



*Aero*  
*Art of jet flying*

# Annual report 2022

of the company AERO VODOCHODY AEROSPACE a.s.  
as at 31 December 2022

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## Foreword by the CEO of AERO VODOCHODY AEROSPACE a.s.

**Ladies and gentlemen,  
dear readers,**

The year 2022 was marked by significant events and we can consider it a turning point. For our most recently developed aircraft, L-39NG, we have obtained unrestricted type certification, which is the main prerequisite for the registration of individual aircraft with customers. Thus, a decade of development, certification, testing and extensive investments, which were needed to successfully start serial production of the L-39NG aircraft, was completed.

This year also saw significant financial stabilisation. Aero came out of the red and, after years of investment, began to show revenue from orders for the L-39NG aircraft, which became Aero's priority business segment. For the year 2022, our company reported an operating profit of CZK 360 million, while the net profit amounts to more than CZK 192 million. From the sale of products, services and goods, we achieved a turnover of CZK 4.012 billion, a year-on-year increase of 169% compared to 2021, when it amounted to CZK 2.376 billion. We managed to increase the capital that was provided by the shareholder, we also strengthened our financial position and cash.

Four contracts for the supply of a total of 34 L-39NGs were concluded, and other new contracts are under negotiation. In the 4th quarter of the year, the Czech state also became a customer through the state-owned enterprise LOM PRAHA, with which Aero signed a contract for the supply of four L-39NG training aircraft, on which pilots of the Czech Army will train, part of the contract also includes an option for four more aircraft.



Integral parts of the business strategy are overhauls and upgrades of the L-39 Albatros machines. In the second half of the year and at the beginning of 2023, we managed to conclude three contracts for overhauls or upgrades of 14 L-39 machines. We also signed a new FOSS contract with the Army of the Czech Republic for the period 2023-2029 for L-159 aircraft. This year, after four years of intensive work, our prototype with the designation L-159 T2X took off. It is an aircraft on which we are testing new avionics systems and key structural and upgrade elements. The third business pillar is the area of industrial cooperation, where our customers are major global aerospace companies with whom we cooperate for a long time, mainly Airbus and Embraer.

We place great emphasis on our employees, their stabilisation and the filling of new positions that support the expansion and intensification of production. During the year, we hired more than 350 new employees. In 2022, a new production line for L-39NG airframes was scheduled to be launched, which will allow us to gradually increase production capacity from today's 12 pieces per year to 17 pieces next year, up to the planned 24 aircraft per year.

To achieve our goals, the support of our employees is essential, without whom we would not have achieved these results. Therefore, at the beginning of the year, we introduced a new system of benefits for employees, increased wages and established the company's business and production strategy. Wages were increased by an average of 17%, cafeteria

employees received a new benefit of 4% of wages, and working hours were reduced to 7.5 hours.

As part of the company's transformation, a new organisational structure was also created with the aim of transferring more responsibility to lower management and optimising and streamlining management processes. The new organisational structure more clearly supports the whole life cycle of products and effectively responds to the needs of customers, not only in the area of trade, purchasing or service, but also in development and production.

2023 will be a year full of challenges for Aero. A fundamental undertaking will be the handing over of the first series-produced pieces of the L-39NG to our first customer. In the future, our actions will lead to the return of the Aero company back to prominence among the world leaders, where it undoubtedly belongs. It is a unique company in the aviation and military industry, which is at the forefront of knowledge and know-how. It belongs to the oldest aviation companies in the world. It has been active in the field of aircraft production for more than 100 years and

was founded not long after our independent republic was established in 1919. We will continue to focus on the three fundamental pillars of our business. In addition to the production of our own and unique aircraft under the Aero brand, we will also continue with MRO contracts for the maintenance, repair and upgrade of aircraft, as well as the supply of aircraft units to our customers.

I am extremely proud of each of our more than 1,600 colleagues who are involved in the production of our aircraft. The most precious thing we have and what we are really proud of are our people. All those behind every single aircraft that flies from our airport to our customers, every single aircraft part that leaves our factory, or every single hour of consultation, training, maintenance and service we provide to our customers.

I thank all our business partners, suppliers and customers for their trust in the Aero brand. I would also like to thank all our employees for their support and diligence. I am convinced that the year 2023 will again go down in the annals of the Aero brand history.

**Viktor Sotona**



## Corporate profile

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AERO VODOCHODY AEROSPACE a.s. (hereinafter referred to as "Aero") is a public limited liability company incorporated on 15 December 2011 (as TULAREO a.s., its new name AERO VODOCHODY AEROSPACE a.s. was entered in the Commercial Register on 19 September 2012). The company's registered office is located at Odolena Voda, Dolínek, U Letiště No. 374, postcode 250 70. It is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 17749, Identification No: 24194204, Tax Identification No: CZ24194204.

According to the Project of Dividing the Company AERO VODOCHODY a.s., Aero is the successor company of AERO VODOCHODY a.s., thus continuing the rich history of that company. Until end of 2006, almost 100% of the shares of AERO VODOCHODY a.s. were owned by the Czech Consolidation Agency. On 4 January 2007, the Penta Group became a sole shareholder of AERO VODOCHODY a.s. and it launched the company restructuring project in the same year. In the years 2007 through 2011, AERO VODOCHODY a.s. achieved accumulated net profit in the amount of CZK 1,523 million.

As of 1 January 2012, the manufacturing part of AERO VODOCHODY a.s. was separated to form AERO VODOCHODY AEROSPACE a.s., the 100% owner of which was also the Penta Group. The registered capital of Aero is CZK 1,002 million and it is fully repaid.

In 2021, the target owner of the company changed. Based on the agreement signed in July 2021, HSC Aerojet Zrt. has become 100% owner of Aero and other companies in the group.

In the course of 2022 with the decisive date as at 1 January 2022, the corporate structure was simplified, when a merger took place between the company AERO VODOCHODY AEROSPACE as the successor company and the companies OAKFIELD a.s., TULAROSA a.s. and AERO VODOCHODY a.s. as the defunct companies. The companies OAKFIELD a.s., TULAROSA a.s. and AERO VODOCHODY a.s. were deleted from the commercial register as of 31 December 2022. In addition to simplifying the corporate structure of the group, the costs associated with the existence of companies in the holding structure were saved.

Aero is the biggest manufacturer of aviation technology in the Czech Republic. It is engaged in the development, production, sale and servicing of military and civil aviation technology. It focuses on the development, production and maintenance of its own aircraft and on cooperation with leading aerospace manufacturers in international cooperative projects. As part of the military program, it has been a longtime partner of the armed forces of several countries, in particular the Armed Forces of the Czech Republic.

Aero has an established quality management system certified according to AS 9100/ ISO 9001 and it is the holder of all the relevant company attestations and certificates as a whole as well as for partial processes in accordance with national and international standards. In terms of its own final production, it holds authorisation for the individual activities, i.e. authorisation for the development, manufacture, maintenance and maintenance training. As a subcontractor it holds the partial approvals of the Quality Management System and special processes from individual customers or under the NADCAP accreditation.

## Organisation structure as at 31 December 2022



Last Name / Name	Position	Termination/ transfer	Replacement/ change	Name
Hoda Jakub	VP Sales & Marketing	Left on 28 February 2022 – removed	EVP Sales & Marketing	Filip Kulštrunk
Undus Alice Justina	VP Institutional Relations & PR	Left on 31 January 2022 – removed	Position cancelled, moved to Sales & Marketing	
Vašíček Petr	VP Product	Resigned on 28 February 2022	The position was cancelled and transferred under VP Development	
Vinklář Petr	VP Transformation	Left on 30 April 2022 – removed	The position was cancelled and transferred under the responsibility of VP People & Culture	
Kulštrunk Filip	EVP Sales & Marketing	Joined on 14 March 2022		
Pilc Rostislav	VP Security	Transferred to VP Operation on 1 August 2022	VP Operations	



## Key events of 2022

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### January:

- The L-39NG aircraft successfully passed demanding fatigue tests and achieved five simulated life cycles, i.e. a total of five times five thousand flight hours in a severe load spectrum. Tests took place on the third prototype 7003 at the Aviation Research and Test Institute in Prague. A test prototype has shown that the L-39NG has roughly three times the lifespan of its legendary predecessor, the L-39 Albatros.

### February:

- On the L-39NG 7003 prototype, a residual strength test up to 120% of the allowable operating load began, followed by additional fatigue cycles of the landing gear, which is designed to be extremely durable.
- As part of the company's transformation, a new organisational structure was created with the aim of transferring more responsibility to lower management and optimising and streamlining management processes. The new organisational structure more clearly supports the whole life cycle of products and effectively responds to the needs of customers, not only in the area of trade, purchasing or service, but also in development and production.

### March:

- A new system of employee benefits was introduced, wages were increased and the company's business and production strategy was established. Wages were increased by an average of 17%, cafeteria employees received a new benefit of 4% of wages, and working hours were reduced to 7.5 hours.

### April:

- Aero has signed a contract with the Hungarian Defense Forces Headquarters for the supply of twelve L-39NG jet trainers and related support services.

### May:

- The ADAS defense fair took place in the Philippines, where Aero, as one of the main exhibitors, mainly presented the flagship product L-39NG.
- Aero participated in the IDEB 2022 International Defense Technology Fair and the Aviation Festival in Piešťany.
- The Iraqi Minister of Defense visited Aero, the main purpose of which was the presentation of the ongoing L-159 upgrade project, a demonstration of the L-39NG prototype aircraft and further development of business relations.

### June:

- Aero and Brazilian aircraft manufacturer Embraer have signed a memorandum that deepens cooperation and joint development between the two entities.

### July:

- Aero and combat air training specialist Draken Europe have announced the signing of a cooperation agreement to support the Red Air Aggressor Training Service (IRAATS) project of the British Royal Air Force (RAF). The contract was announced as part of The Royal International Air Tattoo, held at the RAF Fairford base on 15–17 July 2022.
- Aero and the leading aviation training solution provider Patriots Global Training (PGT) of the USA have signed a Memorandum of Cooperation aimed at expanding Aero's services offering and bringing the L-39NG aircraft to the US market.

### August:

- The most recently developed L-39NG aircraft received unrestricted type certification, which is the main prerequisite for the registration of individual aircraft with customers.
- Aero signed a strategic cooperation agreement on the production of the L-39NG training aircraft with the Slovak company Letecké opravovne Trenčín (LOTN).



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**September:**

- The delivery of twelve L-39NG jet trainer aircraft to Hungary will also include a ground simulation training system. Aero will implement the contract for "simulators" with the company VR Group, a.s.
- At the Airpower airshow in Zeltweg, Austria, representatives of Aero signed a memorandum of cooperation with the Austrian company Airborne Technologies GmbH, expanding industrial cooperation between the two countries.
- Aero organised the 7th international L-39 Users Group Conference under the auspices of the Air Force of the Army of the Czech Republic.

**October:**

- After four years of intensive work, the prototype (demonstrator) with the designation L-159 T2X took off. It is an aircraft on which engineers test new avionics systems and key design elements.

**November:**

- Aero and the state-owned enterprise LOM PRAHA signed a contract for the delivery of four new L-39NG jet aircraft for basic and advanced pilot training of the Air Force of the Czech Republic. The contract also includes post-warranty support or equipment.
- Connecting the wing and fuselage of the first production L-39NG marked a key milestone in production. Connecting them is an important step towards the final assembly and revival of the aircraft.

**December:**

- Jaromír Lang, chief designer of the new Czech jet aircraft L-39NG, received the commemorative medal of Army General Karel Janoušek. The award belongs to personalities who have been involved in a significant way for the benefit of the military aviation of the Czech Republic.

## Overview of business activities

**Aero's business is built on three main pillars.**

### **L-39NG**

- Development and production of a new military jet capable of serving as a flight training and/or light combat aircraft.

### **Support for aircraft produced by Aero**

- Support for operators of aircraft developed and manufactured at Aero: L-39, L-59 and L-159. MRO services, further aircraft development.

### **Aerostructures**

- Cooperation on international aerospace programs as a supplier and as a development partner.

## **L-39NG (Next Generation) program**



The L-39NG is a new jet aircraft project that Aero is offering to customers in trainer and light combat configurations. Aero introduced the L-39NG project in 2014 and since the beginning, the company OMNIPOL a.s. (hereinafter referred to as "Omnipol") has been its strategic partner. Omnipol is Aero's partner for sales to selected territories. The cooperation between the two companies has a long history.

Until 1990, Omnipol was the exclusive exporter of L-29 and L-39 aircraft produced by Aero.

The L-39NG is based on the aerodynamic concept of the L-39, but is manufactured using new technologies and contains modern systems. In the training syllabus, L-39NG is able to serve as basic, advanced and LIFT trainer thanks to its advanced avionics.

In a light combat configuration, it is capable of carrying both guided and unguided weapons on five pylons and is ready to perform a wide range of tasks from airspace guarding through direct air support to reconnaissance missions.

### **Aircraft certification**

Aero unveiled the first L-39NG prototype in October 2018 and it made its maiden flight in December that year. The second flight prototype made its first flight in December 2019. Both flight prototypes, together with the L-39NG technology demonstrator (aircraft with fuselage number 2626), are used for flight tests. Aero also produced two static prototypes, one for static structure strength tests and the other for fatigue tests, which were sent to The Czech Aerospace Research Centre. The strength tests were carried out from 2019 until spring 2021, when they were successfully completed. Fatigue testing began in spring 2020 and the four life cycles were successfully completed by July 2021. This fulfilled the objective of achieving a technical life of the aircraft at the level of 5000 flight hours, according to the specified load spectrum for the L-39NG. The good technical condition of the aircraft after the fourth life cycle allowed the test to be continued and finally stopped in February 2022 when the technical life of the aircraft reached the level of 7000 flight hours. The endurance test was then successfully completed by conducting a residual static test, which confirmed the sufficient strength of the aircraft structure even at the end of its technical life. This confirmed the significantly higher service life of the L-39NG compared to the original L-39. The aircraft also underwent complementary endurance testing of the landing gear suspension systems achieving the target of 18500 landings and endurance testing of the weapon pylon attachments. These additional tests proved the service life of the aircraft and systems up to 15000 flight hours, at a load spectrum equivalent to the original L-39 type. All aircraft life tests and corresponding analyzes were successfully completed with the issue of the certification report in April 2023.

Based on the tests, the type certificate was granted to the L-39NG by the Military Aviation Supervisory

Department of the Ministry of Defense on 18 September 2020. The L-39NG is one of the first aircraft to be certified to the new multinational military standards (EMAR 21 and EMACC), which means that its certification is recognised by all EU and NATO military authorities. The tests included approximately 300 test flights on two flight prototypes, and extensive ground tests on two other prototypes. Aero officially announced the receipt of the type certificate at the NATO Days in Ostrava. In 2021, both flight prototypes were modified to take into account the results of the certification tests and then continued their flight testing to remove the limitations of the original type certificate. A part of the limitation of the type certificate was thus removed and the corresponding Amendment No 1 to the type certificate was issued on 15 December 2021. In 2022, both aircraft continued flight testing to remove all type certificate limitations and to expand the aircraft configuration to include the ability to carry underwing fuel tanks, to use pressure refueling for all tanks, and to operate in VFR/IFR conditions day and night. These tests were completed at the end of April 2022, and after processing the test and clearance reports, on 18 July 2022, the Military Aviation Authority (ODVL SPSp MO) issued Revision No. 2 of the Type Certificate for the basic version of the L-39NG B-A aircraft without limitations.

### **L-39NG commercial campaigns**

In February 2021, Omnipol announced that it had signed a contract with Vietnam's Ministry of Defense for the delivery of 12 L-39NG aircraft. At the end of March 2020, the Supervisory Board of the state enterprise LOM Praha approved the purchase of four L-39NG aircraft in a training configuration to be used at the Air Training Centre in Pardubice for training pilots of the Czech Air Force and from other countries. In total, four contracts for the supply of a total of 34 L-39NG units were concluded by the end of 2022, and other new contracts are under negotiation. In the 4th quarter of the year, the Czech state also became a customer through the state-owned enterprise LOM Praha, with which Aero signed a contract for the supply of four L-39NG training aircraft, part of the contract also includes an option for four more.

## Support for aircraft produced by Aero

One of Aero's pillars is the support and development of the L-39, L-59 and L-159 aircraft and the provision of aircraft repair, upgrade, modification and testing services to their users.

In the case of the L-159 aircraft, Aero focused in 2022 on supporting the existing customers, i.e.

the armies of the Czech Republic and Iraq, and the company Draken International. Aero continues to provide support for the users of L-39s and L-59s. For the L-39 operators, Aero offers an extensive portfolio of services ranging from the extension of service life and overhauls to upgrades of all the aircraft systems.

### Light combat and training system L-159

The light combat and training aircraft L-159 combines many years of Aero's experience in the development of military jets with the latest advances in avionics, engines and aircraft systems. The single-seater L-159 is designed as a light combat aircraft optimised for a variety of air-to-ground and air-to-air tasks and reconnaissance missions. The aircraft is equipped with a multi-purpose radar for all weather conditions, day and night operation, and can carry a wide range of standard NATO weaponry, including air-to-air and air-to-ground missiles and laser guided bombs.

The two-seater L-159 is based on the structure of the single-seat version of L-159 and is primarily designed for advanced and operations training. The configuration of L-159 can be adapted to specific requirements of the customer.



### Support of L-159 aircraft serving in the Armed Forces of the Czech Republic (ACR)

- L-159 ALCA single-seat light combat aircraft were put in ACR service in 2000; the two-seat training version L-159T arrived in 2007. The Czech Air Force now has 16 single-seat L-159s and 8 two-seat L-159Ts in service.

- The L-159s perform a broad range of tasks from advanced and operations training through close air support up to reconnaissance missions and air defense. They regularly participate in international NATO flying training events (such as the Tactical Leadership program, NATO Air Meet, Clean Hunter, or Flying Rhino).
- In May 2019, Aero and the Ministry of Defense of the Czech Republic announced that the company would overhaul 16 L-159s for the Czech Army over four years as part of the so-called PP16, i.e. periodic maintenance after 16 years of operation. In addition to the prescribed maintenance, this supply includes various improvements, such as the installation of an ESIS driver or the adaptation of the aircraft for the use of NVG night vision goggles. PP16 started in Aero in 2019, continued in the years of 2020 and 2021 and were completed in 2022.
- In 2022, Aero signed a contract for post-warranty support of L-159 aircraft until 2029.
- Currently, Aero is preparing a upgrade program for L-159 aircraft, the so-called MLU (Middle Life Upgrade), which is aimed at replacing outdated components, especially in the field of navigation and radio communication, and its goal is to provide aircraft users with modern equipment necessary for the performance of current tasks.

