RULES OF OPERATION OF THE COMPANY

The basic rule is to create and develop an environment supporting the mission and vision of the company. This environment is regularly evaluated and the gained experience is used for its continuous improvement.

Compliance with the rules of operation of ANS CR in key areas is based on the values of the company, which include a professional approach and emphasis on key skills, maximum value for customers and their satisfaction, success, innovation and quality of partners.

Safety

- Our highest priority in provision of air navigation services is a continual striving for the improvement of the operational safety and minimization of the company's share in aircraft accident risk.

Performance and Efficiency

- By optimizing the airspace sectoring and implementation of new ATM concepts and procedures to increase the attractiveness of the Czech Republic's airspace and to provide the necessary capacity to provide air navigation services meeting high safety standards and minimum delays in accordance with European performance targets and requirements of our customers.

Environmental Protection

- A pro-active approach to environmental issues, both in the provision of air navigation services, as well as in other activities of the company.

Partner and Customer Tailored Approach

- Relations with customers and suppliers are based on mutual trust.

Human Resources Management

- Employees of the company are the most valuable asset; their professional qualifications and skills are continuously improved.

System- and Process-Based Approach

- Continuous improvement of the integrated management system, focused on balanced and sustainable development of the company.

Monitoring, Measuring and Reviewing

- The integrated management system is periodically reviewed in accordance with the recommended standards.

Protection of corporate assets

- Adequate, effective and pro-active reactions to current safety threats due to safety risks management.

STRATEGIC OBJECTIVES

The essence and mission of the company is to provide safe, cost-effective and sustainable air navigation services. In fulfilling this mission, the company is built as a reliable and dynamically developing part of the field of air navigation services. The company's mission and ambitious visions are also reflected in the

ethical values, and the corporate culture is created by respecting them. Missions, visions and values represent the three fixed pillars, which form the basis of the corporate strategy.

- 1) Provision and development of air navigation services
- 2) First-rate ATM infrastructure
- 3) Continuous strengthening of commercial activities in the field of training and consultation on foreign markets

MAIN SCOPE OF ACTIVITIES

The scope of ANS CR activities includes in particular:

- provision of air navigation services in the airspace of the Czech Republic and at the Prague, Brno, Ostrava and Karlovy Vary Airports,
- air traffic flow management,
- organization and management of the airspace use,
- provision of search and rescue services,
- provision of aeronautical information services,
- securing the operation and maintenance of infrastructure for providing services,
- organization and provision of specialized trainings and education for ANS CR employees in the Czech Air Navigation Institute (CANI),
- flight inspection services.

MAIN CUSTOMERS

The following airlines were the main users of ANS CR services in 2016: Lufthansa, Emirates, Turkish Airlines, Wizz Air, British Airways, Ryanair, Qatar Airways, Czech Airlines, Travel Service, easyJet Airline, KLM, Air Berlin, Etihad Airways, Austrian Airlines, Eurowings, Aeroflot and others. New airlines in the Czech airspace were the following ones: China Eastern Airlines, Sichuan Airlines and Air Canada Rouge.

MAIN PARTNERS AND SUPPLIERS

The main partners and suppliers of ANS CR include in particular: Ifield Computer Consultancy Ltd., Thales Air Systems S.A.S., CS SOFT a.s., Czech Hydrometeorological Institute, O2 Czech Republic, a.s., Rohde & Schwarz, HOCHTIEF CZ a.s., Amper Market, a.s., ERA a.s., DNV GL Business Assurance Czech Republic s.r.o., ČSOB a.s., Komerční banka, a.s., Civil Aviation Authority Czech Republic and others.

MEMBERSHIP IN ORGANIZATIONS AND ASSOCIATIONS

ANS CR is a member of:

- CANSO (Civil Air Navigation Services Organization) based in Amsterdam since 1998. The main mission of CANSO is to create a global platform for the mutual exchange of information and support of customer orientation when providing air navigation services. ANS CR is represented in thirteen CANSO work groups at the global level and in eleven work groups at the European level. The work groups are focused on a broad spectrum of activities relating in particular to the collection and exchange of information in the field of air traffic control, such as safety, CNS/ATM, environment, human resources, law, finance, etc.
- ATCO (Air Traffic Control Association, Inc.), based in Arlington, Virginia (USA) since 1995. This association aims to promote further development of civil aviation, particularly in provision of air navigation services.
- ALV Czech Republic (Association of Aviation Manufacturers of the CR), which aims to effectively promote the development of the Czech aviation industry as a strategic sector with a strong influence on other fields.
- Czech Chamber of Commerce since 2009. The Chamber is a body representing the Czech business community, protecting the interests of its members associated in a regional network of chambers and incorporated trade associations. The main mission of the Chamber is to create entrepreneurial opportunities, to promote and support measures that contribute to entrepreneurship in the Czech Republic and thus to the overall economic stability of the country.
- International Chamber of Commerce of the Czech Republic (International Chamber of Commerce) since 2009. The mission of the ICC in the Czech Republic is to assist Czech enterprises and other companies in their integration into global affairs through this prestigious organization. Within its activities the ICC CR actively cooperates in forming opinions on the topics sent by the ICC headquarters for consideration, and affects this agenda to correspond to the interests of its members.
- Association GNSS Centre of Excellence since 2013, the aim of which is the cooperation and intensive involvement in pan-European development programs in the field of satellite traffic technologies (design and publication of GNSS approach procedures) and which also serves as an incubator for entrepreneurial activities in the use of global traffic system Galileo. The GNSS Centre

of Excellence also supports the image of association members as innovative companies developing and using modern technologies.

- Confederation of the Czech Aviation Industry (CCAI) since 2014. The Confederation contributes to the strengthening of competitiveness of the Czech aviation industry, implements projects in the areas of human resources management and aviation education, development of supply chain and integration of delivery capabilities.

ANS CR actively represents the Czech Republic in the following organizations:

- EUROCONTROL (European Organisation for the Safety of Air Navigation), based in Brussels. The Czech Republic has been a member since 1996. EUROCONTROL is an intergovernmental organization with 41 Member and 2 Comprehensive Agreement States, committed to building a Single European Sky and developing the ATM system on a pan-European scale.
- ICAO (International Civil Aviation Organization). The Czech Republic has been a member since 1944. ICAO is the most representative governmental organization in the field of civil aviation that has a significant status in the UN structure.



Integrated Management System (IMS)

The Integrated Management System implemented at ANS CR includes the Quality Management (QMS), Safety Management (SMS), Environmental Management (EMS), Security Management (SecMS) and Information Security Management (ISMS).

The level of sophistication of individual areas of the integrated management system in 2016 corresponded to the requirements laid down by the relevant stakeholders. The performance and development objectives of IMS, set out in the ANS CR Annual Plan, have been met. These objectives were focused on increasing the sophistication of the individual areas of IMS in accordance with the ANS CR Business Plan.

Development Level of the Integrated Management System

In 2016, the second cycle of evaluating the development level of the integrated management system continued with the international comparative methodology ISRS8. Under this methodology, the management system is evaluated in 15 main processes. In 2016, four processes were evaluated (Human Resources, Supplier and Purchasing Management, Emergency Preparedness and Lessons Learned from Events). The average value of the measured processes was well above 80 %.

Certification of QMS and EMS

In the first quarter of 2016, a periodic external audit of the integrated management system was successfully performed with the goal of verifying compliance with the requirements of ČSN EN ISO 9001:2009 and ČSN EN ISO 14001:2004.

The audit confirmed the high level of managing the processes of the quality management system and environmental management system at ANS CR. No discrepancies in categories 1 and 2 (major and minor) were revealed during the course of the audit.

In 2016, preparations were launched for the re-certification of QMS and EMS, which is planned for the first quarter of 2018, and will take place in accordance with the new revisions of the standards ISO 9001 and ISO 14001. In 2016, analyses of the agreement of the corporate management system with these new standards were carried out, including setting tasks to be fulfilled in 2017.

Operational Safety

Our priority is the safety of aircraft and passengers. ANS CR therefore constantly strives to improve operational safety by attempting to minimize the risk of an air accident occurring. In order to achieve high levels of safety, ANS CR has implemented a formalized and pro-active safety management system in accordance with current best practices.

Performance in Operational Safety

In 2016, there were a total of 648 incidents in air traffic recorded in the mandatory reporting system. Of these incidents, ANS CR was directly involved in 97 of them and indirectly in 19 of them, where 73 of these incidents were related to the activities of the technical systems used to provide support. None of the above number of incidents in air traffic was caused by ANS CR, none were classified, in terms of the overall impact on flight safety, in the category of Accident, and only one incident was judged to be a Serious Incident (RWY Incursion).

With respect to flight safety, the potentially most serious types of incidents include Separation Minima Infringement (SMI), Separation Minima Infringement on One Runway (SMI THR-THR), Runway Incursion (RI), and Unauthorised Penetration of Airspace (PoA).

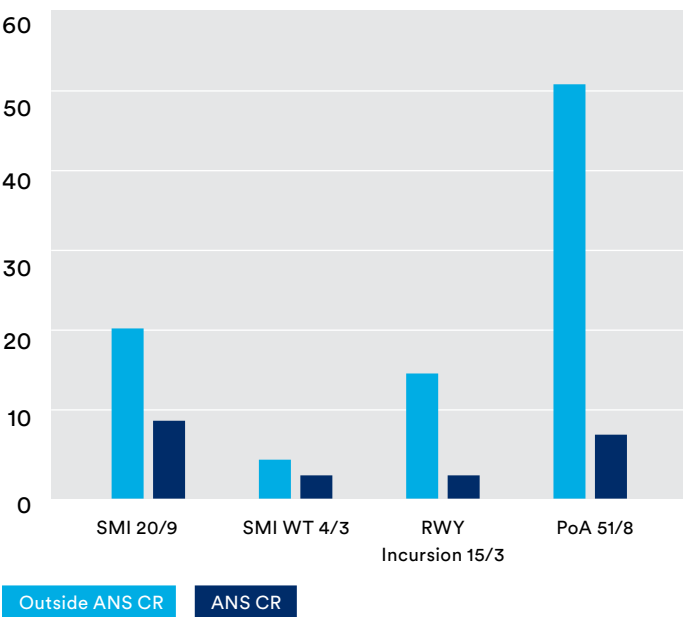
In 2016, there were a total of 15 runway incursions, of which two cases involved ANS CR directly and one case indirectly. There were 20 cases of separation minima infringement, of which 9 cases were directly or indirectly influenced by ANS CR.

There were 4 cases of separation minima infringement in the category of wake turbulence, of which three cases directly involved ANS CR.

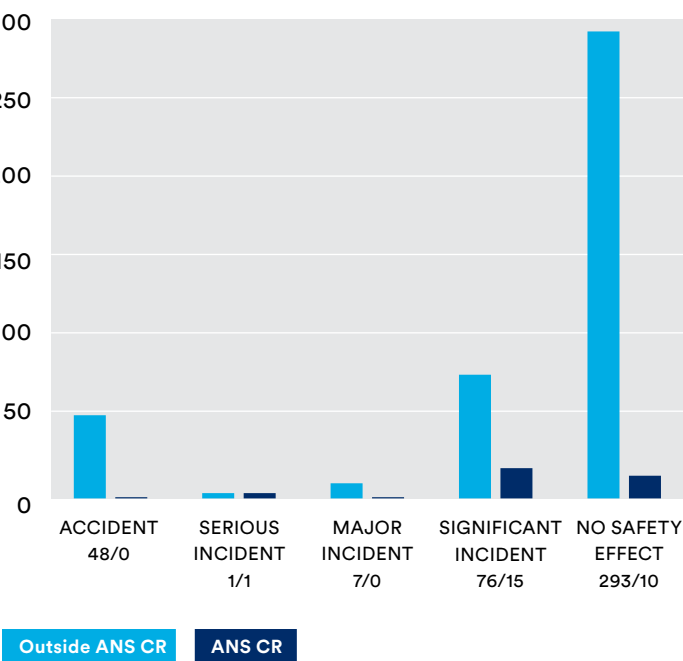
There were no cases of separation minima infringement between departing and arriving aircraft on one takeoff and landing runway.

In absolute terms, there were three less cases of separation minima infringement with direct or indirect involvement of ANS CR compared to 2015, or from 15 to 12, which, when combined with an increase in traffic by 6.95 %, represents very positive trends – see the chart.

The following chart shows the total number of selected types of incidents with the involvement of ANS CR:



The following chart shows the overall assessment of the seriousness of the incidents with the involvement of ANS CR (directly and indirectly).



Positive is the fact that the most important part of all these incidents was assessed, in terms of seriousness, in the two lowest categories of impact on operational safety, and there was a serious incident in only one case. Despite the increase in traffic compared to previous years, the high level of air navigation services provided, particularly the high level of operational safety, has been maintained.

Performance of the Operational Safety Management System

The performance of the operational safety management system is measured by the standard tool of EUROCONTROL/ CANS CR Standard of Excellence in Safety Management System (SoE), version 2.1 for the first time in 2016, which sets more ambitious targets for service providers and in more areas than before. The monitored areas and their evaluations are likewise set for compliance with ICAO Annex 19. The score achieved, validated by EUROCONTROL, is 72.47% fulfilment of the requirements despite the large increase in demands, thus putting ANS CR in the ranks of the world's fifteen providers with the highest score.

Operational safety is also one of the key areas for monitoring performance in accordance with European legislation. In 2015, a second reference period (RP2) began with newly defined safety targets. The indicators are as follows:

- **Effectiveness of Safety Management (EoSM)** is measured similarly like the aforementioned sophistication of the safety management system (SME), but a version 1 questionnaire is used.
- **Application of severity classification based on the methodology of the Risk Analysis Tool (RAT)** is in accordance with the requirements of European legislation typically used for incidents like separation minima infringement, runway incursion and incidents specific to ATM.
- **Reporting on the degree of the presence and corresponding degree of the absence of Just Culture.** The company uses a standard tool (questionnaire) prepared by EUROCONTROL and likewise the EASA (after CAA validation). Just Culture was implemented at ANS CR in 2013.

Integrated Management System (IMS)

ANS CR satisfied or exceeded the values for all three indicators in 2016 as prescribed by the FAB CE Performance Plan for 2016:

Indicator	FAB CE Performance Plan for 2016	Results for ANS CR in 2016
Effectiveness of Safety Management (EoSM)	C* D**	D* D*
Application of severity classification based on the methodology of the Risk Analysis Tool (RAT)	80 %	100 %
Just Culture	Issue a report	Just Culture report
*Management targets "safety policy and safety objectives", "security risk management", "ensuring safety" and "enforcing safety"		
**Management target "culture of safety"		

Main Activities and Safety Improvement

After several years of experience with the application of Just Culture within ANS CR, it can be said that the Just Culture policy has been firmly accepted and ingrained, and the trust in it continues to deepen. The proof is a total of 113 voluntary reports filed since the introduction of the Just Culture environment by the end of 2016, of which 38 were accepted in 2016 and 22 in 2015. The positive approach of air traffic controllers is attested by the fact that although the system of voluntary reporting allows anonymous reporting, this option was used only in nine of the total 113 cases.

In November 2015, the long effort to adjust the rules for the application of reduced separations per one runway at Prague Airport peaked. Specifically, it concerned the possible approval of application under pre-defined conditions even during night hours. In the long term, incidents reducing separation minima between departing and arriving aircraft on one takeoff and landing runway (SMI THR) were recorded at ANS CR, mostly at night, with a severity generally rated as low or with no effect on safety. There were a total of eight such incidents recorded during January-October 2015. From 15 November 2015, when the rules were changed, until the end of February 2017 (closing date of the Annual Report 2016), only one case of this type of incident has been recorded since the end of 2015.

In 2016, the automatic monitoring system for monitoring other operating parameters was further developed and expanded, either in accordance with the requirements of European or

other legislation or as a result of the momentary needs of ANS CR. Towards the end of 2016, the system continuously monitored and evaluated 19 parameters related to safety and seamless flight operations. Together with clear rules for the use of all data obtained, the result is the continuing growth in the amount of safety information.

Improving safety management is strongly supported by participation in the CANSO Safety Standing Committee and CESAF (CANS European Safety Directors), the EUROCONTROL Safety Team, and other related working groups (e.g. the Safety Management Tool User Group, which is primarily involved in the further development of RAT), which allows access to information on the latest developments and is focused more on the sharing of information and the best practices for improving safety.

ANS CR also actively uses the potential of cooperation within FAB CE and is gradually improving and harmonizing the area of investigating incidents in particular, conducting surveys and safety audits, and providing for the safety of external services. The sharing of operational safety data has been shown to work successfully in practice.

Our experience with the process of safety evaluation and analyses related to operational safety was also used in SESAR projects or by other service providers in the Czech Republic. We also provide training and consultation in the area of safety management and safety evaluations.

In 2016, intensive activities were initiated to implement a Fatigue Risk Management System (FRMS), which not only meets all the conditions of future regulation, but also ensures higher safety for the services provided by personnel working in continuous operations, where fatigue is inevitable and therefore must be managed.

Environmental Field

ANS CR is fully aware of its impact on the environment, the possibility of affecting communities around airports in connection with the performance of its activities related to the core business of the company, i.e. the provision of air navigation services and their potential impact on the environment.

As a result of the awareness of these facts, ANS CR seeks to improve its environmental profile and performance through a balanced approach to solving environmental

problems, which is fully in accordance with the mandatory requirements arising from current legislation.

EMS – Environment Management System

The declaration of the company’s responsible approach to addressing the issue of environmental protection is its EMS certification in accordance with the standard ČSN EN ISO 14001:2004 (see above).

Internal audits and external controls are furthermore conducted to ensure EMS is working properly. They provide an optimal tool for the development of the existing system, harmonization with recommendations based on external audits, and support for the settings of the environmental profile.

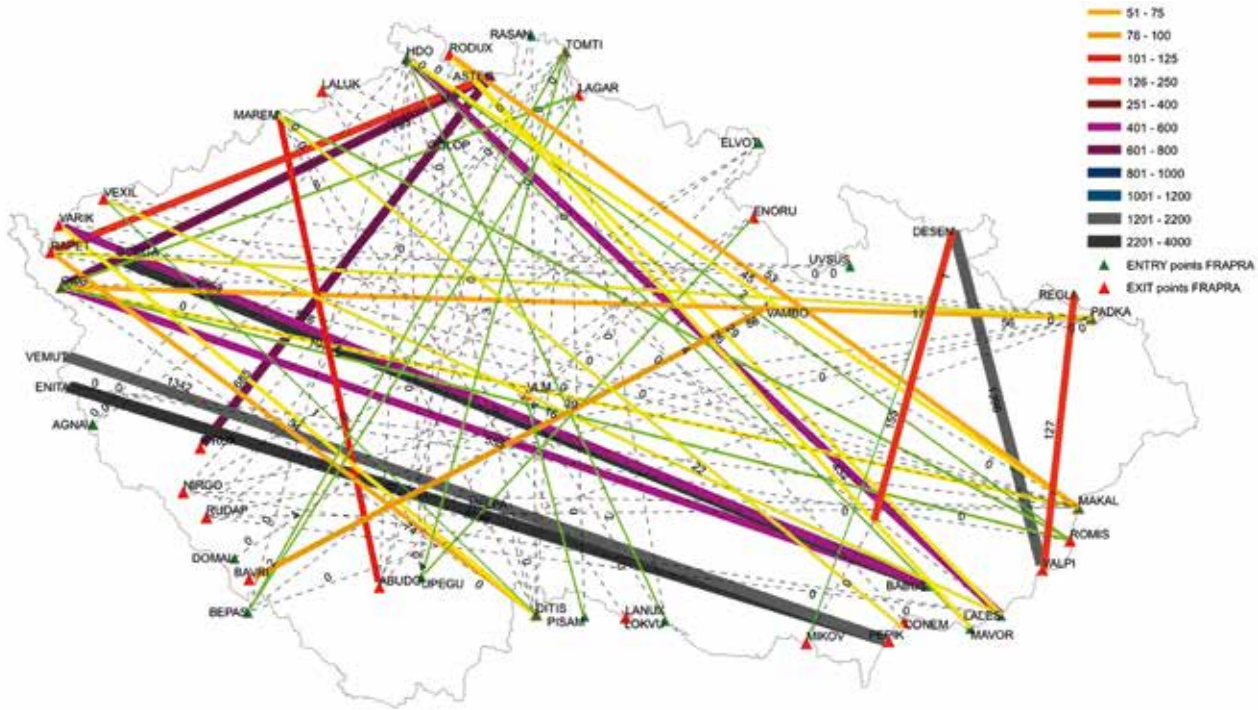
Business Plan. These short-term objectives are focused on increasing the sophistication of EMS and on addressing issues related to the environmental profile of the company, i.e. on addressing issues related to performance in the environment field.

For the next period of 2017, objectives have been defined in the company that reflect the requirements imposed by European legislation, focusing on performance monitoring (“average horizontal efficiency of flight routes within the actual flight path”), and consequently on improving performance in environmental protection in relation to the strategy of the CANSO organization, tackling climate change issues and related carbon footprints, and updating EMS and achieving compliance with the newly released standard ISO 14001:2016.

Planning and Developing the System

Every year, through the ANS CR Annual Plan, the company sets its short-term objectives, which are based on the ANS CR

As an example of monitoring the performance of air navigation services in the environmental field, the following chart shows the number of free flight routes using various direct routes (DCT routes) (August 2016).



Integrated Management System (IMS)

Communication

In 2016, the company joined the program WE ARE MONITORING / REDUCING CO2 (SCO2), which has been implemented under the auspices of the Ministry of Environment and Ministry of Industry and Trade of the Czech Republic. This program has seen the particular involvement of Czech companies, whose active measures and steps towards protecting the climate have made them good examples for other companies.

Security

Cyber security was one of our main activities in the field of protection and information security in 2016. Special attention was furthermore devoted to specifying several security procedures at ATS stations that overlap outside ANS CR.

External Communication

During the course of 2016, ANS CR actively participated in a series of cyber security exercises of both a technical and non-technical nature.

In March 2016, the National Security Authority organized the technical drill Cyber Czech 2015 II, simulating a cyber attack on critical components of the information infrastructure, at CyberPolygon in Brno with the participation of representatives of operators of critical information infrastructure.

In the same period, exercises for crisis management organs called NATO - CMX 2016 was held in Prague by the Ministry of Defense. The procedures arising from the law on cyber security and the requirements of the Ministry of Transport were verified during simulated cyber threats associated with airport infrastructure as part of the national scenario with the participation of the National Security Authority, Ministry of Transport, Prague Airport and ANS CR.

Another exercise was the cyber exercise Cyber Czech 2016 held in June 2016. The aim of this non-technical exercise was to use pre-prepared scenarios reflecting real incidents to practice decision-making processes on a strategic level necessary for effectively resolving incidents in cyberspace.

At the end of the year, the communications exercise Comm Czech 2016, which verifies the availability and correctness of established communication channels based on legislative requirements, took place.

Other activities in the area of cyber security included the participation of ANS CR in a working group of the National

Security Authority set up to transpose the European Directive NIS (Network and Information Systems Security) into national legislation with future implications for a number of entities in the Czech Republic, also including ANS CR.

In the international field, ANS CR participated in activities related to security, especially within the organization CANSO and its working group ASWG (ATM Security Workgroup). ASWG has developed its work activities especially in relation to security proposals of the organization ICAO.

Another international activity in 2016 involved participation in the activities of the working group NEASCOG (NATO EUROCONTROL ATM Security Coordinating Group), which took over the activities of the working group SET EUROCONTROL after its activities wrapped up at the end of 2015.

Outside of cyber security, ANS CR improved and intensified its cooperation with the Fire Brigade of the Czech Republic. This synergy was refined in the transfer of information related to suspected highly contagious disease (HCD) on board aircraft and was further enhanced by the sharing of information during the outbreak of fire, which could adversely affect the activities in the responsibility of ANS CR.

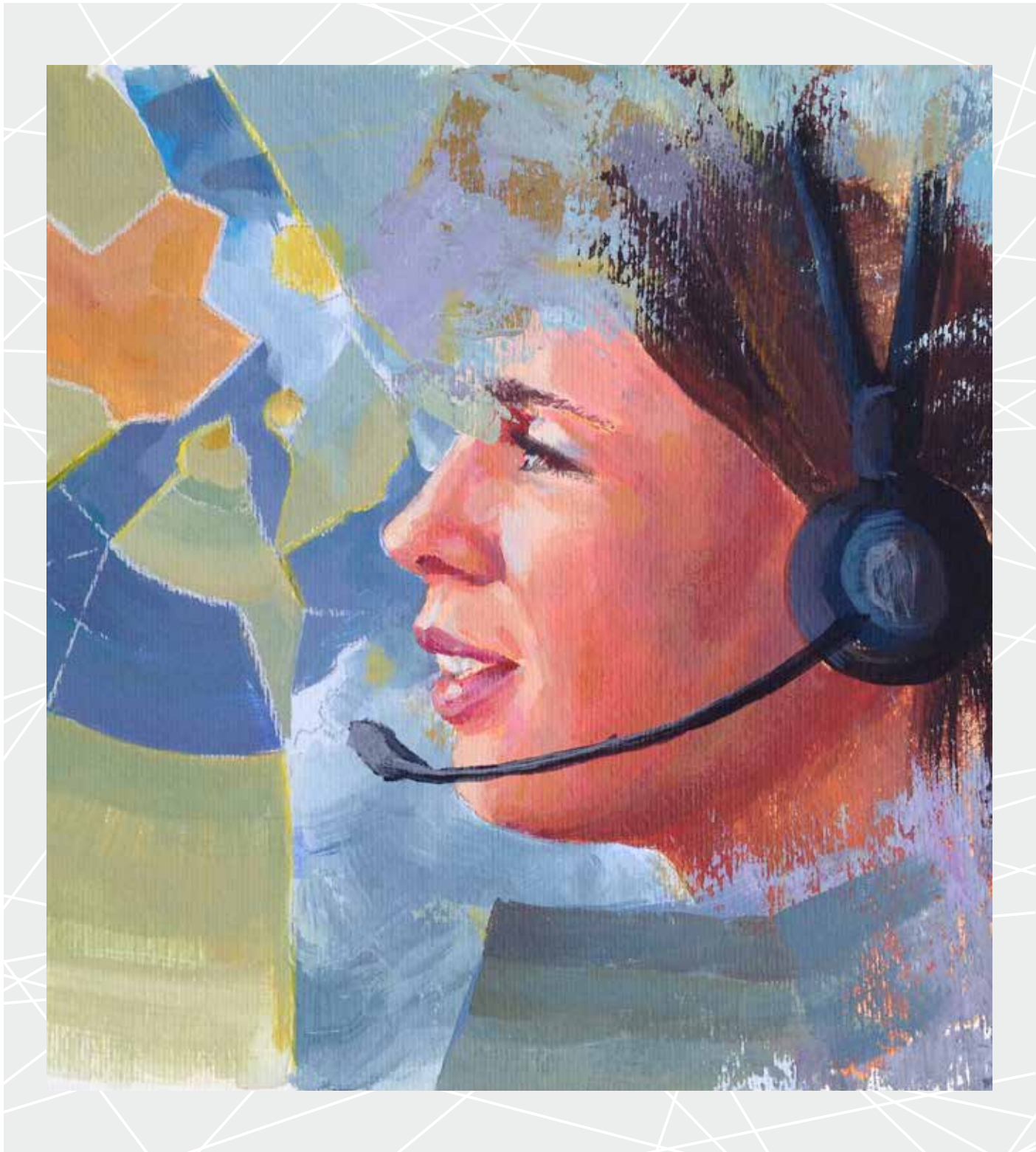
During the year, ANS CR also attended a series of educational and conference activities related to cyber security and the protection of civil aviation from unlawful acts and requirements relating to measures against corruption.

Security Targets in 2016

During the course of 2016, planned activities were carried out mainly in the area of cyber security, in particular concerning risk management for ATM systems and preparing a management system approach involving cyber, hence information security. Updating the information risk analysis in the MIS zone was initiated in the last quarter of 2016.

Audit and Inspection Activities

The Civil Aviation Authority carried out a regulatory audit of ANS CR in May 2016 that also included a check of the security management system requirements, which are based on European regulations. The findings by the Civil Aviation Authority were subsequently reflected in modifications to internal processes.



In June 2016, Prague Airport conducted a security inspection of ANS CR as a known airport contractor and did not identify any systemic deficiencies.

During 2016, the Ministry of Transport required ANS CR to provide material documenting the continuous fulfilment of tasks arising from the updated departmental anticorruption program of the Ministry of Transport.

In terms of the overall results of internal audit and inspection activities for 2016, security saw a more adverse trend compared to the previous period. This trend was particularly associated with the transition to the new concept of physical security and the advent of a new security agency. Internal inspection activities were newly focused on ANS CR as an airport contractor, which is positively reflected in the favorable evaluation given by Prague Airport.

European ATM Integration

SESAR

In 2016, the state company Air Navigation Services of the Czech Republic continued building its strategic plan for involvement in SESAR (Single European Sky ATM Research), which is one of the main pillars of the legislative framework of SES (Single European Sky) to ensure the implementation of its technological part.

The first stage of the development phase of SESAR (2008–2016) was concluded at the end of 2016. ANS CR was only partially involved in this phase, for example in the form of participation in one of the demonstration projects called AAL (Augmented Approaches to Land), which was successfully completed in November 2016.

The state company entered the second stage of the development phase of SESAR, known as SESAR 2020 (2016–2020+), as part of the B4 consortium, which became one of the new members of SJU (SESAR Joint Undertaking). In addition to ANS CR, members of the B4 consortium include air navigation service providers from Poland (PANSO), Slovakia (LPS SR) and Lithuania (Oro navigacija). With the signing of a number of grant contracts, SESAR Joint Undertaking (SJU) launched active work on SESAR 2020 in October 2016. ANS CR is involved in several solutions within eight projects whose total eligible costs are co-financed up to 70 % by SJU, i.e. the European Union. Furthermore, the company is participating in the Malorca project, which is involved in automated voice recognition of air traffic controllers in the context of SESAR research. Direct participation in SESAR 2020 is a great asset not only for the staff of ANS CR involved in it, but it also represents an increase in the prestige of the state company itself, which can now be directly involved in influencing the development of ATM.

Besides participating in the development phase of SESAR, ANS CR is also actively involved in the phase known as SESAR Deployment, centrally coordinated by SDM (SESAR Deployment Manager). During the course of 2016, there were nine projects launched involving ANS CR, which were selected within the framework of SESAR Deployment for co-financing under INEA CEF Call 2015. Another was also launched by INEA (Innovation and Networks Executive Agency), the third call in sequence with the designation CEF Call 2016. The degree of co-financing from the European Union in these cases reaches up to 85 % of eligible costs.

In connection with the increasing involvement of ANS CR in programs and projects that are the subject of co-financing

from public funds, a Grant Project Office was created within the organizational structure of the company in 2016. Its mission is to manage the implementation phase of these projects in order to fulfill their objectives and likewise to duly draw the subsidies.

Functional Airspace Block in Central Europe – FAB CE

Provision of the project management services through a joint legal entity (FABC Aviation Services, Ltd.) could have been fully up and running in 2016 due to the successful completion of the tender for providing technical and administrative support in the previous year.

In this connection, the basic planning document “FAB CE High Level Plan” was updated and approved, fully reflecting the strategy of FAB CE and is likewise in line with the SESAR Deployment Program. An important part includes comprehensive information on not only the approved and ongoing activities of the FAB CE program, but also on identifying potential future projects so as to continue ensuring compliance with the above two key documents.

At the project level, an important event was drawing up the operational concept of the Free Route Airspace (FRA). The validation of the concept included a two-week, real-time simulation, the testing form of free routes in the airspace of FAB CE countries. After the necessary analysis, which will follow in 2017, this concept will be validated in the final form and serve as the basis for the further deployment of FRA in individual countries. This project is co-financed from European Union funds under the deployment phase of SESAR (INEA CEF Call 2014).

However, activities in the FRA sphere do not stop there. Another important event of the past year was the preparation of applications for two projects within the already third call of the deployment phase of SESAR (INEA CEF Call 2016). One of these projects is a joint study of FRA for a region of countries called “Gate One”, comprising in addition to FAB CE the functional blocks of Danube (Romania, Bulgaria), Baltic (Poland, Lithuania), and also Serbia, Montenegro and Macedonia. The second project is the creation of the concept of dynamic airspace control and use of STAM (Short-Term ATFC Measures) in the FAB CE region. The grant agency shall decide on the adoption and possible extent of co-financing of both projects during the course of 2017.

Last but not least, an important area that needs to be mentioned is social dialogue. During 2016, a single regular meeting took place at the FAB CE level with the participation of representatives of trade unions and stakeholders of FAB CE, whose focus was primarily the exchange of information.



Co-financed by the European Union
Connecting Europe Facility



Consultation Process – Dealing with Service Users

The basic requirements for the transparency of the provided services and discussions with airspace users were met in the framework of consultation for the preparation of the FAB CE Performance Plan for the second reference period, i.e. for 2015-2019, which was finalized in 2014. Key performance indicators relating to the Czech part of the FAB CE Performance Plan for the second reference period were then approved by the implementing regulations of EC Regulation No. 2015/348 and 2016/599.

In accordance with the requirements, the interests and views of airspace users are furthermore subject to regular consultations of the Enlarged Committee for Route Charges (held on the platform of the European Organization for the Safety of Civil Aviation – EUROCONTROL).

In addition to these mandatory discussions at an international level, ANS CR organizes regular meetings with representatives of the government and air carriers in the interests of the transparency of the services provided.

14th Annual Meeting of Air Carriers with ANS CR Representatives

In October 2016, the 14th annual meeting of air carriers with representatives of ANS CR was held, attended by 22 representatives of the airlines and professionals. The agenda of the meeting included the following points:

- ANS CR Status in 2016
- Meeting performance parameters
- ANS CR Pricing policy for 2017
- Information on the interest of ANS CR in involvement in the European program SESAR
- Introduction of Controller-Pilot Datalink Communication (CPDLC) in January 2017
- Deployment of the LARS application
- ANS CR Business activities

To obtain feedback from the participants of the meeting, the company prepared a structured questionnaire focused on the merits of the information presented and on the preferred content for future years. An evaluation of the questionnaires shows that users are very satisfied with the consultations and ANS CR communication in general. The areas preferred by users will be taken into account when preparing the program for 2017.

Workshop for General Aviation

In January, the 8th annual workshop for general aviation was attended by company management, the Civil Aviation Authority, Ministry of Transport, and the Air Accidents Investigation Institute. The topics covered:

- Information of the Flight Information Centre
- Divisions of the airspace
- AMC information
- Changing the conversion layer
- Aviation frequencies, choice of frequencies, 8.33 division
- SERA deployment
- RPAS (Remotely Piloted Aircraft Systems) operations in the vicinity of airports
- Information from airport operations
- Staff training / licensing
- Products of the Aeronautical Information Service
- Meteorology – altimeter setting procedures
- Analysis of air accidents in 2015
- Information from regional stations

Evaluation of the ANS CR Annual Plan for 2016

The Annual Plan is a planning and implementing document in the performance management system, which elaborates the objectives set out in the “FAB CE Performance Plan for the second reference period” and the “ANS CR Business Plan, 2015-2019”. The Annual Plan sets the targets for the specific year of the reference period, which are necessary for achieving the medium-term objectives of these program documents.

Monitoring Performance

The fulfilment of the objectives set out in the Annual Plan is subject to a quarterly evaluation by company management and the national supervisory authority – the Civil Aviation Authority. The intent of monitoring is the timely identification of any deviations from the set targets so that corrective measures can be determined to ensure the fulfilment of these objectives.

Evaluated Key Performance Areas

The objectives for the Annual Plan were set out in the European-wide defined key performance areas (KPA), i.e. in the areas of safety (SAF), capacity (CAP), the environment (ENV) and cost effectiveness (CEF).

Summary

All the targets set by the Annual Plan of ANS CR for 2016 that are directly linked to European-wide performance targets for the second reference period (2015–2019) were being met according to the schedule and had been met by the end of the reporting period.

In the key area of safety (SAF), the use of the RAT methodology in the investigation of mandatory incidents in air traffic has been positively assessed, although the European-wide objective set a minimum share of use at 80 %. The European-wide target in EoSM (increasing the sophistication of the safety management system) was likewise fulfilled, achieving Level D. On the contrary, in the case of regional airports, the in-house target of zero serious incidents has not been fulfilled. The Just Culture Policy has been firmly adopted and ingrained, and trust in it continues to deepen. This demonstrates that the environment of voluntary reporting and managing inquiries and feedback awareness is working.

In the area of the environment (ENV), all internal targets have been met. The European-wide performance target “Average

horizontal en-route flight efficiency within the actual flight path” was not met at the FAB CE level, where the KEA value achieved for FAB CE is 1.97 %, while the stated target was 1.94 %.

In the area of capacity (CAP), the target value of avoiding average en-route delays due to ATFM in minutes per flight was significantly exceeded, where the registered delay reached a level of 0.01 minutes (maximum required 0.10 min/flight). Similarly, the target value of avoiding ATFM delays at Prague Airport was exceeded, where no delays were registered (maximum required 0.3 min/flight).

All the targets set in the area of cost effectiveness (CEF) were met. The financial situation of the company remains stable, and thanks to increased traffic, the planned profits of the company were exceeded.

Summary of Meeting Annual Objectives According to Individual Categories

1.1. SAFETY (SAF)

One of the main reasons for the services provided by ATM is to ensure the safety of air traffic. ANS CR therefore strives to maintain or improve the safety level of these services regardless of the volume of air traffic. Safety is a priority for the company. As the main resource for achieving safety, ANS CR has introduced a safety management system and is actively developing this system. The company takes part in regular assessments of the sophistication of its safety management system as conducted by EUROCONTROL.

The following 14 main objectives (8 Performance and 6 Development) contribute the most to the KPA Safety. Of these objectives, one has been evaluated as unmet and two as partially met. The unmet objective concerns a single incident – Runway Incursion evaluated as a serious incident, which occurred in November 2016 at Brno Airport (LKTB). The two partially met objectives concern only a shift in time and the schedule will be met in the first quarter of 2017. After several years of experience with applying Just Culture at ANS CR, it can be stated that the policy of Just Culture has been firmly accepted and ingrained, and that trust in it continues to deepen. This demonstrates that the environment of voluntary reporting and managing inquiries and feedback awareness is working and motivates operating personnel with its personal approach towards increasing operational safety.

Performance targets SAF:

TARGET NAME	KPA	EVALUATION
Raising the sophistication of the Safety Management System	SAF ***	Met
Use of the Risk Analysis Tool (RAT) in the investigation of incidents in air traffic	SAF ***	Met
Organization, management and check of activities in the scope of divisional responsibilities, which ensure the provision of air navigation services in FIR Prague: – high quality – high degree of safety – capacity in line with the Capacitive Plan of ANS CR for 2016, and FAB CE Performance Plan for 2 nd reference period	CAP *** ENV * SAF ***	Met
Organization, management and check of activities in the scope of section responsibilities, which ensure the provision of air navigation services at Prague Airport: – high quality – high degree of safety – capacity in line with the Capacitive Plan of ANS CR	CAP *** ENV * SAF ***	Met
Implementation of technical, operational and administrative measures for ensuring the operation and maintenance of ATM infrastructure: – high quality – high degree of safety with zero share of ATM systems in the occurrence of an accident and incident classified as serious	CAP ** ENV * SAF ***	Met
Zero number of accidents caused by the provision of ATM and incidents classified as serious and the implementation of measures to ensure the continuation of this trend in the coming years.	SAF ***	Unmet
Ensuring the reliable and safe operation of technical equipment and facilities in accordance with applicable legal standards and regulations and zero number of findings of a breach of legal obligations in the environmental field during the control activities of the state administration.	ENV * SAF **	Met
Ensuring perational, technical and administrative measures to achieve the target values for 2016 during the classification of the control activities of internal quality management according to National Program on Quality Management in the safety field.	SAF ** others	Met

Development targets SAF:

TARGET NAME	KPA	EVALUATION
Establishing and maintaining a high degree of the security of ATM systems with the goal of zero incidents with an impact on the operational safety of air navigation services.	CAP * SAF **	Met
Ensuring the ongoing maintenance of processes and related documentation in accordance with the requirements of the Integrated Management System (IMS).	CAP * CEF * ENV * SAF **	Met
Effective project management of NEOPTERYX to achieve the target defined by contract	CAP *** CEF *** ENV *** SAF ***	Met
Implementation of the steps of the Optimization Project based on the Director General’s Meeting	CAP *** CEF ** ENV * SAF **	Partially met
Transition to the rules for operating aircraft in accordance with EC Regulation No. 965/2012	CAP * CEF *** ENV * SAF ***	Partially met
Practical implementation of EC Regulation No. 2015/340 into company documentation for acquiring, demonstrating and maintaining the qualifications of air traffic controllers	SAF ** jiné	Met

*/**/** The number of stars determines the volume of contribution of the objective relative to the given performance area.

1.2. ENVIRONMENT (ENV)

ANS CR actively and responsibly addresses environmental issues without compromising safety, or the continuity and efficiency of air traffic. The aim of the company in this area is to ensure the sustainable development of air navigation services, while minimizing any negative impact on the environment. A key resource for achieving a balanced approach to the environment is a corporate environmental management system (EMS) in accordance with ISO 14001.

The following three main objectives (1 Performance and 2 Development) contribute the most to the KPA Environment. In 2016, all specified performance and development targets in the environmental field were m et.

