



Air Navigation Services
of the Czech Republic

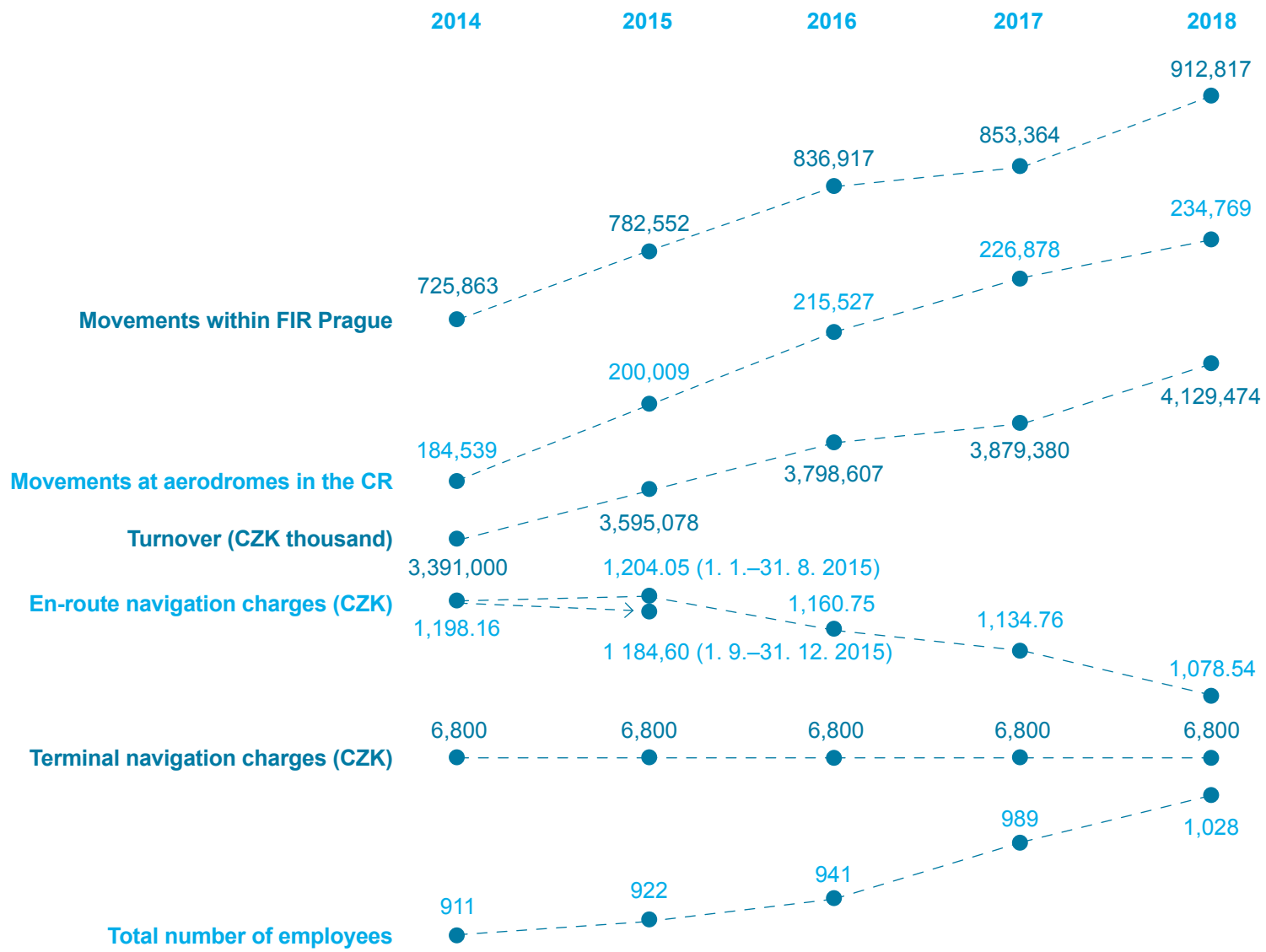
Annual Report 2018

a thousand stories, team success

Content

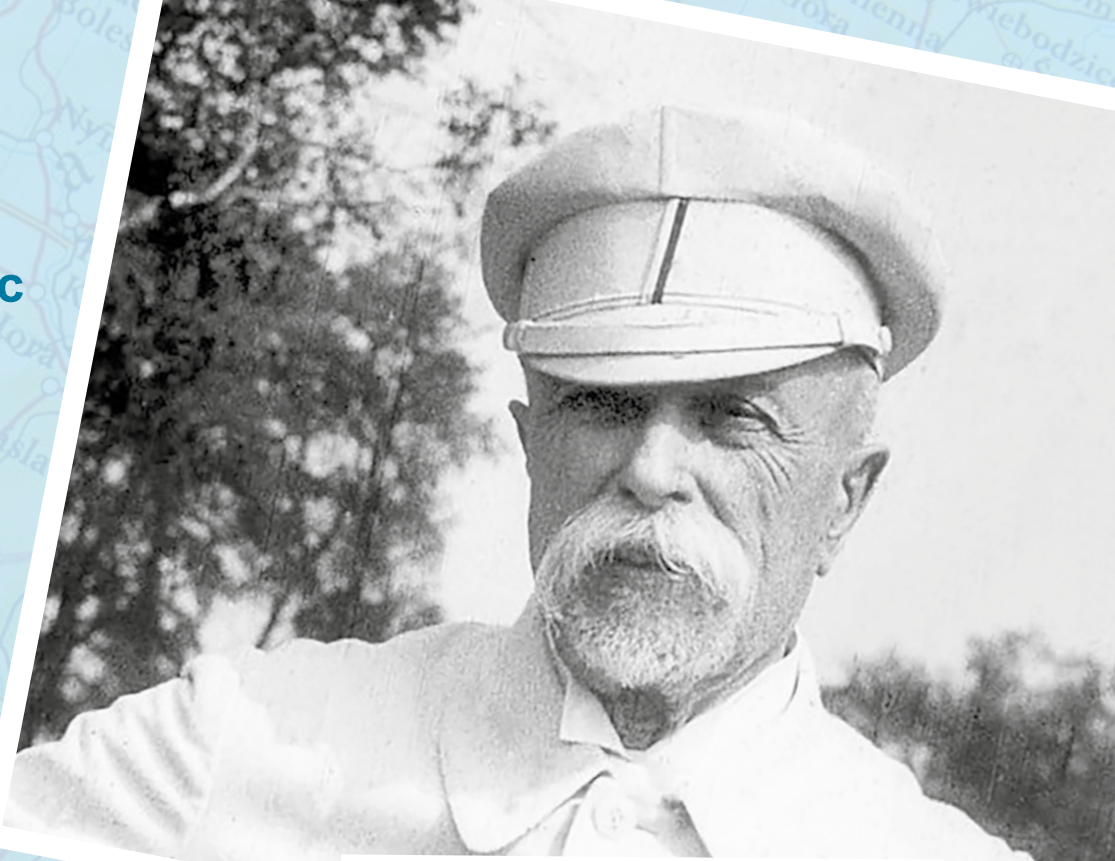
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Selected Performance Indicators



100 years of the Czechoslovak Republic
1918-2018

„The air is our sea“,
Tomas Garrigue Masaryk,
the first president
of the Czechoslovak Republic



A word from the Director General

Dear Ladies and Gentlemen and Friends,

It will probably not surprise you if I start my opening message for this annual report by commemorating the significant 100th anniversary of the establishment of the independent Czechoslovak Republic which occurred during 1918. The geographical delimitations and political agreements after the First World War deprived a young state access to the sea. This could be the reason first President Tomáš Garrigue Masaryk declared his vision „the air is our sea“. Exactly one hundred years later, in 2018, the power and truthfulness of his words have manifested themselves in full. Czech airspace has become a natural connection and intersection of flight routes between Western and Eastern Europe, as well as further east to Asia.

Civil aviation is in good shape and all its associated services are developing dynamically, including air navigation services. Although the message is positive, 2018, and especially the summer season, became a milestone that clearly demonstrated that without major systemic changes, the European air traffic management system will not be able to satisfactorily cope with further growth in the near future. Czech air traffic controllers, with support of all other departments within the company, successfully coped with the increase, with the customer's interest up to 8% year-on-year. Again, they showed a high level of professionalism and commitment that I greatly appreciate. At the same time, collectively, they were able to manage the congested air space above Germany and thus contributed to better results in terms of the pan-European air traffic management system. More than 912,000 flights were provided with the highest level of security that meets and exceeds the stringent requirements of air carriers and the regulatory authorities.

Of course, operating performance is also reflected in the company's results. This has allowed us, as always, to meet and exceed the economic indicators that were set by our founder, the Ministry of Transport of the Czech Republic. At the

same time, our economic success translates to commitment, and I am pleased that in 2018 the company was able to devote the highest amount of funds in its history, to help the needy, and support education, amateur and professional sports, and medical research.

I am convinced that one of the positive aspects that contributed to these results was the introduction of a new organizational structure of the company. This change has contributed to better relationships within and between business units, while providing a range of young managerial talents. In 2018, we also adopted and started implementing an updated business strategy to extend to 2025. We are thus preparing for the new rules of operation in Europe that define a significant part of air traffic management services as a market in which every provider must find and defend its place.

The operational outlook for 2019 is another challenge for our company to prepare for. We will be able to cope with further traffic growth, but only to the extent that we will not be directed to a price trap with negative consequences for our operations in the coming years. From a Czech perspective, it will be necessary to start stronger and be more consistent in the enforcement of our legitimate interests.

Taking into account the additional capacity requirements and the unsatisfactory state of European regulation of air traffic services, especially in pricing, the need for a fundamental solution to European airspace architecture and the change of illogical pricing principles for our services is at the forefront. I can assure you that in 2019 our company and I will actively promote these changes.

Of course, our preparation always starts at home. Therefore, the company's top priority remains intensive training for new air traffic controllers and further progress in the deployment of modern technology. We will also be working intensively on creating a national strategy for using drones and integrating them into a standard air traffic system, launched in 2018 under the title „Smart Sky“.

One hundred years ago, President Masaryk believed in the ability and determination of the Czech and Slovak peoples, who in a short time established Czechoslovakia as one of the most developed states in the world. The same qualities demonstrated by our employees are behind today's success and recognition domestically and internationally. For this effort, in addition to the effort from all our external partners, I offer my sincere thanks and respect.

I believe that this annual report will provide you with the best possible overview of ANS CR activities during 2018.

Jan Klas
Director General



Selected Events

JANUARY

- The new organizational structure of ANS CR came into effect on 1 January 2018.
- As part of the registration of ANS CR and CATC as one entity for VAT purpose, one tax identification number was allocated for both companies – CZ699004742.
- On 13 January, the 10th seminar for civil aviation was organized at IATCC Prague.
- On 18 January, a meeting of the FAB CE CEO Committee was held in Prague; the subject of which was sharing of airspace capacity of neighbouring countries and creation of a single price area for en-route services.

FEBRUARY

- The Najbrt studio presented a design of a new calibration aircraft.

MARCH

- Signing the Just Culture and FRMS (Fatigue Risk Management System) memorandums.
- From 6–8 March, the World ATM Congress took place in Madrid – attended by representatives from ANS CR and CANI.
- On 28 March, bilateral negotiations between the Czech Republic and IATA took place in IATCC Prague. Also present were the representatives of the Ministry of Transport of CR and Civil Aviation Authority. The subjects of the meetings included: the development of charges, the distribution of en-route and terminal charges, the company structure of personnel and the participation of personnel in activities connected directly with service provision.

APRIL

- During 7-8 April, interdepartmental exercises – HRADBA 2018 organized by the Army of the Czech Republic, took place on the premises of IATCC Prague.
- On 12 April, the second meeting of FAB CE Social Dialogue was held in IATCC, chaired by ANS CR Director General.
- Based on the decision of the Minister of Transport, personal changes were made to the Statutory Board. Milan Feranec and Roman Kubíček were renounced on 15 April 2018 and new members – Zdeněk Jelínek and Stanislav Pleninger were appointed.
- On 24 April, a meeting of the FAB CE CEO Committee was held in IATCC Jeneč, where Jan Klas handed over the presidency of this governing body to another member country (Bosnia and Herzegovina).

MAY

- Signing of memorandum “Integration and Detection of Unmanned Systems in the CR” between ANS CR and The Military Technical Institute.
- On 12 May, CATC participated in the Pilot Careers Live fair in Madrid to reach to young people who aspire to be professional pilots.
- On 15 May, a representative of ANS CR attended a meeting of “Comenius Round Table” where the successful cooperation with the defence department within the civil-military integration of air navigation services and regarding interaction of the company with security forces during drone detection and integration was reported.
- On 24 May, Jan Klas was elected as chairman of the CANSO CEO Committee (The Europe CANSO CEO Committee – EC3).

JUNE

- The launch of a new “Boss Online” application through which employees can share their personal opinions or address specific issues directly with the Director General.
- Signing of a framework agreement between ANS CR and the air navigation services provider in Malta (MATS) for three years of training for 70 air traffic controllers from Malta.
- On 23 June, an Open Day event was held at CATC to bring training programs to the public and those interested in flying.

JULY

- In July the highest number of movements was recorded; 97,654, which is a 8.5% increase in comparison to the previous year.
- On 10 July, young students from the Children’s Czech Technical University visited IATCC Prague.

AUGUST

- During 7–8 August, representatives of Thai air navigation services provider – AEROTHAI visited ANS CR to gain experience in multilateration for the implementation at sixteen Thai airports.
- Signing of an agreement with AVINOR to provide entry training for air navigation controllers.

SEPTEMBER

- On 19 September, a new intranet application - Safety Portal - was launched in cooperation with MIS.
- During 15-16 September, the NATO Days & Air Force of the Czech Army Days at Ostrava took place.

OCTOBER

- On 11 October, “TRANSPORT 2018+ ... Another 100 Years in Motion” conference was held in the TOP Hotel in Prague; Jan Klas participated on the aviation panel.
- On 24 October, the 16th Annual Meeting with Air Carriers took place at IATCC Prague.

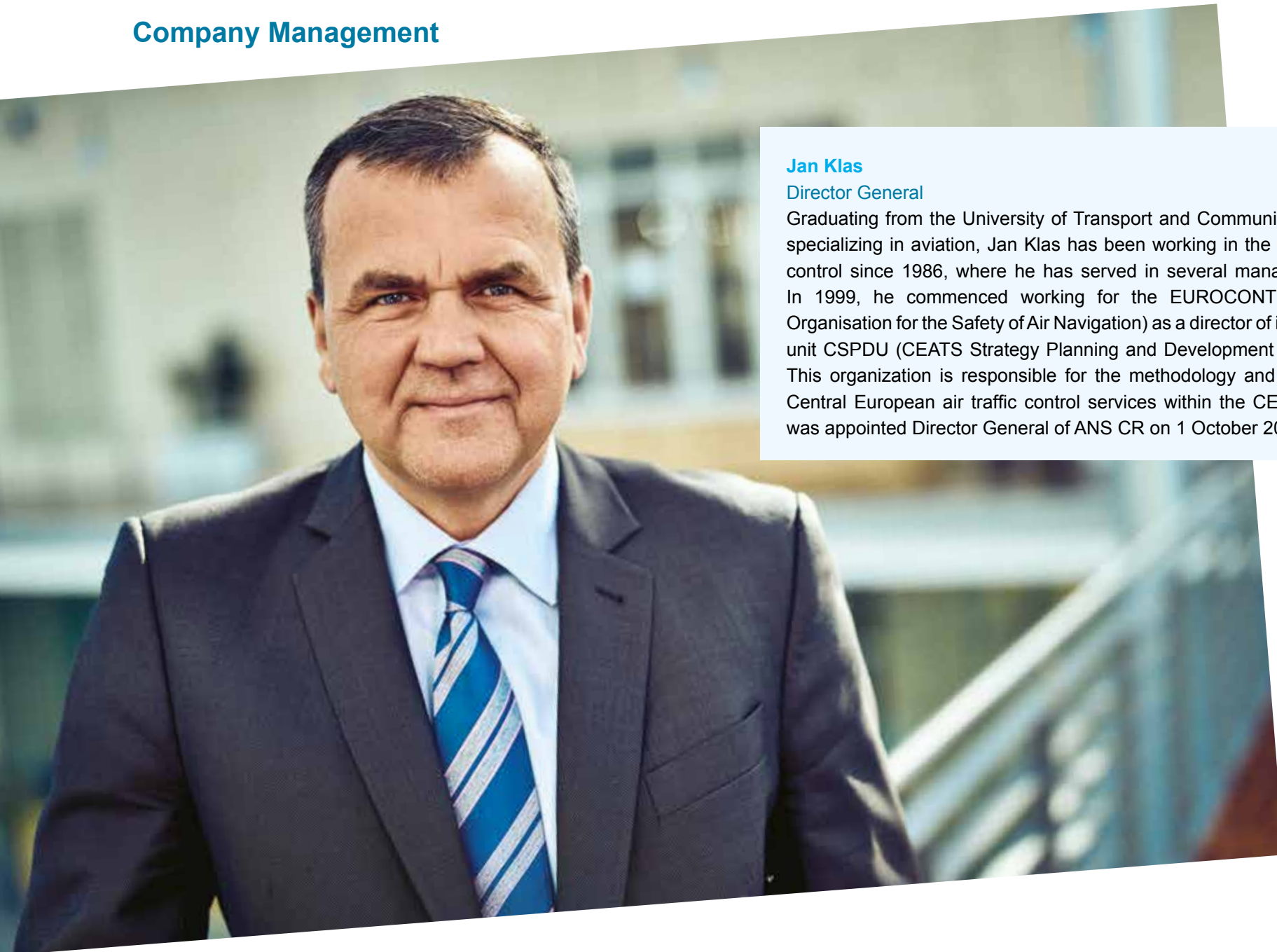
NOVEMBER

- On 3 November, Career Day took place at CATC organized by CATS together with Travel Service Smart Wings.
- A recruitment team from ANS CR participated in Profesia Days job fair.
- At the beginning of November, two projects (Extended AMAN in the Czech Airspace and Traffic Complexity Tool) were successfully completed, where ANS CR enrolled into the European programme SESAR Deployment within Call 2015.

DECEMBER

- On 11 December, representatives of ANS CR took over a new calibration aircraft Beechcraft King Air 350 for provision of flight validation services at Braunschweig airport.
- On 21 December, a Vietnamese delegation from Vietnam Air Traffic Management visited IATCC Prague.

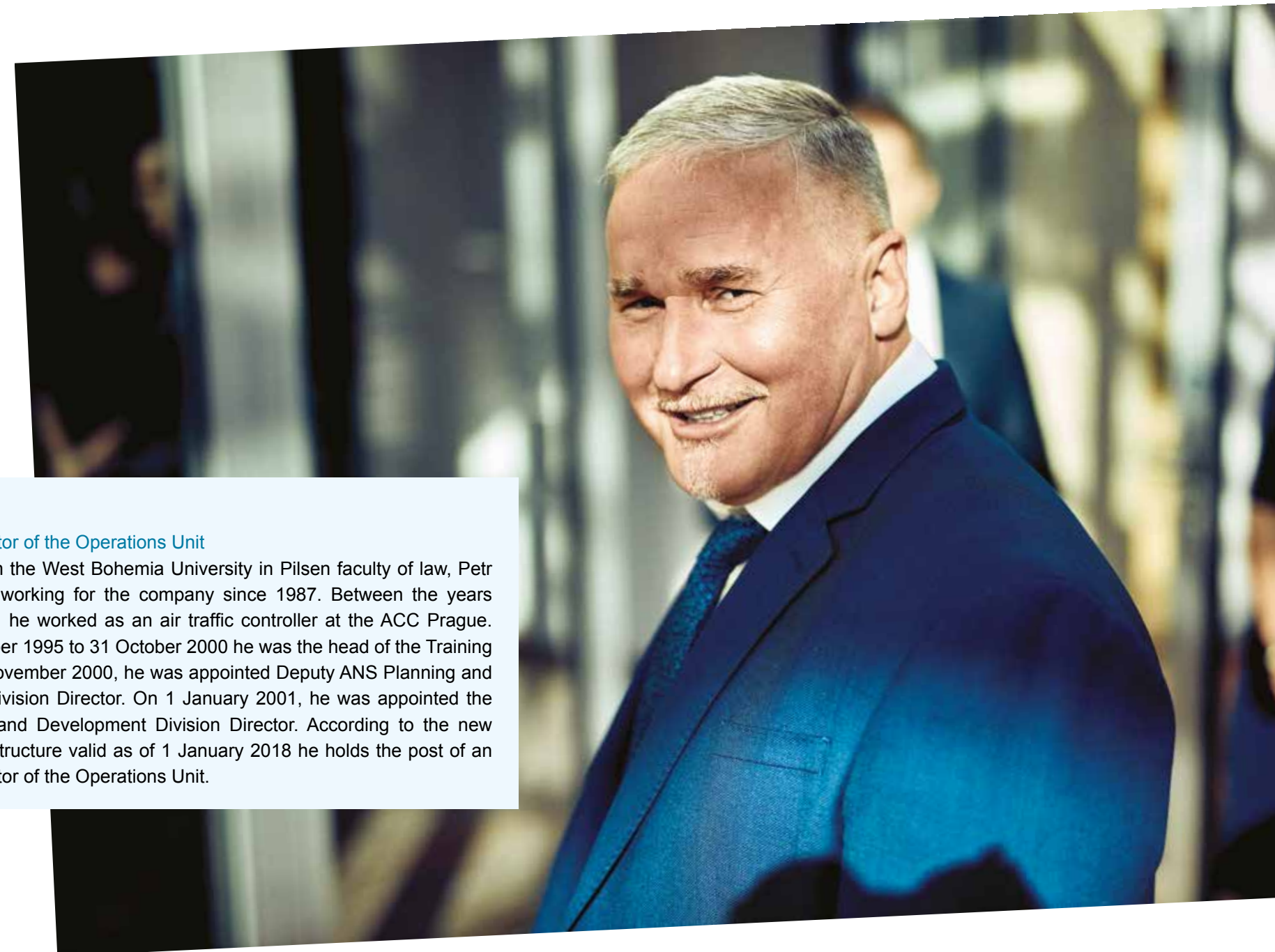
Company Management



Jan Klas

Director General

Graduating from the University of Transport and Communications in Žilina, specializing in aviation, Jan Klas has been working in the field of air traffic control since 1986, where he has served in several managerial positions. In 1999, he commenced 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. This organization is responsible for the methodology and development of Central European air traffic control services within the CEATS project. He was appointed Director General of ANS CR on 1 October 2007.



Petr Fajtl

Executive Director of the Operations Unit

Graduating from the West Bohemia University in Pilsen faculty of law, Petr Fajtl has been working for the company since 1987. Between the years 1987 and 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. On 1 January 2001, he was appointed the ANS Planning and Development Division Director. According to the new organizational structure valid as of 1 January 2018 he holds the post of an Executive Director of the Operations Unit.



Miloslava Mezerová

Executive Director of the Finance and Administration Unit

After graduating from the University of Economics, Faculty of Commerce, Miloslava Mezerová worked for an overseas 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. From 1 January 2012, she managed the Human Resources and Finance Division. According to the new organizational structure valid as of 1 January 2018, she holds the post of an Executive Director of the Finance and Administration Unit.



Jana Navrátilová

Executive Director of the ATM Training and Business Unit

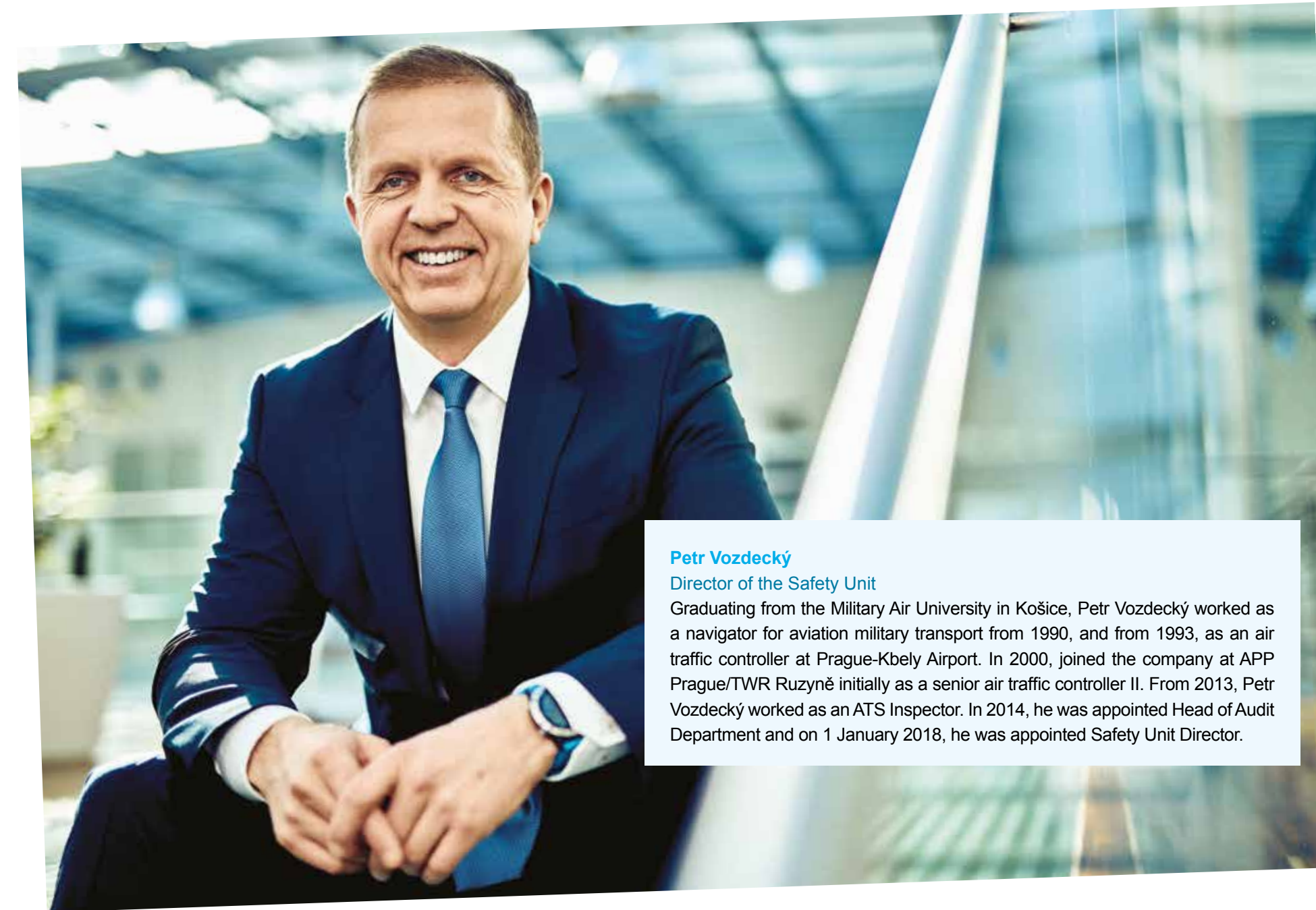
Graduating from University of Economics, Prague - the International Trade, Logistics, International Transport and Forwarding Programme, she has been working for ANS CR since 2000. In 2002, she was appointed the role of Head of the Investment Department, and in 2008, as a Deputy Director of the Planning and Development Division at the ANS training centre. On 1 January 2016 she was appointed Director of CANI and Business Development. According to the new organizational structure valid as of 1 January 2018 she holds the post of an Executive Director of the ATM Training and Business Unit.



Luboš Hlinovský, MBA

Director of the Strategy and Management Support Unit

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



Petr Vozdecký

Director of the Safety Unit

Graduating from the Military Air University in Košice, Petr Vozdecký worked as a navigator for aviation military transport from 1990, and from 1993, as an air traffic controller at Prague-Kbely Airport. In 2000, joined the company at APP Prague/TWR Ruzyně initially as a senior air traffic controller II. From 2013, Petr Vozdecký worked as an ATS Inspector. In 2014, he was appointed Head of Audit Department and on 1 January 2018, he was appointed Safety Unit Director.

Supervisory Board

Magdalena Faltýsková

Chairwoman of the Supervisory Board

Zdeněk Jelínek

Supervisory Board Member

Stanislav Pleninger, Ph.D.

Supervisory Board Member

Brigade General Petr Hromek

Supervisory Board Member

Milan Vondra

Supervisory Board Member

Petr Kolomazník

Supervisory Board Member



Radek

Methodical Specialist

I work in the Aeronautical Information Management (AIM) section as a Methodical Specialist and Quality Manager. My role is to ensure the quality of aeronautical data and information, including the provision of synergies for external and internal audits, the implementation of ADQ (Aeronautical Data Quality), and the maintenance and development of a quality management system. I also represent our company in several international working groups in the field of AIM. I regularly organize cross-country races within the ANS CR. The biggest achievement of our team to date was second place at the Birell Prague Grand Prix in 2016.



Company Profile

Air traffic and the associated provision of air navigation services have endured dynamic development with a dramatic increase in demands on capacity and a decrease of prices for provided services. One of the major factors influencing the activities of the company is the legislative environment generated from the European Commission in the form of a transnational regulator. It supports cooperation with other providers of air navigation services, and simultaneously competition. New rules of operation define ATM services as a market, in which every service provider has to find its own position.

In this environment, the state enterprise, Air Navigation Services of the Czech Republic, has been developed as a reliable and dynamically developing component of the air navigation services field. The characteristics of the company's mission and its ambitious vision are also reflected in the ethical values where respect and promotion create the corporate culture.

History

The Air Navigation Services of the Czech Republic (ANS CR) was founded on 1 January 1995, under the resolution of the Minister of Transport and Communications dated 28 December 1994. ANS CR is recorded 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, high quality and cost effective air navigation services in accordance with our customer's expectations both at a national level and in the context of ATM development in Europe.

Vision

ANS CR is a dynamic, stable and reliable, socially responsible and sustainably developing component of civil aviation in the Czech Republic, actively contributing to its further development. At the same time, it is a self-confident element of the integration and liberalization processes in European ATM environment, where its overall value and competitive ability will further increase. In order to participate in the liberalization processes effectively and actively, the company strives to achieve the standards best suited to international integration efforts.

Policy

The fundamental rule of the company is to create and develop an environment which is in agreement with the mission and vision of the company. This environment is regularly evaluated and the gleaned experience is used to its continuous improvement.

Our policy in the following areas stems from the company values, which include professionalism, emphasis on vital skills, customer orientation, success and innovation. To satisfy this policy, sufficient resources are provided and best practices are observed.

Safety

- The highest priority in air navigation services provision is the continuous improvement in safety and the minimization of the company's contribution to risk of air accident.
- Safety enhancement is heightened via Occurrence Reporting Systems; with respect to Just Culture rules.
- The aim of Occurrence Investigation is not to apportion blame, but to find root causes to allow the application of effective measures to prevent recurrence. Thus, the system's resistance to undesirable occurrences increases.

- The level of company safety culture is continuously increased while the participation of all employees and other interested parties in safety improvement is actively supported.

Performance and Effectiveness

- Through the optimization of airspace and the implementation of new operational concepts and procedures in ATM, the company has increased the attractiveness of airspace in the Czech Republic. And at the same time, the company can ensure the capacity needed to provide air navigation services with a high level of safety and minimum delay in accordance with the European commission performance targets and customers' requirements.
- In accordance with customers' expectations, the cost-effectiveness of the air navigation services provided has increased.

Environmental Protection

- Environmental issues are solved pro-actively both in the field of air navigation services provision and in additional company activities. We endeavour to minimize the negative impact on the environment.

Security

- We manage security risks and protect all company assets against acts of unlawful interference.
- Regarding the national critical information infrastructure, the company takes an active approach in issues of information and cyber security.
- Security measures are set to correspond to current threats to the national and international legislation requirements, and to security standards and domain best practice.
- We co-ordinate our security activities with the Czech Republic Police, the Czech Republic Armed Forces, the Fire Rescue Service of the Czech Republic and other government institutions.

Customer and Partnership Approach

- The maximum fulfilment of customers' expectations.
- All services are provided in an open non-discrimination manner.
- Relationships with customers and suppliers are built upon mutual trust.
- Co-operation with partners is built upon mutually beneficial conditions.

Human Resources Management

- Recruitment, training and development of operational personnel are priorities.
- The creation of a professional, stable and prestigious working environment.
- Building an attractive employer brand to succeed within the job market for quality personnel.
- The systemic improvement in the awareness of the following issues: safety, company assets protection and environmental protection, making them an integral part of the thinking, behaviour and work habits of all employees.
- Social harmony, employee involvement and the cooperation within working and personal lives.
- Dialog with all social groups across the company.

Systemic and Process Approach

- The continuous improvement of the integrated management system, focused on balanced and sustainable development of the company.
- The integrated management system includes a safety management system, a quality management system, an environmental management system and a security and information security management system. In each of these fields lie responsibilities and powers defined both on managerial and individual levels.
- Systemic monitoring, participation in defining regulations and the fulfilment of the requirements of national and international legislation and further requirements related to company activities.

Monitoring, Measurement and Review

- In accordance with recommended standards, the integrated management system is regularly reviewed.
- Key processes are documented, monitored, measured and assessed. Based on these factors, their effectiveness and performance is subsequently increased.

Strategic Targets

The essence and mission of the company is to provide safe, cost-effective and sustainable air navigation services. In fulfilling this mission, the company has developed as a reliable and dynamically developing element in the field of air navigation services. The company's mission and ambitious vision are also reflected in its ethical values. By respecting and maintaining these values a corporate culture has been created. Mission, vision and values are the pillars which form the basis of our corporate strategy.

- The provision and development of air navigation services
- A first-rate ATM infrastructure
- The continuous strengthening of commercial activities in the field of training and consultation within foreign markets
- Partnership development on national and international levels

Main Scope of Activities

The scope of ANS CR activities include:

- The provision of air navigation services in the Czech airspace at Prague, Brno, Ostrava and Karlovy Vary airports,
- Air traffic flow management,
- Organization and management of airspace use,
- The provision of search and rescue services,
- The provision of aeronautical information service,

- Securing of operation and maintenance of the infrastructure for services provision,
- The organization and management of specialized training and education for employees of ANS CR in the Czech Air Navigation Institute (CANI), and
- Flight inspection services.

Our Main Customers

In 2018, the main users of ANS CR services were the following airlines: Lufthansa, Emirates, Ryanair, Qatar Airways, Wizz Air, Turkish Airlines, Smartwings, ČSA Czech Airlines, EasyJet, British Airways, Austrian Airlines, Etihad Airways, KLM, Eurowings and Aeroflot.

Our Main Partners and Suppliers

Our main partners and suppliers notably include: Ifield Computer Consultancy Ltd., THALES LAS FRANCE S.A.S., CS SOFT a. s., AERODATA AG, the Czech Hydrometeorological Institute, O2 Czech Republic, a.s., ERA a. s., ČSOB a. s., Komerční banka, a. s., The Civil Aviation Authority, Czech Republic, ERA a.s., TECHNISERV s.r.o., Indra Navia, a. s. 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 to customer orientation during the provision of air navigation services. ANS CR is represented in thirteen CANSO work groups at global level and in sixteen work groups at 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 and finance, etc.

- ATCA (Air Traffic Control Association, Inc.) based in Arlington, Virginia (USA), since 1995. This association aims to promote the further development of civil aviation, particularly in the provision of air navigation services.
- ALV (Association of Aviation Manufacturers of the CR), which aims to effectively promote the development of the Czech aviation industry as a strategic sector with strong influence within other fields.
- The Czech Chamber of Commerce, since 2009. The Chamber is a body representing the Czech business community which protects the interests of its members associated in the regional network of chambers and incorporated trade associations. The main mission of the Chamber is to create entrepreneurial opportunities and to promote and support measures that contribute to entrepreneurship in the Czech Republic and thus to the overall economic stability of the country.
- The International Chamber of Commerce of the Czech Republic, since 2009. The mission of the ICC in the Czech Republic is to assist Czech enterprises and other companies with their integration into global activities through this prestigious organization. Within its activities, the ICC CR actively cooperates in the consideration on matters directed from the ICC headquarters and influences such an agenda to correspond with the interests of its members.
- GNSS Centre of Excellence Association, 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). It also serves as an incubator for entrepreneurial activities connected with the usage of the Galileo global traffic system. 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 and implements projects in areas of human resources management and aviation education, and the development of a supply chain and the integration of delivery capabilities.

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

- EUROCONTROL (European Organisation for the Safety of Air Navigation), headquartered in Brussels. The Czech Republic has been a member since 1996. EUROCONTROL is an intergovernmental organisation with 41 Member States and 2 Comprehensive Agreement States outside of European territory (Israel and Morocco). The organisation is working to achieve safe and seamless air traffic management (ATM) across Europe.
- 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 in ANS CR includes: Quality Management (QMS), Safety Management (SMS), Environmental Management (EMS), Security and Information Security Management (SeMS). The maturity level within individual areas of the integrated management system in 2018 corresponded to the requirements laid down by relevant stakeholders. The performance and development objectives of IMS, set out in ANS CR Annual Plan, have been met. These objectives were primarily focused on improving the maturity level within individual areas of IMS in accordance with ANS CR Business Plan.

Maturity of the Integrated Management System

In 2018, the four-year cycle measurement of the integrated management system maturity assessment with the ISRS8 international comparative methodology was reviewed. Under this methodology, the integrated management system is evaluated in 15 main processes. A second round of assessment was run between 2014 and 2017. During the assessment, the recommendations of individual years were reviewed and a decision was taken to continue the assessment using the methodology in a following four-year cycle. The average score of the processes' measured performance during the whole cycle exceeded 80%.

Certification of QMS and EMS

Through an external re-certification audit, which took place in the first half of 2018, an independent verification of the conformity of the quality and environmental management systems was carried out to verify that the requirements of the ČSN EN ISO 9001:2016 and ČSN EN ISO 14001:2016 standards were being met. The audit confirmed a high level for the process management of the quality management system and the environmental management system at ANS CR. No non-conformities of category one or two, i.e. significant and

less significant nonconformities, which could have a major impact on the implemented systems or a potential impact on the environment, were found. With the re-certification audit and a new certificate, the process of transfer to the new versions of the ISO 9001 and ISO 14001 standards was completed.

SAFETY

Our priority is to maximise the safety of aircraft and passengers. We constantly strive to improve safety in order to minimize the risk of an air accident. Improving safety performance is an integral part of our performance plan and additional plans.