### L-159 abroad

- In April 2014, the company signed a contract for the supply of ten single-seat L-159As and two two-seat L-159T1s to the Iraqi Air Force. The supply included the aircraft repair and supply of logistic equipment. Aero delivered the first L-159s to the Iraqi Air Force in December 2015, the last ones at the end of December 2016. As part of the contract with Iraq, Iraqi pilots and technicians were trained in Aero. The L-159s in Iraq were immediately involved in military operations. In 2018, Aero signed a FOSS contract with the Iraqi Ministry of Defense for after-sales support of L-159 aircraft. The contract took effect in March 2020.
- In 2022, Aero fulfilled a substantial part of the FOSS contract on post-warranty support for aircraft and continues to fulfill it in 2023.
- Another contract for the supply of up to 21 L-159s to the American company Draken International was signed in July 2014. As in the previous case, repairs of the aircraft and delivery of logistic equipment were part of the supply. Aero delivered the last aircraft in 2019 and continues to support the customer based on the signed after-sales support contract.
- In 2022, Aero began negotiations with Draken for future extended support focused mainly on overhauls of these aircraft.

### L-39 and L-59 support

Aero also provides support for L-39s and L-59s operated by both military and civilian users. Aero provides its customers with services from supplies of spare parts, servicing, prescribed inspections and repairs, up to regular overhauls, often related to service-life extension and installation of a device measuring the aircraft load in operation as well as avionics upgrade, e.g. installation of multifunctional displays and head-up displays and other improvements. Aero's service teams are also able to work at the customer's site.

In late 2019, Aero signed a contract for the overhaul with avionics upgrade of three L-39 aircraft of the Nigerian Air Force. These aircraft arrived at Aero in July 2020 and work on these aircraft was completed in the summer of 2022 when the aircraft were handed over to the user.

Aero also cooperates with Omnipol on maintenance contracts for the L-39. In October 2019, the company began overhauling and upgrading the avionics of six L-39s for the Ethiopian Air Force, on the customer's site in Ethiopia. Aero handed over the first two aircrafts to the customer in March 2021, the second two in September 2021, and the remaining two during 2022. In 2022, Aero started work on the overhaul of 6 more L-39 aircraft in Ethiopia under another contract. After the completion of all repairs in Ethiopia (we expect in 2025), the Air Force of Ethiopia will have a fleet of upgraded L-39 aircraft. The company also started overhauls and upgrade of L-39 avionics for the Kazakhstan Air Force, delivered four of these aircraft to Kazakhstan in 2021, another four aircraft in 2022, the last two will follow in 2023.

In September 2022, Aero held the seventh annual L-39 Users Conference. The attendance at the conference was very large, representatives of more than 15 countries and several special guests arrived. The aim of the conference is to share experience with the operation of L-39s, both among the users and with Aero as the aircraft manufacturer. At the end of 2022, Aero signed an overhaul contract with a partial upgrade of the avionics of two L-39 aircraft of the Bulgarian Air Force. These aircraft arrived at Aero in January 2023 and work on them began immediately. The assumption is that the aircraft will be handed over to the customer in the first quarter of 2024.

### Re-engining of existing L-39s (L-39CWs)

Aero is also working on a project to re-engine existing L-39s. In 2015, the Williams FJ-44M engine was successfully installed into the airframe of the existing L-39C. The prototype, called L-39CW, successfully completed its first flight in September 2015. In February 2018, the L-39CW received its type certificate. Aero registers several civilian and military users interested in that way of extending the service life and upgrading their existing L-39s. In 2022, intensive negotiations were underway with the National Air Force of Angola to upgrade the avionics and re-engine 4 L-39C aircraft. The actual contract was signed in February 2023.



## Aerostructures programs

Aero is a direct supplier (Tier1) and sub-supplier (Tier2) to the world's leading aerospace manufacturers and focuses primarily on the manufacture and assembly of comprehensive aircraft structures with a high degree of added value (including system testing, system integration, output inspection...). Aero is involved in all stages of the lifecycle of commercial and military projects, combining its exten-

sive experience in the aviation industry, acquired over more than hundred years of its existence, with application of modern technologies and testing methods. In 2022, two programs were key for Aero in Aerostructures: production of the leading edge for the Airbus A220 commercial aircraft and production of structural sets for the Embraer C-390 Millennium military multipurpose aircraft.



### Airbus A220

#### Program Description

- Airbus A220 is a new single-aisle passenger aircraft for short and medium-haul commercial flights. Two versions of the aircraft (A220-100 and A220-300) can carry between 100 and 150 passengers. This aircraft was developed and launched by the Canadian company Bombardier under the name CSeries.
- Aero is the exclusive supplier of the fixed leading edge of the wings. The contract for the development and production of the leading edge of the wing for the new commercial aircraft was signed in 2009.
- Both versions of the aircraft entered service at their first customers in 2016. As at the end of 2022, Airbus registered 785 binding orders for A220 in both versions and delivered a total of 248 aircraft.
- In October 2017, the project was joined by the company Airbus which gained a 50.01% stake, while a 31% share remained in Bombardier and 19% was owned by the Canadian firm Investissement Québec. In February 2020, Bombardier withdrew completely from the project, now owned in 75% by Airbus and in 25% by Investissement Québec.

Bombardier's Belfast division, where the aircraft's wings are assembled, was taken over by the US firm Spirit AeroSystems in 2020.

- In July 2018, the aircraft was renamed Airbus A220.
- Airbus also introduced a business jet variant of the aircraft in 2020, called the ACJ TwoTwenty.

#### Aero's Product and Role

- Fully assembled and equipped fixed leading edge (FLE) of the wing ready for being mounted to the aircraft.
- Aero is fully responsible for design, industrialisation and production.
- In 2022, Aero delivered 63 sets of leading edges in the 300 version to the customer.
- In 2022, the volume of deliveries increased by more than a third year-on-year. A further increase in production is expected in the following years, when the aviation market will continue to recover from the effects of the coronavirus pandemic.
- In 2021, the volume of deliveries kept at the 2020 level. Significant production growth is expected from early 2022 onwards, with further growth expected in the coming years as the aviation market continues to recover from the impact of the coronavirus pandemic.



### Embraer C-390 Millennium

#### Program Description

- A multi-purpose mid-size transport military aircraft designed for carrying cargo and passengers. The project was initiated by the Brazilian Air Force ordering 28 aircraft and committing to partially finance their development.
- The aircraft was unveiled in October 2014, with the first flight taking place in 2015. In September 2019, Embraer delivered the first aircraft to the Brazilian Air Force, and by the end of 2020, Embraer delivered four aircraft to the Brazilian army. In 2019, the Portuguese Air Force ordered 5 aircraft with an option for a sixth aircraft. In November 2020, Hungary ordered two of these aircraft in the KC-390 configuration, which has in-flight refueling capability as well as an Intensive Care Unit (ICU) for humanitarian missions.
- In November 2019, Embraer and Boeing announced the formation of the Joint Venture "Boeing Embraer - Defense" to support and develop the project and also unveiled the new name of the aircraft: C-390 Millennium. However, this cooperation

was abandoned in 2020 after the aerospace industry was hit by the coronavirus pandemic.

- In 2021, the Brazilian military announced its intention to reduce the number of the ordered aircraft from the original 28 to 15 due to budget constraints related to the coronavirus pandemic. Negotiations on the final number of aircraft for the Brazilian Air Force are still underway.
- Aero has been a strategic risk-sharing partner to the Embraer company since 2011.
- The average annual production volume has long been in the range of 2 to 3 aircraft. In 2021, Aero delivered product kits for 2 pieces of C-390 aircraft. In 2022, Aero delivered 5 kits of products for C-390 aircraft.

#### Aero's Product and Role

- Aero is fully responsible for the development, industrialisation, certification support as well as production of the fixed leading edge of the wings.
- Aero is fully responsible for industrialisation and production of all doors, the cargo ramp and the rear fuselage section.



## Financial results of the company

For the accounting period from 1 January to 31 December 2022, Aero ended with an operating profit before depreciation of CZK 726.1 million (for the accounting period 2021: CZK -156.5 million). The profit was also helped by the forgiveness of an intercompany loan of CZK 1,022 million.

In 2022, Aero is focused on completing the development and production of the new L-39NG jet trainer. The development of the basic version of the aircraft was completed with the receipt of an unrestricted type certificate in the summer of 2022. Work also continued on the development of the eastern combat version. L-39NG production continued under both the signed Vietnam program with a contract for 12 aircraft and the newly signed contract with Hungary. The company has 3 signed and effective contracts for the delivery of a total of 28 aircraft by the end of 2022. The company expects to deliver the first production aircraft to customers in the second half of 2023.

In 2022, serial production continued for cooperation programs, as well as overhauls of existing L-39 and L-159 aircraft in military programs. The provision of after-sales services under FOSS contracts with L-159 aircraft users (aircraft maintenance, sale of materials, accessories and spare parts, etc.) contributes to the result to a considerable extent.

The balance sheet total as of 31 December 2022 was CZK 9,766 million (as of 1 January 2022: CZK 7,608 million), shareholders' equity reached a positive value of CZK 1,270 million (as of 1 January 2022: CZK 130 million). Shareholders' equity as at 31 December 2021 was still negative in the amount of CZK -1,777 million. However, thanks to a number of remedial actions in 2022 (in particular the elimination of intercompany loans as part of the draft terms of merger and debt capitalisation), the company managed to bring its equity values into the black.

### Sales

In 2022, the company generated net turnover of CZK 5,295 million. Revenues from the sale of own products and services reached the amount of CZK 3,317 million,

and revenues from the sale of goods CZK 695 million, and revenues from the sale of materials CZK 58 million. The company's long-term strategy focuses mainly on the production and sale of the L-39 NG aircraft and on the related development of versions that differ from the basic type version according to the requirements of individual customers. In addition, the company continues to focus on active support of existing customers for the L-39 and L-159 aircraft and on the continuation and development of strategic cooperation programs, in particular deliveries for the C-390 (Embraer) and A220 (Short Brothers) aircraft.

The company received CZK 2,794 million for supplies to foreign customers, which represents 53% of total turnover. The Company has adopted a new Percentage of Completion methodology for revenue recognition for the production of L-39NG aircraft. The production of these aircraft accounted for 37% of total revenues in 2022, amounting to CZK 1,510 million. FOSS contracts, L-39, L-59 and L-159 overhauls and other support under military programs accounted for 44% of revenues, amounting to CZK 1,756 million. Co-operative/civil programs accounted for 17% of 2022 revenues, amounting to CZK 687 million. This was mainly for A220 and C-390 programs. The remainder of the sales was generated in connection with the lease of the Airport, ancillary manufacturing and the provision of property management services.

### Profit (loss)

For 2022, the company realised a pre-tax profit of CZK 190 million. This is primarily due to the forgiveness of an intercompany loan, the realisation of partial revenues from the first contracts of the new L-39 NG aircraft (as part of the transition to the Percentage of Completion methodology), from the Iraq FOSS program and the PP16 program, as part of 16 overhauls of L-159B aircraft for the Army of the Czech Republic. The 2021 loss was impacted by loss-making programs that were negotiated as exits in 2022, usually successfully.

The profit before tax was made up of an operating profit of CZK 360 million and a loss on financial acti-

vities of CZK -170 million. This was mainly due to financial costs related to interest in the amount of CZK 250 million. However, these were partly offset by the positive development of the Czech crown against the euro, which led to unrealised exchange rate gains.

### Asset Structure

As of 31 December 2022, the company owned assets totaling CZK 9,766 million (CZK 7,608 million as of 1 January 2022).

Fixed assets were reported in the amount of CZK 3,306 million (CZK 3,511 million as of 1 January 2022). Assets in progress amount to CZK 233 million (CZK 2,135 million as of 1 January 2022). The year-on-year decrease in assets in progress represents the activation of the final certified prototype of the new L-39NG aircraft, which was transferred to the Intangible results of development.

The company had funds tied up in current assets in the amount of CZK 6,121 million (CZK 3,629 million as of 1 January 2022). The increase in current assets was mainly caused by an increase in the company's inventory balance from CZK 1,663 million as of 1 January 2022 to CZK 2,301 million as of 31 December 2022, as well as other short-term financial assets in the form of a purchased promissory note in the amount of CZK 1,628 million as of 31 December 2022 (CZK 0 as of 1 January 2022). In general, the increase in working capital is related to the commencement and start of production of the new L-39NG aircraft.

Accruals accounted for 3% of total assets as of 31 December 2022 and 6% as of 1 January 2022.

As of 31 December 2022, the company's equity was positive at CZK 1,270 million (with a total balance sheet amount of CZK 9,766 million), as of 1 January 2022, equity amounted to CZK 130 million. In 2022, the company undertook a number of recovery measures with the participation of the owners, which resulted in positive equity values being reported.

Overall, foreign resources decreased from CZK 6,943 million as of 1 January 2022 to CZK 5,497 million as of 31 December 2022 mainly due to a decrease in short-term advances received from CZK 1,172 million as of 1 January 2022 to CZK 158 million as of 31 December 2022. Originally, the company Aero agreed with the company Omnipol a.s. to cooperate on the development of the L-39NG aircraft, when the company Omnipol owned half of the intangible assets of the given aircraft. With the change in the company's owners in 2021, it was decided to terminate this cooperation on the development of a new aircraft with the company Omnipol a.s. The initially charged advances in the amount of CZK 948 million from the project partner, who became a new co-shareholder of the company, were capitalised into the company's equity at the beginning of 2022.

Accrued liabilities reached the amount of CZK 2,999 million as of 31 December 2022 (CZK 535 million as of 1 January 2022) and consisted exclusively of deferred income in the amount of CZK 2,951 million (CZK 421 million as of 1 January 2022), which include accruals of issued invoices from the sale of the L-39NG aircraft.

### Investments, Development Programs, Research and Development

Investment activities and developments were carried out in line with the company's strategy. In 2022, the company finalised the development of the new L-39NG Trainer aircraft, i.e. the training version of the aircraft, and continued to develop other versions of the aircraft for future customers. A contract was signed for the delivery of 12 aircrafts for Hungary and 4 aircrafts for LOM Praha s.p. The production of the aircrafts continued, and not only the aircrafts for Vietnam, but also for Hungary, reached the work in progress stage. The first serial aircraft 7005 passed the engine test in December 2022. At the beginning of 2023, this aircraft successfully passed the flight test. In 2022, Aero spent CZK 124 million in connection with the development of the L-39NG aircraft. In addition, CZK 19 million was invested in the improvement of the L-159 aircraft and in the acquisition of fixtures with a purchase value exceeding CZK 80,000 in total amount of CZK 16 million.

The company invested CZK 58 million in IT, buildings and machinery. The largest investment was the extension of Hall 3 in connection with the production of the new L-39 NG aircraft in the amount of CZK 7.6 million, a new meteorological system for the Airport in the amount of CZK 5.3 million, new burners in the amount of CZK 3.2 million in response to the increase in energy prices, or investing CZK 2.5 million into the Hexagon measuring equipment for L-39NG

### Human Resources

In 2022, the company focused in the area of management of human resources primarily on completing the transformation in connection with the change of company owners at the end of 2021. Other key activities were the filling of all key positions of the new organisational structure and the setting of management mechanisms within the company.

During the first quarter, there were also changes defined in the new collective agreement, which was signed in December 2021. These changes included the restoration of benefits through the so-called benefit cafe, the reduction of working hours to 37.5 hours per week and, from April 1, an average increase in wages for blue-collar positions by 17% and for THP positions by a total of 7%.

In the first quarter, there were significant changes in the management of the company and redistribution of responsibilities within the new organisational structure. Basic principles for organisational design were established, which were gradually implemented by the end of 2022. The transfer of existing employees and recruitment to newly opened positions was also underway with the aim of starting serial production of L-39NG aircraft by the end of the year. The number of members of the executive management has stabilised at 10, i.e. a total of three members less than the previous management. Filip Kulštrunk became a new member of the executive management, who was entrusted with the management of the sales and marketing department after the departure of Jakub Hoda.

The main objective for recruitment in 2022 is to secure qualified employees for key production programs, generate a change of key professions and to renew cooperation with secondary schools and higher education institutions. In the end, it was possible to recruit a total of 234 new employees and another 124 agency employees with qualifications for the preparation and implementation of production programs. In total, 164 employees transferred to another position within the company with expanded competences or it was a career change.

The company also focused on building a new communication strategy and strengthening its employer brand throughout the Czech Republic. These goals have been fully met, although we still face a shortage of skilled labor, especially in the manufacturing area. In 2023, we will focus on further recruitment campaigns to ensure sufficient qualified personnel at all levels. We plan to open a new development center in Brno in autumn 2023, which will have two key competence centers focused on the development of avionics and communication systems of the L-39NG aircraft and a second group of experts focused on the creation of support and maintenance documentation for these aircraft. We expect to hire up to 120 employees in the newly created positions by the end of 2023.

From the point of view of education, 2022 was a crucial year when Aero implemented a new Learning Management System called Aero Academy. This system was launched in pilot mode for THP employees and is mainly used for the fulfillment of statutory training instead of face-to-face training in the form of e-learning. The advantage of this system is the ability to quickly add the necessary training for precisely defined groups of employees without additional costs. In 2023, we plan to expand this system to all employees and add benefit forms of education. In 2022, allocations from EU-funded grant programs continued to be used. In addition, one A-MIL basic training course was held and, following these courses, 6 type trainings for own personnel on the L-39NG. Furthermore, we are increasing the num-

ber of holders of the Aviation Ground Staff Certificate, where all of these holders are already recognised as a higher specialist class. In total, Aero spent more than 4 million crowns from its own funds on the education of its employees in 2022.

In 2022, the average number of registered employees at Aero was 1,292 (1,435 including agency employees) and the total number of employees as of 31 December 2022 was 1,361 (1,525 including agency employees). This is a significant increase. For 2023, building an employer brand, expanding internal communication with new channels and measuring employee engagement and satisfaction will be one of the main topics in the area of human resources. From a procedural point of view, it is planned to replace the personnel information system with a new, more user-friendly one, with the associated simplification of all administrative processes and reporting.

## Environment

In 2022, activities in the area of environmental protection focused on fulfilling the conditions of the integrated permit and the set goals within the environmental management system (ISO 14001:2015), starting preparation for future legal obligations (e.g. ESG reporting, ban on landfilling) and completing long-term open problems (e.g. approval of the safety program for the prevention of serious accidents, adjustment of the limits of discharged pollution).

Thanks to excellent cooperation with the department of asset management and energy production, the decision of the Ministry of the Environment of the Czech Republic regarding the abandonment of the emission allowance trading system was obtained at the end of 2022, with the resulting savings of up to 8 million CZK per year.

During 2022, there were no extraordinary events with a negative impact on the environment.

During the supervisory audit, the company confirmed the correctly implemented environmental

management system according to ISO 14001:2015, which did not find any significant deficiencies.

All statutory reports in the field of environmental protection were submitted through the ISPOP system within the specified deadlines.

Two inspections were carried out by the Czech Environmental Inspection. The first aimed at meeting the conditions of the integrated permit - no violation of the permit was found. The second was aimed at checking compliance with legal regulations regarding the handling of halons (a fire-extinguishing gas used in aircraft) - one violation was found, namely that the company exported halon containers to Algeria in 2021 without the appropriate license from the European Commission. A fine of CZK 100,000 was imposed for this violation. The reason was the failure to communicate the information about the export to the responsible persons in the company, who could secure the necessary license.