The European-wide performance target “Average horizontal en-route flight efficiency within the actual flight path” at the FAB CE level was not met when the KPA value achieved for FAB CE was 1.97 %, whereas the stated goal was 1.94 %. Despite the efforts of individual members of FAB CE and the implementation of concepts contributing to improving the achievement of that target, it was not possible to meet it considering the structure of air traffic, which cannot be entirely controlled. The overall evaluation of this target and establishment of possible remedial measures will be addressed in the assessment report of FAB CE for 2016.

The development priority in this area was the activities for studying Free Route Airspace (at the level of FAB CE and Gate One). At the level of FAB CE, this activity is supported by co-financing from INEA European Structural Funds, whereas in the case of Gate One support has been requested.

Performance targets ENV:

TARGET NAME	KPA	EVALUATION
Increasing the sophistication of the quality management and environmental management systems	ENV *** others	Met

Development targets ENV:

TARGET NAME	KPA	EVALUATION
Ensuring the optimal inputs of ANS CR for the functions of the FAB CE project in 2016	CAP * CEF * ENV ** others	Met
Effective management of the NEOPTERYX project to achieve the target defined by contract	CAP *** CEF *** ENV *** SAF ***	Met

1.3. SERVICE CAPACITY (CAP)

In providing ATM services, one of the main priorities for ANS CR is to ensure the capacity and throughput of the airspace of the Czech Republic. The measurement for evaluating the flow of air traffic is the degree of delays expressed as the average delay per flight made. The target is to reduce delays at the European-wide level towards the values set by the FAB CE Performance Plan for the second reference period.

The following 8 main targets (5 Performance and 3 Development) contribute the most to the KPA Service Capacity. Essential for capacity is that the target value of avoiding average delays en-route due to ATFM in minutes per flight was significantly exceeded, where registered delays reached a level of 0.01 minutes (maximum required 0.10 min/flight). Similarly, the target value of avoiding ATFM delays at Prague Airport was surpassed where no delays were registered (maximum required 0.3 min/flight). Even the compliance rate of departure slots at Prague Airport reached the level of 94.79 % (required above 80 %), whereas in the case of regional airports this level was above 97 %. In the case of the partially met target, it only involved a shift in time, and the schedule will be filled in the first quarter of 2017.

*/**/** The number of stars determines the volume of contribution of the objective relative to the given performance area.

Performance targets CAP:

TARGET NAME	KPA	EVALUATION
Organization, management and control activities in the scope of the division responsible, which ensures the provision of air navigation services in FIR Prague: – high quality – high degree of safety – capacity in line with the Capacitive Plan of ANS CR for 2016 and the FAB CE Performance Plan for the 2 nd reference period	CAP *** ENV * SAF ***	Met
Organizational, management and control activities in the scope of the responsible section to ensure the provision of terminal navigation services at Prague Airport: – high quality – high degree of safety – capacity in line with the capacitive plan of ANS CR	CAP *** ENV * SAF ***	Met
Implementation of technical, operational and administrative measures to ensure the operation and maintenance of the ATM infrastructure: – high quality – high degree of safety with zero share of ATM systems in the event of an accident or an incident classified as serious	CAP ** ENV * SAF ***	Met
Ensuring operational and technical measures with the target of adhering to ATFM departure slots. The degree of compliance with departure slots, in accordance with Clause 1, Article 11 of EC Regulation No. 255/2010, will be greater than 80 %.	CAP ***	Met
Ensuring operational and technical measures to enable the most effective opening of sectors in line with operational needs with the target of not exceeding the value of the average delay per flight conducted in FIR Prague of 0.1 min.	CAP ***	Met

Development targets CAP:

TARGET NAME	KPA	EVALUATION
Effective management of the NEOPTERYX project to achieve the targets defined by contract	CAP *** CEF *** ENV *** SAF ***	Met
Implementation of the steps of the Optimization Project based on the specification of Director General’s Meeting	CAP *** CEF ** ENV * SAF **	Partially met
Renewal of RCOM and VCS systems and the transition of their use to RGA	CAP **	Met

*/**/** The number of stars determines the volume of contribution of the objective relative to the given performance area.

1.4. COST-EFFECTIVENESS AND PRICE OF SERVICES (CEF)

In accordance with the principles of customer orientation, the main objective of the company in the area of cost effectiveness is to provide cost-effective air navigation services to all users of the airspace under the responsibility of ANS CR, which is in line with long-term European trends to reduce costs per unit of output. The condition for ensuring this target is the need to constantly maintain and strengthen the financial stability of the company.

The following 6 main targets (3 Performance and 3 Development) contribute the most to KPA Cost-

effectiveness. The financial situation of the company remains stable and the growth of traffic has allowed it to exceed the planned earnings of the company.

En-route navigation services are provided for the national unit rate of 1,029.69 CZK/SU in the constant prices of 2009. This price is in accordance with the current version of the FAB CE Performance Plan. A significant increase in traffic was recorded for the same period last year, namely 7.9 %. The plan of outputs (in SU) for 2016 was fulfilled to 103.5 %. Terminal navigation services are provided for the unit price of 6,800 CZK/SU (at current prices), i.e. at the level of recent years. This price is in accordance with the current version of the FAB CE Performance Plan. A record

increase in traffic was recorded for the same period last year, namely 8.3 %. The plan for flight outputs in 2016 was fulfilled to 98.3 %.

Both partially met targets concern only a shift in time, and the schedule will be filled in the first quarter of 2017.

Performance targets CEF:

TARGET NAME	KPA	EVALUATION
Achieving pre-tax gross company profits for 2016 in the amount approved by the planned budget of the company	CEF ***	Met
Providing en-route navigation services for the national unit rate fixed by the CR Performance Plan	CEF ***	Met
Providing terminal navigation services for the unit price at the level of previous years	CEF ***	Met

Development targets CEF:

TARGET NAME	KPA	EVALUATION
Effective management of the NEOPTERYX Project to achieve the targets defined by the contract	CAP *** CEF *** ENV *** SAF ***	Met
Implementation of the steps of the Optimization Project based on the specification of the Director General’s Meeting	CAP *** CEF ** ENV * SAF **	Partially met
Transition to the rules for operating aircraft in accordance with EC Regulation No. 965/2012	CAP * CEF *** ENV * SAF ***	Partially met

*/**/** The number of stars determines the volume of contribution of the objective relative to the given performance area.

The evaluation of the operating results of ANS CR for 2016 has again shown the excellent condition of international air transport. The volume of air traffic in the Czech airspace in 2016 grew again.

The total number of movements in the airspace of the Czech Republic for 2016 was 836,919, which in comparison with 2015 represents a year-on-year increase of 6.95 % (782,552). Prior to that, the strongest air traffic volume was recorded in 2015 (782,552 movements).

Traffic was traditionally the strongest in July, when the Area Control Centre in Prague provided its services to 87,583 movements.

Month	NUMBER OF FLIGHTS AT FIR PRAGUE		INCREASE IN TRAFFIC
	2015	2016	2015/2016 %
January	49,526	52,465	5.93
February	46,095	51,403	11.52
March	55,303	60,362	9.15
April	61,274	66,495	8.52
May	71,323	75,629	6.04
June	76,756	80,165	4.44
July	83,632	87,583	4.72
August	81,594	87,209	6.88
September	77,625	83,868	8.04
October	70,546	74,742	5.95
November	55,912	58,657	4.91
December	52,966	58,341	10.15
TOTAL	782,552	836,919	6.95

AREA CONTROL NAVIGATION SERVICES
SECTION – ACC PRAGUE

1. Transfer of Business Documentation to EORD
(Electronic Document Circulation Management)

The gradual transfer of business documentation to electronic form took place throughout the year and continues even now. The aim is to streamline work with business documents, reduce the number of paper documents, unify the visual aspect of documentation, and make the familiarity of employees with documents necessary for their job duties more organized and demonstrable.

2. Changing Training Documentation Pursuant
to EC Regulation No. 2015/340

Since 1 January 2016, ANS CR, as a training organization, has been required under EC Regulation No. 2015/340 to implement this regulation and its requirements into its training documentation. All necessary training documentation of ACC Prague has been approved by the Civil Aviation Authority.

3. “Psychological Aspects of Coping with Stress
under ATC Conditions” Course for Watch Supervisors /
Senior Controllers

As part of the ongoing training of shift supervisors, the attendance of ACC Prague employees with the qualification of Senior Controller (SC) has been organized since 2016 for courses on first aid and for the course “Psychological aspects of coping with stress and conflict situations, the role of SC in the CISM system at ANS CR”.

At ACC, it is precisely the Senior Controller who is generally responsible for all the employees on the shift, for solving “unexpected situations and emergencies” and the circumstances related to them. It is therefore highly desirable that these employees are properly trained on this issue from the area of “human factors” so that they manage it on a professional level.

During 2016, more than 2/3 of regional SCs completed these courses. Their assessment of these courses was very positive. The remaining SCs will be trained during 2017 and the current is supposed to continue in the coming years.

4. Agreement on Amending BUDEX Area – Scheduled
Deployment in November 2017

Approval for reducing the delegated space of the BUDEX Area with Austrocontrol. This adjustment will improve the conditions for area controllers in resolving conflicts between departures from the airports in Vienna and Munich.

5. Changing the Agreement with CRC
(Control and Reporting Centre) and Defining
Active Coordination Space

Modifying the space of active coordination – a new circle of 25 NM and vertical definition according to the needs of CRC. The new space means the simplification of coordination with CRC for the intervention of air defence aircraft.

6. Reducing SID (Standard Instrument Departure) / STAR
(Standard Instrument Arrival) at the Airports Čáslav
and Pardubice

Based on comments made by ANS CR, a significant reduction in the number of SIDs and STARs at military airports has occurred and thus has simplified the procedures for planning and coordinating flights to the airports Čáslav (LKCV) and Pardubice (LKPD).

7. Introduction of DCT Segment BEPAS VLM –
ENORU – POLON / AGAVA / VAGSA

The agreement with PANSA to allow the scheduling of direct routes resulted into significant reduction in flights to FIR Warszawa and further in a northeasterly direction through Poland.

8. Changing the System of Issuing Non-standard Flight
Permits – Managed by Airspace Management
Cell (AMC) + Division of Competencies

Since November 2016, Airspace Management Cell Czech Republic has had – the civilian part and military part – the duty of receiving and distributing requests for making a non-standard flight (NSF) by the appropriate head of the civilian and military ATS station in accordance with an agreed and internally described key. For users of the airspace of the Czech Republic, the procedures for NSF flights are described in AIP CR 1.1.11. The head of the ATS station will subsequently transmit the approved permit to the applicants and the shift supervisor shall inform their stations.

9. CPDLC Conversion Training Using the RRS System

The planned introduction of the CPDLC system (controller–

pilot data link communication system) at the beginnig of 2017 made it necessary to prepare for conversion training. When creating the system, RRS (Recording and Replay System) was used on SIMU E2000, which led to a considerable shortening and simplification of creating Web Base Training for the theoretical part of the training, and air traffic controllers were likewise provided user-friendly and illustrative training.

10. Training of New Air Traffic Controllers

In 2016, local training 2015 continued with the phases of preoperational and operational training, which resulted in two air traffic controllers successfully completing the training and receiving their ATCO license. Three of the trainees received their ATCO licenses in early 2017, making the success rate of the entire MV2015 course 50 %.

11. Rescue Control Centre – RCC

- Training of new SAROs
- Introduction of new software Navigate equipment
- Creating of a new basic document called Search and Rescue Plan (SAR Plan)
- Continuous participation of the head of RCC in the SAR Coordination Committee for Ministry of Transport and with it related coordination of air accidents with the Integrated Rescue System.

APPROACH AND AERODROME CONTROL
SERVICES SECTION (APP PRAGUE)

In 2016, the year-on-year growth in traffic at Prague Airport increased to 6.7 % (3.2 % in 2015), with the number of movements increasing to 136,419. Although repairs were again conducted at the airport during summer months, which greatly limited the movement of aircraft on the ground, operations proceeded without delay and without impact on traffic safety. The main factors making this possible was the timely preparation of alternative procedures, their proper application by air traffic controllers, and the increased deployment of Follow Me controllers, who assisted pilots with taxiing along alternative taxiways.

For APP Prague, 2016 was the first year after the enlargement of the area of responsibility in connection with raising

the upper limit of super-low sectors. In addition to high traffic growth of 9.6 %, its complexity also considerably increased. Apart from the increase in standard operations, the reason for this was the increased traffic of combined flights and parachute jumping activities.

Although training was one of the main priorities of the section, there was a further drop in the number of active controllers. Of the two students who began training in 2015, only one successfully completed the course. In July, another 5 students arrived at the station who were still continuing their training at the end of the year. Departing staff in other positions have been continually replaced.

In 2016, the project to close regional AROs was completed and all services were provided from Central ARO Prague.

The main customers of the section in 2016 were airlines and Prague Airport.

ATM SYSTEMS SECTION

The ATM Systems Section is responsible for the operation and maintenance of almost hundreds of ATM systems of varying scope and importance in almost fifty locations throughout the Czech Republic. At the end of 2016, there were 85 licensed technicians working at this section as supervisors, technical supervisors, maintenance workers and 20 technical administrators of the systems.

In addition to troubleshooting ATM systems, the focal point of the ATM systems section is performing regular maintenance and inspection in order to minimize any failures of individual systems.

In 2016, a total of 78,044 regular inspections were conducted, of which:

- 50,686 were daily inspections
- 18,257 were ongoing inspections
- 8,461 were weekly and monthly inspections
- 640 were quarterly / half-yearly / annual inspections

During 2016, there were 458 actions of planned work carried out on ATM systems, of which:

- 159 were without limitation, during full operation
- 163 were with a partial limitation of traffic
- 136 equipment/system were inoperative

The uptime and availability of the systems operated by the ATMS section was maintained at a high level. The number of registered incidents involving ATM systems was comparable in number to previous years.

Standard and refresher training was conducted in accordance with the Training Plan. Other successfully completed activities which the ATMS section either provided in full or in part in 2016 include:

Aeronautical Telecommunications Services Centre (ATS)

- building a completely new network infrastructure segment of DTC (development platform) in connection with the NEOPTERYX Project,
- preparing and implementing changes in the workplace organization of technical supervisors and technical administrators of CADIN,
- installing firewalls and commissioning data network components within the project of the new control tower building at Ostrava Airport (LKMT),
- cooperating on the project of renewing VCS at regional airports, the transition to the new VCS Topex system,
- creating new separate segments of the data network for the RRS recording system in all locations of regional airports and at IATCC Jenec,
- actively participating as a representative of ATS in the international project NewPENS (preparation of tender documentation for the tender for the new service provider PENS),
- cooperating with the Planning and Development Division on the development of the RRS system and in the implementation of hardware and software changes in the system,
- completing the first phase (analysis and solution design) of the project to completely renew the CADIN data network.

Radar and Information Systems Centre (RIS)

Radar systems:

- the successful installation of surface movement radar (SMR) from SAAB in cooperation with ELDIS in record time since the signing of the contract to recommission the system - in about 5 months,
- at the beginning of the year, the hardware upgrade of all stations of the P3D-AS system was completed,
- analysis and implementation of 3NM separation for TMA LKPR without P3D-WS,

- transformation of the RLB PÍSEK location to the unattended operation mode,
- installation and testing of new software versions of the SDDS system,
- use of new calibration probe for reconciling adjustments in the brightness of ISIS monitors in ACC sectors,
- HW renewal of KVM extenders in ACC/APP sectors,
- testing the new version of the ARTAS V8B tracker in DTC. The tracker will serve as the STR source for the NEOPTERYX DTC system.

Information systems:

- HW upgrade of Waldo servers (DB Oracle division from the IDP platform, better performance),
- replacing IDC readers for contactless + extension with the positions “COACH” and “TRAINEE” in each sector,
- at the beginning of the year, the flight strip printers were removed from the control tower at Prague Airport; it resulted in a complete replacement of the paper strips with an electronic alternative,
- HW renewal of miniESUP,
- initial steps towards exchanging COF/MAS messages with OLDI partners - system coordination,
- certification and testing of the AGDL system, serving for transporting datalink messages,
- implementation of the requirements arising from EU216/2008 at the RIS Centre – Statistical monitoring of the integrity and performance of ATM systems.

Navigation and Radiocommunication Systems Centre (NAVCOM)

- uncovering a systemic flaw in the FW RNAV equipment (restart after 50 days), proposal on how to eliminate the flaw and initiate a change in FW at the manufacturer,
- deployment of the new RCMS RCOM 4200 system,
- preparatory phase for the launch of the new RCOM 4200 technology at PRAGUE locations. The configuration of the technology, connecting low-frequency signal to the VCS Garex + Storad systems (in collaboration with TCOM), operational tests with RCOM 4200 technologies in cooperation with ATCOs, and operational tests of RCMS RCOM 4200, LM, advanced training, all took place,
- operational deployment of new RCOM 4200 technology in the main radio communication subsystem, and the subsequent disconnection of “old” sites,
- preparation and subsequent removal of existing TX PÍSEK

technology within the building of the control centre; launching operations from the relocated technology without loss of operational services; the reason for the removal was to free up space of the TX centre for the reconstruction and later moving in of new RCOM 4200 technology,

- operational deployment of new RCOM 4200 technology in the backup radio communication subsystem, and subsequent disconnection of the “old” sites,
- renewal of DME radionavigation equipment of the DME-435/RPM technology, at the sites:
 1. Kopec Písek (DME-PSK)
 2. Řevničov (DME-RVC)
- preparation and subsequent migration of existing TX BUKOP technology to the container placed next to the building of the broadcasting centre. Launching operations from the relocated technology without loss of operational services. The reason for the migration was to free up space of the TX centre for the reconstruction and later reocation of new RCOM 4200 technology,
- methodology for monitoring the operational performance of NAV systems and other systems in the competence of the NAVCOM centre,
- modifying the console and replacing the radios of TWR with a type that enables operation with frequency division 8.33 kHz,
- transition of APP/TWR, OC and MCC CSA, trunked repeater of LKPR at frequency division 8.33 kHz – realignment of TX/RX, adjustment of antenna filters.

AERONAUTICAL INFORMATION SERVICES CENTRE (AIS)

During 2016, the AIS Centre provided flight information services in accordance with international and national standards and norms without delays or errors caused by serious faults of their own. In accordance with the “EAD Agreement” signed between ANS CR and EUROCONTROL, AIS Centre carried out the regular updating of data for the Czech Republic in the European AIS Database (EAD) without errors or significant delays.

In order to fulfill the requirements of EC Regulation No. 73/2010 stipulating the requirements for the quality of flight data and flight information for the Single European Sky, emphasis was placed on the identification of individual subjects and setting appropriate parameters for mutually official arrangements.

As of 8 December 2016, the remaining military airbases had been included in the Aeronautical Information Publication of the Czech Republic, which completed the product integration of civil and military aeronautical data and information.

The AIS Centre hardware platform underwent major renovation, including the substantial strengthening of computing power and data storage capacity. Thanks to the changes made, higher parameters of stability and the availability of the entire platform are now possible while maintaining operating costs at the current level.

In 2016, the AIS Centre continued with the implementation of the ICAO concept of the transition of AIS to AIM, with continued emphasis on the application of customer access. Activities were mainly centred on the integration and clear presentation of aeronautical data and information. The implementation of the AIM concept has also led to the further development of applications operated by AIS Centre over the Internet/Intranet.

As part of the development of existing systems and applications, AIS Centre took part in testing the new version of the AisView application focused on meeting user demands and increasing the response speed of the application. In autumn 2016, trial operation of the new version of the NOTAM/OPMET system began. Deployment of the new version in 2017 will enable compliance with the requirements laid down by aviation regulations. AIS Centre also collaborated on the project to renew the system for processing static aeronautical data and information (AIM System).

The implementation of these projects is gradually creating a compact and user-friendly environment enabling access to guaranteed information.

Statistical data on publications:

Number of changes issued to AIP	24
Number of SUPs issued to AIP	45
Number of changes issued to the VFR manual CR	22
Number of SUPs issued to the VFR manual CR	26
Number of aeronautical maps issued	283
Number of AICs series A issued	10
Number of AICs series C issued	31
Number of changes in aviation regulations issued	43
Number of national NOTAMs issued	6,767
Number of processed foreign NOTAMs	581,145

IATCC SIMULATOR

In 2016, the IATCC Simulator was normally used by the ACC and APP Prague station to perform local and refresher training and fine tuning. The planned introduction of providing CPDLC services at FIR Prague in 2017 made it necessary to carry out an extensive practical refresher/ conversion training for all employees of the ACC station at the end of 2016. During the summer months, practical training with military experts took place for the very first time at SIMU IATCC. It involved training in the procedures applied during coordination with Army of the Czech Republic. Within the framework of improving the quality of the services, it was possible to use the SIMU for demonstrative purposes to instructors of Czech Airlines, Travel Service and CATC. The total number of training hours at SIMU IATCC was 2,596 hours.



Regional Services and Logistics

REGIONAL AIRPORTS IN BRNO, OSTRAVA AND KARLOVY VARY

The level of air navigation services provided at the airports and in the spaces of responsibility of regional ATS stations was high in 2016 and with the assurance of the required safety and quality. The trend of previous years has been maintained.

The regional airports in Brno and Ostrava registered increased traffic in relation to the absolute number of movements on the RWY while the airport in Karlovy Vary showed a slight decrease. The absolute number of movements on the RWY as a whole increased both for IFR flights (1.2 %) and VFR flights (7.5 %). The ratio between IFR and VFR traffic on the RWY at the regional airports follows the previous trend: 32.7 % of the traffic is IFR, 67.3 % of the traffic is VFR. Sufficiently increasing the number or frequency of scheduled flights remains elusive. In addition, the political instability and problematic security in formerly usual tourist destinations (Egypt, Tunisia, Turkey) and the economic situation in Russia have affected the frequency of chartered flights.

Development of Infrastructure and Services

The modification of radio communications and the VCS system for operational usage as a replacement for the outgoing VCS Garex 220 was successfully performed at all regional airports, including the complete modification of RCOM technology with transition to VoIP technology and the commissioning of the RRS recording system. Proper installations were carried out gradually throughout 2016.

The operation of the current C/N/S systems has been seamless with a continuous high level of reliability. ATS services: In 2016, traffic at the level of ATS regional stations was managed in the unchanged areas of responsibility.

A system for planning local flight operations, LARS, was introduced at all regional airports.

The cancellation of APP qualification at regional airports brought a reduction in the number of hours needed for ongoing training by more than 9 % in 2016. The transition to the new terminal at Ostrava Airport likewise saw the introduction of unmanned briefing here.

Information about the formal consultation process with the users of service providers

The ATS stations of regional airports regularly meet and interact with their customers, i.e. aircraft operators and airport operators (at the level of the airport safety committee, RWY safety teams and regular meetings with aircraft operators). The consultation process is maintained and operation issues regularly discussed.

Air Traffic Services Department Karlovy Vary

- there was a reduction in the number of movements: number of movements on RWY by 15.4 %, while the number of flights through the area of responsibility increased by 5%; a major drop in passenger throughput to 19,000 was recorded, mainly in connection with the deteriorating economic situation in Russia,
- new qualifications were obtained at the APP/TWR LKKV station: STDIO, OJTI, SC.

Air Traffic Services Department Ostrava

- the airport is certified for operation under the conditions of CAT II ICAO,
- the number of movements on RWY grew by 15.4 % in 2016 and the number of flights through the area of responsibility by 9.1 %,
- the night of 25-26 May 2016 saw operational transition to the new building of ANS CR; the new operational facility is located in an ideal location – at the centre of the airport with a 360° view, ensuring an optimal overview of operations,
- it was augmented with QNH automatic entry and tables of destinations on the maneuvering area to GCWS P3D-LKMT,
- the sites VS/PS, GP22 and LLZ22 were interconnected with the airport facility of Ostrava by fiber optic cabling,
- complete replacement of RCOM technology with transition to VoIP technology was made,
- changes to the renewal period of P3D-LKTB in the Patron tracker from 4 s to 1 s were implemented,
- new regular airlines to Dubai and Bergamo were introduced,
- NATO Days at Ostrava Airport were handled with great professionalism, with the number of exhibited equipment and air demonstrations a record,
- at the end of the year, preparations began on projects to increase the capacity of the runway and make further use of the current staff working in the position of CDD.

Air Traffic Services Department Brno

- the traffic at Brno Airport grew in 2016, with 4.5 % on RWY and flights through the area of responsibility by 2.8 %,
- a new regular airline to Munich was introduced,
- renewing the output data from P3D-LKTB was changed from 4 s to 1 s,
- changes were made to the renewal period of P3D-LKTB in the Patron LKTB tracker.

CENTRAL LOGISTICS SECTION

In 2016, the Central Logistics Section maintained a high degree of dependability of its systems and equipment, supporting all operating and non-operating units and processes of the company. Thanks to its systematic work in all areas that fall within the remit of this section and which are subject to control by the state authorities, not one violation or failure in this activity was recorded during 2016.

The main focus of the section centred on the development of the technology of the operating environment directly supporting the provision of services to internal customers and on the ongoing increase in the efficiency of individual processes.

Among the most significant events in 2016 were:

- the development and implementation of a training module of an e-learning course on handling chemicals, which was made routine in 2016,
- the completion of technological upgrades to the email and intranet systems within IT support for administrative and managerial processes, thus providing full-value support for work in the high-availability mode with advanced technologies, and fully supporting work with the latest versions of mobile clients,
- connecting the new control centre at Ostrava Airport to the central oversight system, followed by the launch of live D BMS operational oversight of the safety and fire systems in that facility,
- implementing the HUGIS (Highly Useful Geographic Information System) application, which is designed to search for information in the RLPGIS geographic information system. On 8 November 2016, this application was honored as the best project in the field of Facility Management for that year in the Czech Republic this year. The International Facility Management Association

(IFMA) bestows this prestigious award annually as part of Facility Management Week, which aims to promote the best solutions in the industry and to acquaint the widest possible professional public with major projects and personalities representing this field.

METHODOLOGY OF AIR NAVIGATION SERVICES

Documents and Regulations

- processing and approving of the extended Medium-term Plan of ANS Development for 2017–2022,
- sharing in LSSIP 2016 document processing,
- development of operations and infrastructure,
- collaboration on the NEOPTERYX and OBR Projects.

Regional Airports

- completing the installation of VCS Topex at regional airports, including adjustments to the technological tables,
- agenda on the future architecture and functionality of AMS regional systems,
- European integration of ATM,
- cooperation on the SESAR2020 program and SESAR Deployment,
- interoperability,
- creating a proposal for the automated course of certification processes fully in accordance with the European Parliament and Council Regulation for Interoperability.

REALIZATION OF PROJECTS AND INVESTMENTS

DPP Domain – Data Processing and Presentation

During 2016, new messages of OLDI (On-Line Data Interchange) were continuously put into operational use, followed by enhanced communications with neighbouring air traffic control centres.

Development on DPP Systems (ESUP, E2000, IDP) continued with the aim of improving the quality of services for systems and ensuring compliance with the requirements under the SES (Single European Sky) program. Intensive preparations to introduce DLS (Data Link Services) scheduled for the beginning of 2017 were ongoing.

Domain SUR – Surveillance Systems

At Prague Airport, a generational change of the A-SMGCS (Advanced-Surface Movement Guidance and Control

Systems) sensors was conducted – in the middle of the year, the complete replacement of the SMR mobile radar technology was carried out and the replacement of hardware on all receiving stations for the MLAT system (P3D-AS) was completed. An upgrade for the A-SMGCS system, which will include the introduction of new types of Safety Nets, was commenced.

During the year, the i-WAM project, focusing on modernizing and mainly expanding MLAT, was activated. Modification of the technology of the first system from 2002 in Ostrava was conducted while increasing the coverage of the eastern part of the controlled area at the same time. The project continues the integration of all three WAM systems used for strengthening redundancy and for reducing the lower limit of the coverage area. Using the new version of the application software enhances reliability, the correctness of surveillance information, and makes it possible to reduce the frequency of queries for the protection of the radio spectrum designated for SSR.

Domain COM – Communications

Three new VCSs were commissioned at regional airports on VoIP technology (Voice over IP) and the independent voice IP data network AGVN (Air Ground Voice Network).

A renewal of radiocommunication technology in all areas of ANS CR, enabling VoIP communications and 8.33 kHz channel separation, was likewise carried out.

Domain AIS – Aeronautical Information Services

The realization of the AIM System project for the renewal of the AIS database and publishing systems, which following its successful deployment into service enables transition to the modern electronic form of the Aeronautical Information Manual (eAIP) and the exchange of electronic data in accordance with the requirements of ICAO and the EU.

Modernization of the AisView system was carried out, thus providing mediation and visualization of selected flight information from the LKAA space for pilots (VFR flight planning) and several ANS stations, the handover and processing of documents for issuing airport NOTAMs, and for issuing restrictions for part of the airspace and navigational warnings by NOTAM. The system has a new

user interface and improved functionality. The upgrade includes the renewal of the hardware infrastructure.

Construction and Reconstruction Projects

The construction of the operating facility and control tower at the Ostrava Airport was completed, culminating more than 15 years of the project to renovate regional airports. After trial operation, the operating facility and control tower were put into full operation on 28 May 2016, and since that date operational services have been provided in the planned scope and quality.

NEOPTERYX Project

The NEOPTERYX Project is a key development project of the company, the aim of which is to acquire a new master system for providing air navigation services with a planned deployment into operational use in 2019/2020. The tender for selecting the contractor and concluding the contract to deliver the system was awarded to the French company Thales. The quality of the submitted technical solution is the guarantee that the new system will be put into operational deployment in a form that meets all the defined requirements beyond the horizon of 2025. The new system will also feature one of the most advanced solutions on the European level.

It proceeded during the course of 2016 in accordance with a contract for mutual negotiations aiming to refine the individual workings of the system. The realization of the NEOPTERYX Project, i.e. securing a new master system for air traffic control in the Czech airspace is crucial in terms of the future obligations of ANS CR. This especially includes meeting the requirements of the European Commission in the framework of the “Single European Sky” for high technical competence and related certification of European ANSPs.

AIR NAVIGATION SERVICES PROCEDURES DEPARTMENT

Preparing for the Introduction of CPDLC into Operational Usage

Preparing operational documentation, ensuring operational testing, preparing documents for the Civil Aviation Authority for approving changes to the operating system.

Introduced on 2 February 2017 – with this step ANS CR has fulfilled EC Regulation No. 2015/310 a year ahead of schedule and enlarged the room for using this service in Europe. At the same time a major step towards increasing air traffic safety was completed.

Fast Time Simulation Prior to the Implementation of the Free Route Airspace for FIR Prague

Preparing documents for performing fast time simulation prior to the implementation of the Free Route Airspace within FIR Prague and their subsequent analysis. The results are used for planning the new sectorization of ACC Prague.

Real Time Simulation prior to the Implementation of the Free Route Airspace for FAB CE

Preparing documents and subsequent participation in performing real time simulations for FAB CE at CRDS Budapest. This activity makes it possible to use acquired experience in planning changes in the sectorization of ACC Prague and interface with surrounding stations, also allowing better definition of the required functions for the new TopSky system. Experience and results of the simulations will be used for planning the implementation of FRA at FIR Prague in 2021.

Flight Inspection Department

ANS CR aircraft flew a total of 472 flight hours for foreign orders and completed flight inspections in Poland, Latvia, Spain, Macedonia, Kosovo, Georgia, Armenia and Cuba.

Business Activities

Aviation School – Czech Air Navigation Institute (CANI)



The Czech Air Navigation Institute (CANI) working under ANS CR is a certified training institution providing specialized training of air navigation service personnel under recognition and certification of the Czech Civil Aviation Authority. All services provided are fully compliant with the standards of the International Civil Aviation Organization (ICAO) and applicable European legislation. The entire portfolio of training programs complies with the requirements of EC Regulation No. 340/2015. The primary goal of CANI is to fulfill all training needs and requirements for ANS CR employees. Additional training capacity is offered to domestic and international aviation customers from over thirty countries worldwide.

The 2016 year was very dynamic and successful due in large part to the number of projects realized, ATCO students trained and flight inspection campaigns completed. Aggregate performance targets for 2016 were exceeded by 30% in comparison to the planned levels, which marks 2016 as one of the most successful years for the CANI brand. Within the field of ATM training a total of 232 courses for 1,447 participants were performed. In comparison with the previous year, 2016 saw a decline in the number of specialized ATCO development courses, however offset by a noticeable increase in demand for Initial ATCO training which shows a positive development trend compared to the previous years. A notable achievement in this area was the commencement of Initial Training for students from Georgia (Sakaeronavigatsia).

In addition to traditional markets, the focus in 2016 was also on setting up new trade relations, particularly in Asia. Discussions with China centred mainly around potential areas of cooperation in consultancy and know-how transfer while talks with Vietnam targeted more the ATCO training domain.

In the domestic field CANI continued in the ongoing cooperation with the Czech Air Force. When juxtaposing 2015 and 2016, training levels rose by 45 % making 2016 the busiest year of cooperation to date.

A significant achievement topping the year was the selection of ANS CR/CANI by BHANSA as the training provider for the upcoming ATCO training project associated with the take-over of responsibility for the upper airspace of Bosnia and Herzegovina. The project promises not only to become the largest commercial endeavour in the company's history, but is also of international importance with several ANSPs taking part under coordination and guidance of ANS CR. During the course of the year CANI also launched a new unique product called "Advanced Professional Certificate in ATM Managerial Development Training" which is offered and run together with the French ATC training provider ENAC.

Throughout 2016, ANS CR /CANI was also busy promoting its products and services. In March, ANS CR actively exhibited at the largest ATM fair in the world – The World ATM Congress in Madrid where it unveiled the new corporate logo. Together with its pilot training subsidiary CATC, both companies presented their product portfolios at the largest aerospace exhibition in Hyderabad in April. In the second half of the year CANI showcased its products and services at NATO Days and Czech Air Force days and finally closed off the year with a presentation at the international Airshow China 2016 in Zhuhai.

In the international arena, 2016 was also a very significant year for flight inspection services. A total of 24 flight inspection campaigns were completed for 8 international customers, which represents a year-on-year increase of 70 % and the highest level of activity since the unit was incorporated under ANS CR.

Human Resources Policy

Development of human resources including supporting and motivating employees was given consistent attention in 2016. In June, the representatives of management were presented with a concept for a project of planning and managing employee's development, and as a result, this project was launched by creating a workgroup and the start of meetings with the members of this group. Some employees have already been nominated for the new project. The aim is to continue this project until it becomes a regular part of work.

In 2016, key corporate documents for the acquisition, demonstration and maintenance of air traffic controller qualifications according to the EC Regulation No. 2015/340 were updated. The method of implementing this regulation was submitted in April 2016 to an audit by EASA, which stated that ANS CR is legitimately certified according to this regulation.

As in previous years, 2016 saw collective bargaining proceed over extending wage regulations, the augmentation of the general parts and principles for drawing the Fund of cultural and social needs for both collective agreements. Collective bargaining was successfully completed in December with the signing of amendments and annexes to the collective agreements by the Director General and the unions Czech Air Traffic Controllers Association (CZATCA) and the Transport Workers' Union of ANS CR.

More attention was focused on intensifying and improving the promotion of the company in tenders and deepening the cooperation with schools and partners who cooperate with ANS CR in recruiting new employees. Of the 272 applicants enrolled in the selection procedure in 2016, 16 students were chosen who met the prerequisites for entering training as air traffic controllers. At the same time, there were other 26 selections made for different jobs across the company.

The priority in training is to ensure participation in courses held at IANS EUROCONTROL for both operational and non-operational staff, aimed at ATM, including the aspects of the Single European Sky. Furthermore, the participation of the air traffic controllers in language courses at home and abroad. In addition to these courses, a chosen professional group of employees participated in other courses, such as adult education for instructors and courses for the development of professional groups of employees in our company.

Staff training is a very important part of the company's culture, because it is the source for developing knowledge and skills

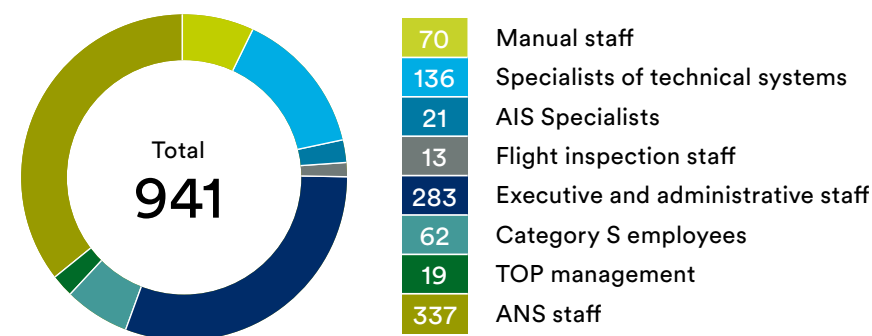
and a way to focus on employee motivation through their personal development.

Under the CISM program, regular team meetings were held throughout 2016 to help all members to considerably increase their knowledge of issues and the possibility of mutually sharing their experiences. Training was also focused on the professional preparation of shift supervisors for air traffic controllers. This training is focused on the psychological aspects of coping with stress and conflict situations and the role of shift supervisors in the CISM system at ANS CR.

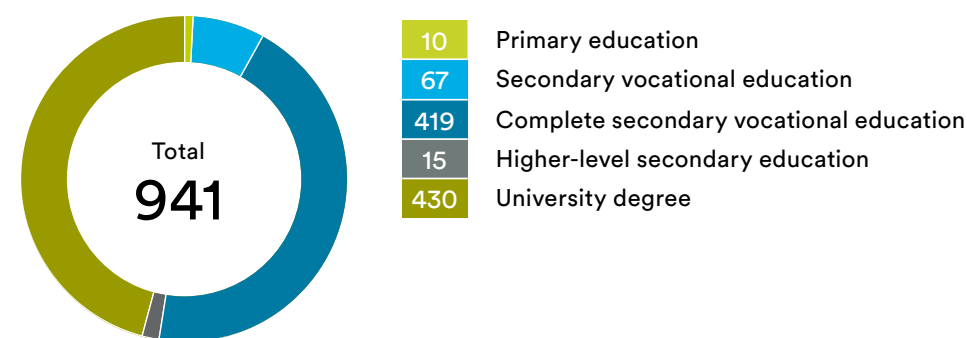
Last year, a traditional excursion for former employees was held, this time to the state castle Kynžvart, and for the employees' children there were four sessions of the popular children's summer camp in Ledec nad Sázavou.

Throughout the year, our company employees used the employee-welfare system. The employees are the most valuable asset of the company and that is why the range of services offered within the welfare system keeps annually broadening.

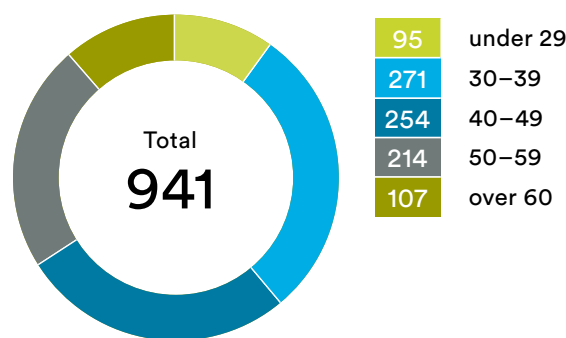
Number of Employees



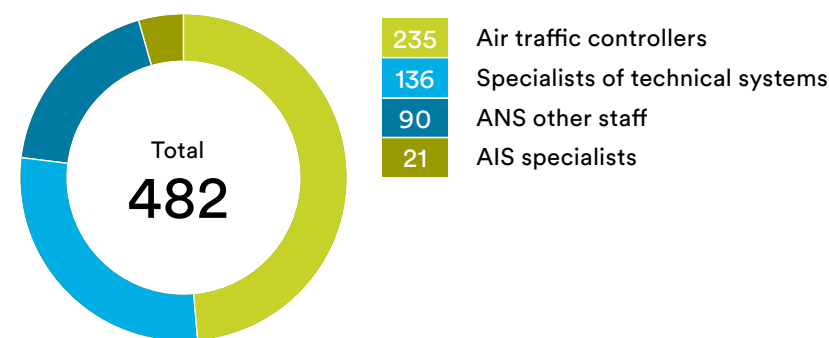
Educational Structure



Age Structure



Structure of Operating Staff



(The data in the charts indicates the number of employees as of 31 December 2016.)

ANS CR has long met the objectives it has set up in the area of corporate social responsibility, thus contributing to the creation of a cultural-business environment in the Czech Republic. The company is also monitored and evaluated for its approach in non-commercial areas, namely in environmental protection, employee welfare, and in fulfilling its sponsorship program. Its operational and economic performance and quality of its service should not be considered the only criteria for evaluating the company. In implementing the principles of corporate social responsibility, ANS CR is continuously strengthening its credibility in relation to its surroundings and increasing the loyalty of its employees. At the same time, the company informs its customers, partners and employees about their share in implementing its long-term objectives.

Sponsorship Program in 2016

The ANS CR sponsorship policy is based on the rules for making donations in accordance with Czech Government Resolution 334 dated 14 April 1999 and its subsequent amendments. In 2016, the company continued its long-established tradition of a sponsorship program. Financial assistance was directed towards supporting nationwide projects and towards individual regions, namely charities, education, culture and health. The total amount dedicated to sponsorship activities with the approval of the ANS CR Supervisory Board for 2016, totalled 4,740,000 CZK. The sponsorship program was held in three rounds and 59 organizations were supported.

