

ANNUAL REPORT 2015 TRAVEL SERVICE, A.S.

SAFETY

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RESPONSIBILITY

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FRIENDSHIP

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RELIABILITY

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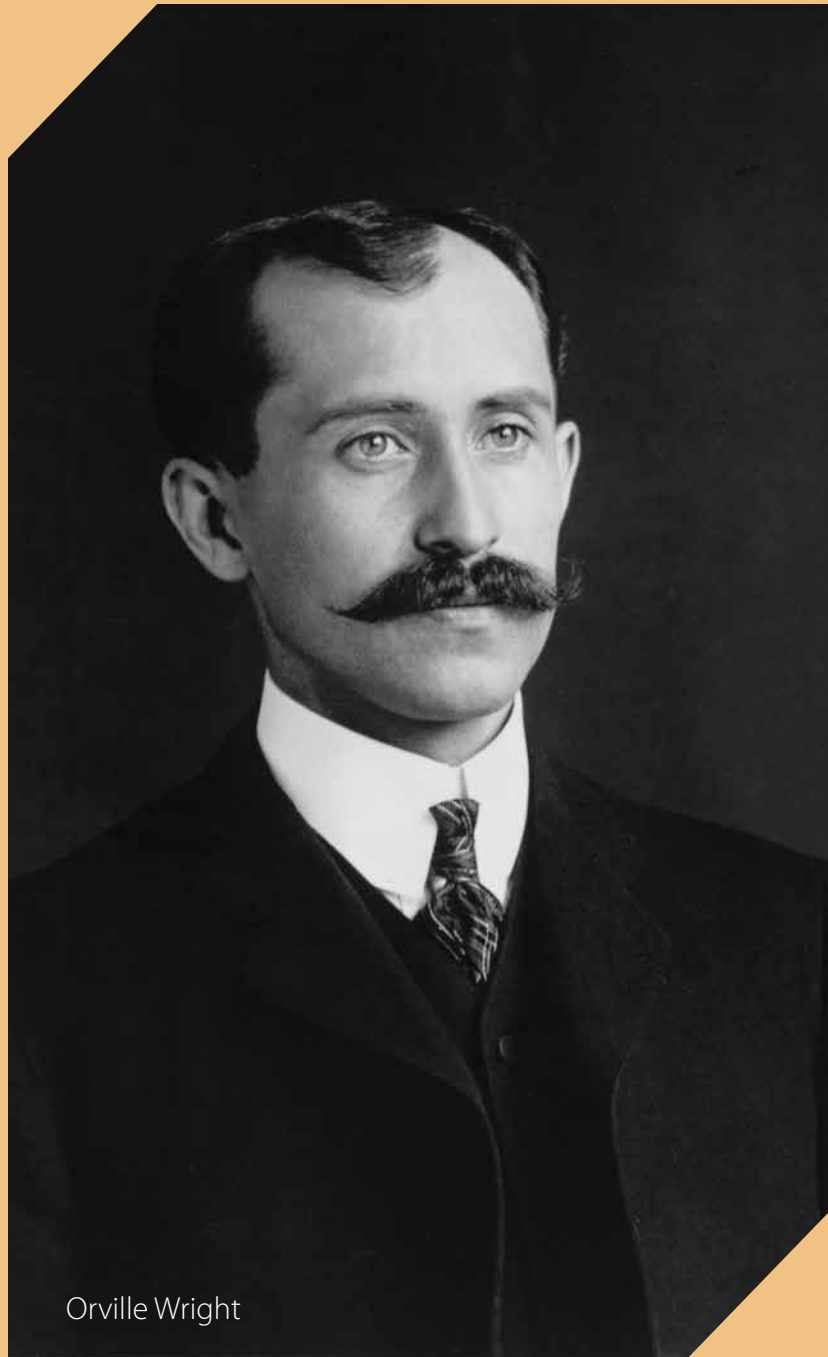
LUCIDITY

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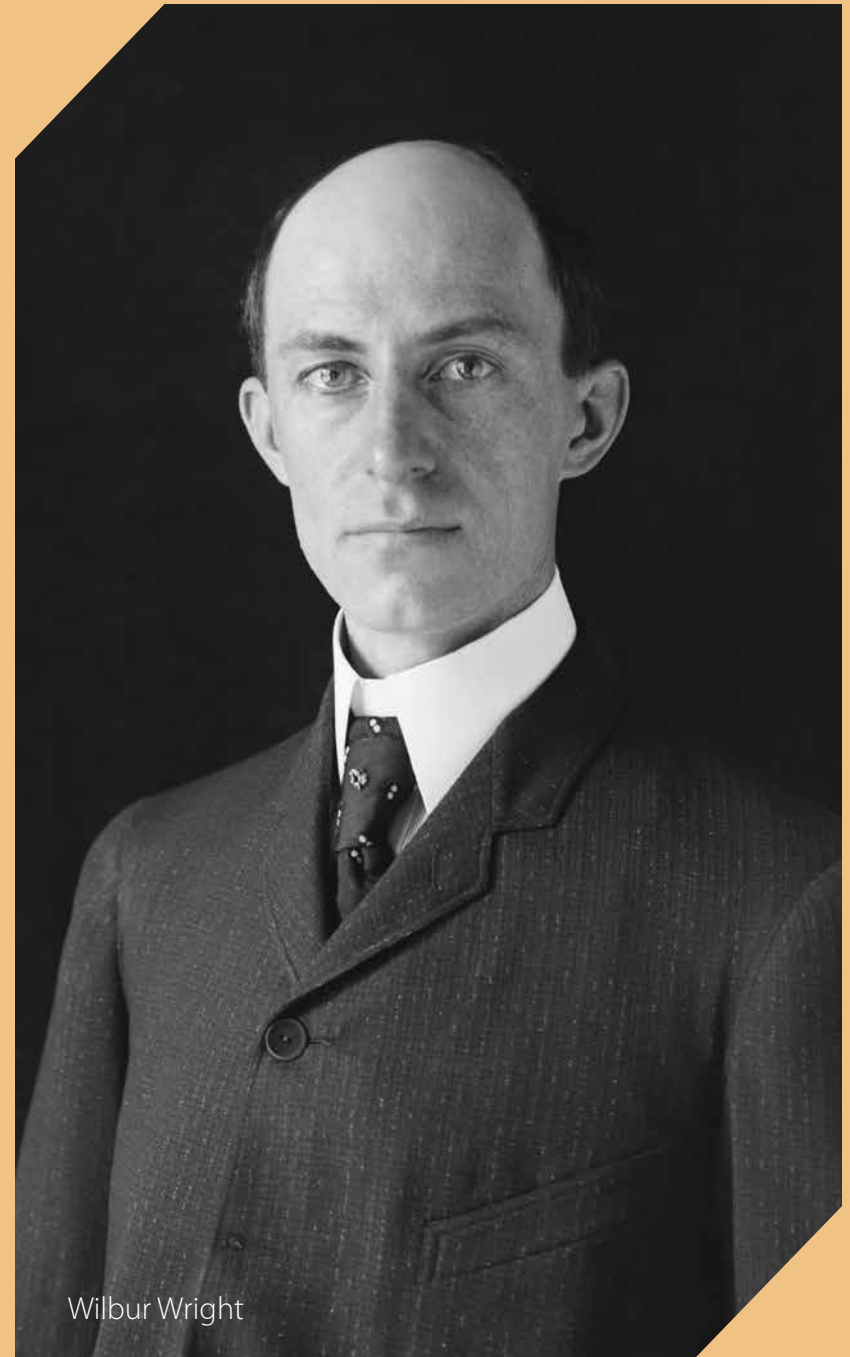
PROSPECTS

R

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Orville Wright



Wilbur Wright



Jiří Šimáně



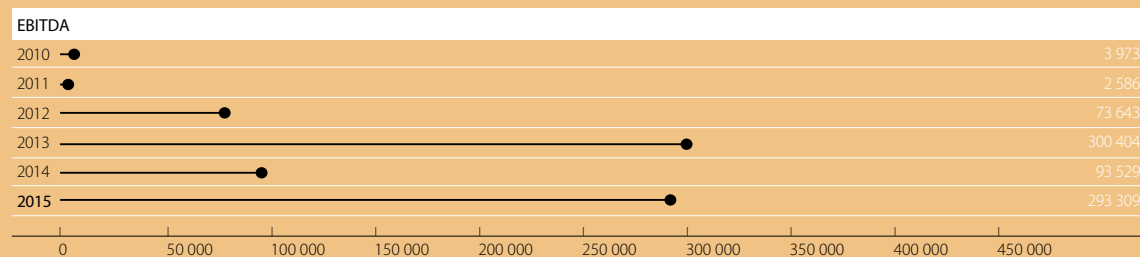
Roman Vik

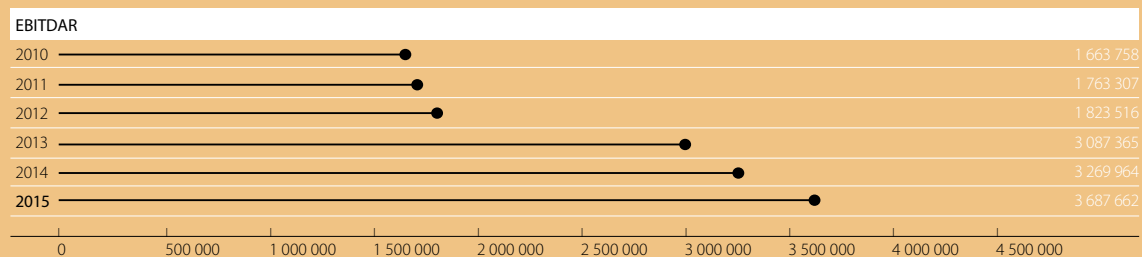
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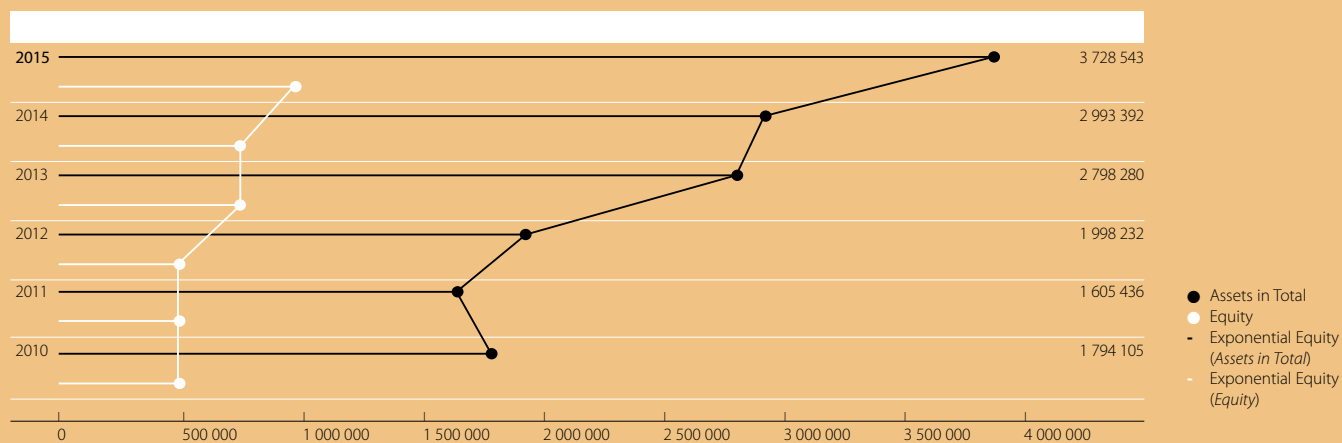
1. MAIN INDICATORS FOR A PERIOD 2015

According to Czech Accounting Standards (in thous. CZK)	2015	2014	2013	2012	2011	2010
Financial Results						
Revenue in total	16 467 885	16 413 200	15 369 051	11 124 616	10 961 681	9 380 034
where of:						
Sales of own products and services	14 802 770	15 716 557	14 036 578	10 682 207	10 328 369	8 824 990
where of:						
Charter Revenue	7 626 701	9 431 889	8 479 493	6 973 444	7 580 942	6 441 940
Scheduled Flights Revenue	4 247 377	3 536 331	3 290 834	2 058 929	1 881 810	1 471 125
Wet & Dry Lease Revenue incl. services	2 010 934	1 889 718	1 724 869	943 588	558 563	573 980
Revenues of sales of goods	45 764	28 953	21 937	17 976	21 204	12 640
Sales Margin	17 765	21 217	12 807	8 802	13 196	5 510
Cost of sales	13 504 945	14 468 197	12 779 831	9 769 260	9 691 055	8 102 517
where of:						
Fuel Costs (No Rebilling)	2 708 232	4 101 519	3 819 725	3 129 713	3 222 214	2 213 951
Aircraft Lease	3 364 720	3 145 934	2 755 856	1 721 542	1 733 555	1 634 118
Labour Costs and other costs relating to employees	1 316 251	1 260 742	1 265 887	1 028 288	938 246	776 981
Maintenance Costs	2 066 126	1 470 996	1 181 617	945 176	699 095	679 209
Added value	1 315 684	1 269 577	1 269 554	921 749	650 511	727 983
Operating Profit / (Loss)	488 356	274 184	149 530	86 283	26 439	42 954
Financial Profit / (Loss)	-240 491	-203 679	69 223	-22 207	-26 087	-41 076
Profit / (Loss) on ordinary activities after taxation	192 487	60 067	158 354	47 706	-4 469	1 418
Profit / (Loss) on extraordinary activities after taxation	0	0	0	0	0	0
Profit / (Loss) before taxation	247 865	70 505	218 753	64 075	352	1 878
Profit / (Loss) for the accounting period after taxation	192 487	60 067	158 354	47 706	-4 469	1 418
EBIT	271 492	79 349	231 783	75 597	10 531	13 512
EBT	247 865	70 505	218 753	64 075	352	1 878



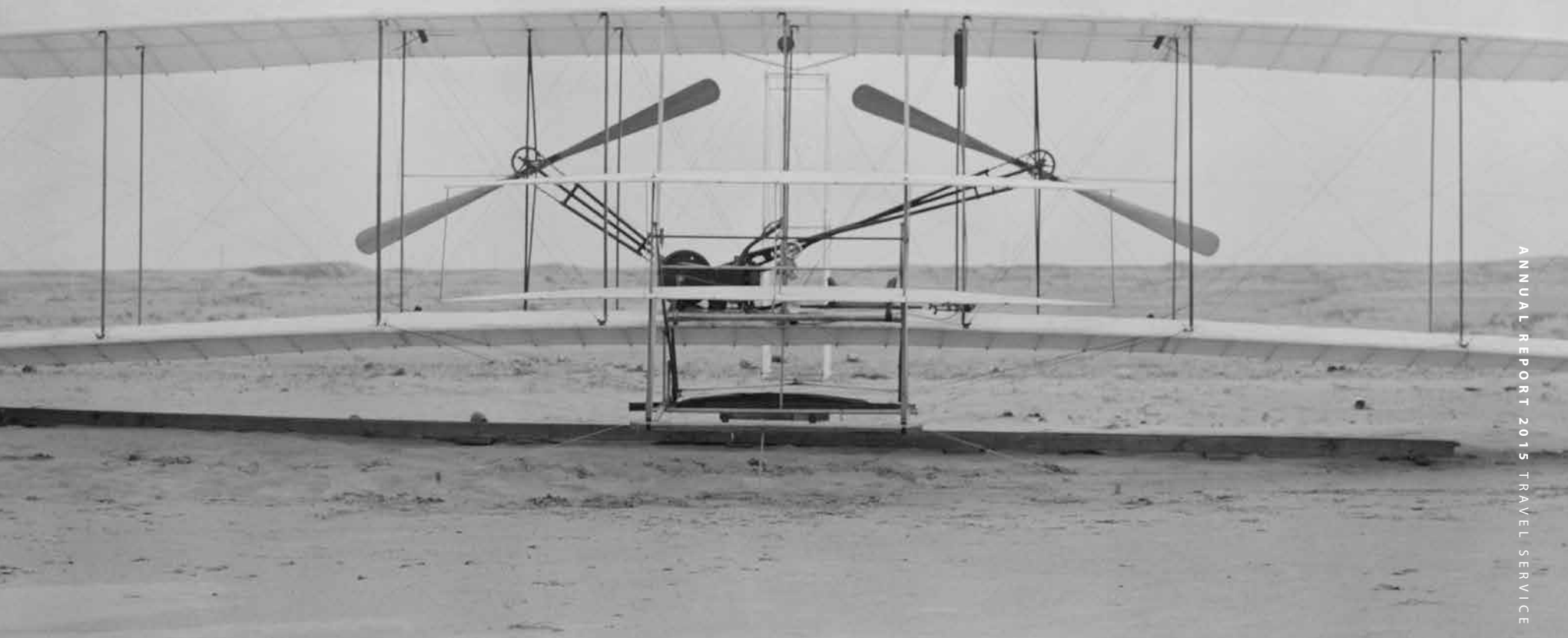
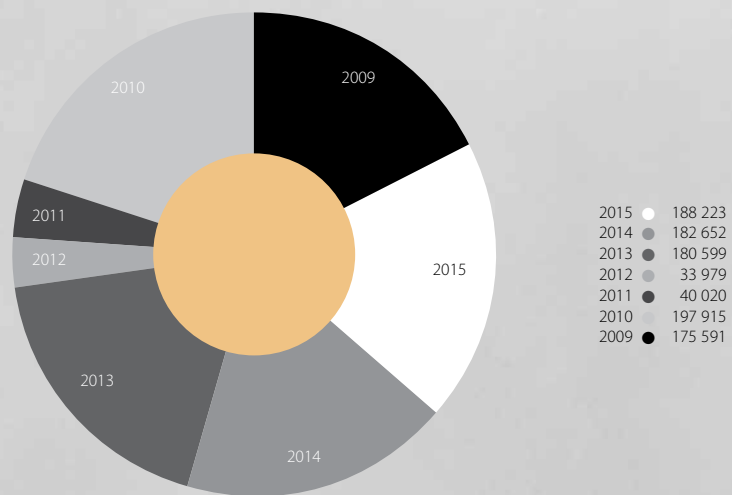


Balance Sheet	2015	2014	2013	2012	2011	2010
Assets in total	3 728 543	2 993 392	2 798 280	1 998 232	1 605 436	1 794 105
Equity	982 903	777 432	735 273	575 036	526 042	532 772
Share Capital	250 000	250 000	250 000	250 000	250 000	250 000
Return on Equity	25,22%	9,07%	29,75%	11,14%	0,07%	0,35%
Return on Sales	1,83%	0,50%	1,65%	0,71%	0,10%	0,15%



Cash Flow	2015	2014	2013	2012	2011	2010
Net cash flows from ordinary activities	-261 695	-109 128	232 625	-75 843	-51 431	152 517
Net cash flows from investing activities	-34 528	-57 918	-172 253	-50 279	-129 420	-8 917
Net cash flows from financing activities	301 794	169 099	86 248	120 081	22 956	-121 276

Cash and cash equivalents at the end of the accounting period



2. INTRODUCTORY STATEMENT OF ING. ROMAN VIK, GENERAL DIRECTOR AND MEMBER OF BOARD OF DIRECTORS

Dear shareholders, dear business partners, dear employees,

till today, there are unbelievable 18 years elapsing from the date of Company's incorporation. By our joint efforts we have built the Travel Service as a largest Czech aviation company having a fleet of more than forty aircrafts and we belong to air carriers with the fastest growth in Central Europe. In 2015, together with subsidiaries in Slovakia, Hungary and Poland, we have focused on the stabilisation of the Company's performance. Similar to 2014, we have operated almost 130 thousands block hours and our aircrafts have undertaken almost 45 thousands flights.

Even though we made necessary steps by the end of 2014 so as to meet the planned targets and tasks which we were determined to undertake, we entered 2015 with a respect. However, a trust to the Company, high professionalism and enormous work engagement of all employees and the long-term built relationships with our business partners gave us a real hope to meet our goals.

For 2015, the Board of Directors of Company has approved a Business Plan assuming that a Profit before taxation will be achieved amounting to TCZK 360 713 mil. including the Profit before taxation of a subsidiary of Travel Service Slovensko, s. r. o. The Plan has included the tasks intended for both subsidiary Travel Service Slovensko, s. r. o. and the Company as well. The reason of having them both included in the Plan was to work with a comparable data in the situation when the Company was doing business on the market of Slovakia through the Travel Service, a. s., an organisation unit Slovakia. Due to changes of the legislation, we have been forced to terminate the business activity of organisation unit and pursue the business activity on behalf of a legal person Travel Service Slovensko, s. r. o. An ambitious target defined by mean of a Profit before taxation failed to be met and a Profit before taxation was achieved amounting to TCZK 260 917, where of the Profit of Company amounted to TCZK 247 865. Within the whole group composed of the Travel Service, a. s. with its seat in Czech Republic, Travel Service Slovensko, s. r. o. with its seat in Slovakia, Travel Service, Kft with its seat in Hungary, Travel Service Polska, Sp. z o. o. with its seat in Poland and T. S. Building, s. r. o. with its seat in Czech Republic, there was a Profit before taxation achieved amounting to TCZK 298 606 and the Profit of Group amounted to TCZK 532 484 by 31 December 2015. The planned tasks to create a Profit before taxation failed to be met due to the price volatility with the latter being ensured by mean of commodity swaps. Due to these facts, I evaluate the year 2015 as very successful.

In 2015, the Company has been facing a strong persisting competition environment, sudden market fluctuations due to the security situation in some regions (Egypt, Tunisia) evolving a substantial decrease of demand or an uneasy situation occurring due to a weak exchange rate of CZK/USD. In spite this, the Travel Service succeeded to retain its profitability particularly due to the risk diversification, continuous searching for new business opportunities, increasing effectiveness and exploiting aircrafts at the markets outside Europe (Canada, Oman, India, etc.) mainly in winter months of the year.

In the field of acquisitions, the year 2015 was successful for the Travel Service. An entry of the Chinese CEFC, a solid financial and strategic partner, into the Travel Service, has occurred fully in accordance with a strategy and intentions of the Company with regard to the further intense development that included a potential to build the Travel Service as a solid air carrier in the CEE region. By the end of 2015, there were even the reports from the market predicting the positive future developments. The International Air Transport Association (IATA) noted that due to the economic revitalisation in the world and the fall of fuel prices, the demand of carriage by air was unexpectedly experiencing a distinct growth.

I perceive very positively the efforts and enthusiasm of employees of the Company and their engagement to fulfil the work tasks, strengthen and build business relationships with our partners, enhance the safety of operated flights and take care of our customers. I give many thanks to all employees and their families for taking part in development of the Company.

Today, the Travel Service is an aviation company operating flights throughout the whole world.

I firmly believe that the Travel Service including its subsidiaries will not only keep its current high dynamism of development of the Company, but strengthen even more a position of the preferred important European air carrier.

Last but not least, I should like to express my gratitude to all employees for the work performed duly, business partners for respect and due regard to all customers of the Company.

Taking pleasure of this opportunity I would wish to remind the important events of 2015:

March 2015 – Travel Service becomes the second biggest shareholder of Czech Airlines and up to the date of financial statement it owns 34% shares of Czech Airlines, a. s.

September 2015 – CEFC enters into the Travel Service. On 5 September 2015, the aviation Company Travel Service signed in Chinese Shanghai a Strategic Partnership and Co-operation Agreement with the company CEFC China Energy Company Limited, thus becoming a new shareholder of the Travel Service by the end of 2015 with a 10% share.