A total of 9.1 tonnes of emissions (e.g. volatile organic substances, nitrogen oxides, solid particles) were released into the air by the company's production activities. Surface treatment processes and boiler room operation (production of heat and technological steam) contributed the most to the production of emissions. A fee of CZK 70,400 was set for air emissions.

At the same time, 1,358.5 tons of waste were produced (of which 484.3 tons were hazardous). Of the total amount of waste, 52.9% was subsequently used (recycling, energy use, etc.) and the remaining 47.1% was deposited in a landfill. Compared to 2021, there was a 10% increase in waste production, calculated on hours worked. The fee for the produced packaging was CZK 41,800.

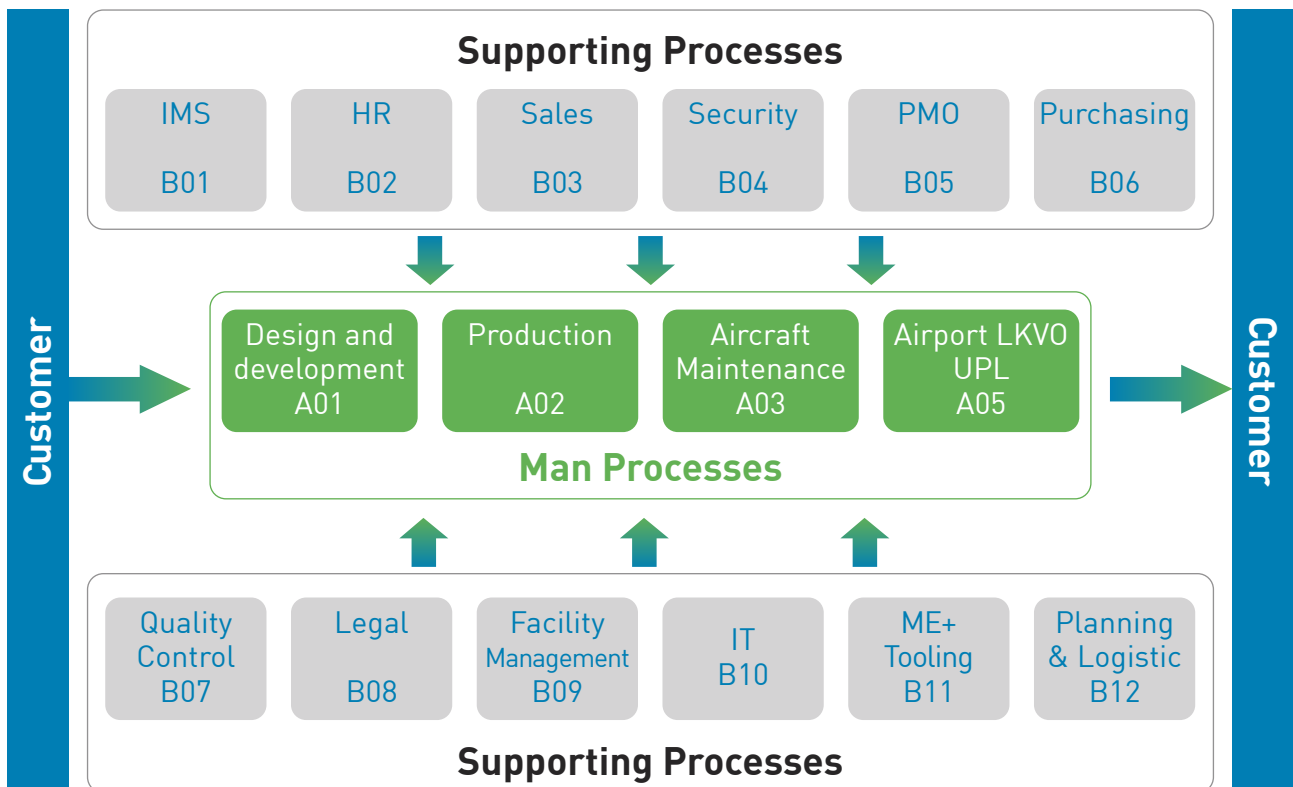
111,800 m<sup>3</sup> of groundwater were taken from underground sources, for which the company paid a fee of CZK 331,500. The volume of discharged wastewater was 78,300 m<sup>3</sup> - a fee of CZK 14,100 was paid for the discharged pollutants.

# Airport operations

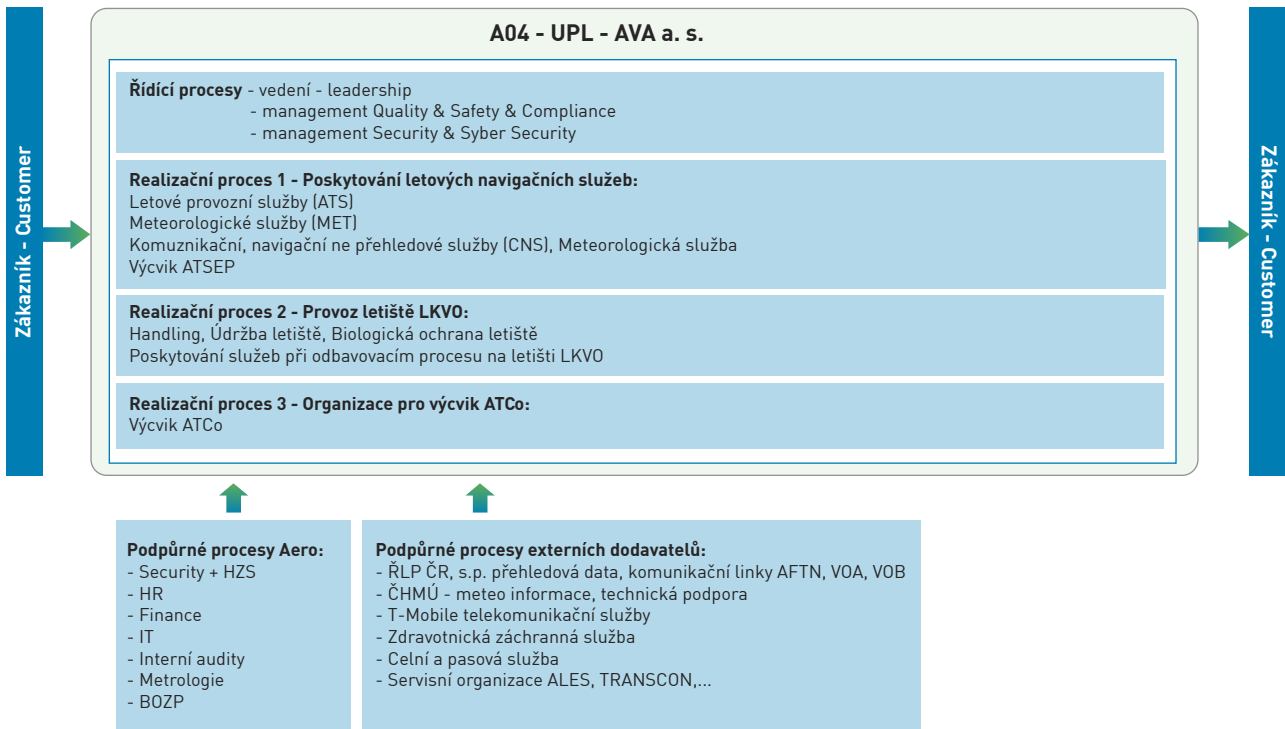
The LKVO Airport Operations unit (UPL) is an organisation within AVA a.s. that operated in 2022, as in previous years, the non-public international airport coded LKVO, provided air navigation services and operated the Air Traffic Controller Training Organisation. Within the organisational chart of AVA a.s. until 30 June 2022 in the form of the Main Process A05. From 1 July 2022, the designation of the process was changed to A04 in connection with the organi-

sational change, when Aircraft Operation / Flight Operation were separated and the HZS department was removed from the subordination of AM UPL and moved to the subordination of COO AVA a.s. (provision of HZS services for UPL remained secured and HZS processes did not change). On 1 July 2022, a new AM/RUPL Ing. Tomáš Plaček was appointed (Ref. No. 133/2022 dated 17 June 2022) who replaced Ing. Petr Doubek, PhD.

## Schematic of inclusion of the main process A04 - Airport LKVO UPL within AVA a.s.



## Process flowchart of the UPL AVA a.s. - LKVO Airport Operations Unit within the Main Process A04



The provision of air navigation services (ANS) was carried out in the form of Implementation Process 1. The operation of LKVO Airport and the provision of check-in services at LKVO Airport falls under Implementation Process 2. The activity of the ATCo Training Organisation (OPV) took place in the form of Implementation Process 3.

During the year, UPL's priority task was to complete the implementation of the requirements of Commission Implementing Regulation (hereinafter referred to as "CIR") (EU) 2017/373 into Implementation Process 1 (Air Navigation Services) and completion of implementation of the requirements of CIR (EU) 2015/340 into Implementation Process 3. The changes related to the implementation were incorporated into the related documentation and were implemented before the CAA audit, which took place in April 2022.

### Quality Policy:

The policy of AVA as - "Integrated quality, environment and energy management policy of AERO Vodo-

chody AEROSPACE a.s." was issued on 19 October 2021 by President's Order No. 2/2021.

### IMS goals for 2022:

The goals of AVA as were announced on 31 March 2022 by President's Order No. 10/2022.

**Operational Safety Policy AVA a.s.:** for UPL AVA a.s., the Operational Safety Policy of AERO Vodochody AEROSPACE a.s. was updated by President's Order No. 11/2022.

**AVA a. s. information and data security policy:** The security policy for information and data, for the operation of the LKVO airport, for the provision of flight navigation services, and for the Air Traffic Controller Training Organisation was updated for UPL AVA a.s. by President's Order No. 12/2022.

**Assessment of the performance of the air navigation services provided** CIR (EU) 2017/373, ATM/ANS.OR.D.025 d) [1]

## 1. Process performance and compliance of products and services

The performance of Implementation Processes 1, 2 and 3 and product and service compliance is continuously monitored at UPL as part of the regular monthly meetings of the UPL Management. At the UPL Management meetings, the SPI and KPI indicators limits are evaluated and the evaluation is included in the Minutes of the Meetings.

The established SPI and KPI limits were met in 2022. The set QPI limits were met with the exception of the QPI "Number of canceled flights due to lack of staff (external customer)", the target was 30, which was exceeded by 6.

Internal audits were carried out in accordance with the approved annual audit program. Due to the fading coronavirus crisis and priorities for the renewal of air traffic activities, as well as due to the change of the date of the planned CAA audit to April 2022, the dates of the audits were moved and some audits were canceled based on the findings from the CAA audit and the need to implement corresponding corrective actions. Changes to the audit program are documented and approved by the UPL Management. The final audit reports are stored in the UPL IS directory and are available to all UPL staff.

A regular annual verification of interoperable systems used in the provision of navigation services was performed in accordance with the requirements of the Czech Civil Aviation Authority (CAA), to which the verification records of interoperable systems were sent. The regular annual verification of non-interoperable systems was carried out at the beginning of 2022.

The audit of the CAA at UPL, Implementation Processes 1 and 3, took place on the dates from 25 April 2022 to 29 April 2022 with the conclusion that AVA a.s. (UPL) is competent as an air navigation service provider and is competent as an Air Traffic Controller Training Organisation. The next planned CAA audit will take place on 27-29 June 2023. CAA inspection - of the implementation process 2 did not take place in 2022. CAA had no comments on the

eligibility of UPL AVA a.s. as the operator of a non-public international airport. The Lloyd's Register Quality Assurance recertification audit of the ISO 9001:2015 quality system took place on 16 June 2022 and concluded that the quality system implemented at UPL AVA a.s. meets the requirements of ISO 9001:2015.

The security program of the PRAHA Vodochody airport operator is regularly updated, the meeting of the Airport Committee for Security takes place in accordance with Chapter 1.4. of the Security program. Documented by Minutes from the meeting of the Airport Security Committee (the last meeting of the Airport Security Committee took place on 27 September 2022).

The Airport Contingency Plan is updated regularly, SEC Readiness Review Exercises were conducted on the dates 19 April 2022, 21 June 2022, 26 September 2022, and 27 September 2022 in accordance with the provisions of Chapter 4 LPP Readiness Reviews. The SEC unit conducts checks on the consumption of alcohol and addictive substances at UPL workplaces, a total of 4 checks were carried out (24 February 2022, 21 June 2022, 29 September 2022, and 25 October 2022), no discrepancies were found.

### **The Readiness Review Exercises of the Rescue and Fire Fighting Service 2022 were conducted on the following days and focusing on:**

- 14 March C shift – air accident
- 18 March A shift – air accident
- 25 March B shift – air accident
- 19 April C Shift – A/C fire on engine stand
- 21 June C shift – full alert
- 23 June B shift – full alert
- 23 June B shift – A/C fire with tank: E gate
- 28 June A shift – full alert
- 4 July A shift – A/C fire with GPU APN W
- 26 September A shift – full alert
- 27 September A shift – full alert
- 12/22 ZPS checks postponed to 1/23 – snow on RWY/TWY
- 3 January 2023 A shift – full alert
- 16 January 2023 B shift – full alert



## 2. Monitoring and measurement results

In September 2022, after the entry of the new SM, SPI and KPI were adjusted.

On 8 February 2023, the SPI, KPI and SPT for 2022 were reviewed as part of the SAG meeting. The established SPI and KPI values for Implementation Process 1 (Air Navigation Services), Implementation Process 2 (LKVO Airport Operation) and Implementation Process 3 (Air Traffic Controller Training Organisation) have been met.

The current status of the fulfillment of quality objectives is evaluated as part of QPI monitoring and evaluation monthly as part of ŘUPL meetings, the result is recorded in the Minutes of the meeting. QPI limits were met with the exception of the QPI "Number of canceled flights due to lack of staff (external customer)", the target was 30 and was exceeded with the value of 36. The exceeded QPI limit was re-evaluated with regard to the available resources from the point of view of their effective use with the priority of providing services for the internal customer AVA (test flights) and for 2023 the parameter was increased to the value of 50.

The processes associated with the measurement of physical quantities at UPL are carried out in accordance with the metrological regulations of AVA a.s. The measuring instruments are calibrated and the calibration status is monitored.

## 3. Audit results

In the course of 2022, a total of 9 internal quality audits, 5 compliance audits, 1 extraordinary audit and 4 flash audits were carried out at UPL AVA a.s. Furthermore, 1 external ISO 9001:2015 audit was carried out by the Lloyd's Register LRQA certification company, 1 CAA audit (Implementation process 2). The results of the audits, the Lloyd's Register LRQA and CAA inspection confirmed the competence of UPL as an air navigation service provider, an air traffic controller training organisation and an airport operator, and the compliance of the quality system with the requirements of ISO 9001:2015. Final audit reports are stored and publicly available in IS AERONET.

## Quality audits

Nonconformities detected during audits are recorded in IS AVALON, in the CAPOS application. This application is also used to administer the non-conformities, to record corrective measures, their approval and implementation, and to evaluate the effectiveness of the measures. During the 9 internal audits of UPL, carried out under the approved audit program for 2022, 6 level-1 (significant) non-conformities were identified, all of which have now been resolved. In addition, a total of 22 level-2 (non-significant) non-conformities were identified, of which 16 have been resolved and the remaining 6 will be resolved by the set deadline. 7 level-3 non-conformities (recommendations) have been identified and resolved.

Overview of nonconformities for individual areas - UPL departments:

- QMS: 7 (3 Minor, 4 Rec)
- SMS: 2 (2 Rec)
- CMS: 1 (1 Rec)
- SEC (including ISMS): 5 (1 Major, 4 Minor)
- APS/HDL: 6 (4 Major, 2 Minor)
- OPS: 5 (1 Major, 4 Minor)
- HZS: 0 (no nonconformities)
- Training of OPS personnel: 3 (3 Minor)
- ATCo - OPV training: 6 (6 Minor).

In addition, 2 Instant (Flash) audits were carried out in 2022 to verify the safety of the installation of the 3R system for recording and playback of background communication and the sound environment at the workplaces of air traffic controllers at the LKVO ATS station.

From 25 April 2022 to 29 April 2022, CAA conducted an external audit and found 22 non-conformities during the audit (level 2 findings insignificant) and issued 12 recommendations (level 3 findings - observation). A plan for the implementation of corrective actions was drawn up and proposals for corrective measures were approved by CAA. Findings/non-conformities are being settled so that during the next CAA audit, which is planned for June 2023, all findings/non-conformities will be settled and closed.

All non-conformities from the audits are documented, their settlement is monitored in the IS AVALON in the CAPOS application and is continuously evaluated in the monthly meetings of the UPL Management.

The Lloyd's Register LRQA audit of the ISO 9001:2015 quality system, which took place on 16 June 2022, found no non-conformities in the quality system.

#### Compliance audits

In 2022, 5 compliance audits were conducted in accordance with the Compliance Audit Schedule, which was incorporated into the 2022 Audit Program. The compliance audits focused on compliance with the specific requirements of Commission Implementing Regulation (EU) 2017/373, including the amendments that were effective in 2022. Fulfillment of the new specific requirements within the framework of these changes of NK (EU) 2015/340 was verified in the form of 1 extraordinary compliance audit - for the area of fulfillment of OPV requirements.

In addition, 2 flash audits were carried out - for the area of the management system, contractual activities and records of theoretical teaching instructors.

The compliance audits identified deficiencies in the implementation of EU/EASA legislation and regulations into UPL's internal documentation.

A total of 28 level 2 (Minor) non-conformities were detected during the mentioned compliance audits.

#### Number of non-conformities for each audited area:

- ANS: 5 (5 Minor)
- ATS: 6 (5 Minor)
- ATSEP: 3 (3 Minor)
- APS/HDL: 1 (1 Minor)
- ARO/METEO: 2 (2 Minor)
- ADQ: 5 (5 Minor)
- OPV: 6 (6 Minor).

*Note: 1: The internal audit of METSYS compliance took into account the fact that the current configuration of METSYS LKVO does not meet the requirements*

*of the regulatory base, but this problem has already been identified and is addressed by the ongoing upgrade of the METSYS LKVO system. These non-conformities were, therefore, not recorded again.*

*Note: 2: In 2022, an external CAA audit took place, and the rest of the year was focused on fulfilling the CA plan. For this reason, the UPL Audit Program for 2022 was also revised.*

Corrective action of findings from compliance audits are addressed by supplementing the UPL internal documentation with provisions demonstrating the incorporation of EU/EASA legislation and regulations. The supplementation is made as part of regular reviews of UPL documents and the related documents are amended in accordance with the procedures for making changes approved by the CAA.

Inspection of implementation of corrective and also preventive actions is carried out as part of assigning tasks in UPL LKVO.

#### 4. Performance of external providers

External service providers provide services on a contractual basis. No discrepancies in the quality of services provided were found. Critical services, such as radar data delivery, are continuously monitored by the information system (quality and completeness of data/data packets etc.). The competence of service providers in accordance with the concluded contracts is verified through supplier audits.