Charity and health care:

- Charta 77 Foundation – contributing compensatory, rehabilitation and re-education aids for disabled individuals,
- “Our Child” Foundation – supporting children with disabilities,
- SOS Children’s Villages – supporting social activation services for families with children of SOS Compass,
- Orion Centre – supporting the project “The development of motor skills through exercises for children and adults with disabilities”,
- Borůvka Club, Borovany – providing care services in the field for people with disabilities and seniors,
- Leontinka Foundation – supporting a project of personal assistance for children with visual impairments,
- LeAchilleus – supporting a project aimed at treating children with the congenital defect Pes Equinovarus Congenitus (PEC) with the Ponseti method
- Thomayer Hospital, Department of Paediatric Neurology – promoting the enlargement of diagnostic possibilities to

- investigate sleep disorders that occur in childhood,
- IKEM – supporting the research program “Collagenase for isolating Langerhans islets”.

Education, science and youth care:

- Czech head PROJECT – supporting the “Czech little heads” Project, which is aimed at high school students,
- Chýně Elementary School and Kindergarten – contributing to sports equipment for school time and extracurricular activities for children,
- Zbůh Vocational School, Elementary School and Kindergarten – contributing to the purchase of special equipment for physically and educationally challenged children,
- Charlotte Garrigue Masaryk Elementary School, Lány – contributing to the purchase of interactive whiteboards,
- Elementary School U Studanky, Prague 7 – contributing to the purchase of teaching aids,
- Aviation Centre of the Czech Republic – supporting the project “Recruiting and training young pilots for navigational flying” and the Czech national team in navigational flying,
- Lidice Memorial – supporting accompanying and educational programs for children and youth.

Culture:

- National Theatre – supporting the “New Stage Multimedia Gallery” Project,
- Chamber Music Festival of Český Krumlov Endowment Fund – supporting the 30th anniversary of the Chamber Music Festival in Český Krumlov,
- 3Kino – supporting the International Film Festival 3Kino – Prague,
- Prague Philharmonia – supporting the “Orchestral courses and increasing the competitiveness of students from high schools and universities in 2016” Project.

Sponsorship Activities of ANS CR in the Eyes of its Partners:

“ANS CR has been supporting the project ‘Collagenase for the isolation of Langerhans islets’ for the last three years. Since research into transplant methods does not directly lead to the creation of a new commercial drug, rather to biological methods, pharmaceutical companies do not support it. Under these circumstances, selfless support is significant not only in financial terms, but also for the moral benefit it provides. It shows that the company cares about the fate of diabetic patients, without looking after their own immediate profit. The common vision of IKEM and

Air Navigation Services of the Czech Republic is providing effective and safe methods based on sophisticated precision, reliability and responsibility, both in health care and aviation.”

Prof. František Saudek
Head of the IKEM Diabetology Clinic and Head of the Langerhans Islets Laboratory at IKEM

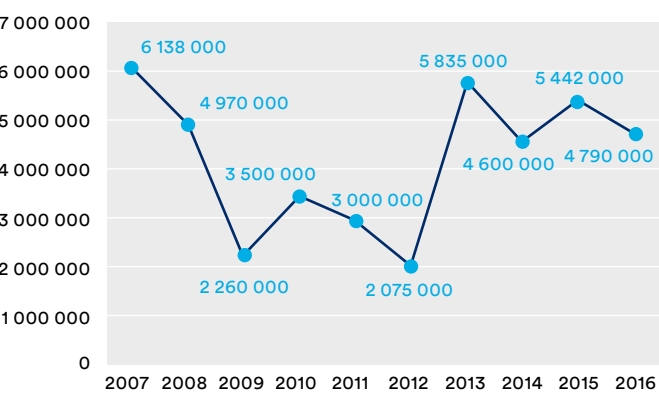
“Partnering with ANS CR has been very important for the National Theatre because it makes it possible to bring about unique projects and so raise awareness about what’s happening in this unique cultural institution and not only just for visitors to the National Theatre. ANS CR is therefore one of the foundation stones of the National Theatre. This close cooperation between two entirely different institutions, now more than ten years old, is a good example of the links between the business world and art world, which continues the traditions and essence of the National Theatre.”

David Pospíšil
Head of Sponsorship at the National Theatre

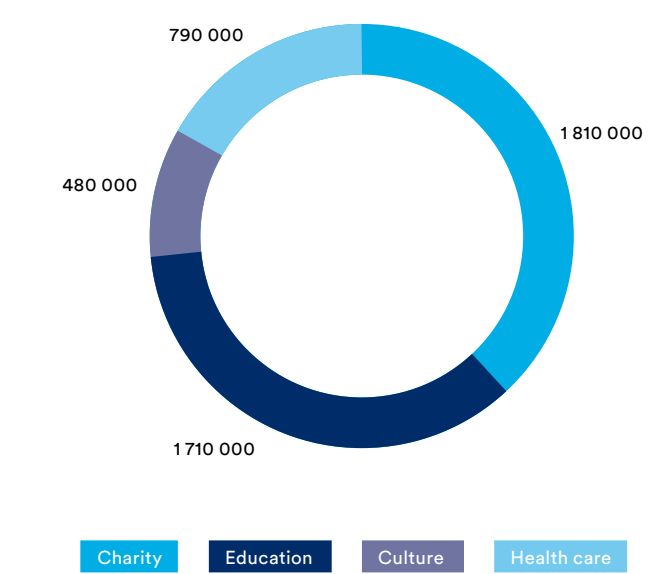
“The donation made by ANS CR has enabled 628 children of our school and kindergarten to use aids that we otherwise would have no chance to provide from our budget. We were therefore able to buy interactive and modern teaching aids and thus give our children more effective and interesting lessons. We are very pleased that such a prestigious company is concerned with supporting Czech education with their generous and elaborate sponsorship program and we would like to thank them for their helpful cooperation.”

Bohumil Kettner
Principal of Elementary school U studanky, Prague 7

Development of the sponsorship program 2007–2016 (millions CZK)



Division according to sponsorship area – 2016 (in CZK)



COMMUNICATION, PUBLIC RELATIONS AND PROTOCOL

In accordance with the “ANS CR Communication Strategy”, the reputation and strategic importance of the state company Air Navigation Services of the Czech Republic was consistently enhanced in the media throughout the year, mainly focusing on the professionalism of its employees and modern technological facilities. The External Relations Department and all members of the supporting staff are primarily responsible for fulfilling the principles of this communication strategy and are contextually involved in the provisions of this strategy as employees.

Within the framework of the communication strategy and in accordance with its vision, the presentation of the company as it appears to the outside world is focused on the following communication objectives:

- Safety
- Reliability
- Commercial development
- European integration
- Total value
- Competitiveness

These objectives are elaborated into the form of specific communication objectives and information priorities. The basic structure of the communication strategy is further augmented by supporting elements – emergency communication strategies, corporate social responsibility and advertising.

The internal and external communications of the company are governed by the “Communication Plan of ANS CR for 2016”, which focused on selected target groups. After all intermediate revision, the final version of the communication plan for 2016 included 164 external and internal activities.

Standard external communications in 2016 were traditionally provided most often through press releases, meetings with journalists, or information on the ANS CR website. The External Relations Department issued 18 press releases, which mostly concerned evaluating the year, the winter and summer seasons, the commercial successes of the company, financial results, or the pricing policy for 2016.

During the course of 2016, as in previous years, the Director General took part in commented, economic-oriented

broadcasts on Czech Television, where he gave interviews on topics about aviation developments, the results of the company, and anticipated forecasts in the coming years. Further interviews with the Director General were conducted in printed periodicals – MF Dnes, Newsweek, E15 and Transport News (Dopravní noviny).

Within the Internet, the company’s position on social networks was strengthened, particularly with an active and quick presentation on Facebook, Twitter, and now also on YouTube. The high informational and graphic level continued with the business magazine STRIP, which is a popular source of information not only within the company but is also sent to government authorities, universities and individuals.

The company spokesperson continued to present the opinions and comments of the company in accordance with requests from journalists or the general public. Systematic explanations and proper argumentation at the necessary moments ensured that no negative media situations arose detrimental to the reputation of Air Navigation Services or fomented a lack of trust of the traveling public in the safety of civil aviation.

Changing the Corporate Style

On 1 January 2016 the company started using a new logo and new corporate style. This important change was used as an opportunity to continually improve the quality of the services of ANS CR to ensure our unmistakable identification in the Czech and foreign environment, as well as to strengthen our everyday communication with customers, government authorities and other partners. The modern, dynamic concept of the new logo and its story during the course of 2016 can be seen in its successful adoption and wide use in business, advertising and promotional activities.

Protocol

During the year, visits by prominent personalities from the Czech Republic and abroad were arranged in accordance with protocol conventions. In addition to a visit by the Minister of Transport Dan Ťok, they included visits by senior representatives of the Army of the People’s Republic of China under the command of General Qui Jiunga, or the administrator of the Chinese Civil Aviation Authority, Feng Zhenglina.

A major social event organized by the company was the ceremonial inauguration of the new operations centre and control tower at Leoš Janáček Airport in Ostrava on 16 June 2016. With the Minister of Transport of the Czech Republic, the Governor of the Moravian-Silesian Region and the Mayor of Ostrava on hand, the project for new and modern centres of the regional type, which followed previous projects in Karlovy Vary and Brno, was brought to a successful conclusion.

Advertising and Promotion

The company’s financial results have allowed it to become a promotional partner of various major sporting, cultural, and aviation events in the Czech Republic.

The most significant activities of ANS CR in this area during 2016:

- Czech International Air Fest 2016 in Hradec Králové
- Official partner of the Czech Athletic Federation
- Czech Ball in Brussels 2016
- Major partnership with the Aviation Fair 2016 at Pardubice Airport
- Official partnership with the “The World Opera Stars in Prague 2016” Project
- Grand partnership with the INAIR 2016 international conference in Vienna – new trends in civil aviation
- General partnership with the 25th annual Aviation Ball in Prague’s Lucerna
- Official partnership with the Czech Ski Association
- Official partnership with the 16th annual NATO Days and the Army of the Czech Republic at Ostrava Airport
- General partnership with the 22nd annual Aviation Ball in Prague’s Lucerna
- Grand partnerships under discussion with the Minister of Transport, organized by Commenius

Advertising and Promotion Activities of ANS CR in the Eyes of its Partners:

“The Czech Athletic Federation greatly appreciates its long-term cooperation with Air Navigation Services of the Czech Republic. The help given to us by ANS CR serves to maintain the position of athletics in the Czech Republic and the support of athletes. This cooperation allows us to bring thousands of new children into athletics.”

Libor Varhaník
Chairman of the Czech Athletic Federation

“Air Navigation Services of the Czech Republic is our key partner. Without them, NATO Days simply would not happen. Thanks to its support, visitors to the show can see for themselves the activities of the “keepers of the Czech skies” in the presentation stand of ANS CR.”

Zbyněk Pavlačík
Chairman of Jagello Association 2000

“The aviation fair in Pardubice has created a long-standing tradition. One of the permanent partners, and for us a very important one, is Air Navigation Services of the Czech Republic. This cooperation is very important to us especially because we are able to realize our intentions and promote historical facts that have happened in aviation.”

Jaroslav Janda
Chairman of the Aviation Fair Association

“The project ‘The World Opera Stars in Prague 2016’ was already celebrating ten years, following up the success of the previous years, always managing to entice spectators in Prague with the very best from the TOP 100, basically the most famous names that the world of opera has to offer. We are honored that ANS CR is one of our key partners.”

Alena Nachtigalová
Nachtigall Artists Management

In terms of performance, 2016 can be characterized as a very successful year. The objectives set out in the national performance plan were not only achieved, but exceeded significantly. The favorable net earnings are partly a reflection of the favorable growth in air traffic in 2016. Another significant factor was the cost savings compared to the plan.

In the provision of air navigation services, a positive growth in the performance of air traffic was recorded in the case of en-route services, one of the highest in recent years. The total volume of en-route operations expressed in service units (SU) reached the value of 2,737,000 SU in 2016, which means a year-on-year increase of 8.1 %. The volume of en-route performance satisfies the projection of en-route operational performance in the performance plan for the second year of the second reference period of 103.8 % (SU).

In addition to the positive development in en-route navigational services, the continuing major recovery of air navigation services at airports in the country was reported last year. In the area of terminal navigation services, a year-on-year increase in performance of 8.3 % was recorded in 2016.

2016 was the second year of the effectiveness of the national performance plan for the second reference period (2015-2019), which was compiled under Commission Regulation (EU) No. 390/2013, where a system to monitor the performance of air navigation services is monitored. Under this system, each member state must contribute to achieving the established pan-European performance targets through their national performance plans approved by the European Commission. The key performance indicator for the area of cost-effectiveness was setting up a national unit rate for en-route service for the entire reference period. A national unit rate of 1,161 CZK, representing a decrease of 2 % in nominal prices, was approved for 2016. This unit price was applied throughout 2016. The amount follows the current downward trend in unit prices and contributes to the fulfilment of the EU-wide objectives in the area of cost-effectiveness.

As stated above, the company had one of its most successful years ever in 2016. Projected earnings were achieved and exceeded and the financial situation of the company remains stable. A closer look at the development of its economic performance is available below.

Company Revenues

For the period of January to December 2016, the company’s total revenue was 4,000,226,000 CZK. The revenue generation plan was dramatically exceeded, namely by 9.2%, mainly due to positive developments in air traffic. The main source of the company’s income is the provision of air navigation services (ANS). Revenues from this activity accounted for 92.1% of total company revenue in 2016. These revenues themselves were mostly generated from en-route navigation services in the amount of 3,132,615,000 CZK, i.e. 78.3% of total revenues. The second largest volume of revenue was generated from terminal navigation services, namely 548,248,000 CZK, i.e. 13.7% of total revenues. Revenue from training flights accounted for 3,267,000 CZK, or 0.1% of total revenues.

During 2016, ANS CR received compensation from the state budget for costs incurred by the company in connection with the provision of services to flights exempted from charges in the aggregate amount of 70,881,000 CZK. This compensation is provided to air navigation service providers on the basis of European Commission Regulation 1794/2006 of 6 December 2006 (common charging scheme for air navigation services) and on the basis of Government Resolution 1404 of 2 November 2005.

The group “Other revenues” reached a volume of 222,897,000 CZK in 2016. Of this amount, this compensation represented 70,881,000 CZK. The remaining 152,016,000 CZK of other revenues came from a broad spectrum of items. They include income from the Aviation School amounting to 49,727,000 CZK, followed by 42,681,000 CZK for inspection flights, revenues from aeronautical information services, from rebilling services, and from renting office space and equipment, etc.

Financial revenue in the amount of 93,199,000 CZK was generated from active exchange rate differences and to a smaller degree from the appreciation of temporarily available financial resources.

Report on the Company’s Performance in 2016

The main revenue items achieved the following results:

REVENUES (CZK thousands)	2012	2013	2014	2015	2016
REVENUES FROM AIR NAVIGATION SERVICES					
En-route navigation services	2,545,030	2,742,772	2,823,333	2,978,624	3,132,615
Terminal navigation services	509,027	493,822	489,174	506,701	548,248
Training flights	1,694	1,840	2,039	2,358	3,267
OTHER REVENUES					
Other operating revenues	121,523	117,128	333,698	133,705	222,897
Total financial revenues	73,060	148,110	75,515	86,093	93,199
TOTAL REVENUES	3,250,334	3,503,672	3,723,759	3,707,482	4,000,226

Company Costs

In 2016, costs reached the amount of 3,616,410,000 CZK, equivalent to budget spending of 95.5 %. In comparison with the previous year, it represents an increase in costs of 6.9 %.

Costs of 540,342,000 CZK were recorded for consumed purchases and services. Within this cost group,

74,860,000 CZK went to consumed purchases, and 465,482,000 CZK to services. Personnel expenses reached 2,146,096,000 CZK. The item Other Operating Expenses drew 250,696,000 CZK in 2016. The cost group for the depreciation of assets and allowances recorded the amount of 505,507,000 CZK. The total volume of financial costs in 2016 amounted to 75,595,000 CZK.

Expenditures within the cost groups amounted to the following:

COSTS (CZK thousands)	2012	2013	2014	2015	2016
Consumption of materials and services	481,378	504,383	480,824	501,174	540,342
Personnel expenses	1,709,120	1,766,518	1,885,635	1,960,634	2,146,096
Other operating expenses	204,158	220,584	243,227	239,247	250,696
Depreciation, allowances and provisions	431,646	454,353	538,657	482,642	505,506
Total financial costs	85,519	46,798	36,866	114,230	75,595
Extraordinary costs	0	0	0	0	0
Taxes and fees (including income tax)	101,639	104,624	108,012	83,922	98,175
TOTAL COSTS	3,151,485	3,173,405	3,293,221	3,381,849	3,616,410



Company Economic Results

In 2016 ANS CR achieved gross pretax earnings of 479,582,000 CZK. The tax liability, including deferred tax, represents 95,766,000 CZK, earnings after tax 383,816,000 CZK. The positive result was primarily due to the favorable developments in air traffic and cost savings compared to fixed budget costs. The financial situation of ANS CR in 2016 was stable and the company was able to meet all its commitments related to the security of its activities and obligations to the state budget.

Consolidated Economic Results for the Group

In addition to developing our core business – the provision of air navigation services – company strategy emphasizes expanding our commercial activities. This objective is concentrated on the acquisition of Czech Aviation Training

Centre (CATC). The consolidation of annual financial statements was performed for the group, consisting of the parent company and the companies CATC and its subsidiary CATC India, plc. in accordance with national accounting standards. The consolidated net earnings include the net earnings of the entities in the group adjusted for intercompany transactions and goodwill accounting. The consolidated net earnings after tax for the entire group at the reporting date of 31 December 2016 came to 382,848,000 CZK.

Events after the Balance Sheet Date

From the reference date of the financial statements, no significant subsequent events were detected in the financial statements that might have a significant impact on the assets or liabilities of the company.

Performance in the Airspace and at the Airports

Performance in the Airspace of the Czech Republic – Number of Movements and Service Units

In 2016, for the third consecutive year, the airspace of the Czech Republic scored a historic record number of aircraft movements. Last year ANS CR provided air navigation services to a total of 836,919 flights, which is 54,367 movements, or 6.95 %, more than in 2015. The year-on-year increase in the number of movements was observed in all the months of 2016, the highest at the beginning of the year (February to April), but also again in December 2016. This development resonates with the general boom in air traffic in Europe, which in the reporting period appeared to be due to the favorable prices of jet fuel, the ongoing liberalization of aviation markets, and search for new opportunities in as yet unrealized traffic connections by air carriers. The Czech Republic continues to benefit from its advantageous position in the centre of Europe, and the trajectory of the heavily used flight routes from the Middle East and Asia to Western Europe. The relatively smallest year-on-year increases were recorded in the summer months (June and July +4.4 % and +4.7 %). This slowdown in the dynamics of air traffic growth must be attributed to a lower performance in the charter flights market from the Czech Republic and Europe in general, especially on flights to Turkey and Egypt.

When comparing the development of performance, expressed in chargeable service units, we find a similar trend in operations during the year as in the number of movements, with an even greater overall year-on-year increase, by 8.1 %. This increase is the highest in three years, and this growing trend can be particularly attributed to the ever increasing number of larger aircraft with higher MTOW in the airspace of the Czech Republic, with a positive impact on increasing both the weight and distance factors used for the calculation of the number of service units and with an impact on the company's revenue from services provided. Also evident is the greater range of fluctuations of the volumes of air traffic in the individual months of 2016. However, it also applies here that there was a positive development in traffic in all the months.

Compared with planned performances, used for compiling the performance plan for the Czech Republic for the second reference period (2015-2019) under the SES legislation, the actual development of air traffic in the second year of the reference period, measured by the number of service units, exceeds the plan by 3.8 %. Exceeding the fulfilment of the performance plan in service units was recorded in all months

of 2016, which implies complete stabilization of operations in comparison with developments in the first reference period.

Performance in the Airspace of EUROCONTROL Member States in Service Units

The aviation market among the member states of EUROCONTROL remains stable, and 2016 recorded an overall increase in traffic by 4.2 %, which is identical to the year-on-year increase in service units, such as between 2014 and 2015.

Air traffic was generally revived throughout the European airspace despite continuing geopolitical influences on the development of operations in some parts of Europe, especially in smaller countries with generally lower volumes of traffic in Southeast and Eastern Europe. A continuing trend is the diversion of certain air traffic flows in response to the closure of the airspace of Ukraine; completely new was the reaction to operational developments in some Balkan states to the decrease in the number of flights between Turkey and Europe in the second half of 2016 in connection to the security and geopolitical situation in Turkey. The same as in 2015, the greatest drops in traffic were recorded in the airspace of Moldova (18.9 %) and Armenia (11.5 %), other countries with year-on-year negative traffic developments in 2016 were Albania, Macedonia, Greece, Romania Georgia, Latvia, Cyprus, Bosnia and Herzegovina and Croatia. Conversely, the highest increases in operations last year were observed in southern Europe and the Iberian Peninsula. Higher traffic growths than the Czech Republic were shown specifically in mainland Portugal (Lisbon FIR, 11.4 %), Malta (9.8 %) and continental Spain (8.5 %). The same year-on-year increase in traffic as the Czech Republic, by 8.1 %, was the area of the Azore Islands west of Portugal (Santa Maria FIR).

Even in 2016, the year-on-year development in the number of service units in the Czech Republic (+8.1 %, 2,737.0 thousands SU) was assessed as above average in a European context.

Aircraft Movements and Performance Units at Airports in the Czech Republic Controlled by ANS CR

For the performance of operations at the airports of the Czech Republic, where the provision of services are provided by ANS CR (Prague, Brno, Ostrava and Karlovy Vary), 2016 was a year of stabilization and growth in the number of

movements, which saw an overall increase in the number of movements at all airports (+6.3 %) and the key airport in Prague (6.7 %) for the second year in a row. Overall, there were 212,527 aircraft movements reported at all four airports.

At the airport in Prague, there were a total of 136,419 aircraft movements in 2016. Traffic at Prague Airport continually grew in all months of the year, with the highest increases recorded in February (+15.2 %) and March 2016 (+11.2 %) – although the results for February are generally influenced by the fact that 2016 was a leap year. In addition to a solid increase in traffic during the summer months, a positive trend is also the continued growth in traffic at the traditionally weaker end of the year. November and December 2016 saw increases in the number of movements, approaching the level of 7 %. Regional airports controlled by ANS CR reported a year-on-year increase in the number of movements by 5.4 %, but this result remains in the shadow of falling performance indicators that have a direct impact on the revenues of ANS CR from airport operations. The number of terminal service units at all regional airports decreased in total year-on-year by 6.3 %, with the number of MTOW tons of landing aircraft falling by as much as 11.6 %.

In contrast to the weaker performance of regional airports in the Czech Republic in 2016, the share of Prague Airport in the total traffic increased in all the categories examined. Prague Airport accounted for 64.2 % of the total number of movements recorded at all four airports (in 2015 only 63.9 %). In the number of terminal service units, reflecting the amount of revenues for services provided, Václav Havel Airport in Prague had 91.1 % of the total, with the number of MTOW tons of landing aircraft reaching a 93.2 % share. These differences are the result of an absolutely different structure of traffic at Prague Airport and the regional airports, whereby traffic at airports outside Prague is increasingly dominated by aircraft with a lower average maximum take-off weight with less significance for the revenues generated by the services provided.

Both air traffic performance indicators, reflecting the direct impact on revenues per terminal navigational services, i.e. the number of MTOW tons and Terminal Service Units of landing aircraft, recorded a very favourable development in 2016 at the airports overall where the company provides its services. There was a year-on-year 8.3 % increase in the total number of Terminal Service Units and 10.4 % in the number of MTOW tons. This trend is also reflected in evaluating the fulfilment of the Performance Plan under SES legislation as far as traffic

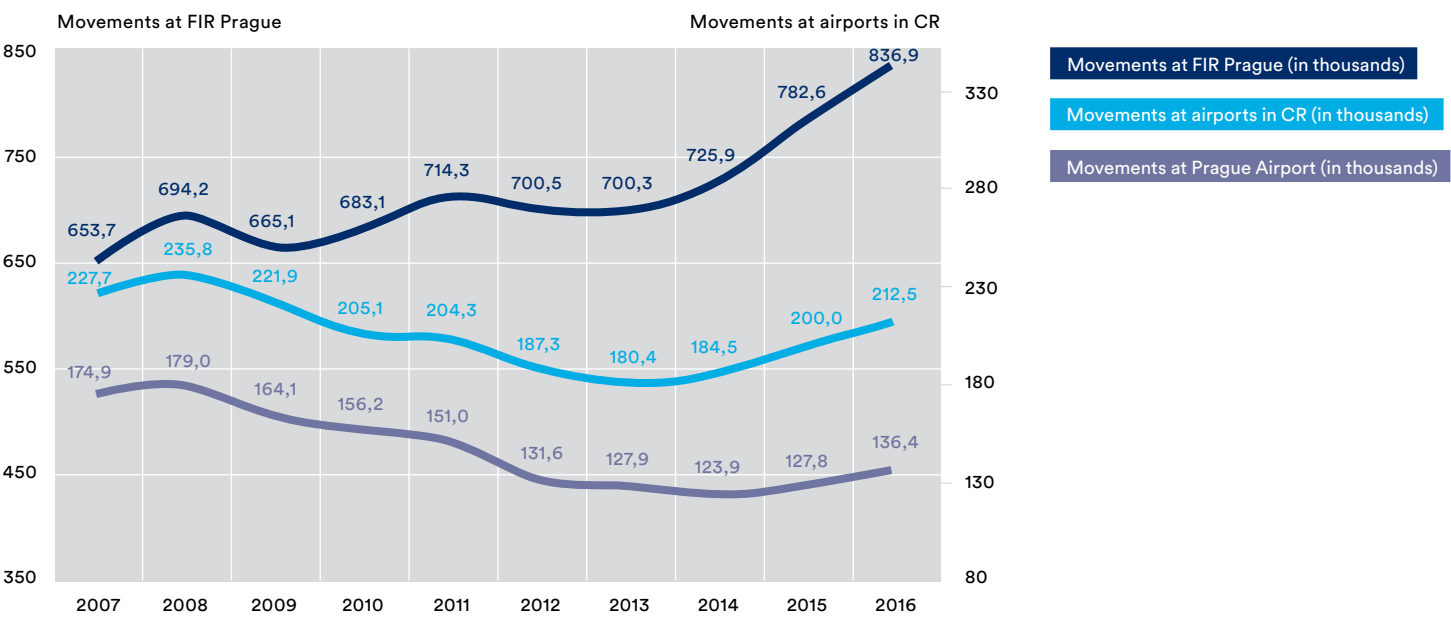
at airports in the second year of the second reference period (2015-2019) is concerned – in 2016, the performance plan was implemented to 98.3 %, compared to the average performance of around 80 % during the first reference period.

As in 2015, last year at Prague Airport saw the trend of increasing interest of foreign airlines at the expense of key domestic airlines continue – although the performance of the national carrier Czech Airlines returned to growth in 2016 (+6.3 %) after years of continuous decline in traffic, the dynamics of growth in the performance of some foreign carriers was significantly bigger (e.g. the year-on-year growth for Swiss International Air Lines, Aeroflot and Ryanair exceeded 10 %). A completely new factor has been the rapid increase in interest from foreign carriers of intercontinental flights. New carriers in 2016 were Chinese companies China Eastern Airlines and Sichuan Airlines and the carrier Air Canada Rouge. Others such as Emirates have increased their offered capacity by deploying larger aircraft for the route to Prague. The share of Czech Airlines in the total traffic at the airport again showed a year-on-year decline (despite the absolute increase in performance expressed in Terminal Service Units), from 18.7 % in 2015 to 18.3 % in 2016. Czech Airlines is still the most important customer for the terminal services of ANS CR, followed by another domestic carrier Travel Service. Overall, at Prague Airport there was an increase in the number of tons of Terminal Service Units by 10.0 % for 2016, whereas in the case of MTOW by 12.4 %. The most important foreign customers for ANS CR at Prague Airport include easyJet, Lufthansa, Aeroflot, British Airways, Ryanair and others. The curve of the year-on-year development of both indicators at the airports of the Czech Republic in the individual months of 2016 shows monthly increases in the case of PragueAirport throughout the year. In the case of regional airports, the traffic declines in the summer months (June-August), mainly due to the large decrease in the volume of charter traffic at the airports in Brno, Ostrava and Karlovy Vary, mostly in the handover of the carrier Travel Service. In previous years, this operational component in the summertime was crucial for all regional airports in comparison with scheduled flights.

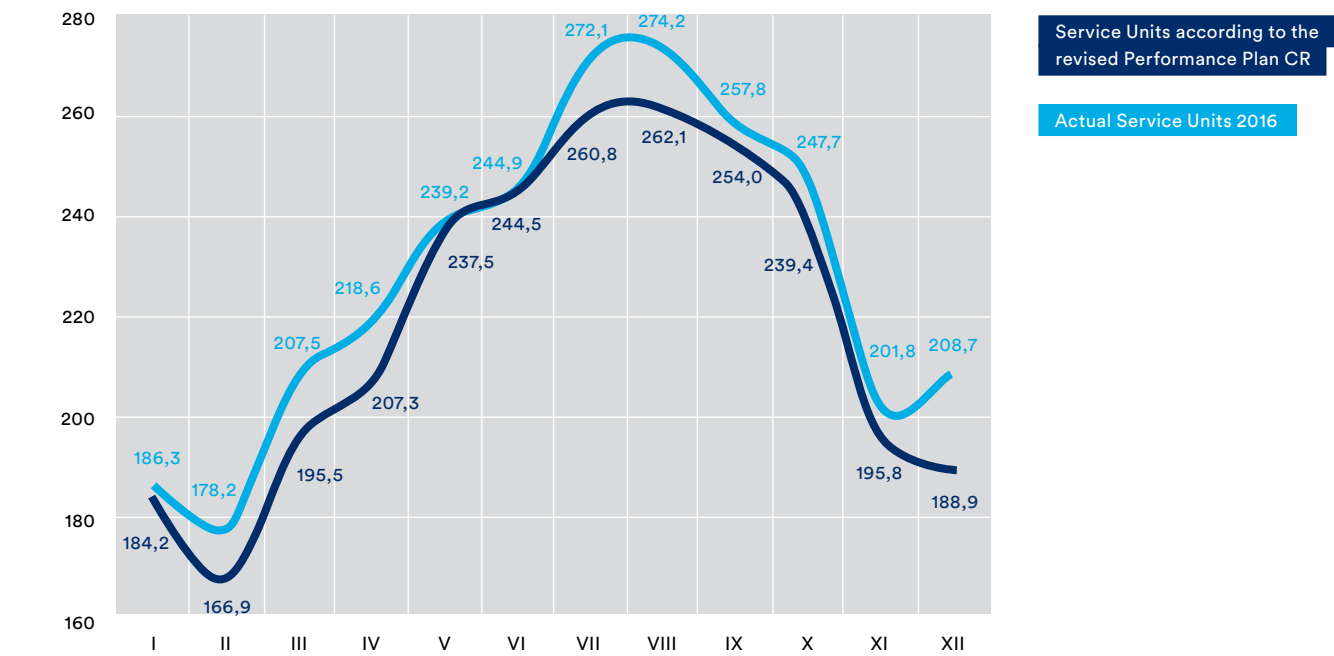
The positive fact is the increase in the average maximum take-off weight of aircraft landing at airports where the traffic is controlled by ANS CR. In 2015, the weight was 44.5 tons; in 2016, it increased to 46.3 tons per landing. At the Vaclav Havel airport in Prague, the average weight of landing aircraft increased for the fourth year continuously, in 2016 to 62.5 tons per landing from the 59.3 tons reported in 2015.

Performance in the Airspace and at the Airports

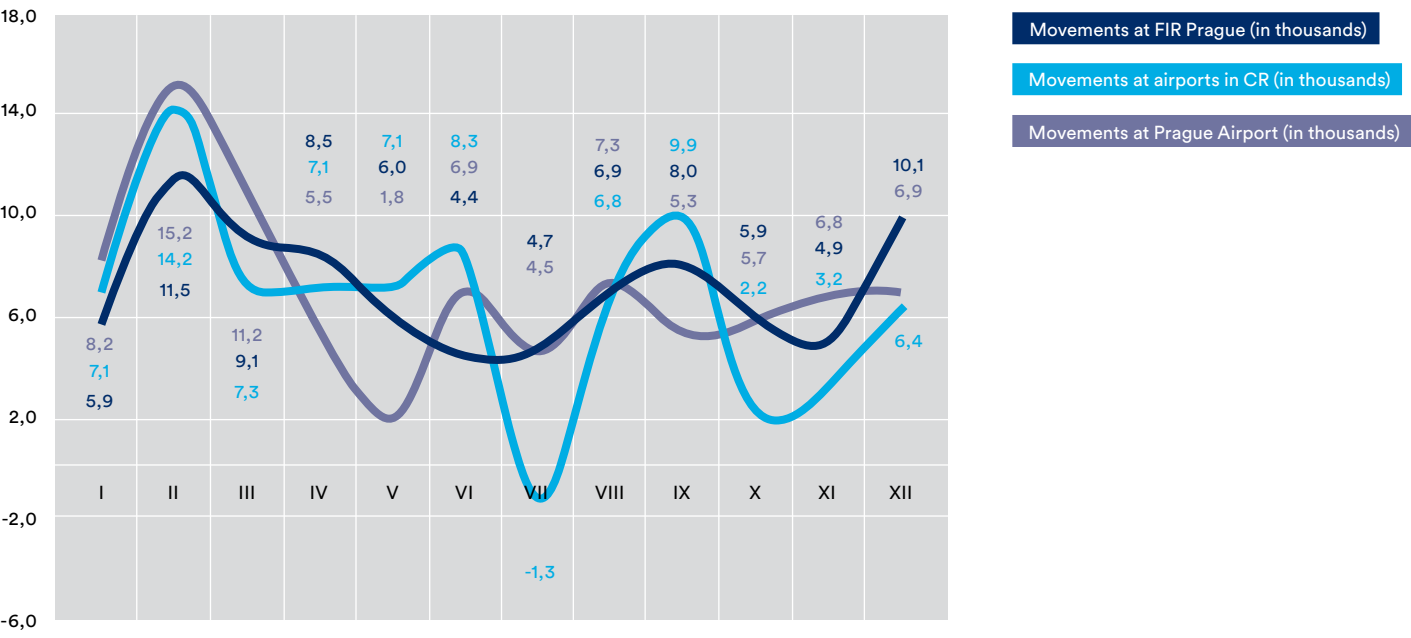
Movements at FIR Prague and at airports in CR



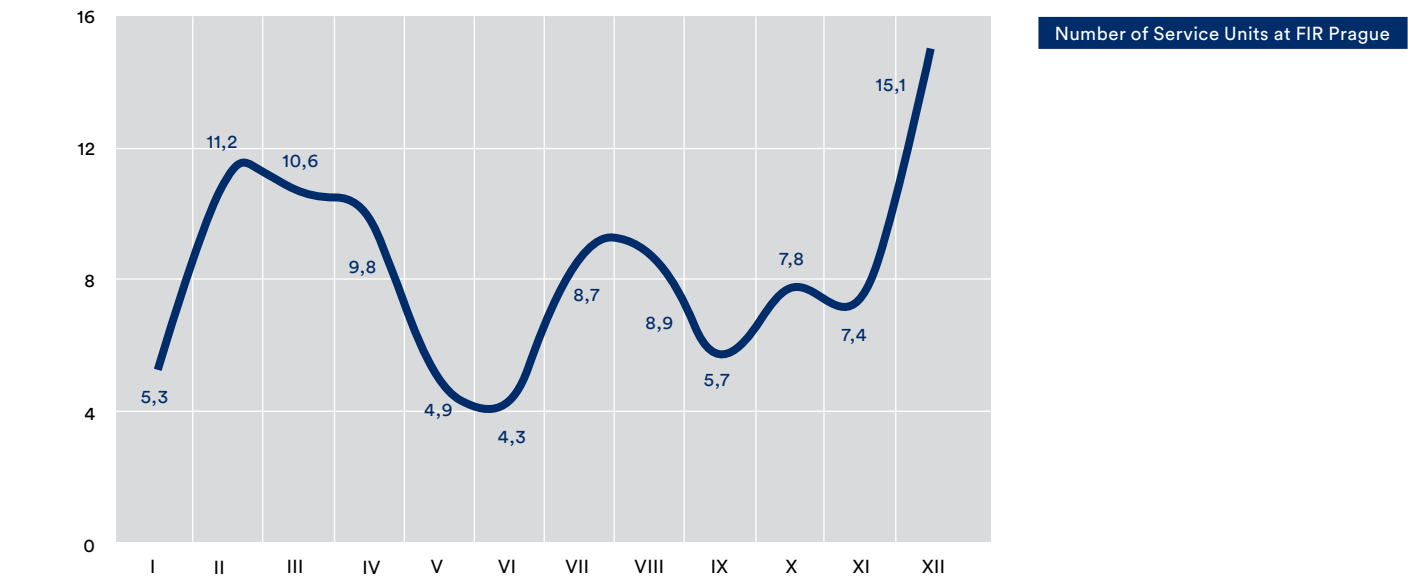
Comparison in the number of Service Units at FIR Prague (in thousands) between the value given in the revised performance plan for CR for the second reference period and the actual values achieved in individual months of 2016



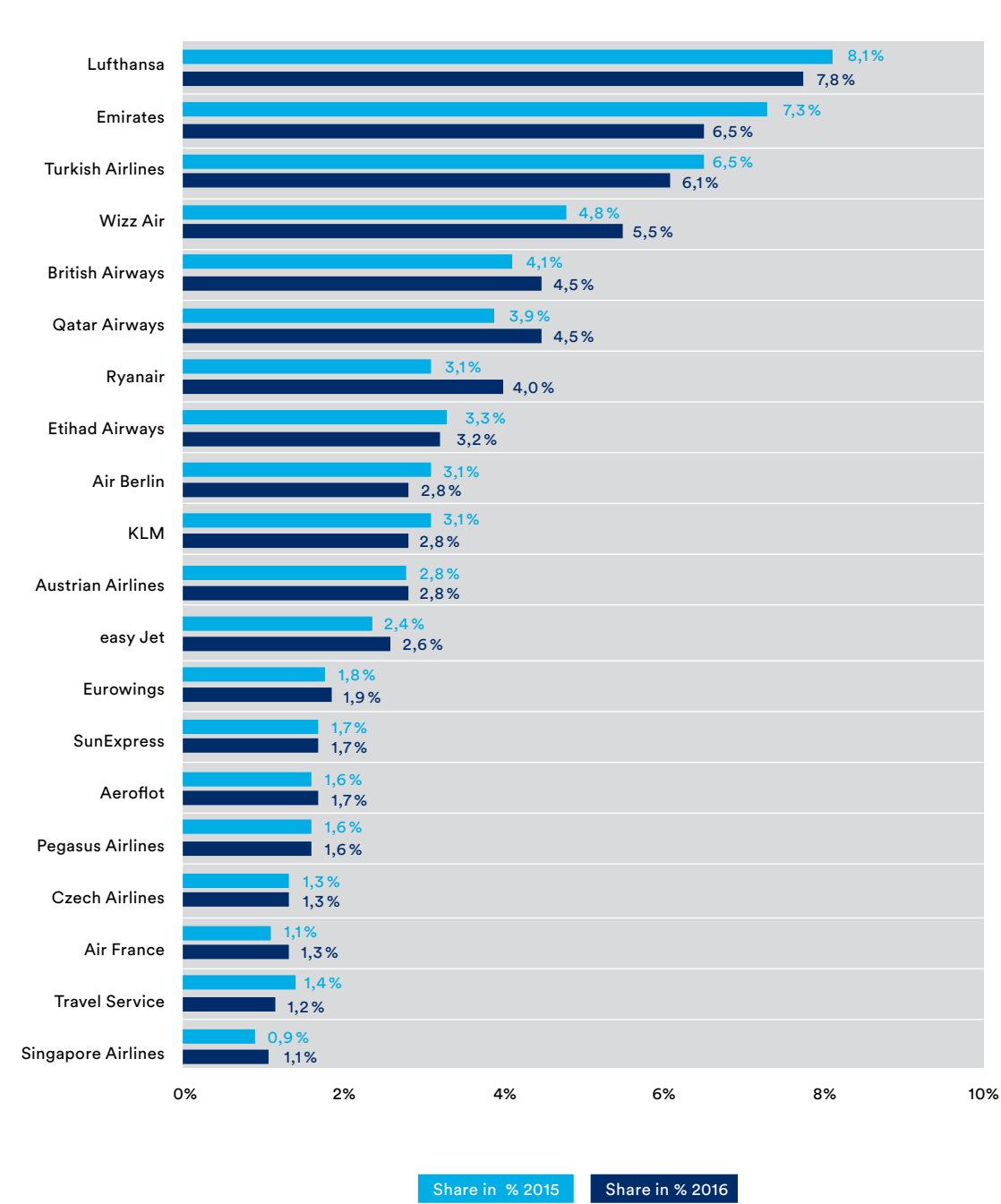
Year-on-year comparison in the number of movements at FIR Prague and at airports in CR in individual months of 2016 in %