Safety Performance

In 2018, there were 628 occurrence reports filed within the mandatory reporting system. ANS CR was directly involved in 80 and indirectly in 9 of these occurrences. 40 of these occurrences were related to the technical systems supporting the provided services. None of the occurrences caused by ANS CR were classified within the category of Accident or Serious Incident.

The potentially most serious types of occurrences with respect to air traffic safety include separation minima infringement (SMI), wake turbulence separation minima infringement (SMI WT), runway incursion (RI) and the unauthorized penetration of airspace (PoA).

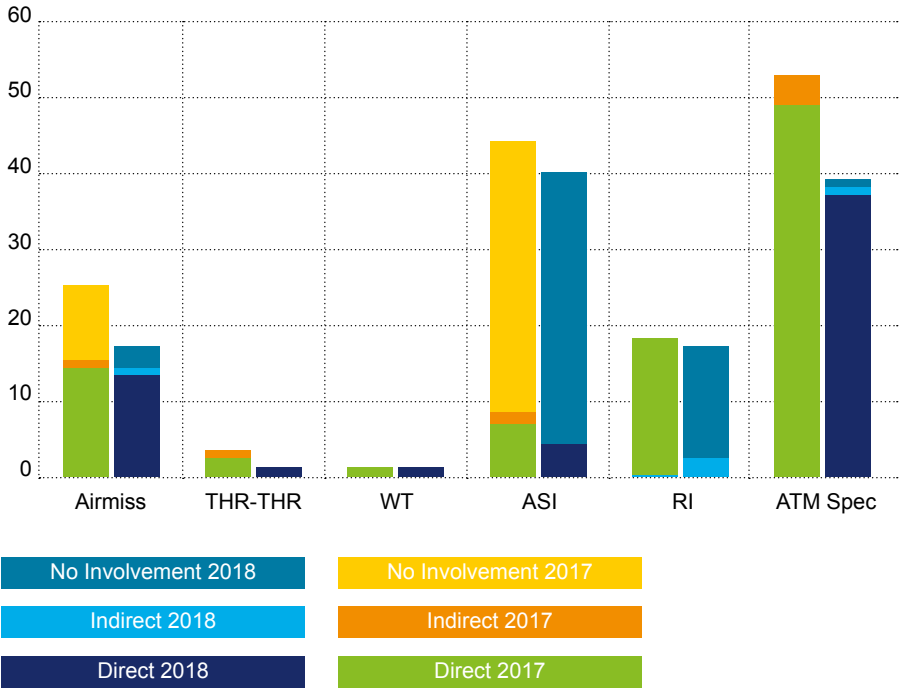
Summary of the most serious types of incidents in 2018:

- 17 cases of separation minima infringement (SMI), of which 14 were with direct involvement and 1 with indirect involvement of ANS CR
- 2 cases of wake turbulence separation minima infringement (SMI WT), in both cases with direct involvement of ANS CR

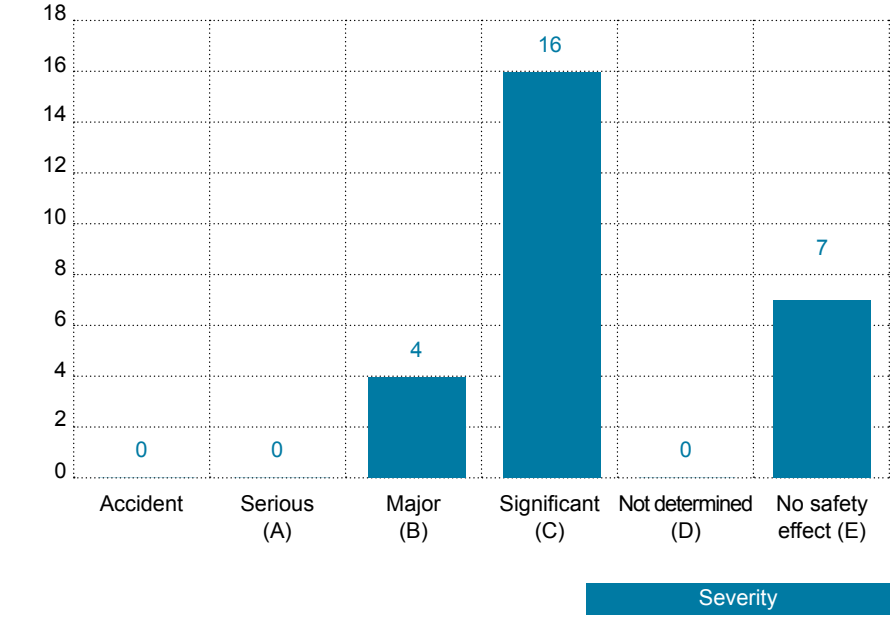
- 17 cases of runway incursion (RI), of which 3 cases were with direct involvement of ANS CR
- 41 cases of unauthorized penetration of airspace (PoA), of which 5 cases were with direct involvement of ANS CR

The following chart illustrates the total number of selected types of occurrences and the involvement of ANS CR:

ANS CR - number of selected occurrence types 2017 – 2018



Severity and number of occurrences ANS CR in 2018 (selected occurrences with direct and indirect involvement)



The positive aspect is that in terms of severity, the most important part of all these incidents was assessed in the two lowest categories of impact on safety. There were 71 air accidents in FIR Praha, but ANS CR was engaged only as the addressee of the occurrence notifications. On the basis of these notifications, search and rescue services were provided.

Despite the increase in traffic volume compared to previous years, the safety of the air navigation services provided remained at a high level.

Safety Management System Performance

Safety is one of the key performance areas monitored in accordance with European legislation. In the current second reference period (RP2, from 2015), the targets for the following key safety indicators are set as follows:

- Effectiveness of Safety Management (EoSM) is measured using a questionnaire validated by the CAA and is focused on individual parts of the Safety Management System.
- Application of severity classification based on the Risk Analysis Tool (RAT) is in accordance with the requirements of European legislation and is used for occurrences categorised as separation minima infringement, runway incursion and ATM specific occurrences.
- Reporting of the level of presence and corresponding level of absence of Just Culture. The company uses a standard tool (questionnaire) prepared by EUROCONTROL and report to EASA (after CAA validation). Just Culture has been implemented within ANS CR since 2013.

In 2018, ANS CR met or exceeded the values of all three indicators prescribed by the FAB CE Performance Plan (values for 2018):

Indicator	FAB CE Performance Plan for 2018	Results of ANS CR in 2018
Effectiveness of Safety Management (EoSM)	D* D**	D* D**
Application of severity classification based on Risk Analysis Tool (RAT) methodology	100 %	100 %
Just Culture	Issue a report	Report about Just Culture

* Management targets “Safety policy and safety objectives”, “Safety risk management”, “Safety assurance” and “Safety promotion”
** Management target “Safety culture”

Main Activities and Safety Improvement

In order to achieve a high level of safety, ANS CR has implemented a formalized and proactive safety management system in accordance with current best practices.

Security-related risk is assessed for all changes related to people, processes, technology, and airspace management. So-called safety studies are being developed to provide evidence that the planned changes will be safe after their introduction.

After several years of experience with the application Just Culture, it can be stated that this policy is firmly adopted, anchored in ANS CR, and trust in it continues to deepen. Since the introduction of Just Culture, at the end of 2018, 178 voluntary reports were submitted. The positive attitude of employees is supported by the fact that, although the voluntary reporting system allows anonymous notification, this option has been used only exceptionally in units of cases.

In 2018, the Just Culture was expanded to include other operational staff: ATSEP (Air Traffic Safety Electronics Personnel) and licensed personnel of the AIM (Aeronautical Information Management) section. Furthermore, the Just Culture regulations governing Safety Monitoring have been updated to include the EUROCONTROL's ASMT within monitoring system expansion. Up-to-date information regarding Just Culture is available on a newly established intranet Safety Portal to all employees of the company.

Another means for improvement includes the annual participation in self-assessment in accordance with EUROCONTROL/CANSO Standard of Excellence in Safety Management Systems (SoE), which assists in identifying opportunities to improve the safety management system beyond the compulsory EoSM questionnaire.

In addition, ANS CR, as one of the 34 service providers in the world, shares this data openly. The data covers SoE results and references the number of events such as separation minima and runway incursion. Discussions with other CANSO providers, about these data and their subsequent analysis, open up new avenues on how to improve security.

ANS CR also closely cooperates with other air navigation services providers within FAB CE activities where there are special agreements signed to allow the exchange of safety information. Under the umbrella of FAB CE, regular workshops take place to focus on safety investigations of the occurrences which involve more providers (“cross-border occurrences”), and joint safety surveys which help to improve interfaces (in 2018 such a survey was conducted between the ANS CR and Austro Control).

ANS CR operates its own semi-automatic monitoring system that continuously tracks and evaluates 15 parameters related to the safety and flow of air traffic.

The parameters are selected according to the requirements of both European and other legislation and in accordance with the needs of the company.

An analysis of the DAIW distribution in Czech airspace with regards to the problems associated with repeated separation minima infringement from activated areas was used in discussions about modifying the airspace design. The early outcome was an adjustment in the structure of airways regarding the borders of temporarily segregated areas (TSA); which has partially reduced the number of reported occurrences.

In 2018, ANS CR continued in negotiations with EUROCONTROL on the implementation of an automatic safety monitoring tool (ASMT), which, in addition to partial outputs automation, it improves monitoring parameters and expedites subsequent data analysis.

Also in 2018, intensive work continued on the implementation of the Fatigue Risk Management System (FRMS), which not only meets all the conditions for future regulation, but also ensures greater security for services provided by personnel working in 24 hour operations in which fatigue is inevitable and therefore must be controlled. Close cooperation with experts in the field of chronobiology and psychology continued, where a required scientific approach to problem solving is ensured, e.g. by carrying out lectures, analysing the current state of shift rotors and consulting all prepared FRM processes. At the beginning of 2018, the FRMS Memorandum was signed and ANS CR bound itself to the implementation of FRMS based on FRMS Policy. The policy describes the main objectives and principles of FRMS within ANS CR, the scope of the system, and the responsibilities of the stakeholders.

Improvement in safety management is strongly supported by the participation of ANS CR representatives in the CANSO Safety Standing Committee, the

(CANSO) Safety Information Exchange Program and CESAF (CANSO European Safety Directors and related CANSO Fatigue Management Expert Group), the EUROCONTROL Safety Team and other related working groups (e.g. the User Group Safety Management Tool or Safety Improvement Sub Group). These activities allows the company to access information regarding the latest developments, and all of these forums are increasingly focusing on information sharing and best practices for improving both security management and security in particular.

The experience within safety assessment processes and safety analyses have also been used in the SESAR projects by other air navigation service providers in the Czech Republic. We also provide training and consultation in safety management and safety assessment.

A number of activities were under way in 2018 in preparation for a new European regulation (new „Common Requirements“, Commission Implementing Regulation (EU) 2017/373), which will come into force on 2 January 2020; beyond the existing regulation, which in some cases may appear to be too restrictive. These opportunities are being analysed at ANS CR, and the company actively participates in workshops to implement the new regulation with the Civil Aviation Authority and other air navigation service providers in the Czech Republic and abroad.

ENVIRONMENT

ANS CR takes into account environmental issues within all activities of the company, especially the potential negative impact on the environment, including the prevention of environmental pollution. It approaches facility management to address the above issues efficiently, economically, taking into account the potential environmental impact and with the aim of reducing the use of non-renewable raw materials and energy sources without compromising the safety and continuity of air navigation services.

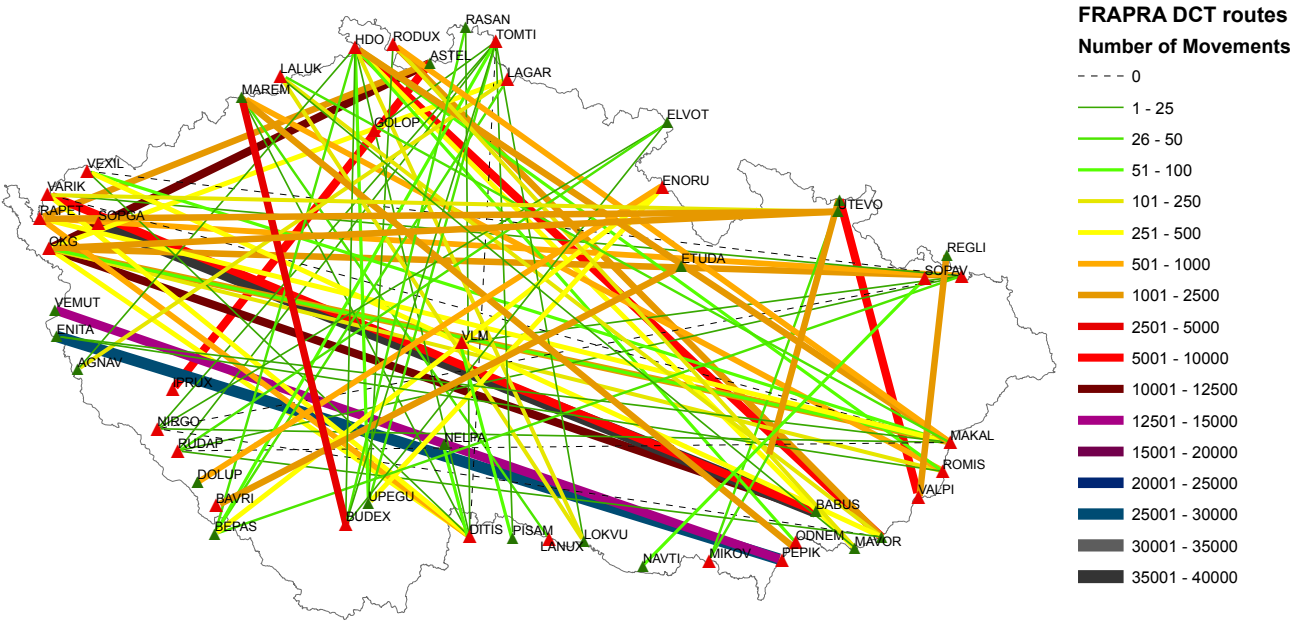
Environmental Performance

EMS enables the company to have an active approach to the environment both in the provision of air navigation services and in other business activities (facility management).

As in the previous period, in 2018 ANS CR carried out all its activities so as to meet the obligations of all relevant applicable environmental legislation. ANS CR carries out a greenhouse gases inventory each year (carbon footprint calculation). In 2017, the calculation was performed as a basic carbon footprint. The most significant share of the carbon footprint is represented by the emissions from electricity purchased.

ANS CR contributes to the reduction of emissions produced by air transport (aircraft operators) in the airspace of the Czech Republic through the application of the FRAPRA concept. The number and geographic distribution of free route flights using individual direct routes (DCT routes) in FIR Praha show the outputs of relevant operational analyses - see also Fig. 1.

Fig. 1: Use of direct routes in FIR Prague in 2018



Environmental Planning and Development

The EMS was updated in 2018, including the Environmental Aspects Register. In 2019, further enhancements to EMS maturity are planned; including improving the environmental aspects register by extending detailed risk analysis. Subsequently, an update of the emergency preparedness system is being readied. Furthermore, it is planned to extend the existing carbon footprint evaluation to full carbon footprint, together with the creation of an enterprise emission reduction plan.

SECURITY AND INFORMATION SECURITY

In 2018, the priority issues for security and information security were personal data protection and cyber security. In terms of personal data protection, it was primarily the completion of an extensive analysis of processing activities. This was followed by the addition of contracts in all cases of personal data processing by external partners, in addition to more detailed regulation of personal data protection within internal standards. Cybersecurity was mainly about aligning protection standards with the requirements of the new Cyber Security Decree, taking security considerations into account in change management, and creating a new security incident reporting system.

International Relationships

ANS CR remains an active member of the CANSO working groups and the NEASCOG platform, which coordinates the interconnected activities of NATO and EUROCONTROL. Even in these international platforms, the increasing importance of cyber security is evident.

In comparison with other air navigation service providers, ANS CR remains the international leader in both implementing legislative requirements, managing risk, and implementing practical security measures.

Inspection Activities

In accordance with the provisions of the National Quality Management Program, ANS CR has implemented a number of internal control activities aimed at verifying the functionality and effectiveness of security measures. These include: security audits, inspections and tests focused on measures within the areas of the activities of the air traffic service provider, suppliers to airports, the air work operators and the organization's activities.

A number of these areas have also been examined within the framework of the regulatory audit of the Civil Aviation Authority and the National Cyber Security Authority.



Tomáš ITS II Hall Administrator

I graduated in electrical engineering at the University of West Bohemia in Pilsen. In 2003, I joined the ANS CR Radar and Information Systems (RIS) Department. After obtaining license II, I worked as a technical supervisor in the ITS Hall (technical supervision room). Since 2009, I have been working as a technical administrator. I like to relax through sports. I regularly meet with colleagues at the company squash court and we organize a squash league every year with employees from different departments within the company.

European ATM Integration

SESAR

The Single European Sky ATM Research - SESAR marks the technological side of the EU Single European Sky (SES) initiative. At present, both of its key phases are running in parallel within SESAR; a development phase (2008 - 2020+) focused on research and development of new technologies and procedures in ATM, and the deployment phase (2014 - 2020+) dealing with their managed implementation. The development part of the program is coordinated by SESAR Joint Undertaking - SJU, while deployment is primarily in the hands of the SESAR Deployment Manager - SDM. The SESAR program is largely co-financed by the EU.

Additionally in 2018, ANS CR actively participated in both phases of SESAR. At the development stage - called SESAR 2020, ANS CR participated as part of the B4 consortium, which is a direct member of the SJU. This consortium is a joint group of four air navigation service providers - Poland (PANSA), the Czech Republic (ANS CR), Slovakia (LPS SR) and Lithuania (Oro Navigacija).



During 2018, the majority of the SESAR 2020 projects completed the development of their test platform with their own verification tests and validations prepared or even implemented. In the case of ANS CR, a total of eight selected projects in which the employees of the company participated directly are as follows:

- PJ.01: Enhanced Arrivals and Departures (EAD)
- PJ.03a: Integrated Surface Management (SUMO)
- PJ.03b: Airport Safety Nets (SAFE)
- PJ.07: Optimised Airspace Users Operations (OAUO)
- PJ.10: Controller Tools and Team Organisation for the Provision of Separation in Air Traffic Management (PROSA)
- PJ.16: Controller Working Position/ Human Machine Interface (CWP/HMI)
- PJ.18: 4D Trajectory Management (4DTM)
- PJ.28: Integrated Airport Operations (IAO-VLD)



The SJU activities have also instigated work on the preparation of the second wave of projects, which from 2019 will be loosely linked to existing SESAR 2020 projects from the first wave. The announcement of the tender itself and the reaction of SJU members to the second wave of SESAR 2020 projects are expected in the first quarter of 2019.

In terms of the deployment phase designated as SESAR Deployment, ANS CR is one of the implementation partners of the SDM, and is a beneficiary of funding from the European executive agency - Innovation & Networks Executive Agency (INEA) to manage and implement the Connecting Europe Facility (CEF) program for the technical and financial parts. The CEF is the EU's main financial tool to ensure future European transport, energy and telecommunications infrastructures.

Since 2014, the company has actively participated in individual CEF and has implemented and continues to implement several projects with EU financial support through the SDM. In 2018, ANS CR, in cooperation with its partners, successfully completed three other SESAR Deployment projects:

- Extended AMAN in Czech airspace
- Traffic Complexity Tools
- FAB CE wide Study of DAM and STAM



Co-financed by the Connecting Europe Facility of the European Union

Functional Airspace Block in Central Europe – FAB CE



The most significant change in the functional block occurred at the level of program management, where the first joint “Some – in” project was implemented. This concept has been contracted in the first half of this year and thanks to FAB CE, it is possible to participate in projects involving only some of the six shareholders of the joint legal entity. In fact, this principle has been applicable since June, 2018. Only the participating providers will redistribute the project costs. The main advantage of this principle lies in the possibility of not excluding projects where there is no collective consensus of all providers. In the years to come, the „Some-in“ project portfolio is expected to expand.

In addition, the new NAV optimisation technical project was launched to harmonize planning and maintenance. Conversely, the X-Bone HW Procurement project and all the documentation were finalized with the Surveillance Infrastructure Optimisation project. Other projects in the preparatory phase include, but are not limited to, Datalink Monitoring, ADS-B Deployment and SSR Monitoring, to which our company has largely contributed.

The main technical part of the FAB CE-wide Study of Dynamic Airspace Management (DAM) and Short-term ATFCM Measures (STAM) was finalised at the end of 2018. However, reporting activities to SESAR Deployment Manager (SDM) still continue.

In 2018, regular meetings with social partners took place on the premises of IATCC Jeneč, with the main objective of sharing and exchanging information. The meetings were seen as significant due to the Director General of ANS CR chairing the CEO Committee (CEOC), which he held within the rotational principle until June 2018.

Civil Air Navigation Services Organization – CANSO



In the field of Air Navigation Service Providers (CANSO), the previous year was noteworthy in terms of significant events. The most significant being the appointment of ANS CR Director General Jan Klas as the Chairman of the European Committee of Directors General (EC3), which also includes automatic membership in the CANSO Executive Committee - the highest body of CANSO at global level. As the main priority of his two-year presidency, the Director General introduced measures to improve communication and general awareness of CANSO as the principal representative of air navigation services providers. And at the same time, enhance the involvement of the organization in the reform of European institutions and in legislative and regulatory developments.

Equally important was the process of approving the new form of implementing regulations for the third reference period (RP3, 2020-2024) for performance and charges and network functions. The company contributed significantly to the final form of both documents through regular and ad-hoc coordination with the Ministry of Transport.



Honza

Technical Systems Supervisor II

I work at the Telecommunications Department as a Technical Systems Supervisor II. This work involves the maintenance of technical systems i.e. the maintenance of the radio-telephone exchange, transmission systems, recording equipment and power engineering. I graduated from secondary technical school in the fields of electrical engineering, telecommunication and computer technology. I joined the Telecommunications Department as a student in 2008. After the successful completion of type test I, I worked in technical maintenance as a technical supervisor. After several years of training, I completed the supervisor test. I am a member of the department's cycling team and represent the company in nationwide cycling competitions.

Airspace Users' Consultations

Essential requirements for the transparency of services provided and their consultation with airspace users have been met in the context of consultations in the preparation of the FAB CE Performance Plan for the 2nd reference period, i.e. 2015-2019, which was finalized in 2014. Key Performance Indicators for the Czech part of the FAB CE Performance Plan for the 2nd reference period (RP2) were then approved by the implementing regulations of EC 2015/348 and 2016/599.

Furthermore, the interests of airspace users are subject to regular meetings of the Enlarged Committee for Route Charges (organized on the platform of the European Civil Aviation Safety Organization - EUROCONTROL) in line with the requirements.

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

The 16th Annual Meeting of Air Carriers with Representatives from ANS CR

In October 2018, the 16th annual meeting of air carriers was held with representatives of ANS CR, and was attended by representatives from air carriers, the Ministry of Transport, the Civil Aviation Authority and other professional aviation bodies. The agenda, which reflected participants' demands articulated last year, included the following points:

- The core activities and ANS CR results achieved during 2017 and 2018 (in operations, capacity, the growth of Vaclav Havel Airport, Prague, safety, cost efficiency, human resources, drones and FAB CE)
- Compliance with FAB CE Performance Plan
- ANS CR pricing policy for 2019
- UAS Traffic Management
- The termination of operation of en-route NDB

In order to receive feedback from the participants, the company prepared, as last year, a structured questionnaire focused on the merits of the information presented and on the preferred content for future meetings. The evaluation of the questionnaires demonstrated that the users' representatives are very satisfied with the negotiations and generally with company communication. In the preparation of the 2019 program, the requirements preferred by the participants in the meeting will be taken into account again.

General Aviation Seminar

In January 2018, the 10th annual general aviation seminar was held with the participation of the company management, the Civil Aviation Authority (CAA), the Ministry of Transport and the Institute for Air Accident Investigation (AAII). A selection of topics covered the following areas:

ANS CR:

- Information from the Flight Information Centre
- Information from the workplace of AMC CR (Air Management Cell)
- Aeronautical Information Management or general aviation

Civil Aviation Authority:

- Changes in Czech airspace in 2018
- Outputs from supervisory activities at the airports
- Licensing of aviation personnel
- Maintenance of continuous standard of airworthiness

Air Accidents Investigation Institute:

- Analysis of air accidents in 2018

The Ministry of Transport of the Czech Republic:

- Legal changes in general aviation
- New European regulation of unmanned aircraft

In the interest of information provided to all cooperating entities, this meeting was recorded and is available on the company's YouTube channel.

Bilateral Discussions with Representatives of the International Air Transport Association (IATA)

In March 2018, bilateral consultations with IATA representatives took place at IATCC Prague premises. The meeting was attended not only by the representatives of ANS CR, as the provider of services and the recipient of the majority of the fees paid by air operators, but also by representatives from the Ministry of Transport and the Civil Aviation Authority as a national supervisory authority. Such wide representation warranted the presentation of the functional control mechanism of pricing policy, and monitoring; as requested by the European Commission and the united position of all concerned entities active in this matter in the Czech Republic.

Areas of most interest to the IATA, such as the future development of pricing policy, dividing fees into en-route and terminal charges, the development of personal costs and availability of capacities requested for air navigation services provision, were discussed.

It was very positively perceived that the Czech Republic is a state where the level of charge paid by air carriers corresponds to the services and security provided. The pricing policy is thus transparent and is under the scrutiny of the state authorities.

Airport Operational Committee

Based on the requirements of the users of the services raised during the Annual Meeting of Air Carriers with representatives from ANS CR, the General Director participated in the Airport Operational Committee meeting in April 2018 with a presentation focused on preparing the company for the challenges of the 2018 summer season. The General Director of ANS CR will be participating regularly in such meetings which will further enhance the level of understanding and transparency in mutual relationships.



Evaluation of ANS CR Annual Plan for 2018

The Annual Plan is a planning and implementing document within the performance management system which elaborates on 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 necessary for achieving the medium-term objectives of these programmes’ documents.

Monitoring Performance

The fulfilment of the objectives set out in the Annual Plan is subject to a quarterly evaluation by the company management and the national supervisory body – the Civil Aviation Authority. The purpose of monitoring is to identify, in time parameters, any deviations from the targets set so corrective measures can be determined to ensure these objectives are met. The Annual Plan observes two categories of objectives. While the performance targets determine the value (trend) of the indicators of key processes, development goals improve company processes.

Evaluating Key Performance Areas

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

Summary

The targets set by ANS CR’s annual plan for 2018 that are directly linked to pan-European performance targets for the second reference period (2015-2019) were met. The exceptions being performance targets in en-route management service capacity and pan-European performance targets “Average Horizontal En-route Flight Efficiency of Actual Trajectory“ measured at FAB CE level.

In the key area of safety, the long-term use of the RAT methodology for the

investigation of mandatory incidents in air traffic has been positively assessed. The pan-European objective in EoSM (Safety Management System Enhancement) was satisfied where the level of maturity of the safety management system has a minimum of „D“ within the criteria („D“ values required). Just Culture policy has been firmly established and anchored, and confidence in it continues to grow. This illustrates the functional and utilized environment of voluntary reporting, the process of inquiry and feedback.

In terms of the environment, all internal targets were met. The pan-European performance target “Average Horizontal En-route Flight Efficiency within the Actual Flight Path” was not met at the FAB CE level, as the KEA value achieved for FAB CE is 1.95% while the stated target was 1.85%.

In terms of capacity, the ATFM average lag delay target was not met; the registered delay reached 0.5 min (0.1 min / flight required). This is mainly due to delays caused by UAC Karlsruhe’s support for the Network Manager 4ACC initiative. The target ATFM delay at Vaclav Havel Airport, Prague was met, with a delay of 0.05 min / flight (a maximum of 0.4 min / flight required). Similarly, the departure slot target value was reached, which was significantly above 90% at Vaclav Havel Airport, Prague and regional airports (above 80% required). Likewise, all other objectives set in this key performance area were met.

All the objectives set in the area of cost efficiency have been met. The financial situation of the company remains stable and due to the increase in traffic, the planned economic result of the company was exceeded.

1. Summary of Meeting Annual Objectives according to Individual Categories a. Safety (SAF)

One of the main reasons for providing ATM services is to ensure air traffic safety. ANS CR therefore strives to maintain or improve the level of safety of services

provided regardless of the volume of air traffic. Security is a priority for a business that takes precedence over commercial, operational, and other goals. To achieve a high level of safety, ANS CR has implemented a formalized and pro-active safety management system and is constantly developing this system. One means of improvement is the annual participation in the EUROCONTROL/CANSO Self-Assessment Standard of Excellence in Safety Management System (SoE), which helps to find ways to further improve the safety management system. The following 10 main objectives (8 performance objectives and 2 development objectives) contribute the most to KPA „security“. All of these goals have been met.

SAF Performance Targets:

Target name	KPA	Evaluation
The use of the Risk Analysis Tool (RAT) in the investigation of incidents in air traffic	SAF ***	Met
The increase in sophistication of the safety management system	SAF ***	Met
The organization, management and control of activities in range of unit (or division, section) responsibility that ensure the provision of air traffic services in FIR Prague and in VHA, Prague, Brno, Ostrava and Karlovy Vary airports with: • high quality • a high degree of safety • capacity in line with the Capacity Plan of ANS CR	CAP *** ENV * SAF ***	Met
The provision of technical and operational measures ensuring ATM infrastructure operation with: • high quality • a high degree of safety • requested capacity	CAP *** / ENV * SAF ***	Met
The implementation of technical and administrative measures to secure zero number of accidents caused by the provision of ATM and incidents classified as serious and the continuation of this trend in the coming years.	SAF ***	Met
The realization of technical, operational and administrative measures for ensuring ATM infrastructure operation and maintenance with: • high quality • a high degree of safety • requested capacity	CAP ** / CEF * ENV ** / SAF **	Met
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
Provide operational, technical and organizational measures to achieve the 2018 target setpoints to classify the success of identifying image outputs. X-rays have put in place to inspect real baggage by inserting images of dangerous and prohibited articles (TIP) into these luggage	SAF ** others	Met

After several years of experience with the application Just Culture in ANS CR, it can be stated that the Just Culture policy was firmly adopted and anchored and confidence in it continues to deepen. This illustrates the functional and the environment of voluntary reporting and the process of inquiry and feedback that motivates operational personnel to personally approach operational safety. The use of RAT was also evaluated positively, and in 2018 it was used in assessing the severity of all listed types of events (SMLs, RIs and ATM-S) in 100% of cases where an investigation was already concluded.

SAF Development Targets:

Target name	KPA	Evaluation
Ensuring the future development of ATM, a long-term source of ATM business capacity, particularly in the Neopteryx project and the ATS Optimization process	CAP ** ENV ** SAF **	Met
Ensuring the necessary synergies with other services in the gradual optimization of airspace management and track structure, taking into account continuity within FABCE and gradual preparation for full-FRA in FIR Prague.	CAP ** CEF * ENV *** SAF **	Met

*/**/** Star Rating determines the contribution rate of a given goal relative to a given key performance area.

b. Environment (ENV)

ANS CR actively and responsibly approaches environmental issues without compromising safety, continuity, and the efficiency of air traffic. The aim of the company with this area is to ensure the sustainable development of air navigation services, minimizing the negative impact on the environment. A key tool for achieving a balanced environmental approach is the ISO 14001 certified Environmental Management System. The following 6 main objectives (3 for performance and 3 for development) contribute most to the KPA environment. In 2018, all set environmental performance and development objectives were met.

The pan-European performance objective ‘Average horizontal efficiency of en-route flight paths’ at FAB CE was not met. This target is set at FAB CE level and is rated similarly. ANS CR creates all prerequisites for its fulfilment (e.g. in the area of sufficient capacity). However, the contribution of other FAB CE states and the behaviour of air carriers are also influencing the fulfilment of this indicator (they often choose less direct but more cost-effective routes).

According to data available from the ANS performance monitoring dashboard for January - December 2018, the FAB CE Horizontal en-route flight efficiency was 1.95%, i.e. 0.1 percentage points higher than the target value (1.85%) which, despite the increase in traffic and its complexity, is at about the same level as in 2017. From NM’s observations, FAB CE contributed positively to the achievement of the pan-European goal within the environment. The overall assessment of this objective and the identification of any corrective actions will be carried out in the FAB CE 2018 Evaluation Report. The development priority in the ENV field was to ensure the future development of the ATM business, especially in the Neopteryx projects, Airspace Optimization and FRA (Free Route Airspace) implementation.

ENV Performance Targets:

Target name	KPA	Evaluation
Increasing the sophistication of the quality management and the environmental management systems	ENV *** SAF * others	Met
Active participation in the creation of alternative plans during the period of restrictions due to repair on airport traffic areas with the aim to retain maximum of available capacity and minimum delays.	CAP *** ENV **	Met
Assuring of technical, operational and administrative measures for ensuring ATM infrastructure operation and maintenance with: • high quality • a high degree of safety • requested capacity	CAP ** CEF * ENV ** SAF **	Met

ENV Development Targets:

Target name	KPA	Evaluation
Ensuring methodical support for activities within the ATM development harmonization until 2022.	CAP ** ENV ***	Met
Ensuring the future development of ATM - long-term source of ATM capacities of the company primarily in the Neopteryx project and ATS Optimization process.	CAP ** ENV ** SAF **	Met
Ensuring the necessary cooperation with other departments during gradual optimization of airspace and en-route flight structure with regard to the link within the frame of FAB CE and progressive preparation to full-FRA in FIR Prague.	CAP ** CEF * ENV *** SAF **	Met

*/**/** Star Rating determines the contribution rate of a given goal relative to a given key performance area.

c. Service capacity (CAP)

For the provision of ATM services, one of the main priorities for ANS CR is to ensure the capacity and throughput in the Czech airspace. The measurement for assessing the continuity of air traffic is the rate of delay expressed as the average delay per flight performed. The aim is therefore to reduce the pan-European delays towards the values set by the FAB CE Performance Plan for the 2nd reference period.

The following 9 main objectives (6 performance levels and 3 for development) contribute most to KPA „service capacity“. A key indicator in the area of capacity is the target value of the average en-route delay due to ATFM in minutes per flight. This indicator was not met for the following reasons.

The average delay due to ATFM ACC sectors for the whole year was 0.50 min / flight. The average delay in the summer season was 0.75 min / flight. The main causes were: far higher traffic growth than predicted; lower ATCO compared to 2017; greater operational complexity resulting from the NM 4ACC initiative (7.2% increase in complexity, i.e. about 33% above the average level of EUROCONTROL Member States); necessity to lower MV (capacity) in chosen sectors as a reaction to higher traffic complexity and frequent excess of traffic over set MV at regulated sectors (overload); and intensive training during the summer months. The high traffic growth did not relent; even in the fourth quarter when other activities had to be launched (additional local training courses, training for M / H / T and L, ELPAC, rehabilitation and vacations). On the other hand, it should be noted that the commitment to the maximum delay level expressed in minutes per IFR flight was limited in the FAB CE Performance Plan as follows: “Please note that commitment to achieve this demanding target is based on the assumptions on which the whole FAB CE PP is based and excludes effects outside the Czech Republic control (i.e. extreme weather conditions, significant military activities and re-routing from other FIRs due to their capacity restriction).”

ANS CR are continuously working on increasing the capacity and 3 major projects are currently underway to further increase capacity: the optimization of ATS provision in FIR Prague, the acquisition of a new ATM system - Neopteryx Project and changes in air traffic control training aimed at increasing success. These projects were presented as solutions to the current situation of the EC and EUROCONTROL and are considered sufficient to meet the required capacities. In view of the above, Network Manager evaluates the operational performance of ANS CR in 2018 as very good, with ANS CR being very supportive towards the European network and stressing the huge importance of our operational measures within the 4ACC. The Network Manager also described the flexibility of the shift business system and stated that ANS CR should be a model for other ANSPs in this direction.

The second major objective was ATFM delays at Vaclav Havel Airport, Prague, where there was a delay of 0.05 min / flight (a maximum of 0.4 min / flight required).

Departure slot compliance rates at Vaclav Havel Airport, Prague were 93.90% (> 80% required). These results were achieved despite the above-the-limit increase in traffic. This indicator was also met for all regional airports (Karlovy Vary 99.38%; Brno 98.53%; Ostrava 99.19%).

CAP Performance Targets:

Target name	KPA	Evaluation
Organization, management and control of activities within the scope of responsibility of the department (or division, section) that will ensure the provision of air traffic services in FIR Prague and at Prague, Brno, Ostrava and Karlovy Vary airports with: • high quality • high security • capacity in accordance with ANS CR's Capacity Plan	CAP *** ENV * SAF ***	Met
Provision of technical and operational measures for ensuring ATM infrastructure operation with: • high quality • a high degree of safety • requested capacity	CAP *** ENV * SAF ***	Met
Provision of operational and technical measures enabling the most efficient opening of sectors in accordance with the needs of operation with the aim of not exceeding the average delay per one flight performed in FIR Prague 0.1 min. in accordance with LSSIP CZ, Chapter 2.	CAP ***	Not met
Provision of operational and technical measures to comply with departure ATFM slots	CAP ***	Met
Participate actively in the creation of alternate procedures at the time of constraints due to repairs at the aerodrome operating areas in order to maintain maximum capacity and minimize delays.	CAP *** ENV **	Met
Implementation of technical, operational and administrative measures to ensure the operation and maintenance of ATM infrastructure with: • high quality • high security • required capacity	CAP ** / CEF * ENV ** / SAF **	Met

CAP Development targets:

Target name	KPA	Evaluation
Ensuring methodological support for activities within the harmonization of ATM development by 2022.	CAP ** / ENV ***	Met
Ensuring the future development of ATM, a long-term source of ATM business capacity, particularly in the Neopteryx project and the ATS Optimization process.	CAP ** / ENV ** SAF **	Met
Ensuring the necessary cooperation with other departments in the gradual optimization of airspace management and track structure, taking into account continuity within FAB CE and gradual preparation for full-FRA in FIR Prague.	CAP ** / CEF * ENV *** / SAF **	Met

*/**/*** Star rating determines the contribution rate of a given goal relative to a given key performance area.

d. Cost Effectiveness and Service Price (CEF)

In accordance with the principles of customer orientation, the main goal of the company in terms of cost effectiveness is to provide cost-effective air traffic services to all airspace users under the responsibility of ANS CR, which is in line with long-term pan-European trends in the reduction of unit costs. A precondition for ensuring this goal is the need to maintain and strengthen the financial stability of the business.