The external MET service provider - ČHMÚ - provides services – contractual activities for LKVO UPL AVA a.s. in accordance with the contract, it is certified by CAA and the provider's certificate issued by CAA is valid.

The external provider of ATCo basic/entrance training, contractual activities for LKVO UPL AVA a.s. the company ŘLP ČR s.p. is certified by the CAA and the certificate of the training provider – training organisation issued by the CAA is valid. In 2022, ATCo training was not conducted for LKVO UPL AVA a.s. In accordance with the approved audit program, 2 supplier audits were carried out in 2022. During the audit of the company GEODÉZIE TOPOS a.s. Dob-

ruška, 2 non-conformities of level 2 (Minor) were detected, which were resolved. The head of the CAA Airports Department, Ing. Lukáš Kolín, took part in the audit as a supervisory body and had no comments on the course of the audit and the conclusions of the audit. The company GEODÉZIE TOPOS a.s. Dobruška is therefore an approved supplier - acquirer of aerial data for UPL AVA a.s.

The audit of the supplier of the electronic communications service - transmission of radar data of the company T-Mobile Czech Republic a.s. was carried out in the form of an off-site audit. No facts / non-conformities were found that would prevent the continuation of the provision of services by this company, and therefore T-Mobile Czech Republic a.s. can continue to be a supplier of the services in question for UPL AVA a.s.

### Meeting the planned goals in the annual plan for 2022:

Actions from the 2021 review for 2022 (fulfilment of quality objectives 2022)	Achievement	Note
Implementation of the Commission Implementing Regulation (EU) 2017/373.	100%	Compliance matrix and subsequent documentation drawn up as proof of fulfilment.
KPI/Limits of FS	100%	Within the limit of planned/defined values.
KPI/Limits of FS	100%	Within the limit of planned/defined values.
QPI	84%	The specified QPI limits were met with the exception of the QPI "Number of canceled flights due to insufficient number of operational personnel [external customer]", exceeded by 6.
Checking the completion of tasks on the intranet.	100%	Reports and performance records evaluated at monthly meetings of the UPL Management.
Verification for interoperable and non-interoperable ANS systems.	100%	Relevant documentation of the verification drawn up and the verification of interoperable systems sent to the CAA.
Extraordinary maintenance of the fence - removal of constantly growing vegetation and placement of scent barriers to prevent game from destroying the fence.	100%	Done. Continuous preventive maintenance and renewal of the scent barriers is ensured.
Surveillance system for factory test flights to test areas - RADAR - LETVIS - system replacement started.	10%	Not yet submitted to IK following the economic results of AVA a.s., indicative offers from 3 potential suppliers secured.
Start of the METEO technological equipment replacement.	45%	IK approved, studies completed, documentation being updated, agreement with the Czech Hydrometeorological Institute concluded.
Regular repairs of RWY 28/10 and movement areas.	100%	In accordance with the maintenance plan.
Regular training of personnel for the ANS unit.	100%	In accordance with the training plan
Refresher training of other airport personnel	100%	In accordance with the training plan
Advanced training of UPL personnel	100%	In accordance with the advanced training plan and course plan. The cooperation with Tower VL a.s. took place according to the plan approved by the CAA and was terminated on 30 June 2022.
Maintenance of movement areas.	100%	In accordance with the maintenance plan. The sweeper does not meet the requirements for heavy snowfall.
Revision of the outer perimeter of LKVO and its repairs.	100%	In accordance with the maintenance plan.
Upgrade of the airport facilities.	10%	An analysis of the development directions of LKVO is underway. The plan for the upgrade of the airport equipment will be drawn up following the decision of the management of AVA a.s. on the scope of LKVO operations.

## Rozdíly mezi relevantními záměry a cíli a určení opatření nutných k odstranění veškerých rozdílů mezi plány a skutečnou výkonností

CIR (EU) 2017/373, ATM/ANS.OR.D.025 d) (4)

As the air navigation service provider UPL provides services in the CTR (Control Zone) and TMA (Terminal Control Area) of the non-public international airport LKVO, the business plan is designed in the context of the category of that airport. The primary task is to provide air navigation services for the needs of AVA a.s., the manufacturing, maintenance and development organisation of L-39, L-159 and L-39NG aircraft category. Therefore, financial performance and profit is not a priority, as commitments to other aircraft operators would negatively impact the service capacity and ability to meet the operational requirements related to repair flights and, in particular, the operational requirements for

priority provision of test flights of the L-39NG aircraft under development.

The intensity of air traffic at LKVO does not represent a significant environmental burden from the point of view of the air navigation service provider, because the number of flights is only a fraction of the air traffic at the nearby (neighboring) major airports LKPR and LKKB. The LKVO Basic Air Traffic Data table shows that the largest traffic volume in the LKVO CTR/TMA is produced by general aviation, which is more than ten times higher than the combined traffic of other aircraft categories.

The above facts also show the implementation of the business plan, in particular the differences between the relevant objectives and targets, and the identification of measures necessary to close any gaps between plans and actual performance, which are the limited financial resources and the airport's low level of facilities.

### 1. Achievements in meeting the planned goals in the annual investment plan for 2022:

Plan - main quality objectives for the year	Achievement	Note
KPI base management KPID A04.	100%	Applies to the process A04 - Airport & Flight Operation (UPL AVA a.s.).
KPI base management KPID A04.	100%	Applies to the process A04 - Airport & Flight Operation (UPL AVA a.s.).
Implementing the Commission Implementing Regulation (EU) 2017/373.	100%	Documentation handed over to CAA.
Surveillance system for factory test flights to test areas - RADAR - LETVIS - system replacement started.	10%	Not yet submitted to IK, indicative offers from 3 suppliers.
METEO technological equipment replacement.	50%	Implementation, commissioning in 06/2023.
Regular training of personnel for the ANS unit.	100%	n accordance with the training plan
Upgrade of the airport facilities.	5%	Preparation of funding.
Other	Achievement	Note
Increase in commercial IFR traffic	15%	Limited facilities at the LKVO airport, search for funding.

## 2. Performance Differences - LKVO Basic Air Traffic Data

Operating statistics:

Parameter	2019	2020	2021	2022
Total number of flight days per year	266	279	248	262
Out of that number of days with traffic at night	4	4	1	17
Total number of movements per year	<b>12 600</b>	<b>10 733</b>	<b>10 679</b>	<b>8 222</b>
Out of that of total number of movements at night	4	4	1	17
<i>Total number of movements in the summer season</i>	2 623	4 913	5 285	3 125
<i>– out of that number of movements at night in summer</i>	3	4	1	1
Total number of engine motor tests per year	256	329	203	267
Total number of PAX	568	252	418	377
<b>Aircraft Types/Categories</b>				
a.) General aviation aircraft	11 168	7 942	8 318	6 665
b.) Propeller airplanes over 5.7 tons	163	186	126	164
c.) Jets up to 100 tons	70	166	250	414
d.) Jets above 100 tons	0	0	0	0
e.) Combat jets	0	51	160	0
f.) Combat training jets	680	1 446		899
g.) Helicopters	35	136		80
<b>Night Traffic from 22:00 - 06:00</b>				
a.) General aviation aircraft	0	0	0	0
b.) Propeller airplanes over 5.7 tons	0	0	0	0
c.) Jets up to 100 tons	4	6	1	17
d.) Jets above 100 tons	0	0	0	0
e.) Combat jets	0	0	0	0
f.) Combat training jets	0	0	0	16
g.) helicopters	0	0	0	0

### Traffic and infrastructure development

PNK (EU) 2017/373, ATM/ANS.OR.D.025 d) (5)

**The internal aspects** affecting Implementation Process 1 (Air Navigation Services), Implementation Process 2 (LKVO Airport Operation) and Implementation Process 3 (Air Traffic Controller Training Organisation):

- As part of the organisational change, on 7 January 2022, Mr. Martin Vyhnaľ was removed from the position of SM by the Regulation of AM UPL No. 1/2022. In accordance with LV/VS/1 "LKVO Airport Operation Organisation Exposition (QMSM)", the duties of SM UPL were performed from 8 January 2022 to 31 August 2022 by QM UPL Ing. Jiří Vitásek, who at the time was a representative of SM UPL.
- As of 30 June 2022, the cooperation with Tower VL s.r.o., which provided purchased services in accordance with the concluded contract for the implemen-

tation of compliance audits and compliance with the requirements of EU and EASA legislation and regulations, was terminated. The relevant activities are performed by Mrs. Ing. Michaela Prokešová, who was employed as a Compliance Manager (CM) and was appointed to the position of CM by the Regulation of AM UPL No. 9/2022 of 8 July 2022.

- As part of the organisational and personnel changes in the SEC department, Mrs. Helena Holanová replaced Mr. Roman Brunik on 1 August 2022 and was appointed to the position of SecM (according to LV/VS/1 Security Manager, Article 5.3.2.3) UPL by the Regulation of AM UPL No. 16/22, Ref. No. UPL/225/2022 of 19 December 2022. By the Regulation of AM UPL No. 14/2022 of 15 September 2022, Mrs. Helena Holanová was appointed a member of the airport committee for the LKVO Airport Security.

- As of 1 September 2022, by the Regulation of AM UPL No. 11/2022, Ing. Jiří Macas was appointed to the position of - Safety Manager (SM). He took over the SMS agenda from QM UPL and SM UPL.
- Training of UPL AVA a.s. employees is provided, monitored and evaluated within the AVA a.s. system (HR area). A regular annual QMS/SMS training for all UPL staff was conducted in September 2022, the training is monitored and included in the AVA a.s. training program and its performance is monitored by the HR department. The training of ATSEP qualified service personnel was carried out in 2022 according to the training plan approved by the CAA for 2022 and was completed. The training of air traffic controllers (ATCo qualification) is provided by the Air Traffic Controller Training Organisation according to the training plan approved for each year by the CAA and for 2022 it was completed.
- In 2022, UPL managed to maintain the minimum possible number of staff to ensure operation.
- The airport maintenance was ensured from in-house resources.
- The reduced ARO staffing and operational requirements continue to be addressed by outsourcing – work orders.
- Ensuring the provision of APS/HDL service at LKVO airport is handled internally by UPL staff. Mr. Jiří Šotek terminated his employment in January 2022. In April 2022, he was replaced by a new employee, Mr. Matěj Draždík. The supply and filling of aircraft fuel is provided externally by TWINTRANS s.r.o.
- In 2022, the modification of the METEO technological equipment was started, excavation work was carried out for the installation of the equipment, and the gradual installation of the equipment was carried out. It will be commissioned by the end of 2023.
- The overview system for factory check flights to test areas - RADAR - LETVIS must be replaced by a new system due to the end of the service life of the operated system. Solved as an investment and discussed by IK AVA a.s.

**External aspects** – affecting Implementation Process 1 (Air Navigation Services), Implementation Process 2 (LKVO Airport Operation) and Implementation Process 3 (Air Traffic Controller Training Organisation):

- The activities of UPL AVA a.s. were particularly affected by the implementation of the Commission Implementing Regulations (EU) 2017/373 and Commission Regulation (EU) 2015/340, therefore it was necessary to integrate the legislative requirements into internal directives and related procedures in Implementation Process 1 (Air Navigation Services) and in Implementation Process 3 (Air Traffic Controller Training Organisation). The implementation was carried out according to the Implementation Plan approved by the CAA.
- The HZS system is secured to ensure the operation of the LKVO airport as a support process by AVA a.s. As part of continuous improvement, the AZ30 vehicle was purchased in the HZS support process, the vehicle was taken over on 1 November 2022, HZS employees were trained and the vehicle was assigned to the service on 3 January 2023.
- HZS employees were trained in the UK in extinguishing aircraft fires (fuel under pressure) from 28 March 2022 to 1 April 2022 – 6 people in accordance with the training program.
- It was necessary to implement organisational measures so that the requirements of the internal customer AVA a.s. could be satisfied as a priority, especially to ensure the certification flights of the L-39 NG prototype and the L-30 and L-159 flights after repairs - major maintenance.
- The fading coronavirus measures and the CAA audit, which took place from 25 April 2022 to 29 April 2022, affected the course of internal audits; it was necessary to change the approved UPL Audit Program for 2022 and postpone the audit dates or cancel some audits.
- The war conflict in Ukraine and the crisis measures related to it in terms of securing energy and fuel supplies did not affect the security of the services provided by UPL AVA a.s.



### Adequacy of resources

The financial security of UPL is limited. Within the planned and subsequently monitored financial limits, cost-saving measures are constantly being sought. The legal framework of requirements for ensuring resources for the provision of services by UPL AVA a.s. is complied with.

### Effectiveness of corrective actions taken to address risks and opportunities

All events affecting security and service quality are monitored and recorded in the QPI table and security of services in the SPI/KPI table and in the security report overview table and simultaneously discussed within the SAG according to established internal procedures. The SAG also evaluates the effectiveness of the corrective measures and, if non-compliance recurs, a new, sufficiently effective solution is sought. In 2022, 57 security reports were filed. Compared to 2021, this is an increase in the number of reports filed by 11. In 2022, 46 security reports were filed.

A total of 55 SAG meetings took place in 2022, compared to 2021, the number of meetings is more than double and this demonstrates the emphasis on discussing facts affecting the security of UPL services provided. As part of the SAG meeting, the effectiveness of the measures taken is also addressed.

### Opportunities for improvement

The final reports of the audits (internal and external) show that there is room for improvement in the design and maintenance of controlled documentation (its form and content). In order to ensure the compliance verification process and conduct related compliance audits in accordance with the requirements of Commission Implementing Regulation (EU) 2017/373 and Commission Regulation (EU) 2015/340, the position of Compliance Manager was filled and conditions were created for the internal assurance of this important and demanding process and its further improvement. The training of UPL employees is introduced in the form of e-learning using the AKA-

DEMIE Aero software, which is administered and managed by the HR department of AVA a.s.

In September 2022, regular annual QMS/SMS training for all UPL employees took place, during which UPL employees are introduced to continuous improvement processes and opportunities. The training is monitored and included in the AVA a.s. training program, and the fulfillment is monitored by the HR department.

As part of the minutes of the UPL meeting No. 4/2022 (Ref. No. UPL\_82/2022), procedures were defined for consolidating and improving the system of entering, monitoring the performance of tasks and subsequent penalties for non-performance of tasks with the use of an Excel spreadsheet. Its use turned out to be unsatisfactory, the Excel table became confusing over time due to the number of entries. Therefore, it was decided to use the OneNote SW tool for monitoring, which can be connected to the Outlook calendar.

In addition, the following tasks will be conducted and monitored: -

- related to changes (general, of functional system, ...)
- set out in the SAG conclusions (minutes of the SAG meetings)
- based on safety studies
- based on the orders of the President, AM and ŘUPL,

which the CM will separately evaluate in the monthly minutes of AM/ŘUPL meetings in the CM UPL chapter as part of its registration form. Findings from internal and external audits will continue to be kept in a separate Excel table and in the AVALON system using the CAPOS application. The implementation of corrective actions from audits will continue to be monitored and evaluated by QM and CM in cooperation.

The change in the system of registration and performance of tasks will be evaluated in the second half of 2023 and, according to the results and possible comments of UPL employees, subsequently adjusted as part of the continuous improvement process.



## Economic results

The main source of UPL's income in 2022 were the internal resources of AVA a.s., which provides financing for UPL within the framework of development and production of its own aviation technology products. A secondary source of financial income was from the operation of external operators. In particular, these were fees for training flights, for landings, for ground handling and services. In total, UPL's revenues from external customers in 2022 reached CZK 3,243,000.

The main expenses of UPL were personal expenses in the amount of CZK 18,940,000. Material and maintenance costs amounted to CZK 4,684 thousand. The costs of training for UPL employees reached CZK 736,000.

The economic result of UPL (unaudited) is a loss of CZK 25,131,000.

### Information on the formal consultation process with users of the provider's services

CIR (EU) 2017/373, ATM/ANS.OR.D.025 d) (7)

Due to the fading coronavirus crisis and the priorities of operationally ensuring the increasing activities of air traffic at the LKVO airport, the regular annual meeting with customers who use LKVO airport was not held in 2022. As part of operational contacts with customers, used to monitor satisfaction with the service provided, no complaints were disclosed. Satisfaction of the AVA a.s. internal customer is continuously monitored throughout the year and is applied in the form of prioritisation and operational adaptation to AVA a.s. requirements for the provision of the L-39 NG program test flights and L-159 and L-39 post-repair flights.

The issue of investment and further development of the LKVO airport was addressed in the context of the change of AVA a.s. owners, the long-planned project for the construction of an international airport was cancelled. The related Environmental Impact Assessment (EIA) has expired. The priority of the operation of the LKVO airport and the provision of related services is to ensure the check flights of aircraft manufactured and repaired in AVA a.s. The intention - the opportunity is the development of the non-public international airport LKVO for General Aviation (GE) - this is a long-term development program with a number of investments in preparation.

### Information on the human resources policy

CIR (EU) 373/2017, ATM/ANS.OR.D.025 d) (8)

- On 1 July 2022, the new AM UPL Ing. Tomáš Plaček was appointed (Ref. No. 136/2022 dated 1 June 2022), who replaced Ing. Petr Doubek, PhD.
- As part of the organisational change, on 7 January 2022, Mr. Martin Vyhnał was removed from the position of SM by the Regulation of AM UPL No. 1/2022. In accordance with LV/VS/1 "LKVO Airport Operation Organisation Exposition (QMSM)", the duties of SM UPL were performed from 8 January 2022 to 31 August 2022 by QM UPL Ing. Jiří Vitásek, who at the time was a representative of SM UPL.
- As of 30 June 2022, the cooperation with Tower VL s.r.o., which provided purchased services in accordance with the concluded contract for the implementation of compliance audits and compliance with the requirements of EU and EASA legislation and regulations, was terminated. The relevant activities are performed by Mrs. Ing. Michaela Prokešová, who was employed as a Compliance Manager (CM) and was appointed to the position of CM by the Regulation of AM UPL No. 9/2022 of 8 July 2022.
- As part of the organisational and personnel changes in the SEC department, Mrs. Helena Holanová replaced Mr. Roman Bruník on 1 August 2022 and was appointed to the position of SecM (according to LV/VS/1 Security Manager, Article 5.3.2.3) UPL

by the Regulation of AM UPL No. 16/2022, of 19 December 2022. By the Regulation of AM UPL No. 14/2022 of 15 September 2022, Mrs. Helena Holanová was appointed a member of the airport committee for the LKVO Airport Security.

- As of 1 September 2022, by the Regulation of AM UPL No. 11/2022, Ing. Jiří Macas was appointed to the position of - Safety Manager (SM). He took over the SMS agenda from QM UPL and SM UPL.
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- In 2022, UPL managed to maintain the necessary possible number of staff to ensure operation.
- The airport maintenance was ensured from in-house resources.
- The reduced ARO staffing and operational requirements continue to be addressed by outsourcing - work orders.
- Ensuring the provision of APS/HDL service at LKVO airport is handled internally by UPL staff.
- Mr. Jiří Šotek terminated his employment in January 2022. In April 2022, he was replaced by a new employee, Mr. Matěj Draždík.