October 2015 – a Letter of Intent was signed with a leasing company GE Capital Aviation Services Limited and AerCap to deliver new modern aircrafts Boeing 737-8 MAX. In the upcoming years, a revitalization of aircrafts of the Company shall take place and in the horizon of 5 years the Company shall operate 24 new modern aircrafts Boeing 737 – 8 MAX.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Roman Vik', with a long, sweeping underline that extends to the right.

Roman Vik



3. REPORT OF BOARD OF DIRECTORS ON BUSINESS ACTIVITY AND COMPANY'S ASSETS

In terms of a long-term period, the Company is acting in a highly competitive environment of the passenger air transport market. The vision of company includes to be a significant air carrier of the CEE region ensuring scheduled and charter air transport of passengers, accention to the maximum extent the security of carriage by air, quality of the rendered services and achieving a maximum ratio of the utility value for customer and the price of rendered services.

The Company is building long-term and stable relationships with its business partners and a solid SmartWings trademark. The fulfilment of both the vision and the Company's mission shall be based on the strategic assumptions to include SAFETY, RESPONSIBILITY, FRIENDSHIP, RELIABILITY, LUCIDITY, PROSPECTS.

In 2015, the Company reached the revenues of sales of own products and services amounting to a total sum of CZK 14 803 mil. and the profit before taxation amounting to CZK 247 mil. Up to 31 December 2015, the Company's equity almost amounted to the sum of CZK 983 mil. and the return on equity reached 25.22%.

Up to 31 December 2015, the Company created the allowances to accounts receivables amounting to TCZK 51 183 and the allowances to inventories particularly the spare parts amounting to TCZK 4 760. According to Board of Directors, it is believed that the value of assets of the Company, according to the Czech Accounting Standards, reached TCZK 3 729 mil. Contrary thereto, up to 31 December 2015, the total liabilities, according to the Czech Accounting Standards, amounted to CZK 2 697 mil.

Based on results of 2015, the Board of Directors holds a view that the assets of Company were appreciated in 2015 and the conditions of further sustainable development of the Company were created.

In 2016, as noted above, the main tasks of Company include the fulfilment of strategic objectives and the continuation of building up a solid trademark. In the same time, the Board of Directors takes such steps so as to increase the equity of Company to the amount exceeding CZK 1 500 mil. till 31 December 2016.

Board of Directors of the Company

4. COMPANY TRAVEL SERVICE, A. S.

Travel Service, a. s. is one of the oldest, and in the same time, the biggest private air companies in the CEE countries, both in terms of the carriage capacity and the size of its fleet of aircrafts and the number of carried passengers, the generated revenues or the amount of its assets. The basic data of Company are as follows:

Name:	Travel Service, a.s. (hereinafter the „Company“)
Registered seat:	K Letiště 1068/30, 160 08 Prague 6
Legal form:	Joint-stock company
Commercial Register:	Maintained by Municipal Court in Prague, file mark Part B, Insert 5332
Identification number:	256 63 135
Line of business:	- Scheduled and non-scheduled, intrastate and international commercial air transport of passengers, their baggage, animals, mail and items (cargo) - Production, trade and services not referred to in Annex 1 and 3 of the Trades Licensing Act

Travel Service, a.s. (hereinafter the Company) was established according to Law of the Czech Republic and it is registered in the Commercial Register maintained by the Municipal Court in Prague, Part B, Insert 5332. The Company was incorporated by the Memorandum of Association done on 23 January 1998 in form of a notarial record No. NZ/12/1998 (N21/1998). The then Regional Commercial Court in Prague, by its resolution of the registered number Rg. B 5332/01, dated 28 April 1998, decided on registering the Company Travel Servis, a.s. in the Commercial Register. The mentioned decision became effective and enforceable on 28 April 1998. The Company began its activity in 1998.

The seat of Company and the place of a real management is located at the address – K Letiště 1068/30, 160 08 Prague 6, Czech Republic. A significant position in the air passenger transport market was retained by the Company or its subsidiaries - Travel Service Légitforgalmi és Szolgáltató Korlátolt Felelősségű Társaság, shortly Travel Service, Kft. and Travel Service Polska Spółka z Ograniczoną Odpowiedzialnością, shortly Travel Service Polska Sp. z O. O., and Travel Service Slovensko, s. r. o. in Hungary, Poland and Slovakia respectively.

The Company, together with its subsidiaries in Hungary, Poland and Slovakia, exploits the fleet of commercial aircrafts Boeing 737 – 800, Boeing 737 – 700 and Airbus A320-214 registered by Aviation Authorities in the Czech Republic, Hungary, Poland and Canada. Furthermore, it also exploits the short-term lease of aircrafts rendered by other aviation companies. At the beginning of 2016, the operation of aircrafts Airbus A320-214 was terminated and the aircrafts were returned to the leasing companies.

The Company owns 100% share of the company T. S. Building, s. r. o., ID No. 645 83 970, with its registered seat Prague 1, Václavské nám. 53/815, Postal Code 110 00, registered in Commercial Register maintained by the Municipal Court in Prague, Insert Code C 41233, and a 49% share of the company UNIMEX TVS, a. s., ID No. 289 02 726, with its registered seat Prague 1, Václavské nám. 53/815, Postal Code 110 00, registered in Commercial Register maintained by the Municipal Court in Prague, Insert Code B 15291. This company does not undertake air passenger transport and it focuses mainly on the administration and lease of the non-residential premises.



The investments of the Company are as follows:

Travel Service, a.s.
(including Travel Service, a.s.
organisation unit Slovakia)

Travel Service, Kft.
(Hungary)
100%

Travel Service Polska, Sp. z o.o.
(Poland)
100%

T. S. Building, s.r.o.
(Czech Republic)
100%

Travel Service Slovensko, s.r.o.
(Slovak Republic)
100%

České aerolinie a. s.
(Czech Republic)
34%

Travel Service GmbH
(Germany)
100%

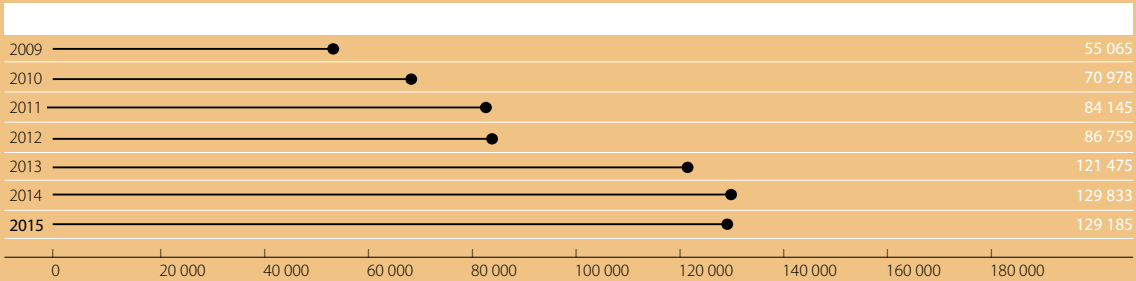
5. CONNECTION TO CLIENTS, CONNECTION TO SUPPLIERS

The today's business units are facing the toughest competition ever. The shift from a philosophy of products and revenues to a philosophy of marketing, however, gives the companies a better opportunity to beat competitors. The main pillar of well-conceived marketing orientation is a solid customer relationship, and in the same time, the company must operate in any case on the basis of a philosophy saying that "Should we strive for a provision of higher level of the customer satisfaction, this would inevitably lead to satisfaction in terms of accessible resources by other parties involved as well."

5.1 CUSTOMERS

In 2015, the Company and its subsidiaries operated 129 185 block hours relating to the services rendered to customers of the Company. Compared with 2009, the year 2015 shows the growth of performance by 134.60%.

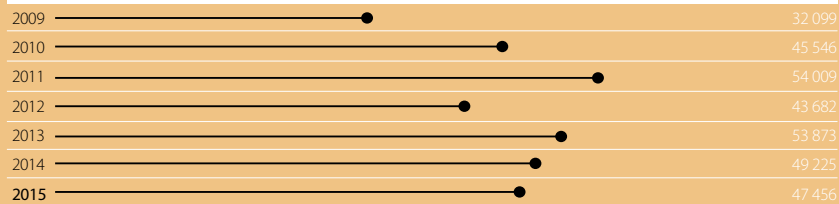
Block Hours Operated:



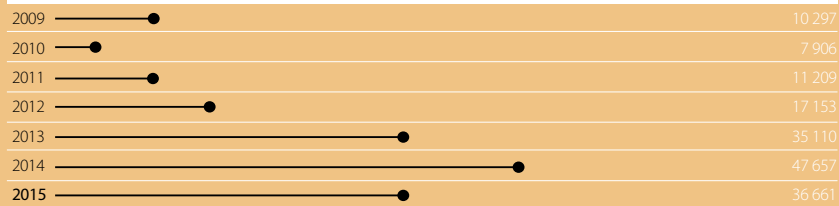
A decrease of the operated block hours in 2015 occurred due to the insurance event evolving damage of the aircraft OK – EMA when the latter was pushed by one of the ground service suppliers and due to its grounding for the entire 2015.

Due to legislation reasons, the block hours in Slovakia had to be operated on behalf of a subsidiary Travel Service Slovensko, s. r. o., and not through Travel Service, a. s., an organization unit Slovakia.

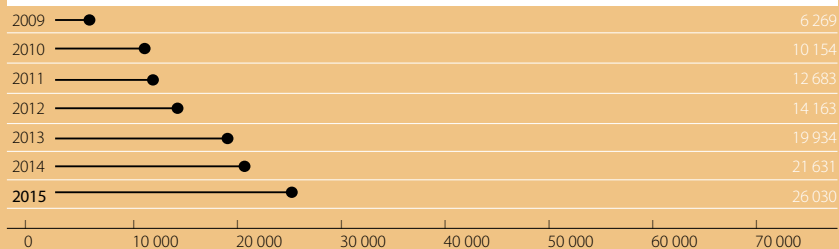
Charter carriage



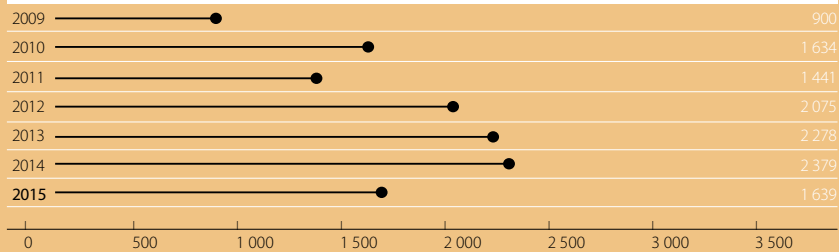
WET a DRY LEASE

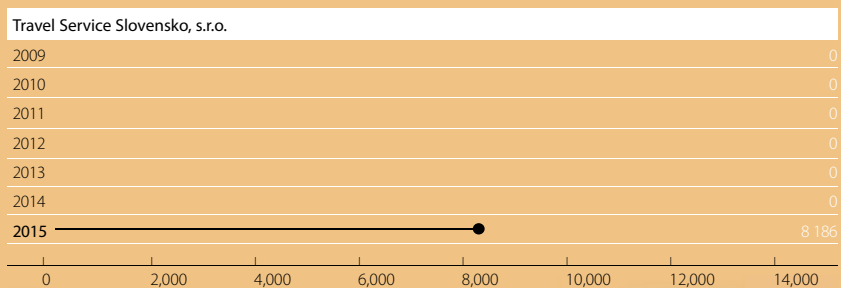
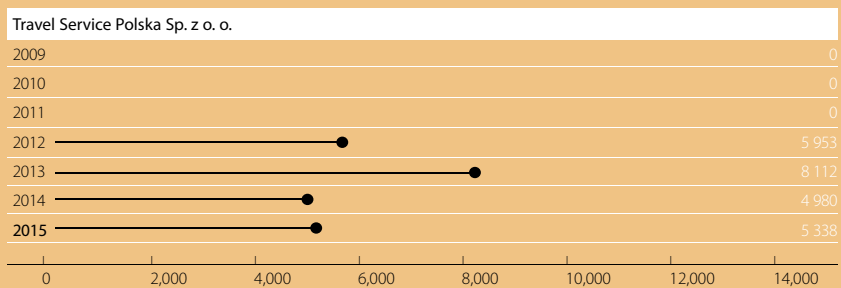
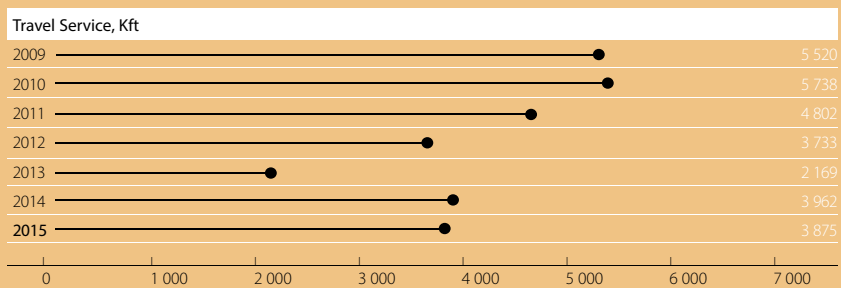


Scheduled carriage



Business Jet





5.1.1 TERRITORIAL DISTRIBUTION OF REVENUES

More than 97% of the revenues from sales have been realized by the Company with the customers or through the customers having their registered seats in 14 states around the world. They include:

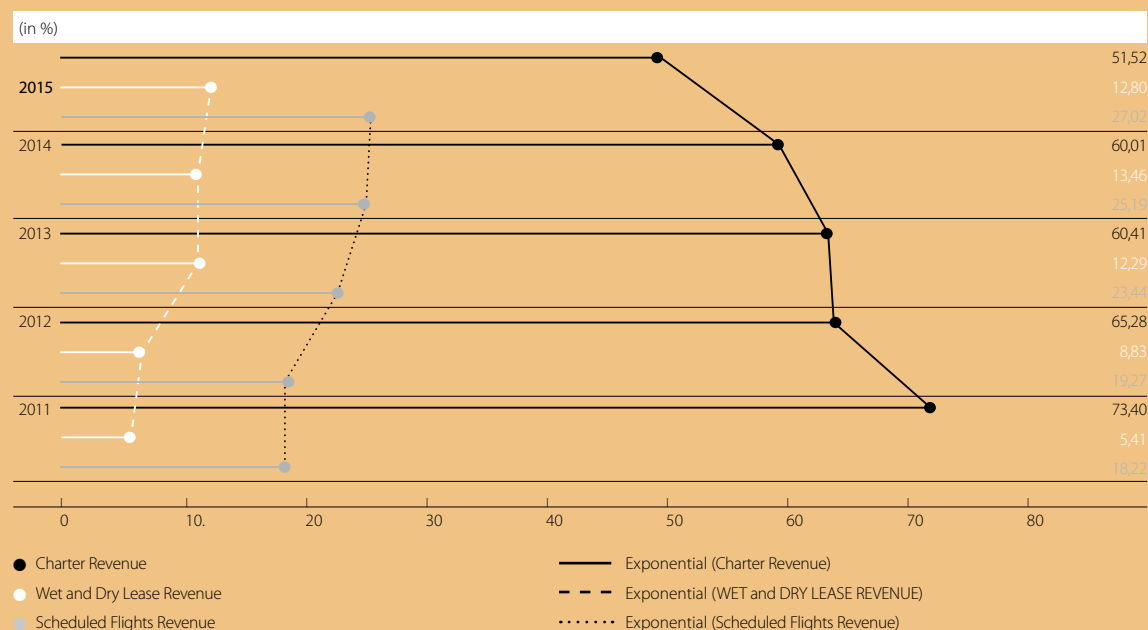
1. Czech Republic	-	ca. 39	8. Germany	-	ca. 3
2. Poland	-	ca. 14	9. Slovakia	-	ca. 3
3. France	-	ca. 10	10. India	-	ca. 2
4. Canada	-	ca. 6	11. Hungary	-	ca. 2
5. Island	-	ca. 6	12. Austria	-	ca. 1
6. Ireland	-	ca. 5	13. Norway	-	ca. 1
7. Israel	-	ca. 4	14. United Kindom	-	ca. 1

With a view to territorial distribution, the Company realized revenues from sales in Oman, Spain, Belgium, Sweden, etc.

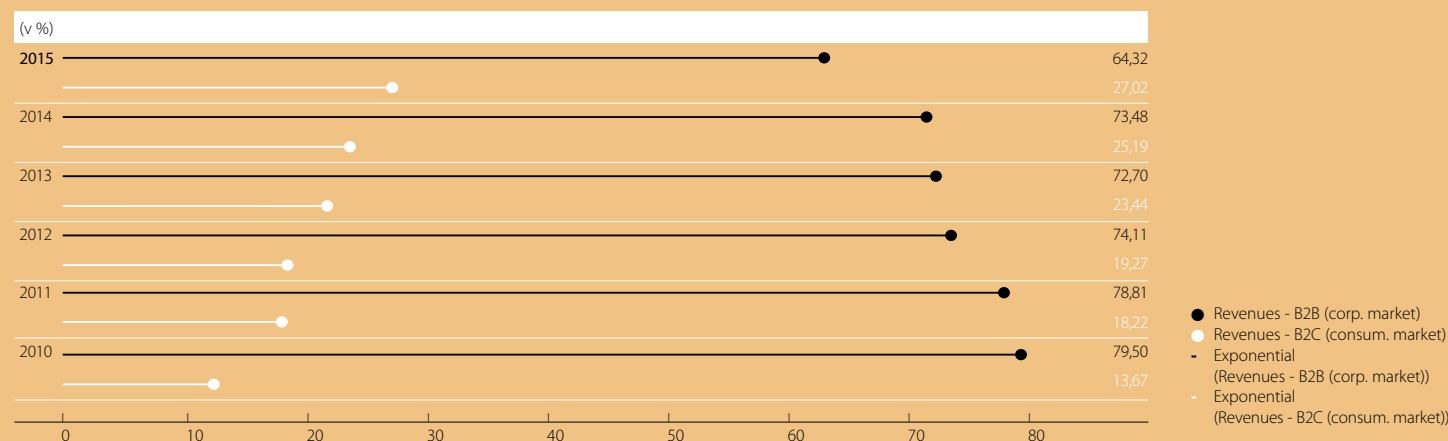
5.1.2 CORPORATE MARKET VS. CONSUMERS MARKET – CHARTER CARRIAGE, WET LEASE AND SCHEDULED CARRIAGE

The operating revenues of Company shall be generated particularly by unscheduled, so called charter revenues, revenues from scheduled flights under the SmartWings trademark and the ACMI Lease (Wet and/or Dry Lease). The charter revenues and the ACMI (WET LEASE) revenues are generated in the corporate markets (B2B) and they represent particularly the purchases made by travel agencies and other aviation companies. The revenues of scheduled carriage by air shall be realized particularly in the customer markets utilizing various distribution channels thereto. All the specified revenues over the past 5 years are showing a growth trend with the revenues realized under the own SmartWings trademark grown most dynamically.

A development of the specified revenues share on the operating revenues is shown by the chart below:



A share of the revenues of Company realized in the corporate market (B2B) and the consumer market (B2C) and their trends in previous years were noted as follows:



5.1.3 CORPORATE MARKET – B2B MARKET

The Company is building and maintaining the long-term relationship with its clients coming from the travel agencies and the airlines. The implemented products involve the following:

- (i) Charter flights include the sale of a full capacity to one partner or the distribution of full capacity to the blocks and the sale of individual blocks to several customers. As part of unexploited capacity, in some cases, there are the follow up sales undertaken to final customers via distribution channels (B2C);
- (ii) Lease of aircrafts including provision of crew, maintenance and insurance (ACMI Lease, Wet Lease), when the aircrafts are held under the Company's trademark;
- (iii) Lease of aircrafts (Dry Lease).

In the charter flights area, the major clients include the companies with registered seat in the Czech Republic, Slovakia, Poland, Switzerland, France, Austria, Israel, etc. They are the long-term co-operating entities with developed customer relations.

The lease of aircrafts applies mainly in the period, when the Company has available a sufficient carriage capacity particularly in winter season. The aircrafts are leased to India, Oman, Canada, etc. The lease of aircrafts occurs mainly to the clients having long-term relationships with the Company. The lease of aircrafts occurs on the long-term basis, e.g. Oman, Canada. The lease of aircrafts shall also be made ad hoc, e.g. in the situation, when other airlines have an insufficient short-term carriage capacity. The high flexibility of Company makes it possible to conclude these short-term contracts any time during the night and the day and despatch aircraft in 6 hours upon clarification of requirements of the customer.

In 2015, the Company strengthened its position and relationship with the long-term clients in EU countries, albeit beyond its borders as well. The Company has a very strong position in corporate market of the countries of Visegrad Four¹. The Company is also strengthening business relationships with partners beyond the borders of European Union.

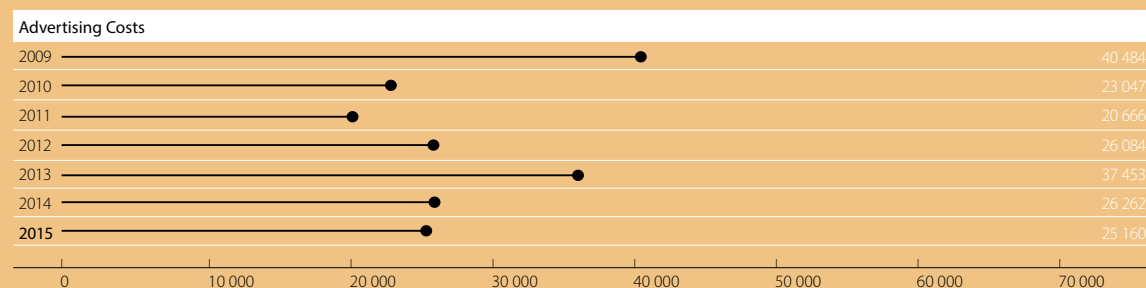
5.1.4 CONSUMERS MARKET – B2C

As of 2009, the revenues of scheduled carriage generated under the SmartWings trademark were growing faster than other revenues from charter carriage. The Company recognizes the fact that its „customers are more educated, more informed than ever and they have tools available to verify and find better options²“. The Company differs from other low-cost companies by the level of service provision. For the purchased air ticket, the passengers can enjoy further a number of benefits aboard of aircrafts of the Company, which were earlier considered as being standard, albeit still subject to payment on part of a number of competitors. The Company has no intention at all to introduce the payments for such services as use of toilets, etc. This distinction relates to building up a solid SmartWings trademark.

1) Visegrad Four represents an association of four Central European States Czech Republic, Hungary, Poland and Slovakia established in 1991.

2) Glen L. Urban, *The Emerging Era of Customer Advocacy*.

The Company recognizes the fact that „Building the strong trademark requires a careful planning and substantial long-term investments and that the core of a successful trademark includes an excellent product supported by creative marketing activities.“³ It is also why the costs relating to advertisement and building up the mark shows a growing trend as of 2011.



The SmartWings trademark is registered, inter alia, by Intellectual Property Office of the Czech Republic and a similar EU office (Trademarks and Designs Registration Office of the European Union) and the Company owns these trademarks in terms of both graphical and lexical form. This trademark is developed and supported long-term and it is target-oriented due to the commercial and sales strategy of the Company.

5.2 SUPPLIERS

It is already the second decade, when the Company is acting in the air passenger transport market and throughout this entire period it has built and strengthened the long-term fair relationship with its suppliers and clients on the basis of a principle of mutual benefit.