The following 3 main performance targets contribute most to KPA „cost effectiveness“. The financial situation of the company remains stable and due to the increase in traffic, the planned economic result of the company was exceeded.

Based on accounting data as of 31 December 2018, costs amounted to CZK 3,950.8 million. Revenue volume in 2018 amounted to CZK 4,320.1 million. The economic result (gross profit before tax) thus reached as at 31 December 2018, CZK 369.3 million, which is 169.8% of the approved profit creation plan for the whole of 2018. From the above data, it is clear that thanks to the positive growth in revenues, the planned gross profit formation was significantly exceeded.

CEF Performance Targets:

Target name	KPA	Evaluation
Achieving pre-tax gross company profits for 2018 at an amount approved by the company's budget plan	CEF **	Met
Providing en-route navigation services at the national unit rate set by the CR Performance Plan.	CEF ***	Met
Providing airport and approach control services at a unit price as previous years.	CEF ***	Met

*/**/** Star rating determines the contribution rate of a given goal relative to a given key performance area.

CEF Development Targets:

No development target, which would essentially contribute to the fulfilment of pan-European targets determined in the CEF area, was accepted.

En-route navigation services are provided at a national unit rate of CZK 952.49 / SU at stable 2009 prices. This price is in line with the current version of the Performance Plan. Based on accounting data as of 31 December 2018, a significant increase in en-route traffic was recorded year-on-year by 7.7%. The performance plan (in SU) for 2018 was fulfilled at 108.8%. Revenues from en-route services correspond to 109.3% of the defined plan for 2018 and amounted to CZK 3,261.3 million.

Airport and approach control services are provided at a unit price of 6800 CZK / SU (in current prices), i.e. at the level of the previous years. This price is in accordance with the current version of the Performance Plan. The year-on-year comparison shows a positive increase in traffic of 8.0%. The airport performance plan for 2018 was fulfilled at 104.6%. Revenues reached 104.7% of the 2018 plan and reached CZK 657.8 million.



Nicole
Editor in Chief of the company's magazine – STRIP
I joined the company in 2007 as an administrative support officer for the company spokesperson. Presently, I work in the External Relations Department as an editor-in-chief of the corporate magazine, reporting on current events taking place within the organization. I have always loved animals, and spend a great deal of my free time running a shelter for stray and injured cats. Finding homes for these animals is a dream come true.

Operations

2018 was another very strong and successful year in terms of operating results. A record in the number of movements within Czech airspace was recorded, with a total of 912,817 movements in 2018, up 7.00% from 2017. In 2016 and 2017, the operation increased by just 2% year on year.

The most demanding month was, as expected, July, when the Regional Air Navigation Services Centre in Prague provided its services to 97,652 movements, which represents an 8.51% growth.

	Number of flights at FIR Prague		Increase in traffic
Month	2017	2018	2017/2018 %
January	56,116	58,199	3.71
February	51,644	54,865	6.24
March	62,369	65,619	5.21
April	67,482	73,010	8.19
May	77,931	82,725	6.15
June	83,560	88,452	5.85
July	89,992	97,654	8.51
August	89,340	95,318	6.69
Septemeber	82,006	88,910	8.42
October	75,454	81,019	7.38
November	59,522	64,345	8.10
December	57,948	62,701	8.20
TOTAL	853,364	912,817	7.00

Area Control Navigation Services (ACC Prague)

1. Traffic – record number of movements

- Owing to a EUROCONTROL activity, namely NM / 4ACCs, which had the task of redirecting flows outside the busiest regional control centres in Europe, and the ever-growing interest in the Czech airspace, record numbers were recorded in the number of movements in the Czech Republic. In FIR Prague, 842,569 IFR movements were recorded in 2018, which was an increase of 7.90% compared to 2017. During this period, due to the professionalism of the managers, no serious incident was reported.

2. Training of new air traffic controllers (ATCO)

- In 2018, three ATCO students from MV 2017 training (LKAA ALL clause) successfully completed local training and received their ATCO license.
- Four ATCO students from MV 2017 training (LKAA ALL clause) continue in OJT (on-the-job training).
- During autumn 2018, three ATCO students from MV 2018/I training (LKAA ALL clause) continued in OJT.
- In September, eight ATCO students from MV 2018/II training (LKAA M/H/T clause) commenced local training. Expected to join OJT (on-the-job training) in April 2019.
- In December, eight ATCOs of MV 2019/I training (LKAA L annex) completed the ACS Basic Radar Techniques Module at the Czech Air Navigation Institute (CANI).
- A new UTP ACC Prague, reflecting the distribution of LKAA ALL clause to LKAA L and LKAA M/H/T clauses, came into force in September 2018.
- During 2018, 60 simulator training focused on accomplishing the LKAA L clause were created.
- The creation of simulator training aiming at obtaining LKAA M/H/T clause started at the end of 2018.

- In order to attract more new air traffic controllers, two local training sessions were carried out during 2018. Local training also took place during the summer.

3. Systems

- AMAN (Arrival Manager) into Munich Airport was launched.

4. The transfer of Flight Information Centre (FIC) unit to new premises at Vaclav Havel Airport, Prague

- FIC Prague location, providing air navigation services to uncontrolled flights was moved from IATCC Prague to new premises in the Technical Block at Vaclav Havel Airport, Prague.
- Redeployment was preceded by long-term training and intensive training of all staff for related process and technical system adjustments.
- Relocation of the site has enabled its modernization and capacity enhancement and will also facilitate the planned reconstruction and expansion of existing workplaces at IATCC Prague in the future.
- FIC Prague started providing air traffic services from new premises on 28 November 2018.

Approach and Aerodrome Control Services (APP Prague)

In 2018, the trend of traffic growth at TWR Prague and APP Prague continued. At Václav Havel Airport, Prague, the increase in traffic was 4.85% and in the TMA Praha area 3.77%. In August 2018, APP Prague reached the highest number of movements per month - 17,208. Throughout the year, including the summer months, repairs were carried out at the airport, which significantly reduced ground movement. At the same time, the lack of capacity in European airspace compromised operations. As a result, aircraft awaiting departure slots delayed the release of check-in stands and was a standard occurrence. Unplanned shifts of traffic to late

evening hours occurred with regularity. Despite all these negative factors, the combined efforts of all concerned managed to cope with traffic without unnecessary delays and impacts on security.

Also in 2018, representatives of the section were involved in development projects. The main effort was dedicated to projects for a new parallel runway at Vaclav Havel Airport, Prague and the new Top Sky display system. Our representatives also took part in projects for SESAR 2020, such as projects for voice recognition and development of new functionalities in an SMGCS system.

In 2018, the intensive training of new air traffic controllers took place. 10 students from three courses were engaged in the training. Despite the high demand on the organization and instructor's work, the results were favourable. Three students successfully gained qualification for air traffic control, five students continued in the training and only two students had to terminate the training.

The main customers of the section in 2018 were airlines and Václav Havel Airport, Prague.

Air Navigation Services at Regional Airports

- Assessing the level of performance of air navigation services at regional airports.
- Growth in traffic.
- Growth in service.
- Information regarding the formal consultation process with the users of these services.
- Detailed information regarding events and activities at regional airports and human resources.

Level of Air Navigation Services

In 2018, the level of air navigation services provided at airports and in terms of responsibility of regional ATS locations was very high: ensuring the required safety and quality.

Growth in Traffic

Traffic at the regional airports of Ostrava and Karlovy Vary increased in relation to the absolute number of movements on the runway (RWY), while Brno Airport showed a slight decline. Collectively, the absolute number of movements grew on the RWY by 0.9%. The ratio between IFR and VFR traffic on the RWY at the regional airports was 32.9% of the IFR traffic, 67.1% of the VFR traffic. The total traffic grew by 4.5%. The operators of regional airports have still not succeeded in making an increase in the number or frequency of regularly scheduled flights.

Growth in Services

Air Traffic Services (ATS): In 2018, traffic was controlled in unchanged areas of responsibility at the level of regional ATS.

The local aeronautical flight information planning system – LARS – is working at all regional airports.

Information relating to the Formal Consultation Process with Users of the Provider's Services

The ATS at regional airports regularly meet and interact with their customers, i.e. airline and airport operators (airport security committees, RWY safety teams and regular meetings with airline operators). The consultation process is maintained and traffic issues regularly discussed.

Detailed Information from Regional Airports

Events and Activities at Karlovy Vary Airport

- The total number of movements increased by 10.1%.
- Three students at APP/TWR LKKV location received APS qualification. In December 2018, another three students started local training.

Events and Activities at Brno Airport

- In 2018, the Brno Airport saw a slight decrease of 2.6%.
- A regular flight to Munich started to operate.
- During 2018, one student received qualification; two students are in on-the-job training phase and training of four students for APS qualification commenced in December.

Events and Activities at Ostrava Airport

- The airport has been certified for operation under CAT III B ICAO conditions.
- The air traffic controlled by ATS Ostrava in 2018 increased by 15.4%.
- In 2018, one student was in the OJT phase of local training. In December, three students commenced local training for APS qualification.
- The 18th annual NATO Days marking 100 years anniversary of the creation of independent Czechoslovakia and its armed forces was organized at Ostrava Airport with a high degree of professionalism.

SIMU IATCC Department

In 2018, the IATCC simulator was used regularly by ACC and APP Prague to conduct local, advanced and refresher training. As part of the popularization of the profession of ATC/ATMS specialists, an event focused on recruiting applicants called “ATCO try-out” was held at SIMU in June. By the end of the year, an extensive modification and the creation of new exercises to be used during intensive practical training of air traffic controllers in the frame of Optimization of LPS Provision project started. The total number of hours of training on SIMU IATCC came to record 3,915 hours.

Operational Staff Training Support Office

- A new local training structure was developed to obtain a local LKAA L clause. Numbers of training of TT and pre-OLT phases were set and a minimal period of traffic training was specified. Electronic briefings and other tutorial materials were created within an e-learning platform.

- A concept of new Local Training Plan (UTP) of ACC Prague to gain local LKAA L clause and LKAA M/H/T clause was created.
- New local training assessment methods were developed that are uniformly applied at all sites.
- Modification of the local training structure to gain local LKAA ALL clause for training to gain local LKAA M/H/T clause.
- A new concept to gain instructor's OJTI/STDI clause reflecting EK 340/2015 regulation was established.
- E-learning modules for training of human factor were developed as part of the refresher air traffic controller training.

CNS/ATM Traffic Systems Division (Communications, Navigation and Surveillance/Air Traffic Management)

On 1 January 2018, the new organizational structure of ANS CR came into effect; part of which was the establishment of the CNS / ATM Systems Operations Division. It was transformed from the original ATM Systems section and associated with technical support at regional airports to the newly established division.

ATMS is responsible for the operation and maintenance of nearly a hundred ATM systems of varying size and importance in nearly fifty locations across the Czech Republic. At the end of 2018, 103 licensed technicians worked as supervisors, technical supervisors, and maintenance staff, and 26 technical system administrators.

The focus of the systems is, in addition to troubleshooting ATM systems, on regular maintenance and revisions to minimize the downtime on individual systems.

In 2018, we accomplished 80,614 regular inspections in total, of which:

- 58,787 were daily checks,
- 12,618 were ongoing checks,
- 8,353 were weekly and monthly checks,
- 856 were quarterly, half yearly and annual inspections.

During 2018, 563 planned works were realized on ATM systems, of which:

- 167 were with no limitations to traffic during full operation,
- 222 were with partial limitation to traffic,
- 174 were made with equipment or system out of service.

The operation efficiency and system accessibility of systems operated by the ATMS section were maintained at a high level. The number of registered incidents involving ATM systems was comparable in number with previous years. Standard and refresher training was conducted in accordance with the Training Plan (obtaining, demonstrating and maintaining the qualifications of specialists of ATM systems).

Other successfully completed activities which the ATMS section either provided in full or in part in 2018 included:

Aviation Telecommunications Services Centre (ATS)

- Renovation of central firewalls cluster.
- Complete HW upgrade of regional FAB CE X-Bone network.
- Active participation in the international project in connection with preparation of migration from PENS to New PENS.
- Cooperation with ANS Planning and Development on a new authentication system deployment project.
- Modification and improvement of parameters for a large part of leased lines from an external telecoms operator in cooperation with the operations unit preparation and the launch of the VCS upgrade project.

Radar and Information Systems Centre (RIS)

- New direct connections for radar data exchange with external partners put into operation – DFS, MIL.
- SAT SFR (new back-up tracker) including verification of its capacity.
- The implementation of P3D-WT into the surveillance infrastructure; its commission is planned for 1Q/2019.

- Virtualization of SUES system.
- The AMA messages from EDDM in E2000 system implemented. B14_2 release to E2000 launched – MC implementation for STR E2000 output including follow up of ATM systems.
The implementation of direct connection for TAR meteo input into E2000.
- The deployment of a new system tracker (ARTAS) for E2000.
- The increase of chosen RX stations of P3D-AS system to LKPR to improve system efficiency. The implementation of the first phase of Cyber Security in P3D-WS localities.
The installation and launching of new radar control responders.
- HW upgrade of the XREC system (servers and disk arrays). HW upgrade of Waldo/Waldo+ stations. SNET activation for TR7 LKBT. Launch of FIC systems in new Technical Block locality under the responsibility of the RIS centre. The commissioning of C-TWR.
- TCM system put into operation. EFS R5 release containing Datalink (DCL) launch.
- SATs ACARS GW.
- HW renovation of ELS at ACC.

Navigation and Radio Communication Systems Centre (NAVCOM)

- The successful launch of RCOM 4200 technology in PISEK, BUKOP and PS2 (LKPR) sites for operational use.
- The installation and operational development of RX/TX of emergency frequency of 121.500 for requirements of APP/TWR.
- The installation of a new frequency of 136.725 (VDL 2) including antenna system for the company ARINC.
- Testing and operating setup of PROXY server to RCMS RCOM system.
- The installation, training, certification and launching of VCS STORAD backup radio communication switchboard and control VDF panel at FIC Technical Block station.

- The launch of operating use of a new method for measuring radio transmitters and receivers using the Rohde & Schwarz CMA180 measuring instrument.
- Continuous evaluation of the performance of navigation systems and components in compliance with EU216/2008.
- Test initiation of “ILS test system suitable for vehicle installation” measuring system.
- The update of the scope and procedures of maintenance for the MKR mechanism.
Establishment of operational intent and cooperation at the conclusion of a service contract for the repair of THALES parts.

CNS/ATM Karlovy Vary Department

- The installation of NTP servers for systems time synchronization.
- The installation of Proxy servers for RCMS NAVCOM for communication with RCOM devices.

CNS/ATM Ostrava Department

- The installation of additional security of HW intervention in designated locations of P3D-LKMT with signalling on RCMS in the technical room in accordance with the requirements for cyber security.
- Adaptation of AMS.2 system and set up change of ILS OSV in terms of the certification of Ostrava Airport for operation under CAT III B conditions.
- Prophet buffer change to show MSAW warning due to decrease of MSAW alerts nuisance in SNET RGA.
- The implementation of Proxy application for addition of optional links with RS4200 radio stations through GB2PP protocol.
- Preparation for implementation of new frequency for FIC Moravia initiated.

CNS/ATM Brno Department

- The installation of additional HW security at designated P3D-LKTB locations with RCMS and CMOS signalling at the technical room in accordance with the requirements of cyber security.
- The implementation of Proxy application for the addition of optional links with RS4200 radio stations through GB2PP protocol.
- Preparation for implementation of a new frequency for FIC Moravia initiated.
- Preparation for replacement of the current UPS to HTS by three new UPS Centres installed in the TS technology. Construction of two new backed up networks in airport property. Change of stands in the technological part of TS and cooling improvement.

Aeronautical Information Management (AIM)

As of 1 January 2018, a new AIM Section was established as part of the change in the organizational structure of ANS CR, incorporated into the Operational Unit and authorized to provide air information services. The AIM Section includes the AIS Centre and the newly created AIM Systems and Data Department to ensure AIM systems and applications are operational. This change can be seen as another positive step in implementing the concept of AIS to AIM, which emphasizes the application of customer access through the development of applications and systems.

In accordance with the “EAD Agreement” concluded between ANS CR and EUROCONTROL, in 2018, the AIM Section provided continuous updating of data for the Czech Republic in the European Aeronautical Data and Information Database (EAD) without serious errors or delays.

From the perspective of the development of existing applications and systems, AIM has provided synergies in the implementation of the Database and Publishing System Recovery (AIM) project, enabling the exchange of electronic data in accordance with ICAO and EU requirements.

During 2018, the AIM system was developed by changing the graphic appearance of the Integrated Briefing System (IBS) and launching a full-featured meteobrief service. IBS has also been integrated into the AIM Single Sign-On application that allows users to access applications through a single sign-in service. The AisView pre-flight preparation system has been regularly upgraded. New objects were added to the basic map and meteorological information was extended. Along with these changes, a DronView map for pre-flight preparation for unmanned aircraft operators and pilots was launched. As of November 2018, users have the option to download the AisView mobile app for Android and iOS free of charge.

Due to its customer-oriented approach, AIM has ensured compliance of all its services with Regulation (EU) No 2016/679 on the protection of individuals with regard to the processing of personal data (GDPR).

As a result of the implemented projects, a comprehensive and user-friendly environment is being created, allowing access to up-to-date and guaranteed information.

Statistical data on publications:	
Number of changes issued to AIP	25
Number of SUPs issued to AIP	38
Number of changes issued to the VFR manual CR	15
Number of SUPs issued to the VFR manual CR	17
Number of aeronautical maps issued	381
Number of AICs series A issued	8
Number of AICs series C issued	38
Number of changes in air regulations issued	42
Number of national NOTAMs issued	8,033
Number of processed foreign NOTAMs	709,302



Věra
ACC Air Traffic Controller (IATCC Jeneč)
 I studied International Relations and European Studies at the Faculty of Social Studies, Masaryk University. Prior to graduating, I was accepted for enrolment on a course for air traffic controllers, and today I work as an area air traffic controller (ACC) and as an instructor in training new students. Outside of work, I regularly meet my colleagues for various sports activities. In addition to skiing, cycling, golf and running, I play for the company basketball team, participating in international tournaments for air traffic controllers, where we have enjoyed success and unforgettable experiences.



Projects and Investments

Data Processing and Presentation (DPP) Domain

The main focus of the DPP domain development was on the reassurance of the system support of the Harmonization programme through the realization of requested system changes to ESUP and IDP. The changes requested by users were installed into DPP systems (E2000, ESUP, and IDP). Preparation for the realization of changes for OLDI coordination for flights outside coordination point's extension was running in parallel. Work has started on changes to ESUP and IDP systems so that certain elements can work to a certain extent with the future TopSky core system.

Domain SUR

During 2018, the modernization of WAM systems, combined with the extension of coverage both at distance and at minimum altitudes, was completed. The surveillance infrastructure incorporating radar and multilateration technology is characterized by a high degree of redundancy and is fully prepared for the operational use of ADS-B from 2020. Tools for continuous quality control of surveillance data have also been upgraded. In experimental operation, a monitor was tested to continually monitor the rate of secondary radar load with early warning of hazardous situations that could result in loss of aircraft position detection. Continuous monitoring operation is scheduled for 2020.

RCOM Domain – Radio Communications

Within the gradual commissioning of the new RCOM technology acquired by the VOBR2010 + project, remote KOPI, BUKOP and PS2 sites were put into operation on Rohde & Schwarz RS4200 technology with a planned lifetime of more than 10 years. Radio stations comply with PNK (EU) 1079/2012 regulation - 8.33 kHz channel spacing and at the same time allow direct connection to VoIP exchanges. This step replaced the outdated Rohde & Schwarz RS200 technology of the 1990s.

NAVCOM

Technology enabling ground ILS signal measuring through the use of a car was acquired in an open contest for the NAVCOM department. The target is to accelerate and refine the ground measurements. Thanks to accurate GPS measurement, almost any measuring path along the aerodrome service roads can be made for LOC signal measurement, and then the required signals with their parameters can be displayed. This method greatly extends the scope and quality of ground measurements. To measure the GP signal, a pull-out 21m mast was supplied, which is designed for stationary measurement of GP signals on the runway threshold.

Domain AIM

The AisView system has been upgraded to display selected aeronautical and meteorological information and pre-flight preparation for low-level flights, to submit and process NOTAM issue release documents, and to issue NOTAM airspace and navigation alert restrictions.

The Neopteryx Project

The Neopteryx project is a key development project for the company, which aims to acquire a new main air navigation service system with scheduled deployment in 2021/2022.

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 technical solution is a guarantee that the new system will be deployed in a form that meets all requirements beyond the 2025 horizon. The new system will also be one of the most modern solutions at European level

During 2018, negotiations for defining the design of the system with the participation of end users continued.

In November, the Critical Design Review (CDR) was signed, thus confirming that the basic form of the system specifications meets the requirements of the system.

The implementation of the Neopteryx project, or the provision of a new main system for air traffic control in the Czech airspace, is essential in terms of future obligations of ANS CR. In particular, it fulfils the requirements of the European Commission under the Single European Sky program for high technical competence and related certification of European air navigation service providers.



Petr

3D TWR Simulator Administrator (CANI)

I graduated in computer technology at the Faculty of Electrical Engineering of the Czech Technical University and the Masaryk Institute of Advanced Studies. I have been with the company for more than 10 years, and am presently responsible for the running and development of the Flight School simulator systems and training in other technical systems. I am additionally involved in the initial training for ATM systems specialists (ATSEP) and teaching of air traffic controllers and other staff. Each summer, I attend the company children's camp in Ledec nad Sázavou as a leader. With the participation of a few of my colleagues, we have managed to create a great team. As soon as camp finishes we are already planning the program for the following year.

Business Activities



ANS CR Training and Business Unit provides education and training for air navigation service personnel based on a certificate from the Civil Aviation Authority. All services comply with ICAO International Civil Aviation Organization standards and European legislation. The full range of training programs fully meets the requirements of EU regulation 340/2015. The main mission of the training institute is to provide training and education for ANS CR employees. Free capacity is used for both domestic and foreign clients from more than thirty countries around the world. The training and trade department of ANS CR, under the brand name of the Czech Air Navigation Institute (CANI), operates on foreign markets.

In 2018, CANI succeeded in attracting a number of major customers. Winning Europe's most important tender for the Norwegian air traffic control AVINOR secured a three-year contract with an additional one-year extension. There will be an initial three years training course for various qualifications for up to 24 students a year. In the first year, 15 students are currently participating in the entry training. A three-year contract was also signed with the Maltese air traffic control MATS. The first ADI / TWR qualification for 3 students was completed with 100% success. Similarly, success in the flight verification tender for the Tanzanian CAA was achieved, which is our first contract in the African continent.

In 2018, a unique training project for Bosnia and Herzegovina Air Navigation Services Agency continued. So far, we have achieved a success rate of 94% in initial training and 87.5% in follow-up local training at each partner's site, SMATSA, Croatia Control, Slovenia Control and ANS Finland.

The year 2018 was generally significant mainly due to an increase in the number of initial training courses. In the field of ATM training, 118 professional courses for 1007 participants were successfully held. The volume of training for domestic partners has also increased. As part of the ongoing cooperation with the Czech Air Force, 117 trainees participated in 24 courses in 2018. In order to optimize the delivery of air navigation services, which is one of our priorities, we have also organized two entry training courses for 46 students, including 17 TCL students (Terminal Optimization Clause). At the same time, we launched internal teaching for employees, which had previously been outsourced. In the course of 2018, there were also 44 specialized courses at ANS CR which were attended by 253 participants. Language Department simultaneously organized also 173 language courses for our employees.

The year 2018 brought significant changes in the field of flight validation of air ground facilities. At the end of the year, the first of the two new Beechcraft King Air 350 calibration aircraft was delivered on the basis of a public contract. Despite the difficulty in replacing the aircraft, we fulfilled all our obligations to the company and external entities, thus maintaining the set customer ties. In total, 11 foreign missions for business customers in 6 different countries were successfully implemented.

As part of CANI's marketing activities, 2018 put great emphasis on successful presentation and promotion at trade fairs and at the same time on building good PR in online media.

A key event was the participation in the international World ATM Congress 2018 in Madrid, which is organized by CANSO in cooperation with ATCA. The CANI exposition presented the company's commercial activities offered to foreign B2B clients under the CANI brand. The fair, featuring a total of 237 exhibitors from around the world, was attended by over 8500 delegates from

136 countries. A successful evaluation of the first year of cooperation with the air traffic management of Bosnia and Herzegovina with the participation of ANS CR Director General took place at the stand; Jan Klas and his Bosnian counterpart, Davorin Primorac.

ANS CR was again successfully presented at the Ostrava Airport at NATO Days and Czech Air Force Days. The year 2018 was marked by the centenary celebrations of the establishment of the independent Czechoslovak Republic. Thanks to the participation of leading American politicians on the organization of Central Europe after the end of World War I, the United States became the partner country of the event. Another of the main partners of the event was ANS CR.

Through a corporate information stand with representatives from ANS CR, the responsible and irreplaceable work in air traffic control over the Czech Republic was presented to the general public. Model situations with detailed explanations were demonstrated on large screens as part of the presentations. Representatives from the Human Resources Department were on hand to respond to prospective candidates questions about a potential career as an air traffic controller.

In terms of advertising in 2018, online media was preferred. In addition to communication on company websites and through social networks (YouTube, Facebook, and LinkedIn), tools such as the ICAO Aviation Training Directory, AIRPORT INDUSTRY REVIEW, AIRPORT-TECHNOLOGY and ATC-NETWORK were used. In 2018, a three-minute promo video of CANI was created, in addition to updates for the CANI website.

2018 brought record sales in revenues. The economic success achieved is the result of an increase in the number of commercial orders due to the rapid increase in the number of initial training and overall improvement in PR, which helps to build the reputation of ANS CR, at home and abroad.



Human Resources Policy

Recruiting new employees is a key task for the Human Resources Section, and today it is more than just advertising on portals. For this reason, the Human Resources Section has opted for a new recruitment strategy for effective HR marketing. In March 2018, webpage kariera.rlp.cz was launched, where open positions are published with the support of social media campaigns, as well as special events inside and outside the company. 20 videos have been created to support the employer's brand, which can be seen on YouTube with tens of thousands of views. Working with job postings has been improved with regard to trends and the labour market situation. Internal colleagues have been involved across the company and professionals who, in addition to their work, are dedicated to promoting the company as an employer and do not hesitate to invest their personal energy and time in these activities

New comprehensive EU legislation - GDPR, No. 2016/679, which came into force on 25 May 2018, was applied to business practices. It concerns the protection of individuals with regard to the processing of personal data. In particular, the aim of the regulation is to unify the regulation of personal data throughout the European Union and puts great emphasis on protecting people's rights, the obligations of administrators and increased sanctions for infringements.

During 2018, two tenders for air traffic controller positions were launched, namely for the September 2018 and April 2019 entries. A total of 799 candidates enrolled for the selection process, and 38 students were accepted. A total of 59 tenders were organized across the company for other positions

Managerial education is critical as the motivation of employees is influenced by managers who can lead and inspire others. In 2018, teaching methods focused on working in leadership, motivation and communication, including feedback. Leaders chose the topics that interest them. Group sharing

experiences was complemented by coaching. As in every year, there were also training activities for other groups of staff, such as instructors, CISM maintenance training, EUROCONTROL training courses and language courses.

In accordance with the company's personnel policy and the development of new technologies, in 2018, in addition to regular personnel activities, a number of human resources areas were digitized.

Collective bargaining takes place every year between the trade unions and the company management. Collective bargaining was successfully concluded in 2018 by signing remuneration regulations for all categories of employees and amendments to collective agreements, with collective agreements extended for both unions until the end of 2024.

The present trend in employee care is the balance of personal life and health, and therefore the company has a well-defined benefit program for its employees. In 2018, the Human Resources Section focused on expanding this care by organizing a Health Day for Employees. As part of the care for existing and former employees, the company organized a traditional trip for pensioners and a popular children summer camp in Ledec nad Sázavou.

Number of employees as of 31 December 2018	
Manual staff	74
Technical systems specialists	131
AIS specialists	22
Flight inspection staff	13
Executive and administrative staff	325
Category S staff	72
Senior management	19
ANS staff	372
Total sum	1,028

Age structure	
29 and under	130
30-39	282
40-49	305
50-59	203
60 years and more	108
Total sum	1,028

Educational structure	
Primary education	7
Secondary vocational education	64
Complete secondary vocational education	446
Higher-level secondary education	15
Graduates	496
Total sum	1,028

Structure of operating staff	
Air traffic controllers	238
Technical systems specialists	131
Other ANS staff	93
AIS specialists	22
Total sum	484

Data in the charts indicate the number of employees as of 31 December 2018.

Central Logistics Section (CLS)

In 2018, the Central Logistics Section began working as an integral part of the Financial Administration Unit with a new internal section structure. The course of 2018 confirmed the expectations of the new organizational structure CLS - a high degree of operational reliability of systems and equipment, supporting individual departments and processes of the company and flexibility in solving current tasks. In the course of the year, the section successfully resolved the extensive implementation of GDPR rules in all the directives and working materials of the section. As in previous years, there was no record of any offense or defect resulting from state inspection authorities' activities in 2018. The section as a whole focuses on the needs of the internal customer, in this case the other departments of the company.

The most significant events in 2018 included:

- Launching the recovery of the server infrastructure on the Intel X86 platform and restoring workstations and administrators. The event was coordinated with other centres as a corporate event.
- The flexible approach during the implementation and launching of new information systems in the MIS zone (e.g. a safety portal, medical reservation, and supplier evaluation) and technical assistance during the selection of new systems (e.g. new personnel system, projects and task management systems).
- The implementation of European eIDAS legislation into the MIS environment providing the option of complete digitalization of company processes.
- The planned upgrade of the buildings management system to a centralized technology dispatch for the next generation of control SW.
- The launch of the project for automatic monitoring of energy costs - all new investment projects contain elements for automatic data collection on energy consumption.

- Project to modernise automatic gas extinguishing - stable fire extinguishing system in buildings; RLB BUCHTŮV KOPEC and MSSR, new fire extinguishers will be put into operation in the first half of 2019.
- Project to modernise the security access system on ANS CR premises.
- Production of a new template of ID card for employees of ANS CR and the commencement for preparation for card exchange planned for 2019.
- Voice portal for external applicants to comment on building projects. The portal linked to the GIS system will be put into operation on Q2 2019.



Corporate Social Responsibility

ANS CR fulfils the long-term and programmed goals for corporate social responsibility and contributes to the creation of a cultural business environment in the Czech Republic. The company is also monitored and evaluated for its approach to non-commercial areas, i.e. environmental protection, employee care and the implementation of a sponsorship program. Operational and economic results and quality of service should not be considered as the sole criterion for evaluating a company. ANS CR, through the implementation of the principles of social responsibility, continuously strengthens its credibility in relation to its surroundings and increases the loyalty of its employees. At the same time, the company communicates to its customers, partners and employees their share in the realization of its long-term goals.

Sponsorship Programme

ANS CR's sponsorship policy is based on the rules for making donations pursuant to the Resolution of the Government of the Czech Republic No. 334 of 14 April 1999 and its subsequent amendments. In 2018, the company continued its long-standing tradition of a sponsorship program. The financial support was aimed at supporting national projects in individual regions in the areas of charity, education, culture and health. The total amount donated to sponsorship activities, which were approved by the Supervisory Board of ANS CR, amounted to CZK 7,000,000 in financial donations and the donation of one car for 2018. The sponsorship program was held in three rounds and 73 organizations were supported.

Charity and health care:

- The Charta 77 Foundation – compensatory, rehabilitation and re-education aids for disabled individuals,
- Orion Centre – financing of EEG Biofeedback therapy,
- Vigvam Consulting Room – contribution to the remuneration of professionals and psychotherapists who help parents and children cope with the loss of a child or parent,

- Leontinka Foundation – support for a personal assistance project for visually impaired children,
- Association of Individuals Afflicted with Civilization Diseases in the Czech Republic – contribution to reconditional stays for seniors,
- Čím Volunteer Fire Department – purchase of emergency clothing and helmet flashlights for members of the department,
- Unhošť Children's Home – contribution to the rehabilitation stay for children from the children's home,
- Regional Charity Červený Kostelec – contribution to specialized rehabilitations for patients with multiple sclerosis,
- Hospital Na Františku – purchase of laparoscopic instruments for the surgical department,
- Ostrava Faculty hospital - support of the 5th national conference of nurses and radiological assistants of catheterisation rooms with international participants,
- IKEM – support of the research programme "Transplantation of Insulin Producing Tissue in Treatment of Diabetes and Its Complications",
- Hospital in Nové Město na Moravě – purchase of adjustable beds for children in intensive care.

Education, science and youth care:

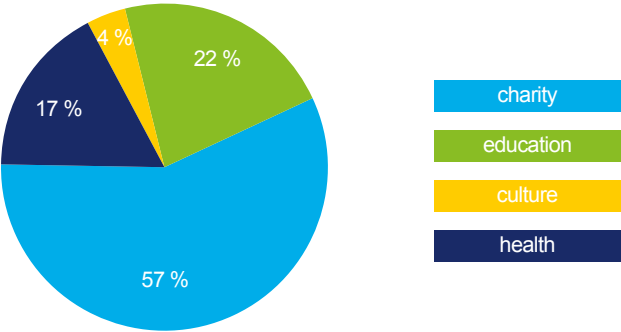
- Chýně Vocational School and Nursery – contribution to data projectors for nursery classes,
- Ruzyně Secondary Vocational School of Civil Aviation – contribution to the purchase of audio and video equipment in language classrooms, new computers and teaching aids for students of aviation, technician and avionics,
- Technical University of Ostrava, Institute of Transport, Faculty of Mechanical Engineering – contribution to SW and HW components for an air simulator used for teaching students,

- Hlučín Children's Farm Association – contribution to payroll costs for organizing sports and free time activities for children from Ostrava and Opava vocational schools and the therapy of horses,
- Bruntál Vocational School – contribution to equipment for students attending a flute ensemble,
- Hockey club Trutnov – contribution to special training aids, purchase and reimbursement for external trainers and consultants for youth hockey teams.

Culture:

- National Theatre – contribution to new Libuše opera rehearsals,
- Třeboň's Nocturnes Association – support of the 15th annual international music festival - Třeboň's nocturnes,
- Kbely Historic Air Squadron – contribution to the repair of historical Z 126 OK-HLJ aircraft.

Sponsored areas in CZK



Communication, Public Relation and Protocol

During 2018, a number of activities were undertaken to strengthen the company's reputation and strategic importance in the media and for Czech and overseas public, with a particular focus on the professionalism of its employees and its modern technological background. The primary responsibility of fulfilling the principles of this communication strategy is the External Relations Department and all employees, providing the relevant provisions of this strategy apply to them in the relevant context.

In line with the development of civil aviation and with regard to the vision of the company, the presentation of the company to the outside world focuses on the following communication goals:

- Safety
- Capacity and delays
- Commercial development
- Professionalism of employees
- Competitiveness
- Transparency
- Corporate social responsibility

These objectives are developed in the form of specific communication goals and information priorities. The basic structure of the communication strategy is supplemented by supporting elements – a crisis communication manual, social responsibility and advertising.

Internal and external communication within the company was achieved in line with “ANS CR Communication Plan for 2018”, targeting selected groups. The final version of the communication plan for 2018 contained 185 external and internal activities. One of the most important features of the company's communication was the commemoration of the 100th anniversary

of the establishment of the Czechoslovak Republic and the importance of air transport in the past and present in our country.

One of the most important events in which the company participated as a general partner was the Transport 2018+ conference with the motto “Next 100 Years in Motion”. Under the auspices of the Prime Minister of the Czech Republic - Andrej Babiš and Transport Minister -Dan Ťok, the conference was dedicated to the vision of further development of all modes of transport on the 100th anniversary of the establishment of Czechoslovakia. In particular, the company presented its development plans for drone detection and integration into standard air traffic through the concept of „Smart Sky“.

In 2018, standard external communication was traditionally provided mostly through press releases, meetings with journalists or information on ANS CR website. The Department of External Relations issued 17 press releases, most of which dealt with the evaluation of the year, the winter and summer seasons, the company's commercial successes, economic results, and the 2018 pricing policy. Selected press releases were translated into English and sent for publication on the CANSO web presentation, social networks and for other uses in the foreign press.

Given the performance of the Chairman of the European Executive Board of Directors of CANSO (EC3), there has been an increased interest in the interview and the views of the General Director of the company on the current growth of air transport. In 2018, the General Director of the company provided a number of interviews for both domestic and foreign media. Among the most important interviews made were for Czech Television, Seznam TV, Hospodářské noviny, CANSO Journal, ATM Magazine and EUROCONTROL Skyway.

Based on the company's involvement in the Central European Functional Airspace Block (FAB CE) project, this project was actively presented during the World ATM Congress 2018 in Madrid. In view of the project's external cooperation, a new profile film and publications were prepared for this event to raise awareness of the initiative and its results to date.

In accordance with the protocol practiced within the company, several major visits and meetings were hosted by the company. Primarily, a meeting of the CEOs from the FAB CE project in Prague and visits by foreign delegations from Thailand, China, Norway, Vietnam and others.

The company spokesman has continuously provided and presented the company's opinions and comments in line with the demands of journalists or the general public. During the year, there was no such event in air traffic or in any other situation that would require the activation of crisis communication. In view of the further growth of operations and the involvement of the company in 4ACC, communications mainly included the high performance and professionalism of Czech managers and their contribution to a significant reduction in pan-European delays.

On the Internet, the strengthening of the company's position on social networks continued via active and coordinated presentations on Facebook, Twitter and YouTube, where the number of company profile followers is in the thousands. The company information magazine STRIP, which is a sought-after information source not only within the company, but also despatched to state administration authorities, universities and individuals, continued to maintain a high level of information and graphics. At the end of 2018, the 200th issue of this magazine was published, and by 2019 STRIP included a new modern graphic design.

Occasional informal meetings for all employees of the company, including management were also organized. „Coffee with the General Director“ has become a popular place for direct communication between the General Director and employees, especially during the preparation of the company's new strategy for 2024. These meetings were successfully organized at the regional business centres. A new electronic application „Boss on-line“ has been put into operation and successfully used, giving every employee the opportunity to contact the General Director at any time with a question or requests for clarification.

The “ANS CR Children's Day” was traditionally received with great interest. An informal summer meeting „Open Sky Jeneč“ is very popular and anticipated among the employees of the company and at the end of the year “ANS CR Christmas meeting“ took place in 2018 in the Municipal House in Prague.

