

ANNUAL REPORT

of the company

AERO Vodochody AEROSPACE a.s.

as at 31 December 2023

FOREWORD BY THE CEO of AERO Vodochody AEROSPACE a.s.

Ladies and gentlemen, dear readers,

year 2023 was marked by significant events. After 20 years, serial production of the L-39NG aircraft started and the first mass-produced piece was successfully flown, thus completing a decade of development, certification, testing and the necessary large-scale investments.

During the past year, we gradually accelerated serial production until reaching the planned pace of one aircraft per month. We achieved this only thanks to the effective management of the supply chain, which we completely restarted in the previous year. In January 2023, our production department underwent a significant reorganization with the aim of streamlining production and operational processes. A new position of EVP & Chief Industrial Officer was created, the main task of which is to centralize the management of production and purchasing operations and quality control to further accelerate the pace of production in accordance with the production plan.

We also made all investments related to the completion of production lines across the entire organization. The initial effort resulted in the successful handover of the first series-produced L-39NGs to our first customer at the plant and the transport of the first aircraft in December. We consider this a very significant event and a reference for other existing and potential customers with whom we are dealing. The handover of the aircraft was preceded by a successful certification of the customer configuration, which was completed by a period of a series of trials and tests, including verification of the functionality of the weapon systems on the range.

General repairs and modernization of L-39 Albatros and L-159 ALCA machines are an integral part of our business strategy. In 2023, we concluded a contract with the Army of the Czech Republic for the preparation of a feasibility study for the planned mid-life upgrade of the L-159 aircraft and carried out the activities based on the agreed support contract. We negotiated a contract with Draken Europe for extended support of L-159 aircraft operated in Great Britain, and a contract with the Bulgarian Air Force for overhaul and modernization of the second pair of L-39 Albatros.

Our third business pillar is the area of industrial cooperation with long-term customers from among the world's major aircraft companies such as Airbus and Embraer, with whom we have agreed to significantly strengthen the business partnership for the following year 2024. For Airbus, we committed to increase year-on-year delivery by 80% to a total volume of 110 leading edges, and in the program for Embraer, we almost doubled production volume. In addition, we have signed an addendum with Embraer, which deepens and specifies mutual cooperation.

We will continue to focus on all the basic pillars of our business in the following year as well. In addition to the production of our own and unique airplanes under the Aero brand, we will continue with orders for maintenance, repair and modernization of airplanes, as well as supplying aircraft units to our customers, where we expect a further increase in demand for aircraft production.

In terms of finances, we continued to ensure financial stabilization in 2023. In the case of the EBITDA indicator, we achieved a positive value. The reason for the significantly better year-on-year operating result is a fundamental increase in performance in the key segment of the production of the new L-39NG aircraft, which after years of investment began to show the expected returns. The general overhaul segment (MRO), on the other hand, worsened compared to 2022, as we did not implement as many programs as in the previous year - in contrast to the civil segment (aerostructures), which

improved year-on-year due to the elimination of loss-making projects and improved financial conditions.

In the field of environmental protection, we have long been involved, among other things, in the development of our own solutions, which are more gentle in their impact. Last year, we devoted ourselves in detail to the introduction of regulations and procedures in the framework of non-financial reporting and sustainability (ESG). We created a special position responsible for ESG and selected a specialist consulting firm. When choosing the basic frameworks, according to which we will proceed in the individual parts, we chose a responsible and exemplary approach, which is based on recognized methodologies, according to which we will, for example, create a decarbonization strategy or measure the company's carbon footprint.

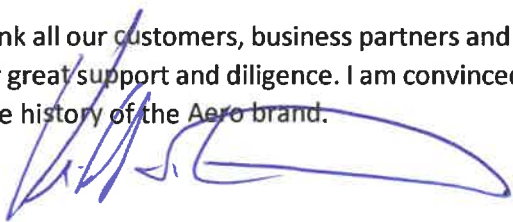
This year was also significant in terms of defining and implementing new corporate values – innovation, competence, efficiency and reliability – which form the basis of our corporate culture and are integrated into all key processes and decision-making across the organization. We are also strengthening PR and the perception of the Aero brand as the flagship of the Czech aviation industry. Our goal is to return Aero to the world-class prominence where it undoubtedly belongs, and to increase awareness of Aero as a trusted brand with transparent values. We are a unique company in the aerospace and defense industry, which is at the top of the imaginary knowledge pyramid. We have been active in the field of aircraft production for 105 years, and thanks to us, the Czech Republic is one of the nine countries in the world that can develop a jet aircraft.

We therefore place great emphasis on our employees and their stabilization and on filling new positions that support the expansion, intensification and efficiency of production. In 2023, we welcomed 343 new colleagues, with whom we filled the missing positions and were able to start multi-shift operation. During the year, we also opened a new development center in Brno, which focuses on the development of avionics systems and the interactive documentation interface for the L-39NG training aircraft.

In order to achieve our goals, however, the support and motivation of employees is also necessary, which is why we have increased wages by an average of 5% since April 1st and increased the bonuses for the second and third shifts as well as twelve-hour shifts. We have recently introduced a "Share of success" financial reward of CZK 35,000 for meeting the annual goal for employees in the production, quality and direct purchasing departments. For the production and quality departments, we have created a special fund for the purpose of awarding an above-standard approach to work and additional payments for the training of new employees in the amount of CZK 6,000. We also increased the employer's allowance for meals by CZK 25 per shift worked.

Much credit for everything we have achieved so far goes to each of our more than 1,700 colleagues who are involved in the production of our products and of whom I am rightfully extremely proud. The most valuable thing we have here and what we are really proud of are our people. All those behind every single aircraft that flies to our customers, every single aircraft part that leaves our factory, or every hour of consultation, training and service we provide to our customers.

I thank all our customers, business partners and suppliers for their trust in Aero and our employees for their great support and diligence. I am convinced that the year 2024 will also be written in large letters in the history of the Aero brand.



Viktor Sotona

Organization structure as at 31 December 2023

Aero Vodochody Aerospace, a.s. – 31.12.2023



Changes in the company management

As of January 31st 2023, Mr. Jiří Linka, EVP Production, was subordinated to the new position of EVP & Chief Industrial Officer, which was taken over by Mr. Jan Čáp.

Key events of 2023

January

Aero concluded a contract for overhaul of L-39 aircraft with the Ministry of Defense of Bulgaria. The first two aircraft will be delivered to Aero by the beginning of 2023. The contract also includes a partial modernization of the machines. The framework agreement is valid for four years. Delivery of the aircraft back after the complete completion of the order is expected in 2024.

Aero has signed a collective agreement for the year 2023. Based on it, it is raising employees' wages by 5% from April 1st. In addition, it increases shift bonuses and introduces a new financial reward "Share of success" for employees in the production, quality and direct purchasing departments for meeting the annual goal. The collective agreement is effective from February 1st 2023.

According to the new rules, Aero was authorized to conduct training and instruction on military aircraft. The certificate issued by the Department of Military Aviation Surveillance of the Ministry of Defense of the Czech Republic applies to L-39, L-159 and L-39NG aircraft.

Aero has completely completed the prescribed repairs (so-called PP16) on all 16 L-159 ALCA single-seater aircraft and handed over the last piece to the Air Force of the Army of the Czech Republic. The L-159 aircraft have an extended service life of another eight years and other technical improvements.

February

L-159 aircraft flew to Iraq from Aero, which, according to the contract for post-warranty support of the Iraqi L-159 fleet, was overhauled there. After the flight, it thus joined 11 other L-159 machines that flew from Aero to Iraq between 2015 and 2018.

Aero has launched a new production line exclusively for the new L-39NG trainer aircraft. The output of the assembly line is the fuselage, its production capacity is planned for up to 24 pieces of shells per year and it can employ more than 100 people.

March

Aero obtained permission to operate its own tunnel shooting range for testing aerial weapons and ammunition. The firing range, which is located on the company's premises, will be used mainly for shooting air cannons with calibers larger than 20 mm.

April

Aero has successfully conducted tests of the basic weapons of the L-39NG. During one of the series of tests that Aero's new L-39NG jet plane successfully passed, engineers and pilots tested the use of weapons. They fired 230 rockets and dropped nearly 70 bombs while verifying the effect on the engine, emergency load shedding and accuracy.

Aero made a successful flight of the first series-produced L-39NG aircraft. This is a new historical milestone when, 20 years after the flight of the last mass-produced aircraft, the flight of the first serial piece of the L-39NG aircraft took place, which met all expectations. During the flight, the pilots tested the functions of the training aircraft within the scope of the standard factory flight program. The flight tested the aircraft's behavior within the limits of its normal operating scheme.

May

Aero took first place in the Recruitment Academy Awards and won Best Career Site in the Large Companies category. A record number of 105 companies from the Czech Republic and Slovakia took part in the competition.

The traditional Czech aircraft manufacturer, Aero, is expanding and opening a new development center in Brno, for which it is recruiting employees. The center focuses on the development of avionics systems and an interactive documentation interface for the L-39NG training aircraft. By the end of 2023, Aero wants to hire approximately 30 employees to the Brno development center.

Aero started production of L-39NG aircraft for LOM PRAHA. In hall number 120 of the joint-stock company AERO Vodochody AEROSPACE, the serial production of subsonic training aircraft Aero L-39NG for the Air Training Center LOM PRAHA s.p. was ceremoniously launched.

Aero has been contracted to upgrade and overhaul four L-39 aircraft owned by Angola. This is the first contracted modernization of the L-39C with the new American engine, which is also used in the new Aero L-39NG aircraft. In addition to remotorization, the avionics equipment will be modernized and the airframes will be overhauled.

June

On June 8th 2023, Viktor Sotona, president and CEO of Aero and Ondřej Příbyl, dean of the Faculty of Transport, CTU in Prague signed a contract for the work. On its basis, the next phase of cooperation between the largest aircraft manufacturer in the Czech Republic and the Faculty of Transport, CTU in Prague was launched.

The 54th edition of the prestigious Paris Air Show began at Le Bourget airport in Paris. As part of the world's largest presentation of the aviation and space industry, AERO Vodochody Aerospace also traditionally exhibits. The company's flagship, the two-seater subsonic jet L-39NG, is in model form the dominant feature of the joint exhibition of Czech aviation manufacturers. Aero expects its participation in the event to increase interest in its L-39NG, which represents a modern versatile platform suitable for training, reconnaissance and light combat missions. The number of ongoing negotiations and official visits to the exhibition confirms this interest. At the Paris Air Show, Aero presents itself in a new presentation mode of the world's largest manufacturer of trainer jets.

July

Aero signed a contract with the extra-league volleyball club Odolena Voda for the next season, thus extending the successful and long-term cooperation for another year. For the extra-league period 2023 to 2024, it thus becomes the general partner of the club, to which it lends the name AERO Odolena Voda.

August

Aero, a traditional Czech manufacturer of jet aircraft, has increased capacity and started second shifts on assembly lines for the production of the new mass-produced L-39NG aircraft. The output of the two production lines is the rear part of the fuselage and the wings of the aircraft.

September

At the invitation of the Commander of the Air Forces of the Army of the Czech Republic, Major General Petr Čepelka, the Commander of the Air Forces of the Armed Forces of the Slovak Republic, Major General Róbert Tóth, flew to Aero. The aim of the meeting was to deepen mutual cooperation and

continue effective and long-term cooperation between the air forces of both countries. At Aero factory, Air Force representatives viewed the L-39NG aircraft and its serial production.

During September, Aero received two prestigious awards. As part of the 21st year of the Golden Semicolon competition in the category "Low budget and its effectiveness", the project with the communication "Czech Top Gun from Aero or 95 years on the silver screen" was among the TOP 3 projects. The organizer is the industry and professional organization PR Klub, whose Golden Mean is the strongest competition of communication projects in the Czech Republic and Slovakia. In mid-September, Aero then received the prestigious Czech Superbrands 2023 award, which belongs to the elite brands of the Czech Republic. The Superbrands Award is recognized as a special award that annually identifies the best brands of a given country based on unified criteria and methods. Since its inception in the UK, the project has gained worldwide recognition and the award is now presented in over 90 countries on 5 continents.

October

Aero enters a new era of research and development through strategic cooperation with prestigious technical universities. Aero representatives met with representatives of the Czech University of Technology (ČVUT), Brno University of Technology (VUT) and the University of Defense in Brno (UNOB) to discuss systematic cooperation on a number of key projects.

Aero and Embraer have signed an addendum that deepens and specifies the areas of cooperation based on the memorandum of understanding concluded in June 2022. The addendum includes, among other things, a possible increase in Aero's production share in the C-390 program, an increase in the value of the existing collaboration with Embraer and synergies in fulfillment of the specific requirements of the Ministry of Defense of the Czech Republic for the procurement of C-390 aircraft for the Army of the Czech Republic. Embraer anticipates strong global demand for C-390 aircraft, in the production of which the Czech aviation industry will participate in a significant number of parts.

November

Aero has launched a new website. It also includes an e-shop, which is an attraction for all fans of aviation and airplanes.

Aero and VIKI – Defense Innovation Research Institute Nonprofit Ltd. signed a declaration of intent to cooperate (Letter of Interest). The goal is joint research, development and support programs for education. The agreement also focuses on testing, training and maintenance supported by virtual and augmented reality solutions, development of component supply programs and new aviation products and services.

The President of AERO Vodochody AEROSPACE, Viktor Sotona, met with the Prime Minister of Ethiopia, Abiy Ahmed. The Prime Minister of Ethiopia inspected the production facilities at the Aero headquarters, especially the production of the new L-39NG aircraft.

December

Five years have passed since the first takeoff of the L-39NG. The first take-off of the prototype aircraft with production number 7001 and registration number 0475 took place on December 22nd 2018. In 2020, the aircraft underwent a series of flight tests at Vodochody Airport, where it reached the full range of planned altitudes and speeds, thereby proving the reliability and durability of the aircraft design. Subsequently, the L-39NG received a type certificate, which confirmed its ability for

international air traffic and met all safety requirements. The Czech jet was also one of the first to be certified according to the new international military standards (EMAR 21, EMACC).

Aero and Draken, which specializes in adversary air training services in the US and Europe, have signed an agreement that creates a strategic framework for long-term cooperation for Draken-owned L-159 aircraft. Among other things, the companies will develop and implement an aircraft maintenance and support program for Draken's fleet of L-159 aircraft used in the training of Royal Air Force and United States Air Force pilots.

Aero concluded a contract for the overhaul of L-39 Albatros aircraft with the Ministry of Defense of Bulgaria. Part of the contract also includes partial modernization of the machines. The contract is based on a framework agreement that was concluded in November 2022 and is valid for four years.

Aero has implemented new artificial intelligence (AI) technology in the area of supplier invoice processing in the accounting department.

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 of aircraft of own production

- Support to operators of aircrafts 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 18th of 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 recognized 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 15th of 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. 7. 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.