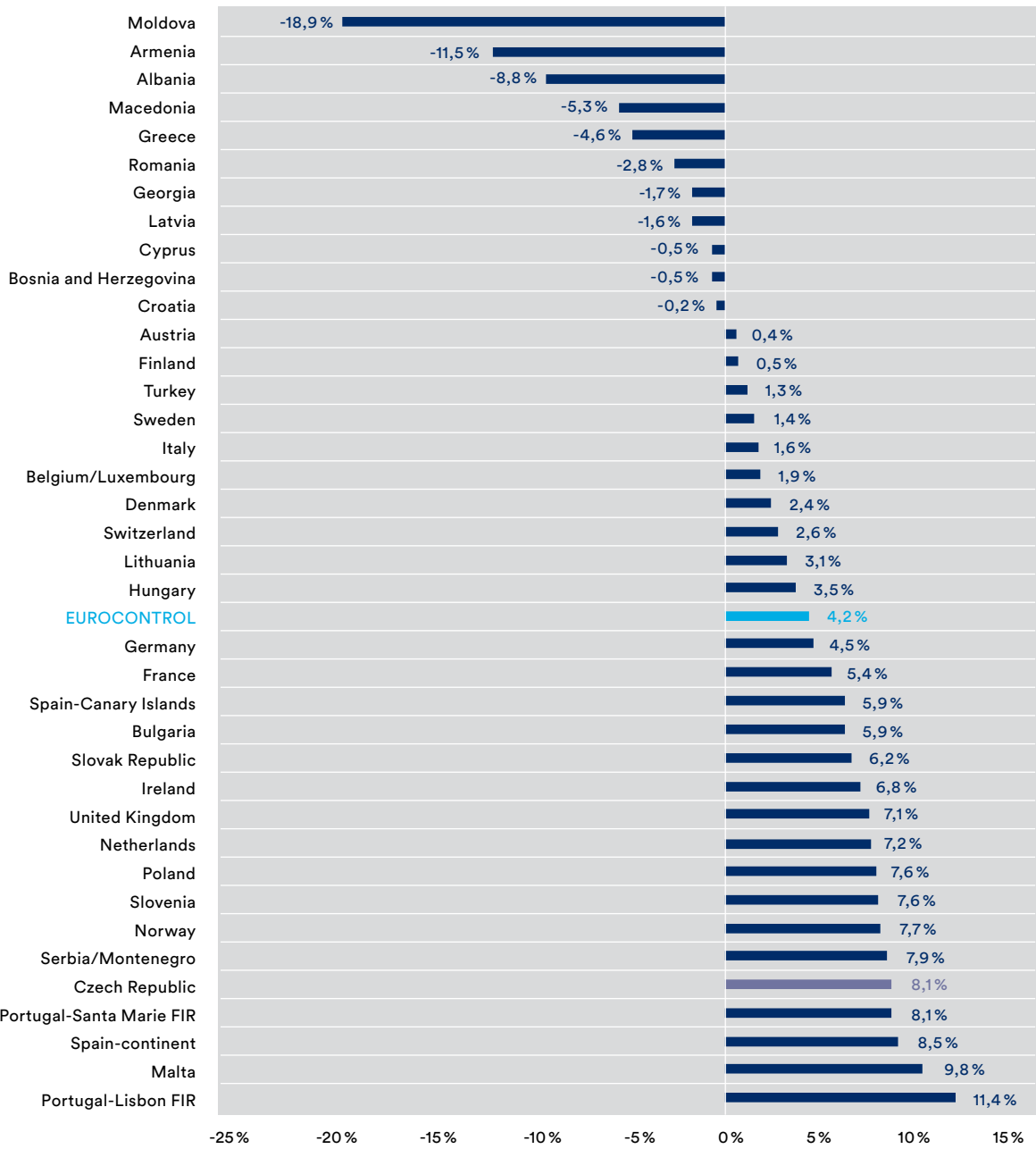
Year-on-year comparison in the number of Service Units at FIR Prague in individual months of 2016 in %



Major ANS CR customers in 2016 – users of en-route navigation services in the airspace of CR
(% share of the total volume of services provided 2015–2016)



Development of performance in Service Units (charges) of EUROCONTROL member states 2016/2015 (%)



Performance in the Airspace and at the Airports

Number of performance units at airports in CR and at Prague Airport (in thousands of MTOW of Terminal Service Units)

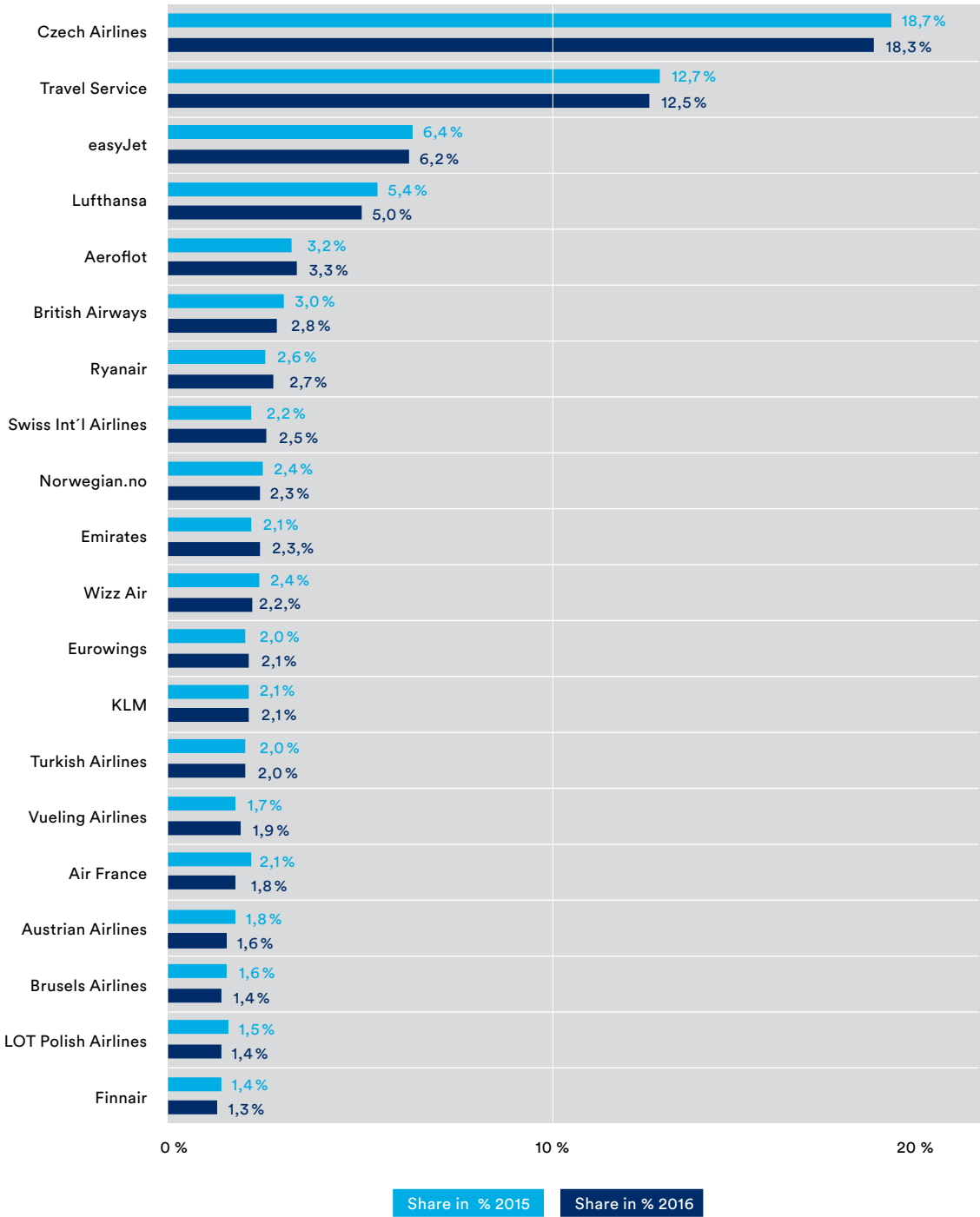


Year-on-year comparison in the number of performance units at airports in CR in individual months of 2016 in %



	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Number of MTOW tons at Czech airports	11,2	16,7	13,6	8,6	10,5	9,8	8,6	8,3	8,9	10,9	9,5	12,2
Number of MTOW tons at Prague Airport	13,1	19,0	15,8	9,4	11,7	12,9	11,7	11,9	11,8	12,1	9,8	12,5
Number of Terminal Service Units at Czech airports	10,7	16,2	12,5	6,9	7,2	7,7	5,8	6,5	6,8	8,5	7,2	9,9
Number of Terminal Service Units at Prague Airport	11,7	17,9	14,4	7,2	7,5	10,1	8,8	9,7	9,3	9,9	7,8	10,0

Major ANS CR customers in 2016 – users of terminal services at Prague Airport (% share in the total volume of Terminal Service Units – comparison for 2015-2016)



Charges for air navigation services provided by ANS CR

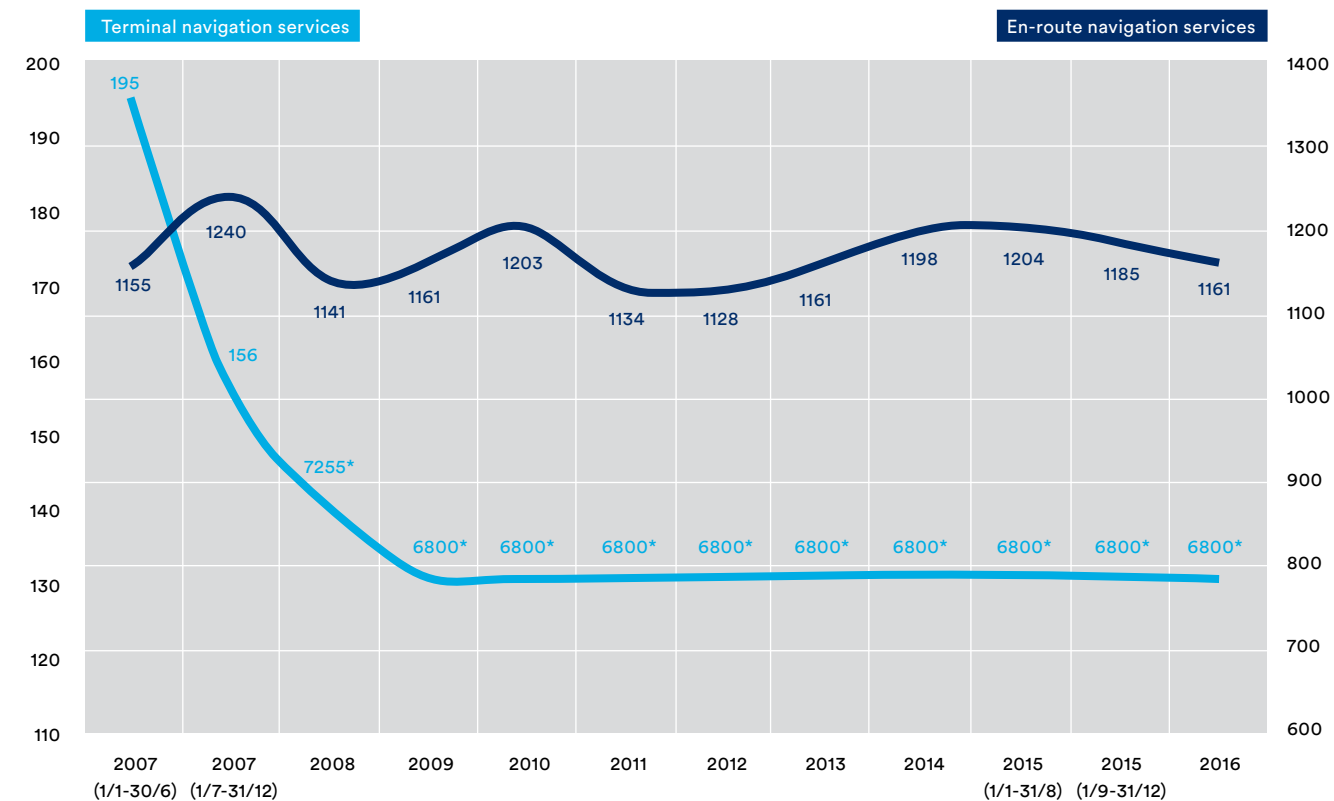
Prices for air navigation services provided in 2016 by ANS CR were, as in previous years, determined within the meaning of Commission Implementing Regulation No. 390/2013, laying down a system to monitor the performance of air navigation services, approved in the framework of the Single European Sky. The regulations include setting the prices for both types of services, i.e. en-route navigation services in the airspace of the Czech Republic and terminal navigation services provided at airports controlled in the Czech Republic. This legislation defines the process for setting the individual prices of air navigation service providers of EU member states, including ANS CR, for the second reference period in the form of performance indicators and the principle of risks shared with service users. The performance plan is based on a five-year reference period, where the second reference period encompasses 2015-2019. Prices for en-route navigation services are performance indicators, and as such are approved by the national regulator (Civil Aviation Authority of the Czech Republic) and the European Commission.

Prices for en-route navigation services are compared as performance indicators year-on-year at the Real Terms prices of 2009 – the revised approved performance plan includes a drop in these prices for the airspace of the Czech Republic between 2014-2019 by 16.1 %. This gradual decrease in prices of charges for en-route navigation services is positively assessed as a contribution to meeting European objectives in this direction with the main aim of achieving greater efficiency of the services provided within the European area and greater benefit for the users of these services.

In general, the prices of charges are determined in accordance with the rules of the International Civil Aviation Organization (ICAO) and other applicable regulations of the European Commission, which includes Commission Implementing Regulation No. 391/2013. As in previous years, the actual calculation of charges for en-route navigation services in 2016 was done in line with rules published in the document Principles for Establishing the Cost-Base for Route Facility Charges and the calculation of the Unit Rates, issued by the European Organization for the Safety of Air Navigation (EUROCONTROL), which further elaborates the above-mentioned European Union legislation in detail.

ANS CR is committed to consistently employing a customer-oriented approach in the pricing policy of air navigation services. The most important commitment of the company is to maintain the objectives, including a planned continuous drop in the price of charges during the second reference period, defined by the Performance Plan of the Czech Republic, while facing the consequences of the actual development of air traffic occurring during this period. As an integral part of the price approval process, consultation with users is carried out prior to the final approval of prices – i.e. with organizations representing the interests of the users of air navigation services. During the process of setting prices for 2016, consultation on the prices of charges for en-route navigation services was again held, organized on the level of the member states of EUROCONTROL. Consultation on the prices of charges for terminal navigation services were organized by the European Commission on the premises of EUROCONTROL.

Development of the basic annual rates for air navigation services (in CZK)



Note * The price of the charge for terminal navigation services was established for 2008-2016 using a different calculation unit (terminal service unit) than in previous years, when the calculation unit was 1 ton MTOW of the aircraft. For the orientation conversion of the cost base to the calculation unit of 1 ton MTOW, the price would equal 141 CZK per 1 ton in 2008 and 131 CZK per 1 ton for 2009-2016. However, the impact on individual service users was unevenly distributed, and is dependent on the composition of the fleet and its weight.

Charges for en-route navigation services

Based on the membership of the Czech Republic in EUROCONTROL and access to the Multilateral Agreement relating to route charges, the billing, collection and recovery of charges for en-route navigation services are provided, effective 1 January 1996, by the Central Route Charges Office (CRCO) at EUROCONTROL, based in Brussels.

The basis for calculating the en-route navigation charge is the rate per service unit. The service unit is defined as the number of kilometers flown through the airspace of the Czech Republic, divided by 100, multiplied by the square root of 1/50 the maximum take-off weight of the aircraft (MTOW) in tons.

2016 is defined as the second year of the second reference period, and as part of the commitment to gradually reduce the price of services, approved by the national performance plan for the Czech Republic, a basic unit price of the charge for en-route navigation services in the amount of 1,161 CZK was set for it, i.e. the global unit price of 42.96 EUR per service unit. The basic unit price was valid for the entire period of 2016. There was a year-on-year reduction in the basic unit rate of the charge by 2.0 % when compared to the revised basic price of the charge, valid for the period 1 September – 31 December 2015; in comparison to the basic unit price valid for the period 1 January – 31 August 2015, there was even a decrease by 3.6 %. As in previous years, the cost base was calculated in CZK.

The global unit rate, valid for the entire period of one year, is only a reference price after conversion to the EUR currency. The actual price of the charge in EUR, which users of the service always pay for during the period of one calendar month, depends on the exchange rate of EUR to CZK during the course of the year. The price during the

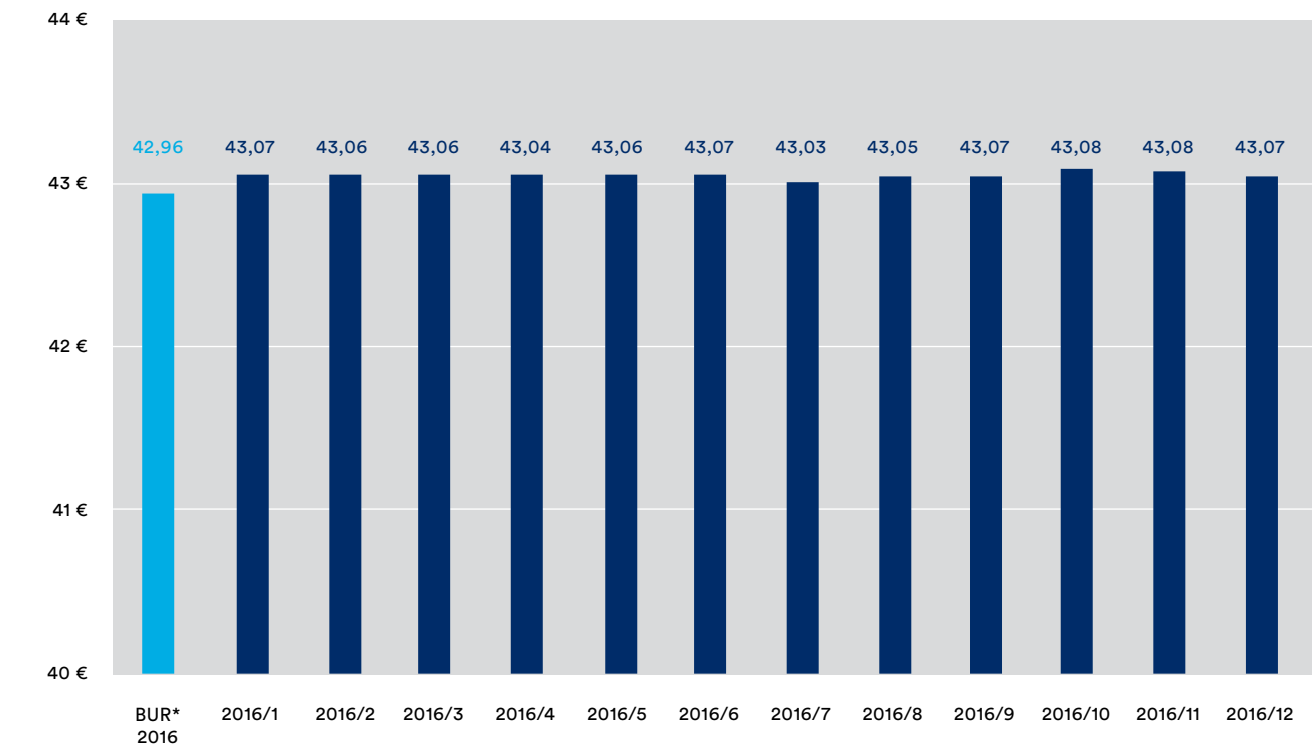
course of 2016 was therefore impacted, as in previous years, by fluctuations of the Czech national currency to the EUR – although unlike in previous years the fluctuations in prices during the course of the year were not so dramatic. The graph shows the change in the actual rates for en-route navigation service charges, billed to users of the service in individual months, compared to the reference unit rate announced for 2016, depending on movements in the exchange rate.

In comparison with all the unit rates of charges for en-route navigation services for member states of EUROCONTROL, the global unit rate for charges in the airspace of the Czech Republic, announced for 2016, is assessed as the rate at the lower half of the price spectrum. An overview of the price level of unit rates for en-route navigation services of member states of EUROCONTROL is shown in the graphic display.

In 2016, the following categories of flights were excluded from en-route navigation service charges based on a decision of the government:

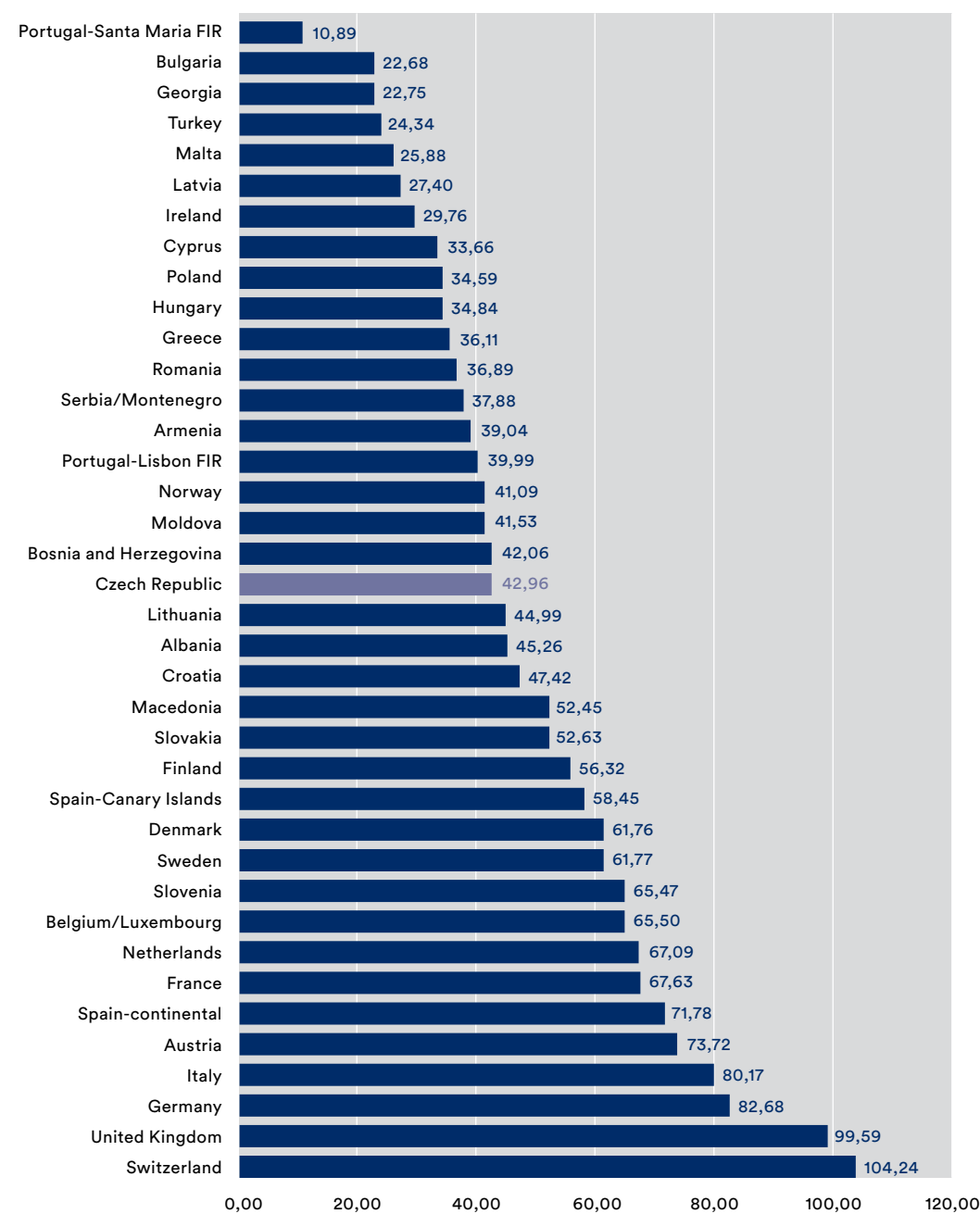
- Flights made exclusively under VFR
- Flights of aircraft up to the maximum takeoff weight of and including 2 tons
- Flights of state importance (flights made exclusively for transporting heads of state, heads of government and government ministers during their official missions)
- Search and rescue flights authorized by the competent RCC authority
- Flights of the state aircraft of contractual states of the North Atlantic Treaty Organization (NATO), Austria and Brazil, with the exception of the Czech Republic
- Flights performed exclusively for the purpose of testing and checking the ground navigation equipment
- Flights made by customs and police authorities

Development of the adjusted monthly unit rates of en-route charges depending on the EUR/CZK exchange rate



* Basic Unit Rate (BUR)

Comparison in the price level of the unit rates in EUROCONTROL member states for en-route navigation services (in EUR) in 2016 (valid as of 1 January 2016)



Charges for Terminal Navigation Services

The process of determining the price for terminal navigation services is governed by the provisions of Commission Implementing Regulation No. 391/2013. The price is set for 1 terminal service unit, which is defined as the weight factor corresponding to 1/50 of the certified MTOW of the landing airplane, to the power of 0.7. ANS CR provides for the billing and collecting of charges for terminal navigation services provided at the airports in Prague, Karlovy Vary, Brno and Ostrava.

The price for terminal navigation services, valid for 2016, was set at 6,800.00 CZK per terminal service unit, unchanged at this level since 2009. Maintaining current unit prices despite traffic at below the level set by the plan for terminal navigation services remains one of the main commitments of ANS CR towards its customers in the second reference period. The performance plan for terminal navigation services was 98.3 % fulfilled in 2016. The price for the service is set and announced in Czech crowns. In view of providing comfort to foreign customers, the total value of services provided during the course of one month is also converted into EUR on the basis of applicable rules and the daily exchange rate between CZK and EUR as announced by Czech National Bank on the date of issuing the invoice.

In 2016, the following categories of flights were excluded from terminal navigation service charges based on a decision of the government:

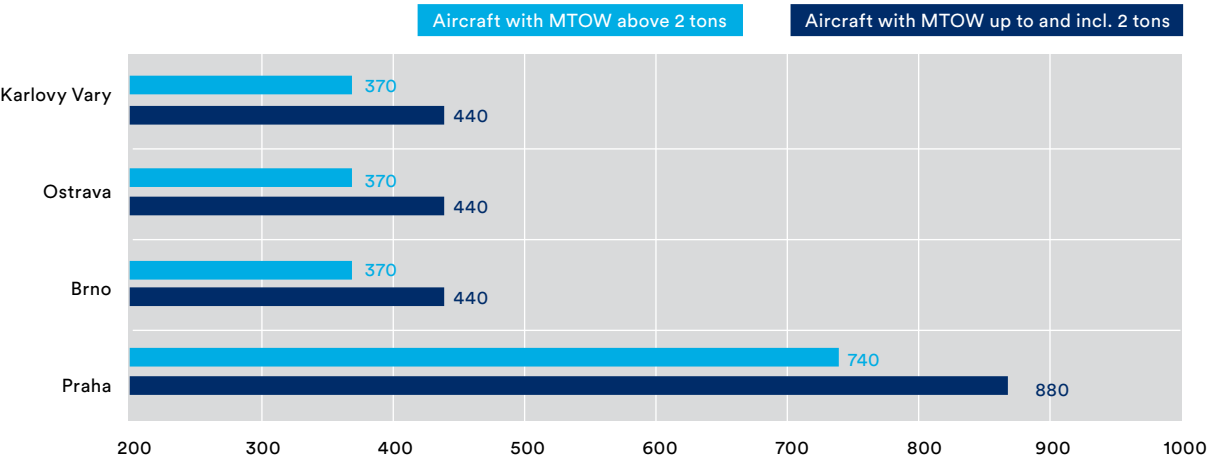
- Flights of aircraft up to the maximum takeoff weight of and including 2 tons
- Flights of state importance (flights made exclusively for transporting heads of state, heads of government and government ministers during their official missions)
- Search and rescue flights authorized by the competent RCC authority
- Flights of the state aircraft of contractual states of the North Atlantic Treaty Organization (NATO), Austria and Brazil, with the exception of the Czech Republic
- Flights performed exclusively for the purpose of testing and checking the ground navigation equipment
- Flights carrying out air rescue service, including secondary and repatriation flights, and flights directly connected with saving human lives

- Flights of aircraft that were forced to return to the airport of departure due to a failure or weather conditions and aircraft forced to make an emergency landing
- Flights made by customs and police authorities

Charges for Training Flights

In 2016, training flights conducted in the TMA of the airports controlled by ANS CR were charged, as in previous years, a flat rate per 1 hour of the duration of the training flight or a proportional part thereof and 1 ton MTOW of the aircraft. The actual amount of the charge for a single training flight was set based on the exact duration of the flight in minutes. For flights of aircraft weighing up to and including 2 tons MTOW, a different basic unit rate for charges was applied than in cases of flights of aircraft with higher MTOW. Due to the potential commercial attractiveness of the higher volume of training flights conducted at regional airports by a single aircraft operator in the course of one calendar month, a system of preferential rates was applied based on reaching the limit of minimum number of training hours required, while taking into account the possibility of an attainment of the required number of training hours at all three regional airports at once.

Rates for training flights charges applicable in 2016 (in CZK for 1 hour and 1 ton MTOW)



Decrease in the basic rate for training flights at regional airports depending on the number of training hours achieved by one operator during one calendar month:

NUMBER OF TRAINING HOURS / MONTH	DECREASE IN THE BASIC RATE
0–5	0 %
5–10	20 %
10–20	45 %
20–30	55 %
more than 30	65 %

Recovery of Receivables for Air Navigation Services

The basic idea of the participation of the Czech Republic in the Multilateral Agreement relating to Route Charges, as in the case of other member states, imposes direct responsibility on CRCO EUROCONTROL for collecting receivables from individual users of the en-route navigation services provided by ANS CR in the airspace of the Czech Republic. If necessary, CRCO EUROCONTROL must also directly ensure their recovery after the due date. The collection and any subsequent recovery from individual users of terminal navigation services provided at the airports Prague, Karlovy Vary, Brno and Ostrava is within the authority of ANS CR. As in previous years, the vast majority of the total volume of receivables for terminal navigation services in 2016 was paid by customers prior to or at its due date. The medium-term recovery rate of receivables for both types of services (en-route navigation and terminal navigation services) in 2016 reached 99.7–99.8 %.

In the event of any delay in the payment of tax documents for services rendered by ANS CR, a standard recovery mechanism using conventional instruments to secure receivables was applied. The company applies financial sanctions in the form of charging interest on late payment in accordance with applicable laws in response to the late payment of receivables by the customer, and this practice continued in 2016. In more severe cases of unpaid receivables for terminal navigation services, the company used other instruments available for recovering them on a selective basis, including recovery by legal means, or through the application of the decision to fill a claim in the insolvency proceedings, eventually through cooperation with government authorities in the field of civil aviation. In exceptional cases in 2016, ANS CR availed itself of the procedure under the relevant provisions of the Civil Aviation Act, which authorizes the company to use the institute of a denial of the provision of air navigation services to customers in long-term arrears with payment of invoices for previously rendered services. This provision represents another effective instrument in securing long outstanding receivables with a positive impact on their return.

Supervisory Board Report

The Supervisory Board of the company composed of Magdalena Faltýsková (Chairwoman), Milan Feranec (Deputy Chairman), Roman Kubíček, Milan Vondra and Petr Kolomazník (Members) held a regular meeting on 18 April, 2017 to discuss the annual financial statement of ANS CR for 2016, in the meaning of Section 13 of Act 77/1997 Coll. on State-owned Enterprises.

The Supervisory Board studied the Auditor's report and the assessment of the fulfilment of the economic performance indicators stipulated for the Director General.

The Supervisory Board, after studying the appropriate material, states that the 2016 planned economic performance indicators have been fulfilled, the company's financial situation is stable and it has fulfilled all of its obligations. The Supervisory Board also discussed the proposal for distributing the disposable profit and states that the submitted proposal is in accordance with valid legal regulations. The Supervisory Board has charged the Director General with submitting the Annual Financial Statement to ANS CR's founder and recommends its approval. The Supervisory Board has also charged the Director General to submit the proposal for distributing the disposable profit to ANS CR's founder and recommends its approval.



MAGDALENA FALTÝSKOVÁ
Chairwoman of the Supervisory Board



Financial Statements of ANS CR for 2016

**COMPILED IN ACCORDANCE WITH NATIONAL
ACCOUNTING STANDARDS**

Independent Auditor's Report

TO THE FOUNDER OF AIR NAVIGATION SERVICES OF THE CZECH REPUBLIC,
STATE ENTERPRISE

Opinion

We have audited the accompanying financial statements of Air Navigation Services of the Czech Republic, state enterprise, based in Navigační 787, Jeneč, identification number 497 10 371, (hereafter the “Company”) prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and 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 information.

In our opinion, the financial statements give a true and fair view of the financial position of Air Navigation Services of the Czech Republic, state enterprise, as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting regulations.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under these 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 regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2 (b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Statutory Body is responsible for this 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 of the company obtained from 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 the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with the applicable laws and regulations.

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

Responsibilities of the Statutory Body, the Supervisory Board and the 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 regulations 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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Founder either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the 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 scepticism 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 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 the Statutory Body and the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In Prague, on 21 March 2017

BDO Audit s. r. o., Certificate No. 018



Eva Knyplová
Certificate No. 1521



Petr Slavíček
Certificate No. 2076

Balance Sheet

in accordance with national accounting standards

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

STATEMENT LINE / CONTENT OF THE ITEM				2016			2015
				Gross	Correction	Net	Net
TOTAL ASSETS				12,945,223	6,411,601	6,533,622	6,080,830
B.	Fixed assets			10,436,845	6,376,746	4,060,099	3,684,394
	B.I.	Intangible assets		3,417,712	2,109,460	1,308,252	932,745
		B.I.1.	Research and development	3,861	3,861		
		B.I.2.	Valuable rights	2,659,517	2,020,248	639,269	622,378
			B.I.2.1. Software	2,658,191	2,019,866	638,325	622,378
			B.I.2.2. Other valuable rights	1,326	382	944	
		B.I.4.	Other intangibles	122,375	85,351	37,024	45,411
		B.I.5.	Advance payments for intangible fixed assets and intangible assets under construction	631,959		631,959	264,956
			B.I.5.1. Advance payments for intangible fixed				70,265
			B.I.5.2. Intangible assets under construction	631,959		631,959	194,691
	B.II.	Tangible fixed assets		6,741,592	4,267,286	2,474,306	2,473,111
		B.II.1.	Land, Buildings and structure	2,705,450	1,119,307	1,586,143	1,545,149
			B.II.1.1. Land	15,964		15,964	14,256
			B.II.1.2. Buildings and structures	2,689,486	1,119,307	1,570,179	1,530,893
		B.II.2.	Machines, tools and equipment, transportation means, furniture and office equipment	3,764,505	3,147,894	616,611	585,084
		B.II.4.	Other tangibles	687	85	602	715
			B.II.4.1. Cultivated areas	85	85		
			B.II.4.3. Other tangible fixed assets	602		602	715
		B.II.5.	Advance payments for tangible fixed assets and tangible assets under construction	270,950		270,950	342,163
			B.II.5.2. Tangible assets under construction	270,950		270,950	342,163
	B.III.	Long term financial assets		277,541		277,541	278,538
		B.III.1.	Shares and ownership interests in subsidiaries	277,139		277,139	278,292
		B.III.5.	Other long term securities and ownership interests	402		402	246
C.	Current assets			2,435,582	34,855	2,400,727	2,360,242
	C.I.	Inventory		16,731	194	16,537	14,146
		C.I.1.	Raw materials	16,635	194	16,441	14,050
		C.I.3.	Finished goods and merchandise	96		96	96
			C.I.3.2. Finished goods	96		96	96
	C.II.	Receivables		927,933	34,661	893,272	592,082
		C.II.2.	Short-term receivables	927,933	34,661	893,272	592,082
			C.II.2.1. Trade receivables	592,241	27,197	565,044	527,207
			C.II.1.4. Other receivables	335,692	7,464	328,228	64,875
			C.II.2.4.3. Due from state tax receivables	40,303		40,303	54,696
			C.II.2.4.4. Short term advance payments	2,989		2,989	1,946
			C.II.2.4.5. Estimated receivables	7,298		7,298	8,192
			C.II.1.5.4. Other receivables	285,102	7,464	277,638	41
	C.IV.	Cash in hand and bank accounts		1,490,918		1,490,918	1,754,014
		C.IV.1.	Cash on hand	1,424		1,424	1,247
		C.IV.2.	Bank accounts	1,489,494		1,489,494	1,752,767
D.	Accruals of assets			72,796		72,796	36,194
	D.1.	Deferred expenses		72,796		72,796	36,194

STATEMENT LINE / CONTENT OF THE ITEM				2016	2015
TOTAL LIABILITIES				6,533,622	6,080,830
A.	Equity			5,778,635	5,590,732
A.I.	Registered capital			1,087,503	1,087,503
	A.I.1.	Registered capital		1,082,822	1,082,822
	A.I.3.	Changes in registered capital		4,681,00	4,681,00
A.II.	Share premium and capital contributions			244,911	245,909
	A.II.2.	Capital contributions		244,911	245,909
		A.II.2.1.	Other capital contributions	248,475	248,475
		A.II.2.2.	Gains or losses from revaluation of assets and liabilities (+/)	-3,564	-2,566
A.III.	Legal, statutory and other reserve funds			3,932,405	3,756,687
	A.III.1.	Other reserve funds		320,000	303,796
	A.III.2.	Statutory and other reserves		3,612,405	3,452,891
A.IV.	Profit/Loss previous year (+/)			130,000	175,000
	A.IV.1.	Retained profits from previous years		130,000	175,000
A.V.	Profit/Loss current year			383,816	325,633
B+C	Liabilities			754,781	490,066
C.	Liabilities			754,781	490,066
C.I.	Long-term liabilities			116,176	118,229
	C.I.8.	Deferred tax liability		116,176	118,229
C.II.	Short-term liabilities			638,605	371,837
	C.II.3.	Advances received		998	727
	C.II.4.	Trade payables		21,934	113,818
	C.II.8.	Other liabilities		615,673	257,292
		C.II.8.3.	Liabilities to employees	159,636	137,024
		C.II.8.4.	Social security and health insurance liabilities	47,433	41,354
		C.II.8.5.	Due to state - taxes and subsidies	338,877	39,344
		C.II.8.6.	Estimated liabilities	35,775	32,147
		C.II.8.7.	Other liabilities	33,952	7,423
D.	Liabilities accruals and deferrals			206	32
D.2.	Deferred revenue			206	32

Profit and loss statement

in accordance with national accounting standards

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

STATEMENT LINE / CONTENT OF THE ITEM			2016	2015
I.	Sales of own product and services		3,798,607	3,595,227
A.	Production consumption		540,342	501,174
	A.2.	Raw materials and consumption	74,860	73,718
	A.3.	Services	465,482	427,456
C.	Capitalisation ()			149
D.	Personnel expenses		2,146,096	1,960,634
	D.1.	Wages and salaries	1,675,622	1,520,102
	D.2.	Social security expenses, health insurance and other expenses	470,474	440,532
	D.2.1.	Social security expenses and health insurance	404,503	378,603
	D.2.2.	Other expenses	65,971	61,929
E.	Valuation adjustments relating to operating activities		505,507	482,642
	E.1.	Valuation adjustments of fixed assets	508,424	484,940
	E.1.1.	Valuation adjustments of fixed assets – permanent	508,424	484,940
	E.2.	Valuation adjustments of inventory	-13	-52
	E.3.	Valuation adjustments to receivables	-2,904	-2,246
III.	Other operating income		108,420	26,310
	III.1.	Income from fixed assets sold	20,507	1,124
	III.2.	Income from materials sold	1,079	644
	III.3.	Other operating income	86,834	24,542
F.	Other operating costs		253,104	241,415
	F.1.	Net book value of sold fixed assets	1,209	
	F.2.	Net book value of sold material	68	
	F.3.	Taxes and fees	2,407	2,168
	F.5.	Other operating expenses	249,420	239,247
*	OPERATING PROFIT/LOSS (+/-)		461,978	435,523
IV.	Income from shares and ownership interests			5,875
	IV.1.	Income from shares and ownership interests in subsidiaries		5,875
G.	Cost of securities and investments sold			6,271
VI.	Interest income and similar income		17,016	27,027
	VI.2.	Other interest and similar income	17,016	27,027
VII.	Other financial income		76,183	53,191
K.	Other financial expense		75,595	107,959
*	PROFIT/LOSS FROM FINANCIAL OPERATIONS (TRANSACTIONS) (+/-)		17,604	-28,137
**	PROFIT/LOSS BEFORE TAX (+/-)		479,582	407,386
L.	Income tax		95,766	81,753
	L.1.	Income tax payable	97,819	84,471
	L.2.	Income tax deferred (+/-)	-2,053	-2,718
**	PROFIT AND LOSS AFTER TAXES (+/-)		383,816	325,633
***	PROFIT AND LOSS FOR THE ACCOUNTING PERIOD (+/-)		383,816	325,633
*	NET TURNOVER FOR THE ACCOUNTING PERIOD		4,000,226	3,707,630

Cash flow statement

in accordance with national accounting standards

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

			2016	2015
P.	Cash at the beginning of the period		1,754,014	1,585,775
Z.	Pretax net profit/loss on ordinary activities		479,582	407,386
A.1.	Adjustments for non-cash movements		469,206	454,887
	A.1.1	Depreciation of fixed assets	508,424	484,940
	A.1.2	Change in allowances, provisions and transitory accounts	-2,904	-2,298
	A.1.3	Profit (loss) from the sale of fixed assets	-19,298	-728
	A.1.5	Net interest costs	-17,016	-27,027
A.*	Net cash from operating activities before taxation, before changes in working capital and extraordinary items		948,788	862,273
A.2.	Changes in working capital		125,395	95,504
	A.2.1	Change in receivables from operating activities	-57,974	-49,927
	A.2.2	Change in short-term payables from operating activities	185,748	146,422
	A.2.3	Change in inventories	-2,379	-991
A.**	Net cash from operating activities before taxation and extraordinary items		1,074,183	957,777
A.4.	Interest received excluding investment companies and funds		17,016	27,027
A.5.	Income tax paid from ordinary activities and additional assessment		-77,437	-138,118
A.***	Net cash from operating activities		1,013,762	846,686
B.1.	Expenses connected to acquiring fixed assets		-1,102,450	-518,726
B.2.	Proceeds from the sale of fixed assets		20,507	6,999
B.***	Net cash from investing activities		-1,081,943	-511,727
C.2.	Impact of changes in equity on cash resources		-194,915	-166,720
C.***	Net cash from financial activities		-194,915	-166,720
F.	Net change in cash resources		-263,096	168,239
R.	Cash at the end of the period		1,490,918	1,754,014

Summary of changes in equity

in accordance with national accounting standards

AT 31 DECEMBER 2016

Changes / balances	Share capital	Other capital funds	Assets revaluation differences	Reserve fund	Founder's fund	Development fund	Other funds created from profits	Cumulative profit and loss	Total equity
Balance sheet line	A.I.	A.II.2.1.	A.II.2.2.	A.III.1.	A.III.2. (part)	A.III.2. (part)	A.III.2. (part)	A.IV.1. + A.V.1.	A.
Balances at 1 January 2015	1,087,503	248,475	17,014	283,311	100,000	3,244,000	40,559	430,537	5,451,399
Revaluation of equity investment for 2015 equivalence			-19,580						-19,580
Allocation to funds from the disposable profit of 2014				20,485		170,850	64,202	-255,537	0
Transfer of resources from the founder's fund to the state budget in 2015					-100,000				-100,000
Use of resources from funds created from profit in 2015							-66,720		-66,720
Profit and loss for 2015								325,633	325,633
Status at 31 December 2015	1,087,503	248,475	-2,566	303,796	0	3,414,850	38,041	500,633	5,590,732
Revaluation of equity investment for 2016 equivalence			-998						-998
Allocation to funds from the disposable profit of 2015				16,204	129,715	158,312	66,402	-370,633	0
Transfer of resources from the incorporation fund to the state budget in 2016					-129,715				-129,715
Use of resources from funds created from profit in 2016							-65,200		-65,200
Profit and loss for 2016								383,816	383,816
Status at 31 December 2016	1,087,503	248,475	-3,564	320,000	0	3,573,162	39,243	513,816	5,778,635



Annex to the Financial Statements for 2016

in accordance with national accounting standards

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1 General Information

1.1 ESTABLISHMENT AND DESCRIPTION OF THE COMPANY

Name of the entity: Air Navigation Services of the Czech Republic

Legal form: State company

Abbreviated name: ANS CR

Date of establishment: ANS CR was established on 1 January 1995 by a decision of the Minister of Transport issued on 28 December 1994, Ref. 4283/94-KM. This decision transferred all assets that had been handled by the allowance organization ANS CR up until 31 December 1994, including all rights and obligations, to the company. The state company is registered in the Commercial Register of the Municipal Court in Prague, Section A, File 10771

Headquarters: Navigační 787
252 61 Jeneč

Identification number: 49710371

Core business: air navigation services, including aerodrome services, in the airspace of the Czech Republic and at the airports Prague, Brno, Ostrava and Karlovy Vary

Share capital: 1,087,503,000 CZK

1.2 MAIN OWNERS OF THE COMPANY

Air Navigation Services of the Czech Republic is a state-owned company. The position and legal status of the state company are governed by Act 77/1997 Coll. The founder of the company is the state. It acts in the name of the founder, the Ministry of Transport, whose responsibility includes the core business of the company.