Advertising and Promotion

Economic results have enabled the company to become a promotion partner for a number of major sports, cultural and air events in the Czech Republic.

Among the most important activities of ANS CR in 2018 were:

- Official partnership of the Czech Athletic Association,
- Advertising Partnership for the Czech Ski Association,
- Official partnership of the „World Opera Stars in Prague 2018“ project,
- The main Aviation Fair 2018 at Pardubice Airport,
- Advertising partnership for the operation and performance of the Antonov 2, OK - WHB,
- The main partnership for Strakonice on Air 2018,
- Main Partnership for The CTU Children's University, 2018,
- INAIR 2018 International Conference in Vienna - New Trends in Air Transport,

- General Partnership at the 27th year of the Air Ball in Lucerna, Prague,
- Main partnership at the Historical Air Show at Mladá Boleslav Airport,
- The Main Partnership of the World Flight in Cessna OK - TGM on the occasion of the 100th anniversary of the founding of Czechoslovakia - by Roman Kramářik,
- Official Partnership of the 18th NATO Days and the Czech Armed Forces at Ostrava Airport,
- Grand partnership during a meeting with Comenius, Minister of Defence.



Rost'a
Air Traffic Controller at Ostrava Airport
 After completing my studies at the Technical University of Ostrava in the field of Air Transport, I was accepted on a course for air traffic controllers. After two years of training, I obtained a TWR / APP license and am subsequently employed at Ostrava Airport. I hold a transport pilot's license and so I often wander through the European skies. I enjoy travelling and playing sports with my family. I like playing football and am a member of the ANS CR football team that participates every year in international football tournaments for air traffic controllers.



Report on the Company’s Performance in 2018

In terms of performance, 2018 can be characterized as a fairly successful year. The objectives set out in the national performance plan were significantly exceeded. The economic results are, above all, a reflection of the positive growth in air traffic in 2018.

In terms of the provision of air navigation services, a record increase in air traffic was recorded for en-route services compared to previous years. The total volume of en-route operations expressed in service units (SU according to EUROCONTROL data) reached 3,041.5 thousand SU in 2018, which is a year-on-year increase of 7.7%. The volume of en-route operations corresponds to the projection of en-route operational performance in the performance plan for the fourth year of the second reference period at 108.8%.

In addition to the positive development in en-route navigation services, a dramatic increase in air traffic at airports in the Czech Republic was recorded last year. After long periods of continuous slumps and stagnation, a year-on-year increase of 8.1% was recorded in 2018. The volume of en-route operations expressed in terminal service units (SU) reached 98.6 thousand SU. The volume of en-route performance therefore corresponds to the projection of en-route operational performance of 104.6% in the performance plan for the fourth year of the second reference period.

2018 was the fourth year of the effectiveness of the national performance plan for the second reference period (2015-2019); which was drafted under Regulation (EU) No. 390/2013 of the European Commission, and in which the air navigation performance system is applied. Within this system, each member state must contribute to achieving the established European performance targets through the National Performance Plan approved by the European Commission. A national unit rate for en-route service for the entire reference period was stipulated as the key performance indicator in

cost-effectiveness. For 2018, a national unit rate of 1,079 CZK, representing a decrease of 5.0% in nominal prices, was approved. This unit price was applied throughout 2018. The amount follows the current downward trend in unit prices and contributes to meeting European cost-efficiency goals. The unit price for terminal navigation services applied in 2018 was 6,800 CZK – the same amount as the previous year.

As stated above, the company’s economic performance in 2018 was fairly positive. Projected earnings were reached and exceeded and the financial situation of the company remains stable. A more detailed view of the development of economic performance is provided below.

Company Revenues

For the period of January to December 2018, the company’s total revenue was 4,320,107 thousand CZK, of which operating revenues in 2018 were 4,213,028 thousand CZK; thus considerably exceeding the revenue generation plan by 12.4% - primarily due to positive developments in air traffic.

The main source of the company’s revenue is the provision of air navigation services (ANS). Revenues from ANS accounted for 93.1% of the company’s total operating revenue in 2018. Revenues from en-route navigation services were 3,261,309 thousand CZK, i.e., 77.4% of operating revenues, and were the largest contributor. The second largest volume of revenues was generated from terminal navigation services in the amount of 657,842 thousand CZK, i.e., 15.6% of operating revenues. Revenues from training flights accounted for 2,926 thousand CZK, i.e. approximately 0.1% of operating revenues.

During 2018, ANS CR received full compensation from the state budget for costs incurred by the company in connection with the provision of services for flights exempted from charges for an aggregate amount of 52,209 thousand CZK. This compensation is provided to ANS providers on the basis of the European Commission Regulation No. 1794/2006 of 6 December 2006 (common charging scheme for air navigation services) and on the basis of the Czech Government Resolution No. 1404 of 2 November 2005.

Other operating revenues amounted to 290,951 thousand CZK in 2018. Of this amount, the cited compensation amounted to 52,209 thousand CZK. The remaining 238,742 thousand CZK of other revenues came from a wide

range of revenue items. They include income from the education and training -162,979 thousand CZK, revenue from calibration flights - 20,406 thousand CZK, followed by revenue from aeronautical information services, rebilling services, office rental space and equipment, etc.

In 2018, a revenue of 107,079 thousand CZK was mainly generated from derivative transactions (including a revaluation), from active exchange rate differences and to a smaller degree from the appreciation of temporarily available financial resources.

The main yields were as follows:

R E V E N U E S (CZK thousands)	2014	2015	2016	2017	2018
REVENUES FROM AIR NAVIGATION SERVICES (ANS)					
En-route navigation services	2,823,333	2,978,624	3,132,615	3,135,479	3,261,309
Terminal navigation services	489,174	506,701	548,248	607,557	657,842
Training flights	2,039	2,358	3,267	2,240	2,926
OTHER REVENUES					
Revenues from commercial services (other than ANS)	333,698	133,705	222,897	218,590	290,251
Total financial revenues	75,515	86,093	93,199	227,798	107,079
TOTAL REVENUES	3,723,759	3,707,482	4,000,226	4,191,664	4,320,107

Company Costs

In 2018, the total volume of costs (including income tax) amounted to 4,023,993 thousand CZK, which represents a year-on-year increase of 5.8%.

Costs of 599,625 thousand CZK were recorded for consumed purchases and services. Within this cost group, 74,020 thousand CZK went on consumed purchases, and 525,605 thousand CZK on consumed services. SW system support - 96,053 thousand CZK, repairs and maintenance - 76,098 thousand CZK, air meteorological service - 74,074 thousand CZK, telecommunication and data services - 45,230 thousand CZK, power consumption - 41,815 thousand CZK, travel expenses - 32,251 thousand CZK and the spectrum of other services fall into the most considerable items of this cost group.

Personnel expenses reached 2,377,010 thousand CZK. A year-on-year development of personnel expenses was in accordance with meeting the obligations of collective agreements.

Expenditures within the cost groups amounted to the following:

C O S T S (CZK thousands)	2014	2015	2016	2017	2018
Consumption of materials and services	480,824	501,174	540,342	586,572	599,625
Personnel expenses	1,885,635	1,960,634	2,146,096	2,245,227	2,377,010
Other operating expenses	243,227	239,247	250,696	230,705	236,852
Depreciation, provisions and allowances	538,657	482,642	505,506	537,682	590,302
Total financial costs	36,866	114,230	75,595	103,789	144,039
Taxes and fees (including income tax)	108,012	83,922	98,175	100,272	76,165
TOTAL COSTS	3,293,221	3,381,849	3,616,410	3,804,247	4,023,993

The cost group of other operating expenses drew a total volume of 236,852 thousand CZK in 2018. The most considerable amounts of this group included the payment for the membership fee of CR to the budget of the EUROCONTROL organization in the amount of 145,954 thousand CZK, the payment of costs of the national supervisory body (CAA) in the amount of 45,225 thousand CZK and expenses for the liability and property insurance of the company in the amount of 18,483 thousand CZK.

The cost group of depreciation, provisions and allowances drew a cost volume of 590,302 thousand CZK.

The total volume of financial costs in 2018 amounted to 144,039 thousand CZK.

Company Economic Result

In 2018, ANS CR achieved a gross pre-tax profit of 369,294 thousand CZK. The tax liability, including deferred tax, represents 73,180 thousand CZK, profit after tax 296,114 thousand CZK. This positive result was primarily due to a favourable year-on-year development in air traffic. The financial situation of ANS CR was stable in 2018, and the company was able to meet all its commitments related to ensuring its activities and obligations to the state budget.

Consolidated Economic Result for the Group

In addition to developing its core business – the provision of air navigation services – the company strategy emphasizes the expansion of the company’s commercial activities. This objective is concentrated on the acquisition of the Czech Aviation Training Centre (CATC). Consolidation of annual financial statements was carried out by a group consisting of the parent company, the CATC and its subsidiary CATC India, and the FAB CE Aviation Services in accordance with the national accounting standards.

The consolidated net earnings include the net earnings of the entities in the group adjusted from intercompany transactions and accounted consolidation difference. The consolidated net earnings after tax for the entire group at the balance sheet date, i.e., as of 31 December 2018, came to 302,645 thousand 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 2018, the airspace of the Czech Republic reached a level of 900 thousand aircraft movements. ANS CR provided air navigation services for a total of 912,817 flights, i.e., 59,453 movements or 7.0% more than in 2017. An increase in the number of movements was observed for the whole of 2018, with growing dynamics in the middle and end of the year, ranging from 3.7% in January to 8.5% in July. This growth also confirmed high interest in the airspace during the summer months. An increase in air traffic exceeding 8% at the end of 2018 (8.1% in November and 8.2% in December, respectively) is again positive.

When comparing the development of performance expressed in chargeable service units, we found a similar trend in operations during the year, such as in the number of movements, but with a greater year-on-year overall increase of 7.7%. Again, this development indicates a growth in higher average revenue in the price for services provided per flight attributed to a higher average weight of in-transit aircraft and longer average flight distances. The increase in number of service units was recorded in all months of 2018.

In the course of 2018, the trend in the development of air transport continued to be evident in Europe in the context of the region's continued stable economic situation, particularly in the ever-deepening competition of air carriers beyond the major hubs in addition to in Central, Eastern and South-Eastern Europe. In the course of 2018, air transport in the Czech Republic also continued to benefit from its position in Central Europe, where frequently used routes between the Middle East and Western Europe were directed. Overall, the segment of long-haul flights also developed positively during 2018.

Compared with the 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 growth of air traffic in 2018, measured by the number of service units, exceeds the plan by 8.8%. Exceeding the fulfilment of the performance plan was recorded throughout all months of 2018.

Performance of EUROCONTROL Member States' Airspace in Service Units

Compared with the development of traffic in the context of all EUROCONTROL member countries, the actual increase in traffic in the Czech Republic in 2018, measured by the number of service units, exceeded the average reported increase in traffic of all these Member States (6.1%).

This is confirmation of the positive development of the air transport market across Europe. Traffic growth occurred in all EUROCONTROL Member States, with the exception of a slight year-on-year decline in service units in Norway (-0.2%) and Georgia (-0.1%). A number of countries have shown positive growth in traffic above 10 percent, namely Finland and Croatia 10.8%, Lithuania 11.4%, the Canary Islands in Spain 11.6%, Macedonia 12.0%, Bulgaria 12.1%, Serbia, Montenegro and Kosovo 12.4%, Moldova 20.2% and Armenia 25.6%. This list shows that the highest growth dynamics were recorded in South-eastern Europe in 2018, confirming the trend of introducing new connections in the region and increasing transit traffic through the region from the Middle East area.

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

For all airports in the Czech Republic, where the provision of services is provided by ANS CR (Prague, Brno, Ostrava and Karlovy Vary), 2018 resulted in a total increase of 3.5%. Collectively, 234,769 aircraft movements were recorded at all four airports. In the case of both performance units reflecting the weight factor of the aircraft the terminal service units and MTOW tonnes of landing aircraft were higher in the Czech Republic in 2018, by 8.0% and 8.9% respectively.

At Václav Havel Airport, Prague, the recorded number of movements increased by 4.8% in 2018. A total of 155,216 aircraft movements were recorded at Václav Havel Airport, Prague. Air traffic increase was recorded in all months of the year, with the highest increase in the spring months (6.5% in March and 6.8% in April) and during the summer period (6.1% in July and 6.5% in August). The lowest total increase was recorded at the end of 2018 – in November 1.7% and in December 2.5%.

Regional airports managed by ANS CR showed a year-on-year increase of only 0.9% in the number of movements. However, as in previous years, there was a significant fluctuation in the performance of individual airports and individual months of the year - there was a year-on-year increase in the number of movements at Ostrava and Karlovy Vary airports, while Brno airport showed a year-on-year decline in movements. A positive factor demonstrating at least a partial change in the performance of regional airports is a higher year-on-year increase in performance units expressing revenue for services provided (the number of terminal service units increased by 10.3%, MTOW tonnes by 15.0%). However, further developments must prove the stability of this established trend.

As for the number of aircraft movements, the share of Václav Havel Airport, Prague in total traffic increased again in 2018, as in the previous year. It accounted for 66.1% of the total number of movements recorded at all four airports (65.4% in 2017). The number of terminal service units reflecting the amount of revenue for services provided, was 91.5% of the total at Václav Havel Airport, Prague, while the number of MTOW tonnes for aircraft landing was as much as 93.2% of all airports where ANS CR provides its services. Differences between the number of movements at Václav Havel Airport, Prague and the airport's performance indicators for all four airports were the result of different traffic structure at Václav Havel Airport, Prague and regional airports, where traffic at regional airports was increasingly dominated by aircraft with a lower average maximum take-off weight and thus being less significant for revenues from the services provided.

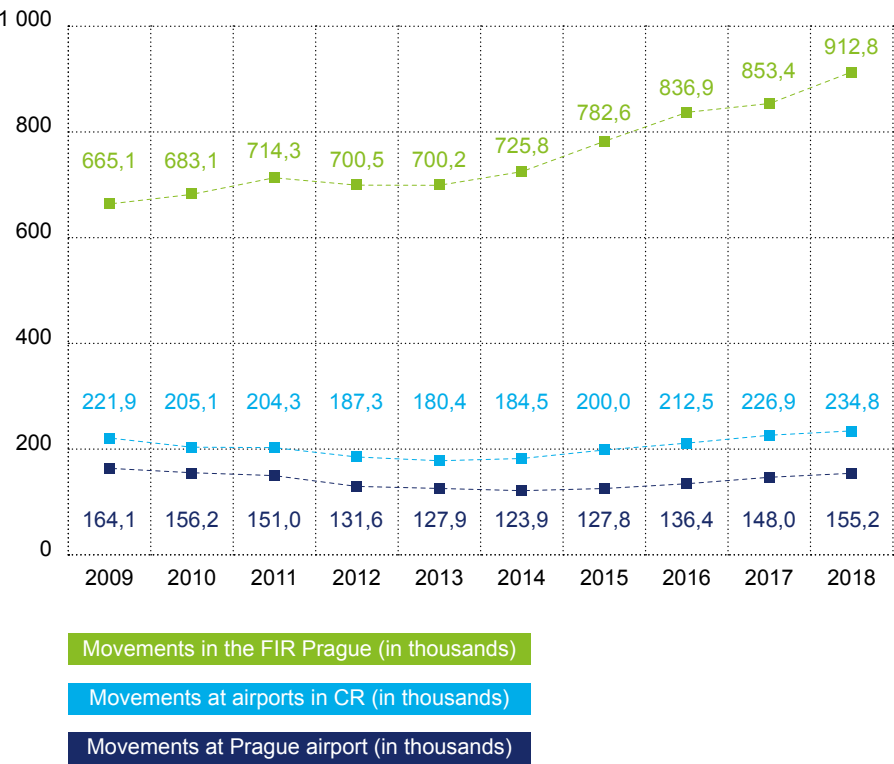
In terms of the performance units reflecting the weight factor of the landing aircraft, there was again a year-on-year increase in Václav Havel Airport, Prague compared to aircraft movements - the number of terminal service units increased by 7.8% and MTOW tonnes by 8.5%. Given the volume of traffic at Václav Havel Airport, Prague in comparison to other monitored airports, increases in both indicators show similar values at all managed airports. Overall, terminal service units increased by 8.0% and MTOW tonnes by 8.9%. The positive trend in the development of air traffic at Czech airports, where the company provides its services, also reflects the assessment of the 2018 performance plan for the second reference period (2015-2019) in accordance with SES legislation. The year 2018 was already the second consecutive year when the performance plan was exceeded; it was fulfilled at 104.6%. The curve of year-on-year development of both indicators at Czech airports shows increases in all months of 2018.

In 2018, Václav Havel Airport, Prague also witnessed an increased interest in foreign air carriers in flights from and to the Czech capital. Last year, American Airlines, Cyprus Airways and Air Arabia joined the carrier community for the first time. Key foreign carriers with the highest year-on-year increases in traffic in Prague were: Qatar Airways (+140.6%), Ryanair (+74.5%), Hainan Airlines (+ 25.9%), Emirates (+ 24.1%) and Polish LOT (+ 18.6%). By contrast, Ukraine International Airlines (-33.1%) and Wizz Air (-26.8%) reported the largest declines by important customers. Both key domestic customers of the service showed an active share in the positive carriage results of Václav Havel Airport, Prague; in the case of Smartwings, the increase in traffic was 11.4%, and for CSA only a slight year-on-year decrease of 0.6%.

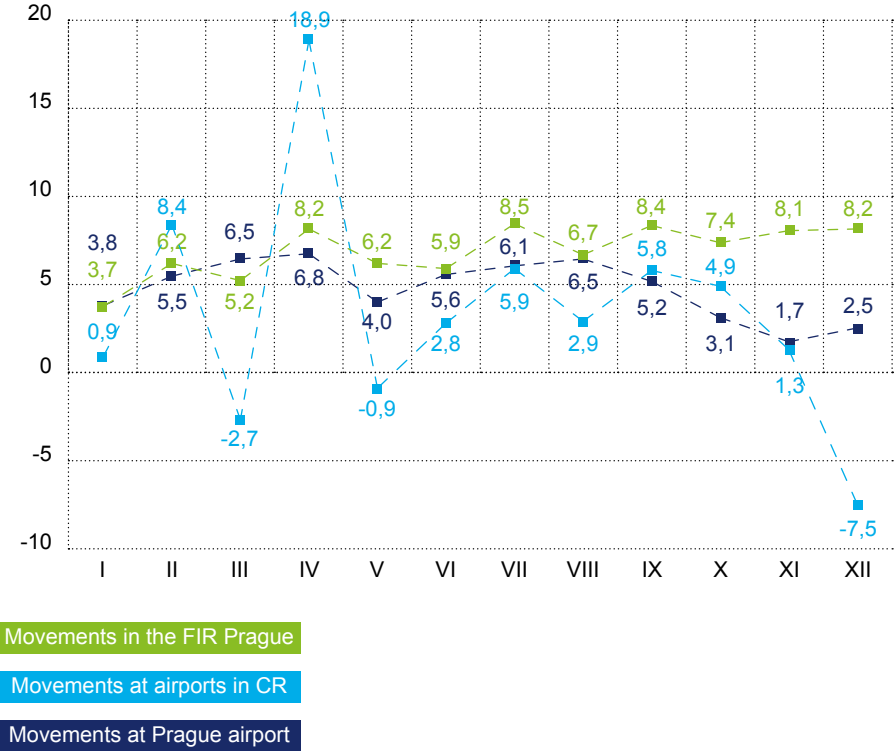
In 2018, the largest customer of ANS CR at Václav Havel Airport, Prague was Czech Airlines (16.8% of the total volume of services provided at the airport), followed by another domestic carrier Smartwings (13.6% of the services provided). The most important foreign customers of ANS CR include Ryanair, easyJet, Lufthansa, Aeroflot, Emirates, British Airways, Norwegian and others.

For several consecutive years, it has been possible to monitor the continuous increase in the average maximum take-off weight of aircraft landing at airports where the traffic is controlled by ANS CR. In 2018, this weight was 50.8 tonnes per landing, an increase compared to 2017 (from 47.9 tons). Also, the average maximum take-off weight of landing aircraft was increased at Václav Havel Airport, Prague. In 2017 this weight was 64.4 tonnes, in 2018 66.8 tonnes per landing.

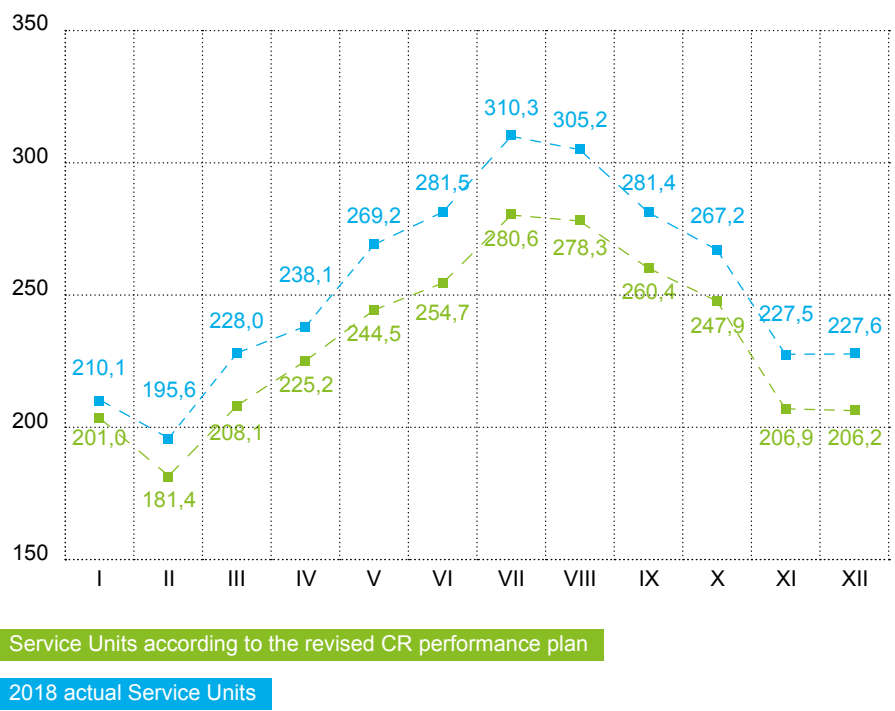
Movements in the FIR Prague and at airports in CR



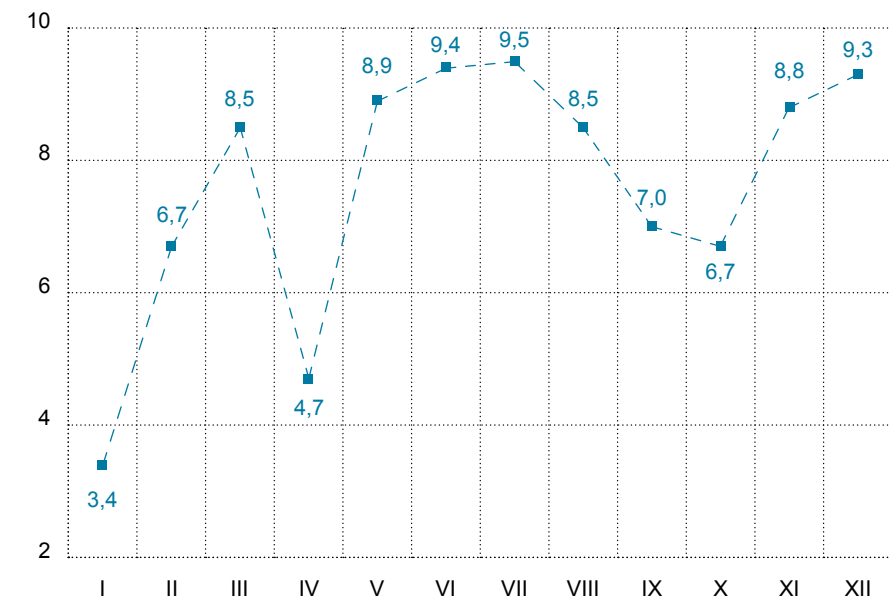
Year-on-year comparison in the number of movements in the FIR Prague and at airports in CR in individual months of 2018 in %



Comparison in the number of service units in the FIR Prague (in thousands) between the values given in the revised performance plan for CR for the second reference period and the actual values achieved in individual months of 2018

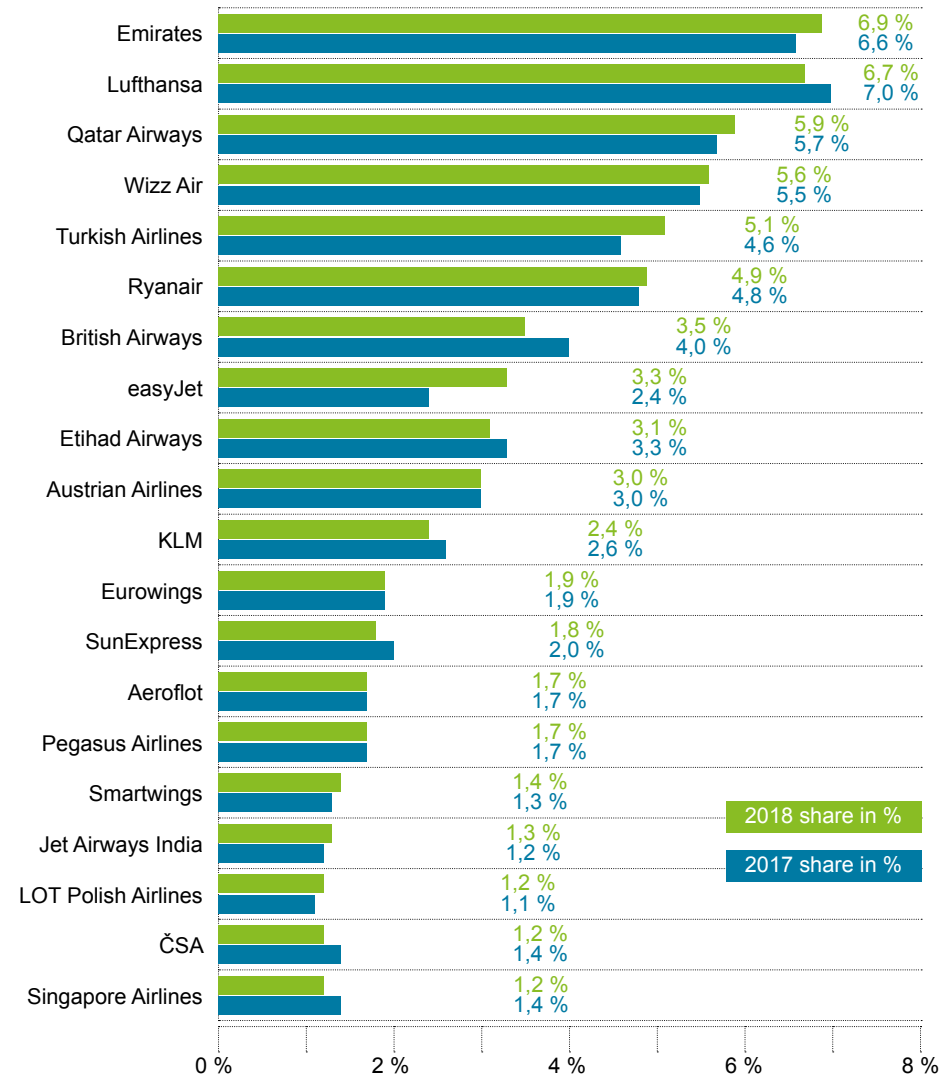


Year-on-year comparison in the number of service units in the FIR Prague in individual months of 2018 in %

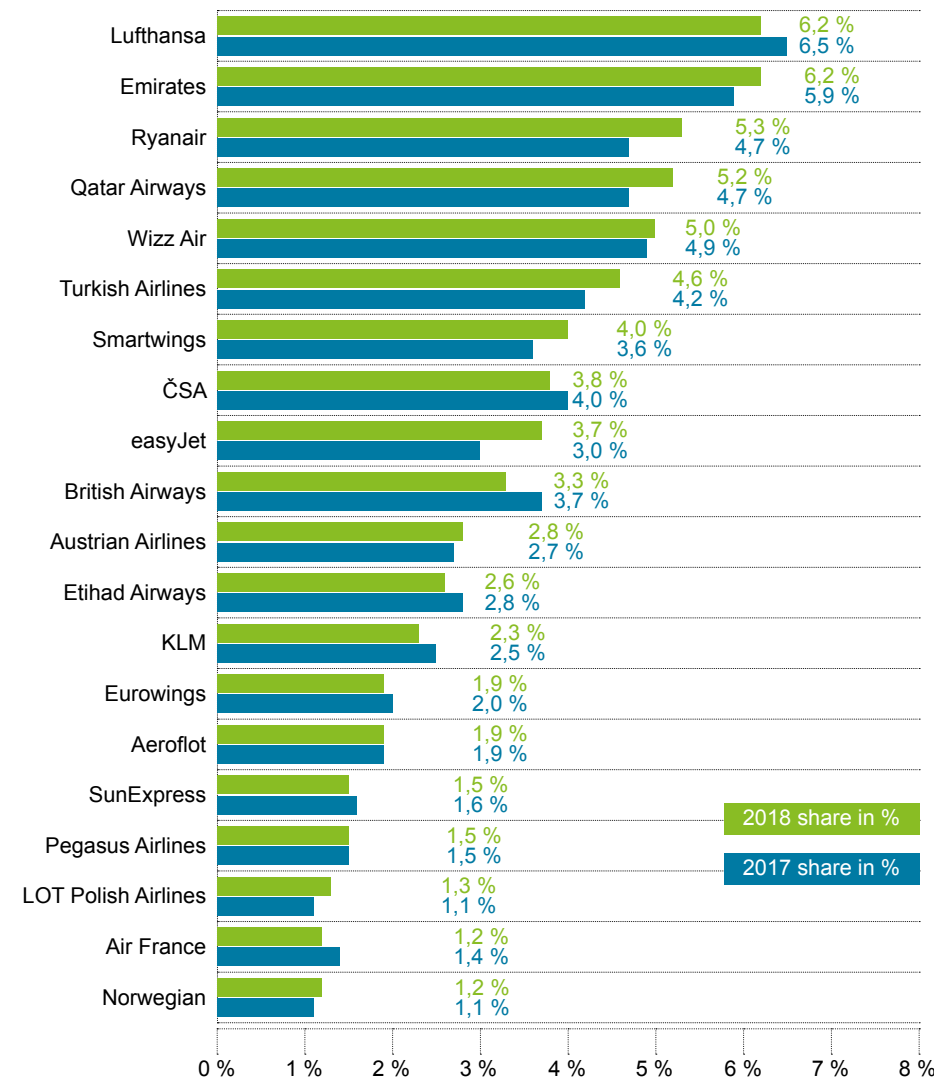


Number of service units in the FIR Prague

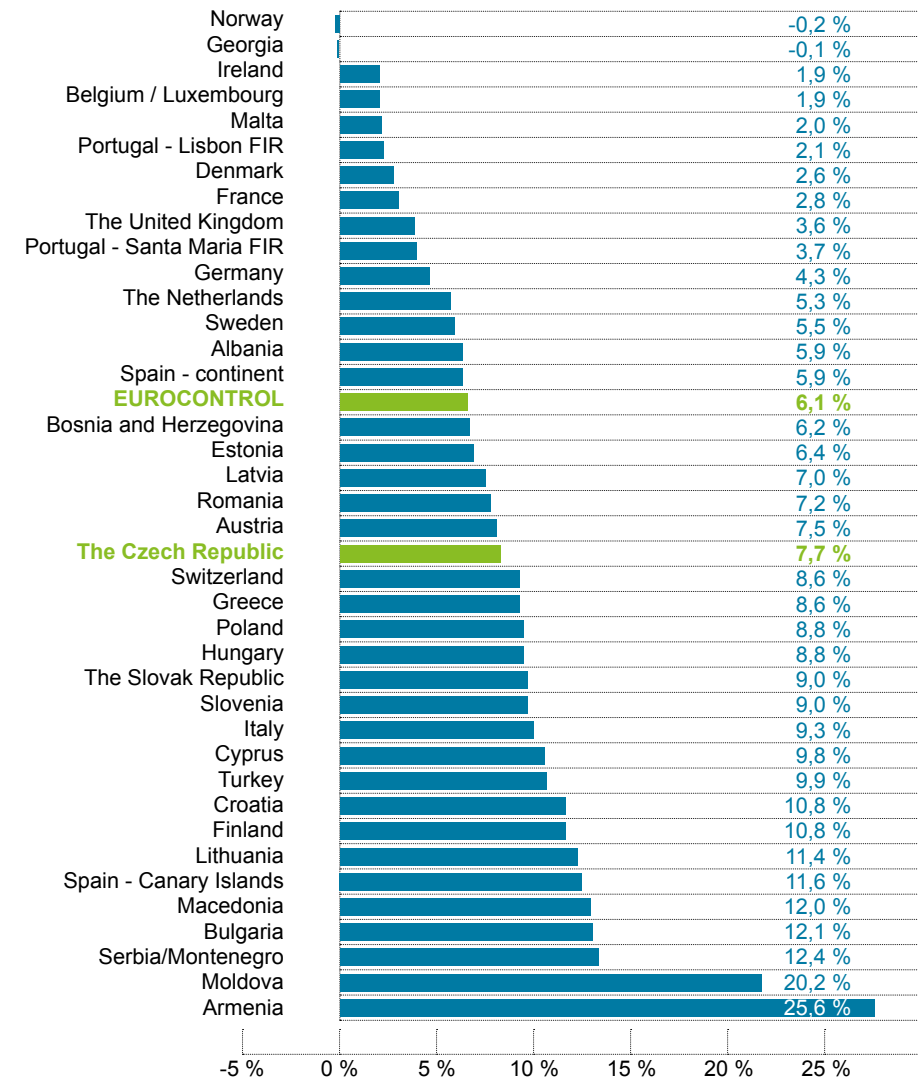
Major ANS CR customers in 2018 - users of en-route navigation services in Czech airspace (% share of the total volume of services provided between 2017-2018)



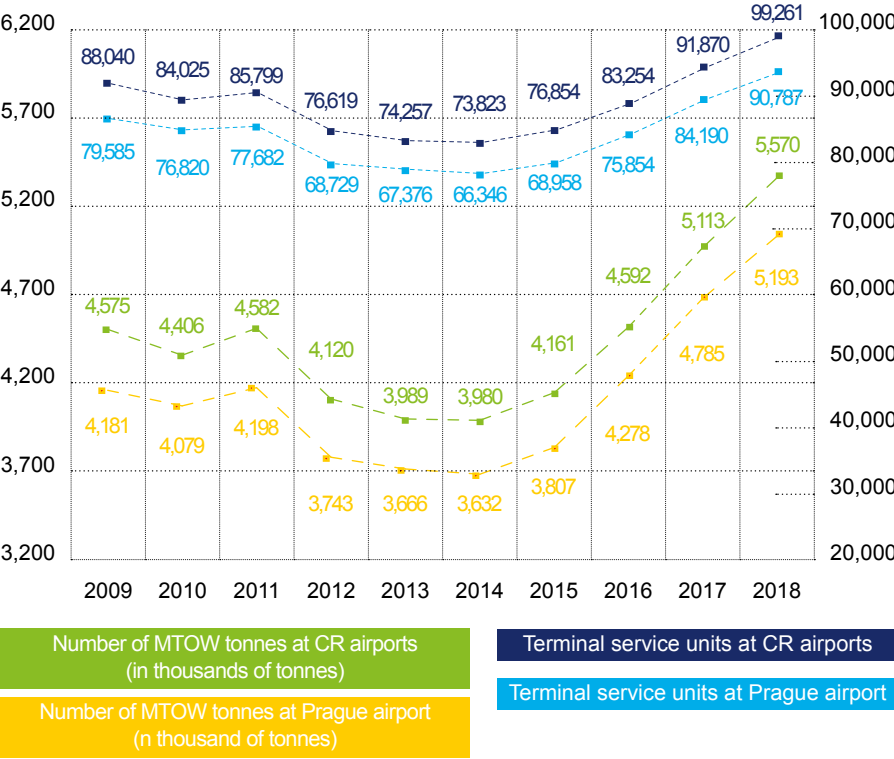
Major ANS CR customers in 2018 - users of air navigation services in Czech airspace (% share of the total volume of en-route and terminal navigation services provided at the same time)



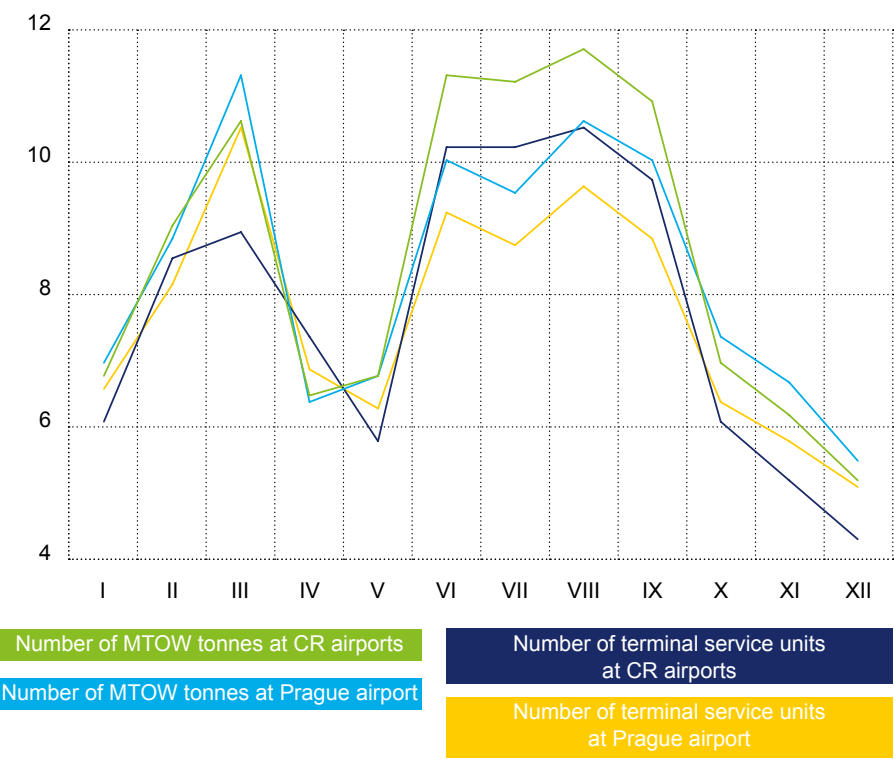
Development of performance in service units (charged) of EUROCONTROL member states 2018/2017 (%)



Number of performance units at airports in CR and at Václav Havel Airport, Prague (in thousands of MTOW tonnes and terminal service units)

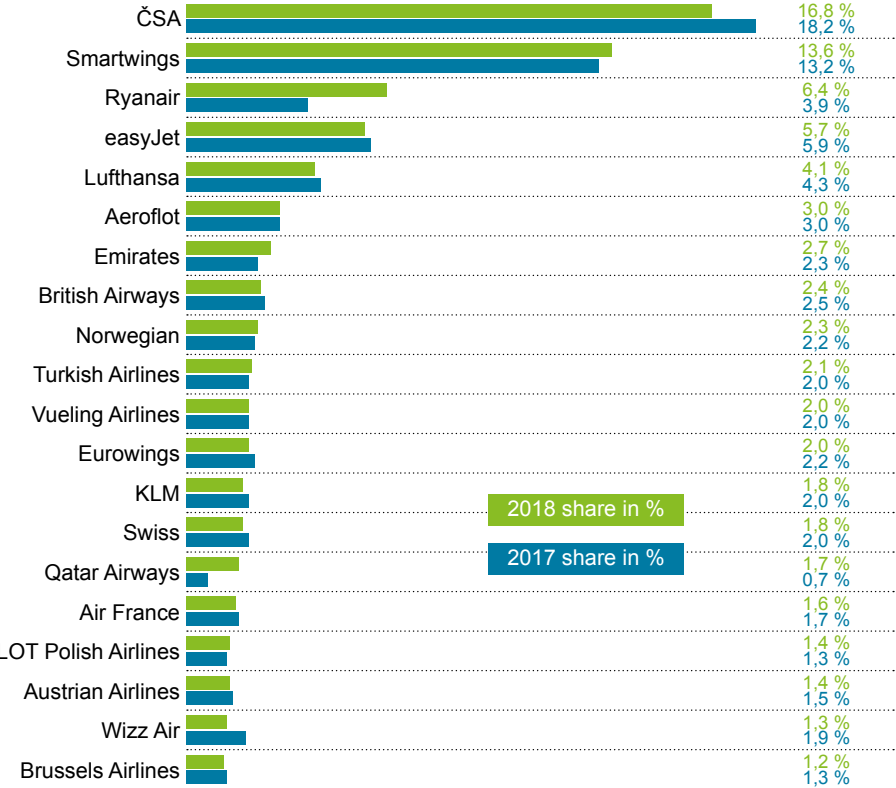


Year-on-year comparison in the number of performance units at airports in CR in individual months of 2018 in %



	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Number of MTOW tonnes at CR airports	6,8	9,1	10,7	6,5	6,8	11,4	11,3	11,8	11,0	7,0	6,2	5,2
Number of MTOW tonnes at Prague airport	7,0	8,9	11,4	6,4	6,8	10,1	9,6	10,7	10,1	7,4	6,7	5,5
Number of terminal service units at CR airports	6,1	8,6	9,0	7,4	5,8	10,3	10,3	10,6	9,8	6,1	5,2	4,3
Number of terminal service units at Prague airport	6,6	8,2	10,6	6,9	6,3	9,3	8,8	9,7	8,9	6,4	5,8	5,1

Major ANS CR customers in 2018 - users of terminal navigation services at Václav Havel Airport, Prague (% share in the total volume of terminal service units - comparison for 2017 - 2018)



Charges for Provided Air Navigation Services

Prices for air navigation services provided in 2018 by ANS CR, as in previous years, were determined in accordance with the European Commission Implementing Regulation (EU) No 390/2013, which sets out the air navigation service performance monitoring system approved under the Single European Sky (SES) project. Regulations include pricing for both types of services provided, i.e. en-route navigation services in Czech airspace and terminal services provided at controlled airports in the Czech Republic. This

legislation defines the process for determining the unit prices of air traffic service providers of EU Member States, including ANS CR, for the second reference period in the form of performance indicators and the shared risk principle with service users. The performance plan is basically set for a five-year reference period, while the second reference period is limited to 2015-2019. The en-route navigation services are performance indicators and as such approved by the national regulator the Civil Aviation Authority and the European Commission.