Aircraft for Vietnam were designated as L-39NG.A1 type. It is a training and light combat aircraft, equipped with two hangers under the wing. Structurally, it is fully based on the certified L-39NG B-A basic aircraft, but in accordance with the contract, the avionics system was supplemented with the

option of displaying flight data in the so-called "Eastern" display with symbols in the Russian language. For this, the hanger system was modified to the so-called "Eastern" standard on the aircraft and a control system for the required weapons was installed. The tests of the aircraft and armament systems were fully completed in September 2023 and the certification process was completed on 23/10/2023 with the entry of the L-39NG.A1 aircraft as a new type in revision No. 3 of type certificate No. TO-0008.

The aircrafts for Hungary and LOM Prague have the same configuration and were designated as type L-39NG.T1. It is an advanced training aircraft, equipped with two hangers under the wing, intended for occasional carrying of additional fuel tanks. The aircraft is equipped with systems for simulating the use of basic types of weapons without the need to physically carry them and a virtual training system for displaying the tactical and radar situation around the aircraft. This enables full training of military pilots. Structurally, the L-39NG.T1 aircraft is again fully based on the certified basic L-39NG B-A aircraft, and minor modifications were applied to improve production technology, based on the knowledge gained from the start of serial production of the L-39NG.A1 type. The most significant difference from the base L-39NG B-A aircraft is the installation of a head-up display (HUD) and night vision compatible (NVG) lighting system. The aircraft's avionics system was also expanded to include a traffic advisory system (TAS - Traffic Advisory System). The development of the aircraft was started in August 2023. Ground and flight tests on company prototypes no. 7001 and 7004 were launched in December 2023. Certification testing is expected to be completed in May 2024 using the first production aircraft. Obtaining type certification of the L-39NG.T1 is planned for the end of June 2024.

Support for aircrafts 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 2023, in the case of L-159 machines, Aero focused on supporting existing customers, that is, the armies of the Czech Republic and Iraq and Draken International, and in the area of L-39 and L-59 aircraft continued to support their users. For L-39 operators, Aero offers a broad portfolio of services from life extension and overhaul to modernization of all 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 optimized 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 2022, AERO signed a contract for post-warranty support of L-159 aircraft until 2029, in 2023 its continuous fulfillment took place
- 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. In 2023, Aero and customer prepared and discussed the feasibility study of the works within the planned MLU

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 2023, Aero fulfilled a substantial portion of the FOSS contract for aircraft post-warranty support, including the installation of targeting containers and the restoration of airworthiness of the customer's three aircraft that were significantly damaged, while continuing negotiations for another FOSS contract for the future period
- In July 2014, Aero concluded a contract for the delivery of up to 21 L-159 aircraft to the American company Draken International, when the delivery also included the repair of machines and the delivery of logistics equipment. Aero delivered the last aircraft in 2019 and continues to support the customer based on the signed post-warranty support contract
- In 2023, Aero entered into an agreement with Draken for extended aircraft support focused mainly on general repairs of the machines in question

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.

Among other things, Aero cooperates with Omnipol on maintenance contracts for L-39 aircraft. In October 2019, it began the overhaul and avionics modernization of six L-39 machines for the Ethiopian Air Force, which are taking place directly in Ethiopia. Aero delivered the first two aircraft to the

customer in March 2021, the second two in September 2021, the remaining two during 2022. In 2022, Aero began overhaul work on another 6 L-39 aircraft in Ethiopia under other contract. After the completion of all repairs in Ethiopia (we expect in 2025), the Air Force of Ethiopia will have a fleet of modernized L-39 machines. Aero also overhauled and upgraded L-39 avionics for the Kazakh Air Force, with four of these aircraft being delivered to Kazakhstan in 2021, another four in 2022, and the final two being delivered in 2023.

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 machines arrived at Aero in January 2023 and work on them began immediately. The aircraft will be handed over to the customer in the second quarter of 2024. In 2023, Aero entered into a contract to repair the second pair of L-39 machines of the Bulgarian Air Force.

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

Aero is also working on a project to reengine the existing L-39s. In 2015, a Williams FJ-44M engine was successfully installed into the existing L-39C airframe. The prototype, called the L-39CW, successfully completed its first flight in September 2015. In February 2018, the L-39CW received its type certificate. The company Aero registers several civilian and military interests in this method of extending the life and modernization of the existing L-39.

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 extensive experience in the aviation industry, acquired over more than hundred years of its existence, with application of modern technologies and testing methods.

In 2023, two programs were key for Aero in the field of Aerostructures: the production of the leading edge for the Airbus A220 civil transport aircraft and the production of structural assemblies for the Embraer C-390 Millennium military multi-purpose aircraft. As in previous years, 2023 also saw the continuation of programs that Aero decided to no longer support from a strategic point of view (STEA) or Aero considered the continuation or termination of the CWB program - Leonardo C-27J Spartan, composite production and landing gear production.

A220

Program Description

- Airbus A220 is a single-aisle transport aircraft designed for short and medium-haul commercial flights. Two versions of the machine (A220-100 and A220-300) can accommodate from 100 to 150 passengers. This aircraft was developed and started to be produced by the Canadian company Bombardier under the name CSeries
- Aero is the exclusive supplier of fixed wing leading edges. In 2009, it signed a contract for the development and production of the leading edge of the wing for a new transport aircraft

- Both versions of the machine entered the service of their first customers in 2016. By the end of 2023, Airbus registered 914 binding orders for 30 customers of both versions and delivered a total of 314 aircraft
- In October 2017, the Airbus Corporation entered the project, acquiring a 50.01% stake, with 31% remaining to Bombardier and 19% owned by the Canadian company Investissement Québec. In February 2020, Bombardier completely withdrew from the project, now owning 75% of Airbus and 25% of Investissement Québec. The Bombardier division in Belfast, where the airplane wings are assembled, was taken over by the American company Spirit AeroSystems in 2020
- In July 2018, the name of the aircraft was changed to Airbus A220 and the designation changed to CS 100/CS300
- In 2020, Airbus also presented a business jet variant of the aircraft with the designation 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, industrialization and production, in 2021, Aero delivered 49 sets of leading edges to the customer, of which 46 were on the 300 version and 3 were on the 100 version
- In 2022, a total of 63 sets of leading edges were produced for both versions and delivered to the customer
- In 2023, a total of 56 sets of leading edges were produced for both versions and delivered to the customer
- Commitment to deliver 100 FLEs in 2024, which represents a significant year-on-year increase in production

Embraer C-390 Millennium

Program Description

- Medium-sized multi-purpose military transport aircraft is designed to transport both cargo and people. The project was initiated by the Brazilian Air Force, which ordered 28 aircraft and undertook to partially finance their development
- The aircraft was presented in October 2014, the first flight took place in 2015. In September 2019, Embraer delivered the first aircraft to the Brazilian Air Force, until the end of 2021, Embraer delivered five machines to the Brazilian army. In 2019, the Portuguese Air Force ordered 5 aircraft with an option for a sixth aircraft (first aircraft delivered in 2022). In November 2020, Hungary ordered two of these machines in the KC-390 configuration, which has the option of in-flight refueling as well as an Intensive Care Unit (ICU) for humanitarian missions
- The Netherlands became another customer from NATO countries, which ordered 5 aircraft in 2022, currently Embraer is negotiating the sale of the aircraft with several other countries
- Aero has been a strategic risk-sharing partner of Embraer since 2011
- At the turn of 2022 and 2023, EMB received full FCO certification

- The average annual production volume has been in the range of 2 to 3 aircraft for a long time. In 2023, Aero delivered 4.5 sets of C-390s
- In 2024, it is planned to deliver 5 sets, in the following years, a further gradual increase in production is expected

Aero's Product and Role

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

Leonardo C-27J Spartan

Program Description

- The C-27J is a military tactical multi-role transport aircraft that can carry up to 11.5 tons of cargo
- The main users of the aircraft are the air forces of the USA, Italy, Greece and Australia
- Aircraft were also delivered to other countries in Central and Eastern Europe, Latin America and Africa
- Since 2007, Aero has been the exclusive supplier of the central part of the wing (the centerplane), which is the key structural and system unit of the entire aircraft. Aero is responsible for the production of the centerplane without participating in the development, and is also in charge of after-sales support
- The centerplane contains integral fuel tanks, hinges for engine installation and wing mechanical systems, fuel and hydraulic lines, and electrical harnesses. All systems are functionally tested at Aer before being sent to the customer
- In 2023, Aero was experiencing a very low production rate due to a non-functioning riveting machine and considered ending the program and transferring capacity to other, priority programs. In 2023, 1 serial piece of CWB was delivered
- In 2024, the customer requests an increase in the installment to 2 serial pieces, Aero starts the re-start of production

Conversion of passenger transport aircraft to cargo transport aircraft

- Aero is one of the suppliers of the Singapore company ST Engineering Aerospace, Ltd. (STEA). In addition to the production of the cargo door frame shell structure for the P2F (passenger-to-freight) conversion for the Airbus A321, he is also involved in the design (S/F&DT) of the A320 with responsibility for the top panel and associated parts
- In 2022-2023, Aero delivered 6 serial units of FSS A321
- Considering the negative aspects of the program, AVA decided to terminate this program after an agreement with the customer, which occurred at the end of 2022

Production of landing gear for the L-410 turboprop transport aircraft

- Aero is the original undercarriage manufacturer for all of its in-house training and combat aircraft, as well as a supplier of undercarriage components for large transport aircraft
- For the Czech company Aircraft Industries, a.s. Aero developed, manufactured and serviced landing gear for their L-410 UVP-E20 and L-410NG turboprop transport aircraft
- In 2023, deliveries of chassis were limited by the war conflict in Ukraine
- Aero is considering transferring production within a 3-year horizon due to inadequate production capacities

Composite production

- In 2015, Aero signed a contract with the German company MT Aerospace for the supply of three packages of parts for Airbus A350 and A400M aircraft (RAIO and VTP)
- In 2023, the production of the package for the Airbus A350 aircraft was completed by the customer
- MTA provides some material and composite components that Aero further assembles and ships back
- Aero produces composite parts for other programs as well, e.g. C-390 or L-39NG. At the same time, it is looking for other possibilities where it could use this technology
- Aero holds the NADCAP COMP certificate, in the spring of 2020 it received the NADCAP Gold certificate

Financial results of the company

For the accounting period from January 1 to December 31, 2023, Aero finished with an operating profit before depreciation of CZK 39 million (CZK -870.5 million compared to 2022). However, the year 2022 was positively affected by the forgiveness of the intra-company loan in the amount of CZK 1,022 million.

The year 2023 was a turning point in the AERO company with significant growth in production in a key segment, its own training jet L-39NG. AERO completed the first 6 production aircraft for the first customer, shipping the first three of them to the user base in Vietnam before the end of the year. This is a major milestone for AERO, building on its rich history and especially the L-39 Albatros aircraft. In the second half of 2023, the pace of production of the L-39NG aircraft reached the rate of one completed aircraft per month.

In addition, AERO continued serial production for its civilian customers as well as support, overhaul and airworthiness maintenance of the L-39 and L-159 aircraft in military programs. And this both in our own plant and at customer bases in the Czech Republic and abroad.

The balance sheet total as of December 31st 2023 was CZK 10,415 million (as of January 1, 2023: CZK 9,766 million), equity reached the value of CZK 596 million (as of January 1, 2023: CZK 1,270 million).

Sales

In 2023, the company generated a net turnover of 4,420 million CZK (-876 million CZK compared to 2022). Revenues from the sale of own products and services reached the amount of CZK 4,016 million (+CZK 699 million compared to 2022), revenue from the sale of goods CZK 238 million (- CZK 457 million

compared to 2022) and revenue from the sale of materials CZK 89 million (+31 million CZK compared to 2022).

The significant growth in sales of own products and services underlines the success of the company's strategy to focus on the sale and production of the L-39NG aircraft. The programs in this segment accounted for 61% of the sales of own products, services, goods and materials, in the amount of CZK 2,661 million (+24 percentage points, hereinafter referred to as "p.p.", or CZK +1,149 million compared to 2022). As of 2022, the company has adopted a new methodology for accounting for sales according to the progress of production (the so-called Percentage of Completion), when accounting for sales from the production of L-39NG aircraft.

FOSS contracts, overhauls of L-39 and L-159 and other support within military programs contributed to sales of 18 p.p., in the amount of CZK 797 million (-122 p.p., or CZK -975 million compared to 2022).

Cooperative/civilian programs contributed to the revenue of 2023 in the amount of 19 p.p. in the amount of CZK 819 million (+12 p.p., or CZK +95 million compared to 2022), when it was mainly the A220 program. The remaining part of the above-mentioned sales was generated in connection with the lease of the Airport, additional production and the provision of services in the area of property management in the amount of 1% p.p.

The company earned CZK 1,845 million for deliveries to foreign customers, which represents 43 p.p. of total turnover (CZK -949 million compared to 2022, or -24 p.p.). The company continues to use cooperation with domestic business partners regarding deliveries of aircraft abroad, and cooperation with the army of the Czech Republic is also important for domestic deliveries.

Profit (loss)

For 2023, the company realized a pre-tax loss of CZK -675 million (CZK -865 million compared to 2022). However, the year 2022 was positively affected by the forgiveness of the intra-company loan in the amount of CZK 1,022 million.

The economic result before taxation consisted of an operating result of CZK -435 million (CZK -795 million compared to 2022) and a loss from financial activities in the amount of CZK -239 million (CZK -70 million compared to 2022), which was made up mainly financial interest in the amount of CZK -201 million.

Asset Structure

As of December 31st 2023, the company owned assets totaling CZK 10,415 million (CZK 9,766 million as of January 1st 2023).

Fixed assets were reported in the amount of CZK 3,171 million (CZK 3,306 million as of January 1st 2023).

Assets in progress amount to CZK 207 million (CZK 233 million as of January 1st 2023). These are mainly the costs of developing the Western version of the L-39 NG light combat aircraft and upgrading the existing L-39 NG training aircraft such as SW for Williams engines, flight data collection or power steering. The company also started development work to upgrade the L-159 combat aircraft, for example by developing core avionics. A material part of unfinished assets is represented by milestone payments for machinery and fixtures, such as the Starrag machine in the amount of CZK 42 million.

Completed intangible assets worth CZK 1,925 million (CZK 2,099 million as of January 1st 2023) are largely made up of costs for the development of the L-39 NG trainer aircraft.

Finished tangible assets and advances in the amount of CZK 1,040 million (CZK 973 million as of January 1st 2023) consist of real estate, machinery and fixtures.

The company had funds tied up in current assets in the amount of CZK 6,970 million (CZK 6,121 million as of January 1st 2023). The increase in current assets was mainly caused by an increase in the company's inventory balance from CZK 2,301 million as of January 1st 2023 to CZK 3,329 million as of December 31st 2023. During 2023, there was an increase in production in progress, mainly on the L-39 programs NG and A220. Furthermore, trade receivables increased by CZK 349 million. In general, the increase in working capital is related to the start of production of the new L-39 NG aircraft.

Accruals accounted for 2.6% of the value of total assets (3.5% as of January 1st 2023).