The Company enjoys very good relationship built with fuel suppliers – Air BP Limited, Shell Czech Republic, a. s., Galp Energía España, S. A. U, Galp Energia Petróleos de Portugal – Petrogal, S. A., World Fuel Services Aviation Limited London, Gozen Havacilik ve Tic. A. S. Florya – Istanbul, LUKOIL AVIATION BULGARIA, Airport Fuel Supply Budapest, Tiger Aviation Services Sharm El-Sheikh, etc.

In aircraft maintenance and spare parts supplies, the long-term partners include Lufthansa Technik Aktiengesellschaft, AJ Walter Aviation Ltd. West Sussex, Honeywell International – Chicago, Middlesex, Phoenix, Rolle (Switzerland), Czech Airlines Technics a. s. Prague, etc.

3) Philip Kotler, Kevin Lane Keller, *Marketing Management 12th Edition*, Grada Publishing

In spite the Company prefers the long-term relationship with its suppliers, every year it looks for optimal prices of service provision and products. Due to this, there are transparent tenders issued particularly on fuel supplies, cycle checks of aircrafts, a so called AV CHECK, etc., emphasising the fact that the participation in tender shall be subject to standards of quality and the final decision depends on total costs of the Company relating to the provision of supplies of products and services. In this way, there are supplies to subsidiaries Travel Service, Kft., Travel Service Polska, Sp. z o. o. and Travel Service Slovensko, s. r. o. ensured as well.

6. ENTRIES IN COMMERCIAL REGISTER MAINTAINED BY MUNICIPAL COURT IN PRAGUE

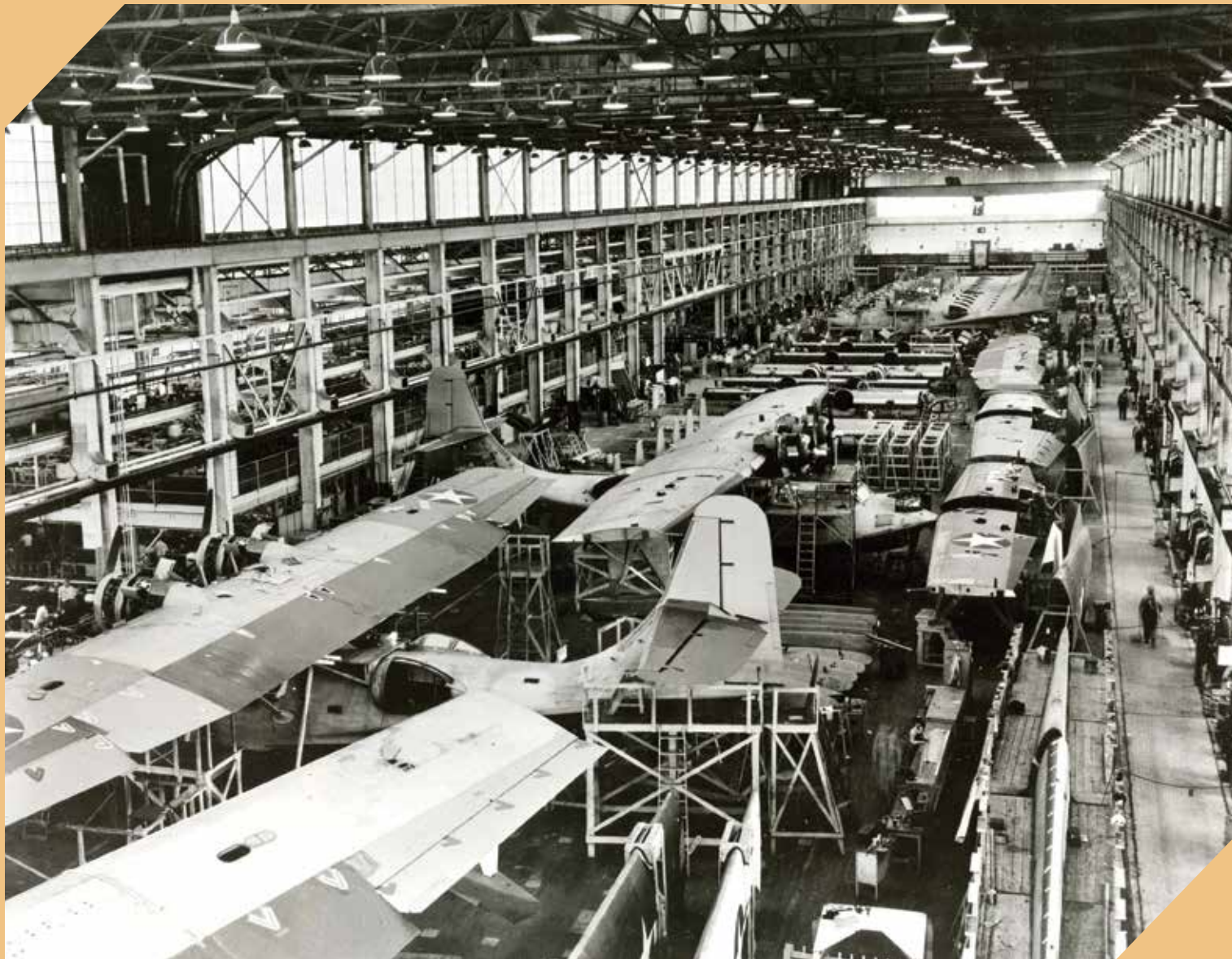
In 2015, the Board of Directors worked in the following composition: JUDr. Jiří Šimáně, Chairman of Board of Directors; Ing. Roman Vík and Ing. Jiří Jurán, Members of Board of Directors.

There were no entries made in the commercial register in 2015.

7. SHAREHOLDERS STRUCTURE

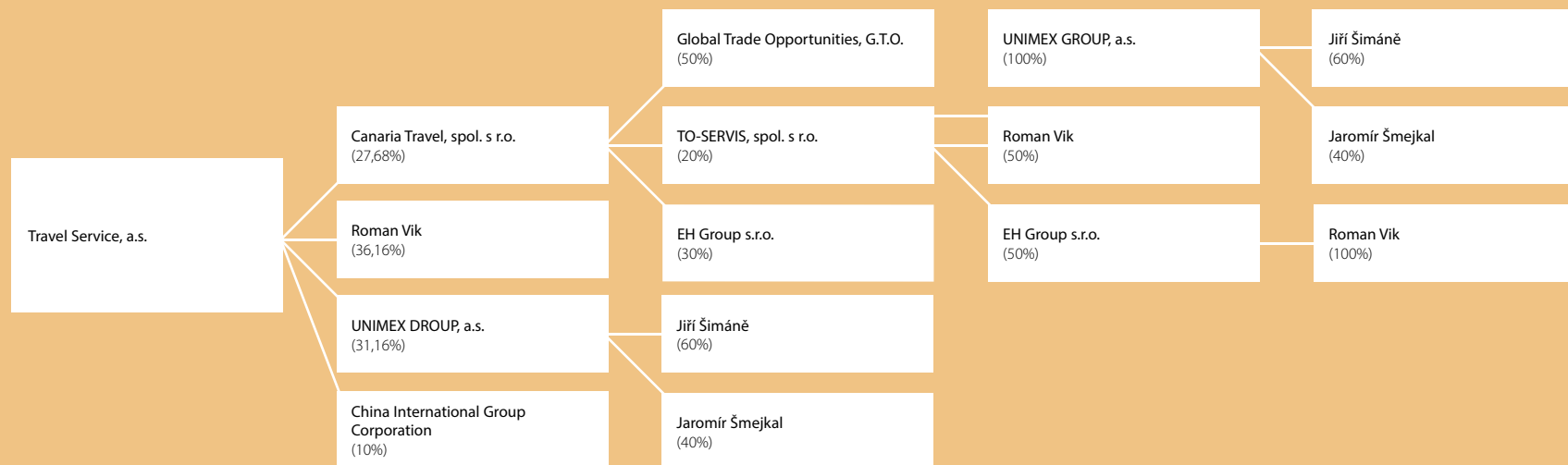
As at 31 December 2015, the shareholders structure was as follows:

- (i) UNIMEX GROUP, a.s., Prague 1, Václavské nám. 53 owned 779 pcs of ordinary shares in physical form numbered by figures No. 337-409, 668-707, 823-838, 951-1100, 1251-1530 and 1626-1845 of nominal value amounting to CZK 77,900,000 and with a share in equity of the Company amounting to 31.16%;
- (ii) Ing. Roman Vík owned 779 pieces of the ordinary shares in physical form numbered by figures No. 1-336, 435, 628-667, 785-811, 856-893, 1101-1207 and 1938-2157 which corresponds to the share in equity of the Company amounting to 31.16%. All shares in total are of nominal value amounting to CZK 90,400,000 and entitle the shareholder to perform all shareholder's rights;
- (iii) CANARIA TRAVEL, spol. s r. o. with its registered seat in Prague 8, Horňávecká 5/481, ID No. 49689428, kept in the ownership 692 pieces of ordinary shares in physical form numbered by figures No. 410-434, 458-627, 708-784, 839-855 and 2250-2500 which corresponds to the share in equity of the Company amounting to 27.68%. All shares in total are of nominal value amounting to CZK 69,200,000 and entitle the shareholder to perform all shareholders' rights.
- (iv) China International Group Corporation Limited with its registered seat Room 2302-2304, 23/F, Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong, Peoples Republic of China, the company owned 250 pieces of ordinary shares in physical form numbered by figures No. 436-457, 812-822, 1208-1240, 1846-1937, 2158-2249 which corresponds to the share in equity of the Company amounting to 10%.



8. INFORMATION ON RELATIOSHIP AMONG SHAREHOLDERS

The relationship among shareholders follows from the following chart:



From the chart above it is evident that the final owners – shareholders include three citizens of the Czech Republic or the European Union respectively as follows: Mr. Jiří Šimáně, Mr. Roman Vik, Mr. Jaromír Šmejkal and one entity with its registered seat outside the European Union.

Jiří Šimáně	
Unimex Group, a. s.,	Chairman of Board of Directors
BT Golf, s.r.o.	Managing Director and Partner of Deposit
UG-D, a.s.	Chairman of Board of Directors
UG SHOPS, s.r.o.	Managing Director
Travel Free, s.r.o.	Managing Director
T. S. Building, s.r.o.	Managing Director
Gorila mobil, a.s.	Chairman of Supervisory Board
Global Stores, a.s.	Chairman of Board of Directors
UG Land, a.s.	Chairman of Board of Directors
Vinohradská BLDG, a.s.	Chairman of Board of Directors
UNIMEX GROUP, uzavřený investiční fond, a.s.	Chairman of Board of Directors
UNI HOBBY, a.s.	Chairman of Board of Directors
Janáčkov, a.s.	Chairman of Board of Directors
Příkopy, a.s.	Chairman of Board of Directors
Václavské, a.s.	Chairman of Board of Directors
Global Spirits, s.r.o.	Managing Director
UG Jet, s.r.o.	Managing Director

Jaromír Šmejkal	
Unimex Group, a. s.,	Board of Directors
REAL PROPERTY INVESTMENTS, s.r.o.	Managing Director and Partner of Deposit
UG-D, a.s.	Deputy Chairman of Board of Directors
UG SHOPS, s.r.o.	Managing Director and Partner of Deposit
Travel Free, s.r.o.	Managing Director
Pelicana, s.r.o.	Managing Director and Partner of Deposit
Stephany Flora, s.r.o.	Managing Director and Partner of Deposit
Global Stores, a.s.	Deputy Chairman of Board of Directors
UG Land, a.s.	Deputy Chairman of Board of Directors
Vinohradská BLDG, a.s.	Deputy Chairman of Board of Directors
UNIMEX GROUP, uzavřený investiční fond, a.s.	Deputy Chairman of Board of Directors
UNI HOBBY, a.s.	Deputy Chairman of Board of Directors
Janáčkov, a.s.	Deputy Chairman of Board of Directors
Příkopy, a.s.	Deputy Chairman of Board of Directors
Václavské, a.s.	Deputy Chairman of Board of Directors
Global Spirits, s.r.o.	Managing Director
UNIMEX, spol. s r.o.	Managing Director and Partner of Deposit

Roman Vik	
TO-Servis spol. s r.o.	Managing Director and Partner of Deposit
EH Group, s.r.o.	Managing Director and Partner of Deposit
EHQ Energy, s.r.o.	Partner of Deposit
EHQ, s.r.o.	Managing Director and Partner of Deposit
Canaria Travel, spol. s r.o.	Managing Director

Summary

The relationship among shareholders particularly includes the relationship between the company Unimex Group, a. s. and Ing. Roman Vik having the international carriage by air as a core business and for the company Unimex Group, a. s. this business being one of many other activities. The mutual relationship may be described as parity relationship.

9. CORPORATE GOVERNANCE

9.1 GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is a top organ of the Company. The equity of Company amounts to CZK 250,000,000 and it is distributed by 2,500 ordinary shares. As stated above, the shareholders of Company include Unimex Group, a. s., Ing. Roman Vik and CANARIA TRAVEL, spol. s r. o. and China International Group Corporation Limited.

9.2 BOARD OF DIRECTORS

The Board of Directors is a statutory organ of the Company managing its activity and representing the Company in terms stipulated by the Articles of Company. Two Members of Board of Directors act on behalf of the Company. The Board of Directors is eligible to entrust a Member of Board of Directors to act on behalf of the Company. The conduct of Board of Directors is further defined by applicable text of the Articles of Company. The Board of Directors at its meeting dated 28 June 2012, according to Articles of the Company and the way of acting on behalf of the Company registered in the Commercial Register, entrusted its Members JUDr. Jiří Šimáně, Ing. Roman Vik and Ing. Jiří Jurán to act on behalf of the Company individually in all matters.

On 25 June 2014, the change of Articles of the Company took place and every single Member of Board of Directors acts individually on behalf of the Company.

> Members of Board of Directors up to Dec. 2011:

Chairman: Jiří Šimáně

Member: Roman Vik

Member: Sigthor Einarsson

> Members of Board of Directors up to Dec. 2013:

Member: Jiří Šimáně

Member: Roman Vik

Member: Jiří Jurán

> Members of Board of Directors up to Dec. 2012:

Chairman: Jiří Šimáně

Member: Roman Vik

Member: Sigthor Einarsson

Member: Jiří Jurán

> Members of Board of Directors up to Dec. 2015:

Member: Jiří Šimáně

Member: Roman Vik

Member: Jiří Jurán

9.3 SUPERVISORY BOARD

- (i) The Supervisory Board is a control organ of the Company to supervise the performance of authority of the Board of Directors and the business activity of the Company.

Supervisory Board up to 31 Dec. 2011

Ludvík Macháček, chairman
Michal Tomis, member
Peter Šujan, member

Supervisory Board up to 31 Dec. 2012

Ludvík Macháček, chairman
Michal Tomis, member
Peter Šujan, member

Supervisory Board up to 31 Dec. 2013

Ludvík Macháček, chairman
Michal Tomis, member
Peter Šujan, member

Supervisory Board up to 31 Dec. 2015

Ludvík Macháček, chairman
Michal Tomis, member
Peter Šujan, member





10. CORPORATE GOVERNANCE AND COMPLIANCE

The Company creates own norms, manuals and directives which are in accordance with general legal norms and directives. For instance, the Company prepared an EMERGENCY RESPONSE PLAN PS – II – TVS – 008-08, SAFETY MANAGEMENT MANUAL PŘ-I-TVS-016-01, ORGANIZATIONAL MANUAL TVS-I-011-01, etc.

The Company complies with terms of the Act No. 49/1997 Coll., on civil aviation, as amended, and it is a holder of Operating Licence and Air Operator Certificate issued by the Czech Republic acting by mediation of Civil Aviation Authority of the Czech Republic. In 2015, no amendment of Air Operator Certificate was made, the Company completed successfully re-verification of compliance by the EASA (European Aviation Safety Agency) requirements and the Civil Aviation Authority of Czech Republic re-issued an Air Operator Certificate. Even in 2015, the Company was subject to a number of successful external audits undertaken by the business partners.

11. RISK MANAGEMENT

Similarly to other airlines, the Company is exposed to security, operation, commercial and credit, political, territorial, personal, exchange rate and commodity risks. Other companies operating international activities are exposed to similar risks to the smaller or larger extent. The Company manages and defines the level of acceptance of risks, it pursues their optimization purposefully. As mentioned above, the Company takes no compromise approach connected with Air Safety Operation connected with protection of human lives, health of passengers, its employees and other people.

11.1 SAFETY AND OPERATIONAL RISKS, INSURANCE

The Company is exposed to operational risks stemming from the very essence of operation of international air passenger transport. The Company takes all possible measures in the area of Air Operation Safety.

In the risk management, the Company including its subsidiaries in Slovakia, Poland and Hungary is insured accordingly to cover a wide scope of insurance events, as stated below. The Company is a member of Lufthansa Aviation Insurance Group (LAIG) by mean of which all air risks are insured. A domestic broker of Lufthansa Group, the company Albatros Versicherungsdienste GmbH, with its registered seat in Cologne, is a LAIG insurance broker and in case of war and associated risks it is also a London based broker, the company Willis. The vast majority of air risks is placed in the London Insurance Market. The insurance house Allianz Global Corporate & Specialty AG is a Head Insurer in all cases with the exception mentioned below. The insurance house Delvag Luftfahrtversicherungs-AG is an insurer of the Hull Deductible Insurance and Spares All Risks Insurance up to the Primary Limit.

Insurance Policy		Insurance Limit	Head Insurer	Remarks
Casco and Liability Combined Insurance	Casco	Up to USD 150 mil	Allianz	Including spare parts over the primary limit
	Liability	Up to USD 850 mil		Composite United Limit
War Casco		Up to USD 320 mil	Lloyd's	
Excess War Risk Insurance - Liability		USD 350 mil over USD 250 mil	Allianz	Primary Limit USD 250 mil
Co Pay Deductible Additional Insurance Policy		USD 700 mil over USD 50 mil	Delvag	Standard Co pay Deductible Insurance Policy USD
Spare Parts Insurance		EUR 2.6 mil	Delvag	750 mil
				Primary Limit

In addition to third party mandatory insurance, the employees of Company to include the employees of subsidiaries are offered the travel policy coverage for business trips from Czech Republic, Slovak Republic, Republic of Hungary and Republic of Poland to abroad. The subject of insurance coverage includes medical expenses to include dental medical treatment and physiotherapy, stay in hospital, active assistance, their transport, transfer and conveyance, repatriation of body remains, etc. The travel insurance of business trips of the employees shall be concluded with the insurance house ERV Pojišťovna.

11.2 COMMERCIAL AND CREDIT RISK

The commercial risks are treated mainly by diversification of the markets:

- Territorial diversity – the Company provides its services to customers having their registered seats in various countries around the world such as Canada, France, Austria, Switzerland, Oman, United Kingdom, Poland, etc. – see above), and in 2015, the aircrafts of Company landed and departed from almost 250 airports around the world;
- Diversification of the product – charter flights, scheduled flights, wet and dry lease, air-taxi (Business Jet Aerocab Service) and diversification of the market – corporate market – B2B and consumers market – B2C;
- Credit risk – the potentially incurred uncollectible accounts receivables shall be guaranteed particularly by the deposits received, advanced payments received, bank guarantees, against these guarantees the company is forced to provide deposits particularly to the fuel suppliers, airports or suppliers of other services. The extension of these deposits shall be settled to the given extend by the bank guarantees and standby (import) L/C issued by domestic banks to compensate the requirements of partners on provision of deposits.

11.3 EXCHANGE RATE RISKS

The Company is exposed to the exchange rate risk particularly in relation to CZK/USD and EUR/USD currency pairs. The EUR/USD currency risk shall be reduced by the revenues of subsidiary Travel Service Polska, Sp. z o. o. which generates them in USD and it has in possession a surplus of US dollars, albeit on the other hand, it lacks the EUR currency. In 2015, the Company increased a volume of revenues in USD in the effort to achieve a natural hedging, i.e. the situation when the incomes and expenditures, particularly in USD, achieve a comparative volume. Due to seasonal type of single markets and products, however, there is a time discrepancy and probably it will be maintained further between incomes and expenditures in USD. The currency risks are further treated particularly by the currency forwards in co-operation with domestic banks such as Komerční banka, a. s. and UniCredit Bank Czech Republic and Slovakia, a. s., Česká spořitelna, a. s. and Raiffeisen Bank.

11.4 FUEL PRICE VOLATILITY RISK

The risks relating to the fuel price volatility are treated in two ways – by the fuel surcharges with B2B clients and the concluded deals of financial derivatives particularly the commodity swaps with domestic banks – UniCredit Bank Czech Republic and Slovakia, a. s., Komerční banka, a. s. and Česká spořitelna, a.s.



11.5 OTHER RISKS

Other risks such as political risks, territorial, natural disasters, etc. are treated by mean of diversification of product, diversification of markets and destinations, etc. A possible lack of demand of air transport services, the Company shall be able to dampen it by reducing its carriage capacity.

12. SECURITY

The Company pays a maximum attention to ensure Safety Air Traffic Operation and prepare the settlement of potential crisis situations. The Company committed itself publicly to operate safely and ensure sound environment for all its employees and customers. The pillar of security policy includes the following: taking individual and collective responsibility in recognizing risks and their management, evaluating the working procedures and recognizing the fact that an unhealthy informality and the extended effect of shortcomings leads to the loss of possibility to evaluate the risk duly. In the Company, there is a Safety Management System (SMS) implemented. The SMS became an inseparable part of the whole existing management system of Company according to the COMMISSION REGULATION (EU) No 965/2012, Article ORO.GEN.200 mentioned above. The Management System according to which the Operator shall be obliged to establish, implement and maintain the management system that includes the following:

- 1) Unambiguously defined obligations and areas of responsibility in the organization of operator to include direct responsibilities for safety taken by accountable manager;
- 2) Description of comprehensive approaches and rules of operator in the field of safety which represent its safety policy;
- 3) Determine potential threats to Air Operation Safety connected with activities of operator, their evaluation and management of relating risks including measures to mitigate these risks and verification their effectiveness;
- 4) Provision of continuous training and capability of personnel to ensure the performance of their tasks;
- 5) Maintaining documents with regard to all key processes of the management system to include the process of familiarizing employees with their obligations and the procedure of changing these documents;
- 6) Position to ensure that the compliance of operator with relevant requirements is monitored. The compliance monitoring includes the system of feedback between the findings and the accountable manager that allows for corrective measures to be implemented effectively, if required.

Building, administering and maintaining this system shall be ensured by Safety Department established to this end, headed by a Safety Manager.

The Company shall use the SAMS software equipment to manage safety and security.

The SAMS was fully implemented into the Company by 30 June 2014. On 25 June 2014, there was an Internal Directive No. PR-I-TVS-016-01/14 – Safety Management Manual issued.