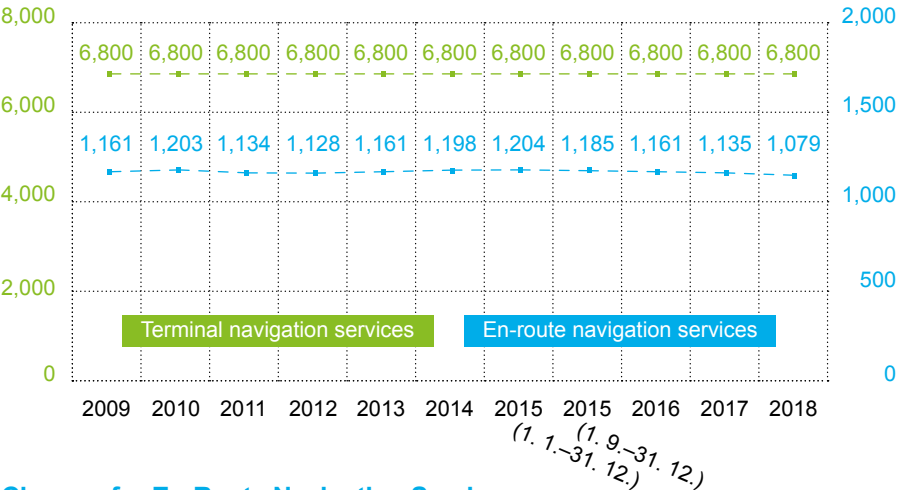
Prices for en-route navigation services are, as performance indicators, compared to a year-on-year comparison in Real Terms prices of 2009. The revised approved performance plan includes a decrease of these prices for Czech airspace by 16.1% between 2014 and 2019. This gradual reduction in en-route charges has been positively assessed as contributing to the achievement of pan-European targets in this direction, with the main objective of achieving greater efficiency in the service provided in the European area and thus greater benefits for users of these services.

In general, charges are set in accordance with the International Civil Aviation Organization (ICAO) rules and other applicable European Commission regulations which include Commission Implementing Regulation (EU) No 391/2013. As in previous years, in 2018, the procedure of calculation of the prices for en-route navigation services was governed by the Principles for Establishing the Cost Base and Unit Charges for en-route navigation services issued by the European Air Traffic Safety Organization EUROCONTROL, which further elaborates on the above-mentioned European legislation.

ANS CR has consistently applied a customer approach to the process of setting charges for air traffic services. The most important obligation of the company is to maintain the objectives, including the planned continuous

decrease in prices during the 2nd reference period, set by the performance plan of the Czech Republic, while taking into account the real development of traffic during this period. Consultations with users - organizations representing the interests of air traffic users - are taking place as an integral part of the price approval process before final pricing is approved. During the 2018 price setting exercise, the consultation of prices for en-route navigation services was again organized at the level of the EUROCONTROL Member States. The consultation of prices for terminal navigation services was held by the European Commission at the EUROCONTROL premises.

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



Charges for En-Route Navigation Services

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

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

For 2018, the fourth year of the second reference period, the basic unit cost for en-route navigation services, as part of the commitment to gradually reduce the price for services approved by the national performance plan for the Czech Republic, was set at 1,079 CZK, i.e. a global unit price of 41.52 EUR per service unit. This basic unit price was valid for the entire period of 2018. There was a year-on-year decrease in the basic unit rate by 1.4% in comparison with the basic price valid for 2017. The cost base was traditionally calculated in CZK.

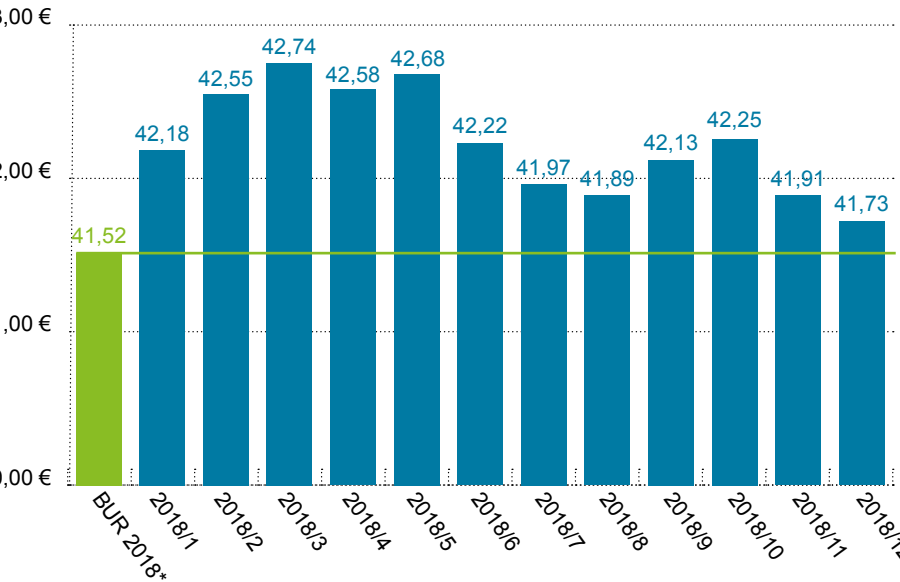
The global unit rate set for a whole period of one year is, after the conversion into EUR, only the reference price. The real price paid in EUR by service users during a period of one calendar month depends on the EUR / CZK exchange rate movements during the year. As in previous years, the real EUR price fluctuated during 2018, depending on the value of the Czech national currency against the euro. The graph below shows the actual en-route navigation service rates charged to service users each month compared to the base reference rate announced for 2018, depending on the exchange rate movement.

In comparison with all unit rates of charges for en-route navigation services of EUROCONTROL member states, the global unit rate of charge in Czech airspace announced for 2018 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 for member states of EUROCONTROL is shown in the graphic display.

Following the decision of the State, the following categories of flights were exempt from charging for en-route services in 2018:

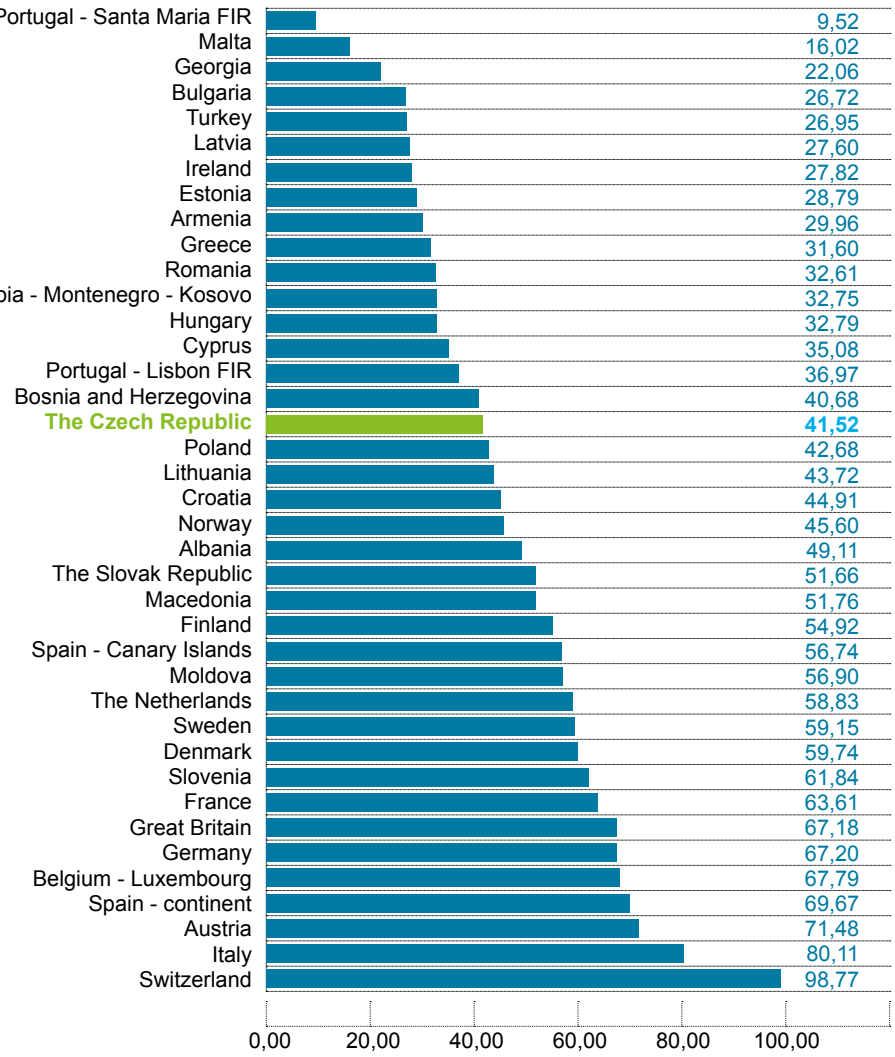
- Flights made exclusively under the VFR rules
- Flights of aircraft up to and including 2 tonnes MTOW
- Flights of state importance (flights made exclusively for transporting heads of states, heads of government and ministers during their official trips)
- Search and rescue flights authorized by the competent RCC
- Flights performed by the state aircraft of the states to the North Atlantic Treaty Organization, Austria and Brazil, with the exception of the Czech Republic
- Flights performed for the purpose of verification and control of ground navigation equipment;
- Flights performed by customs and police authorities

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



* Basic Unit Rate 2018

Comparison in the price level of the unit rates in EUROCONTROL member states for en-route navigation services in 2018 (in EUR)



Charges for Terminal Navigation Services of Controlled Flights

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

The price for terminal navigation services valid for 2018 was set at 6,800.00 CZK per terminal service unit, which remains unchanged at this level since 2009. Due to the positive development in the number of terminal service units at CR airports, the performance plan for terminal navigation services in 2018 was exceeded by 4.6%. The price for services is declared 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 the Czech National Bank on the invoice issue date.

In 2018, based on a decision by the government, the following categories of flights were exempt from terminal navigation service charges:

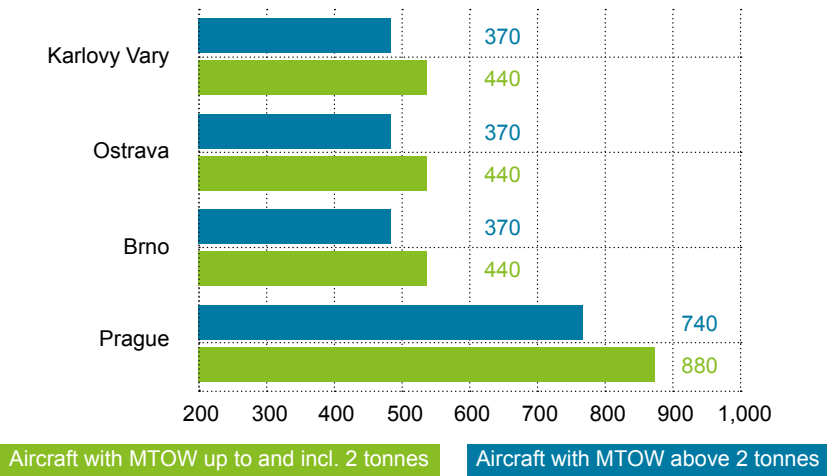
- Flights of aircraft up to the maximum take-off weight of and including 2 tonnes
- Flights of state importance (flights made exclusively for transporting heads of states, heads of government and ministers during their official trips)
- Flights for search and rescue authorized by the competent RCC authority
- Flights for state aircraft of 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 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 failure or weather conditions and aircraft forced to make an emergency landing
- Flights made by customs and police authorities

Charges for Training Flights

In 2018, training flights conducted at TMA airports controlled by ANS CR were charged, as in previous years, a flat rate per one hour of the duration of the training flight or a proportional part thereof and 1 MTOW tonne of the aircraft. The actual 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 MTOW tonnes, a different basic unit rate for charges than in cases of flights of aircraft with higher MTOW was applied. 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 based on reaching the limit of the minimum number of training hours required was applied while taking into account the possibility of an attainment of the required number of training hours at all three regional airports simultaneously.

Rates for training flights charges applicable in 2018 (in CZK for 1 hour and 1 MTOW tonne)



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%
above 30	65%

Recovery of Receivables for Air Navigation Services

Membership of the Czech Republic in EUROCONTROL and its adherence to the Multilateral Agreement on Route Charges as in the case of other Member States, automatically assumes the direct responsibility of the CRCO of EUROCONTROL for collecting and recovery of the receivables from individual users of en-route navigation services provided by ANS CR in Czech airspace. Also, if necessary, EUROCONTROL CRCO directly ensures their recovery after maturity, possibly assisted by the air navigation service providers of each Member State. The collection and possible subsequent recovery of receivables from individual users of terminal navigation services provided at Prague, Karlovy Vary, Brno and Ostrava airports is the responsibility of ANS CR. The absolute majority of the total receivables for terminal navigation services were settled by customers till due date in 2018. In 2018, the medium-term recovery rate of receivables for both types of services (en-route navigation and terminal navigation services) was 99.8 - 99.9%.

In the event of any delay in the payment of tax documents for provided services, a standard recovery mechanism to secure receivables using conventional instruments was applied by ANS CR. As in previous years, the company applied financial sanctions in the form of charging interests for late payment in accordance with applicable laws in response to the late payment of receivables by the customer, and this practice continued in 2018. In more severe cases of unpaid receivables for terminal navigation services, ANS CR used other instruments available for recovery on a selective basis, including recovery by legal means, or through the application decision to file a claim in the insolvency proceedings, eventually through cooperation with government authorities in the field of civil aviation. In exceptional cases in 2018, 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 denial of the provision of air navigation services to customers in long-term arrears with payment of invoices for previously rendered terminal navigation services. This provision represents another effective instrument in securing long outstanding receivables with a positive impact on their return. Under the amendment to the Civil Aviation Act, with effect from November 2017, the option to deny the provision of air navigation services to customers in long-term arrears in paying their invoices for previously rendered services has also been extended to en-route navigation services. During 2018, the company reached the bilateral agreement with EUROCONTROL specifying the rules of procedure to achieve this goal.

Supervisory Board Report

At the meeting of the Supervisory Board of the Company, which took place on 10 April 2019, the annual financial statements of the Company for 2018 were at the heart of the discussion.

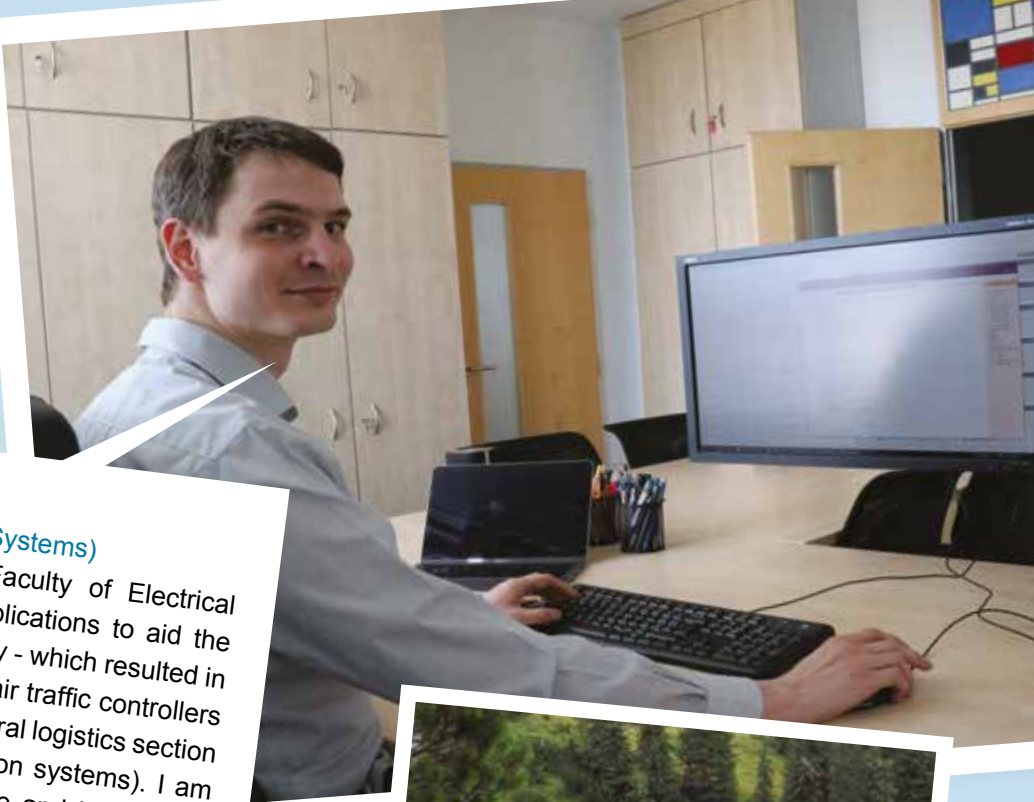
During the period January – December 2018, the total revenues of the company amounted to 4,320,107,000 CZK. The 2018 revenues plan was exceeded by 12.4%. The main source of the revenues was again the provision of air navigation services, which accounted for 93.1%. The total volume of costs amounted to 3,950,813,000 CZK, which corresponds to an increase by 6.6% year-on-year.

In 2018, the profit and loss reached 406,254,000 CZK, i.e. an increase of 45,864,000 CZK - when compared to 2017. After taking into account the financial profit and loss, an amount of 296,114,000 CZK was recommended for the company's funds distribution.

The Supervisory Board, in accordance with section 13, paragraph 1b of Act No. 77/1997 Coll., on State-Owned Enterprises, as amended, discussed and took note of the annual financial statements and profit and loss statement. And after reviewing, stated that the planned economic performance indicators for 2018 were met, the financial situation was stable, and the company fulfilled all its obligations.



MAGDALENA FALTÝSKOVÁ
Chairwoman of the Supervisory Board



Ruda
Head of MIS (Management and Information Systems)
During my studies at university (CTU - Faculty of Electrical Engineering), I started to program small applications to aid the digitization of paper processes for the company - which resulted in a system to facilitate the electronic signing of air traffic controllers to their workplaces. Presently, I work in the central logistics section as a head of MIS (management and information systems). I am responsible for the reorganization of the centre and its roles to enable a more rapid response to user requirements. I like to spend my free time actively, doing sports and hiking. I enjoy climbing, which takes me out of reach of IT technologies. It's a great way to relax.



Individual Financial Statements 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 Jeneč, Navigační 787, identification number 497 10 371, (hereafter the “Company”) prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31 December 2018, and the income statement, statement of changes in equity and cash flow statement for the period from 1 January 2018 to 31 December 2018 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 2018 and of the costs, revenues and its profit or loss and its cash flows for the period from 1 January 2018 to 31 December 2018, 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 is 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 25 March 2019

Audit firm:

BDO Audit s. r. o.

Certificate No. 018

Partner:

Petr Slaviček

Certificate No. 2076



BALANCE SHEET

in full (in thousands of CZK)

Statement line/Content of the item				Value in current accounting period			Value in past accounting period
				Gross	Correction	Net	
TOTAL ASSETS				14,069,118	7,077,041	6,992,077	7,060,655
B.	FIXED ASSETS			11,896,006	7,050,451	4,845,555	4,355,144
	B.I.	Intangible assets		4,299,802	2,597,688	1,702,114	1,320,261
		B.I.1.	Research and development	3,861	3,861		
		B.I.2.	Valuable rights	3,247,383	2,498,687	748,696	716,554
			B.I.2.1. Software	3,246,057	2,497,939	748,118	715,793
			B.I.2.2. Other valuable rights	1,326	748	578	761
		B.I.4.	Other intangibles	117,960	95,140	22,820	27,060
		B.I.5.	Advance payments for intangible fixed assets and intangible assets under construction	930,598		930,598	576,647
			B.I.5.2. Intangible assets under construction	930,598		930,598	576,647
	B.II.	Tangible fixed assets		7,263,368	4,452,763	2,810,605	2,703,303
		B.II.1.	Land, buildings and structures	2,796,527	1,309,546	1,486,981	1,499,724
			B.II.1.1. Land	16,409		16,409	16,298
			B.II.1.2. Buildings and structures	2,780,118	1,309,546	1,470,572	1,483,426
		B.II.2.	Machines, tools and equipment, transportation means, furniture and office equipment	4,090,917	3,143,110	947,807	656,908
		B.II.4.	Other tangibles	2,315	107	2,208	1,042
			B.II.4.1. Cultivated areas	85	85		
			B.II.4.3. Other tangible fixed assets	2,230	22	2,208	1,042
		B.II.5.	Advance payments for tangible fixed assets and tangible assets under construction	373,609		373,609	545,629
			B.II.5.2. Tangible assets under construction	373,609		373,609	545,629
	B.III.	Long-term financial assets		332,836		332,836	331,580
		B.III.1.	Shares and ownership interests in subsidiaries	332,453		332,453	331,199
		B.III.5.	Other long-term securities and ownership interests	383		383	381

Statement line/Content of the item				Value in current accounting period			Value in past accounting period
				Gross	Correction	Net	
C.	Current assets			2,101,798	26,590	2,075,208	2,676,315
	C.I.	Inventory		22,513	442	22,071	19,728
		C.I.1.	Raw materials	22,141	442	21,699	19,632
		C.I.3.	Finished goods and merchandise	372		372	96
			C.I.3.2. Merchandise inventory	372		372	96
	C.II.	Receivables		876,568	26,148	850,420	1,050,982
		C.II.1.	Long-term receivables	1,976		1,976	53,870
			C.II.1.5. Other receivables	1,976		1,976	53,870
			C.II.1.5.4. Other receivables	1,976		1,976	53,870
		C.II.2.	Short-term receivables	874,592	26,148	848,444	997,112
			C.II.2.1. Trade receivables	630,746	19,041	611,705	585,630
			C.II.2.4. Other receivables	243,846	7,107	236,739	411,482
			C.II.2.4.3. Due from state - tax receivables	68,297		68,297	92,924
			C.II.2.4.4. Short-term advance payments	2,658		2,658	3,538
			C.II.2.4.5. Estimated receivables	12,497		12,497	1,579
			C.II.2.4.6. Other receivables	160,394	7,107	153,287	313,441
	C.III.	Short-term financial assets					21,705
		C.III.2.	Other short-term financial assets				21,705
	C.IV.	Cash on hand and in bank accounts		1,202,717		1,202,717	1,583,900
		C.IV.1.	Cash on hand	2,124		2,124	1,897
		C.IV.2.	Bank accounts	1,200,593		1,200,593	1,582,003
D.	Accruals of assets			71,314		71,314	29,196
	D.1.	Deferred expenses		71,314		71,314	29,196

Statement line/Content of the item					Value in current accounting period	Value in previous year's accounting period
TOTAL EQUITY AND LIABILITIES					6,992,077	7,060,655
A.	Equity				6,131,091	6,048,727
	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	4,681
	A.II.	Share premium and capital contributions			300,206	298,950
		A.II.2.	Capital contributions		300,206	298,950
			A.II.2.1.	Other capital contributions	248,475	248,475
			A.II.2.2.	Gains or losses from revaluation of assets and liabilities (+/-)	51,731	50,475
	A.III.	Legal, statutory and other reserve funds			4,355,137	4,144,771
		A.III.1.	Other reserve funds		320,000	320,000
		A.III.2.	Statutory and other reserves		4,035,137	3,824,771
	A.IV.	Profit/Loss - previous year (+/-)			92,131	130,086
		A.IV.1.	Retained profits from previous years (+/-)		92,131	130,086
	A.V.	Profit/Loss - current year			296,114	387,417
B+C	Liabilities				860,913	1,011,854
B.	Provisions				8,078	6,531
	B.2.	Income tax provision				2,998
	B.4.	Other provisions			8,078	3,533
C.	Liabilities				852,835	1,005,323
	C.I.	Long-term liabilities			191,160	134,585
		C.I.8.	Deferred tax liability		125,199	119,160
		C.I.9.	Other liabilities		65,961	15,425
			C.I.9.3.	Other liabilities	65,961	15,425

Statement line/Content of the item				Value in current accounting period	Value in previous year's accounting period
	C.II.	Short-term liabilities		661,675	870,738
		C.II.3.	Advances received	1,509	1,141
		C.II.4.	Trade payables	118,072	141,470
		C.II.8.	Other liabilities	542,094	728,127
			C.II.8.3. Liabilities to employees	165,022	184,151
			C.II.8.4. Social security and health insurance liabilities	50,567	54,583
			C.II.8.5. Due to state - taxes and subsidies	208,736	401,855
			C.II.8.6. Estimated liabilities	92,972	76,199
			C.II.8.7. Other liabilities	24,797	11,339
D.	Accruals of liabilities			73	74
	D.2.	Deferred revenue		73	74



PROFIT AND LOSS STATEMENT

in full (in thousands of CZK)

Statement line/Content of the item			Value in current accounting period	Value in previous year's accounting period
I.	Sales of own products and services		4,129,474	3,879,380
A.	Production consumption		599,625	586,572
	A.2.	Raw materials and consumption	74,020	65,650
	A.3.	Services	525,605	520,922
D.	Personnel expenses		2,377,010	2,245,227
	D.1.	Wages and salaries	1,849,359	1,753,652
	D.2.	Social security, health insurance and other expenses	527,651	491,575
	D.2.1.	Social security expenses and health insurance	453,075	423,115
	D.2.2.	Other expenses	74,576	68,460
E.	Valuation adjustments relating to operating activities		585,756	534,149
	E.1.	Valuation adjustments of fixed assets	592,025	536,144
	E.1.1.	Valuation adjustments of fixed assets - permanent	592,025	536,144
	E.2.	Valuation adjustments of inventory	255	-6
	E.3.	Valuation adjustments of receivables	-6,524	-1,989
III.	Other operating income		83,554	84,486
	III.1.	Income from fixed assets sold	352	357
	III.2.	Income from materials sold	1,141	1,126
	III.3.	Other operating income	82,061	83,003
F.	Other operating expenses		244,383	237,529
	F.1.	Net book value of fixed assets sold	83	40
	F.2.	Net book value of material sold	122	66
	F.3.	Taxes and fees	2,985	3,291
	F.4.	Provisions relating to operating activities and complex deferred expenses	4,546	3,533
	F.5.	Other operating expenses	236,647	230,599

Statement line/Content of the item			Value in current accounting period	Value in previous year's accounting period
*	OPERATING PROFIT/LOSS (+/-)		406,254	360,389
VI.	Interest income and similar income		1,056	1,123
	VI.2.	Other interest and similar income	1,056	1,123
VII.	Other financial income		106,023	226,675
K.	Other financial expense		144,039	103,789
*	PROFIT/LOSS FROM FINANCIAL OPERATIONS (TRANSACTIONS) (+/-)		-36,960	124,009
**	PROFIT/LOSS BEFORE TAX (+/-)		369,294	484,398
L.	Income tax		73,180	96,981
	L.1.	Income tax - due	67,141	93,997
	L.2.	Income tax - deferred (+/-)	6,039	2,984
**	PROFIT/LOSS AFTER TAX (+/-)		296,114	387,417
***	PROFIT/LOSS OF THE ACCOUNTING PERIOD (+/-)		296,114	387,417
*	NET TURNOVER = I. + II. + III. + IV. + V. + VI. + VII.		4,320,107	4,191,664

CASH FLOW STATEMENT

at 31 December 2018

			2018	2017
P.	Cash at the beginning of the period		1,583,900	1,490,918
Z.	Accounting profit/loss from ordinary activities before tax		369,294	486,481
	A.1.	Adjustments to non-cash transactions	656,249	399,094
	A.1.1	Depreciation of fixed assets	592,025	536,144
	A.1.2	Change in allowances, provisions and transitory accounts	-1,725	1,538
	A.1.3	Profit (loss) from the sale of fixed assets	-269	-317
	A.1.5	Net interest costs	-1,056	-1,123
	A.1.6	Possible adjustments related to other non-cash transactions	67,274	-137,148
A.*	Net cash from operating activities before taxation, changes in working capital and extraordinary items		1,025,543	885,575
	A.2.	Change in working capital	9,146	135,211
	A.2.1	Change in receivables from operating activities	52,385	56,043
	A.2.2	Change in short-term payable from operating activities	-62,346	104,057
	A.2.3	Change in inventories	-2,598	-3,184
	A.2.4	Change in short-term financial assets excluding monetary resources	21,705	-21,705
A.**	Net cash from operating activities before taxation and extraordinary items		1,034,689	1,020,786
	A.4.	Interest received excluding investment companies and funds	1,056	1,123
	A.5.	Income tax pad from ordinary activities and additional assessment	-97,064	-87,211
A.***	Net cash from operating activities		938,681	934,698
	B.1.	Expenses connected to acquiring fixed assets	-1,105,210	-670,709
	B.2.	Proceeds from the sale of fixed assets	352	357
B.***	Net cash from investing activities		-1,104,858	-670,352
	C.2.	Impact of changes in equity on cash resources	-215,006	-171,364
C.***	Net cash from financial activities		-215,006	-171,364
F.	Net change in cash resources		-381,183	92,982
R.	Cash at the end of the period		1,202,717	1,583,900

SUMMARY OF CHANGES IN EQUITY

at 31 December 2018

Changes/balances	Registered capital	Other capital contributions	Gains or losses from revaluation of assets and liabilities	Reserve fund	Found-er's fund	Develop-ment fund	Other funds created from profit	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.	A.
Balance on 1 January 2017	1,087,503	248,475	-3,564	320,000	0	3,573,162	39,243	513,816	5,778,635
Revaluation of equity investment for 2017 equivalence			54,039						54,039
Allocation to funds from disposable profit of 2016					100,479	211,238	72,013	-383,730	0
Transfer of resources of founder's fund to the state budget in 2017					-100,479				-100,479
Use of resources of funds created from profit in 2017							-70,885		-70,885
Profit and loss for 2017								387,417	387,417
Status at 31 December 2017	1,087,503	248,475	50,475	320,000	0	3,784,400	40,371	517,503	6,048,727
Revaluation of equity investment for 2018 equivalence			1,256						1,256
Allocation to funds from disposable profit of 2017					38,004	175,000	74,413	-287,417	0
Allocation to founder's fund from retained profit of previous years					137,955			-137,955	0
Transfer of resources of founder's fund to the state budget in 2018					-137,955				-137,955
Use of resources of funds created from profit in 2018							-77,051		-77,051
Profit and loss for 2018								296,114	296,114
Status at 31 December 2018	1,087,503	248,475	51,731	320,000	38,004	3,959,400	37,733	388,245	6,131,091

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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 founded on 1 January 1995 under resolution No. 4283/94-KM of the Minister of Transport issued on 28 December 1994. 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 Prague, Brno, Ostrava and Karlovy Vary airports
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 No. 77/1997 Coll. The founder of the company is the state. The Ministry of Transport, whose responsibility includes the core business of the company, acts in the name of the founder.

The accompanying financial statements for ANS CR have been prepared in a same 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 the national accounting standards. The companies included in the consolidation are the Czech Aviation Training Centre and Czech Aviation Training Centre India. Information pursuant to section 39b of Decree No. 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 2018, there was one change made to the company’s entry in the Commercial Register. It was nomination of new deputies of the Director General of the company (see table, paragraph 1.5.).

1.4 ORGANIZATIONAL STRUCTURE

The head of the company is the Director General, who is a statutory body. There are three supporting departments directly subordinate to the Director General. The company is further organizationally divided into three performance departments each headed by a department director. The departments are divided into specialized divisions, each headed by a division manager, and specialized sections headed by qualified supervisors. As of 31 December 2018, the total number of these organizational units was 18.

The company has no organizational units abroad.

1.5 STATUTORY AND SUPERVISORY BODIES OF THE COMPANY AS OF 31 DECEMBER 2018

Company Management – Statutory Body	
Director General:	Jan Klas
First Deputy Director General:	Petr Fajtl
Second Deputy Director General:	Miloslava Mezerová
Third Deputy Director General:	Jana Navrátilová

Supervisory Board	
Chairperson:	Magdalena Faltýsková
Members:	Zdeněk Jelínek
	Petr Hromek
	Petr Kolomazník
	Stanislav Pleninger
	Milan Vondra

Pursuant to the provisions of section 44c, paragraph 1c) of an amendment to the Act No. 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. 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 BASICS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Company accounting is prepared and the financial statements compiled in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree No. 500/2002 Coll., which implements certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for entities that are businesses performing double-entry bookkeeping and Czech accounting standards for businesses.

The accounting respects general accounting principles, in particular principles of valuation of assets and liabilities, accounting accruals, principle of prudence and assumption of the entity’s ability to continue its activities. The accounting was compiled with support of the computing software.

The EUS software was developed by a British firm Ifield Computer Consultancy (ICC).

3 GENERAL ACCOUNTING PRINCIPLES, POLICIES AND ACCOUNTING CHANGES AND VARIANCES

The valuation methods applied by the company in preparing the financial statements for 2018 and 2017 are as follows:

3.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets (IFA) are assets valued at more than 60K CZK on an individual basis with an estimated useful life of greater than one year in respect to 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 40K CZK.

Intangible assets not considered fixed within the company are included directly in costs at acquisition as a service provided. Projects and studies that are not intangible fixed assets where the price is more than 60K 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 “Principles for Establishing the Cost Base for Route Facility Charges and the Calculation of the Unit Rates”, depreciation is calculated uniformly using the linear method.

Estimated lifetime for the defined group of IFA in years:	
Software	4–10 years
Other IFA (audio-video works, projects, studies, trademarks, research and development results)	3–6 years

3.2 TANGIBLE FIXED ASSETS

Tangible fixed assets (TFA) are assets valued at more than 40K CZK on an individual basis with an estimated useful life of greater than one year in respect to 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 3K CZK and 40K CZK are depreciated for a period of 4 or 10 years. Other small tangible fixed assets with an acquisition price between 3K CZK and 40K CZK are posted to Account 501 and recorded on off-balance sheet account 796. Small tangible assets with an acquisition price between 1K CZK and 3K CZK are also posted to account 501 and recorded on off-balance sheet account 796.

Valuation at replacement cost is also calculated 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 40K 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 the “Principles for Establishing the Cost Base for Route Facility Charges and the Calculation of the Unit Rates” document, depreciation is calculated 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 – aircrafts	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 No. 586/1992 Coll., on Income Tax, as amended. The company applies linear depreciation for purposes of calculating income tax.

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.

3.4 CURRENT FINANCIAL ASSETS

Monetary resources consist of valuables, money and cash on 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 includes costs for acquisition including related costs (shipping costs, commissions, etc.). Based on stocktaking, allowances for inventories were created at the balance sheet date.