Attachments/Links to datasets processed as part of the periodic UPL management review:

- 1) Quality level monitoring table for 2022 (LV\_QMS\_Z\_1.3 - LIMITY FS\_LIMITY FS\_QPI\_2022.xlsx).
- 2) Safety and quality level monitoring table for 2022 (LV\_VS\_3.7.7 - LIMITY FS\_SPI-KPI 2022.xlsx).
- 3) Final internal audit reports (H:\Legislation\Departments\Interní\_audit\_IMS\Audity letiště PRAHA-Vodochody\2022).
- 4) AVALON information system (CAPOS application).
- 5) Minutes of the monthly meetings of the UPL Management (stored in the "Public" folder on Aeronet).

## Events after the balance sheet date

### January 2023

- Aero concluded a contract for overhaul of L-39 aircraft with the Ministry of Defense of Bulgaria.
- Aero completely finished the prescribed repairs (so-called PP16) on all 16 single-seater L-159 ALCA aircraft and handed over the last piece to the Air Force of the Czech Republic.
- Aero has been authorised to provide education and training in military aviation technology under the new rules.
- Aero has signed a collective agreement for 2023. On the basis of it, starting from April 1, employees' wages are raised by 5 percent, bonuses are increased and new benefits are introduced.

### February 2023

- An L-159 aircraft flew from Aero to Iraq, where, according to the contract for post-warranty support of the Iraqi L-159 fleet, it was overhauled.
- Aero launched a new production line for the L-39NG airframe. The production capacity is planned for up to 24 pieces of shells per year.

### March 2023:

- Aero has obtained permission to operate its own tunnel shooting range for testing aerial weapons and ammunition.

### April 2023:

- Aero successfully conducted tests of the L-39NG basic weapons, verifying the effect on the engine, emergency drop of loads and accuracy.
- The check flight of the first series-produced L-39NG aircraft took place at Aero, which met all expectations.

### May 2023:

- A contract was concluded for the upgrade and overhaul of four L-39 aircraft owned by Angola. This is the first contracted upgrade of the L-39C with a new American engine.

### Upcoming events

- Delivery of the first two L-39NG aircraft to the customer.
- MRO and L-39NG contract signings with other customers.
- Opening of the Aero development center in Brno in Nová Zbojovka.

# Report on relations among related entities

## REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND CONTROLLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

Report of the Board of AERO Vodochody AEROSPACE a.s. on relations between the controlling and controlled entity and between the controlled entity and entities controlled by the same controlling entity prepared in accordance with the provisions of Section 82-88 of Act No. 90/2012 Sb., on commercial companies and cooperatives (act on commercial corporations)

### Section I.

#### Controlled and Controlling Entity

##### Controlled Entity

AERO Vodochody AEROSPACE a.s.  
based at Odolena Voda, Dolínek, U Letiště 374,  
postcode 250 70  
ID 24194204  
registered in the Commercial Register maintained  
by the Municipal Court in Prague, Section B, File  
17749  
(hereinafter referred to as the "Company")

##### Controlling Entity

HSC Aerojet Zrt.  
with registered office at 1122 Budapest, Városmajor  
utca 13. 6. em., Hungary  
Registration number 01-10-141410

### Section II.

#### Reference period

This report has been prepared for the period from 1 January 2022 to 31 December 2022.

### Section III.

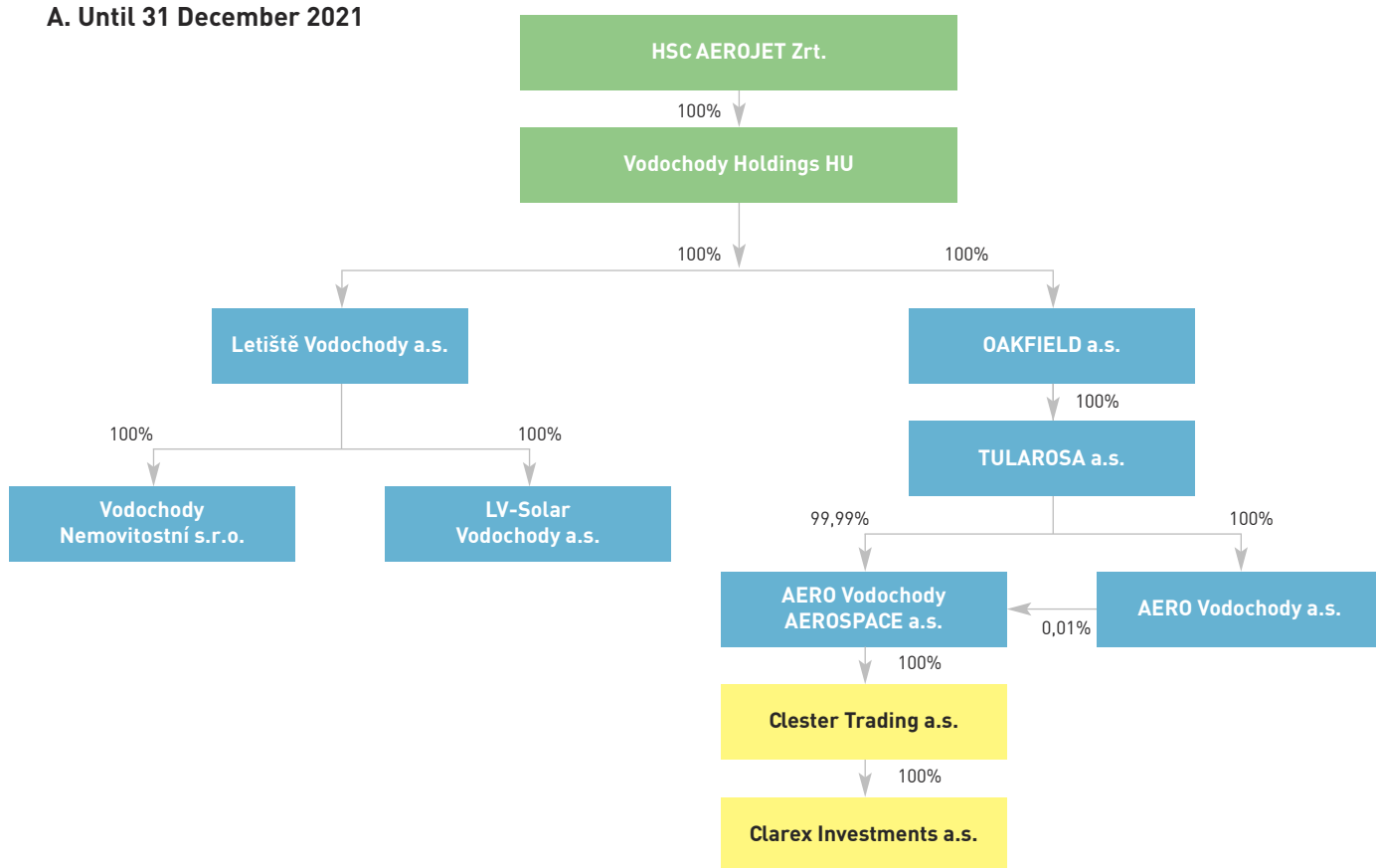
#### The structure of relations between the controlling and controlled entity and between the controlled entity and entities controlled by the same controlling entity

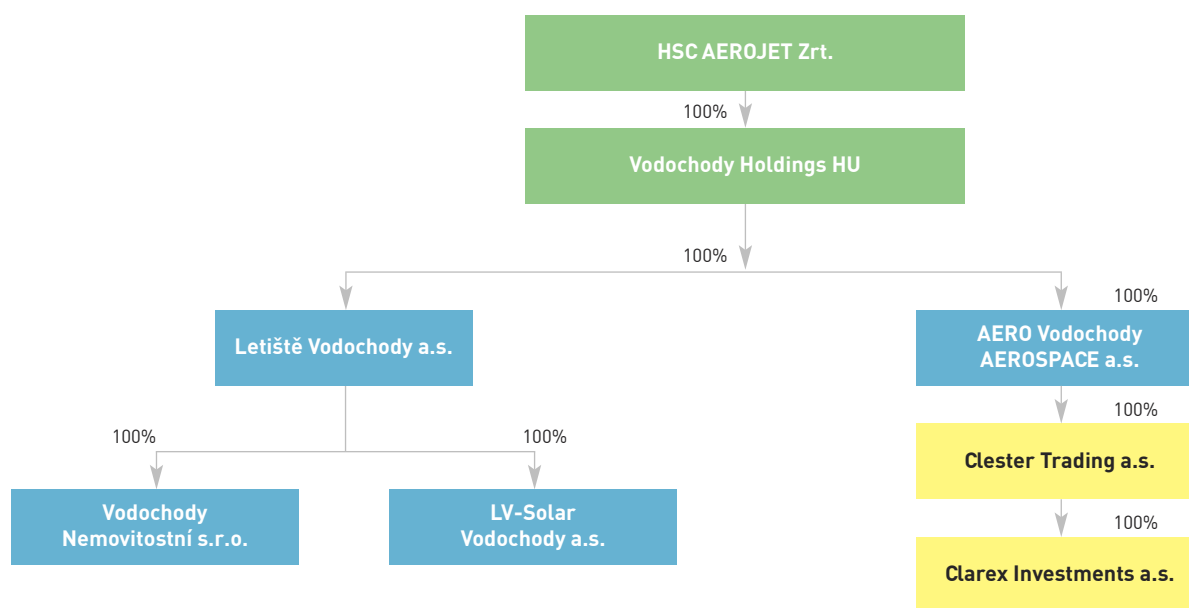
Entities controlled by the same controlling entity are the Company and entities directly or indirectly controlling it, as well as companies controlled by the controlling entity, i.e. entities controlled by HSC Aerojet Zrt.

In the course of 2022, with 1 January 2022 as the decisive date, based on the decision of the controlling entity, there was a fundamental simplification of the corporate structure between the controlling entity and the controlled entity and between the controlled entity and the entities controlled by the same controlling entity. Pursuant to the project of merger by merger prepared pursuant to Act No. 125/2008 Sb., on the transformation of commercial companies and cooperatives of 16 June 2022, the merger by merger between the Company as the successor company and the companies OAKFIELD a.s., TULAROSA a.s. and AERO Vodochody a.s. as the dissolving companies has taken place. The companies OAKFIELD a.s., TULAROSA a.s. and AERO Vodochody a.s. were deleted from the commercial register as of 31 December 2022. This resulted in the simplification of the corporate structure of the group of companies controlled by the controlling entity and the saving of costs associated with the existence of companies in a holding structure.

The process of controlling the Company by the controlling entity is depicted in the following scheme.

**A. Until 31 December 2021**



**B. From 1 January 2022****Section IV.****The role of the controlled entity in the structure of relations between the controlling and the controlled entity and entities controlled by the same controlling entity**

The Company forms a separate business entity with a specific line of business in the ownership structure of the controlling entity.

It therefore does not carry out any activity common to the remaining entities in the ownership structure of the controlling entity and is not subjected to uniform control, therefore it does not constitute a group with the controlling entity and other entities in the ownership structure of the controlling entity.

**Section V.****The manner and means of controlling the controlled entity**

The controlling entity controls the controlled entity through the Hungarian company Vodochody Holdings HU Kft., which owns 100% of the Company's shares. The controlling entity realises its business interests by exercising its shareholder rights within

the highest body of the controlled entity, including the appointment of persons to the statutory bodies of the controlled entity.

**Section VI.****Summary of actions taken in the last reporting period, which were made at the instigation or in the interest of the controlling entity or entities controlled by it, if such conduct related to assets exceeding 10% of the equity of the controlled entity identified according to the latest financial statements.**

Based on the decision of the controlling entity, claims against the controlled entity in the amount of CZK 947,927 thousand were capitalised in the form of an additional payment outside the share capital, and further the obligation of the controlled entity towards Vodochody Holdings HU Kft. as a shareholder of the controlled entity in the amount of CZK 1,022,163,000 was waived. The amount of receivables, liabilities, loans and estimates as of 31 December 2022 as well as the amount of sales and purchases with related parties for 2022 are reported in the appendix to the financial statements as of 31 December 2022.



**Section VII.****Overview of mutual agreements between the controlled entity and the controlling entity or between controlled entities**

No contracts were concluded between the Company and the controlling entity during the relevant period. The following contracts were concluded and/or were still effective between the Company and other entities controlled by the same controlling entity in the reference period:

Entity	Contract Title	Signing Date	Performance Provided	Performance Taken	Duration	Injury
Clester Trading a.s.	Addendum No. 8 to the Loan Agreement dated 22 July 2010	30 Dec. 2022	Loan extension	Interest	31 Dec. 2023	None
Clarex Investments a.s.	Addendum No. 9 to the Loan Agreement dated 16 September 2009	19 Jan. 2022	Loan increase	Interest	31 Dec. 2023	None
Clarex Investments a.s.	Addendum No. 10 to the Loan Agreement dated 16 September 2009	30 Dec. 2022	Loan extension	Interest	31 Dec. 2023	None
Clarex Investments a.s.	Addendum No. 5 to the Loan Agreement dated 10 July 2009	30 Dec. 2022	Loan extension	Interest	31 Dec. 2023	None
Vodochody Holdings HU Kft.	Loan agreement of 21 January 2020	21 Jan. 2020	Loan provision	Interest	31. 12. 2022	None
Vodochody Holdings HU Kft.	Loan agreement of 28 February 2020	28 Feb. 2020	Loan provision	Interest	31. 12. 2022	None
Vodochody Holdings HU Kft.	Loan agreement dated 8 July 2020	8 July 2020	Loan provision	Interest	31. 7. 2022	None
Vodochody Nemovitostní s.r.o.	Addendum No. 1 to the loan agreement dated 29 November 2021	30 Dec. 2022	Loan extension	Interest	31 Dec. 2023	None
Vodochody Holdings HU Kft.	Loan agreement of 23 September 2021	23. Sep. 2021	Loan provision	Interest	15 Aug. 2036	None
Letiště Vodochody a.s.	Addendum No. 2 to the contract for the provision of services (general contract)	1. Jan. 2016	Prolongation of the contract, modification of the scope of services and prices	Payment	Indefinite period	None
Letiště Vodochody a.s.	Lease agreement SM/297/LV of 31 December 2015	31 Dec. 2015	Lease of the airport premises	Rent	Indefinite period	None
Letiště Vodochody a.s.	Contract of purchase on the transfer of ownership between AVA and AV	19 Nov. 2015	Sale of plot No. 288 with an area of 1080 m <sup>2</sup>	Payment		None
Letiště Vodochody a.s.	Agreement on the provision of services of 1 January 2009	1 Jan. 2009	Provision of Services	Payment	Indefinite period	None
Letiště Vodochody a.s.	Addendum No. 1 to the contract for the provision of services dated 1 Jan. 2009	22 Jan. 2015	Provision of Services	Payment	Indefinite period	None
Letiště Vodochody a.s.	Addendum No. 2 to the contract for the provision of services dated 1 January 2009	1 Jan. 2016	Provision of Service	Payment	Indefinite period	None
Letiště Vodochody a.s.	Agreement on the establishment of servitude	29 April 2016	Establishment of servitude	Payment	Indefinite period	None
Letiště Vodochody a.s.	Addendum No. 3 to the contract for the provision of services dated 1 January 2009	29 July 2021	Provision of Services	Payment	Indefinite period	None

**Section VIII.****Assessing whether the controlled entity incurred damage and assessment of its compensation**

During the Relevant Period, the Company did not suffer any damage as a result of the controlling entity's intervention, and therefore no assessment of its compensation could take place.

**Section IX.****Assessment of advantages and disadvantages arising from the relations between the controlling and the controlled entity and entities controlled by the same controlling entity**

In the reference period, no situation occurred in the relationship between the controlling and controlled entity, which could be described as a disadvantage in a commercial or other sense.

Based on the decision of the controlling entity, claims against the controlled entity in the amount of CZK 947,927,000 were capitalised in the form of an additional payment outside the share capital, and further the obligation of the controlled entity towards Vodochody Holdings HU Kft. as a shareholder of the controlled entity in the amount of CZK 1,022,163,000 was waived. From the relations between the controlling entity and the controlled entity, therefore, a substantial advantage arose for the controlled entity consisting in the strengthening of the controlled entity's own capital.

**Section X.****Conclusion**

The Board of Directors of AERO Vodochody AEROSPACE a.s. states that it has exercised due care and diligence in determining the group of relations between the controlling entity and controlled entity, and between the controlled entity and entities controlled by the same controlling entity for the purposes of this report, in particular by asking the controlling entities

on the group of entities that they controlled within a specified period.

The Board of AERO Vodochody AEROSPACE proclaims that all pecuniary performance or consideration granted that was provided throughout the relevant period based on the relationships specified in Section VII hereof was, in its opinion, in the usual amount.

This report was presented for review to the Supervisory Board and the auditor of the Company who will audit the financial statements of the Company for 2022 in accordance with special law.

In Odolena Voda on 31 March 2023

**Ing. Viktor Sotona, MBA**

Member of the Board  
AERO Vodochody AEROSPACE a.s.

**Review of the Report by the Supervisory Board**

On 31 March 2023, the Supervisory Board reviewed the Report of the Company's Management Board on the relations between the controlling entity and the controlled entity and between the controlled entity and the entities controlled by the same controlling entity for the year 2022. The Supervisory Board agrees with the content of the Report.

**Jana Fialová**

Chairwoman of the Supervisory Board  
AERO Vodochody AEROSPACE a.s.