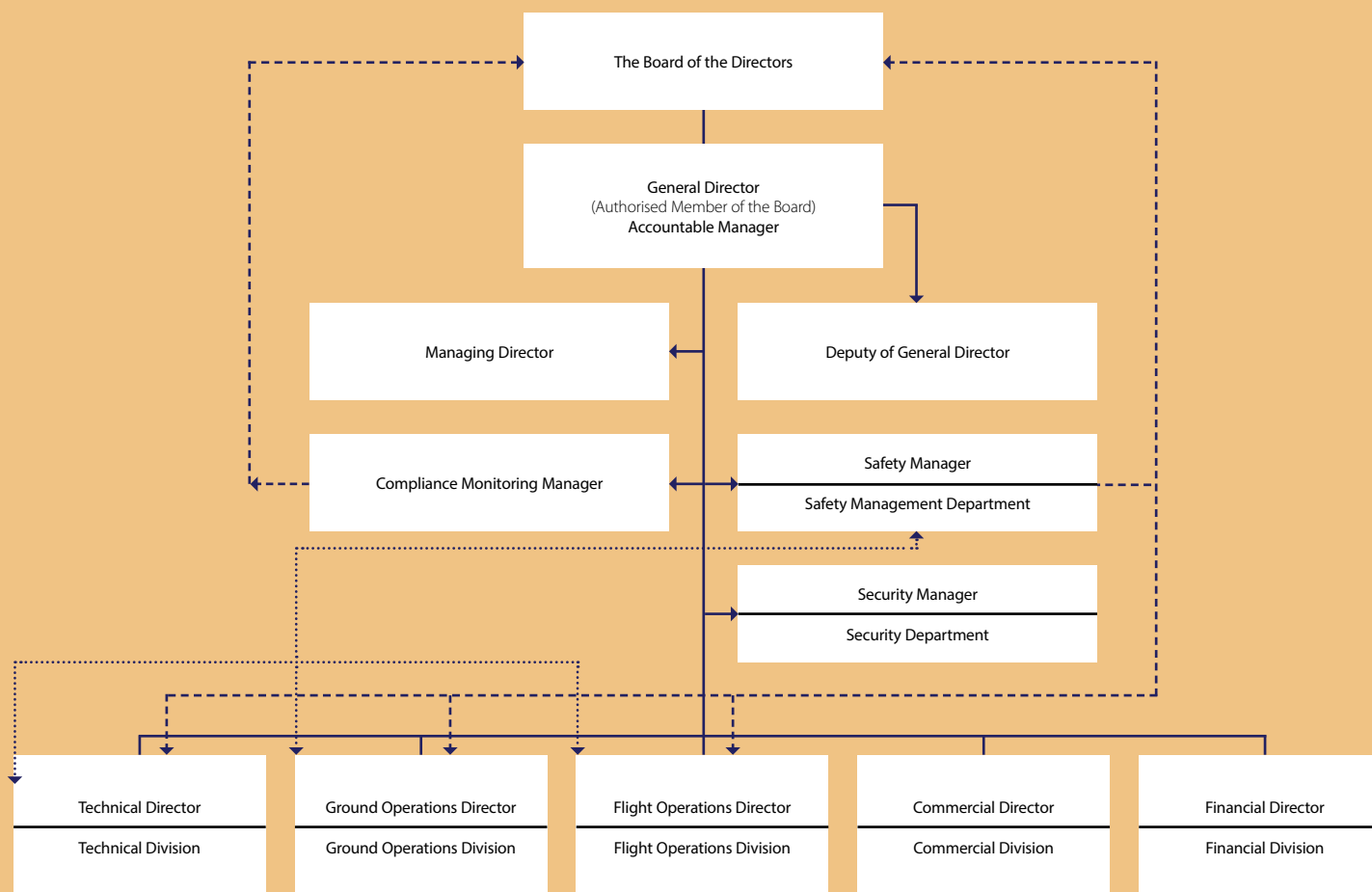
Summary

The Company has at its disposal highly qualified personnel and software and material equipment meeting the contemporary and the latest requirements and the rule base to ensure safety to the maximum extent of its operation activities particularly the Air Operation Safety. The Company implemented the culture of active searching for potential security and operation risks across the whole structure of the Company and all employees.



13. COMPANY'S ORGANISATION STRUCTURE

The organisation structure specified below shall be determined by the organisation manual respecting the Articles of Incorporation of the Company and the requirements arisen from the rules and norms relating to international carriage by air.



13.1 COMPANY'S TOP MANAGEMENT

The Members of Company's top management have vast life experience, long-term professional experience and practical skills exploitable in the entrepreneurship such as air transport. They completed the university market-oriented education, they are graduates of colleges and universities in the Czech Republic, Slovakia and United Kingdom focusing on technical, economic, commercial, natural science and juridical issues.

COMPANY'S BOARD OF DIRECTORS

JUDr. Jiří Šimáně, a Chairman of Board of Directors of the Company. He is a graduate of Faculty of Law of the Charles University in Prague. He has vast experience from international business. As of 1976, he worked in the company Strojexport, a. s. being a representative in Zambia in 1988 – 1991. He is a founder of the company Unimex – Group, a. s. and its majority owner. As of 7 January 2010, he is a Chairman of Board of Directors of the Company.

Ing. Roman Vík, a Member of Board of Directors and General Director of the Company, in the same time being its shareholder. He is a graduate of Economic University Prague. Upon 1989, he began his business activities at the earliest in procurement, sales and distribution of copy machines. In 1997, he was an initiator and one of decisive founders of the Company Travel Service, a.s.

Ing. Jiří Jurán, MBA, a Member of Board of Directors, Deputy Director General and Financial Director of the Company. He studied at the Economic University Prague and Economic Faculty of the Mining University – Technical University in Ostrava, he is a graduate of Sheffield Hallam University. In Komerční banka, a.s. he completed a two years long postgraduate study of Comprehensive Preparation of Managers of KB. In 2001-2006, he acted as a Member of Board of Directors and a Director-in-Chief of the Czech Consolidation Agency and he was also a Member of Supervisory Board of Czech Airlines. As of 1994 up to 2001 he worked in Komerční banka, a.s. in various positions to include a position of Director-in-Chief of restructuring department to implement, inter alia, a bailout of CZK 60 bil. of risk assets in relation to the prepared privatisation of Komerční banka, a. s. In 1994 – 2006, he co-operated with a consulting company Mc Kinsey to implement several projects to include a transition from the product to the client approach, the work-out project. 'In 1992 – 1994, he worked as a Financial Director of the company Kovohutě Břidličná to include the co-operation with EIB to implement an environmental project. In 1990 – 1991, he worked as an investigator of the Police of CR focusing on economic crime. Before 1990, he worked in that time Czechoslovak State Bank.

SENIOR MANAGEMENT TEAM

Mag. Michal Tomis, a Managing Director of the Company. He is a graduate of Faculty of Law of the Charles University in Prague. His carrier in the industry of carriage by air he began in 1981 in Air Navigation Services of CSR acting in various positions to include a position of Head of Air Information Service. Upon 1990, he acted in various management positions in private airlines. Currently, he is in the position of an Executive Director of Travel Service, a.s. focusing on acquisitions and lease of aircrafts to include contracting issues, air insurance and regulatory matters.

Ing. Peter Šujan, a Commercial Director of the Company. He is a graduate of the Faculty of Operation and Economics of Transport and Communications at the Transport and Communication University in Žilina. He began his carrier in 1984 in air navigation department of Czechoslovak Airlines being in charge of air navigation calculations and flight planning. He took part in implementing new aircrafts A310-300 in the fleet of CSA. As of 1990, he worked in various private airlines and as of 1997 he is employed in Travel Service, a.s. starting as a person in charge of ground operation and planning. As of 2004, he is a Commercial Director of Travel Service, a.s. and as of 2010 also a Director of Travel Service, a.s., an organization unit Slovakia. As of 2006, he is a Member of Supervisory Board of the Company Travel Service, a.s.

Ing. Pavel Veselý, a Flight Director of the Company. He is a graduate of the University of Air Transport in Žilina. He began his professional carrier in 1998 as a pilot of air works. In 1993, he became a commercial pilot and worked in regional airlines as a captain of aircrafts L 410 and Jetstream BA 31. In 1999, he graduated a basic professional training of piloting aircrafts of the type Boeing B 737, he became a captain of the mentioned type of aircrafts and began working for the Company Travel Service, a.s. In 2001 – 2004, he worked as a Head of Pilots Training. As of July 2004, he is in a position of Flight Director of Travel Service, a.s.

Ing. Jan Bělina, a Director of Ground Operation of the Company as of 1 February 2014. He is a graduate of Transport Faculty of the University Pardubice. He began his carrier in 2002 in the Company Travel Service, a.s. as an Assistant of Air Traffic Controller. As of 2003, he was taking a position of Air Traffic Controller and five years later he became a Head of Air Traffic Control of Travel Service, a.s. As of February 2014, he is a Director of Ground Operation.

Ing. Luděk Stašek, a Technical Director of the Company, he works in aviation industry as of graduating studies in the Aviation Faculty of Military Academy in Brno. His first working opportunity was the position of an Engineers Team Lead in the aviation service station. As of 2007, he works for Travel Service, a.s. in various technical positions. In 2012, he became a Deputy Technical Director and took an active part in managing Technical Department. In 2014, he was appointed to the position of Technical Director of Travel Service, a.s.

Mag. Vladimíra Dufková, a Spokeswoman being a graduate of Faculty of Natural Sciences of Masaryk University in Brno. As of 1994, she worked as a reporter followed by the position of a moderator of TV News in TV NOVA as well. In 2001 and 2002, she worked in the position of a spokeswoman of the Minister and Head of Government Office of the CR. As of November 2003, she is in the position of a spokeswoman of the Company Travel Service, a.s. being in charge of PR and advertisement.

Petr Žežulka, an IT Manager of the Company, a MBA Basic graduate from the TC Business School accredited by the International Business School of Nederland, a MBA graduate at the Institute of Law and Juridical Science accredited by the International Education Society as well. Currently, he also completes a BBA Juridical Program in the Law and Juridical Science studies. He started his carrier in 2001 in the company Dimar s.r.o. and Domicall s.r.o. being in charge of the IT system functioning. As of 2004, he is an IT Manager of the Company Travel Service, a.s. in charge of comprehensive functioning of IT processes in the Company and the branch offices in Slovakia and Poland as well.

Ing. Jiří Kaňák, Compliance Monitoring Manager (CMM), a graduate of University of Mechanical and Textile Engineering in Liberec and Aviation Faculty in Kharkov. Upon graduating studies he worked in the department of air testing of Air Research and Testing Institute. In ČSA he began his carrier of a commercial pilot where he held the position of captain, pilot instructor and examiner for the types IL-14, TU-134A, TU-154, IL-62 and Airbus 310. He worked in ČSA in the position of Head of Air Inspection. In his aviation carrier he worked in the position of an inspector pilot and Head of Air Transport Inspection in Civil Aviation Authority. Within the training of CAA employees, he completed a number of courses in the CR and abroad focused on building quality system and air operation safety management and other courses, inter alia, the learning course of accident prevention at the Stockholm University and the course of Safety Management at the Eurocontrol Institute in Luxembourg. As of 2003, he works for Travel Service, a.s. starting at the position of Quality and Safety Manager and currently in the position of Compliance Monitoring Manager.

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ANNEX TO ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2015 OF THE COMPANY TRAVEL SERVICE, A.S.

JUDr. Jiří Šimáně
Chairman of the Board of Directors

Ing. Roman Vik
Member of the Board of Directors

Ing. Jiří Jurán
Member of the Board of Directors



1. COMPILATION OF ANNUAL FINANCIAL STATEMENTS

The Annex to Annual Financial Statements is done pursuant to the Decree No. 500/2002 Coll., as amended, that stipulates the content of annual financial statements for entrepreneurs. The data of Annex are based on the accounting documentation of the Company Travel Service, a.s., particularly the bookkeeping documents, accounting books and other written bookkeeping documents. The value indicators are shown in the whole thousands CZK (TCZK), unless otherwise stated.

The current accounting period is meant the accounting period from	1 January 2015 to 31 December 2015
The previous accounting period is meant the accounting period from	1 January 2014 to 31 December 2014 and 1 January 2013 to 31 December 2013

2. GENERAL ACCOUNTING PRINCIPLES AND APPLIED ACCOUNTING METHODS

A) ACCOUNTING PRINCIPLES

The books are kept in accordance with Accounting Rules in force in Czech Republic.

The amounts shown in the Annual Financial Statements and the Annex are rounded in the whole thousands Czech Crowns (TCZK), unless otherwise stated.

B) APPLICATION OF ACCOUNTING ESTIMATES

The compilation of Annual Financial Statements requires that the top management of Company applies the estimates and the assumptions having an impact on the shown values of the assets and the liabilities at the date of Annual Financial Statements and the shown amount of revenues and expenses for the reporting period. The top management of Company is convinced that the applied estimates and assumptions will not differ substantially from the actual values in the subsequent accounting periods.

The estimates are continuously reviewed and upon fulfilling necessary requisites, particularly the collection of accounting documents, they are settled and the differences are recorded in the current accounting period.

C) INTANGIBLE FIXED ASSETS

The purchased intangible fixed assets are stated in the acquisition prices which include the acquisition price and all the costs relating to the procurement.

The accounting depreciations of intangible fixed assets are calculated on the basis of acquisition price and the assumed period of economic use of the relevant assets. A linear depreciation method applies. The assumed depreciation period in years is set as follows:

		Period of use	
	2015	2014	2013
Intangible Results of Research and Development	8	8	8
Software	3	3	3
Royalties	3 - 6	3 - 6	3 - 6

Technical valuation of intangible fixed assets exceeding 40 TCZK for the accounting period is activated.

Should the net book value of intangible fixed assets exceed its estimated utility value, the adjustment entry, which is charged to expenses is created to such assets. If the impairment of assets is permanent, the one-time write-off of the assets is made.

The intangible fixed assets with the period of use exceeding one year and the acquisition price less than 60 TCZK per item are activated at the specific analytical account of the assets and accrued in the expenses over the period of 3 years.

D) TANGIBLE FIXED ASSETS

The purchased tangible fixed assets are stated in acquisition prices, which include the acquisition price and all the costs relating to the procurement such as the freight charges and the assembly costs. The tangible fixed assets developed internally are stated in the own costs.

The tangible fixed assets represent mainly the individual movable items having the individual technical-economic purpose with their entry price exceeding 40 TCZK and the operation technical function exceeding one year. Moreover, the tangible fixed assets include buildings, constructions, etc.

The tangible fixed assets, having the period of use that exceeds one year and the acquisition price from 2 TCZK to 40 TCZK per item, are accrued in expenses for the period of 3 years.

The tangible fixed assets, having the period of use that exceeds one year; and the acquisition price less than 2 TCZK per item, are charged to expenses at the time of purchase.

The accounting depreciations of tangible fixed assets were calculated on the basis of acquisition price and the assumed period of economic use of the relevant assets. A linear depreciation method applies. The assumed depreciation period in years is set as follows:

	Period of use		
	2015	2014	2013
Technical valuation of buildings and constructions rented	10	10	10
Machines, instrumentations and equipment	4 - 10	4 - 10	4 - 10
Vehicles	4 - 8	4 - 8	4 - 8
Inventory	6	6	6
Difference in valuation of acquired assets	15	15	15

If the book value of tangible assets exceeds its estimated utility value, an adjustment entry is created on such assets.

The repair and maintenance costs of tangible fixed assets are charged directly to expenses. The technical valuation of tangible fixed assets that exceeds 40 TCZK for the accounting period is activated.

E) LONG-TERM FINANCIAL ASSETS

The long-term financial assets are valued in the acquisition prices at the time of purchase. The direct costs relating to the purchase form a part of the acquisition price.

At the date of compiling the Annual Financial Statements, the securities and the shares of assets maintained in foreign currency are re-evaluated by the CNB's exchange rate applicable at the date of balance sheet. The resulting difference of exchange rate is recorded in the Group of Accounts 41 – Equity and Equity Funds.

F) INVENTORIES

The acquired inventories are valued by the acquisition price or the reproduction acquisition price by using a method of the weighted arithmetical average. The acquisition price includes the price of purchase and all the costs relating to the acquisition of these inventories, particularly the customs duty, carriage fees, packing charges.

For keeping books of the inventory increments and decrements, the Company applies Method A, i.e. a method of accounting both the individual increments and the individual decrements. The concentration of all the costs incurred to acquire the inventories on the accounts of assets shall be deemed as the essence of bookkeeping. The inventories are recorded in operating expenses only by the time of their actual consumption.

An adjustment to the inventories is entered when the valuation value applicable in the accounting is temporarily higher than the current market value of relevant inventories.

The actual inventories of material in the Company may be broken down as follows:

- Aircraft spare parts – they serve to bring the external tangible fixed assets to the original condition, i.e. for repair according to concluded operating lease agreements, particularly the aircrafts, e.g. main wheels, brakes, batteries, steering units, Flight Management Computers (FMC), movable curtain dividers, oxygen bottles, safety belts, cylinders, drives, blades of blower, sensors, pipes, etc.;
- Small consumption material, e.g. gaskets, bolts, washers, pins, rivets, etc.;
- Supporting and operation agents such as chemical material, e.g. colours, lubricants, fuels, cleaning items;
- Packages and packaging material such as cases, boxes, bags, pallets ;

- Tangible items such as covers, carpets having the period of use up to 1 year, regardless the input price.

The Company also stores material, which is not in its ownership. This material is separated from the material, which is in the ownership of Company and the representatives of eligible owners shall be allowed to undertake their stocktaking according to their need. These owners of the Company are appealed every year to undertake the stocktaking.

G) RECEIVABLES AND PAYABLES

The receivables and payables, when occurred, are valued at their nominal value. The entries which adjust the receivables are made on the basis of the time structure of receivables and the individual assessment of the creditworthiness of debtors and possible payables of the Company that may be successfully charged against the current receivables.

The receivables and payables to/from the relating companies, which incurred from the trade are recorded in the item of trade receivables / trade payables.

H) CASH AND CASH EQUIVALENTS

The Funds (cash and bank accounts) are valued at the nominal value.

I) EQUITY

The equity of Company is represented by the amount of capital registered by the commercial register. The share premium represents an amount by which the nominal value of newly issued shares was lower than their issue price.

In 2014, the Company established a Fund to cover possible future losses and entrepreneurs risks where to an actual balance of reserve fund was transferred. Further contributions to this Fund will be subject to annual decision of General Assembly Meeting of the Company.

J) LOANS RECEIVED

The short-term and long-term loans are charged in their nominal value. The part of long-term loans, maturing in one year from the date of Annual Financial Statements, is also considered a short-term loan.

K) ACCOUNTING OF REVENUES AND EXPENSES

The revenues and expenses are accrued / deferred, i.e. they are included in the accounting period when accrued / deferred in terms of item and time. A principle of material and time correlation applies.

In accordance with the principle of prudence, the creation of reserves and the adjustment entries to cover risks, losses and impairments that are known at the day of Annual Financial Statements is charged to expenses by the Company.

1) This applies only in case, if they are not the fixed assets.

L) CONVERSION OF FOREIGN CURRENCY

The assets and the liabilities denominated in the foreign currency are converted into Czech currency by the fixed exchange rate set on the basis of the CNB's exchange rate applicable for the period of every single month. In case of cash transactions or money transfer between bank accounts, the exchange rate actually used by the bank in the particular transaction applies for the conversion of foreign currency.

All monetary assets and liabilities, receivables and payables denominated in foreign currencies were converted within Annual Financial Statements by the exchange rate issued by the CNB at the day of balance sheet. All the realised and unrealised foreign exchange gains and losses are recognized by the Profit and Loss Account with exclusion of items of long-term financial assets referred to under point E).

M) FINANCIAL DERIVATIVES

The financial derivatives including the currency forwards and options, interests, currency and commodity swaps are recognized in the off-balance sheet, when acquired. The derivatives are revaluated at the actual value on the day of Annual Financial Statements.

The financial derivatives apply for securing the currency, the interests and the market risk within the strategy of the Company's risks management.

According to applicable accounting regulations, the Company refrains from using a possibility to charge separately on derivatives as a hedge, but it considers all derivatives in terms of accounting as being held for trading, albeit not intended for trading in public market. The changes of actual value at the date of balance sheet are entered in the Profit / Loss.

The actual value of forwards and swaps is calculated as a current value of expected future cash flows.

N) CORPORATE INCOME TAX

The corporate income tax in the Profit and Loss Account for the given period consists of the tax due and the change of status of the deferred tax.

The corporate income tax due was calculated by the Company from the Profit / (Loss) adjusted for the permanent and temporary differences by using the applicable tax rate.

A deferred tax takes into account all the temporary differences between the net book value of assets or liabilities in the balance sheet and their tax value. There is a corporate income tax of legal persons applicable for the accounting period when the realization of deferred tax is expected. A deferred tax receivable is recognized in the accounts, if it is most likely that it might be the tax that would be deducted in the subsequent accounting periods.

O) ADDITIONAL PENSION INSURANCE

The Company makes a contribution to the additional 3rd pillar of pension insurance system of pilots and commanders of aircrafts. The total amount of contribution paid in 2015 amounted to TCZK 3 067 (2014: TCZK 2 949; 2013: TCZK 2 587; 2012: TCZK 1 932). The contributions to additional pension insurance are made by the Company as of 30 June 2008. The contributions were paid on the basis of agreements having concluded by the mentioned employees with the pension insurance companies. They include the KB Penzijní společnost, a. s., Penzijní společnost České pojišťovny, a. s., Allianz penzijní společnost, a. s., Česká spořitelna – penzijní společnost, a. s., ČSOB Penzijní

společnost, a. s., AXA penzijní společnost, a. s., ING Penzijní společnost, a. s., Generali penzijní společnost, a. s., Conceq penzijní společnost, a. s.

The Company makes regular mandatory payments to the state budget to finance the state pension insurance. These obligations are borne by the Company in the mandatory deadlines and they showed and show any such overdue payables.

P) LEASE

The acquisition price of assets acquired under the finance and operating lease is not capitalized. The lease payments are expensed evenly over the whole lease period. In case of opting for a call option upon expiry of lease period, the assets are activated at the level of acquisition price or in case of free transfer of the assets, they are activated at the amount of reproduction acquisition price.

An operating lease is meant the lease of fixed assets where the leased item is returned upon its expiry back to the lessor. The costs relating to the simple rentals of the aircrafts are accounted for within the Group of accounts 51 – Services. Together with the lease of aircrafts, there are the supplemental rents borne and accounted for within the same group of accounts and they are considered as the costs relating to the repair and maintenance and they express the current depreciation rate of the leased aircrafts or their individual parts respectively such as the aircraft engines, hull of aircraft, landing gear, live limited parts, APU, etc.

Q) DEVIATIONS OF ARRANGEMENT OF SOME ITEMS IN THE FINANCIAL STATEMENTS, CHANGES OF THE VALUATION METHODS, COMPARABILITY OF DATA FROM THE PREVIOUS AND CURRENT PERIOD

For sake of true picture, in addition to the estimated active and passive accounts, there are also the accrued incomes or expenditures included in the receivables and payables in the Balance Sheet as they have an identical nature as the receivables and payables (contrary to their classification in the balance sheet prescribed by the Decree No. 500/2002 Coll., which implements some provisions of the Act No. 563/1991 Coll., as amended, for the accounting units which are the entrepreneurs keeping the double-entry books).

In comparison with the previous accounting period, there were no substantial changes occurred in the valuation methods, depreciations and recording in books.