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 2017 and older
- 50% for receivables with a due date in the period from 1 January 2018 to 30 June 2018

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

3.7 LOANS

The company did not draw any loans in 2018.

3.8 PROVISIONS

In 2018, the company created a provision for the current income tax for 2018 and for untaken vacations. The company did not create any other provisions in 2018.

3.9 CONVERSION OF FOREIGN CURRENCIES DATA 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 2018, 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 2018.

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 2018, 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 Act No. 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 No. 310/1995 Coll. Besides these funds, the company can create under the same Act additional funds from disposable profits. In 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 of benefits granted to employees under collective agreements, which are not regulated by Decree No. 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 within the 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. Within the 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)

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 COST AND REVENUES ACCOUNTING

Revenues and costs are accounted in accruals, i. e., they are recognized in the period to which they relate.

3.16 SUBSIDIES

In accordance with the 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 resources 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. Where 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 2018 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)

2018 (CZK thousands)	Software	Other IFA	Total
ACQUISITION COST (AC)			
Balance at 1 January 2018	2,960,015	124,512	3,084,527
Additions	287,564	3,990	291,554
Disposals	1,522	5,355	6,877
Balance at 31 December 2018	3,246,057	123,147	3,369,204
ACCUMULATED DEPRECIATION			
Balance at 1 January 2018	2,244,222	96,691	2,340,913
Depreciation 2018	255,239	8,413	263,652
Disposals	1,522	5,355	6,877
Balance at 31 December 2018	2,497,939	99,749	2,597,688
NET BOOK VALUE 2018 (DP)	748,118	23,398	771,516
NET BOOK VALUE 2017 (DP)	715,793	27,821	743,614

Significant items of intangible fixed assets

Item	Year of acquisition	AC (CZK thousands)	DP 2018 (CZK thousands)
EUROCAT 2000 PU IATCC system	2007	724,958	46,578
ESUP IATCC system	2007	592,732	161,615
IDP system for IATCC	2007	440,605	104,548

The most important additions and disposals of intangible assets - the most significant additions to intangible assets in 2018 included the technical evaluation of three systems (ESUP, ESUP NS, EFS OPER) in the amount of 114,267 thousand CZK.

The most significant disposal of intangible assets was the elimination of the EBI software system at an acquisition cost of 1,455 thousand CZK, with a net book value of 0 CZK at the date of disposal.

Depreciation of intangible fixed assets – the depreciation of intangible fixed assets charged to costs in 2018 amounted to 263,650 thousand CZK, and in 2017 to 248,906 thousand CZK.

4.1.2 Tangible fixed assets (TFA)

(CZK thousands)	Lands and buildings	Machinery and equipment	Means of transport	Inventory	Other TFA	Total
ACQUISITION COST (AC)						
Balance at 1 January 2018	2,713,374	3,172,154	226,614	195,623	160,073	6,467,838
Additions	83,153	505,843	400	2,649	16,283	608,328
Disposals	0	169,458	4,008	6,044	6,897	186,407
Balance at 31 December 2018	2,796,527	3,508,539	223,006	192,228	169,459	6,889,759
ACCUMULATED DEPRECIATION						
Balance at 1 January 2018	1,213,649	2,640,831	126,907	191,898	136,878	4,310,163
Depreciation 2018	95,897	197,651	21,569	3,542	9,716	328,375
DP of disposed TFA 2018	0	104	0	0	277	381
Movements of assets	0	169,253	4,006	6,044	6,853	186,156
Balance at 31 December 2018	1,309,546	2,669,333	144,470	189,396	140,018	4,452,763
DEPRECIATED PRICE 2018 (DP)	1,486,981	839,206	78,536	2,832	29,441	2,436,996
DEPRECIATED PRICE 2017(DP)	1,499,725	531,323	99,707	3,725	23,195	2,157,675

Allowances for intangible fixed assets – no allowances were created for IFA.

Unfinished IFA and prepayments for IFA – the total volume of unfinished IFA registered in the company at 31 December 2018 amounted to 930,598 thousand CZK, and in 2017 to 576,647 thousand CZK. The main volume of unfinished intangible assets is represented by upgrading existing air traffic control systems, and further payments for the newly acquired TopSky air traffic control system within the Neopteryx project.

Significant items of tangible assets

Item	Year of acquisition	AC (CZK thousands)	DP 2018 (CZK thousands)
IATCC Prague building	2005	921,353	538,615
Technical unit building at Prague airport	1992	519,626	301,591
L410 simulator	2018	246,911	231,822
Calibration aircraft Cessna 560XL	2011	152,492	56,142
Aviation School (CANI) building	1983	148,632	83,852
Service building with control tower at Ostrava airport	2016	114,216	106,657

The most important additions of fixed assets include the L410 simulator at an acquisition cost of 246,911K CZK

The most significant disposals of fixed assets include the removal of the data centre at an acquisition cost of 26,673K CZK, the NOVA 9004 run radar at an acquisition cost of 25,041K CZK and the run radar – SNC36-94S equipment – at an acquisition cost of 12,279K CZK.

Depreciation of tangible fixed assets charged to costs – the depreciation of TFA charged to costs in 2018 amounted to 328,375K CZK and in 2017 to 287,238K CZK.

Total amount of small tangible assets not included in the balance sheet – the total amount of tangible assets not included in the balance sheet as of 31 December 2018 is 75,471K CZK; as of 31 December 2017, it amounted to 74,412K CZK.

Allowances for tangible fixed assets – no allowances were made for TFA.

Unfinished TFA – the total volume of unfinished TFA registered in the company at 31 December 2018 amounted to 373,609K CZK, in 2017 to 545,629K CZK. The main volume of unfinished TFA is represented by the two B300 calibration aircrafts, an acquisition cost of which as of 31 December 2018 is 246,896K CZK. In addition, unfinished TFA include renewal of UPC backup sources in IATCC, TEB and VUJE localities.



4.1.3 Specified assets of the company

In accordance with the provisions of Act No. 77/1997 Coll., on State Enterprise, 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 2018, no change in the range of the specified assets was made. The following specified assets were therefore on the books of the company at 31 December 2018:

NAME OF SPECIFIED ASSETS	Inventory number	Acquisition price
IATCC Prague building	2016743	921,353
Operations building of the Technical block at Prague airport	51062	519,626
Operations building with control tower at Ostrava airport	2021876	114,216
Operations building with control tower at Brno airport	52012	88,097
Operations building at Prague South locality	51150	61,028
Calibration aircraft L 410 UVP E OK-WYI	2020151	43,841
Operations building with control tower at Karlovy Vary airport	54004	42,648
Operations building at Buchtův kopec locality	52011	40,170
Land under the building of the Technical block at Prague airport	2563	1,349
Land under the operations building with control tower at Ostrava airport	648	337
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 IATCC Prague building	569	45
Land under the operations building Prague South	34890	2
Land under the operations building Buchtův kopec	130	2
TOTAL ACQUISITION PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2018 (CZK thousands)		1,833,097
TOTAL DEPRECIATED PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2018 (CZK thousands)		1,060,526

4.1.4 Assets leased under finance and operating leases

The company has no assets leased under finance leases. Furthermore, the company had 61 cars and trucks leased under operating leases at the date of the financial statements. In 2018, 8,499K CZK was paid for operating leases, in 2017, 8,551K 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 the 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 332,453K CZK as of 31 December 2018. The company's profit and loss statement for the accounting period of 2018 amounted to 6,021K CZK. As of 31 December 2018, receivables due CATC amounted to 445K CZK. Payables owed by CATC as of 31 December 2018 amounted to 1,987K CZK.

SHARES IN CONTROLLED AND MANAGED ENTITIES	Book value in CZK thousands at 31 December of the year (equivalence revaluation)			
	2017	Movements	Revaluation	2018
Czech Aviation Training Centre, s. r. o.	331,199	0	1,254	332,453

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 thousand EUR).

OTHER FIXED SECURITIES AND SHARES	Book value in CZK thousands as of 31 December of the year			
	2017	Movements	Revaluation	2018
FABCE, Aviation Services, Ltd.	381	0	2	383

The company held no other financial fixed assets in 2018. Likewise in 2018 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 2018 reached 22,513K CZK; at 31 December 2017, it amounted to 19,915K CZK. The main volume of inventory consists of spare parts for aviation safety technology and calibration aircrafts. Allowances for inventories were increased by 255K CZK and their volume amounted to 442K CZK at the end of 2018 and to 187K CZK in 2017.

4.4 RECEIVABLES

4.4.1 Trade receivables

TOTAL TRADE RECEIVABLES	Book value in CZK thousands as of 31 December of the year		
	Gross	Allowan-ces	Net
2017 trade receivables	610,839	25,209	585,630
2018 trade receivables			
Receivables in due date or up to 30 days after due date	600,512	0	600,512
Receivables 31-180 days after due date	10,681	0	10,681
Receivables 181-365 days after due date	1,030	518	512
Receivables more than one year after due date	18,523	18,523	0
TOTAL	630,746	19,041	611,705

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

In 2018, the company recorded tax receivables for the state in the amount of 136,008K CZK. This amount corresponds to prepayments made for income tax in the amount of 95,042K CZK, which, in accordance with accounting principles, was compensated with a reserve created for corporate tax in the amount of 67,711K CZK, in addition to surplus VAT deductions in the amount of 40,907K CZK, tax deductions abroad in the amount of 50K CZK and overcharge of other taxes in the amount of 9K CZK. The company records no receivables for social security and health insurance.

4.4.3 Accrued assets

Accrued assets amounting to 12,497 thousand CZK were created in relation to re-invoicing for services.

4.4.4 Other receivables

The total volume of other receivables amounts to 162,370K CZK. These particularly include receivables from grants to SESAR projects in the amount of 109,008K 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. In 2018, the amount of these claims was reduced by part which, according to current course of the grant's projects, will not be claimed. The amount of receivables is decreased by the received partial payments for the projects. A receivable amounting to 46,615K CZK is another remarkable item corresponding to the real value of positive derivatives valuation.

An allowance for other receivables amounting to 7,107K CZK was entered into the books.

4.5 SHORT-TERM FINANCIAL ASSETS AND CASH

SHORT-TERM FINANCIAL ASSETS (CZK thousands)	2018	2017
Other short-term financial assets	0	21,705
Cash resources	1,202,717	1,583,900
of which - cash	2,124	1,897
- bank accounts	1,200,593	1,582,003
TOTAL SHORT-TERM FINANCIAL ASSETS	1,202,717	1,605,605

Other short-term financial assets were a deposit bill of exchange for 1M USD with the date of payment of January 2018.

4.6 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (CZK thousand)	2018	2017
Accrued costs	71,314	29,196

Accrued costs mainly include insurance, software support, membership fees, subscriptions of professional publications and costs from purchasing airline tickets for business conducted abroad in the following year.

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 2018 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 2018.

4.7.3 Equity items

In accordance with Act No. 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. With regard to ANS CR, these are a development fund and a fund for other social spending. Based on the founder's approval of the annual financial statements for 2017, the disposable after-tax profit for 2017 amounting to 387,417K CZK was divided as follows:

- To the fund for cultural and social needs 65,053 thousand CZK
 - To the fund for other social spending 9,360 thousand CZK
 - To the development fund 175,000 thousand CZK
 - To the founder's fund 38,004 thousand CZK
 - On the account of undistributed profit (retained earnings) of past years 100,000 thousand CZK
- No allocation was made to the reserve fund as the company has already met the statutory requirement in previous years; the reserve fund stood at 320,000K CZK at 31 December 2018
 - 65,053K CZK was allocated to the fund for cultural and social needs; this fund therefore stood at 26,511K CZK at 31 December 2018
 - 9,360K CZK was allocated to the fund for other social spending; this fund therefore stood at 2,946K CZK at 31 December 2018
 - 175,000K CZK was allocated to the development fund; this fund therefore stood at 3,959,400K CZK at 31 December 2018
 - No allocation from profit was made to the bonus fund; this fund stood at 8,276K CZK as of 31 December 2018

- Based on a decision of the founder and in accordance with Act No. 77/1997 Coll., on State Enterprise, an allocation of 175,959K 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 2018 the fund stood at 0 CZK.

4.7.4 Proposal for the distribution of disposable after-tax profit for 2018

Based on the financial statements for 2018, a disposable after-tax profit of 296,114K CZK was recorded. In accordance with Act No. 77/1997 Coll., the company proposes to make allocations to the fund for cultural and social needs, i. e., the statutory allocation plus a supplementary allocation in a similar amount as the previous year. Furthermore, the company proposes to make an allocation to the fund for other social spending in the similar amount as the previous year. To fulfil future obligations arising from the collective agreements, an allocation to the bonus fund will be proposed. The rest of the disposable after-tax profit will be posted as retained earnings. No allocations will be proposed for the reserve fund or the development fund. The company's Supervisory Board will assess the detailed proposal for the distribution of disposable profit for 2018 and the founder of the company will approve it based on their observations.

4.8 PROVISIONS

Provisions for income tax for 2018 were created in the amount of 67,711K CZK. Total prepayments for income tax for 2018 amount to 95,042K CZK, which exceeds the volume of provisions by 27,331K CZK. In addition, a provision for untaken vacation was created in 2018, amounting to 8,087K CZK. The company created no other provisions in 2017.

4.9 PAYABLES

4.9.1 Trade payables

TRADE PAYABLES (CZK thousands)	2018	2017
LONG-TERM TRADE PAYABLES		
Long-term trade payables	0	0
SHORT-TERM TRADE PAYABLES		
Suppliers with due payables	99,442	132,438
Suppliers with overdue payables	8,837	1,064
Other payables	9,793	7,968
TOTAL TRADE PAYABLES	118,072	141,470

Overdue payables include invoices from the 4th quarter of 2018, which were paid no later than January 2019.

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)	2018		2017	
	Total	Due	Total	Due
SOCIAL SECURITY AND HEALTH INSURANCE				
Social security premiums	18,501	0	19,653	0
Health instance premiums	32,066	0	34,930	0
Total social security and health insurance	50,567	0	54,583	0

PAYABLES TO THE STATE (CZK thousands)	2018		2017	
	Total	Due	Total	Due
TAX LIABILITIES				
Income tax on employment	47,345	0	54,274	0
Corporate income tax	0	0	0	0
Value added tax	0	0	0	0
Other taxes	0	0	9	0
Total tax liabilities	47,345	0	54,283	0
TOTAL PAYABLES TO THE STATE AND SOCIAL SECURITY AND HEALTH INSURANCE INSTITUTIONS	97,912	0	108,866	0

Payables for social security and health insurance recorded at 31 December 2018 consist of statutory withholdings arising from the payment of salaries for the month of December 2018 and therefore concern payables that are due. Likewise, the liability for income tax on employment is connected to the payment of salaries for December 2018.

Balance sheet item C.II.8.5 also reports account 346 balances – Clearing subsidies which are charged to other operating income accruals when accounting for costs. At 31 December 2018, the balance was 161,391K CZK.

4.9.3 Advances received

ADVANCES RECEIVED (CZK thousands)	2018	2017
Long-term advances received	0	0
Short-term advances received	1,509	1,141
TOTAL ADVANCES RECEIVED	1,509	1,141

4.9.4 Estimated accounts payable

These are estimated payable items expensed to costs in 2018. These particularly include accruals for energy consumption, service maintenance for systems and equipments, data and telecommunications services, buildings security and other accruals in amount of 92,972K CZK in total.

4.9.5 Payables to employees and other liabilities

Payables to employees recorded at 31 December 2018 consist of the payment of salaries for the month of December 2018, which is completed in January of the following year, and therefore involves a due payable. Other liabilities mainly consist of settling pension and life insurance for company's employees. Other liabilities included the revaluation of derivatives amounting to 65,961K CZK.

4.10 BANK LOANS AND BONDS

In 2018, the company did not take out any loans for its business activities and likewise did not issue any bonds in 2018 or in the past.

4.11 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (CZK thousands)	2018	2017
Accrued costs	0	0
Deferred revenues	73	74
TOTAL ACCRUALS AND DEFERRALS	73	74

4.12 DERIVATIVES

At 31 December 2018, the company had contracts concluded for hedging derivatives for the EUR/CZK currency pair. They are based on the company's strategy prepared for 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 2018. 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 values of derivatives were reported at 31 December 2018 in other receivables or other liabilities, respectively.

The following table indicates the nominal values and positive or negative values of outstanding hedging derivatives as of 31 December 2018:

DERIVATIVES (CZK thousands)	2018		2017	
	Fair value		Fair value	
	positive	negative	positive	negative
Forwards	16,167	-36,592	54,358	-229
Option structures	30,448	-41,422	71,834	-15,197

4.13 INCOME TAX

INCOME TAX (CZK thousands)	2018	2017
Due tax	67,141	93,997
Deferred tax	6,039	2,984
TOTAL TAX COSTS	73,180	96,981

4.14 DEFERRED TAX

Deferred tax is based on temporary differences between tax and book values of assets and liabilities. The deferred tax for 2018 was calculated using the 2018 income tax rate of 19 %.

See following table for details:

DEFERRED TAX – differences from (CZK thousands)	2018	2017
Depreciated price of fixed assets (tax DP – accounting DP)	-673,297	-636,043
Allowances for receivables	5,935	8,719
Allowances for inventory	442	187
Receivables resulting from contractual fines	-100	-21
Accounting provisions	8,078	0
Basis for deferred tax receivable/debt	-658,942	-627,158
Tax rate	19 %	19 %
NET DEFERRED TAX	-125,199	-119,160

4.15 ASSETS AND DEBTS NOT REPORTED IN THE BALANCE SHEET

As of 31 December 2018, the company had no assets or debts not reported in the balance sheet.



4.16 SALES OF GOODS, PRODUCTS AND SERVICES

Revenue item (CZK thousands)	Revenues from domestic customers		Revenues, from, foreign, customers		Total, revenues	
	2018	2017	2018	2017	2018	2017
Air navigation services	314,972	297,872	3,607,105	3,447,404	3,922,077	3,745,276
of which	95,055	89,675	3,166,254	3,045,804	3,261,309	3,135,479
– en-route navigation services						
– terminal navigation services	218,121	206,596	439,721	400,961	657,842	607,557
– training flights	1,796	1,601	1,130	639	2,926	2,240
Other revenues	85,660	62,260	121,737	71,844	207,397	134,104
TOTAL REVENUES	400,632	360,132	3,728,842	3,519,248	4,129,474	3,879,380

5 EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

The average number of employees and company management members and staff costs for the financial year 2018 and 2017 are as follows:

(CZK thousands)	Employees		Company management		Total	
	2018	2017	2018	2017	2018	2017
Number (FTE)	974	931	19 + 7	18 + 7	993 + 7	949 + 7
Wage costs and bonuses	1,756,764	1,659,618	92,595	94,034	1,849,359	1,753,652
Social security and health instance premiums	436,846	407,610	16,229	15,505	453,075	423,115
Other personnel expenses	69,459	63,846	5,117	4,614	74,576	68,460
TOTAL STAFF COSTS	2,263,069	2,131,074	113,941	114,153	2,377,010	2,245,227

The term company management means the Director General of the company, department executive directors, division directors, section deputies and the supervisors of the separate centres. Capital insurance and contributions to pension and life insurance were paid for the members of the company management in accordance with the collective agreement. The members of the company 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, and two are elected from employees. Members of the Supervisory Board receive remuneration for their works.

The Audit Committee has three members. The Audit Committee members receive remuneration for their works.

6 INFORMATION ON AFFILIATED COMPANIES

The Air Navigation Services of the Czech Republic (hereinafter the “company”) is a state enterprise. The founder of the company is Ministry of Transport of the Czech Republic, nábreží 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 (hereinafter “CATC”), of which the company has a 100% stake.

The volume of business costs from transactions with affiliated companies in 2018 amounted to 146,837 thousand CZK. These are transactions where the volume is greater than 1M CZK for one supplier in 2018. The suppliers – affiliated companies – according to this definition are the Czech Hydro-Meteorological Institute, Czech Civil Aviation Authority, Prague Airport, Czech Aeroholding, FABCE, CATC, Institute of Aviation Medicine and Czech Telecommunications

Authority. The total volume of payables of the company (only those due) to the affiliated companies stated here was 859 thousand CZK at 31 December 2017. In 2018, the total volume of revenues of the company from transactions with affiliated companies was 70,077K CZK. These are transactions where the volume is greater than 1M CZK for one customer in 2018. The customers – affiliated companies – according to this definition are the Ministry of Transport of the Czech Republic, Ministry of Defence of the Czech Republic, CATC, Czech Hydro-Meteorological Institute and Czech Civil Aviation Authority. The total amount of receivables of the company for the above mentioned affiliated companies was 15,759K CZK at 31 December 2018.

In 2018, ANS CR obtained full 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 52,209K CZK. This compensation is provided to ANS providers in accordance with European Commission Regulation No. 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 No. 1404 of 2 November 2005.

7 SUBSIDIES

ANS CR is involved in development programmes in the ATM sector. One such programme is the SESAR Deployment, where selected projects are co-funded by the European Union in the form of grant projects through the Innovation and Networks Executive Agency (INEA). These grant projects are focused on implementing new technologies in air navigation services, so a substantial part of the projects is co-funding of investments.

In addition, the company participates in eight SESAR Horizon 2020 programmes, from which subsidies are granted to cover the company’s operating costs expended in connection with the subject of the subsidy.

(EUR thousands)	Total expected amount of subsidy to be drawn by ANS CR
Subsidy from SESAR H 2020 programmes	923
Subsidy from SESAR Deployment programmes	7,062

The balance of receivables in respect of these subsidies is specified in clause 4.4.4 of the annex, the balances of related liabilities in clause 4.9.2. The amount of revenue entered into the books in connection with the subsidies is specified in clause 9 of the annex. During 2018, the amount of subsidy was amended by part, which will not be, according to current evaluation of course of subsidy projects, probably claimed.

8 RESEARCH AND DEVELOPMENT COSTS

Neither in 2018 nor in the previous year did the company outlay costs for research and development.

9 SIGNIFICANT ITEMS OF THE PROFIT AND LOSS STATEMENT

Other operating revenues in 2018 amounted to 83,554K CZK. In 2017, these revenues were 84,486K CZK. The most significant item of other operating revenues is compensation costs for exempted flights amounting to 52,209K CZK. Furthermore, a proportion of subsidies granted in the framework of the SESAR project amounting to 13,596K CZK was posted to

other operating revenues. In 2017, other operating revenues consisted of items of a similar nature.

Other operating costs in 2018 amounted to 244,383K CZK. In 2017, costs amounted to 237,529K CZK. The structure of other operating costs remains 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) in the amount of 145,954K CZK, followed by the reimbursement of the costs of the state supervisory authority amounting to 45,225K CZK, and finally, the costs for property and liability instance in the amount of 18,483K CZK.

10 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. The 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.

2018 was the fourth 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 period of 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 in the fourth year of the second reference period were met. 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 2018 have therefore been compiled with the assumption of the company continuing to operate for an unlimited period of time.

11 INFORMATION ON AUDIT FEES

Since the second half of 2015, audit services to the company have been provided by BDO Audit. Costs of audit and advisory services fees were as follows:

INFORMATION ON AUDIT FEES (CZK thousands)	2018	2017
Statutory audit	300	300
Advisory services	336	118

12 EVENTS THAT OCCURED 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.

13 RISK MANAGEMENT

Credit risks – as of 31 December 2018, 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 air navigation services customers. 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. In addition, the company had contracts concluded for derivatives for hedging the EUR/CZK exchange rate. The largest part of the derivatives is based on the company's strategy for hedging prepared in relation to hedging risks associated with foreign exchange rate movements connected to the termination of the intervention scheme of Czech National Bank. Information on their valuation at the balance sheet date is included in clause 4.12.

14 LIABILITIES NOT STATED IN THE BOOKS

Litigations – no litigation was brought against the company as of 31 December 2018 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 2018, the company provided bank guarantees to foreign customers in connection with the commercial activities of the Aviation School (CANI) and calibration flight. An overview of the bank guarantees is as follows:

BANK GUARANTEES FOR	Guarantee validity	Amount and currency
Prishtina Int. airport, Kosovo	16 Oct 2015 – 15 Nov 2018	12,762 EUR
Agencija za pružanje usluga u zračnoj plovidbi Bosne i Hercegovine, Bosnia and Herzegovina	28 Apr 2017 – 28 Apr 2020	759,489 EUR
Tanzania Civil Aviation Authority	28 March 2018 – 3 July 2018	2,480 USD
Sakaeronavigatsia Ltd., Georgia	17 Apr 2018 – 31 Jan 2019	5,804 EUR
Tanzania Civil Aviation Authority	25 May 2018 – 31 May 2019	9,480 USD
Civil Aviation Regulatory Commission, Jordan	15 Nov 2018 – 15 March 2019	34,431 USD
Tanzania Civil Aviation Authority	21 Dec 2018 – 6 May 2019	17,112 USD

15 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 overdraft. 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, in which the parent company participates and which have had no impact on profit or loss, not even on cash flows amounting to 128,380K CZK. The Other non-cash transaction item consists mainly of the revaluation of financial derivatives to fair value and revenues from subsidies posted at the amount corresponding to the cost expended.



Milina
Economist Specialist

I have been working for the company in the employment and salaries department since 2008. I plan personnel expenses within the company and monitor expenditure. I conduct analyses and long-term forecasts of salary development. To escape the world of tables and figures I spend my free time doing craftwork. In my workshop, I make jewellery, Christmas decorations from glass blown pearls and decorate Easter eggs. I enjoy trying new techniques.



Consolidated Financial Statements Compiled in accordance with the 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 Jeneč, Navigační 787, identification number 497 10 371 (hereafter the “Company”), prepared in accordance with Czech accounting regulations, which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period from 1 January 2018 to 31 December 2018 and notes to the consolidated 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 2018 and of the costs, revenues and its profit or loss and its cash flows for the period from 1 January 2018 to 31 December 2018, 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 consolidated 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 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 consolidated financial statements is, in all material respects, consistent with the consolidated 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 Consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 is responsible for overseeing the financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 25 March 2019

Audit firm:

BDO Audit s. r. o.

Certificate No. 018

Partner:

Petr Slavíček

Certificate No. 2076

Slavíček



CONSOLIDATED BALANCE SHEET

Compiled at 31 December 2018

Statement line/Content of the item				Value in the current accounting period	Value in the past accounting period
TOTAL ASSETS				7,289,597	7,246,986
B.	FIXED ASSETS			4,761,276	4,151,141
	B.I.	Intangible assets		1,704,441	1,322,843
		B.I.2.	Valuable rights	749,822	718,226
			B.I.2.1. Software	749,244	717,465
			B.I.2.2. Other valuable rights	578	761
		B.I.4.	Other intangibles	23,163	27,510
		B.I.5.	Advance payments for intangible fixed assets and intangible assets under construction	931,456	577,107
			B.I.5.2. Intangible assets under construction	931,456	577,107
	B.II.	Tangible fixed assets		3,060,151	2,831,885
		B.II.1.	Land, Buildings and structure	1,501,998	1,506,187
			B.II.1.1. Land	16,409	16,298
			B.II.1.2. Buildings and structures	1,485,589	1,489,889
		B.II.2.	Machines, tools and equipment, transportation means, furniture and office equipment	1,036,787	1,012,595
		B.II.4.	Other tangibles	2,208	1,042
			B.II.4.3. Other tangible fixed assets	2,208	1,042
		B.II.5.	Advance payments for tangible fixed assets and tangible assets under construction	519,158	312,061
			B.II.5.2. Tangible assets under construction	519,158	312,061
	B.III.	Long-term financial assets		383	381
		B.III.5.	Other long-term securities and ownership interests	383	381
	B.V.	Negative consolidated difference		-3,699	-3,968

Statement line/Content of the item					Value in the current accounting period	Value in the past accounting period
C.	Current assets				2,455,353	3,065,103
	C.I.	Inventory			41,433	39,032
		C.I.1.	Raw materials		41,061	38,936
		C.I.3.	Finished goods and merchandise		372	96
			C.I.3.2.	Merchandise inventory	372	96
	C.II.	Receivables			890,448	1,085,682
		C.II.1.	Long-term receivables		1,976	54,274
			C.II.1.1.	Trade receivables		404
			C.II.1.5.	Other receivables	1,976	53,870
				C.II.1.5.4. Other receivables	1,976	53,870
		C.II.2.	Short-term receivables		888,472	1,031,408
			C.II.2.1.	Trade receivables	638,183	597,592
			C.II.1.4.	Other receivables	250,289	433,816
				C.II.2.4.3. Due from state - tax receivables	68,297	92,924
				C.II.2.4.4. Short-term advance payments	2,893	4,144
				C.II.2.4.5. Estimated receivables	25,500	23,213
				C.II.1.5.4. Other receivables	153,599	313,535
	C.III.	Short-term financial assets				21,705
		C.III.2.	Other short-term financial assets			21,705
	C.IV.	Cash in hand and bank accounts			1,523,472	1,918,684
		C.IV.1.	Cash in hand		2,811	2,170
		C.IV.2.	Bank accounts		1,520,661	1,916,514
D.	Accruals of assets				72,968	30,742
	D.1.	Deferred expenses			72,968	30,742

Statement line/Content of the item				Value in the current accounting period	Value in the past accounting period
TOTAL EQUITY AND LIABILITIES				7,289,597	7,246,986
A.	Equity			6,052,710	5,964,734
	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	4,681
	A.II.	Share premium and capital contributions		248,400	248,468
		A.II.2.	Capital contributions	248,400	248,468
			A.II.2.1. Other capital contributions	248,800	248,870
			A.II.2.2. Gains or losses from revaluation of assets and liabilities (+/-)	-400	-402
	A.III.	Legal, statutory and other reserve funds		4,355,137	4,144,771
		A.III.1.	Other reserve funds	320,000	320,000
		A.III.2.	Statutory and other reserves	4,035,137	3,824,771
	A.IV.	Profit/Loss - previous year (+/-)		59,025	122,003
		A.IV.1.	Retained profits from previous years	59,025	122,003
	A.V.	Profit/Loss - current year		302,645	361,989
		A.V.1.	Profit or loss of the current accounting period without shareholding equivalence or minority shares (+/-)	302,645	361,989

Statement line/Content of the item					Value in the current accounting period	Value in the past accounting period
B+C	Liabilities				1,216,400	1,271,871
B.	Provisions				15,090	10,266
	B.2.	Income tax provision			0	2,998
	B.4.	Other provisions			15,090	7,268
C.	Liabilities				1,201,310	1,261,605
	C.I.	Long-term liabilities			364,487	304,661
		C.I.2.	Liabilities to credit institutions		125,220	124,770
		C.I.3.	Long-term advances received		39,828	39,828
		C.I.8.	Deferred tax liability		133,478	124,638
		C.I.9.	Other liabilities		65,961	15,425
			C.I.9.3.	Other liabilities	65,961	15,425
	C.II.	Short-term liabilities			836,823	956,944
		C.II.2.	Liabilities to credit institutions		26,140	26,140
		C.II.3.	Advances received		13,775	3,999
		C.II.4.	Trade payables		234,646	142,450
		C.II.8.	Other liabilities		562,262	784,355
			C.II.8.3.	Liabilities to employees	167,980	187,142
			C.II.8.4.	Social security and health insurance liabilities	52,764	56,142
			C.II.8.5.	Due to state - taxes and subsidies	209,739	445,179
			C.II.8.6.	Estimated liabilities	106,730	84,271
			C.II.8.7.	Other liabilities	25,049	11,621
D.	Accruals of liabilities				20,487	10,381
	D.2.	Deferred revenue			20,487	10,381

CONSOLIDATED PROFIT AND LOSS STATEMENT

Compiled at 31 December 2018

Statement line/Content of the item				Value in the current accounting period	Value in the past accounting period
I.	Sales of own product and services			4,339,035	4,070,634
II.	Sales of goods			67	72
A.	Production consumption			683,627	673,357
	A.2.	Raw materials and consumption		87,623	78,825
	A.3.	Services		596,004	594,532
D.	Personnel expenses			2,460,763	2,319,417
	D.1.	Wages and salaries		1,912,891	1,809,572
	D.2.	Social security expenses, health insurance and other expenses		547,872	509,845
		D.2.1.	Social security expenses and health insurance	472,038	440,159
		D.2.2.	Other expenses	75,834	69,686
E.	Valuation adjustments relating to operating activities			606,722	577,653
	E.1.	Valuation adjustments of fixed assets		616,658	579,997
		E.1.1.	Valuation adjustments of fixed assets - permanent	616,661	572,142
		E.1.2.	Valuation adjustments of fixed assets - temporary	-3	7,855
	E.2.	Valuation adjustments of inventory		255	-6
	E.3.	Valuation adjustments of receivables		-10,191	-2,338
KR	Clearing of negative (pasive/liability) consolidated difference			269	269
III.	Other operating income			81,936	85,168
	III.1.	Income from fixed assets sold		387	357
	III.2.	Income from materials sold		1,141	1,126
	III.3.	Other operating income		80,408	83,685
F.	Other operating expenses			255,030	253,328
	F.1.	Net book value of fixed assets sold		88	40
	F.2.	Net book value of material sold		122	66
	F.3.	Taxes and fees		3,125	3,381
	F.4.	Provisions relating to operating activities and complex deferred expenses		7,823	7,268
	F.5.	Other operating expenses		243,872	242,573

Statement line/Content of the item		Value in the current accounting period	Value in the past accounting period
*	OPERATING PROFIT/LOSS (+/-)	415,165	332,388
VI.	Interest income and similar income	1,609	1,199
	VI.2. Other interest and similar income	1,609	1,199
J.	Interest expenses and similar expenses	1,734	1,779
	J.2. Other interest and similar expenses	1,734	1,779
VII.	Other financial income	110,047	226,809
K.	Other financial expense	146,463	105,643
*	PROFIT/LOSS FROM FINANCIAL OPERATIONS (TRANSACTIONS) (+/-)	-36,541	120,586
**	PROFIT/LOSS BEFORE TAX (+/-)	378,624	452,974
L.	Income tax	75,979	90,985
	L.1. Income tax - due	67,141	93,997
	L.2. Income tax - deferred (+/-)	8,838	-3,012
**	PROFIT/LOSS AFTER TAX (+/-)	302,645	361,989
	Consolidated income for the accounting period without equivalence ratio (+/-)	302,645	361,989
	of which: Income for the accounting period excluding minority interest	302,645	361,989
	CONSOLIDATED INCOME FOR THE ACCOUNTING PERIOD (+/-)	302,645	361,989

CONSOLIDATED CASH FLOW STATEMENT

at 31 December 2018

		2018	2017
P.	Cash at the beginning of the period	1,918,684	1,537,587
Z.	Accounting profit/loss from ordinary activities before tax	378,624	452,974
	A.1. Adjustments to non-cash transactions	686,131	448,305
	A.1.1 Depreciation of fixed assets	616,392	572,411
	A.1.2 Change in allowances, provisions and transitory accounts	-2,119	12,779
	A.1.3 Profit (loss) from the sale of fixed assets	-299	-317
	A.1.5 Net interest costs	125	580
	A.1.6 Possible adjustments related to other non-cash transactions	72,032	-137,148
A.*	Net cash from operating activities before taxation, changes in working capital and extraordinary items	1,064,755	901,279
	A.2. Change in working capital	-7,310	173,831
	A.2.1 Change in receivables from operating activities	46,134	38,593
	A.2.2 Change in short-term payable from operating activities	-72,493	160,259
	A.2.3 Change in inventories	-2,656	-3,316
	A.2.4 Change in short-term financial assets excluding monetary resources	21,705	-21,705
A.**	Net cash from operating activities before taxation and extraordinary items	1,057,445	1,075,110
	A.3. Costs from interest payments	-1,734	-1,779
	A.4. Interest received excluding investment companies and funds	1,609	1,199
	A.5. Income tax pad from ordinary activities and additional assessment	-97,064	-87,211
A.***	Net cash from operating activities	960,256	987,319
	B.1. Expenses connected to acquiring fixed assets	-1,141,299	-449,731
	B.2. Proceeds from the sale of fixed assets	387	357
B.***	Net cash from investing activities	-1,140,912	-449,374
	C.1. Change in long and short-term liabilities	450	14,516
	C.2. Impact of changes in equity on cash resources	-215,006	-171,364
C.***	Net cash from financial activities	-214,556	-156,848
F.	Net change in cash resources	-395,212	381,097
R.	Cash at the end of the period	1,523,472	1,918,684

CONSOLIDATED SUMMARY OF CHANGES IN EQUITY

at 31 December 2018

Changes/balances	Registered capital	Other capital contributions	Gains or losses from revaluation of assets and liabilities	Reserve fund	Founder's fund	Develop-ment fund	Other funds created from profit	Cumulative profit and loss	Consolida-tion 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.
Balance at 1 January 2017	1,087,503	248,475	-381	320,000	0	3,573,162	39,243	506,156	172	5,774,330
Revaluation of equity investment and other consolidation adjustments including exchange differences		395	-21					-423	-172	-221
Allocation to funds from disposable profit of 2016					100,479	211,238	72,013	-383,730		0
Transfer of resources of founder's fund to the state budget in 2017					-100,479					-100,479
Use of resources of funds created from profit in 2017							-70,885			-70,885
Profit and loss for 2017								361,989		361,989
Status at 31 December 2017	1,087,503	248,870	-402	320,000	0	3,784,400	40,371	483,992	0	5,964,734
Revaluation of equity investment			2							2
Other consolidation adjustments, including exchange differences		-70						405		335
Allocation to funds					175,959	175,000	74,413	-425,372		0
Transfer of resources of founder's fund to the state budget in 2018					-137,955					-137,955
Use of resources of funds created from profit in 2018							-77,051			-77,051
Profit and loss for 2018								302,645		302,645
Status at 31 December 2018	1,087,503	248,800	-400	320,000	38,004	3,959,400	37,733	361,670	0	6,052,710



Robert Air Traffic Control Training

I studied Air Transport at the Faculty of Operation and Economics of Transport and Communications at the University of Žilina. Since 2002, I have been working as a lecturer in air traffic control training at ANS CR, where I am a direct partner of air traffic controllers during simulated emergencies may occur. I love traveling, and for the last two years I have been participating in charity work during my travels - especially in Africa and the Near and Middle East.

ANNEX TO THE CONSOLIDATED FINANCIAL STATEMENTS COMPILED IN ACCORDANCE WITH THE 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 founded on 1 January 1995 under resolution No. 4283/94-KM of the Minister of Transport issued on 28 December 1994. 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 Prague, Brno, Ostrava and Karlovy Vary airports
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 of the company is the Czech Republic - the Ministry of Transport of the Czech Republic, náměstí Ludvíka Svobody 1222/12, 110 15 Prague 1. The position and legal status of the state company are governed by Act No. 77/1997 Coll.