As of December 31st 2023, the company's equity was positive, amounting to CZK 596 million. (CZK 1,270 million as of January 1st 2023). The decrease in equity was influenced by the negative economic result for 2023.

The increase in foreign resources from CZK 5,497 million on January 1st 2023 to CZK 5,866 million on December 31st 2023 was mainly due to an increase in short-term advances received (by CZK 310 million) and trade liabilities (by CZK 138 million).

Accruals of liabilities reached the amount of CZK 3,953 million as of December 31st 2023 (CZK 2,999 million as of January 1st 2023) and consisted primarily of deferred income. In 2022, the company switched to accrual accounting for the production of the L-39 NG aircraft according to the costs incurred, namely for signed contracts. The reason is the two-year production cycle of the aircraft.

Investments, Development Programs, Research and Development

Investment activities and development were implemented in accordance with the company's strategy. In 2023, the company finalized the development of the new L-39 NG Trainer jet, i.e. the training version of the aircraft, and continued to develop other improvements to the aircraft for future customers (such as a new power steering, engine SW upgrade and others). Aircraft production continued and not only aircraft for Vietnam, but also for Hungary and LOM reached a state of completion. In 2023, 6 L-39 NG aircraft were delivered to a customer in Vietnam. In 2023, AERO spent 114 million CZK in connection with the development of the L-39 NG aircraft. In addition, CZK 23 million was invested in the improvement of the L-159 aircraft.

The company invested CZK 220 million in IT, buildings and machinery. The largest investments were the Starrag STC 800X machining center in the amount of CZK 42 million, fixtures and tools for increasing the productivity of the production of the new L-39 NG aircraft in the amount of CZK 44 million, and investments in servers and data storage infrastructure in the amount of CZK 11 million.

Human Resources

In the past year, we have achieved a number of significant achievements in the field of human resources, which reflect our commitment to innovation, professionalism and continuous improvement. Allow us to introduce the key milestones and achievements that shape our organization.

Reorganization and new organizational structure

In January 2023, a significant reorganization of our management took place with the aim of streamlining our production and operational processes. A new position of EVP & Chief Industrial Officer was established, which was taken by Mr. Jan Čáp. This step made it possible to centralize the management of production and purchasing operations as well as quality control, which included the transfer of the previous VP of Production, Mr. Jiří Linka, part of the operational quality department and operational purchasing under his leadership. Furthermore, as part of this structural change, a new production technology department was established, which aims to support innovation processes and increase the technological efficiency of our operations.

Introduction of new corporate values

The year 2023 was a significant year in the definition and implementation of new company values: innovation, competence, efficiency and reliability. These values now form the basis of our company culture and are integrated into all key company processes and decision-making.

Employee engagement

An employee engagement survey conducted revealed significant progress in the engagement of our employees, which is a testament to the success of our internal communication strategies and management. The high participation and positive feedback, especially from our workers, confirms that we are on the right track.

The ALL HANDS initiative

The introduction of regular ALL HANDS meetings aimed at discussing company priorities and involving employees has strengthened relationships and openness in communication across the entire organization. Management, including our CEO, actively participated in these meetings, which had a major impact on workplace morale and satisfaction. We also strengthened communication on social networks and launched an internal TV information channel.

Digitization of processes

The implementation of a new evaluation process and digitization of key HR processes via the new OK Base personnel system and a modernized intranet based on SharePoint technology significantly improved the efficiency and availability of information for all employees.

Recruitment and staff turnover

During the year, we welcomed 343 new employees, which represents a record number of new hires, including workers as well as specialists and managers. Our employee turnover rate remained low at 12.52%, reflecting our ability to maintain a stable and motivating work environment for our employees.

Social events and awards

AEROFEST and other social events strengthened the bond between employees and the organization. Being awarded the title of the second most attractive employer in the field of aerospace for university students is a confirmation of our good reputation in the eyes of the public.

Renovation of the dining room and a new caterer

As part of our commitment to improving working conditions for employees, we carried out a complete renovation of the company canteen. The new space offers a modern and pleasant environment for staff meals. We have also introduced a new catering operator, which is known for its emphasis on the quality and nutritional balance of the dishes offered. This step has made it possible to provide high-quality and healthy food at affordable prices, which contributes to the overall satisfaction and good health of our employees.

Thanks to the commitment, expertise and innovative approach of the HR team, we have not only strengthened the foundations of our corporate culture, but also moved Aero forward in the field of personnel and human resources management. Our efforts continue to continuously improve the work environment and offer the best to our employees.

Environment

In 2023, activities in the area of environmental protection focused on fulfilling the conditions of the integrated permit and set goals within the environmental management system (ISO 14001:2015), continuing activities focused on future legal obligations (e.g. ESG reporting, ban on landfilling) and updating documentation established by law.

Important actions implemented in 2023 with a positive contribution to the environment include, for example, the installation of LED lighting with automatic intensity control in the largest production hall, the acquisition of a whole range of new and more energy-efficient production machines and the elaboration of the concept of the development of tree species, including their detailed mapping throughout campus.

During 2023, there were no extraordinary events with a negative impact on the environment.

The recertification audit, carried out by Lloyd's Register Quality Assurance, confirmed a properly implemented environmental management system according to ISO 14001:2015, which did not find any significant deficiencies. Several minor reservations and recommendations were incorporated in the following months after the audit.

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

In the area of the environment, two inspections were carried out by inspection authorities. The first was aimed at fulfilling the conditions of the integrated permit and no violation of legal or other regulations was found. The second inspection focused on the area of prevention of serious accidents when handling a large amount of dangerous chemical substances - no violation of legal or other regulations was found, only a few recommendations were made, which were resolved in a short time.

As a result of Aero's production activities, a total of 9 tons of emissions (e.g. volatile organic compounds, nitrogen oxides, solid particles) were released into the atmosphere. 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 67,000 was set for air emissions.

At the same time, 1,674 tons of waste were produced (of which 571 tons were hazardous). Of the total amount of waste, 50.3% was subsequently used (recycling, energy use, etc.) and the remaining 49.7% was deposited in a landfill. Compared to 2022, there was a 9% increase in waste production, converted to hours worked. The total cost of waste removal reached the amount of CZK 6.3 million, and the fee for the packaging produced amounted to CZK 25,000.

122 thousand cubic metres of groundwater were taken from underground sources, for which Aero paid a fee of CZK 359,000. The volume of discharged wastewater was 65 thousand cubic metres – a fee of CZK 16 thousand was paid for the released pollutants.

ESG

In the first half of 2023, an assessment of the expected time required to fulfill the obligations arising from regulations in the area of non-financial reporting and sustainability (ESG) was carried out. On this basis, it was decided to create a new position primarily responsible for the selection and management of a professional consulting firm, the implementation of ESG principles into company processes and the preparation of a non-financial report within the deadline set by legislation.

The position of ESG manager was created, and filled in the framework of an open tender, during the third quarter of 2023. In the remaining part of the year, the procurement documentation for the tender for the provision of services was processed by a professional consulting firm and a proper tender was carried out under the supervision of the established committee - the winner was PricewaterhouseCoopers (PwC). This strong partner will cooperate with Aero in all ESG areas at least until the middle of 2026 in order to maintain the continuity of the process and the continuity of the individual steps from the beginning to the first non-financial report. It is also a clear proof of the perception of the importance of ESG by the management of Aero.

The planned stages can be generally summarized as follows:

The year 2024 is reserved for processing the necessary parts of the ESG system (e.g. industry benchmark, materiality processing, stakeholder expectations, carbon footprint processing, preparation and adoption of strategies, policies, goals and KPIs).

The year 2025 is mainly reserved for the collection of the necessary data and their evaluation, Aero's decarbonization strategy, the preparation of a non-financial report and possibly the processing of the carbon footprint of products that Aero supplies to some of its important customers (e.g. Airbus, Embraer).

The year 2026 is reserved in particular for the processing and publication of the first non-financial report according to the EU CSRD directive, the evaluation of the approach and the implementation of any necessary changes.

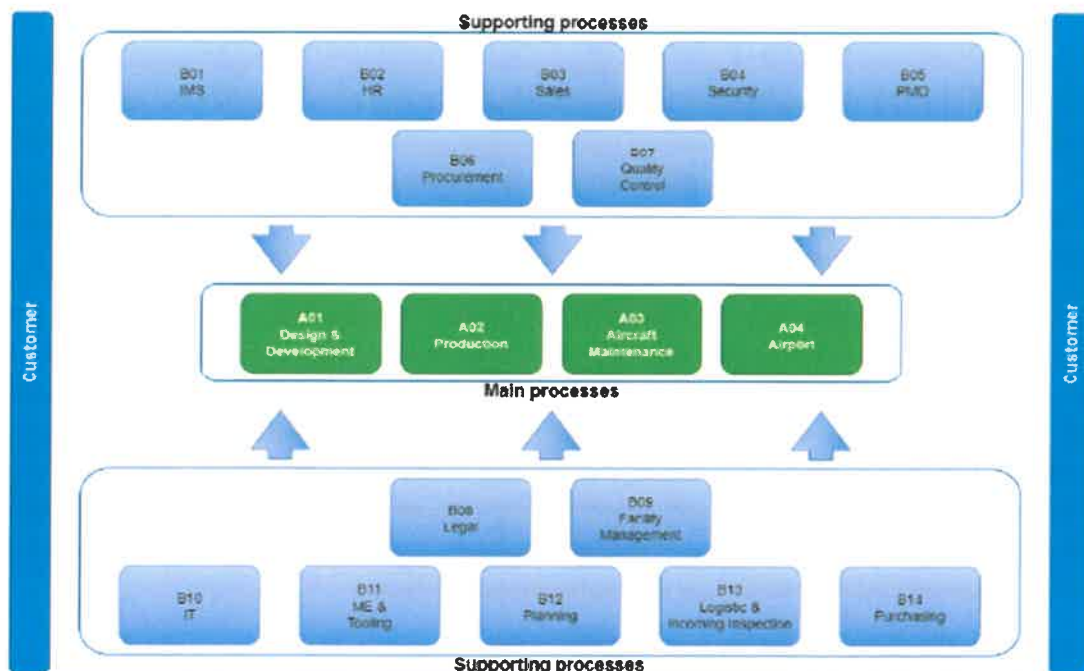
The responsible and exemplary approach to ESG issues on the part of Aero's management is also evidenced by the fact of the chosen basic frameworks, according to which the individual parts will proceed - e.g. the decarbonization strategy will be processed according to the SBTi methodology, the company's carbon footprint according to the GHG Protocol methodology, for data collection and evaluation specialized software etc. will be used.

AIRPORT OPERATIONS

The LKVO Airport Operations Section (UPL) organization operated in 2023 within AVA in the position of operator of the non-public international airport LKVO, provider of flight navigation services and air traffic controller training organization. Within the organizational scheme, AVA operated in the form of the main process A04. On May 1, 2023, Ing. Hana Šmejkalová (no. UPL_61/2023 dated 04/04/2023), who replaced Ing. Tomáš Plaček, was appointed to the position of AM/ŘUPL UPL.).

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

Main Process Card A04 (2023)

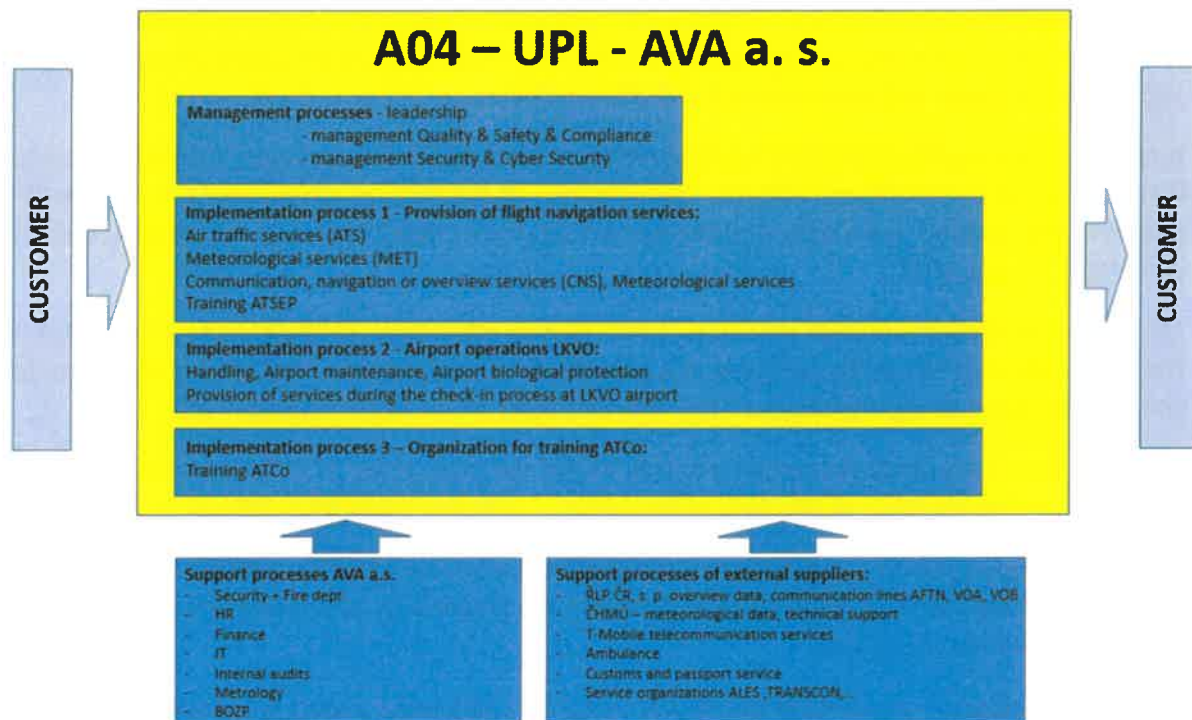


Process:	A04	Airport LKVO - UPL	Owner:	Hana Šmejkalová	Type of process:	Main Process
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Process description
Ensuring the operation of LKVO airport (OPS), providing handling APS/HDL, air navigation services (ATS, MET, CNS), OPV (training ATCo).

Process on input	Input activity	Resources		Process on Output	Output activity
A01	Aircraft prototype	Human	Airport team	A01	Ensuring the operation of the airport, ensuring airspace, design and flight testing and flight testing FCF.
A02	Manufactured aircraft	Financial	AOP Plan	A02	Ensuring the operation of the airport, ensuring airspace, performing test flights and FCF flights and tests, training - training of customer pilots.
A03	Repaired plane	Infrastructure	Avalon	A03	Ensuring the operation of the airport, ensuring airspace, design and flight testing and flight testing FCF.
		Requirements	Customer, Standards, Legal		
B04	Airport protection	Related documentation		B04	Specification of airport security requirements
B08	Legal support	QM 01 Integrated Management System Manual		B08	Requirements for legal analyses, requirements for securing tenders
B09	Buildings, runways - TWY - airport areas	Organizační řád		B02	Training requirements
B10	Computers - IT infrastructure	P-B01-03 System of internal audits		B06	Requirements for suppliers
		LV/VS/XX			

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



The provision of air navigation services (ANS) took place in the form of implementation process 1. The operation of the LKVO airport and the provision of services during the check-in process at the LKVO airport took place in the form of implementation process 2. The activity of the ATCo training organization took place in the form of implementation process 3.