3. INTANGIBLE, TANGIBLE FIXED ASSETS AND FINANCIAL ASSETS

A) INTANGIBLE FIXED ASSETS

The overview of developments of intangible fixed assets:

	Intangible results of research and development	Software	Royalties	Other intangible fixed assets	Unfinished intangible fixed assets	Total intangible fixed assets
Acquisition price				0		
Status at 1 Jan 2015	510	40 388	2 460		12 882	56 240
Increments	0	10 571	7	4 457	2 733	17 768
Decrements	0	110	0	0	2 343	2 453
Reposting	0	1 327	0	0	-2 372	-1 045
Status at 31 Dec 2015	510	52 176	2 467	4 457	10 900	70 510
Adjustment entries						
Status at 1 Jan 2015	510	32 258	2 298	0	0	35 066
Increments	0	6 017	137	0	0	6 154
Decrements	0	110	0	0	0	110
Reposting	0	0	0	0	0	0
Status at 31 Dec 2015	510	38 165	2 435	0	0	41 110
Net Book Value						
Status at 1 Jan 2015	0	8 130	162	0	12 882	21 174
Status at 31 Dec 2015	0	14 011	32	4 457	10 900	29 400

In 2015, a substantial part of the project of implementation of the transfer of accounting information system MS Dynamics NAV 4 to the version MS Dynamics NAV 2013. The main reasons of transfer from the system MS Dynamics NAV 4 emerging in in 2004 was the end of of its support by the company Microsoft even in 2008, very difficult and non-effective maintenance of old-fashioned system, limited potential of further development in relation with the needs of the Company, legislation changes, etc.

A new version MS Dynamics NAV 2013 contains the merged company MASTER (set up) and Travel Service, a. s., Travel Service Slovensko, s. r. o., Travel Service Polska Sp. z o. o., Travel Service Slovensko, o. s., and further consolidations of these companies.

Further development of the mentioned information system is foreseen due to the development of entrepreneur activities of the Company, utilization of the system by other daughter companies to include Travel Service Polska, Sp. z o. o., when the requirements stemming from the legislation of the Republic of Poland are to be analyzed by the date of Annual Financial Statements of the Company. Other necessary software equipment of the Company includes the information system settling the issues of Air Safety Management of the Company and its daughter companies. The requirement to implement and maintain such a system is specified legally by the Regulation (EC) No. 965/2012 dated 5 October 2012 (Commission Regulation (EU) No 965/2012 of October 2012 laying down technical requirements and administrative procedures related to air operations pursuant to Regulation (EC) No 2016/2008 of the European Parliament and of the Council). Based on the tender, an information system of the Airbus company was implemented under the name SAMS.

In 2015, a commercial operation task of the EFA had been further promoted with the latter working on the internet interface concentrating substantial data and requirements of clients of the Company on the flights to include the number of carried persons, catering, specific requirements of passengers, etc. The task is being developed by the Company in co-operation with external supplier.

In 2015, a decision was taken to start works on developing information system supporting the maintenance procederus and an engineering fleet of aircrafts of the Company and daughter companies under the name of OASES. By the date of compilation of Annual Financial Statements, the introduction of this informaton system had been undertaken in co-operation with the Communications Software (Airline Systems) Limited with its seat in Essex in United Kingdom of Grac Britain and Northern Ireland. It is foreseen that this task will be subject to activation in 2017.

The royalties represent the value of trademark, i.e. SMART WINGS logo and the relevant domain and they relate to the long-term strategy of the Company – building up a solid trademark.

Other intangible fixed assets represent the EUA and EUAA emission allowances. The movement is given by the purchase of emission allowances, their distribution free of charge and their removal. The necessity to hold these assets comes from the approved DIRECTIVE 2008/101/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the basis of which the EU ETS system includes the aviation activities. The transposition of directive in the legal framework of Czech Republic is made by mean of Act No. 383/2012.

In EU ETS, there are listed operators of aircrafts parked at/from the airports of any of EC member state, Norway, Iceland and Lichtenstein. The Company including its daughter companies operating carriage by air is listed among these operators.

Each operator shall annually be obliged to review and show the CO₂ emissions produced in the calendar year. The Ministry of Environment has at its disposal a special reserve of emission allowances for trading period from 2013 up to 2020. The Company meets the conditions on the basis of which an entitlement occurred to have emission allowances distributed to the latter free of charge from the reserve of the Ministry of Environment of Czech Republic.

Based on the change of geographical impact of the EU ETS, the Ministry of Environment set up by mean of its calculation a volume of the emission allowances distributed free of charge to the aircrafts operators in the period of 2013 – 2016 and for this period the Company was distributed 478,528 emission allowances in total, i.e. 119,632 emission allowances annually in every year of the mentioned period. Nevertheless, this distribution to the Company is absolutely insufficient and the Company is forced to purchase the emission allowances under common and standard market conditions.

The consumption of emission allowances is recorded in books pending the actually produced emissions at the estimated accounts. At the first acquisition free of charge, this purchase is recorded in books as a subsidy, which does not decrease the valuation of intangible fixed assets. This subsidy is dissolved in the revenues at the same moment and in the same amount in which the consumed emission allowances are submitted in the register and in the same time derecognised from the account of assets.

The intangible fixed assets are particularly composed of software equipment of communication via tablets continuously furnished in all aircrafts or aircraft crews. Furthermore, the intangible fixed assets derive from a continuous modernisation and installation of a Datalink in the Boeing 737 aircrafts (intended to enhance the security and Air Operation Safety) and due to further development of a business operating EFA software and the Microsoft NAV 2013 accounting software. Building up software equipment mentioned above supporting the OASES Maintenance System, software equipment for aircraft pilots, a so called Copilot Analyzer Astronics, etc. forms part of the unfinished tangible fixed assets.

B) TANGIBLE FIXED ASSETS

Overview of developments of tangible fixed assets:

	Constructions	Individual tangible items and their collections	Unfinished tangible fixed assets	Advances granted on tangible fixed assets	Differences in valuation on acquired assets	Total tangible fixed assets
Acquisition price						
Status at 1 Jan 2015	7 294	102 872	16 228	86 263	60 143	272 800
Increments	0	577 319	257	131 021	0	708 597
Decrements	0	579 483	0	0	0	579 483
Reposting	0	2 186	-1 141	0	0	1 045
Status at 31 Dec 2015	7 294	102 894	15 344	217 284	60 143	402 959
Adjustment entries						
Status at 1 Jan 2015	3 723	59 336	0	0	60 143	123 202
Increments	740	8 267	0	0	0	9 007
Decrements	0	3 731	0	0	0	3 731
Reposting	0	0	0	0	0	0
Status at 31 Dec 2015	4 463	63 872	0	0	60 143	128 478
Net Book Value						
Status at 1 Jan 2015	3 571	43 536	16 228	86 263	0	149 598
Status at 31 Dec 2015	2 831	39 022	15 344	217 284	0	274 481

Constructions

A balance sheet item Constructions consists mainly of the construction works which have been made in the Hangars leased from the Letiště Praha, a. s., with its registered seat in Prague 6, K Letišti 6/1019.

Individual tangible items and their collections

In particular for the need of aircraft maintenance there were escalator stairs with a drawbar MST 2700 at the acquisition price TCZK 323, personal vehicle of the mark Dacia Dokker. Furthermore, there were PC items, particularly servers, purchased.

In connection with the implementation of project of the iPads installation for the needs of pilots, there were their holders and electric power supplies installed in the aircrafts operated by the Company. The book value of single tangible items increased herewith by TCZK 2,928. The iPads are being used as a data source of piloting and they provide maps of single airports, manuals relating to piloting and settlement of unexpected situations during the flight, etc. replacing by this mandatory data sources on paper carriers.

Even new winglets were added to the assets of Company. They include types under the name Split Scimitar Winglet System. The project of installation and replacement of older types is being implemented for the aircrafts OK-TVV (2014 is the year of implementation), OK-TVL (2015), OK-TVS (2015), OK-TVR (2016), OK-TVU (2016) and OK-TVT (2016) in accordance with the agreement concluded with the company APB Winglets Company, LLC doing business as Boeing Aviation Partners with its seat in Seattle.

In 2015, the return of leased aircraft OK-TVD with the FMC (Flight Management Computer) installed aboard that was subject to the sale to the lessor took place and herewith the book value of tangible assets decreased by TCZK 3,714.

In the area of movement of tangible assets, a strategy of modernization of the fleet of aircrafts of the Company was implemented with the operation of new modern aircrafts Boeing 737 – MAX being part thereof. On 1 October 2015, a Termination and Release Agreement was concluded between the Company as a sub-lessee and the companies CALLIDUS AIRCRAFT LEASING LLC (Head Lessor, Sub-lessor Parent), CALLIDUS AIRCRAFT LEASING TRUST (Head Lessor Parent), VALLIS GUADIORUM AIRCRAFT LEASING LIMITED (as Sub-lessor and Head Lessee), CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK (earlier CALYON, creditor and Facility Agent), UNICREDIT BANK CZECH REPUBLIC, a.s. (creditor), KOMERČNÍ BANKA, a.s. (creditor), WELLS FARGO BANK NORTHWEST, NATIONAL ASSOCIATION (Security Trustee) and EXPORT-IMPORT BANK OF THE UNITED STATES, on the basis of which a precocious repayment of loan took place to the consortium of banks mentioned above. The loan has been guaranteed by the bank guaranty AP084732XX — Czech Republic issued by the EXPORT-IMPORT BANK OF THE UNITED STATES.

On the basis of concluded agreement mentioned above, the repayment of remaining part of the Loan and the call option tenure and its option, the aircraft owner a company CALLIDUS AIRCRAFT LEASING LLC represented by the company CALLIDUS AIRCRAFT LEASING TRUST disused on 1 October 2015 a so called BILL OF SALE – MSN 37076 and the Company became an owner of the aircraft of registering mark OK – TVL and a manufacturer's serial number MSN 37076 at the acquisition price TCZ 564,073. On 7 October 2015, a Decision of Civil Aviation Authority, Ref. No. 2021-15-332-P, entered into force and the Company was registered as an aircraft owner in the Aircraft Register of Czech Republic. In the same time, a lien of the first instance was withdrawn from the Civil Aviation Authority that had been established in favour of a creditor Wells Fargo Bank Northwest, National Association, with its seat 299 South Main Street, Salt Lake City, Utah, 84111, United States of America. The lien was established on the basis of a Lien Agreement concluded on 21 January 2010 between the company Callidus Aircraft Leasing LLC with its seat c/o Wilmington Trust Company, 1100 North Market Street, Wilmington, New Castle County, Delaware 19890-1605, United States of America as a pledger and the company Wells Fargo Bank Northwet, as a pledging creditor.

On 9 October 2015, the company MALACHITE AIRCRAFT LEASING LIMITED with its seat in West Pier Dun Laoghaire, Couty Dublin, Ireland, as Buyer, concluded an AIRCRAFT PURCHASE AGREEMENT with the Company as a seller, on the basis of which the company MALACHITE AIRCRAFT LEASING LIMITED became an aircraft owner of the type Boeing 737-8FN, registration mark OK – TVL, manufacturing number MSN 37076. By doing this, a collection of tangible assets of the Company decreased by the amount of TCZK 575,589 (gross).

On 9 October 2015, there was an AIRCRAFT LEASE AGREEMENT concluded between the company MALACHITE AIRCRAFT LEASING LIMITED, as a lessor, and the Company, as a lessee, on operating lease of the aircraft Boeing 737-8FN, registration mark OK – TVL, manufacturing number MSN 37076. The assumed date of terminating the operating lease is 9 October 2025.

Differences in valuation on acquired assets

The difference in valuation on the acquired assets occurred at the time of incorporating the company, when the value of the Company Travel Servis, s.r.o. was embedded by the founder of Company, and it represents an active difference between the expert's valuation of the enterprise Travel Servis, s.r.o. and the aggregate valuation of its individual components of the assets in the books of embedding company. The value of non-monetary stake was demonstrated by two expert opinions independent from the founder done on 23 December 1997.

The entry adjusting difference in valuation was recorded in the expenses by mean of depreciations over the period of 15 years. The total amount of accumulated depreciations at 31 December 2015 amounted to TCZK 60 143. The difference in valuation is fully depreciated at 31 December 2015.

C) SMALL ASSETS

The total amount of small tangible fixed assets and small intangible fixed assets recorded in expenses every single year amounted respectively to the following:

	2015	2014	2013
Small intangible fixed assets	5 909	5 909	3 975
Small tangible fixed assets	4 813	4 813	5 122
Total	10 722	10 722	9 097

In 2015, the Company acquired office and computer equipment such as shredder, printers, hard discs, notebooks, office chairs, displays, mobile phones, wardrobes and office desks, bank note counting and authenticity checking machine, calculator for cash, giant, etc. Furthermore, the means and equipment of crew training and their equipment, e.g. resuscitation dolly, bags, drugs ingestion control testers, equipment for technical section - feeding wheels, card data readers from Boeing 737, labeler, handling trolley, lockable glove boxes, transport containers for evacuation rafts, boxes for documents, etc.

The procurement of intangible assets includes the purchase of copyrights to present productions and movies aboard of aircrafts for the passengers, procurement of licenses and Airbus software for iPads, anti-virus software, windows licenses, software support.

D) OPERATING LEASE

The fleet of Company consists of aircrafts exploited by the Company on the basis of lease agreements. The basis of fleet consists of aircrafts of the Boeing manufacturer, particularly the aircrafts of the type B 737-800 with seating capacity 189 passengers and 6 crew members. These aircrafts are amended by two aircrafts Boeing with seating capacity 148 passengers and one aircraft with the capacity 212 passengers. In 2015, there were two aircrafts of the type Airbus A 320 for 180 passengers part of the fleet, their lease was terminated in February 2016. The Company long-term operates air-taxi service exploiting the aircrafts Cessna Citation 680 with seating capacity 9 passengers.

The mentioned civil aircrafts undertaking commercial carriage are exploited in accordance with the concluded operating lease agreements, in particular:

Ser. No.	Assets leased in 2015	Date of manufacture	Leasing Period in months	Start Date	Assumed date of termination	Lessor
1.	BOEING 737-8CX, MSN 32362, HA LKG (OK TVB)	4.02	206	3.5.2002	31.3.2019	MASL IRELAND (13) LIMITED / MACQUARIE AIRCRAFT LEAS SRVCS (IRL) LTD
2.	BOEING 737-8FH, MSN 29669, OK TVF (C-GTVF)	4.05	182	20.4.2005	19.4.2020	ALC BLARNEY AIRCRAFT Limited
3.	BOEING 737-8Q8, MSN 30719, OK TVG (C-GTVG)	4.07	169	4.5.2007	31.3.2021	Macquarie AirFinance Acquisitions (Ireland) Limited / MACQUARIE AIRCRAFT LEAS SRVCS (IRL) LTD
4.	BOEING 737-8Q8, MSN 35275, OK TVH (C-GVH)	5.08	170	12.5.2008	11.5.2022	ILFC AIRCRAFT 73B-35275 LIMITED
5.	BOEING 737-86Q, MSN 30294, OK TVE (HA LKB; C GRKB)	3.04	170	19.3.2004	19.3.2018	Wells Fargo Bank Northwest, National Association / CIAF LEASING 1 LIMITED
6.	BOEING 737-8Q8, MSN 29351, OK TVJ (C FTAH)	3.04	128	18.11.2008	17.5.2019	ILFC Ireland Limited
7.	BOEING 737-86N, MSN 32740, OK TVK (C-FGVK)	2.04	97	21.5.2009	22.5.2017	Celestial Aviation Trading 17 Limited
8.	BOEING 737-8FN, MSN 37076, OK TVL	1.10	191	25.1.2010	9.10.2025	MALACHITE AIRCRAFT LEASING LIMITED
9.	BOEING 737-8FN, MSN 37077, OK TVM	2.10	186	3.2.2010	3.6.2025	Fly Aircraft Holding Twenty Limited
10.	BOEING 737-8CX, MSN 32360, OK TVO	3.02	119	21.6.2010	31.3.2020	MASL IRELAND (13) Limited / Macquarie Aircraft Leasing Services (Ireland) Limited
11.	BOEING 737-8K5, MSN 32907, OK TVP (C-GKVP)	4.02	139	8.6.2010	31.10.2021	DCAL 5 LEASING LIMITED
12.	BOEING 737-86N, MSN 38018, OM TVR	4.11	122	28.4.2011	27.4.2021	Celestial Aviation Trading 12 Limited
13.	BOEING 737-86N, MSN 39404, OK TV5	5.11	122	5.5.2011	4.5.2021	Celestial Aviation Trading 12 Limited
14.	BOEING 737-86N, MSN 39394, OK TVT	1.12	122	31.1.2012	30.1.2022	Celestial Aviation Trading 12 Limited
15.	BOEING 737-86N, MSN 38025, OK TVU	3.12	122	20.3.2012	19.3.2022	Celestial Aviation Trading 12 Limited
16.	BOEING 737-86N, MSN 38027, OK TVV	5.12	122	9.5.2012	8.5.2022	Celestial Aviation Trading 12 Limited
17.	BOEING 737-86Q, MSN 30295, OK TVW	11.04	97	29.6.2012	28.6.2020	Constitution Aircraft Leasing (Ireland) 9 Limited
18.	BOEING 737-8Z9, MSN 33833, OK TVX	5.05	72	29.4.2013	28.4.2019	Macquarie Aviation Capital Finance Limited / MACQUARIE AIRCRAFT LEAS SRVCS (IRL) LTD
19.	BOEING 737-8Q8, MSN 30724, OK TVY (C-GTQY)	6.07	72	22.5.2013	21.5.2019	WILMINGTON TRUST SP SERVICES (DUBLIN) LIMITED / Ballysky Aircraft Ireland Limited
20.	BOEING 737-853, MSN 29250, OK TSA	3.01	60	4.4.2013	3.4.2018	CONSTITUTION AIRCRAFT LEASING (IRE) 9 LTD / SASOF III (A10) AVIATION IRELAND DAC
21.	BOEING 737-8Q8, MSN 41795, OK TSD	5.14	122	5.5.2014	4.5.2024	ILFC Aircraft 73B-41795 Limited
22.	BOEING 737-81D, MSN 39437, OK TSE	2.14	97	3.2.2014	2.2.2022	AWAS 39437 Ireland Limited / MACQUARIE AIRCRAFT LEAS SRVCS (IRL) LTD
23.	BOEING 737-8GJ, MSN 37360, OK TSF	1.09	97	24.3.2015	23.3.2023	Halodell Limited
24.	BOEING 737-82R, MSN 30666, OM TSG (OK-TSG)	3.04	72	9.5.2014	8.5.2020	ILFC Ireland Limited
25.	BOEING 737-804, MSN 28231, OK TSH	5.00	58	14.4.2015	5.2.2020	Constitution Aircraft Leasing (Ireland) 9 Limited
26.	BOEING 737-8A5, MSN 29921, OK TSJ	12.99	6	1.5.2015	31.10.2015	I.M.P. GROUP LIMITED
27.	BOEING 737-8A5, MSN 29923, OK TSL	5.00	6	1.5.2015	31.10.2015	I.M.P. GROUP LIMITED
28.	BOEING 737-9GJER, MSN 37363, OK TSI	12.12	67	13.5.2015	31.10.2020	CIT Aerospace International
29.	BOEING 737-8FH, MSN 35093, OK TSC (C-GTQX)	2.07	71	7.5.2013	7.3.2019	CONSTITUTION AIRCRAFT LEASING (IRE) 9 LTD
30.	BOEING 737-7Q8, MSN 29346, OK SWT	3.03	60	22.6.2012	21.6.2017	ILFC IRELAND LTD
31.	BOEING 737-7Q8, MSN 28254, OK SWW	2.03	60	1.6.2012	31.5.2017	ILFC IRELAND LTD
32.	A320-214, MSN 4699, OK HCA	1.11	28	31.10.2013	29.2.2016	Celestial Aviation Trading 69 Limited
33.	A320-214, MSN 2180, OK HCB	2.04	28	31.10.2013	29.2.2016	Artemis Ireland Leasing Limited
34.	Citation 680, MSN 680-0139, OK UNI	6.07	122	13.6.2007	25.6.2017	UG Jet s.r.o.
35.	Citation 680, MSN 680-0279, OK EMA	5.09	97	21.5.2009	21.5.2017	UG Jet s.r.o.
36.	Citation 680, MSN 680-0324, OK UGJ	2.12	97	13.3.2012	12.3.2020	UG Jet s.r.o.
37.	BOEING 737-8BK, MSN 29643, SP TVZ (OK TVN)	6.07	110	15.2.2010	14.2.2019	Wilmington Trust SP Services (Dublin) Limited / CIT AVIATION FINANCE I LIMITED
	- operated by Travel Service Polska, Sp. z o. o.					

The costs of operating lease of aircrafts referred to in the above mentioned overview may be analysed (in TCZK) as follows:

Due in 2016	Due in 2017	Due in 2018	Due in 2019	Due in 2020	Due in 2021	Due in 2022	Due in 2023	Due in 2024
2 579 460	2 458 164	2 256 258	1 867 930	1 472 490	1 078 644	520 358	343 527	236 400
Due in 2025	Total							
108 468	12 921 700							

Due to insufficient capacity of the operated aircrafts mainly in the period of summer season, the Company concludes the ACMI contracts (Wet Leasing Agreement) serving a basis to lease the aircrafts with the crew and the ensured maintenance including insurance.

The costs of lease of these aircrafts in 2015 amounted in total TCZK 799 040 (2014: TCZK 964 644, 2013: TCZK 1 065 967). The aircrafts were leased from long-term partners, particularly the company České aerolinie, a. s. with its seat in Prague (Czech Republic, Airbus A 320, A 319), SMARTLYNX AIRLINES with its seat in Riga (Latvia, Airbus A 320), SUNWING AIRLINES INC. with its seat in Toronto (Canada, Boeing 737 800), SpiceJet Limited, albeit from new partners as well – MIAT Mongolian Airlines (Mongolia, Boeing 737-800).

The aircrafts of Company were seconded to single basis during the year such as Poland, Hungary, Slovakia, Canada, India, Oman. The costs related to exploitation of aircrafts within the group are rebilled on the basis of usual prices. For instance, the aircraft of registration mark SP-TVZ with a direct lessee being Travel Service Polska, Sp. z o. o. has operated ca. 2.527 block hours for the Company.

E) LONG-TERM FINANCIAL ASSETS

The shares in managed and controlled persons and enterprises with a decisive or substantial impact include the shares in the company Travel Service, Kft. in Hungary, Travel Service Polska, Sp. z O. O. in Poland, Travel Service Slovensko, s. r. o. with its registered seat in Slovakia and Travel Service GmbH with its seat in Germany. The incorporation of the mentioned daughter companies is a necessary condition for issuing an operating licence to undertake the commercial carriage by air according to Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community and the act within relevant legal jurisdiction.

Without the licence above and without fulfilling other conditions by daughter companies, it would be very difficult for the mother company Travel Service, a.s. to pursue some flights from the above mentioned EU member states out of the European Communities and in fact it would not be possible to pursue these flights repeatedly. Consequently, the mentioned fact could mean that the clients in the referred countries would not be able to do business in the current scope and the market position of the Company in Hungary, Poland and Slovakia would be endangered.

For the period of its existence, the Company has built up such infrastructure enabling it to pursue a number of activities and act in the group of companies undertaking commercial carriage by air. These activities include, e.g. flight planning and preparation, crew planning, maintaining flight documents, operation control, arranging catering, flight permissions, airport access, single flights fuel consumption calculation and its possible supply optimization, passenger handling services, possible claim settlement, aircraft maintenance spare parts arrangement, aerodromes maps and routes arrangement Air Safety Control. Furthermore, there are technical activities including aircraft maintenance program preparation, airworthiness orders compliance follow up and control, maintenance

of aircraft documents relating to modification conditions of the aircraft, aircraft regular reliability and failure rate assessment according to aviation rules, aircraft and rotating aircraft units maintenance data collection and maintenance and number of other activities.