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

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

In 2018, there was one change made to the company's entry in the Commercial Register. It was nomination of new deputies of the Director General of the company.

1.1.3 Organizational structure of the company

The head of the company is the Director General, who is a statutory body. There are three supporting departments directly subordinate to the Director General. The company is further organizationally divided into three performance departments, each headed by a department director. The departments are divided into specialized divisions, each headed by a division manager, and specialized sections headed by qualified supervisors. As of 31 December 2018, the total number of these organizational units was 18.

The company has no organizational units abroad.

1.1.4 Statutory and supervisory bodies of the company as of 31 December 2018

Company Management – Statutory Body	
Director General:	Jan Klas
First Deputy of Director General:	Petr Fajtl
Second Deputy of Director General:	Miloslava Mezerová
Third Deputy of Director General:	Jana Navrátilová

Supervisory Body	
Chairperson:	Magdalena Faltýsková
Members:	Zdeněk Jelínek
	Petr Hromek
	Petr Kolomazník
	Stanislav Pleninger
	Milan Vondra

Pursuant to the provisions of section 44c, paragraph 1c) of an amendment to the Act No. 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. 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 the entity:	Czech Aviation Training Centre
Legal form:	Limited Liability Company
Abbreviated name:	CATC
Date of establishment:	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 business:	Training of pilots and of flight, technical and operational personnel; manufacture, installation and repair of electrical machinery and instruments; and repairs of 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 (ANS CR), state enterprise, with a 100% stake in the company. The company is included in the consolidated group of the parent company.

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

By entry on 25 May 2018, number of directors was decreased to one. During the course of 2018, composition of the Supervisory Board of the company was essentially changed. Number of the Supervisory Board members was increased

from four to six as of 1 August 2018; consequently, the number was decreased to four as of 31 December 2018. No other changes or amendments to the Commercial Register were made in 2018.

1.2.3 Organizational structure of the company

The company is headed by a chief executive officer (CEO), who is also director of the company. The company is divided into specialized units, and those are further divided into departments.

In order to expand onto 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 was changed to Czech Aviation Training Centre India, Pvt. Ltd. (CATC India).

1.2.4 Statutory and supervisory bodies of the company as of 31 December 2018

Company Management – Statutory Body	
Director and CEO:	Antonín Jakubše
Supervisory Board	
Chairperson:	Pavel Kysilka
Member:	Petr Fajtl
Member:	František Marejka
Member:	Jiří Weigl
Deputy Chairperson (until 31 December 2018):	Miloš Kvapil
Member (until 31 December 2018):	Miloslav Hala



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, Jeneč	x	Consolidating entity	x
		Net earnings for 2018 (CZK thousands)		296,114
		Equity at 31 December 2018 (CZK thousands)		6,131,091
Czech Aviation Training Centre, Ltd. (CATC)	K letišti 934, Ruzyně, Prague 6	100 %	Controlling	Full
		Net earnings for 2018 (CZK thousands)		6,021
		Equity at 31 December 2018 (CZK thousands)		332,453
Czech Aviation Training Centre India, Pvt. Ltd.	14-C Terrace, Sagar Apartments, 6-Tilak Marg New Delhi, India	99,999965 %	Controlling	Full
		Net earnings for 2018 (CZK thousands)		-202
		Equity at 31 December 2018 (CZK thousands)		1,600

The stake in Czech Aviation Training Centre India, Pvt. Ltd. (CATC India), which is not owned by Czech Aviation Training Centre (CATC), is 0.000035%.

1.4 BASIC RULES FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree No. 500/2002 Coll., which implements certain provisions of Act No. 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 2018, especially the Czech Accounting Standard No. 20.

Consolidation was carried out by direct consolidation.

The full consolidation method for companies with controlling influence (subsidiaries) was 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 2018. Because CATC India compiles its financial statements as of 31 March, interim financial statements were compiled as of 31 December 2018 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 group and the consequent depreciation of intangible and tangible fixed assets were not adjusted for compiling the consolidated financial statements; rules for depreciation are set in a comparable manner in the subsidiary Czech Aviation Training Centre, whereas long-term assets and depreciations reported by CATC India are entirely insignificant with respect to the consolidated group. For the conversion of the financial statements of foreign companies included in the consolidation which are initially recognized in foreign currency, the exchange rate of CNB valid at 31 December 2018 has been used. The financial statements of CATC India, which has its headquarters abroad and does its accounting in INR, thus 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 decrease 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 group 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.
 - g) Assessment of the significance of the different profit reported in the financial statements of consolidated companies with respect to the significance in consolidated financial statements and any transfer of the balance to the profit (loss) for the current period.

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 the 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 -5,381K CZK. In 2018, a consolidation difference of 269K CZK was written off, with the net worth amounting to -3,699K CZK at 31 December 2018 and to -3,968K CZK at 31 December 2017.

2 BASIC OF PREPARATION OF FINANCIAL STATEMENTS

Company accounting is done, and the financial statements compiled in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree No. 500/2002 Coll., which implements certain provisions of Act No. 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.

3 GENERAL ACCOUNTING PRINCIPLES, POLICIES AND ACCOUNTING CHANGES AND VARIANCES

The valuation methods applied by the company in preparing the financial statements for 2018 and 2017 are as follows:

3.1 INTANGIBLE FIXED ASSETS

Intangible fixed assets (IFA) are assets valued at more than 60K 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 40K 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 60K CZK (without VAT), and 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 “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 (audio-video works, projects, studies, trademarks, research and development results)	3–6 years

Provisioning – no allowances were made to intangible fixed assets in 2018.

3.2 TANGIBLE FIXED ASSETS

Tangible fixed assets (TFA) are assets valued at more than 40K 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 3K CZK and 40K CZK, are depreciated for a period of 4 or 10 years. Other small tangible fixed assets with an acquisition price between 3K CZK and 40K CZK are posted to Account 501, and recorded on off-balance sheet account 796. Small tangible assets with an acquisition price between 1K CZK and 3K CZK are also posted to account 501, and 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 40K CZK for the tax year, the acquisition cost of that asset increases. Accounting depreciation for the parent company – the depreciation is calculated based on the acquisition cost and estimated useful life of the asset. Based on the recommendations of the “Principles for Establishing the Cost Base for Route Facility Charges and 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

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 No. 586/1992 Coll., on Income Tax, as amended. The company applies linear depreciation for the purposes of calculating income tax.

Provisioning – allowances to tangible fixed assets are made based on auditing the assets if reasons for decreasing the book value of the assets are found.

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 opposed to equity.

3.4 CURRENT FINANCIAL ASSETS

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

3.5 INVENTORIES

Valuation – Purchased inventory is valued at acquisition cost. The acquisition cost of inventories includes the costs to acquire them including related costs (shipping costs, commissions, etc.). Allowances are made based on inventory taking at the balance sheet date.

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 2017 and older
- 50% for receivables with a due date in the period from 1 January 2018 to 30 June 2018

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 30K CZK.

3.7 LOANS

The parent company did not draw any loans in 2018. 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

The companies of the consolidated group create provisions for losses and risks if the title, amount and settlement date can be determined with a high probability and complying with accounting accruals, and for untaken vacations.

3.9 CONVERSION OF FOREIGN CURRENCY DATA 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 the CNB during the previous working day pursuant to section 24 of the Accounting Act. At the time of compiling the financial statements for 2018, 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 the CNB and valid on 31 December 2018.

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

3.10 DERIVATES

During the course of 2018, 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.

During the course of 2018 or as of 31 December 2018, the subsidiary had no disposition of 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. Operating lease instalments are posted to the costs of the current period.

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 Act No. 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 No. 310/1995 Coll. Besides these funds, the company can create under the same Act additional funds from disposable profits. In 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 company's investments. The fund for other social spending serves as a source of financing of benefits granted to employees under collective agreements, which are not regulated by Decree No. 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, the 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 the 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% value of receivables).
- A tax loss that the company expects to apply against future profits creates a deferred tax receivable.

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. The 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 the 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 are 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 compilation date of 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.

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

No changes occurred during fiscal year 2018 in the valuation, depreciation and accounting methods used compared to the previous accounting period.

4 ADDITIONAL INFORMATION FOR THE BALANCE SHEET AND PROFIT AND LOSS STATEMENT

4.1 FIXED ASSETS

4.1.1 Intangible fixed assets

(data for the consolidated group in CZK thousands)	Software	Other IFA	Total
ACQUISITION COSTS (AC)			
Balance at 1 January 2018	2,969,020	125,152	3,094,172
Additions	287,564	3,990	291,554
Disposals	1,555	5,355	6,910
Balance at 31 December 2018	3,255,029	123,787	3,378,816
ACCUMULATED DEPRECIATION			
Balance at 1 January 2018	2,251,555	96,881	2,348,436
Depreciation 2018	255,784	8,520	264,304
Disposals	1,554	5,355	6,909
Balance at 31 December 2018	2,505,785	100,046	2,605,831
NET BOOK VALUE 2018 (DP)	749,244	23,741	772,985
NET BOOK VALUE 2017 (DP)	717,465	28,271	745,736

Significant items of intangible fixed assets

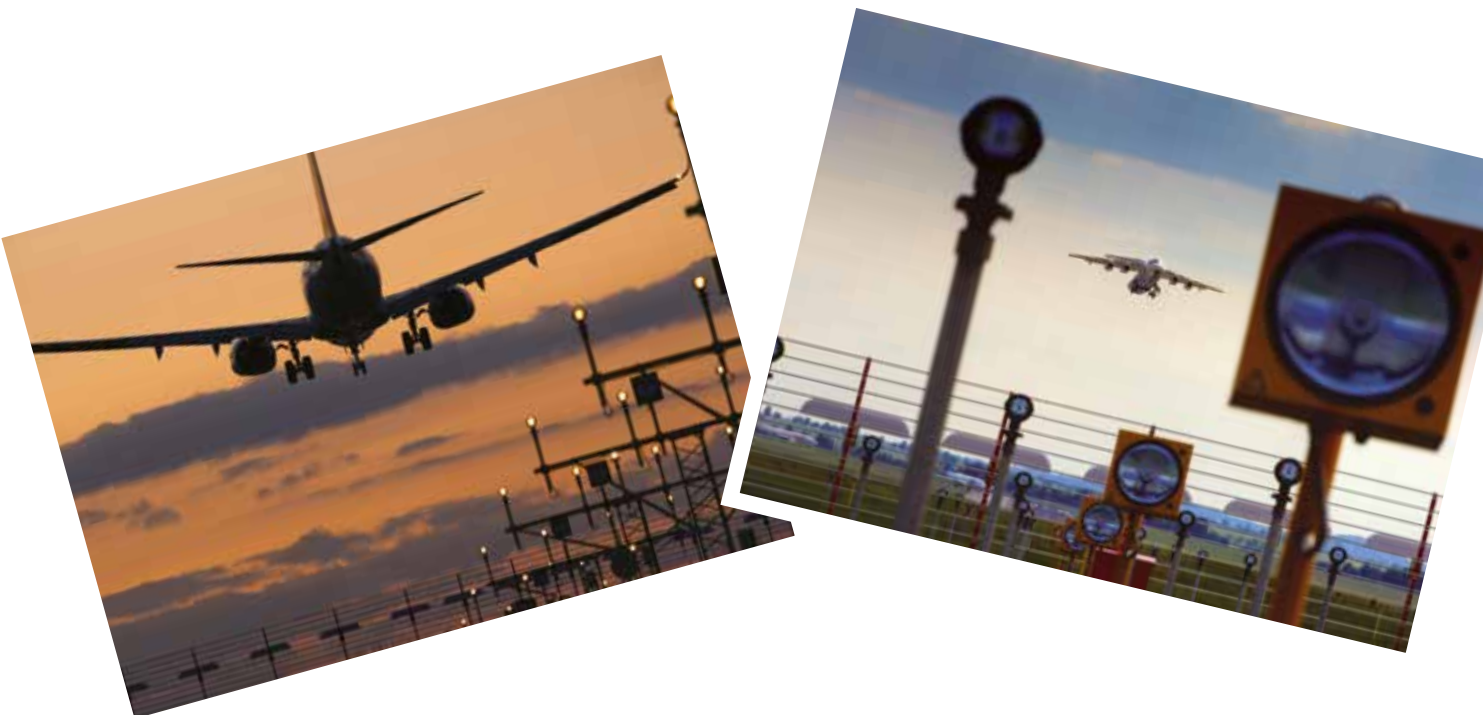
Item	Year of acquisition	AC (CZK thousands)	DP 2018 (CZK thousands)
EUROCAT 2000 PU IATCC system	2007	724,958	46,578
ESUP IATCC system	2007	592,732	161,615
IDP for IATCC system	2007	440,605	104,548

The most important additions and disposals of intangible assets - the most significant additions to intangible assets in 2018 included the technical evaluation of three systems (ESUP, ESUP NS, EFS OPER) in the amount of 114,267K CZK.

The most significant disposal of intangible assets was the elimination of the EBI software system at an acquisition cost of 1,455K CZK, with a net book value of 0 CZK at the date of disposal.

Depreciation of intangible fixed assets accounted in to the costs – the depreciation of intangible fixed assets charged to costs in 2018 amounted to 264,304K CZK, and in 2017 to 249,480K CZK.

Allowances for intangible fixed assets – no allowances were created for IFA. Unfinished IFA and prepayments for IFA – the total volume of unfinished IFA registered in the company at 31 December 2018 amounted to 931,456K CZK, and in 2017 to 577,107K CZK. The main volume of unfinished intangible assets is represented by upgrading existing air navigation control systems, and further payments for the newly acquired TopSky air navigation control system within the Neopteryx project.



4.1.2 Tangible fixed assets

(Data for the entities in the group in CZK thousands)	Lands and buildings	Machinery and equipment	Means of transport	Inventory	Other TFA	Total
ACQUISITION COST (AC)						
Balance at 1 January 2018	2,720,311	3,185,350	226,614	1,107,821	177,204	7,417,300
Additions	94,031	260,838	400	3,601	16,373	375,243
Disposals	1,099	169,458	4,006	6,044	7,454	188,061
Balance at 31 December 2018	2,813,243	3,276,730	223,008	1,105,378	186,123	7,604,482
ACCUMULATED DEPRECIATION						
Balance at 1 January 2018	1,214,123	2,652,216	126,907	744,139	152,235	4,889,620
Depreciation 2018	97,122	183,111	21,569	40,088	10,470	352,360
DP of disposed TFA 2018	0	104	0	0	277	381
Movements of assets	0	169,253	4,006	6,059	7,406	186,724
Balance at 31 December 2018	1,311,245	2,666,178	144,470	778,168	155,576	5,055,637
ALLOWANCES						
At 1 January 2018	0	0	0	7,855	0	7,855
At 31 December 2018	0	0	0	7,852	0	7,852
BOOK VALUE 2018 (DP)	1,501,998	610,552	78,538	319,358	30,547	2,540,993
BOOK VALUE 2017(DP)	1,506,187	533,134	99,707	355,827	24,969	2,519,824

Significant items of tangible assets

Item	Year of acquisition	AC (CZK thousands)	DP 2018 (CZK thousands)
IATCC Prague building	2005	921,353	538,615
Technical unit building at Prague airport	1992	519,626	301,591
Full Flight simulátor A320	2007	290,744	105,935
Calibration aircraft Cessna 560XL	2011	152,492	56,142
Aviation School (CANI) building	1983	148,632	83,852
Service building with control tower at Ostrava airport	2016	114,216	106,657

The most important additions and disposals of fixed assets – the most important addition to fixed assets in 2018 were servers and other computer technology and a B hangar adjustment (part 2 of simulator placement) at a cost of 9,779K CZK.

The most significant disposal among fixed assets is the removal of the data centre with an acquisition cost of 26,673K CZK, the NOVA 9004 run radar at an acquisition cost of 25,041K CZK and the run radar – SNC36-94S equipment – at an acquisition cost of 12,279K CZK.

Depreciation of tangible fixed assets charged to costs – the depreciation of TFA charged to costs in 2018 amounted to 352,360K CZK, and in 2017 to 322,662K CZK.

Total amount of small tangible assets not included in the balance sheet – the total amount of tangible assets not included in the balance sheet at 31 December 2018 is 83,050K CZK. At 31 December 2017, it was 81,674K CZK.

Allowances for tangible fixed assets – allowances were created based on the audit of assets at 31 December 2018 in the amount of the difference between the book value and the utility value of the asset, the CEET A 320 simulator in particular; the allowance amounted to 7,852K CZK.

Unfinished TFA – the total volume of unfinished TFA registered in the company at 31 December 2018 amounted to 931,456K CZK and in 2017 to 312,0610K CZK. The main volume of unfinished TFA is represented by the two B300 calibration aircrafts, an acquisition cost of which as of 31 December 2018 is 279,232K CZK. In addition, unfinished TFA include renewal of UPC backup sources in IATCC, TEB and VUJE localities.

4.1.3 Specified assets of the company

In accordance with the provisions of Act No. 77/1997 Coll., on State Enterprise, 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 2018, the scope of specified assets was not extended. The following specified assets were recorded in the company bookkeeping at 31 December 2018:

NAME OF SPECIFIED ASSETS	Inventory number	Acquisition price
IATCC Prague building	2016743	921,353
Operations building of the Technical block at Prague airport	51062	519,626
Operations building with control tower at Ostrava airport	2021876	114,216
Operations building with control tower at Brno airport	52012	88,097
Operations building at Prague South locality	51150	61,028
Calibration aircraft L 410 UVP E OK-WYI	2020151	43,841
Operations building with control tower at Karlovy Vary airport	54004	42,648
Operations building at Buchtův kopec locality	52011	40,170
Land under the building of the Technical block at Prague airport	2563	1,349
Land under the operations building with control tower at Ostrava airport	648	337
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 Prague	569	45
Land under the operations building Praha South	34890	2
Land under the operations building Buchtův kopec	130	2
ACQUISITION PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2018 (CZK thousands)		1,833,097
DEPRECIATED PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2018 (CZK thousands)		1,060,526

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, it was 63 cars and trucks leased under operating leases. In 2018, 8,724K CZK was paid for operating leases; in 2017, it was 8,749K CZK.

4.1.5 Fixed assets pledged

The consolidation group has pledged assets. Specifically, it is the Flight Simulator Training Device Boeing 737 – 800W, serial number MPS-C305. The value of the mortgage contract is 33,000K CZK.

In addition, an investment loan amounting to 150,000K CZK for the L410 flight simulator is secured by FFS A320 simulator.

Assets acquired by a newly obtained loan will be also pledged. As per loan contract, the loan is secured by newly acquired simulators for Boeing B737MAX and for Airbus A320ceo/neo.

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 European Union in the context of the “Single European Sky – SES” policy. ANS CR has a 1/6 stake in this service company (6K EUR).

Other fixed securities and shares	Book value at 31 December of the year (CZK thousands)			
	2017	Move-ments	Revalua-tion	2018
FABCE, Aviation Services, Ltd.	381	0	2	383

The company held no other financial fixed assets in 2018. Likewise in 2018 as in previous years, the company did not register any financial fixed assets pledged as collateral.

4.3 INVENTORIES

The total amount of inventory of the entities in the group at 31 December 2018 was 41,433K CZK; at 31 December 2017, it was 39,032K CZK. The main volume of inventory consists of spare parts for aviation safety technology and for simulators.

4.4 RECEIVABLES

4.4.1 Trade receivables

(CZK thousands)	2018	2017
TOTAL TRADE RECEIVABLES		
Gross receivables	658,553	635,925
Net receivables	638,183	597,592
TOTAL ALLOWANCES CREATED	20,370	38,333

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

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

In 2018, in the frame of consolidated accounting, the company records tax receivables for the state in the amount of 136,008K CZK. This amount corresponds to prepayments made for income tax in the amount of 95,042K CZK, which, in accordance with accounting principles, was compensated with a reserve created for corporate tax in the amount of 67,711K CZK, as well as with surplus VAT deductions in the amount of 40,907K CZK, tax deductions abroad in the amount of 50K CZK and overcharge of other taxes in the amount of 9K CZK.

4.4.3 Accrued assets

The important item is an accrual amounting to 6,240K CZK for revenues from the agreement for the L 410 flight simulator operation and for training contract made with Aircraft Industries; according to the agreement, as amended, the revenues relate to 2018 in terms of accounting accruals. Other important items are accruals related to training services provided during 2018, which are invoiced after fulfilment of conditions in 2019.

4.4.4 Other receivables

Other long-term receivables include positive fair values of open derivatives amounting to 1,976K CZK. Other short-term receivables amount to 153,599K CZK. These especially include receivables from grants to SESAR projects in the amount of 109,008K 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. During 2018, the amount of the receivables was reduced by the part, which will not be, according to current run of the grant projects, claimed. The amount of the receivables is also decreased by partial payments received for the projects.

Positive fair values determined as a result of the valuation of financial derivatives to fair value amounted to 46,615K CZK at 31 December 2018.

4.5 CASH RESOURCES

CASH RESOURCES (CZK thousands)	2018	2017
Cash	2,811	2,170
Bank accounts	1,520,661	1,916,514
TOTAL CASH RESOURCES	1,523,472	1,918,684

4.6 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (CZK thousands)	2018	2017
Accrued costs	72,968	30,742

Accrued costs mainly include insurance, software support, membership fees, subscriptions of 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 related to.

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 2018 only in connection with settling net earnings, revaluation of equity holdings and in connection with consolidation adjustments.

4.7.2 Registered capital

There were no changes in the registered capital in 2018.

4.7.3 Equity Items

In accordance with Act No. 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 case of ANS CR, these are the development fund and fund for other social spending.

4.8 PROVISIONS

Provisions for income tax for 2018 were created in the amount of 67,711K CZK. Total prepayments for income tax for 2018 amount to 95,042K CZK, which exceeds the volume of provisions by 27,331K CZK. In addition, a provision for untaken vacation was created in 2018, amounting to 9,808K CZK; a provision created in 2017 was settled.

A provision for the costs associated with revenues reported in 2017 and 2018, relating to the operation of the L 410 flight simulator, was created in amount of 3,151K CZK. The total amount of provision thus makes 5,282K CZK.

4.9 PAYABLES

4.9.1 Trade payables

TRADE PAYABLES (CZK thousands)	2018	2017
LONG-TERM TRADE PAYABLES		
Long-term trade payables	0	0
SHORT-TERM TRADE PAYABLES		
Suppliers with due payables	215,889	133,146
Suppliers with overdue payables	10,189	1,336
Other payables	8,568	7,968
TOTAL PAYABLES		
Trade payables	234,646	142,450

Overdue payables include invoices from December 2018, which were paid in January 2019 or invoices relating to fulfilment in complaint procedure.

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)	2018		2017	
	Total	Due	Total	Due
SOCIAL SECURITY AND HEALTH INSURANCE				
Social security premiums	19,985	0	20,680	0
Health instance premiums	32,779	0	35,462	0
Total social security and health insurance	52,764	0	56,142	0
TAX LIABILITIES				
Income tax on employment	47,345	0	54,928	0
Corporate income tax	0	0	0	0
Value added tax	0	0	42,618	0
Other taxes	0	0	61	0
Total tax liabilities	47,345	0	97,607	0
TOTAL PAYABLES TO THE STATE AND SOCIAL SECURITY AND HEALTH INSURANCE INSTITUTIONS	100,109	0	153,749	0

Payables for social security and health insurance recorded at 31 December 2018 consist of statutory withholdings arising from the payment of salaries for the month of December 2018 and therefore concern payables that are due. Likewise, the liability for income tax on employment is connected to the payment of salaries for December 2018.

Balance sheet item C.II.8.5 beside liabilities of income tax on employment also reports account 346 balance – Clearing subsidies charged to other operating income accruals when accounting for costs. At 31 December 2018, the balance was 161,391K CZK.

4.9.3 Advances received

ADVANCES RECEIVED (CZK thousands)	2018	2017
Long-term advances received	39,828	39,828
Short-term advances received	13,775	3,999
TOTAL ADVANCES RECEIVED	53,603	43,827

4.9.4 Estimated accounts payables

Estimated accounts payables are estimated payable items expensed to costs in 2018. They particularly include accruals for energy consumption, service maintenance for systems and equipment, data and telecommunications services, building security and other accruals.

4.9.5 Other liabilities and payables to employees

Payables to employees recorded at 31 December 2018 consist of the payment of salaries for the month of December 2018, which is paid in January of the following year, and therefore it is a due payable. Other liabilities mainly consist of settling pension and life insurance for company employees.



4.10 PAYABLES TO LOAN INSTITUTIONS

In 2018, the parent company did not take out any loans for its business activities and likewise did not issue any bonds in 2018 or in the past.

In 2018, the subsidiary concluded a new loan agreement to acquire two flight simulators for crew training of middle-haul B737MAX and A320ceo/neo aircrafts. The loan framework amounts to 17,300K EUR with maturity due date of September 2025.

(CZK thousands)	Loan framework	Quarterly amount of principal payment	Principal payment at 31 Dec 2018	Draw down/ balance at 31 Dec. 2018	Interest expense in 2018	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	42,856	105,906	1,410	1,16%	XII.23
ČSOB a.s. – loan for flight simulator FTD B737NG in CZK	33,000	1,178	14,136	18,864	235	1,06%	XII.22
KB a.s. – loan for flight simulators B737MAX and A320ceo/neo in EUR	17,300	x	x	1,034	x	1,80%	IX.25
Equivalent in CZK	445,043	x	x	26,590	89		
TOTAL LOANS in CZK	628,043	6,535	56,992	151,360	1,734		
PAYMENT OF PRINCIPAL IN YEARS		to,2018	2019	2020	2021	2022+	TOTAL
ČSOB, a. s. – FFSIM L410		42,856	21,428	21,428	21,428	42,860	150,000
ČSOB, a. s. – FTD B737NG		14,136	4,712	4,712	4,712	4,728	33,000
KB, a. s. – SIM B737MAX + A320ceo/neo		0	0	0	27,815	417,228	445,043
TOTAL LOANS in CZK		56,992	26,140	26,140	53,955	464,816	628,043

4.11 ACCRUALS AND DEFERRALS

ACCRUALS AND DEFERRALS (CZK thousands)	2018	2017
Accrued costs	0	0
Deferred revenues	20,487	10,381
TOTAL ACCRUALS AND DEFERRALS	20,487	10,831

Deferred revenues include mainly courses and training for pilots and cabin crew carried out the following year. These items are therefore charged to revenues in the period in which they are related to.

4.12 DERIVATIVES

At 31 December 2018, the company had contracts concluded for hedging derivatives for the EUR/CZK currency pair. They are based on the company’s strategy prepared for 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 2018. 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 is reported at 31 December 2018 in other receivables or other liabilities.

The following table indicates the nominal values and positive or negative fair values of outstanding derivatives as of 31 December 2018:

DERIVATIVES (CZK thousand)	2018		2017	
	Fair value		Fair value	
	positive	negative	positive	negative
Forwards	16,167	-36,592	54,358	-229
Option structures	30,448	-41,422	71,834	-15,197

4.13 INCOME TAX

INCOME,TAX,(CZK,thousands)	2018	2017
Due tax	67,141	93,637
Deferred tax	8,838	-3,012
TOTAL TAX COST	75,979	90,985

4.14 DEFERRED TAX

The deferred tax calculation is based on the income tax rate valid for the period in which the tax receivable or liability is applied. A deferred tax liability is reported as part of long-term liabilities in the balance sheet.

Deferred tax (CZK thousands)	2018	2017
Depreciated price of fixed assets (tax DP-accounting DP)	-141,628	-128,368
Allowances for fixed assets	1,492	1,493
Allowances for receivables	1,326	1,704
Allowances for inventories	84	36
Revaluation of inventories - acquisitions	-2,276	-2,283
Provisions beyond the scope of Act No. 593/1992 Coll.	2,867	710
Estimated accrued items	1,890	190
Receivables resulting from contractual fines	-19	-4
Tax losses from previous years	2,786	1,884
Net deferred tax	-133,478	-124,638

ASSETS AND DEBTS NOT REPORTED IN THE BALANCE SHEET

As of 31 December 2018, entities in the group 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	
	2018	2017	2018	2017	2018	2017
Air navigation services	314,972	297,872	3,607,105	3,447,404	3,922,077	3,745,276
of which	95,055	89,675	3,166,254	3,045,804	3,261,309	3,135,479
– en-route navigation services	218,121	206,596	439,721	400,961	657,842	607,557
– terminal navigation services	1,796	1,601	1,130	639	2,926	2,240
Other revenues	181,895	152,379	235,063	172,979	416,958	325,358
TOTAL REVENUE	496,867	450,251	3,842,168	3,620,383	4,339,035	4,070,634

5 EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

The average number of employees and company management members and staff costs for the financial year 2018 and 2017 are as follows:

(CZK thousands)	Employees		Statutory and supervisory bodies, management		Total	
	2018	2017	2018	2017	2018	2017
Number (FTE)	1,025	983	21 + 11	24 + 11	1,046 + 11	1,007 + 11
Wage costs and bonuses	1,809,121	1,707,916	103,770	101,656	1,912,891	1,809,572
Social security and health instance premiums	453,582	422,883	18,456	17,276	472,038	440,159
Other personnel expenses	70,717	65,072	5,117	4,614	75,834	69,686
TOTAL STAFF COSTS	2,333,420	2,195,871	127,343	123,546	2,460,763	2,319,417

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

The Supervisory Board of the parent company has six members, four are appointed by the founder, and two are elected from employees. Members of the Supervisory Board receive remuneration for their work.

The Audit Committee has three members. The Audit Committee members receive remuneration for their work.

The term management of the subsidiaries means company director and company management. 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

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

The volume of business costs from transactions with affiliated companies in 2018 amounted to 143,487K CZK. These are transactions where the volume is greater than 1M CZK for one supplier in 2018. These suppliers – affiliated companies – according to this definition are the Czech Hydro-Meteorological Institute, Czech Civil Aviation Authority, Airport Prague, Czech Aeroholding, FABCE, Czech Airlines Handling, Institute of Aviation Medicine and Czech Telecommunications Authority. The total volume of payables of the company (only those due) to the affiliated companies stated here was 319K CZK at 31 December 2018.

The volume of company revenue from transactions with affiliated companies in 2018 amounted to 42,112K CZK. These were transactions where the volume is greater than 1M CZK for one customer in 2018. The customers – affiliated companies – according to this definition are the Ministry of Transport of the Czech Republic, Ministry of Defence of the Czech Republic, Czech Hydro-Meteorological Institute and Czech Civil Aviation Authority. The total volume of receivables for the company from the affiliated companies stated here was 15,313K CZK at 31 December 2018.

In 2018, ANS CR obtained full 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 52,209K CZK. This compensation is provided to ANS providers in accordance with European Commission Regulation No. 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 No. 1404 of 2 November 2005.

7 SUBSIDIES

ANS CR is involved in development programmes in the ATM sector. One programme is the SESAR Deployment programme, where selected projects are co-funded by the European Union in the form of grant projects through the Innovation and Networks Executive Agency (INEA). These grant projects are focused on implementing new technologies in air navigation services, so a substantial part of them is co-funding of investment.

In addition, the company participates in eight SESAR Horizon 2020 programmes, from which subsidies are granted to cover the company’s operating costs expended in connection with the subject of the subsidy.

(CZK thousands)	Total expected amount of subsidy to be drawn by ANS CR
Subsidy from SESAR H 2020 programmes	923
Subsidy from SESAR Deployment programmes	7,062

The balance of receivables in respect of these subsidies is specified in clause 4.4.4 of this annex, the balances of related liabilities in clause 4.9.2. The amount of revenue entered into the books in connection with the subsidies is specified in clause 9 of the annex. During 2018, the charged amount of subsidy was amended by part, which will not be, according to current evaluation of course of subsidy projects, probably claimed.

8 RESEARCH AND DEVELOPMENT COSTS

Neither in 2018 nor in the previous year did the company outlay costs for research and development.

9 SIGNIFICANT ITEMS OF THE PROFIT AND LOSS STATEMENT

Other operating revenues amounted to 81,936K CZK in 2018. In 2017, these revenues were 85,168K CZK. Those items were of significant volumes for the parent company. The major item is compensation for costs for exempted flights amounting to 52,209K CZK. Furthermore, it consists of a proportion of subsidies granted in the framework of the SESAR projects amounting to 13,596K CZK.

Other operating costs in 2018 amounted to 255,030K CZK; in 2017, they amounted to 85,168K CZK. Again, they were primarily items of the parent company. The structure of other operating costs remains 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 finally the costs for property and liability insurance.

10 INFORMATION ON AUDIT FEES

Since the second half of 2015, audit services to the entities of the group have been provided by BDO Audit. Costs of audit and advisory services fees were as follows:

INFORMATION ON AUDIT FEES (CZK thousands)	2018	2017
Audit of financial statements	753	594

11 EVENTS THAT OCCURED 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.

12 RISK MANAGEMENT

Credit risks – as of 31 December 2018, 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 of 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.

In addition, the company had contracts concluded for derivatives for hedging EUR/CZK exchange rate. The largest part of the derivatives is based on the company’s strategy for hedging prepared in relation to hedging risks associated with foreign exchange rate movements connected to the termination of the intervention scheme of the Czech National Bank. Information on their valuation at the balance sheet date is included in clause 4.12.

13 LIABILITIES NOT STATED IN THE BOOKS

Litigations – no litigation was brought against the company as of 31 December 2018 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 2018, the company provided bank guarantees to foreign customers in connection with the commercial activities of the Aviation School (CANI) and calibration flight. An overview of the bank guarantees is as follows:

BANK GUARANTEE FOR	Guarantee valid	Amount and currency
Prishtina Int. airport, Kosovo	16 Oct 2015 – 15 Nov 2018	12,762 EUR
Agencija za pružanje usluga u zračnoj plovidbi Bosne i Hercegovine, Bosnia and Herzegovina	28 Apr 2017 – 28 Apr 2020	759,489 EUR
Tanzania Civil Aviation Authority	28 March 2018 – 3 July 2018	2,480 USD
Sakaeronavigatsia Ltd., Georgia	17 Apr 2018 – 31 Jan 2019	5,804 EUR
Tanzania Civil Aviation Authority	25 May 2018 – 31 May 2019	9,480 USD
Civil Aviation Regulatory Commission, Jordan	15 Nov 2018 – 15 March 2019	34,431 USD
Tanzania Civil Aviation Authority	21 Dec 2018 – 6 May 2019	17,112 USD

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, in which the parent company participates and that had no impact profit or loss even in cash flows in the amount of 128,380K CZK. The Other non-monetary operations item consists mainly of the revaluation of financial derivatives to fair value and revenues from subsidies posted at the amount corresponding to the cost expended.





Petr
ACC Air Traffic Controller (IATCC Jeneč)

I have been an air traffic controller for almost 20 years. After completing my studies, I completed a two-year training course, and presently I have the position of Senior Air Traffic Controller, II and Watch Supervisor. In addition to my supervisory role, I prepare monthly shift lists for ACC Prague. My family and sport are my main means of relaxing. I am a member of the ANS CR hockey team which regularly participates in international ice hockey tournaments for air traffic controllers.

Individual Financial Statements 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 Jeneč, Navigační 787, Czech Republic, identification number 497 10 371, (hereafter the “Company”), which comprise the statement of financial position as of 31 December 2018, statement of comprehensive income, statement of changes in equity and the cash flow statement for the period from 1 January 2018 to 31 December 2018 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 2018, and its financial performance and cash flows for the period from 1 January 2018 to 31 December 2018 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 2018 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 25 March 2019.

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 is 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 25 March 2019
Audit firm:
BDO Audit s. r. o.
Certificate No. 018

Partner:
Petr Slaviček
Certificate No. 2076



INDIVIDUAL STATEMENT OF FINANCIAL SITUATION

for the year ending at 31 December 2018

		Year ending at	
		31 December 2018	31 December 2017
	FIXED ASSETS		
3.1.2.	Land, building and equipment (tangible assets)	2,578,783	2,703,303
	of which: lands, buildings and equipment in use	2,205,174	2,157,674
	of which: unfinished tangible assets	373,609	545,629
3.1.1.	Intangible assets	1,702,114	1,320,261
	of which: intangible assets in use	771,516	743,614
	of which: unfinished intangible assets	930,598	576,647
3.1.3.	Investments in subsidiaries and entities in the group	280,784	280,784
3.1.	TOTAL FIXED ASSETS	4,561,681	4,304,348
	CURRENT ASSETS		
3.2.	Inventories	22,071	19,728
3.3.	Trade receivables and other receivables	1,157,017	1,080,178
3.4.	Short-term financial assets, money and cash in bank accounts	1,202,717	1,605,605
	TOTAL CURRENT ASSETS	2,381,805	2,705,511
	TOTAL ASSETS	6,943,486	7,009,859

		Year ending at	
		31 December 2018	31 December 2017
	EQUITY		
3.6.2.	Registered capital	1,087,503	1,087,503
3.6.3.	Reserve fund	320,000	320,000
	Other funds of the company	4,245,879	4,032,875
3.6.	Retained earnings	390,728	517,183
	TOTAL EQUITY	6,044,110	5,957,561
	PROVISIONS		
	Other provisions		3,533
	LONG-TERM LIABILITIES		
3.7.1.	Deferred tax liability	125,856	119,160
3.8.	Other long-term liabilities	65,961	15,425
	TOTAL LONG-TERM LIABILITIES	191,817	134,585
	SHORT-TERM LIABILITIES		
3.9.	Trade liabilities and other liabilities	707,559	914,180
	TOTAL EQUITY AND LIABILITIES	6,943,486	7,006,326

INDIVIDUAL STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE RESULT

for year ending at 31 December 2018

		Year ending at	
		31 December 2018	31 December 2017
4.2.1.	Revenues	4,109,574	3,879,380
4.1.1.	Consumption of material and services	-599,625	-586,572
4.1.2.	Personnel costs	-2,377,010	-2,245,227
3.1.	Depreciation and amortization	-576,936	-536,144
4.2.1.	Other operating revenues	83,349	84,380
4.1.3.	Other operating costs	-237,909	-235,428
	Operating profit and loss	401,443	360,389
4.2.2.	Financial revenues	14,061	136,638
4.1.4.	Financial costs	-42,750	-12,629
	Financial profit and loss	-28,689	124,009
	Profit before tax	372,754	484,398
3.7.	Income tax	-73,837	-96,981
	Profit for the period	298,917	387,417
	Other comprehensive result for the period		
	Total comprehensive result for the period	298,917	387,417

INDIVIDUAL CASH FLOW STATEMENT

for year ending at 31 December 2018

		Year ending at	
		31 December 2018	31 December 2017
Cash flow from operating activities			
Income from customers		4,103,223	3,856,065
Payments to suppliers		-755,557	-721,176
Payments to employees and deductions for employees		-2,390,451	-2,186,114
Cash flow generated from operations		957,215	948,775
Income tax paid		-97,064	-87,211
Interests received		1,479	2,249
Net cash resources from operating activities		861,630	863,813
Cash flows from investing activities			
Expenses connected to acquiring fixed assets		-1,105,210	-670,709
Income connected to selling fixed assets		352	357
Net cash flows from investing activities		-1,104,858	-670,352
Cash flows from financing activities			
Transfer of cash from the founder’s fund to the founder		-137,955	-100,479
Net increase in cash and cash equivalents		-381,183	92,982
Cash and cash equivalents at the beginning of the period		1,583,900	1,490,918
Cash and cash equivalents at the end of the period		1,202,717	1,583,900

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

for year ending at 31 December 2018

	Registered capital	Reserve fund	Founder's fund	Other capital funds, Development fund	Retained earnings	Total
Status at 1 January 2017	1,087,503	320,000	0	3,821,637	513,495	5,742,635
Allocation to the reserve fund						0
Allocation to the founder's fund			100,479		-100,479	0
Use of the fund by the founder			-100,479			-100,479
Allocation to other capital funds				211,238	-211,238	0
Other use of retained earnings					-72,012	-72,012
Profit for the period					387,417	387,417
Status at 31 December 2017	1,087,503	320,000	0	4,032,875	517,183	5,957,561
Allocation to the reserve fund						0
Allocation to the founder's fund			175,959		-175,959	0
Use of the fund by the founder			-137,955			-137,955
Allocation to other capital funds				175,000	-175,000	0
Other use of retained earnings					-74,413	-74,413
Profit for the period					298,917	298,917
Status at 31 December 2018	1,087,503	320,000	38,004	4,207,875	390,728	6,044,110



Jakub
Air Traffic Controller at Václav Havel Airport, Prague Control Tower

During my university studies, I realized that I wouldn't be happy in a corporate environment, so I signed up for air traffic control training. I was accepted and after two years of training I started working in the control tower at Václav Havel Airport, Prague. After six years, I became an instructor and today I am involved in the training of new students. I see a lot of planes flying every day, so it's no surprise that I enjoy travelling and discovering new places. Every winter, my colleagues and I participate in the international air traffic control Olympics, and during the summer we race dragon boats on the Berounka River.