# Balance sheet

(in thousand Czech crowns)

		row	31.12.2022		1.1.2022	
			GROSS	PROVISION	NET	NET
<b>TOTAL ASSETS</b>		<b>001</b>	<b>14 159 541</b>	<b>(4 393 860)</b>	<b>9 765 681</b>	<b>7 607 964</b>
<b>B.</b>	<b>Fixed assets</b>	<b>003</b>	<b>6 861 755</b>	<b>(3 556 116)</b>	<b>3 305 639</b>	<b>3 511 025</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>004</b>	<b>3 269 152</b>	<b>(1 029 911)</b>	<b>2 239 241</b>	<b>2 392 939</b>
B. I. 1.	Development cost	005	2 130 300	(257 580)	1 872 720	102 808
B. I. 2.	Valuable rights	006	1 008 006	(781 427)	226 579	202 241
B. I. 2. 1.	Software	007	277 411	(272 974)	4 437	6 147
B. I. 2. 2.	Other valuable rights	008	730 595	(508 453)	222 142	196 094
B. I. 3.	Goodwill	009	(13 915)	13 915	-	-
B. I. 4.	Other intangible fixed assets	010	701	(701)	-	-
B. I. 5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	011	144 060	(4 118)	139 942	2 087 890
B. I. 5. 2.	Intangible fixed assets under construction	013	144 060	(4 118)	139 942	2 087 890
<b>II.</b>	<b>Tangible fixed assets</b>	<b>014</b>	<b>3 591 605</b>	<b>(2 525 207)</b>	<b>1 066 398</b>	<b>1 117 088</b>
B. II. 1.	Land and buildings, halls, and constructions	015	1 201 930	(757 239)	444 691	441 805
B. II. 1. 1.	Land	016	17 102	-	17 102	17 102
B. II. 1. 2.	Buildings, halls, and constructions	017	1 184 828	(757 239)	427 589	424 703
B. II. 2.	Machinery, equipment, vehicles, furniture and fixtures	018	2 248 197	(1 731 327)	516 870	625 972
B. II. 4.	Other tangible fixed assets	020	20 170	(18 490)	1 680	1 739
B. II. 4. 3.	Tangible fixed assets - other	023	20 170	(18 490)	1 680	1 739
B. II. 5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	024	121 308	(18 151)	103 157	47 572
B. II. 5. 1.	Advance payments for tangible fixed assets	025	10 721	(524)	10 197	145
B. II. 5. 2.	Tangible fixed assets under construction	026	110 587	(17 627)	92 960	47 427
<b>B. III.</b>	<b>Long-term investments</b>	<b>027</b>	<b>998</b>	<b>(998)</b>	<b>-</b>	<b>998</b>
B. III. 1.	Investments - controlled and controlling entities	028	998	(998)	-	998

# Balance sheet

(in thousand Czech crowns)

		row	31.12.2022		1.1.2022	
			GROSS	PROVISION	NET	NET
<b>C.</b>	<b>Current assets</b>	<b>037</b>	<b>6 958 519</b>	<b>(837 744)</b>	<b>6 120 775</b>	<b>3 629 451</b>
<b>C. I.</b>	<b>Inventory</b>	<b>038</b>	<b>3 017 229</b>	<b>(716 013)</b>	<b>2 301 216</b>	<b>1 662 752</b>
C. I. 1.	Raw materials	039	1 767 097	(533 425)	1 233 672	859 848
C. I. 2.	Work in progress and semi-finished products	040	720 869	(132 947)	587 922	639 637
C. I. 3.	Finished products and goods	041	24 258	(736)	23 522	15 242
C. I. 3. 2.	Goods	043	24 258	(736)	23 522	15 242
C. I. 5.	Advance payments for inventory	045	505 005	(48 905)	456 100	148 025
<b>II.</b>	<b>Receivables</b>	<b>046</b>	<b>1 678 783</b>	<b>(121 731)</b>	<b>1 557 052</b>	<b>1 033 994</b>
C. II. 1.	Long-term receivables	047	6 499	-	6 499	6 010
C. II. 1. 1.	Trade receivables	048	6 499	-	6 499	6 010
C. II. 2.	Short-term receivables	057	1 672 284	(121 731)	1 550 553	1 027 984
C. II. 2. 1.	Trade receivables	058	1 543 622	(51 232)	1 492 390	990 021
C. II. 2. 2.	Receivables - controlled and controlling entity	059	50 834	(48 866)	1 968	1 495
C. II. 2. 4.	Receivables - other	061	77 828	(21 633)	56 195	36 468
C. II. 2. 4. 3.	Due from state - tax receivables	064	7 584	-	7 584	18 141
C. II. 2. 4. 4.	Short-term advance payments	065	59 674	(14 076)	45 598	17 258
C. II. 2. 4. 5.	Estimated receivables	066	7 756	(7 557)	199	35
C. II. 2. 4. 6.	Other receivables	067	2 814	-	2 814	1 034
<b>III.</b>	<b>Short-term financial assets</b>	<b>072</b>	<b>1 627 763</b>	<b>-</b>	<b>1 627 763</b>	<b>-</b>
C. III. 2.	Other short-term financial assets	074	1 627 763	-	1 627 763	-
<b>IV.</b>	<b>Cash</b>	<b>075</b>	<b>634 744</b>	<b>-</b>	<b>634 744</b>	<b>932 705</b>
C. IV. 1.	Cash in hand	076	2 794	-	2 794	2 039
C. IV. 2.	Cash at bank	077	631 950	-	631 950	930 666
<b>D.</b>	<b>Accruals</b>	<b>078</b>	<b>339 267</b>	<b>-</b>	<b>339 267</b>	<b>467 488</b>
D. 1.	Prepaid expenses	079	70 826	-	70 826	85 174
D. 2.	Complex prepaid expenses	080	-	-	-	365 551
D. 3.	Accrued revenues	081	268 441	-	268 441	16 763

# Balance sheet

(in thousand Czech crowns)

	row	31.12.2022	1.1.2022
		NET	NET
<b>TOTAL LIABILITIES</b>	<b>082</b>	<b>9 765 681</b>	<b>7 607 964</b>
<b>A. Equity</b>	<b>083</b>	<b>1 270 053</b>	<b>129 960</b>
<b>A. I. Share capital</b>	<b>084</b>	<b>1 002 000</b>	<b>1 002 000</b>
A. I. 1. Share capital	085	1 002 000	1 002 000
<b>A. II. Share premium and capital funds</b>	<b>088</b>	<b>947 901</b>	<b>(26)</b>
A. II. 2. Capital funds	090	947 901	(26)
A. II. 2. 1. Other capital funds	091	947 927	-
A. II. 2. 2. Gains or losses from revaluation of assets	092	(26)	(26)
<b>A. III. Funds created from net profits</b>	<b>096</b>	<b>1 169</b>	<b>1 169</b>
A. III. 2. Statutory and other funds	098	1 169	1 169
<b>A. IV. Profit (loss) of previous years</b>	<b>099</b>	<b>(873 183)</b>	<b>(873 183)</b>
A. IV. 1. Retained earnings or accumulated losses from previous years	100	(873 183)	(873 183)
<b>A. V. Profit (loss) of the current period</b>	<b>102</b>	<b>192 166</b>	<b>-</b>
<b>B. + C. Liabilities</b>	<b>104</b>	<b>5 496 870</b>	<b>6 942 614</b>
<b>B. Reserves</b>	<b>105</b>	<b>671 957</b>	<b>563 119</b>
B. 2. Income tax reserve	107	-	20 026
B. 4. Other reserves	109	671 957	543 093
<b>C. Payables</b>	<b>110</b>	<b>4 824 913</b>	<b>6 379 495</b>
<b>C. I. Long-term payables</b>	<b>111</b>	<b>3 714 764</b>	<b>3 826 638</b>
C. I. 6. Payables - controlled and controlling entity	119	3 714 764	3 826 514
C. I. 9. Payables - other	122	-	124
C. I. 9. 3. Other payables	125	-	124
<b>C. II. Short-term payables</b>	<b>126</b>	<b>1 110 149</b>	<b>2 552 857</b>
C. II. 3. Short-term advance payments received	131	157 732	1 172 472
C. II. 4. Trade payables	132	277 495	295 192
C. II. 6. Payables - controlled and controlling entity	134	-	909 779
C. II. 8. Payables - other	136	674 922	175 414
C. II. 8. 3. Payables to employees	139	64 118	45 612
C. II. 8. 4. Payables for social security and health insurance	140	33 872	23 261
C. II. 8. 5. Due to state - taxes and subsidies	141	81 675	5 214
C. II. 8. 6. Estimated payables	142	493 805	99 673
C. II. 8. 7. Other payables	143	1 452	1 654
<b>D. Accruals</b>	<b>147</b>	<b>2 998 758</b>	<b>535 390</b>
D. 1. Accrued expenses	148	47 607	114 536
D. 2. Deferred revenues	149	2 951 151	420 854

# Income statement

(in thousand Czech crowns)

		row	Accounting period
			1.1.-31.12.2022
<b>I.</b>	<b>Revenues from goods and services</b>	<b>01</b>	<b>3 316 766</b>
<b>II.</b>	<b>Revenues from goods</b>	<b>02</b>	<b>694 868</b>
<b>A.</b>	<b>Production consumption</b>	<b>03</b>	<b>2 518 874</b>
A. 1.	Cost of goods sold	04	509 695
A. 2.	Material and energy consumption	05	1 009 915
A. 3.	Services	06	999 264
<b>B.</b>	<b>Changes in inventory of own production</b>	<b>07</b>	<b>57 497</b>
<b>C.</b>	<b>Capitalisation</b>	<b>08</b>	<b>(154 466)</b>
<b>D.</b>	<b>Personal expenses</b>	<b>09</b>	<b>1 123 777</b>
D. 1.	Wages and salaries	10	824 887
D. 2.	Social security, health insurance, and other expenses	11	298 890
D. 2. 1.	Social security and health insurance expenses	12	267 911
D. 2. 2.	Other expenses	13	30 979
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>476 407</b>
E. 1.	Adjustments to values of intangible and tangible fixed assets	15	461 388
E. 1. 1.	Adjustments to values of tangible and intangible fixed assets - permanent	16	366 050
E. 1. 2.	Adjustments to values of intangible and tangible fixed assets - temporary	17	95 338
E. 2.	Adjustments to values of inventory	18	6 200
E. 3.	Adjustment to values of receivables	19	8 819
<b>III.</b>	<b>Other operating revenues</b>	<b>20</b>	<b>86 464</b>
III. 1.	Revenues from fixed assets sold	21	236
III. 2.	Revenues from raw materials sold	22	57 840
III. 3.	Other operating revenues	23	1 128 388
<b>F.</b>	<b>Other operating expenses</b>	<b>24</b>	<b>815 998</b>
F. 2.	Expenses of raw materials sold	26	32 514
F. 3.	Taxes and fees	27	5 307
F. 4.	Operating reserves and complex prepaid expenses	28	494 414
F. 5.	Other operating expenses	29	283 763
<b>*</b>	<b>Operating profit (loss)</b>	<b>30</b>	<b>360 011</b>
VI.	Interest revenues and similar revenues	39	32 941
VI. 1.	Interest revenues and similar revenues - controlled or controlling entity	40	30 537
VI. 2.	Other interest revenues and similar revenues	41	2 404
I.	Value adjustments and reserves from financial operations	42	998
J.	Interest expenses and similar expenses	43	250 272
J. 1.	Interest expenses and similar expenses - controlled or controlling entity	44	249 592
J. 2.	Other interest expenses and similar expenses	45	680
VII.	Other financial revenues	46	64 227
K.	Other financial expenses	47	15 547
<b>*</b>	<b>Financial profit (loss)</b>	<b>48</b>	<b>(169 649)</b>
<b>**</b>	<b>Profit (loss) before tax</b>	<b>49</b>	<b>190 362</b>
<b>L.</b>	<b>Income tax</b>	<b>50</b>	<b>(1 804)</b>
L. 1.	Income tax - due	51	(1 804)
<b>**</b>	<b>Profit (loss) after tax</b>	<b>53</b>	<b>192 166</b>
<b>***</b>	<b>Profit (loss) for the accounting period</b>	<b>55</b>	<b>192 166</b>
<b>*</b>	<b>Net turnover for the accounting period</b>	<b>56</b>	<b>5 295 266</b>

# Cash flow statement

(in thousand Czech crowns)

Accounting period

1.1.-31.12.2022

<b>Cash flows from operating activities</b>		
	<b>Profit / loss before tax</b>	<b>190 362</b>
A. 1.	Adjustments for non-cash transactions:	186 753
A. 1. 1.	Depreciation and amortisation of fixed assets	366 050
A. 1. 2.	Change in reserves and adjustments	240 219
A. 1. 3.	Profit/loss from sales of fixed assets	(236)
A. 1. 5.	Interest expenses and interest income	217 331
A. 1. 6.	Adjustments for other non-cash transactions	(636 611)
<b>A *</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>377 115</b>
A. 2.	Non-cash working capital changes:	(86 540)
A. 2. 1.	Change in receivables and temporary asset accounts	(766 760)
A. 2. 2.	Change in liabilities and temporary liability accounts	2 952 647
A. 2. 3.	Change in inventory	(644 664)
A. 2. 4.	Change in short-term financial assets	(1 627 763)
<b>A **</b>	<b>Net cash flow from operating activities before tax</b>	<b>290 575</b>
A. 3.	Interest paid	(89 531)
A. 4.	Interest received	30 536
A. 5.	Income tax paid	(25 577)
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>206 003</b>
	<b>Cash flows from investing activities</b>	
B. 1.	Fixed assets expenditures	(257 000)
B. 2.	Proceeds from fixed assets sold	236
B. 3.	Loans provided to related parties	(39)
<b>B ***</b>	<b>Čistý peněžní tok z investiční činnosti</b>	<b>-256 803</b>
	<b>Peněžní toky z finanční činnosti</b>	
C. 1.	Change in long- and short-term liabilities from financing activities	(247 161)
<b>C ***</b>	<b>Net cash flow from financing activities</b>	<b>(247 161)</b>
	<b>Net increase/ decrease in cash and cash equivalents</b>	<b>(297 961)</b>
	<b>Opening balance of cash and cash equivalents</b>	<b>932 705</b>
	<b>Closing balance of cash and cash equivalents</b>	<b>634 744</b>



## Statement of changes in equity

(in thousand Czech crowns)

	Share capital	Other capital funds	Gains or losses from revaluation of assets (+/)	Statutory and other funds	Profit / loss of previous years (+/)	Profit / loss for the current period (+/)	Total
<b>Balance as at 1 January 2022</b>	<b>1 002 000</b>	<b>-</b>	<b>[26]</b>	<b>1 169</b>	<b>[873 183]</b>	<b>-</b>	<b>129 960</b>
Net profit / loss for the accounting period	-	-	-	-	-	192 166	192 166
Debt capitalisation	-	947 927	-	-	-	-	947 927
<b>Balance as at 31 December 2022</b>	<b>1 002 000</b>	<b>947 927</b>	<b>[26]</b>	<b>1 169</b>	<b>[873 183]</b>	<b>192 166</b>	<b>1 270 053</b>

# Financial Statements

for the year ended 31 December 2022

## 1. Description of the Company

AERO Vodochody AEROSPACE a.s. (hereinafter referred to as the “Company”) was incorporated on 15 December 2011 by the Municipal Court in Prague, Section B, Insert 17749 under the name TULAREO a.s. and is located in Odolena Voda, Dolínek, U Letiště 374, Postal Code 250 70, Czech Republic. The identification number is 241 94 204. The Company’s objects are: cooperation in the production of helicopters and aircraft parts, foreign trade in military material, development, production, repairs and modernisation of training and combat military aircraft, aerial work and operation of Vodochody Airport.

Members of governing bodies as at 31 December 2022:

### Management Board

Member: Ing. Viktor Sotona, MBA

### Supervisory Board

Chairman: Jana Fialová

Member: Jan Borýsek

On 19 January 2022, Mr. Jakub Hoda was removed from the position of a member of the Management Board and Mr. Ing. Viktor Sotona was appointed to this position.

On 31 December 2022, assets, liabilities and equity of companies OAKFIELD a.s., TULAROSA a.s. and AERO Vodochody a.s. were transferred to the Company as a result of domestic merger in accordance with the draft terms of merger dated 16 June 2022. The decisive day of the merger was determined in accordance with the draft terms of merger to be 1 January 2022.

These financial statements have been prepared as at 31 December 2022. The reporting period is from 1 January 2022 to 31 December 2022. In the previous period, the opening balance sheet of the Company was presented as at 1 January 2022. The Company did not disclose the prior period figures in the income statement and cash flow statement as they are not comparable.

The current economic situation is being impacted mainly by the war in Ukraine which broke out on 24 February 2022, including the related sanctions against Russia, then by disrupted supply chains, an energy crisis, uncertainty on the commodities and financial markets and finally by negative trends in key macroeconomic indicators with consequences on business, such as the inflation rate, growth of interest rates, volatility of foreign exchange rates and others.

The Company’s top management has evaluated the impact of the current economic situation on its business and concluded that it has no material impact to the operation of the Company in the current nor the following period.

## 2. Basic principles for the preparation of financial statements

The financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention. Derivatives and securities (excluding interests in controlled entities or entities under significant influence) are stated at fair value.

### 3. General accounting policies, accounting methods and deviations from these methods

The valuation methods used by the Company in preparing the financial statements for 2022 are as follows:

#### a) Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost exceeding CZK 80,000 are treated as tangible fixed assets.

Purchased intangible and tangible fixed assets are initially recorded at cost, which includes all costs related to their acquisition. Intangible fixed assets created by own activities are valued at own costs, which include direct material and labour costs and a proportional part of production overheads.

Intangible fixed assets are depreciated applying the straight-line method over their estimated useful lives or based on performance as follows:

	Estimated useful life
Development costs – aircraft prototype	Percentage of project completion
Development costs – other	realised sales of serial production
Software	3-5 years
Other valuable rights	according to contract
Goodwill	5 years

The depreciation plan is updated during the useful life of the intangible fixed assets based on the expected useful life or change of the performance plan.

The Company creates provisions mainly for long-term intangible assets, which relate to terminated programs. A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by this asset.

Goodwill represents the difference between the valuation of the enterprise (or its part) acquired through a transfer or transfer for consideration or deposit or the valuation of assets and liabilities within a business combination, other than a change in legal form, and the total of individually re-valued assets and liabilities acquired less assumed debts.

Repairs and maintenance expenditures for intangible fixed assets are expensed as incurred. Technical improvements of intangible fixed assets are capitalised.

Emission allowances are presented by the Company as other intangible fixed assets.

Emission allowances allocated to the Company by the National Allocation Plan are recorded to the account of other intangible fixed assets and to the account taxes and state subsidies payable upon being credited to the Company in the Register of Emission Allowances in the Czech Republic.

Emission allowances allocated to the Company free of charge are recorded at replacement cost. Emission allowances purchased by the Company are recorded at cost.

The consumption of emission allowances is recorded to other operating expenses on the basis of an estimate of actual CO<sub>2</sub> emissions produced in the period or on the basis of actual CO<sub>2</sub> emissions produced in the period. At the same time the emission allowances liability is released in other operating income, if it is consumption of the allocated emission allowances.

The first-in-first-out method is applied for all disposals of emission allowances.

Sales of emission allowances are recorded as other operating revenue and are stated at the selling price. At the same time, their book value is disposed from assets.

A provision is created for the deficit in emission allowances to cover their consumption in the disclosed period. A provision for diminution in value is created when the carrying value of emission allowances is greater than its estimated recoverable amount.

#### **b) Tangible fixed assets**

All tangible assets with a useful life longer than one year and a unit cost exceeding CZK 80,000 are treated as tangible fixed assets.

Purchased tangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition. Own work capitalised is recorded at cost, which include direct material and labour costs and a proportional part of production overheads. Assets received as gifts are recorded at replacement cost against other operating income account as at the date of receipt. The replacement cost of these assets is determined based on their price at the time the asset was acquired.

Tangible fixed assets, except for land which is not depreciated, are depreciated applying the straight-line method over their estimated useful lives or based on performance as follows:

	<b>Estimated useful life</b>
Buildings, halls, and constructions	20-40 years
Jigs	realised sales of serial production
Machinery, devices, and equipment	3-30 years
Means of transport	3-20 years
Inventory	3-15 years
Other tangible fixed assets	3-15 years

The depreciation plan is updated during the useful life of the tangible fixed assets based on the expected useful life or change of the performance plan.

The Company creates provisions mainly for tangible fixed assets, which relate to terminated programs. A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by this asset.