The Company arranges for daughter companies other supplies of material and services to include the air fuel supplies arrangement and also handling of aircrafts and their crew to include their training. By combination of the inquiry of higher volumes of rendered services and long-term relationships of the Company, the daughter companies are getting delivery, price, payment and other terms similar to the terms granted to the standard, large airlines and the airlines operating on the market long-term.

The daughter companies also use the software equipment of Company such as AIMS task (Aircraft Management Information System), EFA, MS Dynamics NAV 2013 (cf. chapter FIXED INTANGIBLE ASSETS), issuing tax documents (with exclusion of Travel Service, Kft and Travel Service GmbH), treasury, keeping books or its support, etc.

By arranging the above mentioned activities and supplies, the relationship between the Company and its daughter companies is defined as the relationship between the principal and the nominee. The multilateral trade agreements are often concluded so that contracting parties are a supplier on one side and the Company and its daughter companies on the other. The Company Travel Service, a.s. pursues the referred activities against payment. The amount of payment is specified on the basis of calculations being the basic point of departure to set up the ordinary prices.

The Company ensures the business activities for a daughter company Travel Service Polska Sp. z o. o. and Travel Service Slovensko, s. r. o. and it is a trade representative of the mentioned daughter companies. The Company pursues these activities against payment. In addition to ensuring the above mentioned activities and services against payment, the Company pursues a simple re-invoicing, e.g. the air fuel consumed on the flights of daughter companies, etc.

The Company Travel Service GmbH with its registered seat at Brienner Str. 11/II, 80333 Munich was established by notarial deed made by Sebastian Herler, a notary in Munich, dated 5 September 2014. The registered capital of the company amounts to EUR 25,000. At the date of compilation of the Annual Financial Statement, the Company is not pursuing any commercial activity and it is representing the interests of Company and the entry in the market of carriage by air in Germany.

Other daughter company is the Company T. S. Building leasing office space of the Company, an administrative building at the address K Letišti 1068/30 160 08 Prague 6.

On 31 March 2015, the Company acquired 356,015 pieces of shares of nominal value TCZK 5 a share, the shares of total nominal value TCZK 1,780,075 of the issuer České aerolinie a. s. with its registered seat Prague 6, Jana Kašpara 1069/1, Postal Code 160 08, ID number 457 95 908. The company holds in its equity one mass ordinary share No. 1, type of the share is a registered share. This mass share was endorsed by the shareholder Korean Air Lines with its registered seat 1370 Gonghang-dong, Gangseo-gu, 157-712, Seoul, Korea, identification number 110111-0108484. As of 31 March 2014, the Company holds a 34% equity share of registered capital of the Company České aerolinie a. s.

The Company view the acquisition of the shares of company České aerolinie, a.s. as a strategic investment aimed at ensuring the sustainable and continuous development.

The equity of daughter companies may be characterized as follows:

Name of company, registered seat	Acquisition price	Equity share (%)	Equity*	Profit/Loss of current year*	Dividends / Shares in profit
At 31 December 2015					
Travel Service, Kft, Hungary	227 007	100,00%	58 172	12 556	0
T. S. Building, s. r. o.	160 728	100,00%	92 324	7 790	0
Travel Service Polska Sp. z o. o.	3 187	100,00%	-106 980	18 012	0
Travel Service Slovakia, s.r.o.	6 756	100,00%	-14 300	13 052	0
Travel Service GmbH	676	100,00%	676	0	0
Total	398 354		29 892	51 410	0
At 31 December 2014					
Travel Service, Kft, Hungary	213 771	100,00%	46 852	27 706	0
T. S. Building, s. r. o.	160 728	100,00%	84 534	6 246	0
Travel Service Polska Sp. z o. o.	3 264	100,00%	-127 988	-33 743	0
Travel Service Slovensko, s.r.o.	6 931	100,00%	-28 060	-34 992	0
Total	384 694		-24 662	-34 783	0
At 31 December 2013					
Travel Service, Kft, Maďarsko	193 621	100,00%	119 114	11 028	0
T. S. Building, s. r. o.	120 728	100,00%	78 288	5 901	0
Travel Service Polska Sp. z o. o.	3 320	100,00%	-95 856	-20 849	0
Total	317 669		1 546	-3 920	0

The Company is a sole owner of the company Travel Service, Kft, Hungary. At 31 December 2014, the Travel Service, Kft shows an equity amounting to THUF 679 820 (TCZK 58 172 as to 31 December 2014 the equity amounted to TCZK 46 850). In the past, the company Travel Service, Kft. was exposed to the unfair competition with the national carrier supported by the state, a state air company Malev. At the beginning of 2012, the European Commission took a decision that the company Malev had to give back the public subsidy exceeding the amount of one hundred million US dollars. On 3 February 2012, Malev stopped all flights and the company was declared bankrupt. Standard market conditions started to develop at the Hungarian market gradually without impact of the state subsidies which was demonstrated positively in the economic results of Travel Service, Kft. The Company assumes that even in 2016 the Travel Service, Kft. will continue in positive trend and achieve a positive Profit amounting to ca. THUF 200 000.

The daughter company Travel Service Polska Sp. z o. o. entered the Polish market in 2012 and on 8 May 2012 it was granted an operation licence. The year 2015 was a third year for the company operating on the market the whole year. Based on the prepared projection and 2015 business plan a positive Profit / (Loss) before taxes amounting to TPLN 2,346 was assumed. The mentioned assumption was met successfully and exceeded by TPLN 495.

The company T. S. Building, s. r. o. is a daughter company of the Company and it is an owner of the building, where the registered seat of the Company is located. The only subject of its business activity is to lease the building at the address of Prague 6, K Letišti 1068/30. The Company, as a sole partner of the company, based on its decision dated 25 June 2013, made an additional payment out of the registered capital amounting to TCZK 40 000.

4. INVENTORIES

In 2015, compared with 2014, there was an increase of spare parts for aircrafts including small consumption material by 43% with these assets being influenced by a strategy of the Company to diminish stand-by of aircrafts and delay of operating flights as well as the compilation of Annual Financial Statements.

Within the compilation of Annual Financial Statements, particularly in relation to the stocktaking made, the Company determined surpluses of spare parts and a so called consumption material, which relate particularly with the process of termination of operating lease of aircrafts. By doing this, there was an increase of amount of spare part for the aircrafts including small consumption material observed by TCZK 50 709. The development of inventories shows the chart below:

	At 31. 12. 2015	At 31. 12. 2014	At 31. 12. 2013
Material	333 859	235 322	182 244
- Spare parts of aircrafts including small consumption material	318 501	222 497	170 310
- Incidental Expenses Relating to the Purchase	11 944	10 110	9 620
- Others	3 414	2 715	2 314
Goods	90	114	196
Total (Gross)	333 949	235 436	182 440
Adjusting entry to Inventories	-4 760	0	0
Total (Net)	329 189	235 436	182 440

An eligible interest of the Company includes the maintenance of fleet of aircrafts in operation condition and diminish any delays due to lack of spare parts by respecting principles of Air Operation Safety to the maximum extent and accounting principles such as the principles of transparency and evidence by document. In 2015, albeit partly in previous years as well, a fact emerged by establishing the defect on the aircraft operated on the basis of operating lease agreements and by the need of changing spare parts or components that the spare parts replaced and supplied to the aircraft was viewed as the spare part in ownership of the Company and stocked on the subject aircraft. The dismantled spare part, due to absence of a relevant tax document (in an effort to comply with the principle of evidence by document), it failed to be included into the assets of the Company. By terminating the operation lease and returning the aircraft to the lessor, the Company ceased to be an owner of the spare part or component built in the subject aircraft. In accordance with the contractual terms contained in the agreements on operating lease, the Company is always obliged by the contract to return the aircraft fit to fly and meeting all rules relating to the operation of air transport. Due to this, the Company was entitled to issue any tax document to the lessor relating to the installation of a spare part or component. On the other hand, the Company became an owner of spare part or component on the basis of replacement of the subject spare part. These spare parts were stocked duly in a so called stock of temporarily demounted spare parts or components and as matter of principle distributed into two groups – prior to overhaul and repaired. Based on the replacement made, the Company eligibly became an owner of the spare part or component with these being valued by mean of a so called reproduction price of acquisition. For the spare parts or components failed to be repaired up to the date of Annual Financial Statements, the adjustment items have been created with their level corresponding to the assumed expenses related to the introduction of these spare parts or components into original condition.

The above mentioned facts had an impact on occurrence of stocktaking surplus and the correction of spare parts consumption in 2015.

Other fact having an impact on increasing the level of inventories includes the engine overhaul and procurement of their components that have been replaced by the supplier of engine overhaul. The terms of concluded agreements on operating lease require the implementation of new spare parts and the Company on the basis of replacement become an owner of the replaced spare parts or components. Upon overhaul, these spare parts or components may be exploited and the service companies are exploiting them for the aircrafts overhaul. The assets acquired by this way were valued by the reproduction price of acquisition by taking into account all expenses related to the introduction of the latter into the corresponding condition.

5. RECEIVABLES

	At 31. 12. 2015	At 31. 12. 2014	At 31. 12. 2013
Short-term receivables (Gross)	1 474 077	974 354	1 159 725
Long-term receivables (Gross)	716 502	704 343	490 695
of which the receivables with remaining maturity over 5 years	273 308	361 397	293 406
Total receivables (Gross)	2 190 579	1 678 697	1 650 420

The long-term receivables recognized in the balance sheet are formed primarily by the deposits relating to the lease of aircrafts amounting to TCZK 706 114 (2014: 670 057; 2013: 467 080) and also other long-term deposits relating to provision of the operation.

The maturity of deposits relating to the lease of aircrafts derives from the date of termination of agreements and the return of leased aircrafts. By this, the prevailing amount of deposits by 31 December 2015 provided in relation with the lease is therefore characterized as long-term deposits.

In terms of maturity, the short-term receivables presented in the balance sheet include the following structure:

	Trade receivables	Other receivables	Total
Before Due	329 873	922 864	1 252 737
- of which from enterprises within a group	260 498	329 850	590 348
Over Due	118 406	102 934	221 340
- of which from enterprises within a group	0	0	0
Total at 31 December 2015	448 279	1 025 798	1 474 077
Entries adjusting receivables	-51 183	0	-51 183
Total (net)	397 096	1 025 798	1 422 894
Before Due	121 726	564 299	686 025
- of which from enterprises within a group	66 800	133 123	199 923
Over Due	268 146	20 183	288 329
- of which from enterprises within a group	61 537	0	61 537
Total at 31 December 2014	389 872	584 482	974 354
Entries adjusting receivables	-86 561	-20 183	-106 744
Total (net)	303 311	564 299	867 610

	Trade receivables	Other receivables	Total
Before Due	209 445	710 725	920 170
- of which from enterprises within a group	48 611	117 355	165 966
Over Due	224 807	14 747	239 554
- of which from enterprises within a group	0	0	0
Total at 31 December 2013	434 253	725 472	1 159 725
Entries adjusting receivables	-90 912	-14 747	-105 659
Total (net)	343 341	710 725	1 054 066

In terms of age, the trade receivables of Company include the following structure:

	Before Due	Up to 90 days	Up to 180 days	Up to 360 days	Over 1 year	Total
At 31 December 2015						
Trade receivables	1 252 737	77 362	39 295	34 753	69 930	1 474 077
Total (Gross)	1 252 737	77 362	39 295	34 753	69 930	1 474 077
At 31 December 2014						
Trade receivables	686 025	93 186	18 989	39 158	136 996	974 354
Total (Gross)	686 025	93 186	18 989	39 158	136 996	974 354
At 31 December 2013						
Trade receivables	920 170	68 291	35 921	9 032	126 310	1 159 724
Total (Gross)	920 170	68 291	35 921	9 032	126 310	1 159 724

Other receivables may be analysed as follows:

	To 31. 12. 2015	To 31. 12. 2014	To 31. 12. 2013
Receivables – controlled or controlling person – Travel Service Polska, Sp. z o.o.	128 359	39 914	117 355
State – tax receivables	1 864	25 671	41 767
- LPIT (advance payments of Legal Persons Income Tax (LPIT) were accounted for in the balance sheet against the provision for income tax)	274	24 074	0
- VAT	1 590	1 597	41 767
Short-term Advances Paid	103 730	124 933	133 519
Accrued Income	1 224	509	1 183
Estimated accounts receivables	563 498	274 225	260 484
- Payments for realized repair of aircrafts born by Lessor	210 016	131 638	138 866
- Insurance indemnities	113 977	0	0
- Revenues from lease of aircrafts	0	57 560	30 059
- Smart Wings- estimated revenues from scheduled flights not yet billed	59 692	57 517	36 787
- Emission Allowances	0	0	34 263
- Management fee	135 358	0	0
- Other	44 455	27 510	20 508
Other receivables	227 123	99 047	171 164
- Advances of transport allowances	56 255	97 036	99 204
- Short-term part of deposits relating to the lease of aircrafts	43 538	0	62 746
- Actual value of receivables from concluded commodity and currency derivatives	0	0	7 427
- Other (deposits and permanent advances)	127 330	2 011	1 787
Other receivables total (Gross)	1 025 798	584 482	725 472

6. ACCRUALS ACTIVE

The structure of accruals active is as follows:

	To 31. 12. 2015	To 31. 12. 2014	To 31. 12. 2013
Accrued expenses	310 376	356 456	277 910
- Rent	85 806	81 258	80 330
- Advertisement	705	479	3 112
- Insurance	6 116	8 310	7 290
- Commission for mediating lease of aircrafts	60 048	105 087	150 125
- Preliminary invoiced expenses of unfinished overhauls	137 777	143 911	0
- Training	3 069	1 280	19 467
- Other	16 855	16 131	17 586
Comprehensively accrued expenses	0	88 859	101 449
Total Accruals	310 376	445 315	379 359

The comprehensively accrued expenses included mainly the payment for issuing the bank guarantee EX-IM Bank of the U. S. A., bank fees (Commitment Fee, Agency Fee, interests), costs related to the activities particularly legal and tax advisors (A&L Goodbody Solicitors International Financial Services – Dublin, Robert Wray PLLC, Washington DC 20036, Crédit Agricole Corporate and Investment Bank – Paris, Pillsbury Winthrop Sahw Pittman LLP – New York, etc.) and other costs relating to ensuring the lease of aircraft Boeing 737-8FN, reg. mark OK – TVL, manuf. No. MSN 37076 737-800 in 2010. These costs were equally dissolved in expense of costs of the Company and at the moment of realizing the option to acquire the aircraft into the assets of Company (cf. Chapter B. Fixed Tangible Assets) the residual value of comprehensively accrued expenses entered into its acquisition price.

The accrued expenses – the rent representing the parts of rentals up to 31 December 2015 accrued on the basis of submitted tax documents and payments made in relation to the rent of aircrafts relating to in the period upon 1 January 2016. It includes the rent related to the aircrafts and periods mentioned below:

1. OK - TSH:	1. 1. 2016 - 14. 1. 2016	10. OK - HCB:	1. 1. 2016 - 2. 1. 2016	19. OK - TVX:	1. 1. 2016 - 28. 1. 2016
2. OK - TSA:	1. 1. 2016 - 3. 1. 2016	11. OK - TVJ:	1. 1. 2016 - 17. 1. 2016	20. OK - TVB:	1. 1. 2016 - 9. 1. 2016
3. OK - TVW:	1. 1. 2016 - 28. 1. 2016	12. OK - SWT:	1. 1. 2016 - 21. 1. 2016	21. OK - TVO:	1. 1. 2016 - 20. 1. 2016
4. OK - TSC:	1. 1. 2016 - 17. 1. 2016	13. OK - TVU:	1. 1. 2016 - 19. 1. 2016	22. OK - TVF:	1. 1. 2016 - 19. 1. 2016
5. OK - TVS:	1. 1. 2016 - 4. 1. 2016	14. OK - TVP:	1. 1. 2016 - 8. 1. 2016	23. OK - TVE:	1. 1. 2016 - 18. 1. 2016
6. OK - TVV:	1. 1. 2016 - 8. 1. 2016	15. OK - TVK:	1. 1. 2016 - 22. 1. 2016	24. OK - TVT:	1. 1. 2016 - 30. 1. 2016
7. OK - TSD:	1. 1. 2016 - 4. 1. 2016	16. OK - TVR:	1. 1. 2016 - 27. 1. 2016	25. OK - TVM:	1. 1. 2016 - 3. 1. 2016
8. OK - TVY:	1. 1. 2016 - 21. 1. 2016	17. OK - TVG:	1. 1. 2016 - 3. 1. 2016	26. OK - TVS:	1. 1. 2016 - 4. 1. 2016
9. OK - TVH:	1. 1. 2016 - 11. 1. 2016	18. OK - TSE:	1. 1. 2016 - 2. 1. 2016	27. OK - TVL:	1. 1. 2016 - 8. 1. 2016
				28. OK - TSF:	1. 1. 2016 - 23. 1. 2016

The most significant incompleted repairs include repair costs of the engine CFM56-7B26, serial number 888932, aircraft OK-TVH or HA-LKG, the repair thereof is being made by the company Lufthansa Technik and which was not up to the decisive date released for the operation.

7. SHARE CAPITAL

The structure of shareholders of the Company at the balance sheet date:

Type of shares	To 31. 12. 2015	Number of shares	To 31. 12. 2014	Number of shares
UNIMEX GROUP, a.s.				
Shares in nominal value of TCZK 100, fully paid	77 900	779	90 400	904
Ing. Roman Vík				
Shares in nominal value of TCZK 100, fully paid	77 900	779	90 400	904
Canaria Travel, s. r. o.				
Shares in nominal value of TCZK 100, fully paid	69 200	692	69 200	692
China International Group Corporation Limited				
Shares in nominal value of TCZK 100, fully paid	25 000	250	0	0
Total	250 000	2 500	250 000	2 500

On 15 September 2015, there was an Agreement on sales of shares concluded between the Buyer China International Group Corporation Limited with its seat in Hong Kong and the Sellers Ing. Roman Vik and the company UNIMEX GROUP, a. s., on the basis of which the Buyer acquired 10% share in equity of the Company.

8. CHANGES IN EQUITY

Structure of accruals active is as follows:

	Equity	Share premium	Difference in valuation from the revaluation of assets and liabilities*	Funds from profit	Previous years' Profit / (Loss)	Profit / Loss of current period	Equity total
At 31 Dec 2012	250 000	10 149	-12 854	23 705	256 331	47 706	575 037
Transfer of profit / Loss of preceding period	0	0	0	2 385	45 321	-47 706	0
Other changes of equity	0	0	1 883	0	0	0	1 883
Profit / Loss of accounting period	0	0	0	0	0	158 354	158 354
Rounding	0	0	0	0	-1	0	-1
At 31. 12. 2013	250 000	10 149	-10 971	26 090	301 651	158 354	735 273
Transfer of profit / Loss of preceding period	0	0	0	8 000	112 354	-120 354	0
Other changes of equity	0	0	20 091	0	0	0	20 091
Payment of dividend	0	0	0	0	0	-38 000	-38 000
Profit / Loss of accounting period	0	0	0	0	0	60 067	60 067
Rounding	0	0	0	0	1	0	1
At 31. 12. 2014	250 000	10 149	9 120	34 090	414 006	60 067	777 432
Transfer of profit / Loss of preceding period	0	0	0	8 000	52 067	-60 067	0
Other changes of equity	0	0	12 984	0	0	0	12 984
Payment of dividend	0	0	0	0	0	0	0
Profit / Loss of accounting period	0	0	0	0	0	192 487	192 487
At 31. 12. 2015	250 000	10 149	22 104	42 090	466 073	192 487	982 903

* revaluation of long-term financial assets (shares in foreign currencies in daughter companies) by the exchange rate applicable at the date of collection of annual financial statements

On the basis of decisions of ordinary general assembly meetings of the company, the 2012, 2013 and 2014 Profit / Loss was distributed according to the submitted proposal as follows:

	2014	2013	2012
Allotment to Statutory Reserve Fund	0	0	2 385
Allotment to other fund of profit	8 000	8 000	0
Profit transferred to undistributed profits	45 716	112 354	45 321
Compensation of Profit and Loss	6 351	0	0
Payment of dividends to shareholders	0	38 000	0
Profit (+) / Loss (-) after tax	60 067	158 354	47 706

9. FINANCIAL DERIVATIVES

Pursuant to internal directive, the accounting unit records all the derivatives as the derivatives for trade. The change of actual value of derivatives for trade is recorded in the Profit / Loss at the date of the balance sheet. The change of actual value falling on the current accounting period was recorded by the Company in Profit and Loss Account under the item Expenses of revaluation of securities and derivatives or Revenues of revaluation of securities and derivatives respectively. The recognized value may also be analyzed as follows:

	2015	2014	2013
Expenses of revaluation of securities and derivatives	-321 892	-304 107	-9 057
Revenues of revaluation of securities and derivatives	85 633	50 286	62 323
Net revaluation and settlement of financial derivatives	-236 259	-253 821	53 266

From 2014, the fuel price was ensured by the Company by mean of commodity swaps particularly for summer season in the volume 100,000 t. By the impact of unforeseen volatility of oil prices at the international markets, a substantial fall of oil prices occurred and the air fuel relating thereto. Due to the fact that the mentioned commodity swaps shall be characterized as the derivatives intended for trade, the price fall was shown almost in full in the costs related to revaluation of commodity swaps.

10. PAYABLES

	To 31. 12. 2015	To 31. 12. 2014	To 31. 12. 2013
Short-term payables	1 466 551	1 316 667	1 311 464
Long-term payables	3 981	3 474	3 902
where of the payables with remaining period before due over 5 years	0	0	0
Payables in total	1 470 532	1 320 141	1 315 366

The long-term payables shown in the balance sheet mainly include the deferred tax payable TCZK 3 793 (2014: 3 285; 2013: 3 793).

In terms of maturity, the short-term payables shown in the balance sheet are structured as follows:

	Trade payables	Other payables	Total
Before due	23 315	1 002 177	1 025 492
- of which to the enterprises within a group	48 811	401 930	450 741
Overdue	294 879	146 180	441 059
- of which to the enterprises within a group	0	0	0
Total at 31 Dec 2015	318 194	1 148 357	1 466 551
Before due	383 956	542 309	926 265
- of which to the enterprises within a group	29 076	31 881	60 957
Overdue	243 312	147 090	390 402
- of which to the enterprises within a group	0	0	0
Total at 31 Dec 2014	627 268	689 399	1 316 667
Before due	466 804	335 353	802 157
- of which to the enterprises within a group	28 785	54 236	83 021
Overdue	222 265	287 042	509 307
- of which to the enterprises within a group	0	0	0
Total at 31 Dec 2013	689 069	622 395	1 311 464

	To 31.12.2015	To 31.12.2014	To 31.12.2013
Payables of daughter company Travel Service Slovensko	342 994	0	0
Payables of daughter company Travel Service Polska	8 483	8 663	8 426
Payables of daughter company T. S. Building	3 516	3 516	0
Payables due to the payment of dividends and loans (UNIMEX GROUP)	70 741	13 741	0
Payables to employees	52 968	52 077	49 882
Payables to social security and health insurance	19 433	17 025	17 508
Due to the state – tax payables and subsidies	8 280	11 049	8 835
- CIT (Corporate Income Tax)	0	0	0
- PPIT (Physical Persons Income Tax) and others	8 280	11 049	8 835
Short-term advances received	364 820	232 870	303 352
Accrued Expenses	41 154	25 966	20 515
Estimated accounts passive	186 264	77 782	212 845
Other payables	49 704	246 710	1 032
Other payables total	1 148 357	689 399	622 395

The overview of payables to the organs of state administration:

	Social insurance	Health insurance	Tax liabilities
Before due	9 943	7 175	8 280
Overdue (arrears)	0	2 315	0
Total at 31 December 2015	9 943	9 490	8 280
Before due	9 653	7 372	11 049
Overdue (arrears)	0	0	0
Total at 31 December 2014	9 653	7 372	11 049
Before due	10 293	7 215	8 835
Overdue (arrears)	0	0	0
Total at 31 December 2013	10 293	7 215	8 835

11. BANK CREDITS

To finance its operation and investment needs, the Company uses the business loans provided by UniCredit Bank Czech Republic and Slovakia, a. s., Komerční bankou, a. s., Raiffeisenbank a.s. and Česká spořitelna, a. s. The loans to finance the operation needs are repaid in summer season or partly drawn due to surplus of financial means in EUR and non-suitability of their conversion into CZK.