Quality policy

"Integrated quality, environment and energy management policy of AERO Vodochody AEROSPACE a.s." was issued by Presidential Order No. 2/2021 of 10/19/2021.

IMS targets for 2023

"The IMS goals of AERO Vodochody AEROSPACE a.s." were issued by Presidential Order No. 5/2023.

AVA Operational Security Policy

For the company UPL AVA, the "Operational safety policy of AERO Vodochody AEROSPACE a.s." was updated for operation at the PRAGUE/Vodochody Airport (LKVO) and the provision of flight navigation services and the organization for the training of air traffic controllers" by issuing Presidential Order No. 7/2023.

Assessment of the level of performance of the provided flight navigation services

Process performance and conformity of products and services

The performance of Implementation Processes 1, 2 and 3 and the conformity of products and services is monitored in UPL throughout the year as part of regular meetings of ŘUPL held every month. As part

of the ŘUPL meetings, SPI, KPI and QPI limits are evaluated in the form of established indicators, and the evaluation is part of the minutes of the meetings.

Internal audits were carried out according to the approved annual audit program. Changes in the audit program were documented and approved by ŘUPL. Final audit reports are stored on Aeronet, part of UPL in the QM folder and are available to all UPL employees.

A regular annual verification of the interoperable systems used in the provision of navigation services was carried out in accordance with the requirements of the ÚCL, to which the DOV records of the interoperable systems were sent. The regular annual verification of non-interoperable systems was completed in early 2023.

The ÚCL audit (implementation processes 1 and 3) took place from 26/06/2023 to 29/06/2023 with the conclusion that AVA (UPL) is eligible as a provider of air navigation services and is eligible as an air traffic controller training organization. The next ÚCL audit is planned for October 2024.

The ÚCL inspection (implementation process 2) did not take place in 2023 and the ÚCL had no comments on the eligibility of UPL AVA as the operator of a non-public international airport.

The Lloyd's Register LRQA recertification audit of the ISO 9001:2015 quality system took place on June 16, 2023, with the conclusion that the quality system implemented at UPL AVA meets the requirements of the ISO 9001:2015 standard.

The security program of the operator of the PRAGUE/Vodochody airport is regularly updated, the meeting of the Airport Security Committee takes place in accordance with Chapter 1.4 of the Security Program, which is objectively documented by the minutes of the meeting of the Airport Security Committee (the last meeting of the Airport Security Committee took place on 18.07. 2023).

The SEC conducts random alcohol and substance abuse checks at UPL workplaces. A total of 3 inspections were carried out in 2023 (14/02/2023, 14/06/2023 and 11/10/2023) and no discrepancies were found.

In 2023, SEC screening exercises took place together with the HZS department (every HZS screening exercise also includes the participation of security/SEC).

The HZS/ZPS screening exercises in 2023 took place on the following days with a focus on:

03/01/2023 shift A full standby
16/01/2023 shift B full standby
23/03/2023 shift B plane accident RWY28
06/20/2023 shift A full standby
30/06/2023 shift B full standby
04/07/2023 shift C full standby
03/08/2023 shift C fire order HDL APN W
27/09/2023 shift A APN W tank fire
05/10/2023 C shift Ae 270 APN W engine fire
30/12/2023 shift B fire in the control room at TWR

Monitoring and measurement results

The SMS performance targets set for 2023 were not fully met. The reason was inappropriate setting of goals and safety indicators and thus their inefficient fulfillment and evaluation. This is related to frequent staff turnover in the position of SM UPL, lack of experience and limited knowledge in the field of SMS.

The specified QPI limits were met with the exception of:

- Number of canceled flights due to insufficient number of operational personnel.

The target was the maximum number of canceled flights of 30, which was exceeded by 6 flights.

The objectives and indicators of SPI, KPI and SPT for the year 2024, in connection with the findings from the ÚCL audit, will be discussed by the end of June 2024 within the SAG and in accordance with the objectives of the UPL business plan, which is the subject of an update.

The available resources and priorities for the provision of UPL services for the AVA test flights were evaluated and it was decided to adjust the parameter to a value of 50 for 2024.

External audits

The results of the ÚCL audits confirmed the competence of UPL as a provider of air navigation services, an air traffic controller training organization and an airport operator. The Lloyd's Register LRQA audit confirmed the compliance of the quality system with the requirements of the ISO 9001:2015 standard. Final audit reports are stored and publicly available on Aeronet in the UPL section of the QM folder.

All disagreements from audits are documented, their settlement is monitored in the IS AVALON system in the CAPOS application.

Control of the implementation of corrective and preventive measures is carried out as part of monthly UPL meetings, or extraordinary meetings.

Internal quality audits

During 2023, 3 internal quality audits were carried out at UPL AVA.

Nonconformities detected during audits are recorded in IS AVALON in the CAPOS application. This application also performs the related administration of non-conformances, records of corrective measures, their approval, implementation and evaluation of the effectiveness of the measures are carried out. In the course of 3 UPL internal quality audits, carried out according to the approved audit program for 2023, 2 non-conformities of level 1 (significant) were detected and resolved. Furthermore, 2 non-conformities of level 2 (insignificant) were detected, which were also resolved. A level 3 (recommendation) non-conformance was detected by 1 and is resolved.

Overview of discrepancies for individual areas - UPL departments:

- Quality management system: 2 (1 insignificant finding, 1 recommendation)
- Handling: 2 (1 significant finding, 1 insignificant finding)
- Fire and Rescue Service: 1 (1 non-significant finding)

Furthermore, 2 immediate (flash) audits were carried out in 2023:

- Verification of the fulfillment of maintenance training by the ATCO training organization - no finding
- Verification of the fulfillment of ATM/ANS personnel training plans - 1 non-conformity detected

Compliance audits

In 2023, 1 compliance audit was conducted in accordance with the approved audit schedule. The compliance audit was focused on compliance with the regulatory requirements of the relevant regulations.

Note: After termination of the employment of CM Ing. Michaela Prokešová's compliance audits were suspended, the update of the compliance matrix following the change in the controlled documentation was addressed. After the start of the new CM Bc. Lucie Coufalová's compliance management processes focused on the processing and fulfillment of NO from the ÚCL audit.

Audit ÚCL

From 26th of June 2023 to 29th of June 2023, the ÚCL audit took place, which found 3 findings of level 1, 6 findings of level 2 and issued 2 observations.

Level 1 findings were removed within the specified deadline with the opinion of ÚCL – NO settled / findings closed.

Level 2 Findings:

- 1 finding removed with the opinion of ÚCL – NO settled / finding closed
- 5 NO unresolved / findings open

From year 2022 6 NOs remain unresolved / findings open.

Lloyd's Register LRQA audit

On June 16th, 2023, Lloyd's Register LRQA conducted an external audit according to ISO 9001:2015. 1 level 2 (non-significant) non-compliance was identified and 2 recommendations were issued. The disagreement has been settled.

The results of the Lloyd's Register LRQA audits confirmed the compliance of the UPL quality system with the requirements of the ISO 9001:2015 standard.

Performance of external providers

External service providers provide services based on contracts. No discrepancies were found in the quality of the services provided. Critical services – for example, supply of overview data are continuously tracked and monitored by the information system (quality and completeness of data – data packets).

The external MET service provider of the ČHMÚ provides contractual activities in accordance with the contract, is certified by ÚCL and the meteorological service provider's certificate is valid.

External provider of some types of ATCo training – company ŘLP ČR, s.p. is certified by ÚCL and the certificate of the CANI training organization is valid.

Goals and performance differences

Performance in comparison with the performance targets set in the annual plan using performance indicators.

Meeting the planned goals of the annual plan for 2023

Meeting quality goals for 2023	Ratio fulfillment	Note
Implement Commission Implementing Regulation (EU) 2017/373.	100 %	Processed the Matrix of compliance and subsequently the documentation as proof of fulfillment.
KPI/Limits FS.	100 %	Within limit of planned/defines values.
SPI/ Limits FS.	100 %	Within limit of planned/defines 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 performance of tasks on the intranet.	100 %	Reports and performance records are evaluated at the monthly meetings of the ŘUPL
DOV processing for interoperable and non-interoperable ANS systems	100 %	The relevant documentation of the implementation of the DOV was processed. DOV of interoperable systems sent to ÚCL.
Carrying out extraordinary maintenance of the fence - removal of constantly growing greenery and placement of odor traps as a prevention against animals that damage the fence.	100 %	Done. Further ongoing preventive maintenance and restoration of the function of odor detectors is ensured.
Overview system for factory flights to test areas - RADAR - LETVIS - start of system replacement.	10 %	Not yet submitted - not approved by IK following the financial results of AVA a.s., indicative offers from 3 potential suppliers secured.
The start of the change of the METEO technological equipment	45 %	Approved, analyses done, the documentation is being updated, an agreement has been concluded with the ČHMÚ.
Regular repairs of RWY 28/10 and movement areas.	100 %	In accordance with AOP.
Regular training of personnel for the ANS department.	100 %	In accordance with training plan.
Maintenance training of other airport personnel.	50 %	V In accordance with training plan.
Advanced training of UPL personnel.	100 %	In accordance with the refresher training plan and course schedule.
Maintenance of moving surfaces.	100 %	In accordance with AOP. New sweepers have been purchased to meet heavy snowfall requirements.
Revision of the external perimeter of the LKVO and its repairs.	100 %	In accordance with AOP.

Modernization of airport equipment	10 %	An analysis of the development directions of LKVO is under way. The plan for the modernization of the airport equipment will be drawn up following the decision of the management of AVA a.s. on the scope of LKVO operation.
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Since the flight navigation service provider UPL provides services in the CTR and TMA of the non-public international airport LKVO, the business plan is considered in the context of the category of the said airport LKVO. The primary task is to provide flight navigation services for the needs of AVA, the production, maintenance and development organization of L-39, L-159 and L-39NG aircraft. Therefore, financial performance and profit are not a priority, as obligations to other aircraft operators would negatively affect service capacity and lead to a reduction in operational requirements related to the flights of aircraft after repairs and in particular to a reduction in operational requirements for the priority provision of test flights of the L-39NG aircraft under development.

From the point of view of the air navigation service provider, the intensity of air traffic at the LKVO airport does not represent a significant ecological burden on the environment, since the number of flights is only a fraction of the air traffic of the neighboring important airports LKPR and LKKB. From the table LKVO Basic data on flight traffic, it follows that the greatest intensity of traffic in CTR/TMA LKVO is produced by general aviation, which exceeds the aggregate traffic of other aircraft categories more than tenfold in its intensity.

Differences in performance

Parametres	2020	2021	2022	2023
Total number of flight days	279	248	262	219
Total number of movements during the night	4	1	17	10
Total number of movements	10 733	10 679	8 222	5812
Total number of persons transported	252	418	377	201
Traffic category				
GA traffic	7 942	8 313	6 665	4886
Traffic above 5,7 t	186	126	164	102
Jet planes to 100 t	166	250	414	225
Jet planes above 100 t	0	0	0	0
Military jet planes	51	0	0	0
Flights AVA	2766	842	899	870
Helicopters	136	41	80	114
Night traffic 22:00 - 06:00				
GA traffic	0	0	0	0
GA traffic above 5,7 t	0	0	0	0
Jet planes to 100 t	4	6	1	10

Jet planes above 100 t	0	0	0	0
Military jet planes	0	0	16	0
Helicopters	0	0	0	0

Aspects, opportunities, resources and economic results

Internal aspects

Internal aspects affecting implementation process 1 (Air navigation services), implementation process 2 (LKVO airport operation) and implementation process 3 (ATCo training organization):

- In April 2023, the employment relationship of CM Ing. Michaela Prokešová was terminated
Note: She was appointed to the position of CM with effect from 1st of September 2022 by Regulation AM UPL No. 12/2022 no. ÚPL_169/2022). After the termination of the employment relationship on 30th of April 2023 until the start of the new CM, this function was represented by QM Ing. Jiří Vitásek AM Regulation No. 8/2023 File no. UPL_123/2023. On August 1st 2023, Bc. Lucie Coufalová took up the position of CM, who terminated her employment on 02/29/2024
- On June 1st 2023, Ing. Irena Jakubíčková was appointed to the position of SM By Regulation AM UPL No. 7/2023 Ref. UPL_90/2023. She took over the function of SM after Ing. Jiří Macas. Ing Jiří Macas continued to work in the position of ATSEP and ended his employment at AVA on 30th of September 2023. Note: SM Ing. Jiří Macas was appointed to the position with effect from 1st of September 2022 by Regulation AM UPL No. 11/2022 File no. UPL_168/2022
- The reduced number of workers in the area of ARO and operational requirements continue to be solved by external provision - an agreement on work activities
- In December 2023, the employment relationship of the head of ATS Ing. Ota Setzer, his work duties were taken over by ANS head Jaroslav Vágner and Ing. Petr Manda
- Ensuring the provision of APS/HDL service at LKVO airport is handled by UPL employees
- The situation in the maintenance of the airport was solved in the OPS unit primarily by internal arrangements. Only activities requiring special technology were provided externally, such as compacting grassy areas or large-scale work (restoration of grouting of longitudinal defects in the asphalt surface of the runway). The technology complies with the existing requirements for ensuring the operability of the airport with the limitation of the ability to remove snow and ice from the operational area in the winter (2 sweeping machines were purchased). When performing winter maintenance, it is not possible to use chemical substances to remove icing phenomena for reasons of protection of the tested aircraft and for reasons of environmental protection
- The supply and filling of aircraft fuel is provided externally by TWIN TRANS s.r.o.
- The Vaisala METEO system was installed and put into trial operation in 2023, and it is planned to be put into full operation by the end of 2024
- The LETVIS overview system must be replaced by a new system due to the end of the operational life of the system. The start of implementation originally planned for the second half of 2023 has been moved to 2024

External aspects

External aspects affecting Implementation Process 1 (Air Navigation Services), Implementation Process 2 (LKVO Airport Operation) and Implementation Process 3 (ATCo Training Organization):

- UPL AVA's activity was particularly affected by the implementation of Commission Implementing Regulation (EU) 2017/373 and Commission Regulation (EU) 2015/340. Legislative requirements were implemented into internal guidelines and related procedures
- The LKVO fire and rescue service is secured by the HZS department as a support process of the AVA. A new AZ30 vehicle (firefighting special) was purchased, the related training of HZS employees was carried out and the vehicle was assigned to the exit on 01.05.2023
- HZS employees were trained in England in extinguishing aircraft fires (fuel under pressure) on 01.05. – 05.05.2023 - 6 people in accordance with the training program
- It was necessary to implement organizational measures so that AVA's requirements were met as a matter of priority, especially the security of certification flights of the L-39 NG prototype and flights of the L-39 and L-159 after repairs - major maintenance

Implementation of changes in the LKVO airport operation organization

The changes are a controlled process and take place according to the directive LV/VS/17 Process for implementing changes in the LKVO airport operation organization.