The accompanying financial statements have been prepared as if ANS CR were an independent company. The consolidated Financial Statements have been prepared for the whole group by the parent company, ANS CR, in accordance with national accounting standards. The companies included in the consolidation are Czech Aviation Training Centre and Czech Aviation Training Centre India. Information pursuant to section 39b of Decree 500/2002 Coll. will be presented in the consolidated financial statements.

1.3 CHANGES AND AMENDMENTS TO THE COMMERCIAL REGISTER DURING THE LAST REPORTING PERIOD

In January 2016 the position of proxy for the company was removed from the Commercial Register. No other changes to the entry in the Commercial Register were made during the last reporting period.

1.4 ORGANIZATIONAL STRUCTURE

The head of the company is the Director General, who is the statutory body. There are four departments directly subordinate to the Director General. The company is organizationally divided into specialized divisions, each headed by a division director. The divisions are divided into specialized sections, each headed by a qualified manager. The company is furthermore divided into control centres led by supervisors. The total number of these organizational units was 19 as of 31 December 2016. The company has no organizational units abroad.

1.5 STATUTORY AND SUPERVISORY BODIES OF THE COMPANY AS OF 31 DECEMBER 2016

Company Management – Statutory Body	
Director General:	Jan Klas
First Deputy Director General:	Jan Štindl
Second Deputy Director General:	Petr Fajtl

Supervisory Board	
Chairperson:	Magdalena Faltýsková
Deputy Chairperson:	Milan Feranec
Members:	Roman Kubiček
	Petr Kolomazník
	Libor Štefánik
	Milan Vondra

Pursuant to the provisions of section 44c paragraph 1(c) of an amendment to Act 93/2009 Coll., on Auditors, as amended, ANS CR has the legal obligation to establish an Audit Committee for ANS CR. The amendment took effect on 1 January 2016 and in accordance with the transitional provisions of the amendment, twelve months were given to comply with the requirements of the law. The committee has three members, who were appointed by the statutory body of ANS CR on the recommendation of the Supervisory Board dated 28 November 2016.

Audit Committee	
Chairperson:	Ivan Hayek
Deputy Chairperson:	Eva Dekastellová
Member:	Eva Ondřichová

2 Basic for the Preparation of the Financial Statements

Company accounting is done and the financial statements compiled in accordance with Act 563/1991 Coll., on accounting, as amended, Decree 500/2002 Coll., which implements certain provisions of Act 563/1991 Coll., on accounting, as amended, for entities that are businesses performing double-entry bookkeeping and Czech accounting standards for businesses.

Its accounting respects general accounting principles, specifically the principle for valuating assets and liabilities, the principle of accounting accruals, the principle of prudence, and the assumption of the entity's ability to continue its activities. Accounting was done with the aid of computer technology. Its EUS software was developed by the British company Ifield Computer Consultancy (ICC).

Pursuant to the requirements of the amendment to the Accounting Act and implementing Decree in force since

1 January 2016, there has been a change in reporting items on the balance sheet and in the profit and loss statement. To ensure the comparability of these items with the previous accounting period, the items on the balance sheet and in the profit and loss statement for 2015 have been appropriately reclassified. The company proceeded in accordance with the Czech accounting standard for businesses, no. 024: "Comparative period for the accounting period starting in 2016". The most significant change is in the Profit and Loss Statement, namely the breakdown of the original line G. "Changes in operational provisions and allowances and comprehensive deferred costs" is the new line E.3. "Adjustments in the value of receivables", which is newly included in "Operational value adjustments", and further in the new line F.4. "Operational provisions and comprehensive deferred costs" which is included in the item "Other operational costs".

3 General Accounting Principles, Policies and Accounting Changes and Variances

The valuation methods applied by the company in preparing the financial statements for 2016 and 2015 are as follows:

calculation of the unit rates", depreciation is done uniformly using the linear method.

3.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets (IFA) are assets valued at more than 60,000 CZK on an individual basis with an estimated useful life of greater than one year in respect of the principle of significance and of a true and fair view of the asset. Intangible fixed assets are stated at cost, which includes the purchase price and related costs.

The acquisition cost of an intangible fixed asset increases when the technical evaluation of that asset exceeds 40,000 CZK.

Intangible assets not considered fixed in our company are included directly in costs at acquisition as if a service provided. Projects and studies that are not intangible fixed assets, where the price is more than 60,000 CZK (without VAT), are deferred for a period of five years.

Accounting depreciation – depreciation is calculated based on the acquisition cost and estimated useful life of the asset. Based on the recommendations of document no. 15.60.01 "Principles for establishing the cost base for route facility charges and the

Estimated lifetime for the defined groups of IFA in years:	
Software	4–10 years
Other IFA (audiovisual works, projects, studies, trademarks, research and development)	3–6 years

Provisioning – no allowances were made to intangible fixed assets in 2016.

3.2 TANGIBLE FIXED ASSETS

Tangible fixed assets (TFA) are assets valued at more than 40,000 CZK on an individual basis with an estimated useful life of greater than one year in respect of the principle of significance and of a true and fair view of the asset. Tangible fixed assets are stated at cost, which includes the purchase price, shipping costs, customs duties and other related costs. Until the acquired asset is put into use, interest and other financial costs related to the acquisition of the fixed asset are also capitalized in the cost of these assets at the discretion of the entity. Tangible fixed assets acquired by delimitation are valued at replacement cost and posted to other capital funds.

Small tangible fixed assets, specifically computer equipment and furniture with an acquisition price between 3,000 CZK and 40,000 CZK, are depreciated for a period of 4 or 10 years. Other small tangible fixed assets with an acquisition price between 3,000 CZK and 40,000 CZK are posted to Account 501, recorded on off-balance sheet account 796. Small tangible assets with an acquisition price between 1,000 CZK and 3,000 CZK are also posted to account 501, recorded on off-balance sheet account 796.

Valuation at replacement cost is also done for assets recently identified in the bookkeeping and requiring a corresponding entry in the relevant accumulated account for allowances. The replacement cost of such assets is determined by professional estimation.

Where the sum technical evaluation for an individual tangible fixed asset exceeds 40,000 CZK for the tax year, the acquisition cost of that asset increases.

Accounting depreciation – depreciation is calculated based on the acquisition cost and estimated useful life of the asset. Based on the recommendations of document no. 15.60.01 “Principles for establishing the cost base for route facility charges and the calculation of the unit rates”, depreciation is done strictly uniformly using the linear method.

Estimated lifetime for the defined groups of TFA in years:	
Lands	Not depreciated
Buildings and structures	30–50 years
Machinery and equipment	4–15 years
of which – electronic and communications equipment	4–10 years
of which – energy and other equipment	7–15 years
Masts, towers constructions, lines	20 years
Transport equipment	5–20 years
of which – cars	5 years
of which – aircraft	10–20 years
Inventory	3–10 years
of which – furniture	10 years
of which – office equipment, computer equipment and accessories	3–10 years

Tax depreciation – tax depreciation is carried out in accordance with section 31 (section 32) and section 32a of Act 586/1992 Coll., on income taxes, as amended. The company applies linear depreciation for purposes of calculating income tax.

Provisioning – no allowances were made to tangible fixed assets in 2016.

3.3 FINANCIAL ASSETS

Valuation – shares were valued at acquisition cost. At the time of compiling the annual financial statements, the shares were valued at equivalence. The equivalence method is the acquisition cost of participation adjusted to a value equivalent to the degree of the company’s equity participation.

Provisioning – no allowances were made to financial assets in 2016.

3.4 CURRENT FINANCIAL ASSETS

Monetary resources consist of valuables, cash in hand and cash in bank accounts.

3.5 INVENTORIES

Valuation – purchased inventory is valued at acquisition cost, using the weighted arithmetic average method upon removal from stores. The acquisition cost of inventories include the costs to acquire them including related costs (shipping costs, commissions, etc.)

Provisioning – allowances for inventories were created in 2016, namely 13,000 CZK, and their total volume was 194,000 CZK.

3.6 RECEIVABLES

Valuation – receivables are posted at their creation at nominal value.

Provisioning – the value of bad debts is reduced using allowances, which were made for all receivables as follows:

- 100% for receivables with a due date of 31 December 2015 and older
- 50% for receivables with a due date in the period from 1 January 2016 to 30 June 2016

Allowances are separately recorded for receivables owed by entities in bankruptcy proceedings, as well as those owed by individual debtors whose aggregate sum is less than 30,000 CZK.

3.7 LOANS

The company did not draw any loans in 2016.

3.8 PROVISIONS

In 2016, the company created a provision for current income tax in the amount of 97,586,000 CZK. The sum total of prepayments for income tax for 2016 amounts to 101,375,000 CZK, which exceeds the volume of the provision by 3,789,000 CZK.

3.9 CONVERSION DATA OF FOREIGN CURRENCIES INTO CZECH CURRENCY

For the valuation of assets and liabilities (debts) at the time of a transaction, the company uses the daily exchange rate announced by CNB during the previous working day pursuant to section 24 of the Accounting Act.

At the time of compiling the financial statements for 2016, the receivables, liabilities, and shares in commercial companies, securities and derivatives, valuables and currency values (financial assets) denominated in a foreign currency were converted using the exchange rate announced by CNB and valid on 31 December 2016.

Realized and unrealized exchange rate gains and losses are posted in financial revenues or financial costs for the year.

3.10 DERIVATIVES

During the course of 2016, the company had disposition of financial derivatives, which were negotiated for hedging currency risks with an expected movement in exchange rates after the relaxation of intervention by the central bank. At the balance sheet date, the derivatives are valued at their fair value. The manner for recognizing gains or losses from valuing derivatives at their fair value depends on whether the derivative is designated as a hedging instrument and on the nature of the item being hedged.

3.11 LEASING

No assets were acquired through financial leasing.

3.12 EQUITY

The registered capital of the company is stated at the amount recorded in the Commercial Register of the Municipal Court. Investments exceeding the registered capital are reported as other capital funds, which consist of non-monetary investments in excess of the registered capital.

In accordance with the mandates of Act 77/1997 Coll., as amended, the company has created the following funds from profit. These are a reserve fund, fund for cultural and social needs, and a founder’s fund. Creating these funds and drawing on them is regulated by the State Enterprise Act, or Decree 310/1995 Coll. Besides these funds, the company can create under the same act additional funds from disposable profits. In the case of ANS CR, this involves a development fund and a fund for other social spending. The development fund serves as a source of financing for developing and supporting the company’s investments. The fund for other social spending serves as a source of financing for benefits granted to employees under collective agreements, which are not regulated by Decree 310/1995 Coll.

3.13 TAXES, INCOME TAX

Income tax expenses are calculated using the statutory tax rate from the accounting profit increased or decreased by permanently or temporarily non-deductible expenses and non-taxable revenues (e.g. creating and posting other provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.). Additionally, items reducing the tax base (donations), deductions (tax losses, costs of research and development projects), and discounts on income tax are taken into account. In the event that the financial statements precede the final calculation of income tax, the entity creates an income tax provision.

Deferred tax – deferred tax is calculated using the liability method, which means that the deferred tax will be applied at a later stage and therefore the income tax rate applicable in the period in which this tax is applied is used in the calculation. If this rate is unknown, the tax rate applicable for the following reporting period is used. Temporary differences resulting in a deferred tax asset or liability (debt) is assessed in our company in a broader context where a deferred tax liability (debt) is always posted, but a deferred tax asset only with respect to the precautionary principle, which means after assessing its applicability.

Deferred tax is calculated from temporary differences between the tax and accounting base of assets and liabilities. In our company the following temporary differences come into consideration:

- differences between the book and tax carrying value of fixed assets (a book carrying value higher than the tax carrying value creates a deferred tax liability, and in the opposite case a deferred tax asset),
- the difference between tax and book allowances (a deferred tax asset is created if tax allowances are lower than book allowances and the tax allowances are expected to create up to 100% the value of receivables),
- differences created by posting deferred tax on all temporary differences in the first year of accounting are recognized in equity.

3.14 USE OF ESTIMATES

The compilation of the financial statements requires company management to make estimates and assumptions that affect the reported amounts of assets and liabilities (debts) at the balance sheet date and the reported amounts of revenues and costs during the reporting period. Company management has made these estimates and assumptions on the basis of all the relevant information available. Nevertheless, given the nature of estimates, the actual results in the future may differ from these estimates.

3.15 COSTS AND REVENUES ACCOUNTING

Revenues and costs are recognized in the period to which they relate.

3.16 SUBSIDIES

In accordance with Czech Accounting Standard no. 17, the company recognizes the unquestionable right to a subsidy charged to the relevant account of account group 37 – Other receivables, and credited to the relevant account of account group 34 – Taxes and subsidies. The use of subsidies to cover costs or other financial detriments is debited to the relevant account of account group 34 – Taxes and subsidies, and credited to other operating or financial revenue accruals.

Subsidies received for the acquisition of fixed assets reduces the acquisition cost.

Subsidies are provided from the European Commission arising from participation in the implementation of projects related to the development of air navigation services. The main European initiative aimed at the development of air navigation services is the initiative of Single European Sky ATM Research (SESAR).

3.17 SUBSEQUENT EVENTS

The impact of events that occurred between the balance sheet date and the date of compiling the financial statements is reflected in the reporting if these events provide additional information about facts that existed at the date of the balance sheet. In the case important events occurred between the balance sheet date and the date of compiling the financial statements which take into account facts that occurred after the balance sheet date, the effects of these events are described in an attachment to the financial statements but are not recorded in the financial statements.

3.18 CHANGES IN VALUATION, DEPRECIATION AND ACCOUNTING METHODS COMPARED TO THE PREVIOUS ACCOUNTING PERIOD

No changes occurred during fiscal year 2016 in the valuation, depreciation and accounting methods used compared to the previous accounting period.

4 Additional Information on the Balance Sheet and Profit and Loss Statement

4.1 FIXED ASSETS

4.1.1 Intangible fixed assets (IFA)

2016 (CZK thousands)	Software	Other IFA	Total
ACQUISITION COST (PC)			
Balance at 1 January 2016	2,428,477	125,332	2,553,809
Additions	241,469	4,853	246,322
Disposals	11,755	2,623	14,378
Balance at 31 December 2016	2,658,191	127,562	2,785,753
ACCUMULATED DEPRECIATION			
Balance at 1 January 2016	1,806,099	79,921	1,886,020
Depreciation 2016	225,522	12,296	237,818
Disposals	11,755	2,623	14,378
Balance at 31 December 2016	2,019,866	89,594	2,109,460
NET BOOK VALUE 2016 (DP)	638,325	37,968	676,293
NET BOOK VALUE 2015 (DP)	622,378	45,411	667,789

Significant items of intangible fixed assets

Item	Year of acquisition	PC (CZK thousands)	DP 2016 (CZK thousands)
EUROCAT 2000 PU IATCC system	2007	701,178	73,739
ESUP IATCC system	2007	478,338	152,793
IDP system for IATCC	2007	349,682	107,891

The most important additions and disposals of intangible assets

The most significant additions to intangible assets in 2016 included the technical evaluation of the above systems in the amount of 93,474,000 CZK.

The most significant disposal of intangible assets was the elimination of the “Lower airspace + Prague” system at an acquisition cost of 2,623,000 CZK, with a net book value of 0 CZK at the date of disposal.

Depreciation of intangible fixed assets charged to costs

The depreciation of intangible fixed assets charged to costs in 2016 amounted to 237,819,000 CZK, and in 2015 to 208,560,000 CZK.

Allowances for intangible fixed assets

No allowances were created for intangible fixed assets.

Unfinished IFA and prepayments for IFA

The total volume of unfinished IFA registered in the company at 31 December 2016 amounted to 631,959,000 CZK, and in 2015 to 194,691,000 CZK. The main volume of unfinished intangible assets is represented by upgrading existing air traffic control systems, and further payments for the newly acquired NEOPTERYX air traffic control system.

4.1.2 Tangible fixed assets (TFA)

(CZK thousands)	Land and buildings	Machinery and equipment	Means of transport	Inventory	Other TFA	Total
ACQUISITION COST (PC)						
Balance at January 1, 2016	2,575,019	3,061,236	228,061	198,198	158,042	6,220,556
Additions	133,522	198,905	2,244	289	9,261	344,221
Disposals	3,091	76,340	6,489	1,108	7,107	94,135
Balance at December 31, 2016	2,705,450	3,183,801	223,816	197,379	160,196	6,470,642
ACCUMULATED DEPRECIATION						
Balance at 1 January 2016	1,029,870	2,646,304	92,683	188,867	131,884	4,089,608
Depreciation 2016	91,432	141,290	21,609	4,490	11,784	270,605
DP of disposed TFA 2016	-1,096	0	0	0	-113	-1,209
Movements of assets	-899	-76,340	-6,490	-1,109	-6,880	-91,718
Balance at 31 December 2016	1,119,307	2,711,254	107,802	192,248	136,675	4,267,286
DEPRECIATED PRICE 2016 (DP)	1,586,143	472,547	116,014	5,131	23,521	2,203,356
DEPRECIATED PRICE 2015 (DP)	1,545,149	414,932	135,378	9,331	26,158	2,130,948

Significant items of tangible assets

Item	Year of acquisition	PC (CZK thousands)	DP 2015 (CZK thousands)
Building IATCC, Jeneč	2005	902,116	580,033
Technical unit building, Prague Airport	1992	497,117	312,329
Calibration for Cessna 560XL	2011	152,492	86,641
Aviation Schools Building (CANI)	1983	148,632	93,481
Building service with control tower Ostrava Airport	2016	112,539	112,539

The most important additions and disposals of fixed assets

The most important additions to fixed assets in 2016 include the inclusion of a new operations building with TWR at the airport in Ostrava in the amount of 112,539,000 CZK and further the technical evaluation of the IATCC Jeneč building in the amount of 6,915,000 CZK. Another significant item was the purchase of system servers of various specifications.

The most significant disposal among fixed assets in 2016 was the removal of the ATC CASS simulator with an acquisition cost of 10,760,000 CZK, now with a net book value of 0 CZK. Additionally, system servers of various configurations with 0 CZK net book value were removed.

Depreciation of tangible fixed assets charged to costs

The depreciation of TFA charged to costs in 2016 amounted to 270,605,000 CZK, and in 2015 to 276,380,000 CZK.

Total amount of small tangible assets not included in the balance sheet

The total amount (at cost) of tangible assets not included in the balance sheet as of 31 December 2016 is 73,476,000 CZK. As of 31 December 2015 it was 70,022,000 CZK.

Allowances for tangible fixed assets

No allowances were made for tangible fixed assets.

Unfinished TFA

The total volume of unfinished TFA registered in the company at 31 December 2016 amounted to 270,950,000 CZK, and in 2015 to 342,143,000 CZK. The main volume of unfinished tangible assets is represented by aviation safety technology (ground movement radar, VCS and RCOM).

4.1.3 Specified assets of the company

In accordance with the provisions of Act 77/1997 Coll., on state enterprises, special asset items are recorded in the bookkeeping – specified assets. These are assets that are indispensable to the entity in terms of carrying out the activities for which the entity (company) was established. These assets are registered in the Commercial Register. The company may handle specified assets only with the approval of the founder.

During the course of 2016, there were no changes in the definition of the specified assets. The following specified assets were therefore on the books of the company at 31 December 2016:

NAME OF SPECIFIED ASSETS	Inventory number	Acquisition price
Building IATCC Jeneč	2016743	902,116
Operations building of the technical block at Prague Airport	51062	497,117
Operations building with control tower at Brno Tuřany	52012	88,042
Operations building located at Prague South	51150	59,780
Calibration aircraft L 410 UVP E OK-WYI	2020151	43,841
Operations building with control tower at Karlovy Vary	54004	42,648
Operations building at the location Buchtův kopec	52011	33,074
Land under the building of the technical block at Prague Airport	2563	1,349
Land under the operations building with control tower at Karlovy Vary Airport	3882	261
Land under the operations building with control tower at Brno Airport	2258	122
Land under the building of IATCC Jeneč	569	45
Land under operations building Prague South	34890	2
Land under operations building Buchtův kopec	130	2

ACQUISITION PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2016 (CZK thousands)	1,668,398
DEPRECIATED PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2016 (CZK thousands)	1,021,181

4.1.4 Assets leased under finance and operating leases

The company has no assets leased under finance leases. Furthermore, the company had 59 cars and trucks leased under operating leases at the date of the financial statements. In 2016, 8,270,000 CZK was paid for operating leases, and in 2015 it was 7,893,000 CZK.

4.2 FINANCIAL FIXED ASSETS

With regard to the liberalization of the market in the provision of air navigation services, ANS CR has further expanded, as one of its strategies, its commercial activities, particularly in the provision of consulting services in the ATM field and in the provision of air navigation services abroad.

In line with this strategy, i.e. the expansion of commercial activities, the acquisition of Czech Aviation Training Centre (CATC), located at K letišti 934, 161 00 Prague 6, was carried out on 1 October 2012. The purchase price for a 100% stake in CATC Centre was 280 million CZK, based on an assessment of the sale compiled by an independent expert appointed by the court. ANS CR has therefore considerably expanded its range of services, because it has many years of experience with training courses in aviation. Acquiring CATC has given the company the opportunity to provide comprehensive training and education for all licensed personnel in civil aviation.

The company's equity in CATC reached 277,139,000 CZK as of 31 December 2016. The company's profit or loss for the accounting period of 2016 amounted to 193,000 CZK. As of 31 December 2016, receivables due CATC amounted to 818,000 CZK. Payables owed by CATC as of 31 December 2016 amounted to 276,000 CZK.

Shares in controlled and managed entities	Book value in CZK thousands at 31 December of the year (equivalence revaluation)			
	2015	Movements	Revaluation	2016
Czech Aviation Training Centre Ltd.	278,292	0	-1,153	277,139

Based on a notarial deed dated 17 October 2014, the company FABCE, Aviation Services, Ltd., based in Zgornji Brnik 130N, SI-4210 Brnik, Slovenia, was established. The shareholders in the company are the providers of air navigation services in the Czech Republic, Slovakia, Austria, Hungary, Slovenia and Croatia, which are associated in the Central European Functional Airspace “FAB CE”. The goal of this company is to coordinate the actions of the stakeholders in order to meet the objectives of the EU in the context of the “Single European Sky – SES” policy. ANS CR has a 1/6 stake in this service company (6,000 EUR).

Other fixed securities and shares	Book value in CZK thousands as of 31 December of the year			
	2015	Movements	Revaluation	2016
FABCE Aviation Services Ltd.	246	0	156	402

The company held no other financial fixed assets in 2016. Likewise in 2016 as in previous years, the company did not register any financial fixed assets pledged as collateral.

4.3 INVENTORY

The total amount of inventory at 31 December 2016 reached 16,635,000 CZK, at 31 December 2015 it was 14,353,000 CZK. The main volume of inventory consists of spare parts for aviation safety technology. Allowances for inventory at the end of 2016 amounted to 194,000 CZK. In 2015 it was 207,000 CZK.

4.4 RECEIVABLES

4.4.1 Trade receivables

(CZK thousands)	2016	2015
TOTAL TRADE RECEIVABLES		
Gross receivables	592,241	564,772
Net receivables	565,044	527,207
ALLOWANCES created under Act 593/92 Coll., on provisions, section 8 and section 8(a)		
Bankruptcy proceedings	11,120	10,647
20% from 2012	0	2,668
20% from 2013	1,606	1,633
50% for the 1st half of 2014	0	168
100% for the 1st half of 2014	327	xxx
50% for the 2nd half of 2014	1765	xxx
50% for the 1st half of 2015	43	xxx
ALLOWANCES created under Act 593/92 Coll., on provisions, section 8 and section 8(c)		
100% from 2012	0	25
100% from 2013	0	8
100% from 2014	19	407
100% from 2015	376	xxx
ALLOWANCES non-tax deductible		
from 2012	0	10,673
from 2013	6,424	6,532
50% for the 1st half of 2014	0	168
100% for the 2nd half of 2014	0	3,866
50% for the 1st half of 2015	43	770
50% for the 2nd half of 2015	1,765	xxx
100% for the 2nd half of 2015	2,085	xxx
50% for the 1st half of 2016	1,625	xxx

4.4.2 Age structure of trade receivables

OVERDUE TRADE RECEIVABLES (CZK thousands)		
	2016	2015
Receivables due from 31 December 2011 and older	7,859	8,764
Receivables due from 1 January 2012 to 31 December 2012	4,503	17,111
Receivables due from 1 January 2013 to 31 December 2013	4,514	5,580
Receivables due from 1 January 2014 to 31 December 2014	5,237	6,062
Receivables due from 1 January 2015 to 30 June 2015	xxx	1,568
Receivables due from 1 July 2015 to 31 December 2015	2,801	xxx
Receivables due from 1 January 2016 to 30 June 2016	3,262	xxx

4.4.3 State – tax receivables and receivables for social security and health insurance

In 2016 the company recorded tax receivables for the state in the amount of 137,889,000 CZK. This amount corresponds to prepayments made for income tax in the amount of 101,374,000 CZK, which, in accordance with accounting principles, was compensated with a reserve created for corporate tax in the amount of 97,586,000 CZK, as well as with surplus VAT deductions in the amount of 36,514,000 CZK. The company records no receivables for social security and health insurance.

4.4.4 Accrued assets

These concern accruals created in association with training services – conducting a course for ANS Georgia.

4.4.5 Other receivables

The total volume of other receivables amount to 285,102,000 CZK. These especially include receivables from grants to SESAR projects in the amount of 276,914,000 CZK. The amount of the receivable corresponds to the company’s claims from participating in the projects SESAR 2020 and SESAR Deployment while maintaining the given budget for individual projects. The amount of the receivables is reduced by the partial payments received for the projects.

4.5 SHORT-TERM FINANCIAL ASSETS AND CASH

SHORT-TERM FINANCIAL ASSETS (CZK thousands)	2016	2015
Cash	1,424	1,247
Bank accounts	1,489,494	1,752,767
TOTAL SHORT-TERM FINANCIAL ASSETS	1,490,918	1,754,014

4.6 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (CZK thousands)	2016	2015
Accrued costs	72,796	36,194

Accrued costs mainly include insurance, software support, membership fees, subscriptions to professional publications and the costs of purchasing airline tickets for business conducted abroad in the following year. These items are therefore posted to the costs in the period they were incurred in.

4.7 EQUITY

4.7.1 Changes in equity

A summary of changes in equity is reported in a separate statement. Changes in equity occurred in 2016 only in connection with settling profit or loss and the revaluation of equity holdings.

4.7.2 Registered capital

There were no changes in registered capital in 2016.

4.7.3 Items equity

In accordance with Act 77/1997 Coll., as amended, the company has the obligation to create the following funds from profit. These consist of the reserve fund, a fund for cultural and social needs, and the founder’s fund. In addition to these funds, the company may also create other funds from disposable profit in accordance with this act. In the case of ANS CR, these are the development fund and fund for other social spending.

Based on the founder’s approval of the annual financial statements for 2015, the disposable profit after tax for 2015, amounting to 325,633,000 CZK, was divided as follows:

- 16,204,000 CZK was allocated to the reserve fund despite the company meeting the statutory requirement in past years; the reserve fund therefore stood at 320 million CZK at 31 December 2016,
- 58,902,000 CZK was allocated to the fund for cultural and social needs; this fund therefore stood at 26,135,000 CZK at 31 December 2016,
- 7,500,000 CZK was allocated to the fund for other social spending; this fund therefore stood at 4,831,000 CZK at 31 December 2016,
- 158,312,000 CZK was allocated to the development fund; this fund therefore stood at 3,573,162,000 CZK at 31 December 2016,
- no allocation from profit was made to the bonus fund; this fund stood at 8,276,000 CZK as of 31 December 2016,
- based on a decision of the founder and in accordance with Act 77/1997 Coll., State Enterprises, an allocation of 129,715,000 CZK was made to the founder’s fund, and a subsequent transfer of the same amount was made to the account of the founder. At 31 December 2016 the fund stood at 0 CZK.

4.7.4 Proposal for the distribution of disposable after-tax profit for 2016

Based on the financial statements for 2016, a disposable after-tax profit of 383,613,000 CZK was recorded. In accordance with Act 77/1997 Coll., the company proposes to make allocations to the fund for cultural-social needs, i.e. the statutory allocation + a supplementary allocation in a similar amount as last year. Furthermore, the company proposes to make an allocation to the fund for other social spending in the same amount as the previous year, and for the development fund the amount will be one-third higher than in the previous year. The rest of the disposable after-tax profit will be posted as retained earnings. No allocations are proposed for the reserve fund or the bonus fund. The company’s Supervisory Board will assess the detailed proposal for the distribution of disposable profit for 2016 and the founder of the company will approve it based on their observations.

4.8 PROVISIONS

Provisions for income tax for 2016 were created in the amount of 97,586,000 CZK. Total prepayments for income tax for 2016 amount to 101,375,000 CZK, which exceeds the volume of provisions by 3,789,000 CZK.

The company created no other provisions in 2016.

4.9 PAYABLES

4.9.1 Trade payables

TRADE PAYABLES (CZK thousands)	2016	2015
LONG-TERM TRADE PAYABLES		
Long-term trade payables	0	0
SHORT-TERM TRADE PAYABLES		
Suppliers with due payables	9,922	112,739
Suppliers with overdue payables	4,029	583
Other payables	7,983	496
TOTAL PAYABLES		
Trade payables	21,934	113,818

Overdue payables consist of the unpaid invoices of suppliers that have changed their banking institutions and this change was not reflected in the current contracts. The invoices were paid immediately after concluding addenda to the contracts. These invoices concern 4.Q. 2016, which were paid no later than January 2017.

4.9.2 Payables to the state and social security and health insurance institutions

PAYABLES TO THE STATE AND SOCIAL SECURITY AND HEALTH INSURANCE INSTITUTIONS (CZK thousands)	2016		2015	
	Total	Due	Total	Due
SOCIAL SECURITY AND HEALTH INSURANCE				
Social security premiums	16,303	0	14,654	0
Health insurance premiums	31,130	0	26,700	0
Total social security and health insurance	47,433	0	41,354	0
PAYABLES TO THE STATE (CZK thousands)	2016		2015	
	Total	Due	Total	Due
TAX LIABILITIES				
Income tax on employment	46,604	0	39,335	0
Corporate income tax	0	0	0	0
Value added tax	0	0	0	0
Other taxes	10	0	9	0
Total tax liabilities	46,614	0	39,344	0
TOTAL PAYABLES TO THE STATE AND SOCIAL SECURITY AND HEALTH INSURANCE INSTITUTIONS	94,047	0	80,698	0

Payables for social security and health insurance recorded at 31 December 2016 consist of statutory withholdings arising from the payment of salaries for the month of December 2016 and therefore concern payables that are due. Likewise the liability for income tax on employment is connected to the payment of salaries for December 2016. Other taxes consist of 10,000 CZK due for road tax.

Balance sheet item C.II.8.5 also reports account 346 balances – clearing subsidies charged to other operating income accruals when accounting for costs. At 31 December 2016 the balance was 292,264,000 CZK.

4.9.3 Advances received

ADVANCES RECEIVED (CZK thousands)	2016	2015
Long-term advances received	0	0
Short-term advances received	998	727
TOTAL ADVANCES RECEIVED	998	727

4.9.4 Estimated accounts payable

These are estimated payable items expensed to costs in 2016. These especially include accruals for energy consumption, service maintenance for systems and equipment, data and telecommunications services, protecting buildings and other accruals (35,774,000 CZK in total).

4.9.5 Other liabilities and payables to employees

Payables to employees recorded at 31 December 2016 consist of the payment of salaries for the month of December 2016, which is done in January of the following year, and therefore involves a due payable. Other liabilities mainly consist of settling pension and life insurance for company employees.

4.10 BANK LOANS AND BONDS

In 2016 the company did not take out any loans for its business activities and likewise did not issue any bonds in 2016 or in the past.

4.11 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (CZK thousands)	2016	2015
Accrued costs	0	0
Deferred revenues	206	32
TOTAL ACCRUALS AND DEFERRALS	206	32

4.12 DERIVATIVES

At 31 December 2016 the company had contracts concluded for hedging derivatives for the currency pair EUR / CZK. During 2016, a strategy for exchange rate hedging for the next three years was prepared, i.e. until 2019, with the aim of hedging risks associated with foreign exchange movements connected to the termination of the intervention scheme of Czech National Bank. The company did not do any hedge accounting in 2016. Profits and losses realized from the revaluation of derivatives to fair value were recorded in the profit or loss for the current period. The positive or negative real value of derivatives are reported at 31 December 2016 in other receivables or other liabilities.

In 2015 the company did not hold any financial derivatives or similar products.

The following table indicates the nominal values and positive or negative values of outstanding hedging derivatives as of 31 December 2016:

HEDGING DERIVATIVES (CZK thousands)	2016
	Fair value positive + / negative -
Forward maturing in April 2017	1,146
Swap maturing in April 2017	-723
Option structures with the longest settlement until October 2018	-24,622

4.13 INCOME TAX

INCOME TAX (CZK thousands)	2016	2015
Due tax	97,819	84,471
Deferred tax	-2,053	-2,718
TOTAL TAX COSTS	95,766	81,753

4.14 DEFERRED TAX

Deferred tax is based on temporary differences between tax and book values of assets and liabilities. The deferred tax for 2016 was calculated using the 2016 income tax rate of 19%.

DEFERRED TAX – differences from (CZK thousands)	2016	2015
Depreciated price of fixed assets (tax DP – accounting DP)	-617,165	-627,269
Allowances for receivables	5,517	4,803
Allowances for inventories	194	207
Basis for deferred tax asset / debt	-611,454	-622,259
Tax rate	19 %	19 %
NET DEFERRED TAX	-116,176	-118,229
Deferred tax balance	2,053	2,718

4.15 ASSETS AND DEBTS NOT REPORTED IN THE BALANCE SHEET

As of 31 December 2016 the company had no assets or debts not reported in the balance sheet.

4.16 SALES OF GOODS, PRODUCTS AND SERVICES

Revenue items (CZK thousands)	Revenues from domestic customers		Revenues from foreign customers		Total revenues	
	2016	2015	2016	2015	2016	2015
Air navigation services	275,905	259,453	3,408,225	3,228,230	3,684,130	3,487,683
of which – en-route navigation services	89,913	80,098	3,042,702	2,898,526	3,132,615	2,978,624
– terminal navigation services	184,168	177,682	364,080	329,019	548,248	506,701
– training flights	1,824	1,673	1,443	685	3,267	2,358
Other income	64,633	70,104	49,844	37,440	114,477	107,544
TOTAL REVENUE	340,538	329,557	3,458,069	3,265,670	3,798,607	3,595,227

5 Employees, Management and Statutory Bodies

The average number of employees and managers and staff costs for the financial year 2016 and 2015 are as follows:

(CZK thousands)	Employees		Company management		Total	
	2016	2015	2016	2015	2016	2015
Number (FTE)	898	887	19 + 7	20	917 + 7	907
Wage costs + bonuses	1,590,267	1,435,929	85,355	84,173	1,675,622	1,520,102
Social security and health insurance premiums	389,892	363,873	14,611	14,730	404,503	378,603
Other personnel expenses	61,221	57,391	4,750	4,538	65,971	61,929
TOTAL STAFF COSTS	2,041,380	1,857,193	104,716	103,441	2,146,096	1,960,634

The term company management means the Director General of the company, division directors, section deputies and the supervisor of the separate centre. Capital insurance and contributions to pension and life insurance were paid for members of management in accordance with the collective agreement. Members of management were also granted the use of official vehicles for private purposes.

The Supervisory Board of the company has six members, four are appointed by the founder, two are elected from

among the employees. Members of the Supervisory Board do not receive any compensation or other benefits for discharging their position.

The Audit Committee has three members. Members of the committee did not receive any compensation for their position in 2016.

6 Information on Affiliated Companies

Air Navigation Services of the Czech Republic (hereinafter “company”) is a state enterprise. The founder of the company

is the Czech Republic – Ministry of Transport, náměří Ludvíka Svobody 1222/12, 110 15 Prague 1.

In addition to companies with equity participation, affiliated companies are those with the equity participation of the Czech Republic through state authorities (ministries). All transactions between the company and affiliated companies were conducted under normal market conditions.

An affiliated company is the subsidiary Czech Aviation Training Centre, Ltd. (hereinafter CATC), of which the company has a 100% stake.

The volume of business costs from transactions with affiliated companies in 2016 amounted to 153,352,000 CZK. These are transactions where the volume is greater than 1 million CZK for one supplier in 2016. These suppliers – affiliated companies – according to this definition are Czech Hydrometeorological Institute, Czech Civil Aviation Authority, the airports of Ostrava and Prague, Czech Aeroholding Inc., CATC, Czech Airlines Handling Inc., FABCE Ltd., Institute of Aviation Medicine, Czech Airlines Inc., Czech Telecommunications Authority. The total volume of payables of the company (only those due) to the affiliated companies stated here was 348,000 CZK at 31 December 2016.

The volume of company revenue from transactions with affiliated companies in 2016 amounted to 132,599,000 CZK. These were transactions where the volume is greater than 1 million CZK for one customer in 2016. The customers – affiliated companies – according to this definition are Czech Airlines, Ministry of Transport, Ministry of Defense, CATC, Czech Hydrometeorological Institute, Moravian-Silesian Region and Czech Civil Aviation Authority. The total volume of receivables for the company from the affiliated companies stated here was 9,536,000 CZK at 31 December 2015.

In 2016, ANS CR obtained compensation from the state budget for costs incurred by the company in connection with the provision of services for flights exempted from charges in the aggregate amount of 70,881,000 CZK. This compensation is provided to ANSPs in accordance with European Commission Regulation 1794/2006 of 6 December 2006 as amended, laying down a common charging scheme for air navigation services on the basis of CR Government Resolution 1404 of 11 February 2005.

7 Research and Development Costs

Neither in 2016 nor in the previous year did the company outlay costs for research and development.

8 Significant Items of the Profit and Loss Statement

Other operating revenues in 2016 amounted to 108,419,000 CZK. In 2015, these revenues were 26,310,000 CZK. The most significant item of other operating revenues is compensation costs for exempted flights amounting to 70,881,000 CZK and revenues from the sale of redundant assets in the amount of 20,507,000 CZK (land Jinonice). Furthermore, a proportion of subsidies granted in the framework of the SESAR project amounting to 4,625,000 CZK was posted to other operating revenues. In 2015, other operating revenues consisted mainly of compensation, but at a lower volume.