Repairs and maintenance expenditures for tangible fixed assets are expensed as incurred. Technical improvements of tangible fixed assets are capitalised.

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**c) Long-term investments**

Long-term financial investments are mainly investments in subsidiaries and investments in affiliated companies.

Investments in subsidiaries represent shares in enterprises that are controlled by the Company (hereinafter referred to as the "Subsidiary").

Investments in affiliated companies represent shares in enterprises over which the Company has significant influence, but not control (hereinafter referred to as the "Affiliated Company").

Investments in the Subsidiaries and in the Affiliated Companies are recorded at cost, which includes the acquisition price and direct acquisition-related costs, such as fees and commissions to brokers and exchanges, less a provision for diminution in value.

**d) Inventories**

Purchased inventories are stated at the lower of cost and net realisable amount. Cost includes all costs related with its acquisition (mainly transport costs, customs duty, etc.). The weighted average cost method is applied for all disposals.

Inventories generated from own production, i.e. work-in-progress and semi-finished goods, are stated at the lower of production cost and estimated net realisable amount. Production cost includes direct material and direct wages.

A provision is created for slow-moving and obsolete inventory based on an analysis of turnover and individual evaluation of inventories.

**e) Receivables**

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis (100% for overdue receivables over 1 year and 50% overdue for between 0.5 and 1 year) and an individual evaluation of the credit worthiness of the customers. The provision is not created for guarantees and deposits.

**f) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, stamps and vouchers and cash in banks, including bank overdrafts.

Cash equivalents are short-term highly liquid investments that can be exchanged for a predictable amount of cash and no significant changes of value over time are expected. Cash equivalents are, for example, deposits with a maturity of less than 3 months from the date of acquisition and liquid debt securities traded in public markets.

The Company has prepared a Cash-flow statement using the indirect method.

**g) Foreign currency translation**

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling as at the transaction date.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement and presented net.

Investments in the Subsidiaries and in the Affiliated Companies and other investments and securities denominated in a foreign currency, which are not accounted for at fair value, are translated at the year-end at exchange rate as published by the Czech National Bank. Any translation difference is recognised in equity.

**h) Prepayments and accrued income**

Complex prepaid expenses represent aggregate costs that are materially related to one purpose, in particular the serial production of aircraft and military programs. These costs incurred before the start of production / program and are released to the income statement according to realised sales, within 4 years at the latest.

In particular, development costs are not included in complex prepaid expenses.

**i) Derivative financial instruments**

Derivatives are initially measured at cost. In the accompanying balance sheet, derivatives are reported as part of other current liabilities.

Derivatives are divided into trading derivatives and hedging derivatives.

A hedging derivative is considered to be a derivative that simultaneously meets the following conditions:

- a) corresponds to the Company's risk management strategy,
- b) at the inception of the hedge, the hedging relationship is formally documented by an accounting record; the documentation contains the identification of the hedged items and hedging instruments, the precise definition of the risk that is the subject of the hedge, the approach to determining and documenting the effectiveness of the hedge,
- c) hedging is effective; hedging is effective if at the inception and during the hedging relationship changes in the fair values or cash flows of the hedging instruments are commensurate with the risk being hedged, or total changes in the fair values or cash flows of the hedging instruments range eighty percent to one hundred and twenty-five percent of changes in fair values or cash flows of hedged items corresponding to the hedged risk. The Company determines whether the hedge is effective at the inception of the hedge and at least at the time of preparation of the regular, extraordinary and interim financial statements and at the time of preparation of the statements.

A derivative that does not meet any of the above conditions is considered a trading derivative. Valuation differences of a trading derivative are recognised in the income statement at least when the financial statements are prepared.

Derivatives are re-measured to fair value at the balance sheet date. The fair value of the derivative is determined as the market value (hereinafter referred to as the "Market Price") announced on the date of determination of the fair value. If a derivative is admitted to trading on a regulated market, the market price means the price on that market at which it is traded at the time of valuation. If the regulated market does not operate at the time of valuation, the price valid on the last working day preceding the moment of valuation shall be used. If a market price is not available, the entity uses a qualified estimate to measure the derivative. Determining the market price of a derivative or its components by a qualified estimate may be derived by an entity from a similar derivative or its components for which the market price is known.

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For hedging derivatives for which the cash flow hedging method is used, valuation differences related to the hedged risk are reported in the relevant liability item. Gains or losses on the measurement of hedging derivatives are recognised in the income statement in the same periods as the expenses or income associated with the hedged instruments are recognised in the income statement. If, as a result of a hedged expected transaction, a non-financial asset, non-financial liability or firm liability for which fair value is hedged is subsequently recognised, the related gains or losses may be recognised together with the non-financial asset or liability.

For hedging derivatives for which the net investment hedging method with a subsidiary or associate is used, valuation differences that relate to currency risk are reported in the relevant liability item. They are recognised in the income statement in the same period in which the expenses or income associated with the decrease in hedged net investments in foreign currency investments are recognised.

As at 31 December 2022, the Company had no opened derivative financial instruments.

#### **j) Equity**

The share capital of the Company is stated at the amount recorded in the public register maintained in the Municipal Court. Any increase or decrease in the share capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the balance sheet date is recorded through changes in share capital. Contributions in excess of share capital are recorded as share premium. Other capital contributions are created based on the Company's Articles of Association.

In accordance with the Act on Business Corporations and the Articles of Association, the Company is not obliged to create a reserve fund.

#### **k) Liabilities**

Long-term and short-term liabilities are reported at nominal values. Other liabilities also include values determined as a result of valuing financial derivatives at fair value.

Long-term and short-term liabilities to credit institutions are reported at nominal value. The part of long-term liabilities to credit institutions that is due within one year from the balance sheet date is also considered as short-term liabilities to credit institutions.

Contingent liabilities that are not recognised in the balance sheet due to high uncertainty in determining their amount, title or due date are described in Note 16.

#### **l) Provisions**

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

#### **m) Employee benefits**

The Company recognises a provision relating to untaken holidays.

The Company recognises a provision relating to rewards and bonuses of employees.

Regular contributions are made to the state to fund the national pension plan. The Company also provides contributions to defined contribution plans operated by independent pension funds.



**n) Subsidies**

A subsidy is recognised when money is received or an irrevocable right to receive a subsidy exists.

A subsidy received for the settlement of expenses is recorded as operating or financial revenue in the same period when expenses are incurred. A subsidy received for either the acquisition of fixed assets (including technical improvement) or for the settlement of interest charged to cost of fixed assets can either decrease the cost of fixed assets or own work capitalised. The Company records the received subsidies in separate accounts so that it is possible to monitor their drawing and use.

**o) Revenue recognition****Revenues from sales of aircrafts of own production**

When control of produced goods or rendered services is transferred over time to the customer, the Company recognises revenue over time (i.e. under the percentage of completion method).

The Company transfers control over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the entity performs;
- the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

An asset created by a Company's performance does not have an alternative use to an entity if the Company is either restricted contractually from readily directing the asset for another use during the creation or enhancement of that asset or limited practically from readily directing the asset in its completed state for another use. The assessment of whether an asset has an alternative use to the Company is made at contract inception. After contract inception, a Company shall not update the assessment of the alternative use of an asset unless the parties to the contract approve a contract modification that substantively changes the performance obligation.

A Company shall consider the terms of the contract, as well as any laws that apply to the contract, when evaluating whether it has an enforceable right to payment for performance completed to date. The right to payment for performance completed to date does not need to be for a fixed amount. However, at all times throughout the duration of the contract, the Company must be entitled to an amount that at least compensates the Company for performance completed to date if the contract is terminated by the customer or another party for reasons other than the Company's failure to perform as promised.

For the application of the overtime method, the measurement of progress towards complete satisfaction of a performance obligation is based on inputs (i.e. cost incurred).

At the end of each reporting period, a Company shall remeasure its progress towards complete satisfaction of a performance obligation satisfied over time.

**Other revenues**

Sales are recognised upon the delivery of products and customer acceptance or when goods are released from the stock based on the transfer of risks according to incoterms and are stated net of discounts and value added tax.

Sales are recognised as at the date the services are rendered and are stated net of discounts and value added tax.

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**p) Related parties**

The Company's related parties are considered to be the following:

- parties, which directly or indirectly control the Company, their subsidiaries and affiliated companies;
- parties, which have directly or indirectly significant influence on the Company;
- members of the Company's or parent company's governing, supervisory and managing bodies and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- subsidiaries and affiliated and joint-venture companies.

Material transactions and outstanding balances with related parties are disclosed in Notes 19 Related parties transactions and 18 Employees.

**q) Leases**

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

**r) Interest expense**

Interest expense on borrowings to finance the acquisition of intangible and tangible fixed assets are capitalised during the period of completion and preparation of the asset for its intended use. Other borrowing costs are expensed. Long-term payables are not discounted.

**s) Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

**t) Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses for the period. Management has made these estimates and assumptions based on all relevant information available to it. However, as the nature of the estimate suggests, actual values in the future may differ from these estimates.

**u) Mutual settlement**

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement and presented net.

**v) Subsequent events**

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed, but are not themselves recognised in the financial statements.

**4. Fixed assets****a) Intangible fixed assets**

thousand CZK	1 January 2022	Additions / transfers	Disposals	31 December 2022
<b>Acquisition cost</b>				
Development costs	108 000	2 022 300	-	2 130 300
Software	275 900	1 511	-	277 411
Other valuable rights	617 732	112 863	-	730 595
Goodwill	-13 915	-	-	-13 915
Other intangible fixed assets	1 166	-	-465	701
Intangible fixed assets under construction	2 092 008	-1 947 948	-	144 060
<b>Total</b>	<b>3 080 891</b>	<b>188 726</b>	<b>-465</b>	<b>3 269 152</b>
<b>Accumulated amortization</b>				
Development costs	-5 192	-153 734	-	-158 926
Software	-269 753	-3 221	-	-272 974
Other valuable rights	-414 821	-88 243	-	-503 064
Goodwill	13 915	-	-	13 915
Other intangible fixed assets	-1 166	-	465	-701
<b>Total</b>	<b>-677 017</b>	<b>-245 198</b>	<b>465</b>	<b>-921 750</b>
<b>Adjustments</b>				
Development costs	-	-98 654	-	-98 654
Other valuable rights	-6 817	1 428	-	-5 389
Intangible fixed assets under construction	-4 118	-	-	-4 118
<b>Total</b>	<b>-10 935</b>	<b>-97 226</b>	<b>-</b>	<b>-108 161</b>
<b>Net book value</b>	<b>2 392 939</b>			<b>2 239 241</b>

In 2016, the Company acquired a part of Letiště Vodochody a.s. Goodwill in the negative value of CZK -13,915,000 arose as a difference between the valuation of a part of the business and the sum of individually revalued components of assets less liabilities assumed. Negative Goodwill was amortised over a period of 60 months.

Additions of intangible fixed assets represent the capitalisation of assets developed by own activities within the development of the L-39NG aircraft based on the final confirmation of the aircraft certification received during 2022.

As at 31 December 2022 and 1 January 2022, fully depreciated intangible fixed assets at a cost amounted to CZK 508,552,000 and CZK 310,485,000.

In 2022, the Company did not receive a subsidy for long-term intangible assets.

**b) Tangible fixed assets**

thousand CZK	1 January 2022	Additions / transfers	Disposals / transfers	31 December 2022
<b>Acquisition cost</b>				
Land	17 102	-	-	17 102
Buildings, halls, and constructions	1 152 614	32 214	-	1 184 828
Machinery, equipment, vehicles, furniture and fixtures	2 301 879	43 991	-97 673	2 248 197
Other tangible fixed assets	19 640	718	-188	20 170
Advance payments for tangible fixed assets	654	10 067	-	10 721
Tangible fixed assets under construction	52 138	58 449	-	110 587
<b>Total</b>	<b>3 544 027</b>	<b>145 439</b>	<b>-97 861</b>	<b>3 591 605</b>
<b>Accumulated depreciation</b>				
Buildings, halls and constructions	-727 911	-29 328	-	-757 239
Machinery, equipment, vehicles, furniture and fixtures	-1 595 067	-90 745	25 495	-1 660 317
Other tangible fixed assets	-17 901	-777	188	-18 490
<b>Total</b>	<b>-2 340 879</b>	<b>-120 850</b>	<b>25 683</b>	<b>-2 436 046</b>
<b>Adjustments</b>				
Machinery, equipment, vehicles, furniture and fixtures	-80 840	9 830	-	-71 010
Advance payments for tangible fixed assets	-509	-15	-	-524
Tangible fixed assets under construction	-4 711	-12 916	-	-17 627
<b>Total</b>	<b>-86 060</b>	<b>-3 101</b>	<b>-</b>	<b>-89 161</b>
<b>Net book value</b>	<b>1 117 088</b>			<b>1 066 398</b>

As at 31 December 2022 and 1 January 2022, the aggregate amount of low value tangible assets stated in the off-balance sheet amounted at cost to CZK 194,932,000 and CZK 208,822,000.

As at 31 December 2022 and 1 January 2022, fully depreciated tangible fixed assets at a cost amounted to CZK 1,200,535,000 and CZK 1,208,884,000.

As at 31 December 2022, the cost of assets with limited disposal amounted to CZK 700,614,000 and its net book value amounted to CZK 236,279,000. As at 1 January 2022, the cost of assets with limited disposal amounted to CZK 700,614,000 and its net book value amounted to 248,229,000. This burden is related to the framework agreement on post-warranty support for L-159 and L-39 aircraft (see Note 16) and is not registered in the land register.

As at 31 December 2022, the cost and net book value of the pledged movable assets in favour of MFB MAGYAR FEJLESZTÉSI BANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG in connection with the loan from Vodochody Holdings HU Kft. amounted to CZK 434,117,000 and to CZK 317,407,000 and the cost and net book value of pledged immovable assets amounted to CZK 1,201,930,000 and CZK 444,691,000, resp. as at 1 January 2022, the cost and net book value of pledged movable assets in favour of received loans amounted to CZK 434,117,000 and CZK 350,260,000 and the cost and net book value of pledged immovable assets amounted to CZK 1,169,716,000 and CZK 441,805,000 (see Note 13).

As at 31 December 2022, the cost and net book value of the pledged movable assets in favour of SG Equipment Finance Czech Republic s.r.o. in connection with the finance lease amounted to CZK 10,353,000 and to CZK 484,000, resp. as at 1 January 2022, the cost and net book value of pledged movable assets in favour of finance lease amounted to CZK 10,353,000 and CZK 1,624,000 (see Note 15).

In 2022, the Company did not receive a subsidy for long-term tangible assets.

## 5. Inventories

The Company created a provision for inventories as at 31 December 2022 of CZK 716,013,000 (as at 1 January 2022: CZK 707,305,000).

## 6. Receivables

As at 31 December 2022, provisions in the total amount of CZK 121,731,000 were created for outstanding receivables, which are considered doubtful (as at 1 January 2022: CZK 117,902,000).

Unsettled receivables as at 31 December 2022 have not been covered by guarantees and none of them are due after more than 5 years.

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

As at 31 December 2022 and 1 January 2022, receivables overdue by more than 180 days amounted to CZK 241,014,000 and CZK 243,548,000.

Short-term advances paid as at 31 December 2022 and 1 January 2022 relate mainly to operating, overhead activities.

Estimated receivables as at 31 December 2022 and 1 January 2022 mainly include estimated items of unpaid interest on loans to related parties (see Note 19).

For long-term and short-term receivables from related parties see Note 19.

## 7. Short-term financial investments

Other short-term financial investments as at 31 December 2022 amounted to CZK 1,627,763,000 (as at 1 January 2022: CZK 0) represent purchased bill of exchange amounted to EUR 50,000,000 with short-term maturity.

## 8. Cash

As at 31 December 2022 and 1 December 2022, the Company had the following balances of accounts with limited disposal (in CZK thousand):

Bank	Currency	Amount in foreign currency thousand	2022 Amount in CZK thousand	Amount in foreign currency thousand	2021 Amount in CZK thousand
Komerční banka, a.s.	EUR	166	4 003	319	7 918
Komerční banka, a.s.	USD	255	5 767	160	3 512
ČEB, a.s.	USD	4 270	96 562	9 377	205 836
MFB	EUR	1 254	30 240	1 254	31 174
<b>Total</b>			<b>136 573</b>		<b>248 440</b>

Financial assets deposited in restricted accounts serve as collateral for guarantees provided by banks (see Note 13). As at 31 December 2022 and 1 January 2022, the Company had such funds deposited in its accounts in the amount of CZK 136,573,000 and CZK 248,440,000. All bank accounts, with the exception of the above-mentioned restricted bank accounts, are pledged to MFB MAGYAR FEJLESZTÉSI BANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG (see Note 13).

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## 9. Prepayments and accrued income

Prepaid expenses as at 31 December 2022 and 1 January 2022 mainly include accrued rents, insurance and overheads paid in advance and are charged to the expenses in the period they materially and temporally belong to.

Complex prepaid expenses as at 1 January 2022 include accrued expenses for serial production of the L-39NG aircraft (CZK 279,518,000), accrued expenses for the GO L-39 Uzbekistan program (CZK 1,433,000) and expenses for the Iraq FOSS program (CZK 84,539,000).

Accrued income as at 31 December 2022 in the amount of CZK 268,441,000 and mainly include recognised part of the sales of owned produced aircrafts, for which customer will settle cash in the future.

Accrued income as at 1 January 2022 in the amount of CZK 16,739,000 mainly included an estimate of sales with financial realisation in 2022.

## 10. Equity

Since 1 January 2022 the parent company of the Company is Vodochody Holdings HU Kft. with its registered office at 1122 Budapest, Városmajor utca 13. 6. Em, Hungary, which is the sole shareholder of the Company.

The share capital of the Company in the amount of CZK 1,002,000,000 consists of 5,010 registered ordinary shares in book-entry form with a nominal value of CZK 200,000 and is repaid in full.

Other capital funds in the amount of CZK 947,927,000 consists of capitalised received advances from Omnipol relating to the development of the L-39NG aircraft that were assigned to the parent company before the capitalisation.

Other reserves from profit are formed by the social fund.

Differences from mergers and demergers as at 31 December 2022 and 1 January 2022 represent the revaluation of the share in the subsidiary Clester Trading a. s.

Until the date of preparation of these financial statements, the Company has not proposed allocation of the loss incurred in 2021.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit generated in 2022.