Provider of credit (in thousand CZK)	Nesplacená část	Z toho splatno do 1 roku	Celková výše úvěru/úvěrový rámec Z toho splatno za 1 rok a více
Komerční banka, a.s.	80 000		
Overdraft	49 801	49 801	0
Komerční banka, a.s.	330 252		
Revolving credit	328 655	328 655	0
Raiffeisenbank a.s.	200 000		
Short-term credit	200 000	200 000	0
UniCredit Bank Czech Republic and Slovakia, a.s.	500 000		
Overdraft	380 849	380 849	0
UniCredit Bank Czech Republic and Slovakia, a.s.	125 000		
Short-term credit	125 000	41 667	83 333
Total	100 000		
Overdraft	93 455	93 455	0
Credit Limit in total	1 335 252		
Unpaid part in total	1 177 760	1 094 427	83 333

On 29 September 2004, UniCredit Bank Czech Republic and Slovakia, a. s. concluded with the Company a Credit Agreement as amended. The Company is entitled to use a revolving multipurpose line in the maximum amount of TCZK 550 000 in the period from 1 November to 30 June or TCZK 250 000 in the period from 1 July to 31 October intended for financing of operational needs, issuing bank guarantees or documentary letters of credit and concluding the treasury trades. The cash drawings is limited to the amount of TCZK 500 000 in the period from 1 November to 30 June or TCZK 200 000 in the period from 1 July to 31 October. The credit is payable 31 December 2016.

In favour of UniCredit Bank Czech Republic and Slovakia, a. s., there are the shares of issuer Travel Service, a. s. pledged in a total number of 1 250 pieces of the equity shares of nominal value TCZK 125 000 of the following pledgers:

1. UNIMEX GROUP, a. s.	–	44 equity shares of a nominal value TCZK 4 400
2. Ing. Roman Vik	–	184 equity shares of a nominal value TCZK 18 400
3. CANARIA TRAVEL, spol. s r. o.	–	152 equity shares of a nominal value TCZK 15 200

On 29 December 2015, the Company concluded an CREDIT AGREEMENT reg. no. 1327/15-120 matured on 31 December 2018 with UniCredit Bank Czech Republic and Slovakia, a. s. On the basis of this agreement, the Company has drawn a credit to finance advance payments to acquire fixed tangible assets – the aircraft Boeing 737 – MAX. The credit shall be repaid quarterly in regular installments starting from 31 March 2016. The payment amounting to CZK 10,416,666.67 was made duly in time specified by the contract.

On 18 December 2014, the Company concluded with Komerční banka, a. s. a Framework agreement on provision of financial services, reg. number 9900034066000, on the basis of which Komerční banka, a. s. extended to the Company a so called Global Credit Line. This line may be extended up to a total amount TCZK 500 000 and from 1 June 2015 up to a total amount TCZK 370 000. The limit of extended credits amounted up to 31 December 2014 to a total amount TCZK 440 000 and it was effective till 31 May 2015. For the period from 1 June 2015, the credit limit amounts to TCZK 270 000.

Within the Global Credit Line (i.e. TCZK 500 000 or TCZK 370 000), Komerční banka, a. s. may extend customs guarantee up to TCZK 50 000, payment guarantees up to TCZK 200 000 (or equivalent in foreign currency), guarantees of duly made contract up to TUSD150, documentary L/C up to TCZK 200 000 (or equivalent in foreign currency, standby L/C up to TCZK 200 000 (or equivalent in foreign currency). The Global Credit Line is guaranteed by the pledging agreement, dated 18 September 2013, to the immovable in ownership of the pledger T. S. Building, s.r.o. with its registered seat in Václavské náměstí 53/815, Prague 1. The subject of pledge is a building of the descriptive number 1068 in Prague - Ruzyne at the parcel number 2584/11. In favour of Komerční banka, a. s., there are the shares of issuer Travel Service, a. s. pledged in a total number of 1 250 pieces of the equity shares of nominal value TCZK 125 000 of the following pledgers:

1. UNIMEX GROUP, a. s.	–	676 equity shares of a nominal value TCZK 67 600
2. Ing. Roman Vik	–	536 equity shares of a nominal value TCZK 53 600
3. CANARIA TRAVEL, spol. s r. o.	–	38 equity shares of a nominal value TCZK 3 800

The Company co-operates with Raiffeisenbank a. s., which has extended an overdraft credit amounting to a total TCZK 200,000 and with Česká spořitelna, a. s., which has extended an overdraft credit amounting to TCZK 100 000 to the Company. With the mentioned banks, the Company co-operates in ensuring the currency and commodity risks.

CO-OPERATION WITH BANKS INCLUDING THE INFORMATION ON INTEREST RATES

The interest rates from extended credits are based on PRIBOR/LIBOR/EURIBOR floating rates according to relevant currency of a possible drawing and fixed deviation 1.1% p. a. to 2.5% p. a. (the exact value of deviation is subject to a trade secret).

The Company maintains current accounts in Komerční banka, a. s., UniCredit Bank Czech Republic and Slovakia, Raiffeisenbank a.s., Citi Bank Europe plc, organizational unit and Československá obchodní banka, a.s. The Company co-operates further in payment transactions with Tatra Banka, a.s. in Slovakia and the branch office of foreign bank – Komerční banka Bratislava, PEKAO Bank in Republic of Poland and Citi Bank in Israel and Ireland.



12. OPERATION REVENUES OF THE COMPANY

In 2015, the Company operated 111 785 block hours of flights, in 2014 in total 126 036 block hours of flights, in 2013 in total 117 681 block hours. In comparison with 2014, a decline in operated block hours took place in 2015 by 14 251 block hours.

The main reasons of this decline are stemming from the organization change occurred due change of legislation and the Travel Service, a. s., an organisation unit Slovakia cannot any more to continue in business activity in the area of scheduled and charter carriage of persons by air. Instead of the organisation unit, the business activity is being undertaken on behalf of a daughter company Travel Service Slovensko, s. r. o. In order to compare the operated block hours it is required to compare the block hours operated in 2014, when the Company undertook its business activity in Slovakia through its organisation unit, with the block hours operated in 2015 through two legal persons – Travel Service, a. s. and Travel Service Slovensko, s. r. o. The above mentioned decline of the operated block hours decreased by the block hours operated by the company Travel Service Slovensko, s. r. o., i.e. by 8,185 block hours to 6,066 block hours. An YTY decline of the operated block hours in the volume of 6,066 occurred due to operation of a substantial number of flights, e.g. on the routes Prague – Tel Aviv, Prague – Barcelona by mean of code share flights particularly in co-operation with České aerolinie, a. s. It includes a common exploitation of distribution sales channels, when the flight was operated by one of carriers. A positive effect is brought by the higher penetration of seating capacity and higher load factor.

The block hours operated by the Company and their structure in terms of the product is included in the following chart:

2015 BLOCK HOURS													
Product	12015	22015	32015	42015	52015	62015	72015	82015	92015	102015	112015	122015	2015
TVS in total	7 699	7 225	8 684	8 328	8 846	11 916	13 328	13 837	11 973	6 879	5 695	7 375	111 785
where of													
Charter carriage	1 655	1 745	2 204	2 415	3 870	5 939	6 911	7 287	6 150	3 367	1 377	1 535	44 456
Scheduled carriage	386	318	489	957	1 388	4 371	5 217	5 193	4 695	1 433	756	825	26 030
Lease of aircrafts	5 483	4 943	5 722	4 484	3 092	1 105	789	900	618	1 456	3 365	4 704	36 661
Other	175	218	269	473	497	501	411	457	510	623	196	311	4 638

An Y/Y decline of the operated block hours without taking into account the termination of business activity of the organisation unit, as mentioned above, amounts to 11.27%. The mentioned fact has an impact on decline of operating revenues in comparison with 2014 to amount to 6.70%.

The following chart gives an information on products with Y/Y changes occurred:

BLOCK HOURS - 2015 vs. 2014 COMPARISON													
Product	1_15_14	2_15_14	3_15_14	4_15_14	5_15_14	6_15_14	7_15_14	8_15_14	9_15_14	10_15_14	11_15_14	12_15_14	2015_2014
TVS in total	-636	-398	-408	-406	-326	-1 841	-3 325	-2 978	-2 690	-1 125	-699	583	-14 251
where of													
Charter carriage	-48	48	-90	16	144	-235	-608	-395	-585	-240	-10	318	-1 685
Scheduled carriage	12	10	43	190	245	684	1 121	1 098	905	-174	109	156	4 399
Lease of aircrafts	-667	-560	-505	-760	-728	-2 500	-4 076	-4 000	-3 166	-748	-786	-22	-18 518
Other	67	104	145	148	13	210	237	319	156	36	-12	131	1 554

For completeness, the chart below outlines the block hours operated by daughter company Travel Service Slovensko, s. r. o.

2015 BLOCK HOURS													
Produkt	12015	22015	32015	42015	52015	62015	72015	82015	92015	102015	112015	122015	2015
Travel Service SK	13	14	15	42	167	1 594	2 308	2 244	1 559	181	28	20	8 185
where of													
Charter carriage	12	13	8	38	134	1 594	2 308	2 244	1 559	167	28	20	8 127
Scheduled carriage	0	0	0	0	0	0	0	0	0	0	0	0	0
Lease of aircrafts	0	0	6	4	32	0	0	0	0	14	0	0	56
Other	1	1	1	0	1	0	0	0	0	0	0	0	3

The change in structure of the operated block hours has an impact on the structure of the generated revenues as mentioned below:

Revenues	2015	2014	Y/Y comparison in TCZK	Y/Y comparison in %
Revenues from charter carriage	7 626 701	9 431 889	-1 805 188	-19,14
Revenues from scheduled carriage	4 247 377	3 536 331	711 046	20,11
Revenues from lease of aircrafts and services	2 010 934	1 889 718	121 217	6,41
Other operation revenues	587 862	426 603	161 259	37,80
Operation revenues total	14 472 875	15 284 540	-811 666	-5,31

The decline of operation revenues in the area of charter carriage of persons occurred due the reasons mentioned above (revenues generated from Slovakia are not part thereof) and the lower price of aviation fuel and non-billing or absence of revenues generated by fuel surcharges.

The mentioned operation revenues brought about the total operation costs:

Revenues	2015	2014	Y/Y comparison in TCZK	Y/Y comparison in %
	13 992 452	15 010 438	-1 017 986	-6,78

In 2015, the fact may be appreciated positively that the decline of operation costs was higher than the decline of operation revenues.

we can help you whether
you drill for fuel or use it.

If you heat a home, chances are United is behind the scenes. Our helicopters speed men, materials and supplies to offshore oil rigs and sites. Like Alaska's North Slope. Which means money saved. Another fact: the world's largest jet engines are powered by United engines and the generation of engine power promotes United.

United
Aircraft

13. EXPENSES OF CONSUMPTION OF MATERIAL, ENERGY AND SERVICES

The analyse of selected substantial expenses is shown in the following review:

	2015	2014	Difference	%	2013
Fuel, material and energy consumption	3 030 698	4 447 000	-1 416 302	-32	4 141 251
- fuel	2 706 862	4 100 899	-1 394 037	-34	3 817 212
- fuel – re-invoicing	240 421	259 057	-18 636	-7	241 846
- printing	46 411	48 469	-2 058	-4	53 529
- technical department	10 079	3 726	6 353	170	1 792
- energy	6 636	7 297	-661	-9	7 571
- others	20 289	27 552	-7 261	-26	19 301
Services	10 474 247	10 021 197	453 050	5	8 638 580
- aircraft lease	3 363 293	3 223 809	139 484	4	2 781 663
- handling, landing and other expenses relating to flight operation	2 197 444	2 294 974	-97 530	-4	2 282 689
- taxes	1 497 687	1 646 314	-148 627	-9	1 388 015
- aircrafts overhaul	1 936 280	1 423 743	512 537	36	1 145 512
- catering	201 802	295 441	-93 639	-32	281 472
- services subject to re-invoicing	126 550	70 572	55 978	79	67 997
- travel and lodging	302 075	304 915	-2 840	-1	297 119
- commissions	107 085	78 227	28 858	37	43 704
- public relations	25 160	26 264	-1 104	-4	37 453
- communications	70 468	55 387	15 081	27	41 943
- rental and leasing	29 970	33 755	-3 785	-11	31 357
- training	39 179	57 515	-18 336	-32	32 959
- repairs different to aircraft overhaul	4 531	1 168	3 363	288	1 356
- codeshare	375 350	322 873	52 477	16	33 706
- others	197 373	186 240	11 133	6	171 635

A substantial decline of commodities such as oil and natural gas on the world markets brought about a significant decrease of costs related to the fuel consumption. In general, however, the costs related to maintenance, particularly the aircrafts overhaul and maintenance. The specified costs may be distributed as follows:

- Costs related to the own maintenance of aircrafts in 2015 amounting to TCZK 899 070 (2014 TCZK 652,418),
- Costs related to a so called supplemental rent connected with the exploitation of aircrafts in 2015 amounting to TCZK 1,031,997 (2014 TCZK 771,417).

An increase of costs in 2015 was connected to the engine overhaul and revision of other part of aircrafts in accordance with recommendation of a manufacturer.

14. INCOME TAX

Tax expense (+) / revenue (-) in the single periods include:

	2015	2014	2013
Tax due	54 870	10 946	61 835
Tax deferred	508	-508	-1 436
Total	55 378	10 438	60 399

The income tax due in the individual periods is specified as follows:

	2015	2014	2013
Profit before tax	247 865	70 505	218 753
Net adjustment for tax basis	35 556	14 716	87 311
Tax basis	283 421	85 221	306 064
Creation of income tax reserve (19% of the tax basis)	53 850	16 192	58 152
Income tax reserve after discount deduction and deduction of abroad tax claim settlements	53 850	14 557	58 152
Income tax settlement for previous accounting period	-14 557	-58 152	-17 252
Actual amount of tax liability in previous accounting period	15 577	54 219	17 252
Other impacts	0	322	3 683
Income Tax Due (expense)	54 870	10 946	61 835

The tax deferred at 31 December 2015 or 2014 and 2013 respectively is calculated from all temporary differences by the rate applicable for the accounting period of the expected realization of the deferred tax. It may be analysed as follows.

	2015	2014	2013
Intangible and tangible fixed assets	-9 500	-12 014	-11 148
Other temporary differences – unpaid contractual penalties	-10 463	-5 274	-8 819
Total	-19 963	-17 288	-19 967
Tax rate	19%	19%	19%
Deferred tax	-3 793	-3 285	-3 793

15. TRANSACTIONS WITH AFFILIATED PARTIES

In 2015, the Company pursued transactions with affiliated parties under ordinary market conditions. As affiliated parties may be considered the daughter companies Travel Service Slovensko, s. r. o., Travel Service Polska, Sp. z o. o., Travel Service, Kft, TS Building, s. r. o., the shareholders of Company CANARIA TRAVEL, spol. s r. o. and UNIMEX GROUP, a. s. and the company EHQ, s. r. o. and the company UG Jet, s. r. o.

The co-operation with affiliated parties may be distributed as follows: ensuring carriage of persons by air (Canaria Travel, s. r. o.), lease of aircrafts (Travel Service, Kft., Travel Service Slovensko, s. r. o, Travel Service Polska, Sp. z o. o., UG Jet, s. r. o.), lease of non-residential premises (TS Building, s. r.o.), financial services (Unimex Group, a. s.), ensuring supplies of material and services, mediation of trade (Travel Service, Kft., Travel Service Slovensko, s. r. o, Travel Service Polska, Sp. z o. o.).

	Sale	Purchase	Balance at 31 December 2015
CANARIA TRAVEL, s. r. o.	2 929	2 929	12 944
Travel Service, Kft.	5 486	5 486	2 163
Travel Service Slovensko, s. r. o.	133 186	133 186	20 561
Travel Service Polska, Sp. z o. o.	292 139	292 139	161 208
Unimex Group, a. s.	1 024	1 024	-70 741
UG Jet, s. r. o.	114 360	114 360	34 796
TS Building, s. r.o.	21 717	21 717	-21 330
BT Golf	4 315	4 315	0
Total	575 156	575 156	139 601

As mentioned above, the Company ensures for daughter companies a number of activities. They are charged for these services in a common price set up on the basis of calculations and comparison with the prices common in the location and at the time.

16. ANALYSE OF DEVELOPMENT OF EMPLOYMENT AND STRUCTURE OF PERSONAL COSTS

In 2015 compared to 2014, there was an increase of the adjusted average level of employees of the Company from 1 032 employees in 2014 to 1 082 in 2015, an YTY increase by 4.85%.

The management of Company includes the staff members directly subordinated to the Company's Director General. These top managers include executive director, commercial director, flight director, technical director, operation director, HR manager, spokeswoman, IT manager, Compliance Monitoring Manager, Technical Quality Head, manager of daughter company Travel Service Polska, Sp. z o. o., scheduled carriage manager and financial director.

Tax expense (+) / income (-) in single periods includes:

Number of employees	2015	2014	2013
Adjusted average number of members of management	11	14	13
Adjusted average number of other employees	1 071	1 018	976
Total	1 082	1 032	989

The personal salary costs may be distributed as follows:

	2015	2014	2013
2015	Vedení	Ostatní	Celkem
Salary Costs	24 379	714 286	738 665
Remuneration of Members of the Company's organs	72	0	72
Social and Health insurance	5 738	220 863	226 601
Other Social Costs	24	8 941	8 965
Total	30 213	944 090	974 303
2014	Vedení	Ostatní	Celkem
Salary Costs	24 642	701 235	725 877
Remuneration of Members of the Company's organs	72	0	72
Social and Health insurance	5 657	218 990	224 647
Other Social Costs	0	7 168	7 168
Total	30 371	927 393	957 764
2013	Vedení	Ostatní	Celkem
Salary Costs	21 276	648 743	670 019
Remuneration of Members of the Company's organs	3 072	0	3 072
Social and Health insurance	5 887	204 434	210 321
Other Social Costs	24	5 488	5 512
Total	30 259	858 665	888 924

17. OTHER OPERATION REVENUES AND EXPENSES

In 2015, other operation revenues of the Company amounted to a total TCZK 240 462 (2014: 109 076; 2013: 85 434). These revenues were created by insurance indemnities TCZK 115 739 (2014: 33 297); dissolving subsidy relating to acquisition of emission allowances free of charge and the revenues from their sales amounting to TCZK 34 874 (2014: 23 110; 2013: 34 263); revenues from contractual penalties and interest on late payments amounting to TCZK 22 950 (2014: 18 232; 2013: 25 826); revenues from the written off accounts receivables TCZK 9 814 (2014: 6 994; 2013: 2 333), stocktaking difference, etc.

Other operation expenses of the Company amounting to TCZK 261 666 (2014: 117 912; 2013: 339 304) were created particularly by billing the emission allowances amounting to TCZK 67 988 (2014: 27 066; 2013: 56 662); insurance expenses amounting to TCZK 89 624 (2013: 76 014; 2013: 72 711), employees mandatory insurance expenses (Kooprativa), etc. In 2015, other operation expenses included additional expenses relating to the written off of accounts receivables amounting in total to TCZK 81 781.



18. FINANCIAL REVENUES AND EXPENSES

The financial revenues and expenses may be distributed as follows:

	2015	2014	2013
Currency rate differences (net)	12 483	64 669	35 180
Derivatives operations including revaluation for actual value	-236 259	-253 821	53 266
Interests revenues	14 751	5 432	2 629
Interests expenses	-23 627	-8 844	-13 030
Other financial expenses and revenues particularly bank charges	-7 839	-11 115	-8 822
Total Financial Profit / Loss	-240 491	-203 679	69 223

A negative financial (Profit)/ Loss occurred due to over guaranteeing the Company against the price volatility of aviation fuel by mean of commodity swaps and the development of fuel price, i.e. due to comparison between the fixed and floating price.

19. EVENTS UPON THE DATE OF CLOSURE OF ANNUAL FINANCIAL STATEMENTS

In accordance with the strategy of Company that includes, inter alia, a modernization of fleet of aircrafts focused on procurement and operating lease of aircrafts of the type Boeing 737 –MAX and the concluded agreement on purchase of three aircrafts of the mentioned type, the second advance payment has been installed to the company Boeing in the amount exceeding TCZK 100 000.

Due to concluded agreements on operating lease of the mentioned type B 737-MAX, the company was allowed to terminate prematurely the operating lease of aircrafts Airbus A 320 without any sanction.

Upon the date of Annual Financial Statements the Company started to realize the project of strengthening its position on the market in France and began to establish its base in Paris to include the lease of business space. The Company has concluded work agreements with several pilots and cabin crew members according to law of Republic of France with a view to the fact that these employees are citizens of French State.

The shareholders of Company undertook further steps to increase shareholders capital of the Company by the amount exceeding TCZK 900,000.

Cf. Annex No. 1.

The Company made a compilation of cash flow review by mean of indirect method. The cash equivalents show short-term liquid financial assets which may be transferred any time to the cash.

20. RISK MANAGEMENT

The Company faces the risks stemming from a possible insolvency of service purchasers. These risks are mitigated by requiring payments relating to service provision prior its performance or there are bank guarantees issued in its favour, e.g. bank guarantees of CITY Group, Raiffeisen Polska, etc., or a deposit is made.

The Company faces the risks of insolvency from part of its suppliers particularly those requiring payments prior consumption of services purchased by the Company or they require security deposits. The Company diminishes these risks so that within its co-operation with its domestic banks it uses security instruments in the form of letters of credit and bank guarantees – cf. point 11, which replace the required advance payments. Nevertheless, even the bank guarantees issued by the order of the Company represent certain risks stemming from the very substance of guarantees as the first call fulfilment is involved to include the abstract relationship rather than the accessory relationship.

The Company faces the exchange rate risks to mitigate by a so called natural hedging to balance its incomes and expenses so as to keep them balanced according to single currencies. Potential differences are secured by financial derivatives – call and put options or forwards. The principle of natural hedging is strengthened particularly against the volatility of US dollar vs. CZK rate by increasing the turnover with partners settling their payables in US dollars. It includes particularly the clients from North America continent, Israel and Republic of Poland.

For sake of unexpected growth of fuel prices there are agreed provisions concluded with commercial partners containing a so called fuel clause. By the end of 2015, the Company had commodity options concluded to ensure the air fuel prices in the volume of thousands tons of air fuel. In December 2014, an over insurance of the Company against the air fuel price growth occurred. On the basis of technical analyse a real assumption was made that oil and oil products or their prices would not continue in descending trajectory.