Other operating costs in 2016 amounted to 250,696,000 CZK. In 2015, they amounted to 241,415,000 CZK. The structure of other operating costs remain unchanged year-on-year. The most significant item in other operating costs is the payment of the membership fee of the Czech Republic to the budget of the European Agency for the Safety of Air Navigation (EUROCONTROL), followed by the reimbursement of the costs of the state supervisory authority, and last but not least the costs for property and liability insurance.

9 The Assumed Continuation of the Company

ANS CR is a stable, reliable and predictable part of civil aviation in the Czech Republic, actively supporting its further dynamic development, while at the same time being a self-assured element of European integration and liberalization processes in the ATM environment. Being part of this framework will further increase its overall value and competitiveness. Single European Sky, referred to as SES, is an important initiative of the European Commission in the field of air transport. The main goal of SES is to improve safety standards for air operations, ensuring the sustainable development of the air transport system and improvements in the overall performance of air traffic management and air navigation services for general air traffic in Europe, and to meet the requirements of all airspace users.

In 2016 we saw the second year of the successful implementation of the performance plan drawn up in accordance with the policies of SES for the second reference period, i.e. for 2015-2019. The performance plan sets out the parameters of the sustainable development of the company for the purpose of providing cost-effective air navigation services, while maintaining the financial stability of the company. The objectives set out for the company in the performance plan were met in the second year of the second reference period. The financial situation is stable. The company has long been able to settle all its obligations related to ensuring its activities and all its obligations to the state budget. The Financial Statements at 31 December 2016 have therefore been compiled with the assumption of the company continuing to operate for an unlimited period of time.

10 Information on Audit Fees

INFORMATION ON AUDIT FEES (CZK thousands)	2016	2015
Mandatory audit	547	656

In 2014 up until 30 June 2015, the company received audit services from HAYEK Ltd., holding. Since the second half of 2015, these services have been provided to the company by BDO Audit s. r. o.

11 Events that Occurred after the Balance Sheet Date

No significant subsequent events not recorded in the financial statements have occurred since the reference date of the

financial statements that would have a significant impact on the amount of assets and liabilities of the company.

12 Risk Management

Credit risks – as of 31 December 2016 the company was not exposed to any significant credit risks. Financial assets consist primarily of cash deposits at banks and receivables.

Cash deposits are made at reputable banking institutions. Risks associated with trade receivables are limited thanks to the large number of customers for air navigation services. The

risks associated with receivables are further reduced by the effective recovery system used by the European Agency for the Safety of Air Navigation (EUROCONTROL).

Currency risks – the company is protected against significant fluctuations in the exchange rate on the date

of billing services thanks to the mechanism of the monthly conversion of the reference unit price of air navigation services by the current exchange rate. The sensitivity of the company's exposure to currency (exchange rate) risks is reduced through this mechanism.

13 Liabilities not Stated in the Books

Litigation – no litigation was brought against the company as of 31 December 2016 that could have a significant impact on the financial statements.

Environmental liabilities – all standards related to environmental protection are complied with and no proceedings are being taken against the company relating

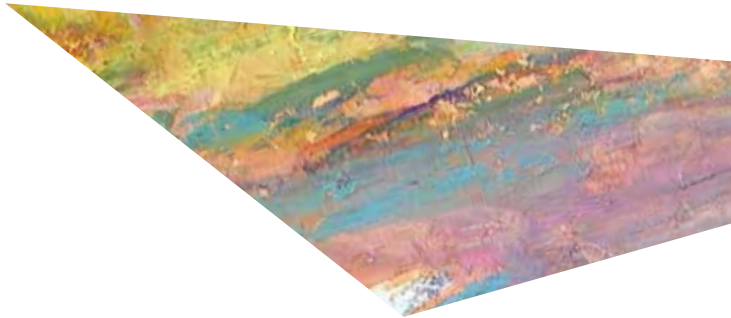
to environmental protection that could have a significant impact on the financial statements.

Bank guarantees – during 2016, the company provided bank guarantees to foreign customers in connection with the commercial activities of the Aviation School (CANI). An overview of the bank guarantees is as follows:

BANK GUARANTEES FOR	Guarantee valid	Amount and currency
Sakaeronavigatsia Ltd., Georgia	13 May 2015–31 Jan. 2016	3,845 EUR
Prishtina Int. airport, Kosovo	16 Oct. 2015–15 Nov. 2018	12,762 EUR
I'ONDA, Morocco	2 Dec. 2015–19 March 2016	180,000 MAD
Sakaeronavigatsia Ltd., Georgia	26 Feb. 2016–7 Feb. 2017	3,756 EUR
Uzaeronavigatsiya, Uzbekistan	17 May 2016–31 Oct. 2016	7,000 EUR
Agencija za pružanje usluga u zračnoj plovidbi Bosne i Hercegovine, Bosnia and Hercegovina	16 Nov. 2016–20 March 2017	114,150 EUR

14 Cash Flow Statement

The cash flow statement has been prepared using the indirect method and is published in a separate statement. Considered as cash resources are cash, including valuables, and cash equivalents in accounts, including overdrafts. Company assets do not include any cash equivalents. In order to increase the informative value of the report, changes in receivables and payables from operating activities have been adjusted to take into account changes in these receivables and payables related to subsidized projects that had no impact on profit or loss even in cash flows in the amount of 276,914,000 CZK.



Consolidated Financial Statements of ANS CR for 2016

**COMPILED IN ACCORDANCE WITH NATIONAL
ACCOUNTING STANDARDS**

Independent Auditor's Report

TO THE FOUNDER OF AIR NAVIGATION SERVICES OF THE CZECH REPUBLIC,
STATE ENTERPRISE

Opinion

We have audited the accompanying consolidated financial statements of Air Navigation Services of the Czech Republic, state enterprise, based in Navigační 787, Jeneč, identification number 497 10 371 (hereafter the “Company”), prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and 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 information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Air Navigation Services of the Czech Republic, state enterprise as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting regulations.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under these regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of our report. We are independent of the 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 regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2 (b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the consolidated financial statements and auditor's report thereon. The Statutory Body is responsible for this other information.

Our opinion on the consolidated 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 consolidated financial statements or our knowledge of the company obtained from the auditor otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with the applicable laws and regulations.

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

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

The Statutory Body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Czech accounting regulations and for such internal control as the Statutory Body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board and the Audit Committee are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Statutory Body and the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In Prague, on 21 March 2017

BDO Audit s. r. o., Certificate No. 018
Represented by partners:



Eva Knypllová
Certificate No. 1521



Petr Slaviček
Certificate No. 2076

Consolidated balance sheet

in accordance with national accounting standards

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

Statement line / Content of the item					2016	2015
TOTAL ASSETS					6,745,129	6,234,635
B.	Fixed Assets				4,187,153	3,735,944
	B.I.	Intangible Fixed Assets			1,310,305	934,990
		B.I.2.	Valuable rights		640,940	624,459
			B.I.2.1.	Software	639,996	624,459
		B.I.4.	Other intangible fixed assets		37,149	45,575
		B.I.5.	Prepayments for intangible fixed assets and unfinished fixed intangible assets		632,216	264,956
			B.I.5.1.	Prepayments for intangible fixed assets		70,265
			B.I.5.2.	Unfinished intangible fixed assets	632,216	194,691
	B.II.	Tangible fixed assets			2,880,684	2,805,215
		B.II.1.	Lands and buildings		1,592,837	1,551,292
			B.II.1.1.	Lands	15,964	14,256
			B.II.1.2.	Buildings	1,576,873	1,537,036
		B.II.2.	Tangible movables and their groups		855,315	813,857
		B.II.4.	Other tangible fixed assets		602	715
			B.II.4.3.	Different tangible fixed assets	602	715
		B.II.5.	Prepayments for tangible fixed assets and unfinished tangible fixed assets		431,930	439,351
			B.II.5.2.	Unfinished intangible fixed assets	431,930	439,351
	B.III.	Financial Fixed Assets			402	246
		B.III.5.	Other long-term securities and shares		402	246
	B.V.	Negative consolidated difference			-4,238	-4,507
C.	Current assets				2,483,992	2,461,178
	C.I.	Inventory			35,709	33,217
		C.I.1.	Material		35,613	33,121
		C.I.3.	Products and goods		96	96
			C.I.3.2.	Goods	96	96
	C.II.	Receivables			910,696	627,874
		C.II.1.	Long-term receivables		256	288
			C.II.1.5.	Receivables – other	256	288
			C.II.1.5.2.	Long-term prepayments	113	142
			C.II.1.5.4.	Other receivables	143	146
		C.II.2.	Short-term receivables		910,440	627,586
			C.II.2.1.	Trade receivables	578,984	553,233
			C.II.1.4.	Receivables – other	331,456	74,353
			C.II.2.4.3.	State – tax assets	40,303	54,696
			C.II.2.4.4.	Short-term prepayments	3,697	2,407
			C.II.2.4.5.	Accrued assets	9,818	11,342
			C.II.1.5.4.	Other receivables	277,638	5,908
C.	C.IV.	Cash			1,537,587	1,800,087
		C.IV.1.	Cash on hand		1,683	1,462
		C.IV.2.	Cash in accounts		1,535,904	1,798,625
D.	Assets accruals and deferrals				73,984	37,513
	D.1.	Accrued expenses			73,984	37,513

Statement line / Content of the item				2016	2015
TOTAL LIABILITIES				6,745,129	6,234,635
A.	Equity			5,774,330	5,586,225
	A.I.	Share capital		1,087,503	1,087,503
		A.I.1.	Share capital	1,082,822	1,082,822
		A.I.3.	Changes in share capital	4,681	4,681
	A.II.	Share premium and capital funds		248,094	247,939
		A.II.2.	Capital funds	248,094	247,939
			A.II.2.1. Other capital funds	248,475	248,475
			A.II.2.2. Differences from revaluation of assets and liabilities (+/-)	-381	-536
	A.III.	Funds from profits		3,932,405	3,756,687
		A.III.1.	Other reserve funds	320,000	303,796
		A.III.2.	Statutory and other funds	3,612,405	3,452,891
	A.IV.	Profit or loss brought forward (+/-)		123,308	187,413
		A.IV.1.	Retained profit brought forward	123,308	187,413
	A.V.	Profit or loss of the current accounting period		382,848	306,214
		A.V.1.	Profit or loss of the current accounting period without shareholding equivalence or minority shares (+/-)	382,848	306,214
	A.VI.	Consolidated reserve fund		172	469
B+C	External sources			964,882	644,039
C.	Liabilities			964,882	644,039
	C.I.	Long-term liabilities		277,897	230,573
		C.I.2.	Liabilities to banks	119,629	75,615
		C.I.3.	Long-term prepayments received	30,453	25,332
		C.I.4.	Trade payables		704
		C.I.8.	Deferred tax liability	127,815	128,922
	C.II.	Short-term liabilities		686,985	413,466
		C.II.2.	Liabilities to banks	26,140	4,712
		C.II.3.	Short-term prepayments received	1,036	727
		C.II.4.	Trade payables	27,138	129,414
		C.II.8.	Liabilities – other	632,671	278,613
		C.II.8.3.	Payables to employees	162,639	139,826
		C.II.8.4.	Payables for social security and health insurance	48,774	42,794
		C.II.8.5.	State – tax liabilities and subsidies	348,207	42,595
		C.II.8.6.	Accrued payables	39,079	45,432
		C.II.8.7.	Other liabilities	33,972	7,966
D.	Liabilities accruals and deferrals			5,850	4,230
	D.2.	Deferred income		5,850	4,230
E.	Minority equity			67	141
	E.I.1.	Minority share capital		536	533
	E.I.4.	Minority retained profit or loss brought forward		-394	
	E.I.5.	Minority profit or loss of the current period		-75	-392

Consolidated profit and loss statement

in accordance with national accounting standards

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

Statement line / Content of the item		2016	2015
I.	Income from sales of products and services	3,982,331	3,760,365
II.	Income from sales of goods	37	12
A.	Operational consumption	624,411	582,400
A.2.	Consumption of material and energy	88,679	88,141
A.3.	Services	535,732	494,259
C.	Activation (-)	-339	149
D.	Personnel costs	2,210,775	2,030,395
D.1.	Payroll costs	1,723,149	1,574,278
D.2.	Costs for social security, health insurance and other costs	487,626	456,117
D.2.1.	Costs for social security and health insurance	420,691	393,295
D.2.2.	Other costs	66,935	62,822
E.	Valuation adjustments in the operational area	535,721	523,374
E.1.	Valuation adjustments to tangible and intangible fixed assets	537,697	523,818
E.1.1.	Valuation adjustments to tangible and intangible fixed assets – permanent	537,697	523,818
E.2.	Valuation adjustments to inventories	-13	-52
E.3.	Valuation adjustments to receivables	-1,963	-392
KR	Clearing of negative (liability) consolidated difference	269	269
III.	Other operating revenues	113,163	35,282
III.1.	Income from the sale of fixed assets	20,535	1,165
III.2.	Income from the sale of material	1,079	644
III.3.	Other operating income	91,549	33,473
F.	Other operating costs	262,948	249,775
F.1.	Net book value of sold fixed assets	1,228	
F.2.	Net book value of sold material	68	
F.3.	Taxes and fees	2,420	2,240
F.5.	Other operating costs	259,232	247,535
*	OPERATING PROFIT AND LOSS (+/-)	462,284	409,835
IV.	Revenues from financial fixed assets – equity interests		5,875
IV.1.	Revenue from equity interests – controlled or controlling entity		5,875
G.	Costs expended on sold equity interests		7,676
V.	Revenues from other long-term financial assets		5,769
V.2.	Other revenues from other long-term financial assets		5,769
H.	Costs associated with other long-term financial assets		524
VI.	Interest revenues and similar revenues	17,124	27,102
VI.2.	Other interest revenues and similar revenues	17,124	27,102
J.	Interest costs and similar costs	1,052	322
J.2.	Other interest costs and similar costs	1,052	322
VII.	Other financial revenues	84,147	55,209
K.	Other financial costs	83,019	110,737
*	FINANCIAL PROFIT AND LOSS (+/-)	17,200	-25,304
**	PRETAX PROFIT AND LOSS (+/-)	479,484	384,531
L.	Income tax	96,711	78,709
L.1.	Income tax payable	97,819	84,471
L.2.	Income tax deferred (+/-)	-1,108	-5,762
**	PROFIT AND LOSS AFTER TAXES (+/-)	382,773	305,822
	Profit and loss for the accounting period excluding equity interest equivalence (+/-)	382,773	305,822
	of which: Profit and loss excluding minority equity interests	382,848	306,214
	Minority profit and loss	-75	-392
	CONSOLIDATED PROFIT AND LOSS FOR THE ACCOUNTING PERIOD	382,848	306,214

Consolidated cash flow statement

in accordance with national accounting standards

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

		2016	2015
P.	Cash at the beginning of the period	1,800,087	1,605,139
Z.	Pre-tax profit and loss on ordinary activities	479,484	384,531
A.1.	Adjustments for non-cash movements	505,363	492,254
A.1.1	Depreciation of fixed assets, excluding the net book value of sold fixed assets and amortization of the re-valuation difference for acquired assets and goodwill and the depreciation of the consolidated difference	537,428	524,087
A.1.2	Change in allowances, provisions	-1,940	-444
A.1.3	Profit (loss) from the sale of fixed assets	-19,298	636
A.1.5	Net interest costs	-16,072	-26,780
A.1.6	Possible adjustments related to other non-cash transactions	5,245	-5,245
A.*	Net cash from operating activities before taxation, before changes in working capital and extraordinary items	984,847	876,785
A.2.	Change in working capital	129,143	105,022
A.2.1	Change in receivables from operating activities	-40,132	-36,419
A.2.2	Change in short-term payables from operating activities	171,755	142,066
A.2.3	Change in inventories	-2,480	-625
A.**	Net cash from operating activities before taxation and extraordinary items	1,113,990	981,807
A.3.	Costs from interest payments	-973	-322
A.4.	Interest received excluding investment companies and funds	17,124	27,102
A.5.	Income tax paid from ordinary activities and additional assessment	-77,437	-138,118
A.***	Net cash from operating activities	1,052,704	870,469
B.1.	Expenses connected to acquiring fixed assets	-1,212,263	-622,204
B.2.	Proceeds from the sale of fixed assets	20,507	7,040
B.***	Net cash from investing activities	-1,191,756	-615,164
C.1.	Change in long and short-term liabilities	71,467	106,363
C.2.	Impact of changes in equity on cash resources	-194,915	-166,720
C.***	Net cash from financial activities	-123,448	-60,357
F.	Net change in cash resources	-262,500	194,948
R.	Cash at the end of the period	1,537,587	1,800,087

Consolidated summary of changes in equity
in accordance with national accounting standards

AT 31 DECEMBER 2016

Changes / balances	Share capital	Other capital funds	Assets revaluation differences	Reserve fund	Incorporation fund	Development fund	Other funds created from profits	Cumulative profit and loss	Consolidated reserve fund	Total equity
Balance sheet line	A.I.	A.II.2.1.	A.II.2.2.	A.III.1.	A.III.2. (part)	A.III.2. (part)	A.III.2. (part)	A.IV. + A.V.	A.VIII.	A.
Balances as of 1 January 2015	1,087,503	248,475	-472	283,311	100,000	3,244,000	40,559	443,907	-830	5,446,453
Revaluation of equity investment for 2015 equivalence			-64						1,299	1,235
Allocation to funds from the disposable profit of 2014				20,485		170,850	64,202	-255,537		0
Transfer of resources from the incorporation fund to the state budget in 2015					-100,000					-100,000
Use of resources from funds created from profit in 2015							-66,720	-957		-67,677
Profit and loss for 2015								306,214		306,214
Status as of 31 December 2015	1,087,503	248,475	-536	303,796	0	3,414,850	38,041	493,627	469	5,586,225
Revaluation of equity investment for 2016 equivalence			155					314	-297	172
Allocation to funds from the disposable profit of 2015				16,204	129,715	158,312	66,402	-370,633		0
Transfer of resources from the incorporation fund to the state budget in 2016					-129,715					-129,715
Use of resources from funds created from profit in 2016							-65,200			-65,200
Profit and loss for 2016								382,848		382,848
Status as of 31 December 2016	1,087,503	248,475	-381	320,000	0	3,573,162	39,243	506,156	172	5,774,330



Annex to the Consolidated Financial Statements for 2016

in accordance with national accounting standards

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1 General Information – Specification of the Consolidation Group

1.1 PARENT COMPANY

Name of the entity: Air Navigation Services of the Czech Republic

Legal form: state company

Abbreviated name: ANS CR

Date of establishment: ANS CR was established on 1 January 1995 by a decision of the Minister of Transport issued on 28 December 1994, Ref. 4283/94-KM. This decision transferred all assets that had been handled by the allowance organization ANS CR up until 31 December 1994, including all rights and obligations, to the company. The state company is registered in the Commercial Register of the Municipal Court in Prague, Section A, File 10771

Headquarters: Navigační 787, 252 61 Jeneč

Identification number: 49710371

Core business: air navigation services, including aerodrome services, in the airspace of the Czech Republic and at the airports Prague, Brno, Ostrava and Karlovy Vary

Share capital: 1,087,503,000 CZK

1.1.1 Main owners of the company

Air Navigation Services of the Czech Republic is a state-owned company. The founder is the Czech Republic – Ministry of Transport, nábreží Ludvíka Svobody 1222/12, 110 15 Prague 1. The status and legal relations of the state company are governed by Act 77/1997 Coll.

ANS is the parent company of Czech Aviation Training Centre Ltd. (CATC) and holds a 100% stake in it. The accompanying financial statements have been consolidated for the entire group in accordance with national accounting standards.

1.1.2 Changes and amendments to the Commercial Register during the previous reporting period

In January 2016 the position of proxy for the company was removed from the Commercial Register. No other changes to

the entry in the Commercial Register were made during the last reporting period.

1.1.3 Organizational structure

The head of the company is the Director General, who is the statutory body. There are four departments directly subordinate to the Director General. The company is organizationally divided into specialized divisions, each headed by a division director. The divisions are divided into specialized sections, each headed by a qualified manager. The company is furthermore divided into control centres led by supervisors. The total number of these organizational units was 19 as of 31 December 2016.

The company has no organizational units abroad.

1.1.4 Statutory and supervisory bodies of the company at 31 December 2016

Company Management – Statutory Body	
Director General:	Jan Klas
First Deputy Director General:	Jan Štindl
Second Deputy Director General:	Petr Fajtl

Supervisory Board	
Chairperson:	Magdalena Faltýsková
Deputy Chairperson:	Milan Feranec
Members:	Roman Kubiček
	Petr Kolomazník
	Libor Štefánik
	Milan Vondra

Pursuant to the provisions of section 44c paragraph 1(c) of an amendment to Act 93/2009 Coll., on auditors, as amended, ANS CR has the legal obligation to establish an Audit Committee for ANS CR. The amendment took effect on 1 January 2016 and in accordance with the transitional provisions of the amendment, 12 months were given to comply with the requirements of the law. The committee has 3 members, who were appointed by the statutory body of ANS CR on the recommendation of the Supervisory Board dated 28 November 2016.

Audit Committee	
Chairperson:	Ivan Hayek
Deputy Chairperson:	Eva Dekastellová
Member:	Eva Ondřichová

1.2 SUBSIDIARY

Name of entity: Czech Aviation Training Centre Ltd.

Legal form: Limited liability company

Abbreviated name: CATC

Founding date of the company: the company was registered in the Commercial Register of the Municipal Court in Prague, Section C, File No. 179521, on 2 May 2011. On 27 September 2012 Czech Airlines (then as the sole shareholder) concluded an agreement with the state company ANS CR for the transfer of the company's share for a purchase price of 280,000,000 CZK set by expert appraisal, with effect on 1 October 2012.

Headquarters: K letišti 934, Ruzyně, 161 00 Prague 6

Identification number: 24843628

Core activity: training for pilots and for flight, technical and operational personnel, manufacture, installation and repair of electrical machinery and instruments, electronic and telecommunication equipment

Share capital: 150,200,000 CZK

1.2.1 Main owners of the company

The parent company is Air Navigation Services of the Czech Republic, state enterprise (ANS CR) with a 100% stake in the company. The company is included in the consolidated whole of the parent company.

1.2.2 Changes and amendments to the Commercial Register during the last reporting period

An entry was made on 1 June 2016 increasing the number of members of the Supervisory Board of the company to four. No other changes or amendments to the Commercial Register were made in 2016.

1.2.3 Organizational structure of the company

The company is headed by a chief executive officer (CEO), who is the statutory body. The company is divided into specialized departments, and the specialized departments are further divided into divisions.

In order to expand into foreign markets, the Company established a subsidiary Czech Aerospace Training Academy India, Pvt. Ltd. (CATAI), which was registered in the Commercial Register of India on 23 December 2014. On 1 December 2016 the name of the subsidiary changed to Czech Aviation Training Centre India, Pvt. Ltd. (CATC India).

1.2.4 Statutory and supervisory bodies of the company at 31 December 2016

Company Management – Statutory Body	
Director:	Jan Janík
Supervisory Board	
Chairman:	Petr Fajtl
Deputy Chairman:	Miloš Kvapil
Member:	Miloslav Hala
Member:	Alice Undusová

1.3 CONSOLIDATED GROUP

Company	Headquarters	Share	Degree of influence	Consolidation method
Air Navigation Services of the Czech Republic, state enterprise (ANS CR)	Navigační 787 252 61 Jeneč	x	Consolidating entity	x
		Net earnings for 2016 (thousand CZK)		383,816
		Equity at 31 December 2016 (thousand CZK)		5,778,635
Czech Aviation Training Centre, Ltd. (CATC)	K letišti 934, Ruzyně, 161 00 Praha 6	100 %	Controlling	Full
		Net earnings for 2016 (thousand CZK)		193
		Equity at 31 December 2016 (thousand CZK)		277,139
Czech Aviation Training Centre India, Pvt. Ltd. (CATC India)	14-C Terrace, Sagar Apartments, 6-Tilak Marg New Delhi, Indie	95 %	Controlling	Full
		Net earnings for 2016 (thousand CZK)		-1,462
		Equity at 31 December 2016 (thousand CZK)		1,333

1.4 BASIC RULES FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Act 563/1991 Coll., on Accounting, as amended, Decree 500/2002 Coll., which implements certain provisions of Act 563/1991 Coll., on Accounting, as amended, for reporting entities that are businesses maintaining double-entry bookkeeping and Czech accounting standards for businesses as applicable for 2016, especially ČUS 20.

Consolidation was carried out by direct consolidation.

The full consolidation method for companies with controlling influence (subsidiaries) and the equity method for companies with substantial influence (associated companies) were used for the preparation of the consolidated financial statements.

1.4.1 Comparability of data and valuation principles

The financial statements of the company entering the consolidation were compiled as of 31 December 2016. Because CATC India compiles its financial statements as of 31 March, interim financial statements were compiled as of 31 December 2016 in accordance with accounting principles.

The consolidated financial statements were prepared on the basis of historical values with the exception of financial assets held for trading and financial derivatives, which are stated at fair value.

Depreciation schedules set by individual companies in the

consolidated whole and the consequent depreciation of intangible and tangible fixed assets were not adjusted for compiling the consolidated financial statements.

For the conversion of the financial statements of foreign companies included in the consolidation initially recognized in foreign currency, the exchange rate of CNB valid at 31 December 2016 has been used. The financial statements of CATC India, which has its headquarters abroad and does its accounting in INR, have been converted.

1.4.2 Consolidation procedures

In preparing the consolidated financial statements of the parent company ANS CR, the following adjustments and procedures were carried out.

- a. Summarization of data from the financial statements of the companies included in the consolidation using the full method.
- b. Exclusion of mutual receivables and debts between companies of the consolidation. These adjustments have been reflected only by reducing balance sheet items and did not affect the consolidated net earnings.
- c. Exclusion of mutual costs and revenues from the supply of services carried out between companies of the consolidated group without affecting the net earnings of the consolidated group.
- d. Exclusion of mutual deliveries and transactions between companies of the consolidated group with a major impact on the net earnings of the consolidated group if:
 - for the sale and purchase of stock, recorded on the balance sheet at the end of the accounting period,

their value decreases by the profit (loss) of the component price. The proceeds from the sale of stock also decreases by the amount of profit (loss) of the component price. For unused inventory, the component price is fixed at the average return on revenue calculated by the selling company.

- for the sale and purchase of fixed assets, the profit (loss) is excluded as the difference between the sales price and carrying value on the books of the selling company. The profit (loss) margin is depreciated over the remaining depreciation period of the tangible and intangible fixed assets sold.
- the revenue item of the consolidated profit and loss statement is reduced by the revenues received from the share of the profit of the consolidated whole and the retained earnings are increased or the accumulated losses reduced in the consolidated balance sheet.

- e. Exclusion of minority shares in the equity of controlled and managed companies where significant influence is exercised, in the breakdown of shares in the registered capital, equity funds, funds from profit, retained earnings and the current net earnings to the special items of the consolidated statements.
- f. Exclusion of shares whose issuers are controlled and managed companies where significant influence is exercised, and the equity component operated and controlled by a party affiliated with the shares held by the controlling and managing party of the consolidated balance sheet.

The following adjustments and procedures were carried out in the consolidated financial statements using the equivalence method.

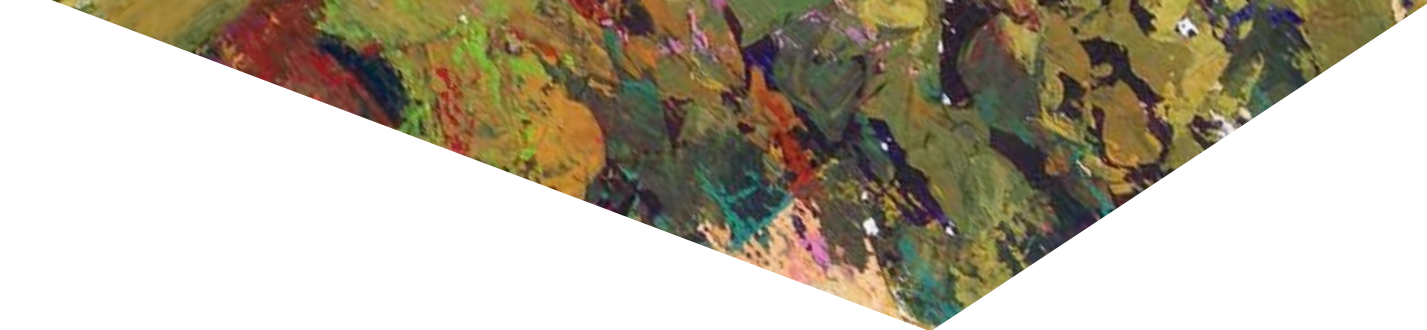
- a. Exclusion of shares from the balance sheet of a company whose issuer is a consolidated company under significant influence, and their replacement by the item Securities and Shares in Equivalence in the consolidated balance sheet, in the amount of shares in the equity of the consolidated company.
- b. Inclusion of the share of net earnings in equivalence for the current year in the net earnings of the consolidated whole in the profit and loss statement and balance sheet.
- c. Accumulated shares in net earnings in equivalence of previous years from the date of acquisition are included in the item consolidated reserve fund.
- d. Shares in the profit received from consolidated companies

using the equity method are excluded from the revenue items of the consolidated profit and loss statement and increases by their amount of the consolidated reserve fund.

1.4.3 Consolidation difference

Consolidation difference arises in the first year of inclusion in the consolidated group as the difference between the cost of investment securities and deposits of the controlled and managed companies and their appreciation according to the shareholding of the controlling company in the actual amount of equity of the controlled companies without the net earnings for the year at the date of acquisition or the date of the next increase in participation (further acquisition of securities or shares). For consolidation using the equity method, the consolidated difference is also addressed as with the full method. Consolidation differences are depreciated over 20 years using even depreciation in accordance with Czech Accounting Standard No. 20. The consolidation difference is posted to settling goodwill or settling negative goodwill to expenses or credited to income from ordinary activities.

Negative goodwill arose from the acquisition of Czech Aviation Training Centre, Ltd. on 1 October 2012, in the amount of -5,381,000 CZK. In 2016, a consolidation difference of 269,000 CZK was written off, with the net worth amounting to -4,238,000 CZK at 31 December 2016 and to -4,507,000 CZK at 31 December 2015.



2 Basis of Preparation of Financial Statements

Company accounting is done and the financial statements compiled in accordance with Act 563/1991 Coll., on Accounting, as amended, Decree 500/2002 Coll., which implements certain provisions of Act 563/1991 Coll., on Accounting, as amended, for entities that are businesses performing double-entry bookkeeping and Czech accounting standards for businesses.

Its accounting respects general accounting principles, specifically the principle for valuating assets and liabilities, the principle of accounting accruals, the principle of prudence, and the assumption of the entity’s ability to continue its activities. Accounting was done with the aid of computer technology. Its EUS software was developed by the British company Ifield Computer Consultancy (ICC).

Pursuant to the requirements of the amendment to the Accounting Act and implementing decree in force since

1 January 2016, there has been a change in reporting items on the balance sheet and in the profit and loss statement. To ensure the comparability of these items with the previous accounting period, the items on the balance sheet and in the profit and loss statement for 2015 have been appropriately reclassified. The company proceeded in accordance with the Czech accounting standards for businesses, no. 024: “Comparative period for the accounting period starting in 2016”. The most significant change is in the Profit and Loss Statement, namely the breakdown of the original line G. “Changes in operational provisions and allowances and comprehensive deferred costs” is the new line E.3. “Adjustments in the value of receivables”, which is newly included in “Operational value adjustments”, and further in the new line F.4. “Operational provisions and comprehensive deferred costs” which is included in the item “Other operational costs”.

3 General Accounting Principles, Policies and Accounting Changes and Variances

The valuation methods applied by the company in preparing the financial statements for 2016 and 2015 are as follows:

3.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets (IFA) are assets valued at more than 60,000 CZK on an individual basis with an estimated useful life of greater than one year in respect of the principle of significance and of a true and fair view of the asset. Intangible fixed assets are stated at cost, which includes the purchase price and related costs.

The acquisition cost of an intangible fixed asset increases when the technical evaluation of that asset exceeds 40,000 CZK.

Intangible assets not considered fixed in our company are included directly in costs at acquisition as if a service provided. Projects and studies that are not intangible fixed

assets, where the price is more than 60,000 CZK (without VAT), are deferred for a period of five years.

Accounting depreciation – depreciation is calculated based on the acquisition cost and estimated useful life of the asset. Based on the recommendations of document no. 15.60.01 “Principles for establishing the cost-base for route facility charges and the calculation of the unit rates”, depreciation is done uniformly using the linear method.

Estimated lifetime for the defined groups of IFA in years:	
Software	4 – 10 years
Other IFA (audiovisual works, projects, studies, trademarks, research and development)	3 – 6 years

Provisioning – no allowances were made to intangible fixed assets in 2016.

3.2 TANGIBLE FIXED ASSETS

Tangible fixed assets (TFA) are assets valued at more than 40,000 CZK on an individual basis with an estimated useful life of greater than one year in respect of the principle of significance and of a true and fair view of the asset. Tangible fixed assets are stated at cost, which includes the purchase price, shipping costs, customs duties and other related costs. Until the acquired asset is put into use, interest and other financial costs related to the acquisition of the fixed asset are also capitalized in the cost of these assets at the discretion of the entity. Tangible fixed assets acquired by delimitation are valued at replacement cost and posted to other capital funds.

Small tangible fixed assets, specifically computer equipment and furniture with an acquisition price between 3,000 CZK and 40,000 CZK, are depreciated for a period of 4 or 10 years. Other small tangible fixed assets with an acquisition price between 3,000 CZK and 40,000 CZK are posted to Account 501, recorded on off-balance sheet account 796. Small tangible assets with an acquisition price between 1,000 CZK and 3,000 CZK are also posted to account 501, recorded on off-balance sheet account 796. Valuation at replacement cost is also done for assets recently identified in the bookkeeping and requiring a corresponding entry in the relevant accumulated account for allowances. The replacement cost of such assets is determined by professional estimation.

Where the sum technical evaluation for an individual tangible fixed asset exceeds 40,000 CZK for the tax year, the acquisition cost of that asset increases.

Accounting depreciation – depreciation is calculated based on the acquisition cost and estimated useful life of the asset. Based on the recommendations of document no. 15.60.01 “Principles for establishing the cost-base for route facility charges and the calculation of the unit rates”, depreciation is done strictly uniformly using the linear method.

Estimated useful life for defined groups of TFA in years:	
Lands	Not depreciated
Buildings and structures	30–50 years
Machinery and equipment	4–15 years
of which – electronic and communications equipment	4–10 years
of which – energy and other equipment	7–15 years
Masts, towers constructions, lines	20 years
Transport equipment	5–20 years
of which – cars	5 years
of which – aircraft	10–20 years
Inventory	3–10 years
of which – furniture	10 years
of which – office equipment, computer equipment and accessories	3–10 years

Accounting depreciation for the subsidiary is calculated using the acquisition cost and estimated useful life of the asset. Depreciation is carried out in a uniform manner. A critical part of tangible assets are flight simulators classified in the second depreciation group with a depreciation period of 15 years.

Tax depreciation is applied in accordance with section 31 (32) and 32a of Act 586/1992 Coll., on Income Tax, as amended. The company applies linear depreciation for the purposes of calculating income tax.

Provisioning – no allowances were made to tangible fixed assets in 2016.

3.3 FINANCIAL ASSETS

Valuation – securities and shares were valued at acquisition cost. At the time of compiling the annual financial statements, they were valued at fair value as opposed to equity.

Provisioning – no allowances were made to financial assets in 2016.

3.4 CURRENT FINANCIAL ASSETS

Monetary resources consist of valuables, cash in hand and cash in bank accounts.

3.5 INVENTORIES

Valuation – Purchased inventory is valued at acquisition cost, using the weighted arithmetic average method (parent company) upon removal from stores. Purchased inventories are valued at cost, using the FIFO method (subsidiary) upon removal from stores. The acquisition cost of inventories include the costs to acquire them including related costs (shipping costs, commissions, etc.)

Provisioning – allowances for inventories were created in the amount of 13,000 CZK and their total volume was 194,000 CZK.

3.6 RECEIVABLES

Valuation – receivables are posted at their creation at nominal value.

Provisioning – the value of bad debts is reduced using allowances, which were made for all receivables as follows:

- 100% for receivables with a due date of 31 December 2015 and older,
- 50% for receivables with a due date in the period from 1 January 2016 to 30 June 2016.

Allowances are separately recorded for receivables owed by entities in bankruptcy proceedings, as well as those owed by individual debtors whose aggregate sum is less than 30,000 CZK.

3.7 LOANS

The parent company did not draw any loans in 2016.

The short-term and long-term loans of the subsidiary are monitored at their nominal value. That part of long-term loans payable within one year of the balance sheet date is also considered a short-term loan. Any balance of the current account reported in the balance sheet is also considered a short-term bank loan.

3.8 PROVISIONS

In 2016, the parent company created a provision for current income tax in the amount of 97,586,000 CZK. The sum

total of prepayments for income tax for 2016 amounts to 101,375,000 CZK, which exceeds the volume of the provision by 3,789,000 CZK.

3.9 CONVERSION DATA OF FOREIGN CURRENCIES INTO CZECH CURRENCY

For the valuation of assets and liabilities (debts) at the time of a transaction, the company uses the daily exchange rate announced by CNB during the previous working day pursuant to section 24 of the Accounting Act.

At the time of compiling the financial statements for 2016, the receivables, liabilities, and shares in commercial companies, securities and derivatives, valuables and currency values (financial assets) denominated in a foreign currency were converted using the exchange rate announced by CNB and valid on 31 December 2016.

Realized and unrealized exchange rate gains and losses are posted in financial revenues or financial costs for the year.

3.10 DERIVATIVES

During the course of 2016, the parent company had the disposition of financial derivatives, which were contracted for hedging currency risks with an expected movement in exchange rates after the relaxation of intervention by the central bank.

Throughout 2016, the subsidiary had the disposition of financial derivatives, which were contracted as a hedge against the realization of investment plans and hence the movement of foreign exchange rates. At 31 December 2016, the company no longer had any financial derivatives.

At the balance sheet date, the derivatives are valued at their fair value. The manner for recognizing gains or losses from valuing derivatives at their fair value depends on whether the derivative is designated as a hedging instrument and on the nature of the item being hedged.

3.11 LEASING

No assets were acquired through financial leasing.

3.12 EQUITY

The registered capital of the parent company is stated at the amount recorded in the Commercial Register of the Municipal Court. Investments exceeding the registered capital are reported as other capital funds, which consist of non-monetary investments in excess of the registered capital.

In accordance with the mandates of Act 77/1997 Coll., as amended, the company has created the following funds from profit. These are a reserve fund, a fund for cultural and social needs, and a founder's fund. Creating these funds and drawing on them is regulated by the State Enterprise Act, or Decree 310/1995 Coll. Besides these funds, the company can create under the same act additional funds from disposable profits. In the case of ANS CR, this involves a development fund and a fund for other social spending. The development fund serves as a source of financing for developing and supporting the company's investments. The fund for other social spending serves as a source of financing for benefits granted to employees under collective agreements, which are not regulated by Decree 310/1995 Coll.

3.13 TAXES, INCOME TAX

Income tax expenses are calculated using the statutory tax rate from the accounting profit increased or decreased by permanently or temporarily non-deductible expenses and non-taxable revenues (e.g. creating and posting other provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.). Additionally, items reducing the tax base (donations), deductions (tax losses, costs of research and development projects), and discounts on income tax are taken into account. In the event that the financial statements precede the final calculation of income tax, the entity creates an income tax provision.

Deferred tax

Deferred tax is calculated using the liability method, which means that the deferred tax will be applied at a later stage and therefore the income tax rate applicable in the period in which this tax is applied is used in the calculation. If this rate is unknown, the tax rate applicable for the following reporting period is used. Temporary differences resulting in a deferred tax asset or liability (debt) is assessed in our

company in a broader context where a deferred tax liability (debt) is always posted, but a deferred tax asset only with respect to the precautionary principle, which means after assessing its applicability.

Deferred tax is calculated from temporary differences between the tax and accounting base of assets and liabilities. In our company the following temporary differences come into consideration:

- differences between the book and tax carrying value of fixed assets (a book carrying value higher than the tax carrying value creates a deferred tax liability, and in the opposite case a deferred tax asset),
- the difference between tax and book allowances (a deferred tax asset is created if tax allowances are lower than book allowances and the tax allowances are expected to create up to 100% the value of receivables),
- a tax loss that the company expects to apply against future profits creates a deferred tax asset,
- differences created by posting deferred tax on all temporary differences in the first year of accounting are recognized in equity.

3.14 USE OF ESTIMATES

The compilation of the financial statements requires company management to make estimates and assumptions that affect the reported amounts of assets and liabilities (debts) at the balance sheet date and the reported amounts of revenues and costs during the reporting period. Company management has made these estimates and assumptions on the basis of all the relevant information available. Nevertheless, given the nature of estimates, the actual results in the future may differ from these estimates.

3.15 COSTS AND REVENUES ACCOUNTING

Revenues and costs are recognized in the period to which they relate.

3.16 SUBSIDIES

In accordance with Czech Accounting Standard No. 17, the company recognizes the unquestionable right to a subsidy charged to the relevant account of account group 37 –

Other receivables, and credited to the relevant account of account group 34 – Taxes and subsidies. The use of subsidies to cover costs or other financial detriments is debited to the relevant account of account group 34 – Taxes and subsidies, and credited to other operating or financial revenue accruals.