A total of 34 changes were made in 2023, of which 4 changes related to functional system changes, 2 changes to the ATCo training organization, and 28 general changes.

Adequacy of resources.

Financial provision of UPL takes place on the basis of approved AVA budgets. Savings measures are constantly being sought within the planned and subsequently monitored financial limits. The legal framework of requirements for provision of resources for the provision of UPL AVA services is complied with.

Effectiveness of corrective actions taken to address risks and opportunities

All events affecting service quality and security are tracked and recorded in the QPI table, service security in the SPI/KPI table, and the security reporting overview table. At the same time, the events are discussed within the SAG according to established internal procedures. Within the framework of SAG, the effectiveness of corrective measures is also evaluated, and in the event that the non-compliance is repeated, another solution is sought and determined, which is assumed to be sufficiently effective.

In 2023, 72 safety reports were filed. Compared to 2022, this is an increase in the number of reports filed by 15. All submitted safety reports are discussed within the SAG. The content of the submitted safety reports proves that UPL employees are active and aware of all facts that may have a negative impact on operational safety.

A total of 56 SAG working meetings took place in 2023. Based on a comparison with the previous year 2022, in which 55 working meetings of the SAG took place, it can be stated that the established system is procedurally stabilized and demonstrates a constant emphasis on discussing facts affecting the safety of the services provided by UPL. As part of the SAG meeting, the effectiveness of the measures taken is also addressed.

The review of the SMS system is the subject of a separate document Review of SMS, which is prepared by Building management.

Opportunities for improvement

The final audit reports (both internal and external) show that there is room for improvement in the form, content and maintenance of controlled documentation. 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. However, it is necessary to create conditions to avoid turnover in this job position.

The training of UPL employees was introduced in the form of e-learning using the AKADEMIE AERO software, which is administered and managed by the AVA HR department.

In September 2023, a regular annual QMS/SMS training was held for all UPL employees, during which UPL employees are also introduced to continuous improvement processes. The training is monitored and included in the AVA training program, and fulfillment is monitored by the HR department.

The use of the SW tool MS TEAMS was introduced to monitor the performance of tasks, which can be linked to the calendar in Outlook.

The change in the system of registration and performance of tasks will be evaluated in 2024 and, according to the results and possible comments of UPL employees, subsequently adjusted as part of the process of continuous improvement.

Financial results

UPL's main source of revenue in 2023 was AVA's internal resources, which come from the sale of its own avionics products. A secondary source of financial income was from the operation of external operators. In particular, these were fees for training flights, for landing, for ground handling and services. In total, UPL's revenues from external customers in 2023 reached CZK 3,257,000.

The main expenses of UPL were personal expenses in the amount of CZK 20,990,000.

The financial result of UPL (unaudited) is a loss of CZK 26,209,000.

Information about the formal consultation process with service users

Internal customer - AVA - the quality of LKVO services is continuously monitored, it is applied in the form of setting priorities and operative adaptation to AVA requirements to ensure the program of test flights of the L-39 NG program and sorties after repairs of L-159 and L-39 aircraft.

External customer - negotiations with representatives of aviation schools took place at the managerial level as part of the planned expansion of the airport's operation in connection with its planned development. As part of the operational contacts of APS/HDL, satisfaction with the services provided was monitored, no claims or complaints were recorded.

Further improvement of customer satisfaction and development of services is related to investments (hangars for parking, maintenance of customer aircraft, facilities for customer pilots and passengers, extension of operating hours). The priority of the operation of the LKVO airport remains the provision of flights of manufactured and repaired aircraft in AVA. The intention - the opportunity is the development of the non-public international airport LKVO for general aviation - this is a long-term development program with a number of investments in preparation.

Information on human resources policy

The training of UPL AVA staff is ensured, monitored and evaluated within the AVA system (personnel department). In September 2023, the regular annual QMS/SMS training of all UPL employees took place, the training is monitored and included in the AVA training program, and the fulfillment is monitored by the HR department.

The training of service personnel with ATSEP qualifications was carried out in 2023 according to the training plan approved by the ÚCL for 2023 and was fulfilled.

The training of air traffic controllers takes place within the training organization for the training of air traffic controllers according to the training plan approved by the ÚCL and was completed for the year 2023.

In 2023, UPL managed to maintain the minimum possible number of workers for operational security.

Appendices

- a) Quality level monitoring table for 2023 (LV_QMS_Z_1.3 – LIMITS FS_LIMITS FS_QPI_2023.xlsx)
- b) Safety and quality level monitoring table for 2023 (LV_VS_3.7.7 - LIMITS FS_SPI-KPI 2023.xlsx)
- c) Final reports from internal audits (H:\Legislation\Departments\Interní_audit_IMS\PRAGUE-Vodochody airport audits\2023)
- d) Final reports from compliance audits (<http://aeronet/LET/Compliance/Audity>)
- e) AVALON information system (CAPOS application)
- f) Minutes from the monthly meetings of ŘUPL (stored in the Public folder on Aeronet)

Subsequent events

January 2024

The traditional Czech manufacturer Aero is strengthening its position in the field of civil production focused on complex supplies for transport aircraft. In Vodochody, the wing edge for the A220 transport aircraft is being created, and Aero will increase production for Airbus by 80% in 2024. It plans to manufacture and supply 100 leading edges of the wings for the A220 aircraft, which is one of the most popular transport aircraft in its category.

February 2024

The Slovak Technical Museum (STM), a branch of the Aviation Museum in Košice, and the company Aero signed a Memorandum of Understanding and cooperation in the field of documentation, promotion and technical development of aviation. Mutual cooperation focuses on the importance of aviation, aviation technology and activities, while recognizing their social importance in history, present and future.

March 2024

Aero acquired a 100% stake in Technometra Český Brod a.s. Technometra is one of Aero's major suppliers for the new L-39NG aircraft, it also supplies and performs aggregate repairs for older aircraft manufactured by Aero. The acquisition of Technometra Český Brod was completed on March 7th 2024, when Aero became a 100% shareholder of Technometra.

Aero has signed a collective agreement for the year 2024. Based on it, it raises employees' wages by an average of 5%. In addition, it increases the monthly bonus for blue-collar professions to 15% of the

salary, increases selected shift allowances by 10% to 40%, and continues to pay out the "Share of Success" financial reward for meeting goals, up to CZK 45,000. It also raises contributions for lunches, which the employees will be able to have completely free of charge. The collective agreement is effective from April 1st 2024.

Expected events

Delivery of additional L-39NG aircrafts to the first customer

L-39NG sortie in western configuration

Signing contracts for MRO or L-39NG with other customers

REPORT ON RELATIONS BETWEEN THE CONTROLLING PARTY AND THE CONTROLLED PARTY AND BETWEEN THE CONTROLLED PARTY AND THE PARTIES CONTROLLED BY THE SAME CONTROLLING PARTY

Report of the Board of Directors of AERO Vodochody AEROSPACE a.s.

on relations between the controlling party and the controlled party and between the controlled party and the parties controlled by the same controlling party

prepared in accordance with the provisions of Sections 82-88 of Act No. 90/2012 Coll., on Business Companies and Cooperatives (Act on Business Corporations)

Section I. Controlled and controlling party

Controlled party

AERO Vodochody AEROSPACE a.s.

with its registered office at Odolena Voda, Dolínek, U Letiště č.p. 374, Postcode 250 70

IDČ 24194204

incorporated in the Commercial Register kept by the Municipal Court in Prague, Section B, Insert 17749

(hereinafter referred to as the "Company")

Controlling party

HSC Aerojet Zrt.

with its registered office 1124 Budapest, Németvölgyi út 108. mfszt 2, Hungary

Registration number 01-10-141410

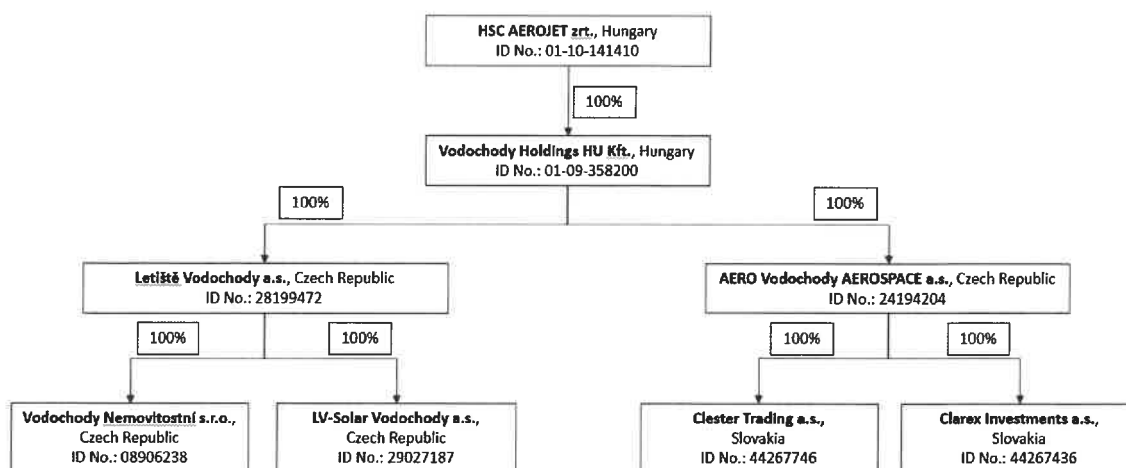
Section II. Relevant period

This report covers the period from 1st of January 2023 to 31st of December 2023.

Section III. Structure of relations between the controlling party and the controlled party and between the controlled party and parties controlled by the same controlling party

Parties controlled by the same controlling party are the Company and parties directly or indirectly controlling it, as well as companies controlled by the controlling party, ie parties controlled by HSC Aerojet Zrt.

The method of controlling the Company by the controlling party is shown in the following diagram.



In December 2023, in connection with the planned liquidation of the Slovak companies Clester Trading a.s. and Clarex Investments a.s. to the change of shareholder of Clarex Investments a.s., when Aero became its shareholder directly. Both Slovak companies subsequently went into liquidation in January 2024 (Clester Trading a.s.) and February 2024 (Clarex Investments a.s.), which is expected to be completed by the end of 2024.

Section IV. The role of the controlled party in the structure of relations between the controlling party and the controlled parties and parties controlled by the same controlling party

The Company formed an independent business entity with a specific subject of business in the capital structure of the controlling party.

Therefore, it did not provide any common activities to the remaining entities in the capital structure of the controlling party and was not subject to unified management, so it did not form a concern with the controlling party and other entities in the capital structure of the controlling party.

Section V. Method and means of control the controlled party for the whole Relevant period

The controlling parties control the controlled party through the company Vodochody Holdings HU Kft. owning 100% of the Company's shares. The controlling party carries out its business interests by exercising its shareholder rights within the supreme body of the controlled party, including the appointment of persons to the statutory bodies of the controlled party.

Section VI. Summary of legal acts performed in the last accounting period, which were made at the instigation or in the interest of the controlling party or its controlled parties, if such involve assets exceeding 10% of the controlled party's equity reported in the latest financial statements.

In the relevant period, no actions were taken at the instigation or in the interest of the controlling person or persons controlled by it, which would relate to assets that exceed 10% of Aero's equity determined according to the last financial statements.

The amount of receivables, payables, loans and estimates as at 31 December 2023, as well as the amount of sales and purchases with related parties for the year 2023, are reported in the notes to the financial statements as at 31 December 2023.

Section VII. Overview of mutual contracts between the controlled party and the controlling party or between the controlled parties

No contracts were entered into between the Company and the controlling party during the relevant period.

The following contracts were entered into and / or were still effective and valid between the Company and other parties controlled by the same controlling party during the relevant period:

From 1st of January 2023 to 31st of December 2023

<i>party</i>	<i>the name of the contract</i>	<i>effective date</i>	<i>performance provided</i>	<i>performance received</i>	<i>duration</i>	<i>detriment</i>
Clester Trading a.s.	Amendments to Loan Agreement dated 22.7. 2010	22.7.2010	Loan granted	<i>interest</i>	31.12.2023	none
Clarex Investments a.s.	Amendments to Loan Agreement dated 16.9.2009	16.9.2009	Loan granted	<i>interest</i>	31.12.2023	none
Clarex Investments a.s.	Amendments to Loan Agreement dated 10.7.2009	10.7.2009	Loan granted	<i>interest</i>	31.12.2023	none
Vodochody Nemovitostní s.r.o.	Amendments to Loan agreement dated 29.11.2021	29.11.2021	Loan granted	<i>interest</i>	31.12.2024	none
Vodochody Holdings HU Kft.	Loan agreement dated 27.1. 2020	27.1. 2020	Loan received	<i>interest</i>	1. 7.2025	none
Letiště Vodochody a.s.	Amendments to Rental contract (SM/297/LV) from 31.12.2015	31.12.2015	Rental contract	<i>rental</i>	indefinite period	none
Letiště Vodochody a.s.	Amendments to Service contract from 1.1.2009	1.1.2009	Services agreement	<i>payment</i>	indefinite period	none
Letiště Vodochody a.s.	Agreement on the establishment of services	29.4.2016	Services establishment	<i>payment</i>	indefinite period	none
Vodochody Holdings HU Kft.	Agreement on the method of debt repayment	12.12.2022	Loan payments settlement	<i>loan payments settlement</i>	indefinite period	none
Clester Trading a.s.	Agreement on the provision of additional payment	21.12.2023	-	<i>provision of an additional payment outside the share capital</i>	-	none
Clarex Investments a.s.	Receivables and Liabilities settlement agreement	21.12.2023	Settlement agreement	<i>settlement agreement</i>	-	none
Clarex Investments a.s.	Agreement on the provision of additional payment	21.12.2023	-	<i>provision of an additional payment outside the share capital</i>	-	none
Clarex Investments a.s.	Receivables and Liabilities settlement agreement	21.12.2023	Settlement agreement	<i>settlement agreement</i>	-	none

Section VIII. Assessment of whether the controlled party has suffered a detriment and assessment of its compensation

During the relevant period the Company did not suffer any detriment due to the intervention of the controlling party, therefore no assessment of its compensation could take place.

Section IX. Evaluation of advantages and disadvantages arising from the relations between the controlling party and the controlled party and parties controlled by the same controlling party

During the relevant period, no situation occurred in the relationship between the controlling and the controlled party that could be described as a detriment in a business or other sense.

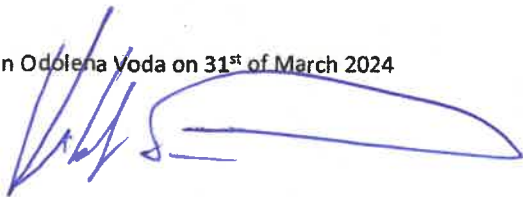
Section X. Conclusion

The Board of Directors of AERO Vodochody AEROSPACE a.s. states that it exercised due diligence to determine the scope of relations between the controlling party and the controlled party and between the controlled party and parties controlled by the same controlling party for the purposes of preparing this report, in particular by asking controlling parties who were controlled by them during the specified period.