## 11. Provisions

Changes in provision accounts (in CZK thousand):

thousand CZK	Balance as at 1. 1. 2022	Netto change	Balance as at 31. 12. 2022
Business case Iraq	84 239	26 668	110 907
Business case AČR (incl. PP16)	93 382	-24 325	69 057
Business case Tunis and Algeria	3 555	2 354	5 909
Business case Uzbekistan	3 258	-	3 258
Business case EMBRAER	35 735	-1 537	34 198
Business case CSeries	24 457	18 914	43 371
Business case Sikorsky	176	-176	-
Business case Black Hawk	780	-780	-
Business case CWB	5 687	-2 353	3 334
Business case MTA	332	18	350
Business case Latecoere	6 502	-	6 502
Business case T2	52 475	-	52 475
Business case Kazachstan	6 177	-2 227	3 950
Business case Ethiopia	8 403	-	8 403
Business case Pilot equipment	53 283	-53 283	-
Business case DJ	14 950	-7 988	6 962
Business case STA	41 861	-28 806	13 055
Business case SAFRAN	1 653	-50	1 603
Business case L410	6 039	-6 039	-
Business case Nigeria GO	3 147	9 597	12 744
Business case Ethiopia 2	-	150 208	150 208
Business case Kazachstan 2	19 476	-14 014	5 462
Business case Kazachstan 3	-	9 181	9 181
Penalty OSSZ	998	-998	-
Employee bonuses and rewards	51 594	44 345	95 939
Untaken holiday	17 357	4 858	22 215
Employee benefits	-	6 179	6 179
Emission allowances	7 577	-882	6 695
<b>Total</b>	<b>543 093</b>	<b>128 864</b>	<b>671 957</b>

## 12. Payables

Liabilities have not been secured against any assets of the Company and are not due after more than 5 years.

Estimated payables as at 31 December 2022 and 1 January 2022 include mainly non-invoiced deliveries of materials and services. They are charged to the period they materially and temporally related to.

Advances received as at 31 December 2022 mainly include advances related to operating, overhead activities. Advances received as at 1 January 2022 mainly included advances related to the development of the L-39NG aircraft, which was a risk-sharing project with Ompol. These advances were capitalised in 2022 (see Note 10).

As at 31 December 2022, the Company does not record overdue liabilities for social security nor health insurance.

As at 1 January 2022, the Company recorded overdue liabilities for social security insurance in the amount of CZK 224,000, which were paid in January 2022. In January 2022, the Company also paid penalties to health insurance institutions for repaid installment calendars from 2020 and 2021 in the amount of CZK 1,186,000 .



The Company has concluded fixed rate loan agreements with SG Equipment Finance Czech Republic s.r.o., which are reported on row Other liabilities. Balance of loans from SG Equipment Finance Czech Republic s.r.o. (in CZK thousand):

	Maturity	Interest rate	31.12.2022 CZK thousand	1.1.2022 CZK thousand
SG Equipment Finance Czech Republic s.r.o.	15.2.2023	1,76 %	124	849
<b>Total</b>			<b>124</b>	<b>849</b>
Installment in the upcoming year			124	725
Installments in following years			-	124

For payables to related parties see Note 19.

### 13. Payables to banks

As at 31 December 2022, the following guarantees were provided to the Company by banks (in CZK thousand):

Bank	Type of guarantee	Valid till	Amount
Komerční banka, a.s.	performance bond	6.3.2023	1 821
	performance bond	24.10.2027	434
	performance bond	10.3.2030	482
	performance bond	30.6.2030	723
	performance bond	30.8.2024	543
	performance bond	31.3.2025	3 958
	performance bond	10.3.2030	1 809
	performance bond	30.9.2025	10 954
	advance payment guarantee	30.9.2024	219 089
ČEB, a.s.	performance bond	30.6.2020	87
	performance bond	30.6.2024	41 746
	advance payment guarantee	31.1.2024	54 730
<b>Total</b>			<b>336 376</b>

As at 1 January 2022, the following guarantees were provided to the Company by banks (in CZK thousand):

Bank	Type of guarantee	Valid till	Amount
Komerční banka, a.s.	performance bond	4.3.2026	1 877
	performance bond	16.4.2031	746
	performance bond	13.11.2027	1 756
	performance bond	12.3.2030	497
	performance bond	4.6.2021	0
	performance bond	24.10.2027	447
	performance bond	11.3.2030	1 756
	performance bond	9.3.2028	4 351
	performance bond	31.10.2021	0
ČEB, a.s.	advance payment	15.6.2021	0
	performance bond	31.12.2022	84
	advance payment	14.2.2022	137 253
	performance bond	14.2.2023	54 877
<b>Total</b>			<b>203 644</b>

As at 31 December 2022 and 1 January 2022, the Company guaranteed for issued bank guarantees by restricted cash in bank accounts in the amount of CZK 136,573,000 and CZK 248,440,000 (see Note 8).

## 14. Accruals and deferred income

Accrued expenses mainly include interest on loans received and are charged to the expenses in the period they materially and temporally belong to.

Deferred income as at 31 December 2022 and 1 January 2022 mainly represents accrued sales for the L-39 NG business case.

## 15. Leases

The Company has leased non-current assets that are accounted in the off-balance sheet (see Note 3q).

Assets leased by the Company in the form of operating leases as at 31 December 2022 (in CZK thousand):

Description	Terms	The amount of lease in 2022
Computers	by 2024	5 797
Personal cars	by 2026	9 041

Assets leased by the Company in the form of financial leasing (i.e. the lessee will repurchase the assets after the end of the lease period) as at 31 December 2022 (in CZK thousand):

Description	Terms	Currency	The sum of the lease payments for the entire period of the expected lease	Lease payments from financial lease actually paid as at 31 December 2022	Breakdown of the amount of future lease payments by actual maturity as at Dec. 2022	
					Due within one year	Due after one year
Stroje	do roku 2023	Kč	1 405	1 358	47	-
Stroje	do roku 2024	EUR	760	535	146	49

## 16. Assets and liabilities in the off-balance sheet

The Company normally uses agent services on a contractual basis. In the case of concluding a business relationship with the customer, these contracts result in the obligation to pay the agent the amount of realised income. This amount cannot be determined until the contract is concluded.

On 8 December 2005, AERO Vodochody a.s. entered into a framework agreement with the Ministry of Defence of the Czech Republic on post-warranty support for L-159 and L-39 aircrafts, in which it undertook to cooperate in repairs, maintenance and modernisation of aircrafts. The contract was concluded for a definite period until January 2029. As part of the spin-off project, the contract was transferred to AERO Vodochody AEROSPACE a.s. In case of breach of contractual relations, as well as in case of withdrawal from the contract, the Ministry of Defence may claim contractual penalties and further claim any damages in excess of the amount of this penalty. Under this agreement, the Company undertook to limited disposal of a significant part of its tangible fixed assets (see Note 4b).

The main production orders of the Company are solved within the framework of long-term contractual relations with suppliers. The value of future liabilities under concluded contracts as at 31 December 2022 amounts to CZK 942,029,000. The highest value of orders is for VR Group, a.s., ZLIN AIRCRAFT a.s. and SPEEL PRAHA s.r.o. These contracts usually include a provision on the amount of compensation that the Company is obliged to pay in the event of non-compliance with contractual obligations or withdraw from the contract. Suppliers also do not take responsibility for any consequential damage caused by an accident.

The main production orders of the Company are solved within the framework of long-term contractual relations with suppliers. The value of future liabilities under concluded contracts as at 31 December 2021 amounts to CZK 592,936,000. The highest value of orders is for VR Group, a.s., SPEEL PRAHA s.r.o. and VWS MEMSEP s.r.o. These contracts usually include a provision on the amount of compensation that the Company is obliged to pay in the event of non-compliance with contractual obligations or withdraw from the contract. Suppliers also do not take responsibility for any consequential damage caused by an accident.

The Company concluded liability insurance arising from its own aviation activities, including liability for the operation of aircrafts, including accident insurance, liability for the operation of hangars, liability for the operation of airports and navigation towers, liability for damage caused by a defective product. A total limit of USD 250,000,000 has been agreed for liability insurance for damage caused by a defective product. This insurance is covered worldwide and covers the most significant foreseeable risks arising from aviation activities.

## 17. Revenue analysis

Breakdown of the Company's revenues from ordinary activities (in CZK thousand):

	Domestic	2022 Foreign
Aircraft production	1 109 727	2 793 595
Non-aircraft production	108 312	-
<b>Total revenues</b>	<b>1 218 039</b>	<b>2 793 595</b>

## 18. Employees

Breakdown of staff costs (in CZK thousand):

	Total number of employees	2022 Members of the Statutory Body and Supervisory Board
Average number of employees	1 292	3
Wages and salaries	824 887	
Social security, health insurance and other costs	267 911	
Other costs	30 979	
<b>Total staff costs</b>	<b>1 123 777</b>	

In accordance with §39b, par. 6d) of the Decree 500/2002, the Company does not disclose the emoluments of bodies separately.

## 19. Related party transaction

In 2022, no loans, credits, deposits, advances were provided to the governing or supervisory body members and they did not own any shares in the Company.

The Company normally sells products and provides loans and services to related parties. In 2022, revenues from these activities, including interest income, reached CZK 2,960,000 (of which interest income amounted to CZK 2,404,000).

In 2022, loans including accrued interests received from the parent company in total amount of CZK 1,022,163,000 were forgiven (see Note 21).

Loans provided to related parties (in CZK thousand):

Related party	Maturity	Interest rate	31.12.2022	1.1.2022
Vodochody Nemovitostní s.r.o. - in CZK	31.12.2023	5,00 %	1 968	211
Clester Trading a.s. - in EUR	31.12.2023	7,58 %	4 750	4 534
Clarex Investments a.s. - in EUR	31.12.2023	7,58 %	19 851	19 550
Clarex Investments a.s. - in EUR	31.12.2023	6,10 %	7 235	7 458
Clarex Investments a.s. - in EUR - bill of exchange	31.12.2023		17 030	17 557
<b>Total</b>			<b>50 834</b>	<b>49 310</b>

As at 31 December 2022 and as at 1 January 2022, the Company created a provision for loans provided to related parties in the amount of CZK 56,423,000 and CZK 59,157,000 due to their low creditworthiness.

On 29 November 2021, a framework loan agreement was concluded between Vodochody Nemovitostní s.r.o. and AERO Vodochody AEROSPACE a.s. up to CZK 5,000,000 with a maturity on 31 December 2023. The interest rate is set at 5%. The balance of this loan as at 31 December 2022 and 1 January 2022 amounts to CZK 1,968,000 and CZK 211,000.

On 22 July 2010, a loan agreement was concluded between Clester Trading a. s. and AERO Vodochody AEROSPACE a.s. in the amount of EUR 200,000 and amendment No. 8 dated 30 December 2022 extended the maturity until 31 December 2023. The interest rate is set at 7.58%. The balance of this loan as at 31 December 2022 and 1 January 2022 amounts to CZK 4,750,000 and CZK 4,534,000.

On 16 September 2009, a loan agreement was concluded between Clarex Investments a. s. and AERO Vodochody AEROSPACE a.s. in the amount of EUR 800,000. Amendment No. 9 dated 19 January 2022 increased the limit to EUR 850,000 and amendment No. 10 extended the maturity until 31 December 2023. The interest rate is set at 7.58%. The balance of this loan as at 31 December 2022 and 1 January 2022 amounts to CZK 19,851,000 and CZK 19,550,000.

On 10 July 2009, a loan agreement was concluded between Clarex Investments a. s. and AERO Vodochody AEROSPACE a.s. in the amount of EUR 485,000 and amendment No. 5 dated 30 December 2022 extended the maturity until 31 December 2023. The interest rate is set at 6.10%. The balance of this loan as at 31 December 2023 and 1 December 2022 amounts to CZK 7,235,000 and CZK 7,458,000.

In 2015, Clarex Investments a. s. issued bills of exchange in the total amount of EUR 428,000 and in 2019 bills of exchange for interest 2016–2019 in the total amount of EUR 209,000. The Company reports these bills of exchange as at 31 December 2022 and 1 January 2022 in the amount of CZK 17,030,000 and CZK 17,557,000 on the row "Receivables – subsidiaries and controlling party".

Short-term receivables, incl. estimated items and accruals for related parties (in CZK thousand):

Related party	31.12.2022	1.1.2022
Clester Trading a.s. - interests in EUR (estimated receivable)	3 854	3 606
Clarex Investments a.s. - interests in EUR (estimated receivable)	3 787	1 912
HSC AEROJET zrt - other receivables in EUR	-	1 284
Letiště Vodochody a.s. - trade receivables in CZK	56	56
Vodochody Nemovitostní a.s. - estimated receivables in CZK	98	-
Vodochody Nemovitostní a.s. - interest in CZK (estimated receivable)	80	1
Vodochody Nemovitostní a.s. - trade receivables in CZK	-	354
LV-Solar Vodochody a.s. - trade receivables in CZK	-	12
LV-Solar Vodochody a.s. - estimated receivables in CZK	-	74
<b>Total</b>	<b>7 875</b>	<b>7 299</b>

The Company purchases products, receives loans and uses the services of related parties in the ordinary course of business. In 2022, these purchases, including interest expense, amounted to CZK 254,735,000 (of which interest expense amounted to CZK 249,592,000).

Loans received from related parties (in CZK thousand):

Related party	Maturity	Interest rate	31.12.2022	1.1.2022
Vodochody Holdings HU Kft. - in EUR	15.8.2036	5,30 %	3 617 250	3 729 000
Vodochody Holdings HU Kft. - in CZK	21.3.2022	5,63 %	-	750
Vodochody Holdings HU Kft. - in CZK	31.12.2022	5,10 %	-	260 000
Vodochody Holdings HU Kft. - in CZK	31.12.2022	5,10 %	-	150 000
Vodochody Holdings HU Kft. - in CZK	31.7.2022	5,10 %	-	499 030
Vodochody Holdings HU Kft. - in CZK	31.12.2025	7,85 %	97 514	97 514
<b>Total</b>			<b>3 714 764</b>	<b>4 736 294</b>

On 23 September 2021, a loan agreement was concluded between Vodochody Holdings HU Kft. and AERO Vodochody AEROSPACE a.s. in the amount of EUR 150,000,000 with maturity on 15 August 2036. The interest rate is set at 5.30%.

On 21 January 2020, a loan agreement was concluded between AERO Vodochody a.s. and Penta Investments Cyprus Limited in the amount of CZK 260,000,000 with a maturity on 31 December 2022. The interest rate is set at 5.10%. On 27 September 2021, the receivable from the principal and accrued interests was transferred to Vodochody Holdings HU Kft. In 2022, the loan was forgiven (see Note 21).

On 28 February 2020, a loan agreement was concluded between AERO Vodochody a.s. and Penta Investments Cyprus Limited in the amount of CZK 230,000,000 with a maturity on 31 December 2022. The interest rate is set at 5.10%. On 27 September 2021, the receivable from the principal and accrued interests was transferred to Vodochody Holdings HU Kft. In 2022, the loan was forgiven (see Note 21).

On 8 July 2020, a loan agreement was concluded between AERO Vodochody a.s. and Penta Investments Cyprus Limited with a credit line of up to CZK 770,000,000 with a maturity on 31 July 2022. The interest rate is set at 5.10%. On 27 September 2021, the receivable from the principal and accrued interests was transferred to Vodochody Holdings HU Kft. In 2022, the loan was forgiven (see Note 21).

As at 31 December 2022, the following pledges were established in favour of MFB MAGYAR FEJLESZTÉSI BANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG in connection with a loan from Vodochody Holdings HU Kft.:

- pledge of bank accounts (see Note 8);
- pledge of shares of AERO Vodochody AEROSPACE a.s. on the basis of an agreement with the parent company Vodochody Holdings HU Kft.;
- pledge of the business of the company AERO Vodochody AEROSPACE a.s.;
- pledge of immovable assets (see Note 4b);
- pledge of movable assets (see Note 4b);
- pledge of potential receivables from insurance fulfillment;
- pledge of potential receivables from rental contracts; and
- pledge of trademarks, industrial designs and rights of AERO Vodochody AEROSPACE a.s.

Short-term liabilities, incl. estimated items and accruals to related parties (in CZK thousand):

Related party	31.12.2022	1.1.2022
Vodochody Holdings HU Kft. (interests)	47 607	78 518
LV-Solar Vodochody a.s. – estimated payables in CZK	-	47
LV-Solar Vodochody a.s. – trade payables in CZK	1 693	846
Letiště Vodochody a.s. – trade payables in CZK	154	-
<b>Total</b>	<b>49 454</b>	<b>79 411</b>

## 20. Income tax

The income tax was calculated as follows:

CZK thousands	2022
Profit before tax	190 362
Items increasing the taxable amount	6 059
Tax non-deductible expenses	1 257 202
Difference between accounting and tax depreciation	154 665
Items decreasing the taxable amount	-888 193
Taxable amount	720 095
Tax loss utilisation	-716 263
Taxable amount	3 832
Gifts deduction	-1 149
Taxable amount	2 683
Corporate income tax of 19%	510
Tax allowance	-510
Final tax liability	0

The amount of tax losses from years 2019–2021, which was not claimed in the financial statements for 2022 and will be carried forward, amounted to CZK 1,327,578,000 as at 31 December 2022.

The Company calculated deferred tax as follows (in CZK thousand):

Deferred tax items	Deferred tax asset	31. 12. 2022		1. 1. 2022	
		Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between accounting and tax net book value of fixed assets	30 952	-	-	-43 612	-
Tax loss of previous years	252 240	-	429 285	-	-
Tax loss of the current period	-	-	53 889	-	-
Other temporary differences:					
Adjustments to receivables and advance payments for inventory	32 521	-	31 655	-	-
Adjustments to inventory	126 751	-	125 224	-	-
Adjustments to fixed assets	37 392	-	18 333	-	-
Adjustments to long-term investments	190	-	-	-	-
Provisions	127 672	-	103 188	-	-
<b>Total</b>	<b>607 718</b>	<b>-</b>	<b>761 574</b>	<b>-43 612</b>	<b>-</b>
Net	607 718		717 962		-

As at 31 December 2022 and 1 January 2022, the Company did not book a deferred tax asset in the amount of CZK 607,718,000 and CZK 761,574,000 due to uncertainty about its realisation.

## 21. Extraordinary income and expenses in terms of its size or origin

Other operating revenues in 2022 consist mainly of forgiven loans including accrued interests received from the parent company in total amount of CZK 1,022,163,000 (see Note 19) and further revenues from received subsidies, inventory count surpluses and settlement of emission allowances.

Other operating expenses in 2022 consist mainly shortages, damages and insurance.

Other financial income in 2022 consists mainly of foreign exchange gains and income from term deposits.

Other financial expenses in 2022 mainly consist of foreign exchange losses and guarantee fees.

Remuneration to the statutory auditor for verification services in 2022 amounted to CZK 1,285,000.

## 22. Significant events after the balance sheet date

On 21 February 2023, Mrs. Jana Fialová has changed the position from member of Supervisory board to chairman of Supervisory board.

Also, in the course of the first half of 2023, the global economic was impacted by disrupted supply chains, an energy crisis, uncertainty on the commodities and financial markets and finally by negative trends in key macroeconomic indicators with consequences on business, such as the inflation rate, growth of interest rates, volatility of foreign exchange rates and others.

The Company's management is aware of unfavourable economic effects that have direct impact to the Company (e.g. growth of interest rates leading to rising in price of purchased items, volatility of foreign exchange rates) and adjusts the strategy accordingly. Therefore, the current economic situation has no material impact to the operation of the Company in the following period.

9 June 2023

### Luboš Procházka

Signature of the person responsible  
for the accounting of the entity:

### Viktor Sotona

Signature of the governing  
body of the entity





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