Subsidies received for the acquisition of fixed assets reduces the acquisition cost.

Subsidies are provided from the European Commission arising from participation in the implementation of projects related to the development of air navigation services. The main European initiative aimed at the development of air navigation services is the initiative of Single European Sky ATM Research (SESAR).

3.17 SUBSEQUENT EVENTS

The impact of events that occurred between the balance sheet date and the date of compiling the financial statements is reflected in the reporting if these events provide addi-

tional information about facts that existed at the date of the balance sheet. In the event that important events occurred between the balance sheet date and the date of compiling the financial statements which take into account facts that occurred after the balance sheet date, the effects of these events are described in an attachment to the financial statements but are not recorded in the financial statements.

3.18 CHANGES IN VALUATION, DEPRECIATION AND ACCOUNTING METHODS COMPARED TO THE PREVIOUS ACCOUNTING PERIOD

No changes occurred during fiscal year 2016 in the valuation, depreciation and accounting methods used compared to the previous accounting period.

4 Auditional Information for the Balance Sheet and Profit and Loss Statement

4.1 FIXED ASSETS

4.1.1 Intangible fixed assets

(information for entities in the group in CZK thousands)	Software	Other IFA	Total
ACQUISITION COST (PC)			
Balance at 1 January 2016	2,436,986	125,568	2,562,554
Additions	241,469	4,853	246,322
Disposals	11,755	2,623	14,378
Balance at 31 December 2016	2,666,700	127,798	2,794,498
ACCUMULATED DEPRECIATION			
Balance at 1 January 2016	1,812,527	79,993	1,892,520
Depreciation 2016	225,931	12,335	238,266
Disposals	11,754	2,623	14,377
Balance at 31 December 2016	2,026,704	89,705	2,116,409
NET BOOK VALUE 2016 (DP)	639,996	38,093	678,089
NET BOOK VALUE 2015 (DP)	624,459	45,575	670,034

Significant items of intangible fixed assets

Item	Year of acquisition	PC (CZK thousands)	DP 2016 (CZK thousands)
EUROCAT 2000 PU IATCC system	2007	701,178	73,739
ESUP IATCC system	2007	478,338	152,793
IDP system for IATCC	2007	349,682	107,891

The most important additions and disposals of intangible assets

The most significant additions to intangible assets in 2016 included the technical evaluation of the above systems in the amount of 93,474,000 CZK.

The most significant disposal of intangible assets was the elimination of the “Lower airspace + Prague” system at an acquisition cost of 2,623,000 CZK, with a net book value of 0 CZK at the date of disposal.

Depreciation of intangible fixed assets charged to costs

The depreciation of intangible fixed assets charged to costs in 2016 amounted to 238,266,000 CZK, and in 2015 to 208,969,000 CZK.

Allowances for intangible fixed assets

No allowances were created for intangible fixed assets.

Unfinished IFA and prepayments for IFA

The total volume of unfinished IFA registered in the company at 31 December 2016 amounted to 632,216,000 CZK, and in 2015 to 194,691,000 CZK. The main volume of unfinished intangible assets is represented by upgrading existing air traffic control systems, and further payments for the newly acquired NEOPTERYX air traffic control system.

4.1.2 TANGIBLE FIXED ASSETS

(information for entities in the group in CZK thousands)	Land and buildings	Machinery and equipment	Means of transport	Inventory	Other TFA	Total
ACQUISITION COST (PC)						
Balance at 1 January 2016	2,581,179	3,072,980	228,061	914,743	174,667	6,971,630
Additions	134,299	199,999	2,244	36,873	11,292	384,707
Disposals	3,091	76,766	6,489	1,108	7,370	94,824
Balance at 31 December 2016	2,712,387	3,196,213	223,816	950,508	178,589	7,261,513
ALLOWANCES						
Balance at 1 January 2016	1,029,887	2,657,589	92,683	679,769	145,638	4,605,566
Depreciation 2016	91,658	141,480	21,609	31,887	12,797	299,431
DP of disposed TFA 2016	-1,096	0	0	0	-113	-1,209
Movements of assets	-899	-75,914	-6,490	-1,109	-6,617	-91,029
Balance at 31 December 2016	1,119,550	2,723,155	107,802	710,547	151,705	4,812,759
NET BOOK VALUE 2016 (DP)	1,592,837	473,058	116,014	239,961	26,884	2,448,754
NET BOOK VALUE 2015 (DP)	1,551,292	415,391	135,378	234,974	28,829	2,365,864

Significant items of tangible assets

Item	Year of acquisition	PC (CZK thousands)	DP 2015 (CZK thousands)
Building IATCC, Jeneč	2005	902,116	580,033
Technical unit building, Prague Airport	1992	497,117	312,329
Flight simulator B737 – CATC	2000	300,873	0
Full Flight simulator A320 – CATC	2007	290,744	144,700

Item	Year of acquisition	PC (CZK thousands)	DP 2015 (CZK thousands)
Calibration for Cessna 560XL	2011	152,492	86,641
Aviation Schools Building (CANI)	1983	148,632	93,481
Building service with control tower at Ostrava Airport	2016	112,539	112,539

The most important additions and disposals of fixed assets

The most important additions to fixed assets in 2016 include the inclusion of a new operations building with TWR at the airport in Ostrava in the amount of 112,539,000 CZK and further the technical evaluation of the IATCC Jeneč building in the amount of 6,915,000 CZK. Another significant item was the purchase of system servers of various specifications.

The most significant disposal among fixed assets in 2016 was the removal of the ATC CASS simulator with an acquisition cost of 10,760,000 CZK, now with a net book value of 0 CZK. Additionally, system servers of various configurations with 0 CZK net book value were removed.

Subsidiary - the most important additions to fixed assets in 2016 include in particular the acquisition of the FTD flight simulator B737-800 for 35,858,000 CZK. In 2016 assets which could be significant in value were not disposed of.

Depreciation of tangible fixed assets charged to costs

The depreciation of TFA charged to costs in 2016 amounted to 299,431,000 CZK, and in 2015 to 314,849,000 CZK.

Total amount of small tangible assets not included in the balance sheet

The total amount (at cost) of tangible assets not included in the balance sheet at 31 December 2016 is 80,340,000 CZK. At 31 December 2015 it was 76,117,000 CZK.

Allowances for tangible fixed assets

No allowances were made for tangible fixed assets.

Unfinished TFA

Parent company – The total volume of unfinished TFA registered in the company at 31 December 2016 amounted to 270,950,000 CZK, and in 2015 to 342,143,000 CZK. The main volume of unfinished tangible assets is represented by aviation safety technology (ground movement radar, VCS and RCOM).

Subsidiary – The total volume of unfinished TFA in the company at 31 December 2016 amounted to 160,980,000 CZK in 2015, then 97,188,000 CZK. The most important item is the realization of L410 flight simulator in the amount of 145,974,000 CZK.

4.1.3 Specified assets of the company

In accordance with the provisions of Act 77/1997 Coll., on state enterprises, special asset items are recorded in the bookkeeping – specified assets. These are assets that are indispensable to the entity in terms of carrying out the activities for which the entity (company) was established. These assets are registered in the Commercial Register. The company may handle specified assets only with the approval of the founder.

During the course of 2016, there were no changes in the definition of the specified assets.

The following specified assets were therefore on the books of the company at 31 December 2016:

NAME OF SPECIFIED ASSETS	Inventory number	Acquisition price
Building IATCC Jeneč	2016743	902,116
Operations building of the technical unit at Prague Airport	51062	497,117
Operations building with control tower at Brno Tuřany	52012	88,042
Operations building located at Prague South	51150	59,780
Calibration aircraft L 410 UVP E OK-WYI	2020151	43,841
Operations building with control tower at Karlovy Vary	54004	42,648
Operations building at the location Buchtův kopec	52011	33,074
Land under the building of the technical unit at Prague Airport	2563	1,349
Land under the operations building with control tower at Karlovy Vary Airport	3882	261
Land under the operations building with control tower at Brno Airport	2258	122
Land under the building of IATCC Jeneč	569	45
Land under operations building Prague South	34890	2
Land under operations building Buchtův kopec	130	2
ACQUISITION PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2016 (CZK thousands)		1,668,398
DEPRECIATED PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2016 (CZK thousands)		1,021,181

4.1.4 Assets leased under finance and operating leases

Group companies have no fixed assets leased under finance leases.

At the date of the financial statements, the parent company had 59 cars and trucks leased under operating leases. In 2016, it paid 8,270,000 CZK for operating leases, in 2015 it was 7,893,000 CZK.

Since July 2015, the subsidiary has had two cars leased under operating leases. In 2016, it paid 198,000 CZK for leasing automobiles under operating leasing.

4.1.5 Fixed assets pledged

The subsidiary has pledged assets. Specifically, this is the Flight Simulator Training Device Boeing 737 - 800W, serial number MPS-C305. The value of the mortgage contract is 33 million CZK.

4.2 FINANCIAL FIXED ASSETS

With regard to the liberalization of the market in the provision of air navigation services, ANS CR has further expanded, as one of its strategies, its commercial activities, particularly in the provision of consulting services in the ATM field and in the provision of air navigation services abroad.

Based on a notarial deed dated 17 October 2014, the company FABCE, Aviation Services, Ltd., based in Zgornji Brnik 130N, SI-4210 Brnik, Slovenia, was established. The shareholders in the company are the providers of air navigation services in the Czech Republic, Slovakia, Austria, Hungary, Slovenia and Croatia, which are associated in the Central European Functional Airspace “FAB CE”. The goal of this company is to coordinate the actions of the stakeholders in order to meet the objectives of the EU in the context of the “Single European Sky – SES” policy. ANS CR has a 1/6 stake in this service company (6,000 EUR).

Other fixed securities and shares	Book value at 31 December of the year (CZK thousands)			
	2015	Movements	Revaluation	2016
FABCE, Aviation Services, Ltd.	246	0	-156	402

The company held no other financial fixed assets in 2016. Likewise in 2016 as in previous years, the company did not register any financial fixed assets pledged as collateral.

4.3 INVENTORY

The total amount of inventory of the group entities at 31 December 2016 was 35,709,000 CZK, at 31 December 2015 it was 33,217,000 CZK. The main volume of inventory consists of spare parts for aviation safety technology.

4.4 RECEIVABLES

4.4.1 Trade receivables

(CZK thousands)	2016	2015
TOTAL TRADE RECEIVABLES		
Gross receivables	612,191	595,866
Net receivables	578,984	553,233
ALLOWANCES CREATED		
Tax allowances	5,150	4,909
Non-tax allowances	16,274	26,413
ALLOWANCES FOR RECEIVABLES IN BANKRUPTCY PROCEEDINGS		
Taxable receivables in bankruptcy	11,120	10,648
Non-taxable receivables in bankruptcy	663	663
TOTAL ALLOWANCES CREATED	33,207	42,633

Figures for receivables and allowances made for receivables for group entities after excluding intercompany transactions.

4.4.2 State – tax receivables and receivables for social security and health insurance

In 2016 the parent company recorded tax receivables for the state in the amount of 137,889,000 CZK. This amount corresponds to prepayments made for income tax in the amount of 101,374,000 CZK, which, in accordance with accounting principles, was compensated with a reserve created for corporate tax in the amount of 97,586,000 CZK, as well as with surplus VAT deductions in the amount of 36,514,000 CZK. The company records no receivables for social security and health insurance. In 2016 the subsidiary recorded no tax receivables for the state or claims against social security and health insurance institutions.

4.4.3 Accrued assets

Accrued assets have been created for the parent company related to educational services, specifically providing a course for air traffic controllers in Georgia. In the case of the subsidiary, these accruals are for the Civil Aviation Authority (405,000 CZK) and for training (2,234,000 CZK), which were recognized in revenues in 2016.

4.4.4 Other receivables

The total volume of other receivables for the parent company amount to 285,102,000 CZK. These especially include receivables from grants to SESAR projects in the amount of 276,914,000 CZK. The amount of the receivable corresponds to the company's claims from participating in the projects SESAR 2020 and SESAR Deployment while maintaining the given budget for individual projects. The amount of the receivables is reduced by the partial payments received for the projects.

4.5 SHORT-TERM FINANCIAL ASSETS

SHORT-TERM FINANCIAL ASSETS (CZK thousands)	2016	2015
Cash	1,683	1,462
Bank accounts	1,535,904	1,798,625
TOTAL SHORT-TERM FINANCIAL ASSETS	1,537,587	1,800,087

4.6 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (CZK thousands)	2016	2015
Accrued costs	73,984	37,513

Accrued costs mainly include insurance, software support, membership fees, subscriptions to professional publications and the costs of purchasing airline tickets for business conducted abroad in the following year. These items are therefore posted to the costs in the period they were incurred in.

4.7 EQUITY

4.7.1 Changes in equity

A summary of changes in equity is reported in a separate statement. Changes in equity occurred in 2016 only in connection with settling net earnings and the revaluation of equity holdings and in connection with consolidation adjustments.

4.7.2 Registered capital

There were no changes in the registered capital in 2016.

4.7.3 Items equity

In accordance with Act 77/1997 Coll., as amended, the parent company has the obligation to create the following funds from profit. These consist of a reserve fund, a fund for cultural and social needs, and a founder's fund. In addition to these funds, the company may also create other funds from disposable profit in accordance with this act. In the case of ANS CR, these are the development fund and fund for other social spending.

4.8 MINORITY INTERESTS

The parent company has no 100% stake in the company CATC India either directly or through the subsidiary. A five-percent minority interest belongs to the company outside the consolidation group.

Exclusion of minority interest in the individual components of equity (CZK thousands)	
Minority equity	67
Minority share capital	533
Minority profit or loss from the current period	-75
Retained minority profit or loss from previous years	-394

4.9 PROVISIONS

The parent company created provisions for income tax for 2016 in the amount of 97,586,000 CZK. Total prepayments for income tax for 2016 amount to 101,375,000 CZK, which exceeds the volume of provisions by 3,789,000 CZK. Neither the parent company nor subsidiary created other provisions in 2016.

4.10 PAYABLES

4.10.1 Trade payables

TRADE PAYABLES (CZK thousands)	2016	2015
LONG-TERM TRADE PAYABLES		
Long-term trade payables	0	704
SHORT-TERM TRADE PAYABLES		
Suppliers with due payables	15,061	115,423
Suppliers with overdue payables	4,094	13,505
Other payables	7,983	496
TOTAL TRADE PAYABLES		
Trade payables	27,138	130,118

Due payables consist of invoices from suppliers issued in December 2016. Overdue payables consist of the unpaid invoices of suppliers that have changed their bank data and this change was not reflected in the current contracts. Invoices are paid immediately after concluding addenda to the contracts. These invoices concern 4.Q. 2016, which were paid no later than January 2017.

4.10.2 Payables to the state and social security and health insurance institutions

PAYABLES TO THE STATE AND SOCIAL SECURITY AND HEALTH INSURANCE INSTITUTIONS (CZK thousands)	2016		2015	
	Total	Due	Total	Due
SOCIAL SECURITY AND HEALTH INSURANCE				
Social security premiums	17,125	0	15,614	0
Health insurance premiums	31,649	0	27,180	0
Total social security and health insurance	48,774	0	42,794	0
TAX LIABILITIES				
Income tax on employment	47,247	0	39,946	0
Corporate income tax	0	0	0	0
Value added tax	7,260	0	2,640	0
Other taxes	10	0	9	0
Total tax liabilities	54,517	0	42,595	0
TOTAL PAYABLES TO THE STATE AND SOCIAL SECURITY AND HEALTH INSURANCE INSTITUTIONS	103,291	0	85,389	0

Payables for social security and health insurance recorded at 31 December 2016 consist of statutory withholdings arising from the payment of salaries for the month of December 2016 and therefore concern payables that are due. Likewise the liability for income tax on employment is connected to the payment of salaries for December 2016. Other taxes consist of 10,000 CZK due for road tax for the parent company. The VAT liability is a tax obligation (deduction) of the subsidiary for the tax period of December 2016, again currently due.

Balance sheet item C.II.8.5 also reports account 346 balances – Clearing subsidies charged to other operating income accruals when accounting for costs. At 31 December 2016 the balance was 292,264,000 CZK.

4.10.3 Advances received

ADVANCES RECEIVED (in CZK thousands)	2016	2015
Long-term advances received	30,453	25,332
Short-term advances received	1,036	727
TOTAL ADVANCES RECEIVED	31,489	26,059

4.10.4 Estimated accounts payable

In the case of the parent company, these are estimated payable items expensed to costs in 2016. They especially include accruals

for energy consumption, service maintenance for systems and equipment, data and telecommunications services, protecting buildings and other accruals (35,150,000 CZK).

For the subsidiary, these are estimated payable items expensed to costs in 2016. They especially include accruals for energy consumption, simulator rentals and other accruals (3,929,000 CZK).

4.10.5 Other liabilities and payables to employees

Payables to employees recorded at 31 December 2016 consist of the payment of salaries for the month of December 2016, which is done in January of the following year, and therefore involves a due payable. Other liabilities mainly consist of settling pension and life insurance for company employees.

4.11 BANK LOANS AND BONDS

In 2016 the parent company did not take out any loans for its business activities and likewise did not issue any bonds in 2016 or in the past.

The subsidiary drew the following bank loans:

(CZK thousands)	Loan framework	Quarterly amount to pay off principal	Principal paid off at 31 Dec. 2016	Draw down/ balance at 31 Dec. 2016	Interest expense in 2016	Interest rate	Maturity of loan at date
LONG-TERM BANK LOANS							
ČSOB a.s. – loan for Flight Simulator FFSIM L410 in CZK	150,000	5,357	0	117,481	627	3M Pribor +0,6%	12/2023
ČSOB a.s. – loan for Flight Simulator FTD B737NG in CZK	33,000	1,178	4,712	28,288	346	Fix 1,06%	12/2022
TOTAL BANK LOANS	183,000	6,535	4,712	145,769	973		

PAYMENT OF PRINCIPAL IN YEARS	2016	2017	2018	2019	2020+	CELKEM
ČSOB a.s. – FFSIM L410	0	21,428	21,428	21,428	85,716	150,000
ČSOB a.s. – FTD B737NG	4,712	4,712	4,712	4,712	14,152	33,000
ČSOB, a.s.	4,712	26,140	26,140	26,140	100,168	183,000

4.12 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (in CZK thousands)	2016	2015
Accrued costs	0	0
Deferred revenues	5,850	4,230
TOTAL ACCRUALS AND DEFERRALS	5,850	4,230

Formed mainly by the subsidiary. Deferred revenues include mainly courses and training for pilots and cabin staff carried out the following year. These items are therefore charged to revenues in the period in which they are relevant.

4.13 DERIVATIVES

At 31 December 2016 the parent company had contracts concluded for hedging derivatives for the currency pair EUR/CZK. During 2016, a strategy for exchange rate hedging for the next three years was prepared, i.e. until 2019, with the aim of hedging risks associated with foreign exchange movements connected to the termination of the intervention scheme of Czech National Bank. The company did not do any hedge accounting in 2016. Net earnings realized from the revaluation of derivatives to fair value were recorded in the net earnings for the current period. The positive or negative fair value of derivatives are reported at 31 December 2016 in other receivables or other

liabilities. In 2016 the company did not hold any financial derivatives or similar products.

The following table indicates the nominal values and positive or negative fair values of outstanding hedging derivatives as of 31 December 2016:

HEDGING DERIVATIVES (in CZK thousands)	2016
	Fair value positive + / negative -
Forward maturing in April 2017	1,146
Swap maturing in April 2017	-723
Option structures with the longest settlement until October 2018	-24,622

At 1 January 2016 the subsidiary had contracts concluded for derivatives with the goal of hedging risks associated with foreign exchange movements relating to carrying out investment projects. The derivatives were settled during the course of 2016. The company held no derivatives at 31 December 2016. The company did not perform hedge accounting. Net earnings realized from the revaluation of derivatives to fair value were recorded in the net earnings for the current period.

4.14 INCOME TAX

INCOME TAX (CZK thousands)	2016	2015
Due tax	97,819	84,471
Deferred tax	-1,108	-5,762
TOTAL TAX COSTS	96,711	78,709

4.15 DEFERRED TAX

Deferred tax is based on temporary differences between tax and book values of assets and liabilities. The deferred tax for 2016 was calculated using the 2016 income tax rate of 19 %.

DEFERRED TAX – differences from (CZK thousands)	2016	2015
Depreciated price of fixed assets (tax DP – accounting DP)	-774,123	-740,486

4.17 SALES OF PRODUCTS AND SERVICES

Revenue items (CZK thousands)	Revenues from domestic customers		Revenues from foreign customers		Total revenues	
	2016	2015	2016	2015	2016	2015
Air navigation services	275,905	259,453	3,408,225	3,228,230	3,684,130	3,487,683
of which – en-route navigation services	89,913	80,098	3,042,702	2,898,526	3,132,615	2,978,624
– terminal navigation services	184,168	177,682	364,080	329,019	548,248	506,701
– training flights	1,824	1673	1,443	685	3,267	2,358
Other revenues	147,749	144,670	150,452	128,012	298,201	272,682
TOTAL REVENUES	423,654	404,123	3,558,677	3,356,242	3,982,331	3,760,365

5 Employees, Management and Statutory Bodies

The average number of employees and managers and staff costs for the financial years 2016 and 2015 are as follows:

(CZK thousands)	Employees		Statutory and supervisory bodies, management		Total	
	2016	2015	2016	2015	2016	2015
Number (FTE)	946	936	21 + 14	22 + 9	967 + 14	958 + 9
Wage costs + bonuses	1,629,288	1,482,096	93,861	92,182	1,723,149	1,574,278
Social security and health insurance premiums	404,597	377,237	16,094	16,058	420,691	393,295
Other personal expenses	62,185	58,284	4,750	4,538	66,935	62,822
TOTAL STAFF COSTS	2,096,070	1,917,617	114,705	112,778	2,210,775	2,030,395

DEFERRED TAX – differences from (CZK thousands)	2016	2015
Allowances for receivables	6,712	6,321
Allowances for inventories	194	207
Revaluation of inventories – acquisitions	-12,013	-10,627
Estimated accrued items	0	8,354
Tax losses from previous years	106,517	57,690
Basis for deferred tax asset / debt	-672,713	-678,536
Tax rate	19 %	19 %
NET DEFERRED TAX	-127,815	-128,922
Deferred tax balance	1,108	5,762

4.16 ASSETS AND DEBTS NOT REPORTED IN THE BALANCE SHEET

As of 31 December 2016 group entities had no assets or debts not reported in the balance sheet.

The term management of the parent company means the Director General of the company, division directors, section deputies and the supervisor of the separate centre. Capital insurance and contributions to pension and life insurance were paid for members of management in accordance with the collective agreement. Members of management were also granted the use of official vehicles for private purposes. The Supervisory Board of the company has 6 members, 4 are appointed by the founder, 2 are elected from among the employees. Members of the Supervisory

Board do not receive any compensation or other benefits for discharging their position. The Audit Committee has 3 members. Members of the committee did not receive any compensation for their position in 2016.

The term management of the subsidiary means a company director, the term supervisory body of the company means members of the Supervisory Board. Members of the Supervisory Board receive remuneration for their work.

6 Information on Affiliated Companies

Air Navigation Services of the Czech Republic (hereinafter “company”) is a state enterprise. The founder of the company is the Czech Republic – Ministry of Transport, náměstí Ludvíka Svobody 1222/12, 110 15 Prague 1.

In addition to companies with equity participation, affiliated companies are those with the equity participation of the Czech Republic through state authorities (ministries). All transactions between the company and affiliated companies were conducted under normal market conditions.

The volume of business costs from transactions with affiliated companies in 2016 amounted to 153,352,000 CZK. These are transactions where the volume is greater than 1 million CZK for one supplier in 2016. These suppliers – affiliated companies – according to this definition are Czech Hydrometeorological Institute, Czech Civil Aviation Authority, the airports of Ostrava and Prague, Czech Aeroholding Inc., Czech Airlines Handling Inc., FABCE Ltd., Institute of Aviation Medicine, Czech Airlines Inc., and Czech Telecommunications Authority. The total volume of payables of the company (only those due) to the affiliated companies stated here was 348,000 CZK at 31 December 2016.

The volume of company revenue from transactions with affiliated companies in 2016 amounted to 132,599,000 CZK. These were transactions where the volume is greater than 1 million CZK for one customer in 2016. The customers – affiliated companies – according to this definition are Czech Airlines, Ministry of Transport, Ministry of Defense, CATC, Czech Hydrometeorological Institute, Moravian-Silesian Region and Czech Civil Aviation Authority. The total volume of receivables for the company from the affiliated companies stated here was 9,536,000 CZK at 31 December 2015.

In 2016, ANS CR obtained compensation from the state budget for costs incurred by the company in connection with the provision of services for flights exempted from charges in the aggregate amount of 70,881,000 CZK. This compensation is provided to ANSPs in accordance with European Commission Regulation 1794/2006 of 6 December 2006, as amended, laying down a common charging scheme for air navigation services on the basis of CR Government Resolution 1404 of 2 November 2005.

7 Expenditure on Research and Development

Group entities incurred no costs for research and development in 2016 or the previous year.

8 Significant Items of the Profit and Loss Statement

Other operating revenues in 2016 amounted to 113,163,000 CZK. In 2015, these revenues were 35,282,000 CZK. The most significant volumes were items for the parent company, consisting of compensation for costs for exempted flights amounting to 70,881,000 CZK and revenues from the sale of redundant assets in the amount of 20,507,000 CZK (land Jinonice). Furthermore, a proportion of subsidies granted in the framework of the SESAR project amounting to 4,625,000 CZK was posted to other operating revenues. In 2015, other operating revenues consisted mainly of compensation, but at a lower volume.

Other operating costs in 2016 amounted to 262,948,000 CZK. In 2015, they amounted to 249,775,000 CZK. Again, they were primarily items of the parent company. The structure of other operating costs remain unchanged year-on-year. The most significant item in other operating costs is the payment of the membership fee of the Czech Republic to the budget of the European Agency for the Safety of Air Navigation (EUROCONTROL), followed by the reimbursement of the costs of the state supervisory authority, and last but not least the costs for property and liability insurance.

9 Information on Audit Fees

INFORMATION ON AUDIT FEES (CZK thousands)	2016	2015
Mandatory audit	686	745

In 2014 and up until 30 June 2015, group entities received audit services from HAYEK Ltd., holding. Since the second

half of 2015, these services have been provided to group entities by BDO Audit s. r. o.

10 Events that Occurred after the Balance Sheet Date

No significant subsequent events not recorded in the financial statements have occurred since the reference date of the

financial statements that would have a significant impact on the amount of assets and liabilities of entities in the group.

11 Risk Management

Credit risks – as of 31 December 2016 the parent company was not exposed to any significant credit risks. Financial assets consist primarily of cash deposits at banks and receivables. Cash deposits are made at reputable banking institutions. Risks associated with trade receivables are

limited thanks to the large number of customers for air navigation services. The risks associated with receivables are further reduced by the effective recovery system used by the European Agency for the Safety of Air Navigation (EUROCONTROL).

Currency risks – the company is protected against significant fluctuations in the exchange rate on the date of billing services thanks to the mechanism of the monthly conversion of the reference unit price of air navigation

services by the current exchange rate. The sensitivity of the company's exposure to currency (exchange rate) risks is reduced through this mechanism.

12 Liabilities not Stated in the Books

Litigation – no litigation was brought against entities in the group as of 31 December 2016 that could have a significant impact on the financial statements.

Environmental liabilities – all standards related to environmental protection are complied with and no proceedings are being taken against entities in the group

relating to environmental protection that could have a significant impact on the financial statements.

Bank guarantees – during 2016, the parent company provided bank guarantees to foreign customers in connection with the commercial activities of the Aviation School (CANI). An overview of the bank guarantees is as follows:

BANK GUARANTEES FOR	Guarantee valid	Amount and currency
Sakaeronavigatsia Ltd., Georgia	13 May 2015–31 Jan. 2016	3,845 EUR
Prishtina Int. airport, Kosovo	16 Oct. 2015–15 Nov. 2018	12,762 EUR
I'ONDA, Maroko	2 Dec. 2015–19 March 2016	180,000 MAD
Sakaeronavigatsia Ltd., Georgia	26 Feb. 2016–7 Feb. 2017	3,756 EUR
Uzaeronavigatsiya, Uzbekistan	17 May 2016–31 Oct. 2016	7,000 EUR
Agencija za pružanje usluga u zračnoj plovidbi Bosne i Hercegovine, Bosnia and Hercegovina	16 Nov. 2016–20 March 2017	114,150 EUR

13 Cash Flow Statement

The cash flow statement has been prepared using the indirect method and is published in a separate statement. Considered as cash resources are cash, including valuables, and cash equivalents in accounts, including overdrafts. Company assets do not include any cash equivalents. In order to increase the informative value of the report, changes in

receivables and payables from operating activities have been adjusted to take into account changes in these receivables and payables related to subsidized projects where the parent company is involved and which had no impact on net earnings even in cash flows in the amount of 276,914,000 CZK.

Individual Financial Statements of ANS CR for 2016

**COMPILED IN ACCORDANCE WITH INTERNATIONAL
ACCOUNTING STANDARDS (IFRS)**

Independent Auditor's Report

TO THE FOUNDER OF AIR NAVIGATION SERVICES
OF THE CZECH REPUBLIC, STATE ENTERPRISE

Opinion

We have audited the accompanying financial statements of Air Navigation Services of the Czech Republic, state enterprise, based in Navigační 787, Jeneč, Czech Republic, identification number 497 10 371, (hereafter the “Company”), which comprise the statement of financial position as of 31 December 2016, statement of comprehensive income, statement of changes in equity and the cash flow statement for the period from 1 January 2016 to 31 December 2016 and summary of significant accounting policies and other explanatory information. The management of Air Navigation Services of the Czech Republic, state enterprise, has prepared these financial statements based on the financial reporting requirements as defined by Art. 12 - Transparency of Accounts of Regulation No. 550/2004 of the European Parliament and of the Council dated 10 March 2004 on the provision of air navigation services in the Single European Sky which requires the providers of air navigation services to prepare their financial accounts in compliance with the International Accounting Standards adopted by the EU or endeavour to achieve such compliance to the maximum possible extent.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Air Navigation Services of the Czech Republic, state enterprise, as of 31 December 2016, and its financial performance and cash flows for the period from 1 January 2016 to 31 December 2016 in accordance with the financial reporting requirements as defined by Art. 12 of Regulation No. 550/2004 of the European Parliament and of the Council dated 10 March 2004 on the provision of air navigation services in the Single European Sky.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under these 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 regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2, Summary of Basic Accounting Policies and Procedures in the Notes to the Financial Statements, which describes the basis of accounting used in the preparation of the financial statements. The financial statements were prepared to assist Air Navigation Services of the Czech Republic, state enterprise, in meeting the requirements of EUROCONTROL (European Organisation for the Safety of Air Navigation) as the regulatory body and, as a result, the financial statements may not be suitable for another purpose.

Other Matters

Air Navigation Services of the Czech Republic, state enterprise, has also prepared a separate set of financial statements as of 31 December 2016 in accordance with the Czech accounting regulations, on which we issued a separate auditor's report to the founders of Air Navigation Services of the Czech Republic, state enterprise, dated 21 March 2017.

Responsibilities of the Statutory Body, the Supervisory Board and the 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 regulations 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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the Founder either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee are responsible for overseeing the 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 scepticism 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 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 the Statutory Body and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague, on 21 March 2017

BDO Audit s. r. o., Certificate No. 018
Represented by partners:



Eva Knyplová
Certificate No. 1521



Petr Slaviček
Certificate No. 2076

Individual statement of financial situation
in accordance with international accounting standards (IFRS)

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

Notes in annex	T E X T	Year ending at	
		31 Dec. 2016	31 Dec. 2015
	FIXED ASSETS		
3.1.2.	Lands, buildings and equipment (tangible assets)	2,474,306	2,473,111
	of which: Lands, buildings and equipment in use	2,203,356	2,130,948
	of which: Unfinished tangible assets	270,950	342,163
3.1.1.	Intangible assets	1,308,252	932,745
	of which: Intangible assets in use	676,293	667,789
	of which: Unfinished intangible assets	631,959	264,956
3.1.3.	Investments in subsidiaries and entities in the group	280,784	280,784
3.1.	TOTAL FIXED ASSETS	4,063,342	3,686,640
	CURRENT ASSETS		
3.2.	Inventories	16,537	14,146
3.3.	Trade receivables and other receivables	966,068	628,276
3.4.	Money and cash in bank accounts	1,490,918	1,754,014
	TOTAL CURRENT ASSETS	2,473,523	2,396,436
	TOTAL ASSETS	6,536,865	6,083,076
	EQUITY		
3.5.2.	Share capital	1,087,503	1,087,503
3.5.3.	Reserve fund	320,000	303,796
	Other funds of the company	3,821,637	3,663,325
	Retained profit	513,495	500,313
3.5.	TOTAL EQUITY	5,742,635	5,554,937
	LONG-TERM LIABILITIES		
3.6.1.	Deferred tax liability	116,176	118,229
	SHORT-TERM LIABILITIES		
3.7.	Trade payables and other payables	678,054	409,910
	TOTAL EQUITY AND LIABILITIES	6,536,865	6,083,076

Individual statement of profit and loss and other comprehensive results
in accordance with international accounting standards (IFRS)

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

Notes in annex	T E X T	Year ending at	
		31 Dec. 2016	31 Dec. 2015
4.2.1.	Revenues	3,798,607	3,595,078
4.1.1.	Consumption of material and services	-540,342	-501,174
4.1.2.	Personnel costs	-2,146,096	-1,960,634
3.1.	Depreciation and amortization	-508,424	-484,940
4.2.1.	Other operating revenues	107,143	26,310
4.1.3.	Other operating costs	-248,910	-239,117
	Operating profit and loss	461,978	435,523
4.2.2.	Financial revenues	41,803	27,964
4.1.4.	Financial costs	-24,199	-56,421
	Financial profit and loss	17,604	-28,457
	Pretax profit	479,582	407,066
3.6.	Income tax	-95,766	-81,753
	Profit for the period	383,816	325,313
	Other comprehensive results for the period		
	Total comprehensive results for the period	383,816	325,313

Individual cash flow statement
in accordance with international accounting standards (IFRS)

FOR THE YEAR ENDED 31 DECEMBER (CZK THOUSANDS)

	Year ending at	
	31 Dec. 2016	31 Dec. 2015
Cash flows from operating activities		
Receipts from customers (buyers)	3,791,947	3,563,052
Payments to suppliers	-760,014	-792,696
Payments to employees and deductions for employees	-2,022,950	-1,880,236
Cash flows generated from operations	1,008,983	890,120
Income tax paid	-77,437	-138,118
Interest received	17,016	27,964
Net cash resources from operating activities	948,562	779,966
Expenses connected to acquiring fixed assets		
Income connected to selling fixed assets	-1,102,450	-518,726
Net cash flows from investing activities	20,507	6,999
Cash flows from financing activities	-1,081,943	-511,727
Transfer of cash from the founder's fund to the founder		
Net increase in cash and cash equivalents	-129,715	-100,000
Cash and cash equivalents at the beginning of the period	-263,096	168,239
Cash and cash equivalents at the beginning of the period	1,754,014	1,585,775
Cash and cash equivalents at the end of the period	1,490,918	1,754,014

Individual statement of equity changes
in accordance with international accounting standards (IFRS)

FOR THE YEAR ENDED 31 DECEMBER 2016 (CZK THOUSANDS)

	Share capital	Reserve fund	Founder's fund	Other capital funds, Development fund	Retained profit	Total
Status at 1 January 2015	1,087,503	283,311	100,000	3,492,475	430,537	5,393,826
Allocation to the reserve fund		20,485			-20,485	0
Allocation to the founder's fund						0
Use of the founder's fund			-100,000			-100,000
Allocation to other capital funds				170,850	-170,850	0
Other uses of retained earnings					-64,202	-64,202
Profit for the period					325,313	325,313
Status at 31 December 2015	1,087,503	303,796	0	3,663,325	500,313	5,554,937
Allocation to the reserve fund		16,204			-16,204	0
Allocation to the founder's fund			129,715		-129,715	0
Use of the founder's fund			-129,715			-129,715
Allocation to other capital funds				158,312	-158,312	0
Other uses of retained earnings					-66,403	-66,403
Profit for the period					383,816	383,816
Status at 31 December 2016	1,087,503	320,000	0	3,821,637	513,495	5,742,635

Annex to Individual Financial Statements for 2016

in accordance with international accounting standards (IFRS)

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1 General Information

1.1 ESTABLISHMENT AND DESCRIPTION OF THE COMPANY

Name of the entity:	Air Navigation Services of the Czech Republic
Legal form:	state company
Abbreviated name:	ANS CR
Date of establishment:	ANS CR was established on 1 January 1995 by a decision of the Minister of Transport issued on 28 December 1994, Ref. 4283/94-KM. This decision transferred all assets that had been handled by the allowance organization ANS CR up until 31 December 1994, including all rights and obligations, to the company. The state company is registered in the Commercial Register of the Municipal Court in Prague, Section A, File 10771
Headquarters:	Navigační 787, 252 61 Jeneč
Identification number:	49710371
Core business:	air navigation services, including aerodrome services, in the airspace of the Czech Republic and at the airports Prague, Brno, Ostrava and Karlovy Vary
Share capital:	1,087,503,000 CZK
Employees:	the average number at 31 December 2016 was 917

1.2 MAIN OWNERS OF THE COMPANY

Air Navigation Services of the Czech Republic is a state-owned company. The position and legal status of the state company are governed by Act 77/1997 Coll. The founder of the company is the state. It acts in the name of the founder, the Ministry of Transport, whose responsibility includes the core business of the company.

The accompanying financial statements have been prepared in a similar way to that of an independent company. The consolidated Financial Statements have been prepared for the whole group by the parent company, ANS CR, in accordance with national accounting standards. The companies included in the consolidation are Czech Aviation Training Centre and Czech Aviation Training Centre India. Information pursuant to section 39b of Decree 500/2002 Coll. will be presented in the consolidated financial statements.

1.3 CHANGES AND AMENDMENTS TO THE COMMERCIAL REGISTER DURING THE LAST REPORTING PERIOD

In January 2016 the position of proxy for the company was removed from the Commercial Register. No other changes to the entry in the Commercial Register were made during the last reporting period.

1.4 ORGANIZATIONAL STRUCTURE

The head of the company is the Director General, who is the statutory body. Directly subordinate to the Director General are four departments. The company is organizationally divided into specialized divisions, each headed by a divisional director. The divisions are divided into specialized sections, each headed by a qualified manager. The company is furthermore divided into control centres led by supervisors. The total number of these organizational units was 19 as of 31 December 2016. The company has no organizational units abroad.

1.5 STATUTORY AND SUPERVISORY BODIES OF THE COMPANY AS OF 31 DECEMBER 2016

Company Management – Statutory Body	
Director General:	Jan Klas
First Deputy Director General:	Jan Štindl
Second Deputy Director General:	Petr Fajtl

Supervisory Board	
Chairperson:	Magdalena Faltýsková
Deputy Chairperson:	Milan Feranec
Members:	Roman Kubiček
	Petr Kolomazník
	Libor Štefánik
	Milan Vondra

Pursuant to the provisions of section 44c paragraph 1(c) of an amendment to Act 93/2009 Coll., on Auditors, as amended, ANS CR has the legal obligation to establish an Audit Committee for ANS CR. The amendment took effect on 1 January 2016 and in accordance with the transitional provisions of the amendment, 12 months were given to comply with the requirements of the law. The committee has 3 members, who were appointed by the statutory body of ANS CR on the recommendation of the Supervisory Board dated 28 November 2016.

Audit Committee	
Chairperson:	Ivan Hayek
Deputy Chairperson:	Eva Dekastellová
Member:	Eva Ondřichová

2 Review of Basic Accounting Policies

Separate financial statements of ANS CR for the year ending 31 December 2016 have been compiled in accordance with the terms of their preparation in Regulation (EC) 550/2004, Article 12, of 10 March 2004, on the provision of air navigation services in the Single European Sky. Company accounting is conducted in accordance with national accounting standards and in accordance with Act 563/1991 Coll., on Accounting, as amended. These individual financial statements have been compiled in accordance with the above regulation with the aim to achieve maximum compliance with International Financial Reporting Standards as adopted by the European Community (IFRS), not to achieve full compliance with them.

The financial statements have been prepared under historical cost convention. The principal accounting rules and procedures are set out below. The financial statements have been prepared on the going concern principle. The amounts shown in these financial statements are presented in Czech Crowns (CZK), rounded to the nearest thousand.

2.1 INTANGIBLE ASSETS

Intangible assets are recorded at cost less accumulated depreciation. Intangible assets costing less than 60,000 CZK are initially recorded as expenses. Intangible assets costing more than 60,000 CZK and with a usable life longer than one year are depreciated linearly monthly without interruption, where the length of depreciation is based on the estimated useful life. No allowances for intangible assets were created in 2016.

Estimated useful life of intangible assets in years:	
Software	4 – 10 let
Other intangible assets	3 – 6 let

2.2 LAND, BUILDINGS AND EQUIPMENT

Land is stated at cost and not depreciated. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is based on the recommendations of Document 15.60.01 “Principles for establishing the cost-base for route facility charges and the calculation of the unit rates” issued by the European Agency for the Safety of Air Navigation, done strictly in a uniform, linear manner, taking into account the expected service and economic life of the individual assets. Allowances for tangible fixed assets were created in 2016.