The Board of Directors of AERO Vodochody AEROSPACE a.s. declares that all monetary means, resp. consideration, which have been granted throughout the relevant period on the basis of the relationships referred to in Section VII of this report was, in his view, at the fair value.

This report has been submitted for review to the Supervisory Board and the Company's auditor, who will audit the Company's financial statements for the year 2023 in accordance with a special law.

In Odolena Voda on 31st of March 2024



Ing. Viktor Sotona MBA

President & Chairman of the Board of Directors
AERO Vodochody AEROSPACE a.s.



Tibor Bial

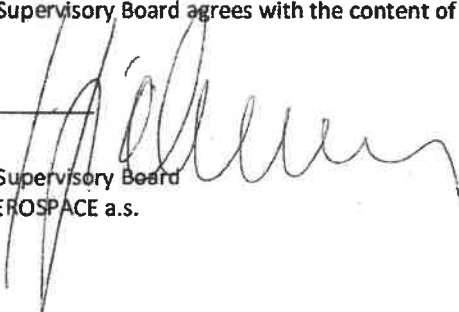
Member of the Board
AERO Vodochody AEROSPACE a.s.

Review of the Report by the Supervisory Board

On 31st of March 2024, the Supervisory Board reviewed the Report of the Company's Board of Directors on relations between the controlling party and the controlled party and between the controlled party and parties controlled by the same controlling party for 2023. The Supervisory Board agrees with the content of the report.

Ing. Jana Fialová

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



Independent Auditor's Report

to the Shareholder of AERO Vodochody AEROSPACE a.s

Opinion

We have audited the accompanying financial statements of **AERO Vodochody AEROSPACE a.s**, with its headquarters at U Letiště 374, Dolíněk, Odolena voda, Czech republic, IC (Registration Number) 241 94 204, (hereafter the Company) prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31 December 2023, the income statement, statement of changes in equity and cash flow statement for the period from 1 January 2023 to 31 December 2023 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the assets and liabilities of the Company as at 31 December 2023 and of the costs, revenues and its profit or loss and its cash flows for the period from 1 January 2023 to 31 December 2023, in accordance with Czech accounting regulations.

Basis for Opinion

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

Other information included in the Annual Report

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Company obtained from the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures for preparing the other

information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that

- the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information is prepared in compliance with the applicable laws and regulations.

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

Responsibilities of the Company's Statutory and Supervisory Bodies for the Financial Statements

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

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

The Supervisory Body is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Body.
- Conclude on the appropriateness of the Statutory Body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's Statutory and Supervisory Bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Prague, 5 June 2024

Audit firm:

BDO Audit s.r.o.

BDO Audit s. r. o.

Certificate No. 018

Engagement Partner:



Ondřej Šnejdar

Certificate No. 1987

Company name: AERO Vodochody AEROSPACE a.s.
Identification number: 241 94 204
Legal form: Joint-Stock Company
Primary business: Aircraft Production
Balance sheet date: 31 December 2023
Date of preparation of the financial statements: 31 May 2024

BALANCE SHEET

(in thousand Czech crowns)

Ref.	ASSETS	Row	31.12.2023			31.12.2022
			Gross 1	Provision 2	Net 3	Net 4
a	b	c				
	TOTAL ASSETS	001	15 329 659	-4 914 208	10 415 451	9 765 681
B.	Fixed assets	003	7 241 788	-4 070 656	3 171 132	3 305 639
B. I.	Intangible fixed assets	004	3 404 167	-1 364 675	2 039 492	2 239 241
B. I. 1.	Development cost	005	2 232 247	-553 246	1 679 001	1 872 720
B. I. 2.	Royalties	006	1 066 185	-820 525	245 660	226 579
B. I. 2. 1.	Software	007	319 117	-275 918	43 199	4 437
B. I. 2. 2.	Other royalties	008	747 068	-544 607	202 461	222 142
B. I. 3.	Goodwill	009	-13 915	13 915	0	0
B. I. 4.	Other intangible fixed assets	010	701	-701	0	0
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	118 949	-4 118	114 831	139 942
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	118 949	-4 118	114 831	139 942
B. II.	Tangible fixed assets	014	3 775 641	-2 644 001	1 131 640	1 066 398
B. II. 1.	Land and constructions	015	1 264 192	-789 170	475 022	444 691
B. II. 1. 1.	Land	016	17 102	0	17 102	17 102
B. II. 1. 2.	Constructions	017	1 247 090	-789 170	457 920	427 589
B. II. 2.	Equipment	018	2 370 435	-1 816 409	554 026	516 870
B. II. 4.	Other tangible fixed assets	020	20 380	-19 316	1 064	1 680
B. II. 4. 3.	Tangible fixed assets - other	023	20 380	-19 316	1 064	1 680
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	120 634	-19 106	101 528	103 157
B. II. 5. 1.	Advances paid for tangible fixed assets	025	9 559	0	9 559	10 197
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	111 075	-19 106	91 969	92 960
B. III.	Dlouhodobý finanční majetek	027	61 980	-61 980	0	0
B. III. 1.	Investments - subsidiaries and controlling party	028	61 980	-61 980	0	0
C.	Current assets	037	7 813 683	-843 552	6 970 131	6 120 775
C. I.	Inventories	038	4 111 655	-783 029	3 328 626	2 301 216
C. I. 1.	Raw materials	039	2 354 623	-565 726	1 788 897	1 233 672
C. I. 2.	Work in progress and semi-finished products	040	998 452	-162 274	836 178	587 922
C. I. 3.	Finished goods and goods for resale	041	160 113	-139	159 974	23 522
C. I. 3. 2.	Goods for resale	043	160 113	-139	159 974	23 522
C. I. 5.	Advances paid for inventory	045	598 467	-54 890	543 577	456 100
C. II.	Receivables	046	2 052 527	-60 523	1 992 004	1 557 052
C. II. 1.	Long-term receivables	047	0	0	0	6 499
C. II. 1. 1.	Trade receivables	048	0	0	0	6 499
C. II. 2.	Short-term receivables	057	2 052 527	-60 253	1 992 004	1 550 553
C. II. 2. 1.	Trade receivables	058	1 889 350	-41 123	1 848 227	1 492 390
C. II. 2. 2.	Receivables - subsidiaries and controlling party	059	20 085	-17 461	2 624	1 968
C. II. 2. 4.	Receivables - other	061	143 092	-1 939	141 153	56 195
C. II. 2. 4. 3.	Taxes - receivables from the state	064	16 582	0	16 582	7 584
C. II. 2. 4. 4.	Short-term advances paid	065	87 120	-1 939	85 181	45 598
C. II. 2. 4. 5.	Estimated receivables	066	1 054	0	1 054	199
C. II. 2. 4. 6.	Other receivables	067	38 336	0	38 336	2 814
C. III.	Short-term financial investments	072	0	0	0	1 627 763
C. III. 2.	Other short-term investments	074	0	0	0	1 627 763
C. IV.	Cash	075	1 649 501	0	1 649 501	634 744
C. IV. 1.	Cash in hand	076	4 355	0	4 355	2 794
C. IV. 2.	Cash at bank	077	1 645 146	0	1 645 146	631 950
D.	Prepayments and accrued income	078	274 188	0	274 188	339 267
D. 1.	Prepaid expenses	079	65 080	0	65 080	70 826
D. 3.	Accrued income	081	209 108	0	209 108	268 441

Ref.	LIABILITIES AND EQUITY	Row	31.12.2023	31.12.2022
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY	082	10 415 451	9 765 681
A.	Equity	083	595 504	1 270 053
A. I.	Share capital	084	1 002 000	1 002 000
A. I. 1.	Share capital	085	1 002 000	1 002 000
A. II.	Share premium and capital contributions	088	947 901	947 901
A. II. 2.	Capital contributions	090	947 901	947 901
A. II. 2. 1.	Other capital contributions	091	947 927	947 927
A. II. 2. 2.	Assets and liabilities revaluation	092	-26	-26
A. III.	Reserves from profit	096	1 169	1 169
A. III. 2.	Statutory and other reserves	098	1 169	1 169
A. IV.	Retained earnings / Accumulated losses	099	-681 017	-873 183
A. IV. 1.	Retained earnings or (accumulated losses)	100	-681 017	-873 183
A. V.	Profit / (loss) for the current period	102	-674 549	192 166
B. + C.	Liabilities	104	5 866 483	5 496 870
B.	Provisions	105	491 417	671 957
B. 4.	Other provisions	109	491 417	671 957
C.	Payables	110	5 375 066	4 824 913
C. I.	Long-term payables	111	3 749 524	3 714 764
C. I. 6.	Liabilities - subsidiaries and controlling party	119	3 749 524	3 714 764
C. II.	Short-term payables	126	1 625 542	1 110 149
C. II. 3.	Short-term advances received	131	468 098	157 732
C. II. 4.	Trade payables	132	415 026	277 495
C. II. 8.	Liabilities - other	136	742 418	674 922
C. II. 8. 3.	Liabilities to employees	139	76 923	64 118
C. II. 8. 4.	Liabilities for social security and health insurance	140	41 818	33 872
C. II. 8. 5.	Taxes and state subsidies payable	141	10 687	81 675
C. II. 8. 6.	Estimated payables	142	593 835	493 805
C. II. 8. 7.	Other liabilities	143	19 155	1 452
D.	Accruals and deferred income	147	3 953 464	2 998 758
D. 1.	Accrued expenses	148	44 422	47 607
D. 2.	Deferred income	149	3 909 042	2 951 151

Company name: AERO Vodochody AEROSPACE a.s.
Identification number: 241 94 204
Legal form: Joint-Stock Company
Primary business: Aircraft Production
Balance sheet date: 31 December 2023
Date of preparation of the financial statements: 31 May 2024

INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2023	2022
			1	2
I.	Sales of products and services	01	4 015 616	3 316 766
II.	Sales of goods	02	237 771	694 868
A.	Cost of sales	03	3 316 339	2 518 874
A. 1.	Cost of goods sold	04	140 994	509 695
A. 2.	Raw materials and consumables used	05	1 988 402	1 009 915
A. 3.	Services	06	1 186 943	999 264
B.	Changes in inventories of finished goods and work in progress	07	-302 342	57 497
C.	Own work capitalised	08	-107 611	-154 466
D.	Staff costs	09	1 360 127	1 123 777
D. 1.	Wages and salaries	10	986 925	824 887
D. 2.	Social security, health insurance and other costs	11	373 202	298 890
D. 2. 1.	Social security and health insurance costs	12	319 793	267 911
D. 2. 2.	Other costs	13	53 409	30 979
E.	Value adjustments in operating activities	14	479 871	476 407
E. 1.	Value adjustments of fixed assets	15	474 067	461 388
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	493 104	366 050
E. 1. 2.	Provision for impairment of fixed assets	17	-19 037	95 338
E. 2.	Provision for impairment of inventories	18	67 013	6 200
E. 3.	Provision for impairment of receivables	19	-61 209	8 819
III.	Operating income - other	20	107 624	1 186 464
III. 1.	Sales of fixed assets	21	700	236
III. 2.	Sales of raw materials	22	88 982	57 840
III. 3.	Other operating income	23	17 942	1 128 388
F.	Operating expenses - other	24	49 844	815 998
F. 2.	Cost of raw materials sold	26	70 260	32 514
F. 3.	Taxes and charges	27	5 629	5 307
F. 4.	Operating provisions and complex prepaid expenses	28	-180 540	494 414
F. 5.	Other operating expenses	29	154 495	283 763
*	Operating result	30	-435 217	360 011
VI.	Interest and similar income	39	57 965	32 941
VI. 1.	Interest and similar income - subsidiaries or controlling party	40	2 356	30 537
VI. 2.	Other interest and similar income	41	55 609	2 404
I.	Value adjustments and provisions from financial operations	42	60 982	998
J.	Interest and similar expenses	43	200 789	250 272
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	193 578	249 592
J. 2.	Other interest and similar expenses	45	7 211	680
VII.	Other financial income	46	608	64 227
K.	Other financial expenses	47	36 134	15 547
*	Financial result	48	-239 332	-169 649
**	Net profit / (loss) before tax	49	-674 549	190 362
L.	Tax on profit or loss	50	0	-1 804
L. 1.	Tax on profit or loss - current	51	0	-1 804
**	Net profit / (loss) after tax	53	-674 549	192 166
***	Net profit / (loss) for the financial period	55	-674 549	192 166
*	Net turnover for the financial period	56	4 419 584	5 295 266

Company name: AERO Vodochody AEROSPACE a.s.
Identification number: 241 94 204
Legal form: Joint-Stock Company
Primary business: Aircraft Production
Balance sheet date: 31 December 2023
Date of preparation of the financial statements: 23 May 2024

CHANGES IN EQUITY STATEMENT

(in thousand Czech crowns)

	Share capital	Other capital contributions	Assets and liabilities revaluation	Statutory and other reserves	Retained earnings or (accumulated losses) from previous years (+/-)	Profit / (loss) for the current period (+/-)	Total
Balance at 1st of January 2022	1 002 000	0	-26	1 169	-873 183	0	129 960
Net profit/(loss) for the current period	0	0	0	0	0	192 166	192 166
Liabilities capitalization	0	947 927	0	0	0	0	947 927
Balance at 31st of December 2022	1 002 000	947 927	-26	1 169	-873 183	192 166	1 270 053
Distribution of the economic result for the year 2022	0	0	0	0	192 166	-192 166	0
Net profit/(loss) for the current period	0	0	0	0	0	-674 549	-674 549
Balance at 31st of December 2023	1 002 000	947 927	-26	1 169	-681 017	-674 549	595 504

Company name: AERO Vodochody AEROSPACE a.s.
Identification number: 241 94 204
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Balance sheet date: 31 December 2023
Date of preparation of the financial statements: 23 May 2024

CASH FLOW STATEMENT
(in thousand Czech crowns)

Ref. a	TEXT b	Accounting period	
		2023	2022
		1	2
	Cash flows from operating activities		
	Net profit /(loss) before tax	-674 549	190 362
A. 1.	Adjustments for non-cash movements:	502 437	186 753
A. 1. 1.	Depreciation and amortisation of fixed assets	493 104	366 050
A. 1. 2.	Change in provisions and provisions for impairment	-132 790	240 219
A. 1. 3.	(Profit)/loss from sales of fixed assets	-700	-236
A. 1. 5.	Net interest expense/(income)	142 823	217 331
A. 1. 6.	Other non-cash movements	0	-636 611
A *	Net cash flow from operating activities before tax and changes in working capital	-172 112	377 115
A. 2.	Non-cash working capital changes:	1 661 007	-86 540
A. 2. 1.	Change in receivables and prepayments	-345 617	-766 760
A. 2. 2.	Change in payables and accruals	1 473 284	2 952 647
A. 2. 3.	Change in inventories	-1 094 423	-644 664
A. 2. 4.	Change in short-term financial investments	1 627 763	-1 627 763
A **	Čistý peněžní tok z provozní činnosti před zdaněním	1 488 895	290 575
A. 3.	Interest paid	-203 974	-89 531
A. 4.	Interest received	55 609	30 536
A. 5.	Income tax paid	1 002	-25 577
A ***	Net cash flow from operating activities	1 341 532	206 003
	Cash flows from investing activities		
B. 1.	Acquisition of fixed assets	-361 579	-257 000
B. 2.	Proceeds from sale of fixed assets	700	236
B. 3.	Loans and borrowings to related parties	-656	-39
B ***	Net cash flow from investing activities	-361 535	-256 803
	Cash flows from financing activities		
C. 1.	Change in long- and short-term liabilities from financing activities	34 760	-247 161
C ***	Net cash flow from financing activities	34 760	-247 161
	Net increase/(decrease) in cash and cash equivalents	1 014 757	-297 961
	Cash and cash equivalents at the beginning of the year	634 744	932 705
	Cash and cash equivalents at the end of the year	1 649 501	634 744

AERO Vodochody AEROSPACE a.s.