21. EVENTS UPON THE DATE OF CLOSURE OF ANNUAL FINANCIAL STATEMENTS

In accordance with the strategy of Company that includes, inter alia, a modernization of fleet of aircrafts focused on procurement and operating lease of aircrafts of the type Boeing 737 –MAX and the concluded agreement on purchase of three aircrafts of the mentioned type, the second advance payment has been installed to the company Boeing in the amount exceeding TCZK 100 000.

Due to concluded agreements on operating lease of the mentioned type B 737-MAX, the company was allowed to terminate prematurely the operating lease of aircrafts Airbus A 320 without any sanction. Upon the date of Annual Financial Statements the Company started to realize the project of strengthening its position on the market in France and began to establish its base in Paris to include the lease of business space. The Company has concluded work agreements with several pilots and cabin crew members according to law of Republic of France with a view to the fact that these employees are citizens of French State.

The shareholders of Company undertook further steps to increase shareholders capital of the Company by the amount exceeding TCZK 900,000.



REPORT ON RELATIONS

AMONG THE CONTROLLING PERSON AND THE CONTROLLED PERSON AND THE CONTROLLED
PERSONS BY IDENTICAL CONTROLLING PERSON

FOR THE ACCOUNTING PERIOD FROM 1 JANUARY 2015 UP TO 31 DECEMBER 2015
PURSUANT TO § 82 LOC

OF THE COMPANY TRAVEL SERVICE, A. S.

1. GENERAL INFORMATION ON CONTROLLED PERSON

Name:	Travel Service, a. s.
Registered seat:	Prague 6, K Letišti 1068/30, Postal Code 160 08
Legal form:	Incorporated company
Commercial Register:	Municipal Court Prague
Date of incorporation:	28 April 1998
Identification Number:	25663135
Line of business:	<ul style="list-style-type: none">- Scheduled and chartered, intrastate and international commercial carriage by air of passengers, their baggage, animals, mail and items (cargo)- Production, trade and services not referred to in Annex 1 and 3 of Trade Licensing Act

2. OBLIGATION TO PREPARE REPORT ON RELATIONS

The shares of the Company Travel Service, a. s. in the reporting period were own by the following shareholders:

Shares in %

UNIMEX GROUP, a.s., Prague 1, Václavské nám. 53	31,16
Ing. Roman Vik, Prague 4 - Hodkovičky, Korandova 217/9, Postal Code 147 00	31,16
CANARIA TRAVEL, spol. s r.o., Prague 8, Horňátecká 5/481	27,68
China International Group Corporation Limited, Room 2302-2304, 23/F, Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong, Peoples Republic of China	10.00

Pursuant to § 74, LoC, as amended, a dependency relation shall herewith be given between the ultimate owners of Unimex Group, a. s. and Ing. Roman Vik as a controlling person and the company Travel Service, a. s. as a controlled person. Pursuant to § 82, LoC, a governing body of the controlled person shall be obliged to prepare a written report on relations with the controlling person and all other persons controlled by the identical controlling person.

3. STRUCTURE OF RELATIONS AMONG PERSONS REFERRED TO UNDER POINT 2 AND THE ROLE OF COTROLLED PERSON IN THESE RELATIONS

In the 2015 accounting period, the Company was entering with the person referred to above (cf. point 2) into relations mentioned in Annex to Annual Financial Statements.

4. WAYS AND MEANS OF CONTROL

An influence of the controlling person in the controlled person shall be pursued by mean of general meeting through the election of statutory organ of the company.

5. OVERVIEW OF MUTAL AGREEMENTS AMONG CONTROLLED PERSON AND THE CONTROLLING PERSON OR AMONG THE CONTROLLED PERSONS

Among the controlled person and the controlling person or among the controlled persons there was a loan agreement concluded, the creditor shall be UNIMEX GROUP, a.s., Prague 1, Václavské nám. 53, the debtor shall be Travel Service, a. s.

6. OVERVIEW OF ACTS IN THE LAST ACCOUNTING PERIOD MADE BY THE INITIATIVE OR IN THE INTEREST OF CONTROLLING PERSON OR THE PERSONS CONTROLLED BY IT, RELATED TO THE ASSETS EXCEEDING 10 % OF THE SHARE CAPITAL OF THE CONTROLLED PERSON ESTABLISHED ACCORDING TO THE LAST ANNUAL FINANCIAL STATE MENT

In the last accounting period, there were no acts made by the initiative or in the interest of the controlling person or the persons controlled by it, related to the assets exceeding 10 % of the share capital of the controlled person established according to the last annual financial statement and there were no other acts made in the interest or by the initiative of the controlling person or the persons controlled by it.

7. REVIEW OF A HARM POSSIBLY OCCURRED TO THE CONTROLLED PERSON INCL. THE REVIEW OF ITS SETTLEMENT PURSUANT TO §§ 71 AND 72 LOC

From the relations referred to above and the acts made, there was no harm occurred to the company. The loan referred to above was extended under the conditions prevalent at the place and time.

8. ASSESSMENT OF ADVANTAGES AND DISADVANTAGES STEMMING FROM RELATIONS AMONG PERSONS REFERRED TO UNDER POINT 2

From the above relations an advantage for the Company is stemming to ensure the fast financing under conditions prevalent at the place and time. In general, from the relations mentioned above the risks of a possible default in repayment of the extended loan emerge.

9. FINAL STATEMENT

The data referred to in this Report are complete according to our/my best of my knowledge and they contain all data pursuant to § 82 LoC.

In Prague, on 27 April 2016



Ing. Jiří Jurán

INDEPENDENT AUDITORS REPORT TO THE FULL CZECH LANGUAGE SET OF THE ANNUAL REPORT INCL. STATUTORY FINANCIAL STATEMENTS OF THE COMPANY TRAVEL SERVICE, A.S. AS OF 31ST DECEMBER, 2015

Independent Auditor's Report
for the shareholders of Travel Service, a.s.
K Letišti 1068/30, 160 08 Praha 6
Reg.No. 256 63 135

We have audited the accompanying financial statements of Travel Service, a. s., incorporating the balance sheet as at 31.12.2015, the profit and loss statement for the year ended 31.12.2015, the cash flow statement for the year ended 31.12.2015 and the notes to the annual financial statements that describe significant accounting methods and policies, and other comments and explanations, and the Statement of Changes in Equity for the year ended 31.12.2015, enclosed in the notes.

Management's Responsibility for the Financial Statements

The responsibility for the preparation and presentation of the annual financial statements that give a true and fair view in accordance with Czech accounting standards, policies and regulations lies with the management of Travel Service, a. s. Management is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

The auditor is engaged to express an opinion on these financial statements based on the outcome of the audit. We conducted the audit in accordance with the Auditors Act, International Auditing Standards and the relevant application guidelines issued by the Czech Chamber of Auditors. The regulations and standards require that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the annual financial statements present a true and fair view of the assets and liabilities of Travel Service, a.s. for the year ended 31.12.2015 and of the costs, revenues, profit, loss and cash flows for the year then ended in accordance with Czech accounting standards and regulations.

Other Information

Other information is the information included in the annual report, in addition to the facts and figures disclosed in the financial statements and the auditor's report on the financial statements. Company management is responsible for the presentation of the other information.

Our audit opinion to the financial statements does not cover the other information and we do not issue any special audit opinion on the other information. However, when auditing the financial statements, the auditor is expected to read the other information and determine whether no material inconsistency exists between the other information as stated in the annual report and the facts and figures disclosed in the financial statements or the auditor's knowledge about the audited company as acquired during the audit of the financial statements. In addition, the auditor must determine whether the annual report has been prepared in compliance with applicable legal regulations and whether the other information does not appear to be materially misstated otherwise. If, performing the auditing procedures, the auditor identifies any such inconsistencies or misstatements, the auditor must make note of that in the auditor's report.

Based on the above procedures with have not identified any such issues with regards to the other information.

Prague, on April 25, 2016

Rödl & Partner Audit, s.r.o. Platněřská 2, 1 10 00 Praha 1
Licence Number 354
represented by the managing director



Andreas Höfinghoff



Ing. Ivan Brož
registered auditor, licence number 2077

BALANCE SHEET FULL VERSION AT AS 31. 12. 2015

ASSETS (in thous. CZK)				Current period	Prior period
	line	Gross	Adjustment	Net	Net
TOTAL ASSETS	001	3 954 074	-225 531	3 728 543	2 993 392
A. Receivables for subscribed shared capital	002	0	0	0	0
B. Fixed assets	003	930 947	-169 588	761 359	558 036
B. I. Intangible fixed assets	004	70 510	-41 110	29 400	21 174
B. I. 1. Incorporation expenses	005	0	0	0	0
2. Research and development	006	510	-510	0	0
3. Software	007	52 176	-38 165	14 011	8 130
4. Royalties	008	2 467	-2 435	32	162
5. Goodwill	009	0	0	0	0
6. Other intangible fixed assets	010	4 457	0	4 457	0
7. Intangible fixed assets in the course of construction	011	10 900	0	10 900	12 882
8. Advances paid for intangible fixed assets	012	0	0	0	0
B. II. Tangible fixed assets	013	402 959	-128 478	274 481	149 598
B. II. 1. Land	014	0	0	0	0
2. Buildings, halls and constructions	015	7 294	-4 463	2 831	3 571
3. Separate movable items and sets of movable items	016	102 894	-63 872	39 022	43 536
4. Cultivated areas	017	0	0	0	0
5. Livestock	018	0	0	0	0
6. Other tangible fixed assets	019	0	0	0	0
7. Tangible fixed assets in the course of construction	020	15 344	0	15 344	16 228
8. Advances paid for tangible fixed assets	021	217 284	0	217 284	86 263
9. Adjustment to acquired fixed assets	022	60 143	-60 143	0	0
B. III. Long-term financial investments	023	457 478	0	457 478	387 264
B. III. 1. Investments - controlled entities/subsidiaries	024	398 354	0	398 354	384 694
2. Investments in associates	025	59 124	0	59 124	0
3. Other long-term investments in securities	026	0	0	0	0
4. Intragroup loans - controlling influence, controlled entities and associates	027	0	0	0	0
5. Other long-term financial investments	028	0	0	0	0
6. Long-term investments in progress	029	0	0	0	2 570
7. Advances paid for long-term financial investments	030	0	0	0	0
C. Current assets	031	2 712 751	-55 943	2 656 808	1 990 041
C. I. Inventories	032	333 949	-4 760	329 189	235 436
C. I. 1. Materials	033	333 859	-4 760	329 099	235 322
2. Work-in-progress and semi-finished products	034	0	0	0	0
3. Finished products	035	0	0	0	0
4. Livestock	036	0	0	0	0
5. Goods for resale	037	90	0	90	114
6. Advances paid for inventories	038	0	0	0	0

ASSETS (in thous. CZK)			Current period		Prior period
		line	Gross	Adjustment	Net
C. II.	Long-term receivables	039	716 502	0	716 502
C. II. 1.	Trade receivables	040	0	0	0
2.	Receivables - controlling influence or controlled entities	041	0	0	0
3.	Receivables - significant influence (associates)	042	0	0	0
4.	Receivables from shareholders, members and associatiation participants	043	0	0	0
5.	Long-term advances paid	067	0	0	0
6a.	Accrued revenue	65a	0	0	0
6b.	Estimated receivables	044	0	0	0
7.	Other receivables	045	716 502	0	716 502
8.	Deferred tax asset	046	0	0	0
C. III.	Short-term receivables	047	1 474 077	-51 183	1 422 894
C. III. 1.	Trade receivables	048	448 279	-51 183	397 096
2.	Receivables - controlling influence or controlled entities	049	128 359	0	128 359
3.	Receivables - significant influence	050	0	0	0
4.	Receivables from shareholders, members and association participants	051	0	0	0
5.	Receivables for social security and health insurance	052	0	0	0
6.	Due from state - tax receivables	053	1 864	0	1 864
7.	Short-term advances paid	054	103 730	0	103 730
8a.	Accrued income	65b	1 224	0	1 224
8b.	Estimated receivables	055	563 498	0	563 498
9.	Other receivables	056	227 123	0	227 123
C. IV.	Short-term financial assets	057	188 223	0	188 223
C. IV. 1.	Cash	058	4 912	0	4 912
2.	Cash in bank	059	183 311	0	183 311
3.	Short-term investments	060	0	0	0
4.	Short-term financial investments in progress	061	0	0	0
D. I.	Accruals and deferrals	062	310 376	0	310 376
D. I. 1.	Prepaid expenses	063	310 376	0	310 376
2.	Complex deferred expenses	064	0	0	0
3.	Unrealized exchange rate losses	066	0	0	0

LIABILITIES (in thous. CZK)		line	Current period	Prior period
	TOTAL LIABILITIES + EQUITY	070	3 728 543	2 993 392
A.	Equity	071	982 903	777 432
A. I.	Share capital	072	250 000	250 000
A. I. 1.	Share capital	073	250 000	250 000
	2. Own shares held	074	0	0
	3. Changes in share capital	075	0	0
A. II.	Capital contributions	076	32 253	19 269
A. II. 1.	Share premium	077	10 149	10 149
	2. Other capital contributions	078	0	0
	3. Gains or losses from revaluation of assets and liabilities	079	22 104	9 120
	4. Gains or losses from revaluation in corporate transformations	080	0	0
	5. Differences from corporate transformations	080a	0	0
	6. Gains or losses from valuation in company transformations	080b	0	0
A. III.	Revenue reserves	081	42 090	34 090
A. III. 1.	Reserve fund	082	0	0
	2. Statutory and other reserves	084	42 090	34 090
A. IV.	Retained earnings	085	466 073	414 006
A. IV. 1.	Retained earnings	086	466 073	414 006
	2. Accumulated losses	087	0	0
	3. Other retained earnings	087a	0	0
A. V. 1.	Profit / (loss) for the current period (+ / -)	088	192 487	60 067
A. V. 2.	Decided about advances for profit distribution (-)	088a	0	0
B.	Liabilities	089	2 697 181	2 196 106
B. I.	Provisions for future liabilities and charges	090	48 889	0
B. I.1.	Tax deductible provisions	091	0	0
	2. Provisions for pensions and similar liabilities	092	0	0
	3. Provisions for corporate income tax	093	18 952	0
	4. Other provisions	094	29 937	0
B. II.	Long-term liabilities	095	3 981	3 474
B. II. 1.	Trade payables	096	188	189
	2. Payables - controlling influence or controlled entities	097	0	0
	3. Payables - significant influence (associate)	098	0	0
	4. Payabl.to shareholders, members and assoc. participants	099	0	0
	5. Long-term advances received	100	0	0
	6. Debentures and bonds issued	101	0	0
	7. Long-term bills of exchange payable	102	0	0
	8a. Accrued expenses	123a	0	0
	8b. Estimated payables	103	0	0
	9. Other payables	104	0	0
	10. Deferred tax liability	105	3 793	3 285

LIABILITIES (in thous. CZK)

		line	Current period	Prior period
B. III.	Short-term liabilities	106	1 466 551	1 316 667
B. III. 1.	Trade payables	107	318 194	627 268
2.	Payables - controlling influence or controlled entities	108	354 993	12 179
3.	Payables - significant influence (associate)	109	0	0
4.	Payabl.to shareholders, members and assoc. participants	110	70 741	13 741
5.	Payables to employees	111	52 968	52 077
6.	Payabl. to social security and health insurance institutions	112	19 433	17 025
7.	Due to state - taxes and subsidies payable	113	8 280	11 049
8.	Short-term advances received	114	364 820	232 870
9.	Debentures and bonds issued	115	0	0
10a.	Accrued expenses	123b	41 154	25 966
10b.	Estimated payables	116	186 264	77 782
11.	Other payables	117	49 704	246 710
B. IV.	Bank loans and overdrafts	118	1 177 760	875 965
B. IV. 1.	Long-term bank loans	119	83 333	0
2.	Short-term bank loans and overdrafts	120	1 094 427	875 965
3.	Other short-term borrowings	121	0	0
C. I.	Accruals and deferrals	122	48 459	19 854
C. I. 1.	Deferred income	124	48 459	19 854
2.	Unrealized exchange rate gains	125	0	0

PROFIT AND LOSS ACCOUNT FULL VERSION AS AT 31. 12. 2015

(in thous. CZK)		line	Period	
			current	prior
I.	Sales of goods	01	45 764	28 953
A.	Cost of goods sold	02	27 999	7 736
+	Gross profit	03	17 765	21 217
II.	Sales of production	04	14 802 864	15 716 557
II.	1. Sales of own products and services	05	14 802 770	15 716 557
	2. Changes in inventories of finished goods and work-in-progress	06	0	0
	3. Capitalization	07	94	0
B.	Cost of sales	08	13 504 945	14 468 197
B.	1. Materials and energy consumption	09	3 030 698	4 447 000
B.	2. Services	10	10 474 247	10 021 197
+	Added value	11	1 315 684	1 269 577
C.	Personnel costs	12	974 303	957 764
C.	1. Wages and salaries	13	738 665	725 877
	2. Remuneration of board members	14	72	72
	3. Social security and health insurance costs	15	226 601	224 647
	4. Social costs	16	8 965	7 168
D.	Taxes and fees	17	1 407	1 114
E.	Depreciation of intangible and tangible fixed assets	18	15 161	14 179
III.	Sale of fixed assets and materials	19	749 126	874
III.	1. Sale of fixed assets	20	749 126	768
	2. Sale of raw materials	21	0	106
F.	Net book value of fixed assets and materials sold	22	575 752	712
F.	1. Net book value of fixed assets sold	23	575 752	712
	2. Materials sold	24	0	0
G.	"Change in provisions (operating activities) and complex deferred expenses"	25	-11 373	13 662
IV.	Other operating income	26	240 462	109 076
H.	Other operating expenses	27	261 666	117 912
V.	Transfer of operating income	28	0	0
I.	Transfer of operating expenses	29	0	0
*	Operating profit (loss)	30	488 356	274 184
VI.	Revenues from sale of securities and ownership interests	31	0	0
J.	Securities and ownership interests sold	32	0	0
VII.	Revenues from long-term financial investments	33	0	0
VII.	1. Revenues from investments in controlled entities and entities with significant influence (associates)	34	0	0
	2. Revenues from other long-term securities and ownership interests	35	0	0
	3. Revenues from other long-term financial investments	36	0	0
VIII.	Revenues from short-term financial assets	37	0	0
K.	Expenses from long-term financial investments	38	0	0
IX.	Gains on revaluation of securities and derivatives	39	85 633	50 286

(in thous. CZK)		line	Period	
			current	prior
L.	Losses on revaluation of securities and derivatives	40	321 892	304 107
M.	Change in provisions (financial activities)	41	0	0
X.	Interest income	42	14 751	5 432
N.	Interest expense	43	23 627	8 844
XI.	Other financial income	44	529 286	502 022
O.	Other financial expenses	45	524 642	448 468
XII.	Transfer of financial income	46	0	0
P.	Transfer of financial expenses	47	0	0
*	Financial profit / (loss)	48	-240 491	-203 679
Q.	Corporate income tax on ordinary activities	49	55 378	10 438
Q. 1.	- due	50	54 870	10 946
2.	- deferred	51	508	-508
**	Profit / (loss) on ordinary activities after taxation	52	192 487	60 067
XIII.	Extraordinary income	53	0	0
R.	Extraordinary expenses	54	0	0
S.	Corporate income tax on extraordinary activities	55	0	0
S. 1.	- due	56	0	0
2.	- deferred	57	0	0
*	Profit /(loss) on extraordinary activities after taxation	58	0	0
T.	Transfer of profit / (loss) to partners	59	0	0
***	Profit / (loss) for the accounting period after taxation	60	192 487	60 067
****	Profit / (loss) before taxation	61	247 865	70 505

CASHFLOW AS AT 31. 12. 2015

(in thous. CZK)		Period	
		current	prior
P	Cash and cash equivalents at the beginning of the accounting period	182 652	180 899
Cash flows from ordinary activities			
Z.	Net profit / (loss) on ordinary activities before taxation	247 865	70 505
A.1.	Adjustments for non-cash transactions (figures A.1.1. to A.1.6.)	-383 089	264 763
A.1.1.	Depreciation of fixed assets, excluding net book value of fixed assets sold, and amortization of adjustment to acquired fixed assets	17 504	14 179
A.1.2.	Change in provisions for assets and future liabilities and charges	-20 863	1 085
A.1.3.	Profit (loss) from disposal of fixed assets (adjustments to expenses or revenues)	-173 374	-56
A.1.4.	Income from dividends and shares in profit	0	0
A.1.5.	Net interest income (expense), excluding capitalised interest	8 876	3 412
A.1.6.	Other adjustments for non-cash transactions	-215 232	246 143
A.*	Net cash flows from ordinary activities before tax, changes in working capital and extraordinary items (Z. + A.1.)	-135 224	335 268
A.2.	Change in working capital (A.2.1. to A.2.4.)	-102 382	-354 691
A.2.1.	Change in receivabl.from ordinary activities, accruals, prepayments and estimat.receivables	-397 590	-74 398
A.2.2.	Change in short-term payables from ordinary activities, accruals and estimated payables	393 721	-227 297
A.2.3.	Change in inventories	-98 513	-52 996
A.2.4.	Change in short-term financial assets (if not under P. or R.)	0	0
A.**	Net cash flows from ordinary activities before tax and extraordinary items (A.* + A.2.)	-237 606	-19 423
A.3.	Interest paid, excluding capitalized interest	-23 627	-8 844
A.4.	Interest received	14 751	5 432
A.5.	Corporate income tax on ordinary activities paid and additional tax payments for previous tax periods	-15 213	-86 293
A.6.	Cash movements related to extraordinary profit/(loss), includ. corporate income tax on extraordinary activities paid	0	0
A.***	Net cash flows from ordinary activities (A.** + A.3. + A.4. + A.5. + A.6.)	-261 695	-109 128
Cash flows from investing activities			
B.1.	Acquisition of fixed assets	-783 654	-63 226
B.2.	Proceeds from sale of fixed assets	749 126	768
B.3.	Long-term loans	0	4 540
B.4.	Income from dividends and shares in profit	0	0
B.***	Net cash flows from investing activities (B.1. to B.4.)	-34 528	-57 918
Cash flows from financing activities			
C.1	Change in long-term and short-term liabilities (financing activities)	301 794	193 358
C.2.	Changes in equity, affecting cash and cash equivalents (C.2.1. to C.2.6.)	0	-24 259
C.2.1.	Cash inflow from the increase of share capital, share premium or reserve funds, including down payments on this increase in share capital	0	0
C.2.2.	Disbursement from equity to shareholders	0	0
C.2.3.	Other cash contributions to equity by shareholders	0	0
C.2.4.	Redemption of retained loss by shareholders	0	0
C.2.5.	Direct payments from contributions	0	0
C.2.6.	"Dividends and shares in profit paid including withholding tax paid and revenue equalization (settlement) with shareholders of general partnerships (v.o.s.) and general partners of limited partnerships (k.s.)"	0	-24 259

(in thous. CZK)		Period	
		current	prior
C.***	Net cash flows from financing activities (C.1. + C.2. + C.3.)	301 794	169 099
F.	Net increase / (decrease) in cash and cash equivalents (A.*** + B.*** + C.***)	5 571	2 053
R.	Cash and cash equivalents at the end of the accounting period (P+F)	188 223	182 652

Prepared on 25. 4. 2016

Signature of Statutory Representative or natural person who is accounting entity,



Ing. Jiří Jurán











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