Estimated useful life for land, buildings and equipment in years:	
Lands	Not depreciated
Buildings and structures	30 – 50 years
Machinery and equipment	4 – 15 years
of which – electronic and communications equipment	4 – 10 years
of which – energy and other equipment	7 – 15 years
Masts, towers constructions, lines	20 years
Transport equipment	5 – 20 years
of which – cars	5 years
of which – aircraft	10 – 20 years
Inventory	3 – 10 years
of which – furniture	10 years
of which – office equipment, computer equipment and accessories	3 – 10 years

2.3 INVESTMENT IN SUBSIDIARIES AND GROUP ENTITIES

Stakes in controlled entities and subsidiaries are valued initially at cost. Upon sale or other disposal, they are valued using the weighted arithmetic average method.

Allowances are created in the case of a temporary reduction in the value of financial fixed assets. No allowances for financial fixed assets were created in 2016.

2.4 CASH AND CASH IN BANK ACCOUNTS

This reported group consists of valuables, cash, bank accounts and short-term deposits. Cash in bank accounts, cash and cash equivalents denominated in foreign currencies are converted into Czech crowns at the exchange rate prevailing at the balance sheet date.

2.5 INVENTORIES

Purchased inventories constituting materials and spare parts are initially valued at cost, upon removal the weighted arithmetic average method is used. Cost includes the cost of acquisition, including related costs.

2.6 RECEIVABLES

Receivables are initially recognized at nominal value and are subsequently reported less any allowance.

The value of bad receivables is reduced by allowances created for all receivables as follows:

- 100 % for receivables with a due date of 31 December 2015 and older,
- 50 % for receivables with a due date in the period from 1 January 2016 to 30 June 2015.

Allowances are recorded separately for receivables from debtors in bankruptcy proceedings, as well as receivables worth less than 30,000 CZK in aggregate for individual debtors.

2.7 TRADE PAYABLES

Payables are stated in their nominal values.

2.8 CONVERSION OF FOREIGN CURRENCIES INTO CZECH CURRENCY

Assets and liabilities denominated in foreign currencies are converted into Czech crowns at the time of the transaction using the daily exchange rate of CNB and are recognized at the end of the balance sheet date using the exchange rate reported by CNB for 31 December. Exchange gains and losses resulting from settling these transactions and from the valuation of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are presented in the profit and loss statement.

2.9 DERIVATIVES

During the course of 2016, the company had disposition of financial derivatives, which were contracted for hedging currency risks with an expected movement in exchange rates after the relaxation of intervention by the central bank. At the balance sheet date, the derivatives are valued at their fair value. The manner for recognizing gains or losses from valuing derivatives at their fair value depends on whether the derivative is designated as a hedging instrument and on the nature of the item being hedged.

2.10 LEASING

No assets were acquired through financial leasing.

2.11 EQUITY

The registered capital of the company is stated at the amount recorded in the Commercial Register of the Municipal Court. Investments exceeding the registered capital are reported as other capital funds, which consist of non-monetary investments in excess of the registered capital. The company creates a mandatory reserve fund. Based on its internal rules, the company further creates funds from its earnings.

2.12 INCOME TAX

Income tax consists of current tax and deferred tax. Current tax includes the tax calculated from the tax base using the tax rate for the current year and any adjustment to tax payable in respect of previous years. Deferred tax is calculated using the liability method, which means that the deferred tax will be applied at a later stage and therefore the income tax rate applicable in the period in which this tax is applied is used to calculate it.

2.13 RECOGNIZING COSTS AND REVENUES

Revenues and costs are recognized in the period to which they relate. The costs for providing air navigation services include the costs of the daily operation of air traffic control units, costs of the operation and maintenance of surveillance infrastructure, costs of the operation and maintenance of telecommunications equipment, costs of providing aviation information services, costs of the training and further education of employees, costs of the air meteorological service, administrative costs, and costs of membership in the EUROCONTROL agency.

Revenues from providing air navigation services are recognized on the basis of unit prices set according to internationally applied principles. Unit prices are set for a period of one calendar year. Revenues from providing air navigation services are recognized as income on a monthly basis in respect of the volume of services provided. Invoicing for air navigation services in the area of terminal services management is done by the company. Invoicing for providing air navigation services in the area of en-route management services are done for the company by the EUROCONTROL agency.

2.14 EMPLOYEE BENEFITS

The company makes regular contributions to the state budget for basic pension insurance. These contributions are derived from the amount of wages paid and entered in the company's costs in the same period as the related salary basis.

Based on the signed collective agreements, the company also contributes to the supplementary pension insurance of the employee pension funds managed by the commercial entities. The contributions are defined by the provisions of the collective agreement. Also based on the collective agreements, the company contributes to private life insurance for employees and pays them capital insurance.

2.15 USE OF ESTIMATES

The compilation of the financial statements requires company management to make estimates and assumptions that affect the reported amounts of assets and liabilities (debts) at the balance sheet date and the reported amounts of revenues and costs during the reporting period. Company management has made these estimates and assumptions on the basis of all the relevant information available. Nevertheless, given the nature of estimates, the actual results in the future may differ from these estimates.

2.16 SUBSIDIES

In accordance with Czech Accounting Standard no. 17, the company recognizes the unquestionable right to a subsidy charged to the relevant account of account group 37 – Other receivables, and credited to the relevant account of account group 34 – Taxes and subsidies. The use of subsidies to cover costs or other financial detriments is debited to the relevant account of account group 34 – Taxes and subsidies, and credited to other operating or financial revenue accruals.

Subsidies received for the acquisition of fixed assets reduces the acquisition cost.

Subsidies are provided from the European Commission arising from participation in the implementation of projects related to the development of air navigation services. The main European initiative aimed at the development of air navigation services is the initiative of Single European Sky ATM Research (SESAR).

2.17 SUBSEQUENT EVENTS

The impact of events that occurred between the balance sheet date and the date of compiling the financial statements is reflected in the reporting if these events provide additional information about facts that existed at the date of the balance sheet. In the event that important events occurred between the balance sheet date and the date of compiling the financial statements which take into account facts that occurred after the balance sheet date, the effects of these events are described in an attachment to the financial statements but are not recorded in the financial statements.

2.18 CHANGES IN VALUATION, DEPRECIATION AND ACCOUNTING METHODS COMPARED TO THE PREVIOUS ACCOUNTING PERIOD

No changes occurred during fiscal year 2016 in the valuation, depreciation and accounting methods used compared to the previous accounting period.

3 Supplementary Information to the Financial Situation

3.1 FIXED ASSETS

3.1.1 Intangible assets (IA)

2016 (CZK thousands)	Software	Other IFA	Total
ACQUISITION COST (PC)			
Balance at 1 January 2016	2,428,477	125,332	2,553,809
Additions	241,469	4,853	246,322
Disposals	11,755	2,623	14,378
Balance at 31 December 2016	2,658,191	127,562	2,785,753
ACCUMULATED DEPRECIATION			
Balance at 1 January 2016	1,806,099	79,921	1,886,020
Depreciation 2016	225,522	12,296	237,818
Disposals	11,755	2,623	14,378
Balance at 31 December 2016	2,019,866	89,594	2,109,460
NET BOOK VALUE 2016 (DP)	638,325	37,968	676,293
NET BOOK VALUE 2015 (DP)	622,378	45,411	667,789

Significant items of intangible assets

Item	Year of acquisition	PC (CZK thousands)	DP 2016 (CZK thousands)
EUROCAT 2000 PU IATCC system	2007	701,178	73,739
ESUP IATCC system	2007	478,338	152,793
IDP system for IATCC	2007	349,682	107,891

3.1.2 Tangible fixed assets (TFA)

(CZK thousands)	Land, buildings, construction	Machinery and equipment	Means of transport	Inventory	Other TFA	Total
ACQUISITION COST (PC)						
Balance at 1 January 2016	2,575,019	3,061,236	228,061	198,198	158,042	6,220,556
Additions	133,522	198,905	2,244	289	9,261	344,221
Disposals	3,091	76,340	6,489	1,108	7,107	94,135
Balance at 31 December 2016	2,705,450	3,183,801	223,816	197,379	160,196	6,470,642
ACCUMULATED DEPRECIATION						
Balance at 1 January 2016	1,029,870	2,646,304	92,683	188,867	131,884	4,089,608
Depreciation 2016	91,432	141,290	21,609	4,490	11,784	270,605
DP of disposed TFA 2016	-1,096	0	0	0	-113	-1,209
Movements of assets	-899	-76,340	-6,490	-1,109	-6,880	-91,718
Balance at 31 December 2016	1,119,307	2,711,254	107,802	192,248	136,675	4,267,286
DEPRECIATED PRICE 2016 (DP)	1,586,143	472,547	116,014	5,131	23,521	2,203,356
DEPRECIATED PRICE 2015 (DP)	1,545,149	414,932	135,378	9,331	26,158	2,130,948

The most important additions and disposals of intangible assets

The most significant additions to intangible assets in 2016 included the technical evaluation of the above systems in the amount of 93,474,000 CZK.

The most significant disposal of intangible assets was the elimination of the “Lower airspace + Prague” system at an acquisition cost of 2,623,000 CZK, with a net book value of 0 CZK at the date of disposal.

Depreciation of intangible fixed assets charged to costs

The depreciation of intangible fixed assets charged to costs in 2016 amounted to 237,819,000 CZK, and in 2015 to 208,560,000 CZK.

Allowances for intangible fixed assets

No allowances were created for intangible fixed assets.

Unfinished IFA and prepayments for IFA

The total volume of unfinished IFA registered in the company at 31 December 2016 amounted to 631,959,000 CZK, and in 2015 to 194,691,000 CZK. The main volume of unfinished intangible assets is represented by upgrading existing air traffic control systems, and further payments for the newly acquired NEOPTERYX air traffic control system.

Significant items of tangible assets

Item	Year of acquisition	PC (CZK thousands)	DP 2015 (CZK thousands)
Building IATCC, Jeneč	2005	902,116	580,033
Technical block at Prague Airport	1992	497,117	312,329
Calibration for Cessna 560XL	2011	152,492	86,641
Aviation School Building (CANI)	1983	148,632	93,481
Building service with control tower Ostrava Airport	2016	112,539	112,539

The most important additions and disposals of fixed assets

The most important additions to fixed assets in 2016 include the inclusion of a new operations building with a control tower at the airport in Ostrava in the amount of 112,539,000 CZK and further the technical evaluation of the IATCC Jeneč building in the amount of 6,915,000 CZK. Another significant item was the purchase of system servers of various specifications.

The most significant disposal among fixed assets in 2016 was the removal of the ATC CASS simulator with an acquisition cost of 10,760,000 CZK, now with a net book value of 0 CZK. Additionally, system servers of various configurations with 0 CZK net book value were removed.

Depreciation of tangible fixed assets charged to costs

The depreciation of TFA charged to costs in 2016 amounted to 270,605,000 CZK, and in 2015 to 276,380,000 CZK.

Total amount of small tangible assets not included in the balance sheet

The total amount (at cost) of tangible assets not included in the balance sheet at 31 December 2016 is 73,476,000 CZK. At 31 December 2015 it was 70,022,000 CZK.

Allowances for tangible fixed assets

No allowances were made for tangible fixed assets.

Unfinished TFA

The total volume of unfinished TFA registered in the company at 31 December 2016 amounted to 270,950,000 CZK, and in 2015 to 342,143,000 CZK. The main volume of unfinished tangible assets is represented by aviation safety technology (ground movement radar, VCS and RCOM).

3.1.2.1 Specified assets of the company

In accordance with the provisions of Act 77/1997 Coll., on State Enterprises, special asset items are recorded in the bookkeeping – specified assets. These are assets that are indispensable to the entity in terms of carrying out the activities for which the entity (company) was established. These assets are registered in the Commercial Register. The company may handle specified assets only with the approval of the founder.

During the course of 2016, there were no changes in the definition of the specified assets. The following specified assets were therefore on the books of the company at 31 December 2016:

NAME OF SPECIFIED ASSETS	Inventory number	Purchase price
Building IATCC Jeneč	2016743	902,116
Operations building of the technical block at Prague Airport	51062	497,117
Operations building with control tower at Brno Tuřany	52012	88,042
Operations building located at Prague South	51150	59,780
Calibration aircraft L 410 UVP E OK-WYI	2020151	43,841
Operations building with control tower at Karlovy Vary	54004	42,648
Operations building at the location Buchtův kopec	52011	33,074
Land under the building of the technical block at Prague Airport	2563	1,349
Land under the operations building with control tower at Karlovy Vary Airport	3882	261
Land under the operations building with control tower at Brno Airport	2258	122
Land under the building of IATCC Jeneč	569	45
Land under operations building Prague South	34890	2
Land under operations building Buchtův kopec	130	2
ACQUISITION PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2016 (CZK thousands)		1,668,398
DEPRECIATED PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2016 (CZK thousands)		1,021,181

3.1.3 Investments in subsidiaries and entities in the group

With regard to the liberalization of the market in the provision of air navigation services, ANS CR has further expanded, as one of its strategies, its commercial activities, particularly in the provision of consulting services in the ATM field and in the provision of air navigation services abroad.

In line with this strategy, i.e. the expansion of commercial activities, the acquisition of Czech Aviation Training Centre (CATC), located at K letišti 934, 161 00 Prague 6, was carried out on 1 October 2012. The purchase price for a 100% stake in CATC Centre was 280 million CZK, based on an assessment of the sale compiled by an independent expert appointed by the court. ANS CR has therefore considerably expanded its range of services, because it has many years of experience with training courses in aviation. Acquiring CATC has given the company the opportunity to provide comprehensive training and education for all licensed personnel in civil aviation.

The equity of CATC reached 275,806,000 CZK as of 31 December 2016. The company's net earnings for the accounting period of 2016 amounted to 193,000 CZK. As of 31 December 2016, receivables due CATC amounted to 818,000 CZK. Payables owed by CATC as of 31 December 2016 amounted to 276,000 CZK.

Based on a notarial deed dated 17 October 2014, the company FABCE, Aviation Services, Ltd., based in Zgornji Brnik 130N, SI-4210 Brnik, Slovenia, was established. The shareholders in the company are the providers of air navigation services in the Czech Republic, Slovakia, Austria, Hungary, Slovenia and Croatia, which are associated in the Central European Functional Airspace "FAB CE". The goal of this company is to coordinate the actions of the stakeholders in order to meet the objectives of the EU in the context of the "Single European Sky – SES" policy. ANS CR has a 1/6 stake in this service company (6,000 EUR).

3.2 INVENTORIES

INVENTORIES (CZK thousands)	at 31 December 2016	at 31 December 2015
Inventories	16,537	14,146

The crucial volume of inventories consists of spare parts for ensuring aviation equipment.

3.3 TRADE RECEIVABLES AND OTHER RECEIVABLES

RECEIVABLES (CZK thousands)	at 31 December 2016	at 31 December 2015
Trade receivables	665,037	563,401
Tax receivables	40,303	54,696
Prepayments and other receivables	295,389	10,179

TOTAL RECEIVABLES	at 31 December 2016	at 31 December 2015
TOTAL RECEIVABLES		
Gross receivables	1,000,729	665,641
Accumulated depreciation	-34,661	-37,365
Net receivables	966,068	628,276

Trade receivables consist of receivables from users of air navigation services, accounting for 88%, and 12% for other customers.

In 2016 the company recorded tax receivables for the state in the amount of 137,889,000 CZK. This amount corresponds to prepayments made for income tax in the amount of 101,374,000 CZK, which, in accordance with accounting principles, was compensated with a reserve created for corporate tax in the amount of 97,586,000 CZK, as well as with surplus VAT deductions in the amount of 36,514,000 CZK. The company records no receivables for social security and health insurance.

The total volume of prepayments and other receivables amount to 295,384,000 CZK. These especially include receivables from grants to SESAR projects in the amount of 276,914,000 CZK. The amount of the receivable corresponds to the company's claims from participating in the projects SESAR 2020 and SESAR Deployment while maintaining the given budget for individual projects. The amount of the receivables is reduced by the partial payments received for the projects.

3.4 MONEY AND CASH IN BANK ACCOUNTS

MONEY AND CASH (CZK thousands)	at 31 December 2016	at 31 December 2015
Money	1,424	1,247
Cash in bank accounts	1,489,494	1,752,767
TOTAL MONEY AND CASH	1,490,918	1,754,014

3.5 DERIVATIVES

At 31 December 2016 the company had contracts concluded for hedging derivatives for the currency pair EUR/CZK. During 2016, a strategy for exchange rate hedging for the next three years was prepared, i.e. until 2019, with the aim of hedging risks associated with foreign exchange movements connected to the termination of the intervention scheme of Czech National Bank. The company did not do any hedge accounting in 2016. Net earnings realized from the revaluation of derivatives to fair value were recorded in the net earnings for the current period. The positive or negative

real value of derivatives are reported at 31 December 2016 in other receivables or other liabilities.

In 2016 the company did not hold any financial derivatives or similar products.

The following table indicates the nominal values and positive or negative values of outstanding hedging derivatives as of 31 December 2016:

HEDGING DERIVATIVES (CZK thousands)	2016 Fair value positive + / negative -
Forward maturing in April 2017	1,146
Swap maturing in April 2017	-723
Option structures with the longest settlement until October 2018	-24,622

3.6 EQUITY

3.6.1 Changes in equity

A summary of changes in equity is reported in a separate statement. Changes in equity occurred in 2016 only in connection with settling net earnings.

3.6.2 Registered capital

There were no changes in the registered capital in 2016.

3.6.3 Equity items

Reserve fund of the company is made up of allocations from disposable profit. This fund can only be used to cover losses.

Other company funds – the company creates a development fund, with allocations to this fund provided by disposable profit. This fund is used to finance key projects of infrastructure. Other funds include the assets of calibration flights delimited from the Civil Aviation Authority (CAA) to ANS CR based on a decision of the Ministry of Transport in 2011. These delimited assets totaling 214,933,000 CZK are posted to equity in account 413400 – other capital funds / transfer of assets from other state organizations. Based on a decision of the founder (MT) and in accordance with Act 77/1997 Coll., on State Enterprises, a founder's fund was established.

Earnings for the current period (profit after tax) are allocated to company funds after approval of the financial statements by the founder.

3.7 INCOME TAX

INCOME TAX (CZK thousands)	at 31 December 2016	at 31 December 2015
Current tax	97,819	84,471
Deferred tax	-2,053	-2,718
TOTAL TAX COSTS	95,766	81,753

3.7.1 Deferred tax liability

The deferred tax liability is based on temporary differences between tax and book values of assets and liabilities. The deferred tax for 2016 was calculated using the 2016 income tax rate of 19 %.

DEFERRED TAX – differences from (CZK thousands)	2016	2015
Depreciated price of fixed assets (tax DP – accounting DP)	-617,165	-627,269
Allowances for receivables	5,517	4,803
Allowances for inventories	194	207
Basis for deferred tax asset / debt	-611,454	-622,259
Tax rate	19, %	19, %
NET DEFERRED TAX	-116,176	-118,229
Deferred tax balance	2,053	2,718

3.8 LIABILITIES

LIABILITIES (CZK thousands)	at 31 December 2016	at 31 December 2015
Trade liabilities	22,140	113,850
Liabilities to employees	198,879	175,065
Liabilities to the state	94,047	80,698
of which – income tax from employment	46,604	39,335
other taxes	10	9
social and health insurance	47,433	41,354
Advances received	998	727
Subsidies	292,264	0
Other liabilities	69,726	39,570
TOTAL LIABILITIES	678,054	409,910

Trade liabilities consist of supplier invoices not paid before maturity.

Liabilities to employees consist of salaries for the period of December 2016, which were paid in January 2017. In addition, pursuant to Act 77/1997 Coll., the company creates a profit-based fund for cultural and social needs, which as per IFRS is reported as liability to employees. The company proceeds the same in the case of a bonus fund and fund for other social spending.

State – liabilities, this item includes the prescribed payment of income tax from employment per employee for the pay period of December 2016. It also contains the prescribed payment of social security and health insurance per employee for the pay period of December 2016 and the levies for road tax and property transfer tax.

Other liabilities – this item includes the payment of supplementary pension and private life insurance for employees in December 2016. It also includes the status of account 389 (estimated payables - supplies not invoiced).

Subsidies – this item indicates the unspent amount of compensation paid for flights exempted from charges of in the amount of 6,251,000 CZK and further the actual volume of unused subsidies related to the realization of the SESAR project totaling 286,013,000 CZK.

4 Additional Information for the Profit and Loss Statement and Other Comprehensive Results

4.1 COSTS

4.1.1 Costs of materials, energy and services

COSTS OF MATERIALS, ENERGY AND SERVICES (CZK thousands)	at 31 December 2016	at 31 December 2015
Material consumption	36,333	31,365
Energy consumption	37,696	41,549
Consumption of other non-storable items	831	804
Repairs and maintenance	86,306	61,685
Travel costs	32,371	32,235
SW support systems	95,302	95,749
Telecommunications fees and data networks	41,333	34,396
Aviation meteorology	70,601	69,777
Other services	139,569	133,614
COSTS OF MATERIALS, ENERGY AND SERVICES TOTAL	540,342	501,174

Services cost item includes, among other things. The costs incurred for services provided by the auditing company. In 2014 and up to June 30, 2015 to provide business assurance services company HAYEK, spol. s ro, holding. From the second half of 2015, the company provides audit services to BDO Audit, sro The cost of auditing services in 2016 reached above 547 thousand. CZK in 2015, then 656 thousand. CZK.

4.1.2 Personal costs

PERSONAL COSTS (CZK thousands)	at 31 December 2016	at 31 December 2015
Payroll costs	1,676,622	1,520,102
Statutory social insurance	404,503	378,603
Statutory social costs	64,883	59,949
Other social costs	1,088	1,980
TOTAL PERSONAL COSTS	2,146,096	1,960,634

4.1.3 Other operating costs

OTHER OPERATING COSTS (CZK thousands)	at 31 December 2016	at 31 December 2015
Taxes and fees	2,407	2,168
Allowances	- 2,917	-2,298
Contributions to the budget of EUROCONTROL	152,619	152,694
Insurance	25,298	23,775
Costs for the state supervisory authority	43,798	43,105
Other	27,705	19,673
OTHER OPERATING COSTS TOTAL	248,910	239,117

4.1.4 Financial costs

FINANCIAL COSTS (CZK thousands)	at 31 December 2016	at 31 December 2015
Sold securities and shares	0	396
Exchange rate losses	0	55,095
Derivatives	24,199	0
Other financial costs	0	930
FINANCE COSTS TOTAL	24,199	56,421

4.2 REVENUES

4.2.1 Operating revenues

OPERATING REVENUES (CZK thousands)	at 31 December 2016	at 31 December 2015
Air navigation services	3,684,130	3,487,683
of which – en-route services	3,132,615	2,978,624
– terminal services	548,248	506,701
– training flights	3,267	2,358
Other sales of goods and services	114,477	107,395
Total results	3,798,607	3,595,078
Other operating revenues	107,143	26,310
of which – sales of assets	19,298	1,768
– compensation costs for exempted flights	70,881	15,000
– other operating revenues	16,964	9,542
TOTAL OPERATING REVENUES	3,905,750	3,621,388

The year-on-year increase in operating revenues in 2016 was primarily due to the favourable growth of operations both in traffic – growing by 5.6%, and by the recovery of certain airports after years of stagnation; airport revenues increased by 8.2%.

The year-on-year growth in other operating revenues was due to the provision of compensation for costs associated with providing air navigation services to flights exempted from the full amount of fees in comparison with previous years.

4.2.2 Financial revenues

FINANCIAL REVENUES (CZK thousands)	at 31 December 2016	at 31 December 2015
Income from interest	17,016	27,027
Exchange rate gains	24,575	0
Other financial revenues	212	937
TOTAL FINANCIAL REVENUES	41,803	27,964

5 Employees, Company Management and Statutory Bodies

The average number of employees and managers and personnel costs for the reporting years of 2016 and 2015 are as follows:

(CZK thousands)	Employees		Company management		Total	
	2016	2015	2016	2015	2016	2015
Number (FTE)	898	887	19	20	917	907
Payroll costs	1,590,267	1,435,929	85,355	84,173	1,675,622	1,520,102
Social security and health insurance premiums	389,892	363,873	14,611	14,730	404,503	378,603
Other personnel costs	61,221	57,391	4,750	4,538	65,971	61,929
TOTAL PERSONNEL COSTS	2,041,380	1,857,193	104,716	103,441	2,146,096	1,960,634

The term company management means the Director General of the company, division directors, section deputies and the supervisor of the separate centre. Capital insurance and contributions to pension and life insurance were paid for members of management in accordance with the collective agreement. Members of management were also granted the use of official vehicles for private purposes.

The Supervisory Board of the company has 6 members, 4 are appointed by the founder, 2 are elected from among the employees. Members of the Supervisory Board do not receive any compensation or other benefits for discharging their position. The Audit Committee has 3 members. Members of the committee did not receive any compensation for their position in 2016.

6 Information on Affiliated Companies

Air Navigation Services of the Czech Republic (hereinafter “company”) is a state enterprise. The founder of the company is the Czech Republic – Ministry of Transport, nábřeží Ludvíka Svobody 1222/12, 110 15 Prague 1.

In addition to companies with equity participation, affiliated companies are those with the equity participation of the Czech Republic through state authorities (ministries). All transactions between the company and affiliated companies were conducted under normal market conditions.

An affiliated company is the subsidiary Czech Aviation Training Centre, Ltd. (hereinafter CATC), of which the company has a 100% stake.

The volume of business costs from transactions with affiliated companies in 2016 amounted to 153,352,000 CZK. These are transactions where the volume is greater than 1 mil. CZK for one supplier in 2016. These suppliers – affiliated companies – according to this definition are Czech Hydrometeorological Institute, Czech Civil Aviation Authority, the airports of Ostrava and Prague, Czech Aeroholding Inc., CATC, Czech Airlines Handling Inc., FABCE Ltd., Institute of Aviation Medicine, Czech Airlines Inc., and Czech Telecommunications Authority.

The total volume of payables of the company (only those due) to the affiliated companies stated here was 348,000 CZK at 31 December 2016.

The volume of company revenues from transactions with affiliated companies in 2016 amounted to 132,599,000 CZK. These were transactions where the volume is greater than 1 million CZK for one customer in 2016. The customers – affiliated companies – according to this definition are Czech Airlines, Ministry of Transport, Ministry of Defense, CATC, Czech Hydrometeorological Institute, Moravian-Silesian Region and Czech Civil Aviation Authority. The total volume of receivables for the company from the affiliated companies stated here was 9,536,000 CZK at 31 December 2015.

In 2016, ANS CR obtained compensation from the state budget for costs incurred by the company in connection with the provision of services for flights exempted from charges in the aggregate amount of 70,881,000 CZK. This compensation is provided to ANSPs in accordance with European Commission Regulation 1794/2006 of 6 December 2006 as amended, laying down a common charging scheme for air navigation services on the basis of CR Government Resolution 1404 of 11 February 2005.

7 Going Concern Principle of the Company

ANS CR is a stable, reliable and predictable part of civil aviation in the Czech Republic, actively supporting its further dynamic development, while at the same time being a self-assured element of European integration and liberalization processes in the ATM environment. Being part of this framework will further increase its overall value and competitiveness. Single European Sky, referred to as SES, is an important initiative of the European Commission in the field of air transport. The main goal of SES is to improve safety standards for air operations, ensuring the sustainable development of the air transport system and improvements in the overall performance of air traffic management and air navigation services for general air traffic in Europe, and to meet the requirements of all airspace users.

In 2016 we saw the second year of the successful implementation of the performance plan drawn up in accordance with the policies of SES for the second reference period, i.e. for 2015–2019. The performance plan sets out the parameters of the sustainable development of the company for the purpose of providing cost-effective air navigation services, while maintaining the financial stability of the company. The objectives set out for the company in the performance plan were met in the second year of the second reference period. The financial situation is stable. The company has long been able to settle all its obligations related to ensuring its activities and all its obligations to the state budget. The Financial Statements at 31 December 2016 have therefore been compiled with the assumption of the company continuing to operate for an unlimited period of time.

8 Events that Occurred after the Balance Sheet Date

No significant subsequent events not recorded in the financial statements have occurred since the reference date of the

financial statements that would have a significant impact on the amount of assets and liabilities of the company.

9 Risk Management

Credit risks – as of 31 December 2016 the company was not exposed to any significant credit risks. Financial assets consist primarily of cash deposits at banks and receivables. Cash deposits are made at reputable banking institutions. Risks associated with trade receivables are limited thanks to the large number of customers for air navigation services. The risks associated with receivables is further reduced by the effective recovery system used by the European Agency for the Safety of Air Navigation (EUROCONTROL), which ensures a more than 99% recovery rate of receivables.

Currency risks – the company is protected against significant fluctuations in the exchange rate on the date of billing services thanks to the mechanism of the monthly conversion of the reference unit price of air navigation services by the current exchange rate. The sensitivity of the company’s exposure to currency (exchange rate) risks is reduced through this mechanism.

10 Liabilities not Stated in the Books

Litigation – no litigation was brought against the company as of 31 December 2016 that could have a significant impact on the financial statements.

to environmental protection that could have a significant impact on the financial statements.

Environmental liabilities – all standards related to environmental protection are complied with and no proceedings are being taken against the company relating

Bank guarantees – during 2016, the company provided bank guarantees to foreign customers in connection with the commercial activities of the Aviation School (CANI). An overview of the bank guarantees is as follows:

BANK GUARANTEES FOR	Guarantee valid	Amount and currency
Sakaeronavigatsia Ltd., Georgia	13 May 2015–31 Jan. 2016	3,845 EUR
Prishtina Int. airport, Kosovo	16 Oct. 2015–15 Nov. 2018	12,762 EUR
I’ONDA, Morocco	2 Dec. 2015–19 March 2016	180,000 MAD
Sakaeronavigatsia Ltd., Georgia	26 Feb. 2016–7 Feb. 2017	3,756 EUR
Uzaeronavigatsiya, Uzbekistan	17 May 2016–31 Oct. 2016	7,000 EUR
Agencija za pružanje usluga u zračnoj plovidbi Bosne i Hercegovine, Bosnia and Hercegovina	16 Nov. 2016–20 March 2017	114,150 EUR

11 Cash Flow Statement

The cash flow statement has been prepared using the indirect method and is published in a separate statement. Considered as cash resources are cash, including valuables, and cash equivalents in accounts, including overdrafts. Company assets do not include any cash equivalents.



Acknowledgements of the Author's Illustrations



PETR DUŠÁK

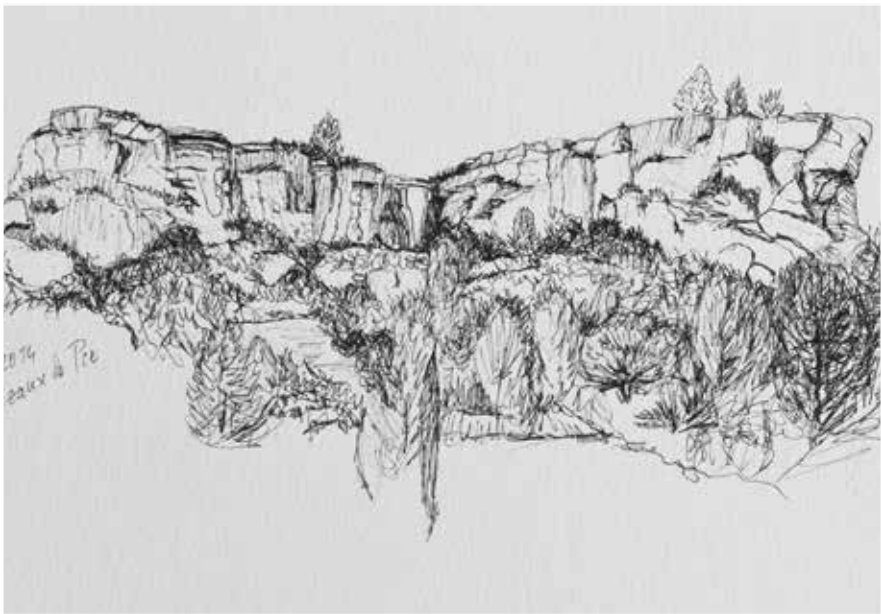
Petr Dušák has been an employee of Air Navigation Services of the Czech Republic since 1997. He works in the NOTAM International Office as an AIS specialist. The office manages a database of foreign and Czech NOTAMs and a library of aeronautical publications and it is responsible for issuing Czech NOTAMs in English and their distribution.

He began painting completely by accident. In 1988, he immigrated to the United States to travel and learn about new things, which the regime frowned upon at that time. After studying at the Secondary Vocational School of Surveying, he found a job at a surveying company. For one order, to sketch some piping, he drew one of his colleagues whilst at work. He was so pleased with the drawing that he took it to his sister, an

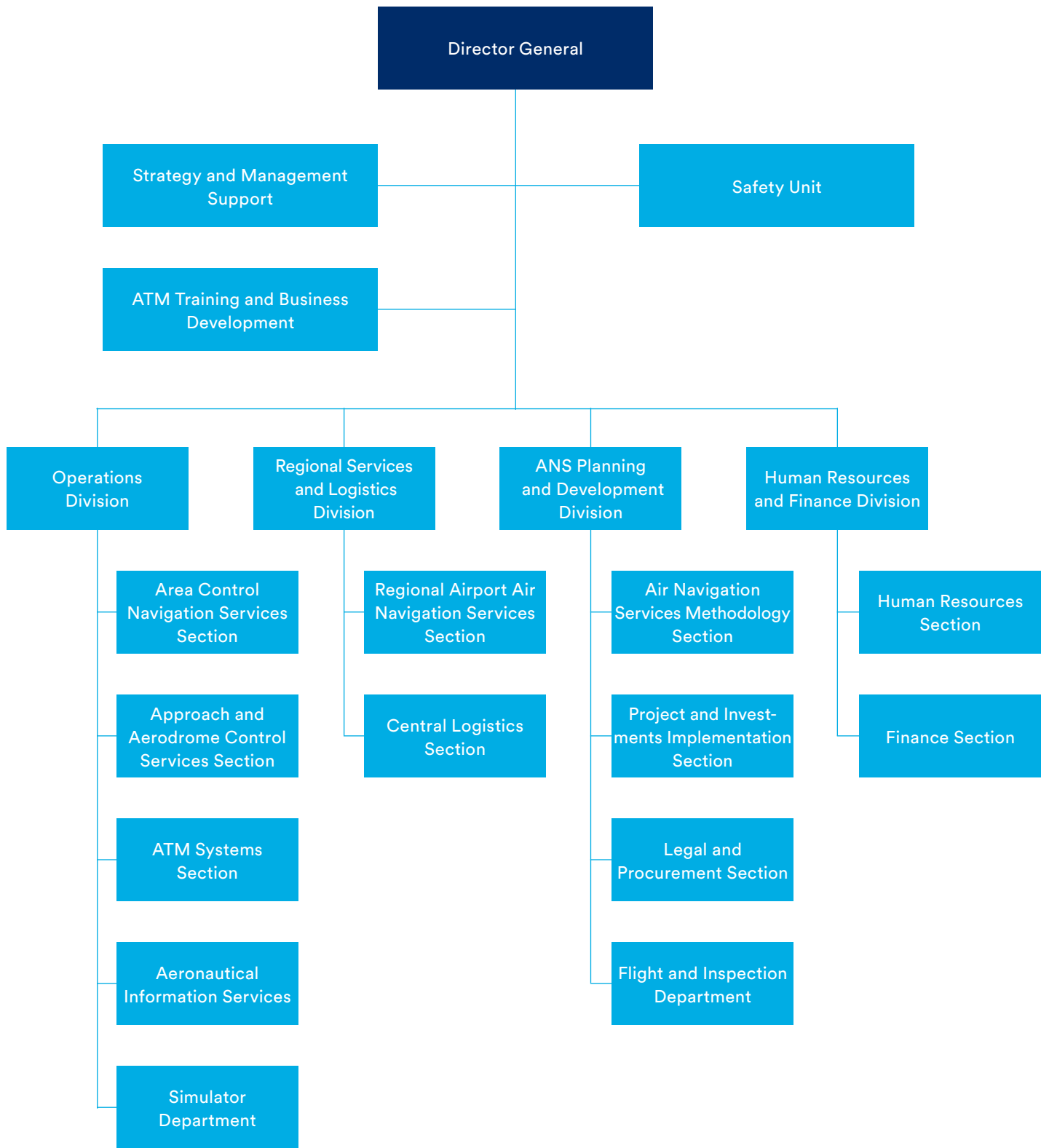
academy-trained painter, and she offered Mr. Dušák a place on one of her courses. Since that time, Mr. Dušák has been painting and drawing intensively with a variety of themes (nature, portraits, travelling). His paintings are based on actual artwork or photographs and painting became his favoured hobby in addition to traveling and sports.

His favourite painting is usually the last one he painted (see the portrait of a girl below).

Life motto: Reason has its limits, but narrow-mindedness is unlimited.



Organizational Structure Scheme



List of Abbreviations

ACC	Area Control Centre	LKKV	Karlovy Vary Airport
ACyFT	Aircraft	LKMT	Ostrava – Mošnov Airport
AFTN	Aeronautical Fixed Telecommunication Network	LKPR	Prague Airport
AIC	Aeronautical Information Circular	LKTB	Brno –Tuřany Airport
AIP	Aeronautical Information Publication	LLZ	Localizer
ANS	Air Navigation Services	LNS	Air Navigation Services
APP	Approach Control	LTS	Air Telecommunication Service
ARO	Air Traffic Services Reporting Office	MSSR	Monopulse Secondary Surveillance Radar
ATC	Air Traffic Control	MTOW	Maximum Take-Off Weight
ATCA	Air Traffic Control Association	NAV	Navigator
ATCO	Air Traffic Control Officer	NAVCOM	Navigation/Communication
ATIS	Automatic Terminal Information Service	NDB	Nondirectional Radio Beacon
ATM	Air Traffic Management	NM	Network Manager
ATMS	Air Traffic Management Systems	NMOC	Network Manager Operation Centre
ATPL (A)	Airline Transport Pilot Licence (Airplanes)	NOTAM	Notice to Airmen
ATS	Air Traffic Services	OJT	On-the-job Training
BCN	Beacon	OPMET	Operational Meteorological Information
BO	Briefing Officer	PRE-OJT	Pre-On-the-job Training
CAA	Civil Aviation Authority	RCC	Rescue Coordination Centre
CANSO	Civil Air Navigation Services Organisation	RCOM	Radiocommunication
CAPA CEATS ANS	Providers Association	RIS	Radiocommunications Radar and Information Systems
CAPS CEATS ANS	Providers Support	RMCDE	Radar Message Conversion and Distribution Equipment
CEATS	Central European Air Traffic Services	RRR	Radar Record and Replay
CFL	Cleared Flight Level	RSR	En-route Surveillance Radar
CISM	Critical Incident Stress Management	RVSM	Reduced Vertical Separation Minimum
CMOS	Central Monitoring and Control System	RWY	Runway
CNS	Communications/Navigation/ Surveillance	SAT	Site Acceptance Test
COM	Communications	SC	Senior Controller
CRCO	Central Route Charges Office	SES	Single European Sky
CPDLC	Controller-Pilot Data Link Communication	SID	Standard Departure
CTA	Control Area	SIMU	Chart – Instrument Simulator
CTR	Control Zone	SMC	Surface Movement Control
DCT	Direct Routes	SSR	Secondary Surveillance Radar
CZATCA	Czech Air Traffic Control Association	STAR	Standard Arrival
DG	Director General	SU	Service Unit
DME	Distance Measuring Equipment	TAR	Terminal Area Surveillance Radar
DPS	Data Processing Systems	TMA	Terminal Control Area
E2000	EUROCAT 2000 – ATM System	TWR	Aerodrome Control Tower
EATMP	European Air Traffic Management Programme	UAC	Upper Area Control Centre
EC	European Commission	UHF	Ultra High Frequency
ECAC	European Civil Aviation Conference	UIR	Upper Flight Information Region
ESUP	EUROCAT Support	VCS	Voice Communication System
EUROCONTROL	European Organisation for the Safety of Air Navigation	VFR	Visual Flight Rules
FAT	Factory Acceptance Test	VHF	Very High Frequency
FIR	Flight Information Region	VOR	VHF Omnidirectional Radio Range
FL	Flight Level	WS	Watch Supervisor
FTO	Flight Training Organisation	Incident	Event in air operation other than an air accident
FUA	Flexible Use of Airspace	Instructor	Air traffic controller responsible for proposal and requirements for new ATS systems and procedures. Checks their practical application. Prepares training documentation for ATS personnel.
GHG	Greenhouse Gas		
HMI	Human-Machine Interface		
IATA	International Air Transport Association		
IATCC	Prague National Integrated Air Traffic Control Centre		
ICAO	International Civil Aviation Organization		
IDP	Information Display Processor		
IFR	Instrument Flight Rules		
ILS	Instrument Landing System		
IPT	IP Telephone Exchange		
IR	Instrument Rating		
ISO	International Standards Organization		
ISQMS	Integrated Safety and Quality Management System		
JAA	Joint Aviation Authorities		
JAR	Joint Aviation Requirements		
L	Rules and Regulations in the Czech Language		
LIS	Astronautical Information Service		

Contact Information

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Company ID number: 49710371
Tax ID number: CZ49710371
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Bank account: ČSOB Praha 5, bank account number: 88153/0300
E-mail: ans@ans.cz
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Art of Safe Communication



Air Navigation Services
of the Czech Republic