Financial Statements for the year ended 31 December 2023

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 main scope of the Company's activity is cooperation in the production of helicopters and aircraft parts, foreign trade in military material, development, production, repairs and modernization of training and combat military aircraft, aerial work and operation of Vodochody Airport.

Members of statutory bodies as at 31st of December 2023:

Board of Directors	
Chairman of the Board:	Ing. Viktor Sotona, MBA
Member of the Board:	Tibor Bial

Supervisory Board	
Chairman:	Jana Fialová
Member:	Jan Borýšek

On 27th of September 2023, Mr. Viktor Sotona was appointed to the position of chairman of the Board of Directors. On 1st of September 2023, Mr. Tibor Bial was elected to the position of a member of the Board of Directors.

These financial statements have been prepared as at 31st of December 2023. The reporting period is from 1st of January 2023 to 31st of December 2023.

2023 is the first year when the accounting unit is subject to a consolidation. Consolidation is carried out by Interstand Consulting Kft. with registered office at Damjanich utca 23/B, 1188 Budapest. The consolidated financial statements of the consolidating accounting units can be obtained online in the system of the Ministry of Justice of the Republic of Hungary (<https://e-beszamolo.im.gov.hu/oldal/kezdolap>).

The current economic situation is being impacted mainly by the war in Ukraine which broke out on 24th of February 2022, including the related sanctions against Russia, then by disrupted supply chains, 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 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 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 2023 are as follows:

a) Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost of more than CZK 60 thousand 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 labor 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	realized sales of serial production
Software	3-5 years
Other royalties	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 capitalized.

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 CO2 emissions produced in the period or on the basis of actual CO2 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 of more than CZK 80 thousand 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 labor 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:

	Estimated useful life
Constructions	20-40 years
Jigs	realized sales of serial production
Machines, 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 capitalized.

c) Long-term investments

Long-term financial investments are mainly investments in subsidiaries and investments in associates.

Investments in subsidiaries represent shares in enterprises that are controlled by the Company ("the subsidiary").

Investments in associates represent shares in enterprises over which the Company has significant influence, but not control ("the associate").

Investments in subsidiaries and associates 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 realizable 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 realizable 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 subsidiaries and associates 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 recognized 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 realized 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 recognized 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 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.

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 recognized in the income statement in the same periods as the expenses or income associated

with the hedged instruments are recognized 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 recognized, the related gains or losses may be recognized 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 recognized 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 recognized.

As at 31st of December 2023 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 basic capital. Contributions in excess of share capital are recorded as share premium. Other capital contribution 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 recognized 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 recognized 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 recognizes a provision relating to untaken holidays.

The Company recognizes 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 recognized 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 capitalized. 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 recognizes 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 over time 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 recognized 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 recognized as at the date the services are rendered and are stated net of discounts and value added tax.

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 associates;
- parties, which have directly or indirectly significant influence on the Company;
- members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence; and/or
- subsidiaries and associates 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 capitalized 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 recognized in the balance sheet.

r) Interest expense

Interest expense on borrowings to finance the acquisition of intangible and tangible fixed assets are capitalized 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 recognized 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 recognized if it is probable that sufficient future taxable profit will be available against which the asset can be utilized.

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 recognized 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 recognized in the financial statements.

4. FIXED ASSETS

a) Intangible fixed assets

thousand CZK	31st of December 2022	Additions / transfers	Disposals	31st of December 2023
Cost				
Development costs	2 130 300	101 947	-	2 232 247
Software	277 411	41 706	-	319 117
Other royalties	730 595	16 473	-	747 068
Goodwill	-13 915	-	-	-13 915
Other intangible fixed assets	701	-	-	701
Intangible fixed assets in the course of construction	144 060	146 361	- 171 472	118 949
Total	3 269 152	306 487	-171 472	3 404 167
Accumulated depreciation				
Development costs	-158 926	-297 743	-	-456 669
Software	-272 974	-2 944	-	-275 918
Other royalties	-503 064	-38 180	-	-541 244
Goodwill	13 915	-	-	13 915
Other intangible fixed assets	-701	-	-	-701
Total	-921 750	-338 867	-	-1 260 617
Provisions				
Development costs	-98 654	2 077	-	-96 577
Other royalties	-5 389	2 026	-	-3 363
Intangible fixed assets in the course of construction	-4 118	-	-	-4 118
Total	-108 161	4 103	-	-104 058
Net book value	2 239 241			2 039 492

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

In 2016, the Company bought a part of Letiště Vodochody a.s. Goodwill in the negative value of CZK -13 915 thousand 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 amortized over a period of 60 months.

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

As at 31st of December 2023 and 31st of December 2022, fully depreciated intangible fixed assets at a cost amounted to CZK 687 755 thousand and CZK 508 552 thousand.

In 2023, the Company did not receive a subsidy for long-term intangible assets.

b) Tangible fixed assets

CZK thousand	31st of December 2022	Additions / transfers	Disposals / transfers	31st of December 2023
Cost				
Land	17 102	-	-	17 102
Constructions	1 184 828	62 262	-	1 247 090
Equipment	2 248 197	142 899	-20 661	2 370 435
Other tangible fixed assets	20 170	210	-	20 380
Advances paid for tangible fixed assets	10 721	133 660	-134 822	9 559
Tangible fixed assets in the course of construction	110 587	224 672	-224 184	111 075
Total	3 591 605	563 703	-379 667	3 775 641
Accumulated depreciation				
Constructions	-757 239	-31 931	-	-789 170
Equipment	-1 660 317	-121 631	20 661	-1 761 287
Other tangible fixed assets	-18 490	-826	-	-19 316
Total	-2 436 046	-154 388	20 661	-2 569 773
Provisions				
Equipment	-71 010	-	15 888	-55 122
Advances paid for tangible fixed assets	-524	524	-	0
Tangible fixed assets in the course of construction	-17 627	-2 024	545	-19 106
Total	-89 161	-1 500	16 433	-74 228
Net book value	1 066 398			1 131 640

CZK thousand	1 January 2022	Additions / Disposals /		31 December 2022
		transfers	transfers	
Cost				
Land	17 102	-	-	17 102
Constructions	1 152 614	32 214	-	1 184 828
Equipment	2 301 879	43 991	-97 673	2 248 197
Other tangible fixed assets	19 640	718	-188	20 170
Advances paid for tangible fixed assets	654	10 067	-	10 721
Tangible fixed assets in the course of construction	52 138	58 449	-	110 587
Total	3 544 027	145 439	-97 861	3 591 605
Accumulated depreciation				
Constructions	-727 911	-29 328	-	-757 239
Equipment	-1 595 067	-90 745	25 495	-1 660 317
Other tangible fixed assets	-17 901	-777	188	-18 490
Total	-2 340 879	-120 850	25 683	-2 436 046
Provisions				
Equipment	-80 840	9 830	-	-71 010
Advances paid for tangible fixed assets	-509	-15	-	-524
Tangible fixed assets in the course of construction	-4 711	-12 916	-	-17 627
Total	-86 060	-3 101	-	-89 161
Net book value	1 117 088			1 066 398

As at 31st of December 2023 and 31st of December 2022, the aggregate amount of low value tangible assets stated in the off-balance sheet amounted at cost to CZK 197 505 thousand and CZK 194 932 thousand.

As at 31st of December 2023 and 31st of December 2022, fully depreciated tangible fixed assets at a cost amounted to CZK 1 279 489 thousand and CZK 1 200 535 thousand.

As at 31st of December 2023, the cost of assets with limited disposal amounted to CZK 705 371 thousand and its net book value amounted to CZK 262 386 thousand. As at 31st of December 2022, the cost of assets with limited disposal amounted to CZK 700 614 thousand and its net book value amounted to 236 279 thousand. 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 31st of December 2023, the cost and net book value of the pledged movable assets in favor of MFB MAGYAR FEJLESZTÉSI BANK ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG in connection with the loan from Vodochody Holdings HU Kft amounted to CZK 451 212 thousand and to CZK 434 117 thousand and the cost and net book value of pledged immovable assets amounted to CZK 1 264 193 thousand and CZK 475 022 thousand, resp. as at 31st of December 2022, the cost and net book value of pledged movable assets in favor of received loans amounted to CZK 434 117 thousand and CZK 317 407 thousand and the cost and net book value of pledged immovable assets amounted to CZK 1 201 930 thousand and CZK 444 691 thousand (see Note 13).

As at 31st of December 2023, the cost and net book value of the pledged movable assets in favor of SG Equipment Finance Czech Republic s.r.o. in connection with the finance lease amounted to CZK 10 165 thousand and to CZK 0 thousand, resp. as at 31st of December 2022, the cost and net book value of pledged

movable assets in favor of finance lease amounted to CZK 10 165 thousand and CZK 1 624 thousand (see Note 15).

In 2023, the Company did not receive a subsidy for long-term tangible assets.

c) Non-current financial assets

Clarex and Clester receivables were capitalised in 2023. These have been transferred to financial fixed assets at nominal value in full (Clarex 061.016 GL, CZK 51.7 million, Clester 061.013 GL, CZK 10.3 million). As the receivables entering into this capitalisation were already considered to be high-risk and were subject to a 100 % valuation allowance, the financial assets arising from this capitalisation were also subject to a 100 % valuation allowance (total of CZK 61,9 million, 096.010 and 096.801 GL).

5. INVENTORIES

The Company created a provision for inventories as at 31st of December 2023 of CZK 783 029 thousand (as at 31st of December 2022: CZK 716 013 thousand).

6. RECEIVABLES

As at 31st of December 2023, provisions in the total amount of CZK 60 523 thousand were created for outstanding receivables, which are considered doubtful (as at 31st of December 2022: CZK 121 731 thousand).

Unsettled receivables as at 31st of December 2023 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 31st of December 2023 and 31st of December 2022, receivables overdue by more than 180 days amounted to CZK 1 110 554 thousand and CZK 241 014 thousand.

Short-term advances paid as at 31st of December 2023 and 31st of December 2022 relate mainly to operating, overhead activities.

Estimated receivables as at 31st of December 2023 and 31st of December 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 31st of December 2023 amounted to CZK 0 thousand (as at 31st of December 2022: CZK 1 627 763, represent purchased bill of exchange amounted to EUR 50 000 thousand with short-term maturity).

8. CASH

As at 31st of December 2023 and 31st of December 2022, the Company had the following balances of accounts with limited disposal (in CZK thousand):

Bank	Currency	31.12.2023		31.12.2022	
		Amount in foreign currency thousand	Amount in CZK thousand	Amount in foreign currency thousand	Amount in CZK thousand
Komerční banka, a.s.	EUR	28 970	716 138	166	4 003
Komerční banka, a.s.	USD	430	9 622	255	5 767
Unicredit Bank CR and SK, a.s.	EUR	9 854	243 640		
ČEB, a.s.	USD	2 327	52 065	4 270	96 562
MFB	EUR	1 254	31 005	1 254	30 240
Total		42 835	1 052 470	5 945	136 573

Financial assets deposited in restricted accounts serve as collateral for guarantees provided by banks (see Note 13). As at 31st of December 2023 and 31st of December 2022, the Company had such funds deposited in its accounts in the amount of CZK 1 052 470 thousand and CZK 136 573 thousand. 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).

9. PREPAYMENTS AND ACCRUED INCOME

Prepaid expenses as at 31st of December 2023 and 31st of December 2022 mainly include accrued rents, insurance and overheads paid in advance and are charged to the expenses in the period they temporally and materially belong to.

Accrued income as at 31st of December 2023 in the amount of CZK 209 108 thousand and 31st of December 2022 in the amount of CZK 268 441 thousand mainly include recognized part of the sales of owned produced aircrafts, for which customer will settle cash in the future.

10. EQUITY

Since 1st of January 2022 the parent company of the Company is Vodochody Holdings HU Kft with its registered office at 1122 Budapešť, 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 thousand consists of 5 010 registered ordinary shares in book-entry form with a nominal value of CZK 200 thousand and is repaid in full.

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

Other reserves from profit are formed by the social fund.

Differences from mergers and demergers as at 31st of December 2023 and 31st of December 2022 represent the revaluation of the share in the subsidiary Clester Trading a.s.

On 30th of June 2023, the shareholder decided that the company's profit of CZK 192 166 thousand for the year 2022 will be transferred to the retained earnings account of previous years.

Until the date of preparation of these financial statements, the Company has not propose allocation of the loss incurred in 2023.

11. PROVISIONS

Changes in provision accounts (in CZK thousand):

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	Balance as at 1. 1. 2022	Netto change	Balance as at 31. 12. 2022	Netto change	Balance as at 31. 12. 2023
Business case Iraq	84 239	26 667	110 906	2 981	113 887
Business case AČR (incl. PP16)	93 382 -	24 325	69 057 -	15 486	53 571
Business case Tunis and Algeria	3 555	2 354	5 909	1 751	7 660
Business case Uzbekistan	3 258	-	3 258 -	338	2 920
Business case EMBRAER	35 735 -	1 537	34 198 -	442	33 756
Business case CSeries	24 457	18 914	43 371 -	18 328	25 043
Business case Sikorsky	176 -	176	-	-	-
Business case Black Hawk	780 -	780	-	-	-
Business case CWB	5 687 -	2 353	3 334 -	3 118	216
Business case MTA	332	18	350	48	398
Business case Latecoere	6 502	-	6 502 -	6 502	-
Business case T2	52 475	-	52 475 -	52 475	-
Business case Kazachstan	6 177 -	2 227	3 950 -	3 950	-
Business case Ethiopia	8 403	-	8 403 -	1 413	6 990
Business case Pilot equipment	53 283 -	53 283	-	-	-
Business case DJ	14 950 -	7 988	6 962		6 962
Business case STA	41 861 -	28 806	13 055 -	1 060	11 995
Business case SAFRAN	1 653 -	50	1 603 -	1 603	-
Business case L410	6 039 -	6 039	-	-	-
Business case Nigeria GO	3 147	9 597	12 744 -	2 608	10 136
Business case Ethiopia 2	-	150 208	150 208 -	116 590	33 618
Business case Kazachstan 2	19 476 -	14 014	5 462 -	1 268	4 194
Business case Kazachstan 3	-	9 181	9 181 -	357	8 824
Business case AČR	-	-	-	8 612	8 612
Business case Draken Europe R&L	-	-	-	1 256	1 256
Business case Vietnam	-	-	-	48 578	48 578
Penalty OSSZ	998 -	998	-	-	-
Employee bonuses and rewards	51 594	44 345	95 939 -	20 464	75 475
Untaken holiday	17 357	4 858	22 215	15 110	37 325
Employee benefits	-	6 179	6 179 -	6 179	-
Emission allowances	7 577 -	882	6 695 -	6 695	-
Total	543 093	128 864	671 957 -	180 540	491 417

12. PAYABLES

Liabilities have not been secured against any assets of the Company and liabilities to VOHOHU are due in 2036.