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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 under a resolution of the Minister of Transport issued on 28 December 1994, Ref. No. 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 Prague, Brno, Ostrava and Karlovy Vary airports
Share capital:	1,087,503,000 CZK
Employees:	The average number at 31 December 2018 was 993

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 No. 77/1997 Coll. A founder of the company is the state. The Ministry of Transport, whose responsibility includes the core business of the company, acts in the name of the founder.

The accompanying financial statements have been prepared as individual financial statements of ANS CR. The consolidated financial statements have been prepared for the whole group by the parent company, ANS CR, in accordance with the national accounting standards. Companies included in the consolidation group are the Czech Aviation Training Centre and Czech Aviation Training Centre India. Information pursuant to section 39b of Decree No. 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 2018, there was one change made to the company’s entry to the Commercial Register. It was appointment of new deputies of the Director General (see table, paragraph 1.5).

1.4 ORGANIZATIONAL STRUCTURE OF THE COMPANY

The head of the company is the Director General, who is statutory body. There are three supporting departments directly subordinate to the Director General. The company is further organizationally divided into three performance departments each headed by a department director. The departments are divided into specialized divisions, each headed by a division manager, and specialized sections headed by qualified supervisors. As of 31 December 2018, the total number of these organizational units was 18. The company has no organizational units abroad.

1.5 STATUTORY AND SUPERVISORY BODIES OF THE COMPANY AS OF 31 DECEMBER 2018

Company Management – Statutory Body	
Director General:	Jan Klas
First Deputy Director General:	Petr Fajtl
Second Deputy Director General:	Miloslava Mezerová
Third Deputy Director General:	Jana Navrátilová

Supervisory Board	
Chairperson:	Magdalena Faltýsková
Members:	Zdeněk Jelínek
	Petr Hromek
	Petr Kolomazník
	Stanislav Pleninger
	Milan Vondra

Pursuant to the provisions of section 44c, paragraph 1c) of an amendment to the Act No. 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. 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

Individual financial statements of ANS CR for the year ending 31 December 2018 have been compiled in accordance with the terms of their preparation as per Regulation (EC) No. 550/2004, Article 12, of 10 March 2004, about provision of air navigation services in the Single European Sky. The company accounting is conducted in accordance with national accounting standards and in accordance with Act No. 563/1991 Coll., on Accounting, as amended. These individual financial statements have been compiled in accordance with the above regulation with aim to achieve maximum, not full, compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Community.

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 entity continuity 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 60K CZK are recorded as expenses. Intangible assets costing more than 60K CZK and with a usable life longer than one year are depreciated linearly monthly without interruption, whereas a length of depreciation is based on the estimated useful life. No allowances for intangible assets were created in 2018.

Estimated useful life of intangible assets in years:	
Software	4–10 years
Other intangible assets	3–6 years

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 “Principles for Establishing the Cost Base for Route Facility Charges and the Calculation of the Unit Rates” document issued by the European Agency for the Safety of Air Navigation, and completed 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 not created in 2018.

Estimated lifetime for the 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 communication equipment	4–10 years
of which – energetic 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 valuated 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 2018.

2.4 CASH AND CASH IN BANK ACCOUNTS

This reporting group consists of valuables, cash, current accounts in banks and short-term financial deposits. Monetary resources in bank accounts, cash and cash equivalents in foreign currency are revaluated to Czech crowns by exchange rate valid on the balance sheet date.

2.5 INVENTORIES

Purchased inventories constituting materials and spare parts are valued at the cost of acquisition or the net realizable value; whichever is lower. Upon removal, the weighted arithmetic average method is used. Inventories 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 2017 and older
- 50% for receivables with a due date within the period 1 January 2018 to 30 June 2018

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

2.7 PROVISIONS

In 2018, a provision for untaken vacation of 2018 was created.

2.8 TRADE PAYABLES

Trade payables are reported at their nominal value.

2.9 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 stated by Czech National Bank 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.

2.10 DERIVATES

During the course of 2018, the company had a 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 valuating 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.

2.11 LEASING – IAS 17

Leasing contracts and their terms are assessed to determine whether the leasing relation shall be recorded as financial or operating leasing. If a leasing contract passes all substantial risks and payments connected with the leasing subject to the lesser, the leasing contract is assessed as financial leasing or else it is operating leasing.

The company uses operating leasing. All leasing payments paid by the company are included in the profit and loss statement as a cost distributed uniformly over the term of the leasing contract.

The company rents some temporarily unexploited assets to other entities. Leasing payments received from lessees are posted to revenues and distributed uniformly over the term of the leasing contract.

2.12 EQUITY

The registered capital of the company is stated as 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 statutory reserve fund. In addition, the company creates funds from retained earnings based on internal regulations.

2.13 INCOME TAX

Income tax consists of current tax and deferred tax. Current tax includes the tax calculated from a tax base using tax rate for the current year and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated from temporary differences between the book value of assets and liabilities in the financial statements and their tax base used to calculate taxable income. Deferred tax liabilities are generally acknowledged for all taxable temporary differences. Deferred tax receivables are generally acknowledged for all deductible temporary differences to the extent in which taxable profit, against which the deductible temporary differences can be applied, is expected to be realized.

Deferred tax receivables and liabilities are valued using the tax rate applicable to the period where the receivable will be realized, or the liability paid, based on the tax rates codified or published before the end of accounting period.

2.14 COSTS AND REVENUES RECOGNIZING

Revenues and costs are recognized for the period to which they relate. The costs for providing air navigation services include: costs of the daily operation of air navigation services units, costs of operation and maintenance of surveillance infrastructure, costs of operation and maintenance of telecommunications equipment, costs of providing aviation information

services, costs of training and further education of employees, costs of 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 with respect to the volume of services provided. Invoicing for air navigation services for terminal services management is completed by the company. Invoicing for providing air navigation services for en-route management services are completed for the company by the EUROCONTROL agency.

2.15 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 pension funds managed by commercial entities. The contributions are defined by the provisions of the collective agreement. Based also on the collective agreements, the company contributes to private life insurance of employees and pays their capital insurance.

2.16 USE OF ESTIMATES

Compilation of the financial statements requires the 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 relevant information available. Nevertheless, given the nature of estimates, the actual values may differ from these estimates in the future.

2.17 SUBSIDIES

Subsidies are reported in accordance with IAS 20. State subsidies are reported if there is a reasonable certainty that the requirements for subsidies are to be met and the subsidies are to be received.

State subsidies are included systematically in the profit and loss statement during periods when the related costs to be compensated by the subsidies are posted. With regard to subsidies for a purchase of long-term assets, the valuation of assets is decreased by the amount of the subsidy granted.

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).

2.18 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 provided additional information about facts that existed at the date of the balance sheet. Where 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.

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

No changes occurred during fiscal year 2018 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)

2018 (CZK thousands)	Software	Other IFA	Total
ACQUISITION COST (AC)			
Balance at 1 January 2018	2,960,015	124,512	3,084,527
Additions	287,564	3,990	291,554
Disposals	1,522	5,355	6,877
Balance at 31 December 2018	3,246,057	123,147	3,369,204
ACCUMULATED DEPRECIATION			
Balance at 1 January 2018	2,244,222	96,691	2,340,913
Depreciation 2018	255,239	8,413	263,652
Disposals	1,522	5,355	6,877
Balance at 31 December 2018	2,497,939	99,749	2,597,688
NET BOOK VALUE 2018 (DP)	748,118	23,398	771,516
NET BOOK VALUE 2017 (DP)	715,793	27,821	743,614

Significant items of intangible fixed assets

Item	Year of acquisition	AC (CZK thousands)	DP 2018 (CZK thousands)
EUROCAT 2000 PU IATCC system	2007	724,958	46,578
ESUP IATCC system	2007	592,732	161,615
IDP system for IATCC	2007	440,605	104,548

The most important additions and disposals of intangible assets - the most significant additions to intangible assets in 2018 included the technical evaluation of three systems (ESUP, ESUP NS, EFS OPER) in the total amount of 114,267K CZK.

The most significant disposal of intangible assets was the elimination of the EBI software system at an acquisition cost of 1,455K CZK, with a net book value of 0 CZK at the date of disposal.

Depreciation of intangible fixed assets – the depreciation of intangible fixed assets charged to costs in 2018 amounted to 263,650K CZK, and in 2017 to 248,906K CZK.

Allowances for intangible fixed assets – no allowances were created for IFA. Unfinished IFA and prepayments for IFA – the total volume of unfinished IFA registered in the company at 31 December 2018 amounted to 930,598K CZK and to 576,647K CZK in 2017. The main volume of unfinished intangible assets is represented by upgrading existing air navigation systems, and further payments for the newly acquired TopSky air navigation system within the Neopteryx project.



3.1.2 Land, buildings and equipment (tangible assets)

(CZK thousands)	Lands and buildings	Machinery and equipment	Means of transport	Inventory	Other TFA	Total
ACQUISITION COST (AC)						
Balance at 1 January 2018	2,713,374	3,172,154	226,614	195,623	160,073	6,467,838
Additions	83,153	258,932	400	2,649	16,283	361,416
Disposals	0	169,458	4,008	6,044	6,897	186,406
Balance at 31 December 2018	2,796,527	3,261,628	223,006	192,228	169,459	6,642,848
ACCUMULATED DEPRECIATION						
Balance at 1 January 2018	1,213,649	2,640,831	126,907	191,898	136,878	4,310,163
Depreciation 2018	95,897	182,562	21,569	3,542	9,717	313,287
DP of disposed TFA 2018	0	104	0	0	277	381
Movements of assets	0	169,253	4,006	6,044	6,854	186,157
Balance at 31 December 2018	1,309,546	2,654,244	144,470	189,396	140,018	4,437,674
DEPRECIATED PRICE (DP) 2018	1,486,981	607,384	78,536	2,832	29,441	2,205,174
DEPRECIATED PRICE (DP) 2017	1,499,725	531,323	99,707	3,725	23,195	2,157,675

Significant items of tangible assets

Item	Year of acquisition	AC (CZK thousands)	DP 2018 (CZK thousands)
IATCC Prague building	2005	921,353	538,615
Technical unit building at Prague airport	1992	519,626	301,591
Calibration aircraft Cessna 560XL	2011	152,492	56,142
Aviation School (CANI) building	1983	148,632	83,852
Service building with control tower at Ostrava airport	2016	114,216	106,657

The most important additions of fixed assets include technical improvement of the above mentioned assets.

The most significant disposals of fixed assets include the removal of the data centre at an acquisition cost of 26,673K CZK, the NOVA 9004 run radar at an acquisition cost of 25,041K CZK and the run radar – SNC36-94S equipment – at an acquisition cost of 12,279K CZK.

Depreciation of tangible fixed assets charged to costs – the depreciation of TFA charged to costs in 2018 amounted to 313,287K CZK and in 2017 to 287,238K CZK. Total amount of small tangible assets not included in the balance sheet – the total amount of tangible assets not included in the balance sheet as of 31 December 2018 is 75,471K CZK; as of 31 December 2017, it amounted to 74,412K CZK. Allowances for tangible fixed assets – no allowances were made for TFA. Unfinished TFA – the total volume of unfinished TFA registered in the company at 31 December 2018 amounted to 373,609K CZK, in 2017, to 545,629K CZK. The main volume of unfinished TFA is represented by the two B300 calibration aircrafts, an acquisition cost of which as of 31 December 2018 is 279,232K CZK. In addition, unfinished TFA include renewal of UPC backup sources in IATCC, TEB and VUJE localities.

3.1.2.1 Specified assets of the company

In accordance with the provisions of Act No. 77/1997 Coll., on State Enterprise, 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 2018, no change in the range of the specified assets was made.

The following specified assets were therefore on the books of the company at 31 December 2018:

NAME OF SPECIFIED ASSETS	Inventory number	Acquisition price
IATCC Prague building	2016743	921,353
Operations building of the Technical block at Prague airport	51062	519,626
Operations building with control tower at Ostrava airport	2021876	114,216
Operations building with control tower at Brno airport	52012	88,097
Operations building at Prague South locality	51150	61,028
Calibration aircraft L 410 UVP E OK-WYI	2020151	43,841
Operations building with control tower at Karlovy Vary airport	54004	42,648
Operations building at Buchtův kopec locality	52011	40,170
Land under the building of the technical block at Prague airport	2563	1,349
Land under the operations building with control tower at Ostrava airport	648	337
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 IATCC Prague building	569	45
Land under the operations building Prague South	34890	2
Land under the operations building Buchtův kopec	130	2
TOTAL ACQUISITION PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2018 (CZK thousands)		1,833,097
TOTAL DEPRECIATED PRICE OF SPECIFIED ASSETS AT 31 DECEMBER 2018 (CZK thousands)		1,060,526

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 due to its 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 332,453K CZK as of 31 December 2018. The company's net earnings for the accounting period of 2018 amounted to 6,021K CZK. As of 31 December 2018, receivables due CATC amounted to 445K CZK. Payables owed by CATC as of 31 December 2018 amounted to 1,987K 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 1/6th stake in this service company (6K EUR).

3.2 INVENTORY

INVENTORY (CZK thousands)	at 31 December 2018	at 31 December 2017
Inventory	22,071	19,728

The main volume of inventory consists of spare parts for aviation safety technology.

3.3 TRADE RECEIVABLES AND OTHER RECEIVABLES

RECEIVABLES (CZK thousands)	at 31 December 2018	at 31 December 2017
Trade receivables	630,746	610,839
Tax receivables	68,297	92,924
Prepayments and other receivables	484,121	409,088
TOTAL RECEIVABLES		
Gross receivables	1,183,164	1,112,851
Accumulated depreciation	-26,147	-32,673
Net receivables	1,157,017	1,080,178

Trade receivables consist of receivables from users of air navigation services, accounting for 88%, and from other customers accounting for 13%.

In 2018, the company recorded tax receivables for the state in the amount of 136,008K CZK. This amount corresponds to prepayments made for income tax in the amount of 95,042K CZK, which, in accordance with accounting principles, was compensated with a reserve created for corporate tax in the amount of 67,711K CZK, as well as with surplus VAT deductions in the

amount of 40,907K CZK, tax deducted abroad in the amount of 50K CZK and over payment for other taxes in the amount of 9K CZK. The company records no receivables for social security and health insurance.

The total volume of prepayments and other receivables amount to 484,121K CZK. These especially include receivables from grants to SESAR projects in the amount of 109,008K 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. In 2018, the amount of these claims was reduced by part which, according to the current course of grant's projects, will not be claimed. The amount of the receivables is reduced by the partial payments received for the projects. A receivable amounting to 46,615K CZK is important item corresponding to the fair value of positive derivatives valuation at 31 December 2018. For other receivables amounting to 7,107K CZK an allowance was created. Part of other receivables is also created by a transaction with subsidiary entity for repurchase and retroactive lease of the L410 air simulator. This transaction is recorded in accordance with IAS 17 accounting standards. Value of the transaction amounted to 246,911K CZK. Retroactive lease will run for period of 15 years in uniform payments applying interest rate of 3.35%.

3.4 SHORT-TERM FINANCIAL ASSETS, MONEY AND CASH IN BANK ACCOUNTS

SHORT-TERM FINANCIAL ASSETS, MONEY AND CASH IN BANK ACCOUNTS (CZK thousands)	at 31 December 2018	at 31 December 2017
Other short-term financial assets	0	21,705
Cash resources	1,202,717	1,583,900
of which - cash	2,124	1,897
- bank accounts	1,200,593	1,582,003
TOTAL MONEY AND CASH	1,202,717	1,605,605

3.5 DERIVATIVES

At 31 December 2018, the company had contracts concluded for hedging derivatives for the EUR/CZK currency pair. They are based on the company's strategy prepared for hedging risks associated with foreign exchange movements connected to the termination of the intervention scheme of the Czech National Bank.

The company did not conclude any hedge accounting in 2018. 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 is reported at 31 December 2018 in other receivables or other liabilities.

The following table indicates the nominal values and positive or negative values of open hedging derivatives as of 31 December 2018:

DERIVATIVES (CZK thousands)	at 31 December 2018		at 31 December 2017	
	Fair value		Fair value	
	positive	negative	positive	negative
Forwards	16,167	-36,592	54,358	-229
Option structures	30,448	-41,422	71,834	-15,197

3.6 EQUITY

3.6.1 Changes in equity

A summary of changes in equity is reported in a separate statement.

3.6.2 Registered capital

There were no changes in registered capital amount during 2018.

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 the company's 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 totalling 214,933K CZK were posted to equity in account 413400 – other capital funds/transfer of assets from other state organization. Based on a decision of the founder (the Ministry of Transport) in accordance with Act No. 77/1997 Coll., on State Enterprise, a founder's fund was established.

Earnings for the current accounting period (profit after tax) are allocated to the company funds after approval of the financial statements by the founder.

3.7 INCOME TAX

INCOME TAX (v tis. Kč)	at 31 December 2018	at 31 December 2017
Due tax	67,141	93,997
Deferred tax	6,696	2,984
TOTAL TAX COSTS	73,837	96,981

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 2018 was calculated using the 2018 income tax rate of 19%.

DEFERRED TAX - DIFFERENCES FROM (CZK thousands)	at 31 December 2018	at 31 December 2017
Depreciated price of fixed assets (tax DP – accounting DP)	-661,225	-636,043
Allowances for receivables	5,935	8,719
Allowances for inventory	442	187
Receivables resulting from contractual fines	-100	-21
Accounting provisions	8,078	0
Leasing	-15,532	0
Basis for deferred tax receivable/debt	-662,402	-627,158
Tax rate	19%	19%
Net deferred tax	-125,856	-119,160

3.8 OTHER LONG-TERM LIABILITIES

Other long-term liabilities consist of purely accounting of revaluation of contracted derivatives by fair value.

3.9 LIABILITIES

LIABILITIES (CZK thousands)	at 31 December 2018	at 31 December 2017
Trade liabilities	118,145	141,544
Liabilities to employees	202,755	224,522
Liabilities to the state	97,912	108,866
of which		
- income tax from employment	47,345	54,274
- other taxes	0	9
- social and health insurance	50,567	54,583
Received advances	1,509	1,141
Subsidies	161,391	347,571
Other liabilities	125,847	90,506
TOTAL LIABILITIES	707,559	914,180

Trade liabilities consist of supplier invoices not paid before maturity.

Liabilities to employees – consist of salary for the period of December 2018, which was paid in January 2019. In addition, pursuant to Act No. 77/1997 Coll., the company creates a profit-based fund for cultural and social needs, which is as per IFRS reported as liability to employees. The company proceeds in a similar manner for a bonus fund, fund for other social spending and provisions for unused vacation.

State–liabilities - this item includes the prescribed payment of income tax from employment per employee for the pay period of December 2018. It also contains the prescribed payment of social security and health insurance per employee for the pay period of December 2018 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 2018. It also includes the status of account 389 (estimated payables - supplies not invoiced for). Fair value of liabilities connected to derivatives holding amounted to 78,014K CZK.

Subsidies – this item indicates the unspent amount of compensation paid for flights exempted from charges in the amount of 17,356K CZK and further the actual volume of unused subsidies related to the realization of the SESAR projects totalling 144,035K CZK.

4 ADDITIONAL INFORMATION TO THE PROFIT ANF LOSS STATEMENT AND OTHER COMPREHENSIVE RESULT

4.1 COSTS

4.1.1 Costs of material, energy and services

COSTS OF MATERIAL, ENERGY AND SERVICES (CZK thousands)	at 31 December 2018	at 31 December 2017
Material consumption	31,467	28,832
Energy consumption	41,815	36,047
Consumption of other non-storable items	738	771
Repairs and maintenance	76,098	122,482
Travel costs	32,251	31,765
SW support systems	96,053	97,382
Telecommunications fees and data networks	45,230	43,733
Aviation meteorology	74,074	72,470
Other services	201,899	153,090
TOTAL COSTS OF MATERIAL, ENERGY AND SERVICES	599,625	586,572

Services cost item includes, among others, the costs incurred for services provided by the auditing company. From the second half of 2015, BDO Audit provides audit services to the company. Costs of auditing services in 2018 reached 636K CZK; in 2017 it was 418K CZK.

4.1.2 Personal costs

PERSONAL COSTS (CZK thousands)	at 31 December 2018	at 31 December 2017
Payroll costs	1,849,359	1,753,652
Statutory social insurance	453,075	423,115
Statutory insurance costs	73,293	67,514
Other social costs	1,283	946
TOTAL PERSONAL COSTS	2,377,010	2,245,227

4.1.3 Other operating costs

OTHER OPERATING COSTS (CZK thousands)	at 31 December 2018	at 31 December 2017
Taxes and fees	2,985	3,291
Allowances	-1,724	-1,995
Contributions to the budget of EUROCONTROL	145,569	139,625
Liability and property insurance	18,483	24,098
Costs for the state supervisory authority	45,225	44,504
Other	27,371	25,905
TOTAL OTHER OPERATING COSTS	237,909	235,428

4.1.4 Financial revenues

FINANCIAL COSTS (CZK thousands)	at 31 December 2018	at 31 December 2017
Sold securities and shares	0	0
Exchange rate losses	0	12,629
Derivatives	42,750	0
Other financial costs	0	0
TOTAL FINANCIAL COSTS	42,750	12,629

4.2 REVENUES

4.2.1 Operating revenues

OPERATING REVENUES (CZK thousands)	at 31 December 2018	at 31 December 2017
Air navigation services	3,922,077	3,745,276
of which – en-route services	3,261,309	3,135,479
– terminal services	657,842	607,557
– training flights	2,926	2,240
Other revenues for sales of goods and services	187,497	134,104
Total results	4,109,574	3,879,380
Other operating revenues	83,349	84,380
of which – sales of assets	1,141	317
– compensation costs for exempted flights	52,209	63,236
– other operating revenues	29,999	20,827
TOTAL OPERATING REVENUES	4,192,923	3,963,760

The year-on-year increase in operating revenues in 2018 was primarily due to the substantial recovery of en-route operations and operations at certain airports (after years of stagnation the increase of revenues by 8.3%). Other operating revenues stay volume-wise on the level of the last year. Other operating costs account proportional part of subsidies provided in frame of SESAR projects solving amounting to 13,596K CZK.

4.2.2 Financial revenues

FINANCIAL REVENUES (CZK thousands)	at 31 December 2018	at 31 December 2017
Income from interest	9,327	1,123
Exchange rate gains	4,311	0
Derivatives	0	134,965
Other financial revenues	423	550
TOTAL FINANCIAL REVENUES	14,061	136,638

5 EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

The average number of employees and company management members and personnel costs for the financial year 2018 and 2017 are as follows:

(CZK thousands)	Employees		Company management		Total	
	2018	2017	2018	2017	2018	2017
Number (FTE)	974	931	19 + 7	18 + 7	993 + 7	949 + 7
Wage costs + bonuses	1,756,764	1,659,618	92,595	94,034	1,849,359	1,753,652
Social security and health insurance premiums	436,846	407,610	16,229	15,505	453,075	423,115
Other personnel expenses	69,459	63,846	5,117	4,614	74,576	68,460
TOTAL PERSONAL COSTS	2,263,069	2,131,074	113,941	114,153	2,377,010	2,245,227

The term company management means the Director General of the company, division directors, section deputies and supervisor of separate centre. Capital instance, contribution 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 company vehicles for private purposes.

The Supervisory Board of the company has six members, four are appointed by the founder, and two are elected from among the employees. Members of the Supervisory Board receive compensation for discharging their positions. The Audit Committee has three members. The Audit Committee members receive compensation for discharging their positions.

6 INFORMATION ON AFFILIATED COMPANIES

Air Navigation Services of the Czech Republic (hereinafter the “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 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 (hereinafter “CATC”), of which the company has a 100% stake. The volume of business costs from transactions with affiliated companies in 2018 amounted to 146,837K CZK. These are transactions where the volume is greater than 1M CZK for one supplier in 2018. The suppliers – affiliated companies – according to this definition are the Czech Hydro-Meteorological Institute, Czech Civil Aviation Authority, Prague Airport, Czech Aeroholding, FABCE, CATC, Institute of Aviation Medicine and Czech Telecommunications Authority. The total volume of payables of the company (only those due) to the affiliated companies stated here was 859K CZK at 31 December 2018. The volume of company revenues from transactions with affiliated companies in 2018 amounted to 70,077K CZK. These were transactions where the volume is greater than 1M CZK for one customer in 2018. The customers – affiliated companies – according to this definition are the Ministry of Transport, the Ministry of Defence, CATC, Czech Hydro-Meteorological Institute and Czech Civil Aviation Authority. The total volume of receivables for the company from the affiliated companies stated here was 15,759K CZK at 31 December 2018.

In 2018, ANS CR obtained full 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 52,209K CZK. This compensation is provided to ANS providers in accordance with European Commission Regulation No. 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 No. 1404 of 2 November 2005.

7 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. The 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 2018, we saw the fourth 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 period of 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 in the fourth year of the second reference period were met. 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 2018 have therefore been compiled with the assumption of the company continuing to operate for an unlimited period of time.

8 SUBSIDIES

ANS CR is involved in development programmes in the ATM sector. One such programme is the SESAR Deployment programme, where selected projects are co-funded by the European Union in the form of grant-aided projects through the Innovation and Networks Executive Agency (INEA). These grant-aided projects are focused on implementing new technologies in air navigation services, so a substantial part of them is co-funded with investment. In addition, the company participates in eight SESAR Horizon 2020 programmes, from which subsidies are granted to cover the company’s operating costs expended in connection with the aim of the subsidy.

(EUR thousands)	Total expected amount of subsidy to be drawn by ANS CR
Subsidy from SESAR H 2020 programmes	923
Subsidy from SESAR Deployment programmes	7,062

The balance of receivables in respect of these subsidies is specified in clause 3.3 of the annex, the balance of related liabilities in clause 3.9. The amount of revenue entered into the books in connection with the subsidies is specified in clause 4.2.1 of the annex.

9 EVENTS THAT HAVE OCCURED 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.

10 RISK MANAGEMENT

Credit risks – as of 31 December 2018, 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 due to the large number of air navigation services customers. 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) which ensures more than 99% repayment 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. In addition, the company has contracts concluded for derivatives for hedging the EUR/CZK exchange rate. The largest part of the derivatives is based on the company’s strategy for hedging prepared in relation to hedging risks associated with foreign exchange rate movements connected to the termination of the intervention scheme of the Czech National Bank. Information on their valuation at the balance sheet date is included in clause 3.5.

11 LIABILITIES NOT STATED IN THE BOOKS

Litigations – no litigation was brought against the company as of 31 December 2018 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 consolidated financial statements.

Bank guarantees – during 2018, 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:

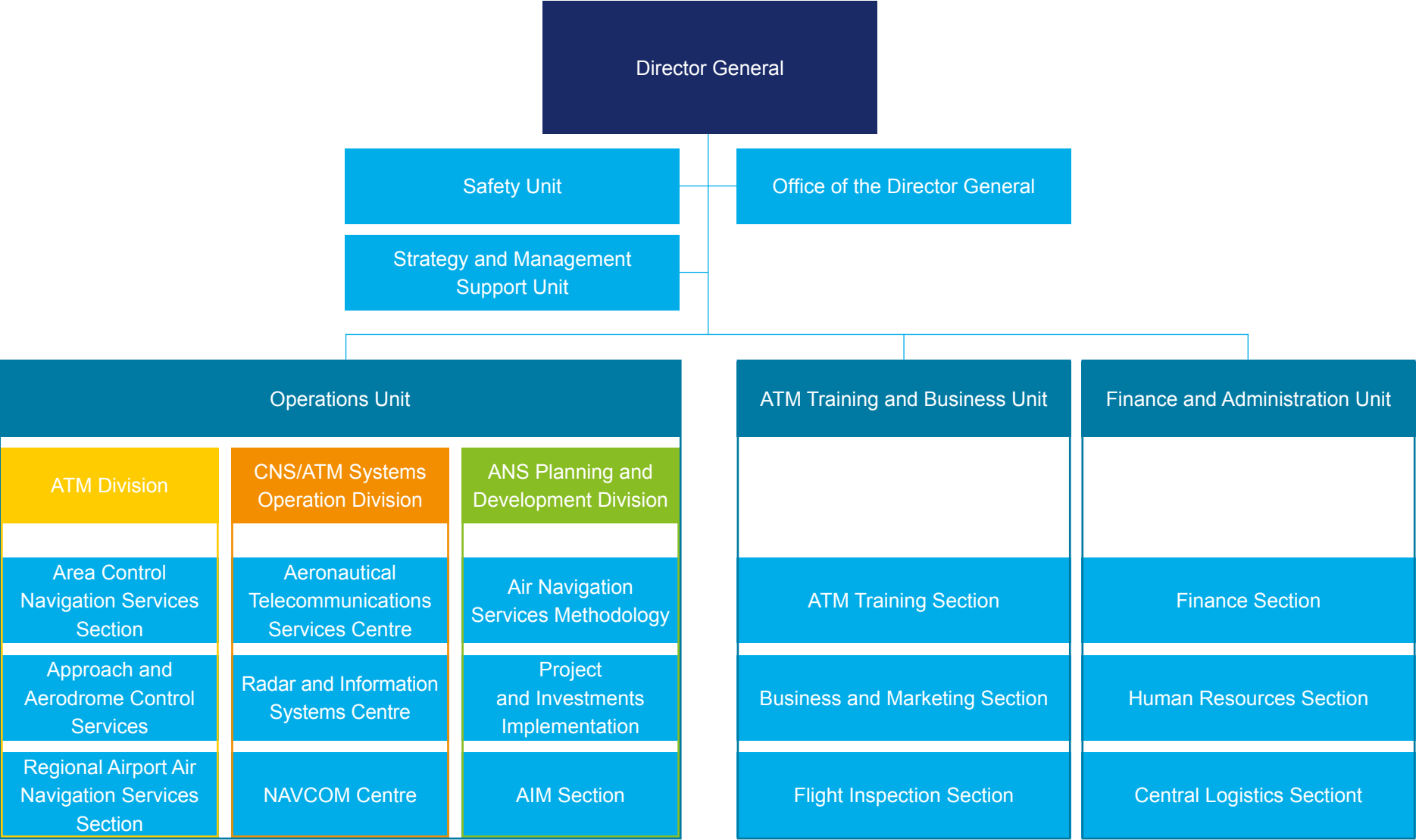
BANK GUARANTEES FOR	Guarantee valid	Amount and currency
Prishtina Int. airport, Kosovo	16 Oct 2015 – 15 Nov 2018	12,762 EUR
Agencija za pružanje usluga u zračnoj plovidbi Bosne i Hercegovine, Bosnia and Herzegovina	28 Apr 2017 – 28 Apr 2020	759,489 EUR
Tanzania Civil Aviation Authority	28 March 2018 – 3 July 2018	2,480 USD
Sakaeronavigatsia Ltd., Georgia	17 Apr 2018 – 31 Jan 2019	5,804 EUR
Tanzania Civil Aviation Authority	25 May 2018 – 31 May 2019	9,480 USD
Civil Aviation Regulatory Commission, Jordan	15 Nov 2018 – 15 March 2019	34,431 USD
Tanzania Civil Aviation Authority	21 Dec 2018 – 6 May 2019	17,112 USD

12 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.



ORGANIZATIONAL CHART OF ANS CR (as of 1 January 2018)



List of Abbreviations

ACC Area Control Centre	EATMP European Air Traffic Management Programme
ACFT Aircraft	EC European Commission
AFTN Aeronautical Fixed Telecommunication Network	ECAC European Civil Aviation Conference
AIC Aeronautical Information Circular	EDDM Munich Airport (IATA)
AIP Aeronautical Information Publication	EoSM Effectiveness of Safety Management
AMAN Arrival Management/Arrival Manager	ESUP EUROCAT Support
ANS Air Navigation Services	EUROCONTROL European Organisation for the Safety of Air Navigation)
ANSP Air Navigation Service Provider	FIR Flight Information Region
APP Approach Control	FL Flight Level
ARO Air Traffic Services Reporting Office	FRA Free Route Airspace
ATC Air Traffic Control	FRAPRA Free Route Airspace in FIR Prague
ATCA Air Traffic Control Association	FRMS Fatigue Risk Management System
ATCO Air Traffic Control Officer	FTO Flight Training Organisation
ATFM Air Traffic Flow Management	FUA Flexible Use of Airspace
ATIS Automatic Terminal Information Service	GA General Aviation
ATM Air Traffic Management	HMI Human-Machine Interface
ATMS Air Traffic Management Systems	IATA International Air Transport Association
ATPL (A) Airline Transport Pilot Licence (Airplanes)	IATCC Integrated Air Traffic Control Centre Prague
ATS Air Traffic Services	IBS Integrated Briefing System
BUKOP Radome at Buchtuv kopec	ICAO International Civil Aviation Organization
CANSO Civil Air Navigation Services Organisation	IDP Information Display Processor
CFL Cleared Flight Level	IFR Instrument Flight Rules
CISM Critical Incident Stress Management	ILS Instrument Landing System
CMOS Central Monitoring and Control System	INEA Innovation & Networks Executive Agency
CNS Communications/Navigation/Surveillance	IPT IP Telephone Exchange
COM Communications	IR Instrument Rating
CRCO Central Route Charges Office (Eurocontrol)	ISO International Standards Organization
CTA Control Area	ISQMS Integrated Safety and Quality Management System
CTR Control Zone	JAA Joint Aviation Authorities
CZATCA Czech Air Traffic Control Association	JAR Joint Aviation Requirements
DAIW Danger Area Infringement Warning	KOPi Radom in Písek
DCT route Direct Route	L Rules and Regulations in the Czech Language
DME Distance Measuring Equipment	AIS Aeronautical Information Service
DPS Data Processing Systems	LKAA Flight Information Region (FIR) of the Czech Republic
E2000 EUROCAT 2000 – ATM System	LKAA ALL all sectors of Czech airspace

LKAA L lower sector of Czech airspace
LKAA M/H/T medium/high/top sector of Czech airspace
LKKV Karlovy Vary Airport
LKMT Ostrava Airport
LKPR Václav Havel Prague Airport
LKTB Brno Airport
MSAW Minimum Safety Altitude Warning
MSSR Monopulse Secondary Surveillance Radar
MTOW Maximum Take-Off Weight
NAV Navigation/Navigator
NAVCOM Navigation/Communication
NDB Nondirectional Radio Beacon
NEASCOG NATO – EUROCONTROL ATM Security Coordinating Group
NM Network Manager
NOTAM Notice to Airmen
OJT On-the-job Training
OJTI On-the-job Training Instructor
OPMET Operational Meteorological Information
PRE-OJT Pre-On-the-job Training
RAT Risk Analysis Rate
RCC Rescue Coordination Centre
RCOM Radiocommunication
RGA Regional Airports
RIS Radar and Information Systems
RMCDE Radar Message Conversion and Distribution Equipment
RSR En-route Surveillance Radar
RVSM Reduced Vertical Separation Minimum
RWY Runway
SAT Site Acceptance Test
SC Senior Controller
SDM SESAR Deployment Manager
SES Single European Sky
SESAR Single European Sky ATM Research
SID Standard Departure Chart-Instrument
SIMU Simulator
SJU SESAR Joint Undertaking

SMC Surface Movement Control
SSR Secondary Surveillance Radar
STAR Standard Arrival
SU Service Unit
TAR Terminal Area Surveillance Radar
TMA Terminal Control Area
TWR Aerodrome Control Tower
UAC Upper Area Control Centre
UHF Ultra High Frequency
UIR Upper Flight Information Region
UPS Uninterruptible Power Supplies
VCS Voice Communication System
VFR Visual Flight Rules
VHF Very High Frequency
VOR VHF Omnidirectional Radio Range
WS Watch Supervisor
Incident Event in air operation other than an air accident
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.

Contacts

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Online Operating and Economic Indicators: <http://www.rlp.cz/rlp-prezentace/cs-index.html>



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