Estimated payables as at 31st of December 2023 and 31st of December 2022 mainly include uninvoiced deliveries of materials and services. They are charged to the period they temporally and materially belong to.

Advances received as at 31st of December 2023 and 31st of December 2022 mainly include advances related to operating, overhead activities.

As at 31st of December 2023, the Company does not record overdue liabilities for social security nor health insurance.

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), last installment was paid on 9th of February 2023:

			31.12.2023	31.12.2022
	Maturity	Interest rate	Amount in CZK thousand	Amount in CZK thousand
SG Equipment Finance Czech Republic s.r.o.	15.02.2023	1,76%	0	124
Total			0	124
Installment in the upcoming year			0	124
Installments in following years			-	0

For payables to related parties see Note 19.

13. PAYABLES TO BANKS

As at 31st of December 2023, 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	24.10.2027	445
	counter-guarantee	10.03.2030	495
	guarantee	30.06.2024	742
	guarantee	30.08.2024	556
	guarantee	30.07.2025	371
	guarantee	31.03.2025	3 916
	counter-guarantee	10.03.2030	1 790
	counter-guarantee	30.09.2026	3 916
	performance bond	30.09.2025	11 232
	advance payment gua	30.09.2024	224 631
	advance payment gua	30.06.2026	501 793
	guarantee	31.03.2026	720
UniCredit Bank	performance bond	30.09.2026	11 602
	advance payment gua	30.09.2025	232 038
ČEB, a.s.	performance bond	31.10.2025	31 087
	advance payment gua	31.01.2025	20 978
Total			1 046 311

As at 31st of 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	06.03.2023	1 821
	performance bond	24.10.2027	434
	performance bond	10.03.2030	482
	performance bond	30.06.2030	723
	performance bond	30.08.2024	543
	performance bond	31.03.2025	3 958
	performance bond	10.03.2030	1 809
	performance bond	30.09.2025	10 954
	advance payment guarantee	30.09.2024	219 089
ČEB, a.s.	performance bond	30.06.2020	87
	performance bond	30.06.2024	41 746
	advance payment guarantee	31.01.2024	54 730
Total			336 376

As at 31st of December 2023 and 31st of December 2022, the Company guaranteed for issued bank guarantees by restricted cash in bank accounts in the amount of CZK 1 048 772 thousand and CZK 136 573 thousand (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 temporally and materially belong to.

Deferred income as at 31st of December 2023 and 31st of December 2022 mainly represents accrued revenues from sales of self-produced aircrafts.

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 31st of December 2023 (in CZK thousand):

Description	Terms	The amount of lease in 2023
Computers	by 2024	3 073
Personal cars	by 2026	5 322
VZV	by 2028	496

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 31st of December 2023 (in CZK thousand):

Description	Terms	Currency	The sum of the lease payments for the entire period of the expected lease	Actually paid lease payments from financial lease as at 31 st of December 2023	Breakdown of the amount of future lease payments by actual maturity as at 31 st of December 2023	
					Due within one year	Due after one year
Machinery	by 2023	CZK	1 161	1 161	0	-
Machinery	by 2024	EUR	603	563	40	0

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 realized income. This amount cannot be determined until the contract is concluded.

On 8th of December 2005, AERO Vodochody a.s. entered into a framework agreement with the Ministry of Defense 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 modernization 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 Defense 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 31st of December 2023 amounts to CZK 3 920 139 thousand. The highest value of orders is for WILLIAMS INTERNATIONAL CO., LLC, MARTIN-BAKER AIRCRAFT CO LTD a Honeywell-ITEC. 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 31st of December 2022 amounts to CZK 942 029 thousand. The highest value of orders is for VR Group, a.s., ZLIN Aircraft a.s. a 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 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 thousand 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):

	2023	
	Domestic	Foreign
Aircraft production	2 344 808	1 844 677
Non-aircraft prouction	63 902	-
Total revenues	2 408 710	1 844 677

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

18. EMPLOYEES

Breakdown of staff costs (in CZK thousand):

	2023		2022	
	Total number of employees	Members of the Statutory Body and Supervisory Board	Total number of employees	Members of the Statutory Body and Supervisory Board
Average number of employees	1 724	3	1 292	3
Wages and salaries	986 925		824 887	
Social security, health insurance and other costs	319 793		267 911	
Other costs	53 409		30 979	
Total staff costs	1 360 127		1 123 777	

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

19. RELATED PARTY TRANSACTIONS

In 2023, no loans, credits, deposits, advances were provided to Statutory Representatives nor Supervisory Board 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 2023, revenues from these activities, including interest income, reached CZK 2 913 thousand (of which interest income amounted to CZK 2 356 thousand). In 2022, income from these activities, including interest income, reached CZK 2 960 thousand (of which interest income amounted to CZK 2 404 thousand).

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

Loans provided to related parties (in CZK thousand):

Related party	Maturity	Interest rate	31.12.2023	31.12.2022
Vodochody Nemovitostní s.r.o. - in CZK	31.12.2023	5,00%	2 624	1 968
Clester Trading a.s. - in EUR	31.12.2023	7,58%	0	4 750
Clarex Investments a.s. - in EUR	31.12.2023	7,58%	0	19 851
Clarex Investments a.s. - in EUR	31.12.2023	6,10%	0	7 235
Clarex Investments a.s. - in EUR - bill of exchange	31.12.2023		17 461	17 030
Total			20 085	50 834

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Related party	Maturity	Interest rate	31.12.2022	01.01.2022
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
Total			50 834	49 310

On 23rd of December 2023, an agreement was concluded on the settlement of mutual claims between the company AERO Vodochody AEROSPACE a.s. and Clarex Investments a.s. On 23rd of December 2023, the sole shareholder of AERO Vodochody AEROSPACE a.s. declared that it was assuming its obligation to repay the contribution in the amount of CZK 52 228 thousand (EUR 2 112 thousand) to the equity capital of Clarex Investments a.s. On 23rd of December 2023, the sole shareholder of AERO Vodochody AEROSPACE a.s. decided on a deposit in the amount of CZK 52 228 thousand (EUR 2 112 thousand) to the equity capital of Clarex Investments a.s.

As at 31st of December 2023 and as at 31st of December 2022, the Company created a provision for loans provided to related parties in the amount of CZK 17 461 thousand and CZK 56 423 thousand due to their low creditworthiness.

On 29th of 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 thousand with a maturity on 31 December 2023. The interest rate is set at 5%. The balance of this loan as at 31st of December 2023 and 31st of December 2022 amounts to CZK 2 624 thousand and CZK 1 968 thousand.

On 22nd of July 2010, a loan agreement was concluded between Clester Trading a.s. and AERO Vodochody AEROSPACE a.s. in the amount of EUR 200 thousand and the amendment No. 8 dated 30th of December 2022 extended the maturity until 31st of December 2023. The interest rate is set at 7,58%. The balance of this loan as at 31st of December 2023 and as at 31st of December 2022 amounts to CZK 0 thousand and CZK 4 750 thousand.

On 16th of September 2009, a loan agreement was concluded between Clarex Investments a.s. and AERO Vodochody AEROSPACE a.s. in the amount of EUR 800 thousand. Amendment No. 9 dated 19th of January 2022 increased the limit to EUR 850 thousand and amendment No. 10 extended the maturity until 31st of December 2023. The interest rate is set at 7,58%. The balance of this loan as at 31st of December 2023 and as at 31st of December 2022 amounts to CZK 0 thousand and CZK 19 851 thousand.

On 10th of July 2009, a loan agreement was concluded between Clarex Investments a.s. and AERO Vodochody AEROSPACE a.s. in the amount of EUR 485 thousand and the amendment No. 5 dated 30th of December 2022 extended the maturity until 31st of December 2023. The interest rate is set at 6,10%. The balance of this loan as at 31st of December 2023 and as at 31st of December 2022 amounts to CZK 0 thousand and CZK 7 235 thousand.

In 2015, Clarex Investments a.s. issued bills of exchange in the total amount of EUR 428 thousand and in 2019 bills of exchange for interest 2016 - 2019 in the total amount of EUR 209 thousand. The Company reports these bills of exchange as at 31st of December 2023 and 31st of December 2022 in the amount of CZK 17 461 thousand and CZK 17 030 thousand on the row "Receivables - subsidiaries and controlling party".

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

AERO Vodochody AEROSPACE a.s.

Financial Statements for the year ended 31 December 2023

Related party	31.12.2023	31.12.2022
Clester Trading a.s. – interests in EUR (estimated receivable)	-	3 854
Clarex Investments a.s. – interests in EUR (estimated receivable)	-	3 787
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)	194	80
Vodochody Nemovitostní a.s. – trade receivables in CZK	-	-
LV-Solar Vodochody a.s. – trade receivables in CZK	-	-
LV-Solar Vodochody a.s. – estimated receivables in CZK	-	-
Total	250	7 875

The Company purchases products, receives loans and uses the services of related parties in the ordinary course of business. In 2023, these purchases, including interest expense, amounted to CZK 215 628 thousand (of which interest expense amounted to CZK 200 788 thousand). In 2022, these purchases, including cost interest, amounted to CZK 254 735 thousand CZK (of which cost interest amounted to CZK 249 592 thousand).

Loans received from related parties (in CZK thousand):

Related party	Maturity	Interest rate	31.12.2023	31.12.2022
Vodochody Holdings HU Kft. - in EUR	15.08.2036	5,30%	3 652 010	3 617 250
Vodochody Holdings HU Kft. - in CZK	31.12.2025	7,85%	97 514	97 514
Total			3 749 524	3 714 764

Related party	Maturity	Interest rate	31.12.2022	01.01.2022
Vodochody Holdings HU Kft. - in EUR	15.08.2036	5,30%	3 617 250	3 729 000
Vodochody Holdings HU Kft. - in CZK	21.03.2022	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	31.07.2022	5,10%	-	499 030
Vodochody Holdings HU Kft. - in CZK	31.12.2025	7,85%	97 514	97 514
Total			3 714 764	4 736 294

On 23rd of 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 thousand with maturity on 15th of August 2036. The interest rate is set at 5,30%.

As at 31st of December 2023, the following pledges were established in favor 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
- 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	31.12.2023	31.12.2022
Vodochody Holdings HU Kft. (interests)	44 422	47 607
LV-Solar Vodochody a.s. – trade payables in CZK	1 693	1 693
Letiště Vodochody a.s. – trade payables in CZK	-	154
Total	46 115	49 454

20. INCOME TAX

The income tax was calculated as follows:

CZK thousands	2023	2022
Loss before taxation	-674 549	190 362
Items increasing tax base	88 386	6 059
Tax non-deductible expenses	717 056	1 257 202
Difference between accounting and tax depreciation	116 271	154 665
Items decreasing tax base	-758 752	-888 193
Tax base	-511 588	720 095
Tax loss utilization	0	-716 263
Tax base	-511 588	3 832
Gifts deduction	0	-1 149
Tax base	-511 588	2 683
Total income tax expense	0	510
Tax deductions	0	-510
Final tax liability	0	0

The amount of tax losses from years 2019–2021, which was not claimed in the financial statements for 2023 and will be carried forward, amounted to CZK 1 327 578 thousand as at 31 December 2023.

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

Deferred tax items	31.12. 2023		31.12. 2022	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
ifference between accounting and tax net book value of fixed assets	111 699	-	30 952	-
Tax loss carried forward	386 225	-	252 240	-
Tax loss of current period	-	-	-	-
Other temporary differences:				
Provision to receivables and advances to inventories	24 237	-	32 521	-
Provision to inventories	152 909	-	126 751	-
Provision to fixed assets	35 586	-	37 392	-
Provision for long-term investments	13 016	-	190	-
Other provisions	103 198	-	127 672	-
Total	826 870	-	607 718	-

As at 31st of December 2023 and 31st of December 2022, the Company did not book a deferred tax asset in the amount of CZK 826 870 thousand and CZK 607 718 thousand due to uncertainty about its realization.

21. EXTRAORDINARY INCOME AND EXPENSES IN TERMS OF ITS SIZE OR ORIGIN

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

Other operating expenses in 2023 consist mainly of shortages, damages and insurance same as in 2022. Other financial expenses in 2023 consist mainly of foreign exchange losses and guarantee fees same as in 2022.

Remuneration to the statutory auditor for verification services in 2023 amounted to CZK 1 239 thousand, in 2022 it amounted to CZK 1 285 thousand.

22. CONTINUATION OF COMPANY WITH UNLIMITED DURATION

In 2023, the company reports a loss of CZK -674,549 thousand and positive equity as of 31st of December 2023 in the amount of CZK 595 504 thousand.

Despite significant accumulated losses, the company is confident that it will be able to continue as a going concern and will be able to realize its assets and meet its external obligations in the ordinary course of business.

This argument is based mainly on the successful sale of the first L-39NG aircrafts, which will ensure significant revenues in the near and medium-term future. Further contracts are expected to be concluded.

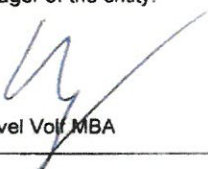
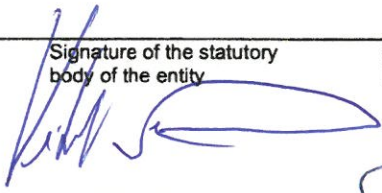

The financial statements as of 31st of December 2023 were prepared on the assumption that the company will continue to operate as an enterprise with an unlimited duration. The attached financial statements therefore do not contain any adjustments that could result from this uncertainty.

23. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 7th of March 2024, 100% of the shares of Technometra Český Brod a.s. were sold, and the new sole shareholder became the company AERO Vodochody AEROSPACE a.s., with registered office at U Letiště 374, Dolíněk, 250 70 Odolena Voda, IČ 24194204. The registration of these changes in the commercial register was in progress at the time of this report.

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

The Company's management is aware of unfavorable 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.

Prepared on:	Signature of the accounting manager of the entity:	Signature of the statutory body of the entity	Signature of the statutory body of the entity:
31 st of May 2024	 Pavel Volf, MBA	 Ing. Viktor Sotona, MBA	 Tibor Bial