Consolidated financial statement

of Enter Air S.A. Capital Group
for the period
from 1 January 2016 to 31 December 2016

CONSOLIDATED FINANCIAL STATEMENT

of Enter Air S.A. Capital Group
for the period from 1 January 2016 to 31 December 2016

Consolidated financial statement consisting of financial situation statements, statements concerning result and other total revenue, changes in shareholders' equity, cash flow, notes and other explanatory information, was drawn up in accordance with the International Financial Reporting Standards and presented in this document in the following order:

Consolidated statement of result and other total revenue for the reporting period:
from 1 January to 31 December 2016 declaring a total income of 50.174 thousand PLN

Consolidated financial situation statement as of:
31 December 2016, presenting a total balance of assets, equity and liabilities in the amount of 716.972 thousand PLN

Statement of changes in consolidated shareholders' equity for the reporting period:
from 1 January to 31 December 2016

Consolidated cash flow statement for the reporting period:
from 1 January to 31 December 2016

Notes to the consolidated financial statement

Member of the Board
Grzegorz Polaniecki

Member of the Board
Mariusz Olechno

Member of the Board
Marcin Kubrak

Member of the Board
Andrzej Kobielski

Warsaw, 21 March 2017

1. SELECTED FINANCIAL DATA INCLUDING BASIC ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENT

Selected financial data

	For the period: form 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN	For the period: from 01.01.2016 to 31.12.2016 000' EUR	For the period: from 01.01.2015 to 31.12.2015 000' EUR
Total revenue statement				
Net revenue from sales	810.356	756.983	185.706	180.911
Gross profit (loss) from sales	80.472	74.097	18.441	17.708
Operating gross profit (loss)	61.463	56.391	14.085	13.477
Profit of the financial year from continuing operations	50.173	33.779	11.498	8.073
Cash flow statement				
Operational net cash flow	92.312	44.346	21.155	10.598
Investment net cash flow	-2.736	-8.947	-627	-2.138
Financial net cash flow	-117.033	77.407	-26.820	18.499
Total net cash flow	**-27.090**	**112.806**	**-6.292**	**26.959**
	as of 31.12.2016 000' PLN	**as of 31.12.2015 000' PLN**	**as of 31.12.2016 000' EUR**	**as of 31.12.2015 000' EUR**
Financial situation statement				
Tangible assets	346.945	176.019	78.423	41.304
Current assets	244.133	222.743	55.184	52.269
Share capital	17.544	17.544	3.966	4.117
Shareholders' equity	217.187	170.482	49.093	40.005
Long-term receivables	296.453	135.782	67.010	31.862
Short-term receivables	203.332	137.247	45.961	32.206

Rules for calculation of selected financial data

Particular items of the financial situation statement were calculated in accordance with PLN to EUR exchange rate established by the National Bank of Poland as of 31.12.2016, i.e. 4.4240 PLN/EUR and comparable data as of 31.12.2015, i.e. 4,2615 PLN/EUR;

Particular items of the total revenue statement and cash flow statement were calculated in accordance with a rate constituting an arithmetic mean of the average rates established by NBP as of the last day of each finished month of a reporting period, i.e. for a period of 12 months ended on 31.12.2016 r. - 4,3637 PLN/EUR and comparable data for a period of 12 months ended on 31.12.2015 r. - 4,1843 PLN/EUR.

2. CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD OF 01.01.2016 – 31.12.2016

2.1 Consolidated financial statement concerning a result and total revenue

	NOTA	as of: from 01.01.2016 to 31.12.2016 000' PLN	as of: from 01.01.2015 to 31.12.2015 000' PLN
Continuing operation			
Revenue from sales	1,2	810.356	756.983
Prime costs of the sale	3	(729.884)	(682.886)
Gross profit (loss) from sales		**80.472**	**74.097**
Selling costs	3	(253)	(321)
General management costs	3	(18.777)	(17.914)
Other operating revenue	4	109	563
Other operating costs	5	(88)	(34)
Operating gross profit (loss)		**61.463**	**56.391**
Net financial costs/revenue	6	1.685	(13.736)
Profit (loss) before interest and taxes		**63.148**	**42.655**
Income tax	7	(12.975)	(8.876)
Continuing operation net profit (loss)		**50.173**	**33.779**
Results of discontinued operations		**-**	**-**
Profit (loss) of the financial year		**50.173**	**33.779**
Other total revenue			
Items which can be included in a result			
Foreign currency translation profit/loss		1	1
		1	1
Other total revenue/loss of the financial year		1	1
Sum of total revenue		**50.174**	**33.780**
Net profit (loss) of:			
parent company's shareholders		50.173	33.779
minority shareholders		-	-
Total revenue in general of:			
parent company's shareholders		50.174	33.780
minority shareholders		-	-
Net profit/loss per 1 stock/share of parent company's shareholders			
ordinary and diluted (in PLN)	10	2,860	3,192

Consolidated financial statement concerning result and other total revenue shall be analysed along with notes to the consolidated financial statement constituting its integral part.

2.2 Consolidated financial situation statement

	NOTE	as of 31.12.2016 000 PLN	as of 31.12.2015 000 PLN
Fixed assets			
Tangible assets	11	346.945	176.019
Intangible and legal assets	12	52	74
Assets due to deferred income tax	25	13.341	9.189
Trade and other receivables	14	112.501	35.486
Total fixed assets		**472.839**	**220.768**
Current assets			
Provisions	15	2.376	2.537
Trade and other receivables	16	91.149	44.904
Current tax assets	17	202	1.905
Cash and cash equivalents	18	118.437	145.063
Accruals and prepayments	19	31.969	28.334
Total current assets		**244.133**	**222.743**
Assets classified as held for sale		**-**	**-**
Total assets		**716.972**	**443.511**
Shareholders' equity			
Basic capital	20	17.544	17.544
Supplementary capital	21	187.978	157.811
Merger accounting	22	(38.655)	(38.655)
Retained profit	23	149	5
Period result		50.173	33.779
Foreign currency translation profit/loss	24	(1)	(2)
Shareholders' equity of owners of the parent company		**217.187**	**170.482**
Non-controlling interests		**-**	**-**
Total shareholders' equity		**217.187**	**170.482**
Long-term liabilities			
Bank loans and credits	28	3.634	4.391
Deferred income tax liabilities	25	20.462	22.431
Long-term provisions	29	1.357	1.191
Long-term liabilities due to financial lease	27	252.318	94.980
Accruals and prepayments	30	18.683	12.790
Total long-term liabilities		**296.453**	**135.782**
Short-term liabilities			
Trade and other liabilities	26, 31	97.710	52.519
Income tax liabilities		17.214	2.030
Short-term liabilities due to financial lease	27	37.271	21.394
Short-term bank loans and credits	28	817	37.896
Short-term provisions	29	28.064	6.089
Accruals and prepayments	30	22.256	17.319
Total short-term liabilities		**203.332**	**137.247**
Liabilities directly related to fixed assets classified as held for sale		**-**	**-**
Total liabilities		**716.972**	**443.511**

Consolidated financial statement shall be analysed along with notes to the consolidated financial statement constituting its integral part.

2.3 Consolidated statement concerning changes in shareholders' equity

	NOTA	Basic capital	Supplementary capital	Merger accounting	Retained profit	Period result	Currency translation profit/loss	Shareholders' equity of owners of the parent company	Non-controlling interests	Total shareholders' equity
		000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN
Balance as of 1.01.2015 (transformed data data)	22	**10.544**	**53.957**	**(38.655)**	**(227)**	**17.431**	**(3)**	**43.045**	**385**	**43.431**
Changes in shareholders' equity in 2015										
Basic capital increase	20, 21	7.000	86.652	-	-	-	-	93.652	-	93.652
Non-controlling interests as of purchase date		-	-	-	-	-	-	-	(400,0)	(400)
Settlement of minority shareholders' result	23	-	-	-	4	-	-	4	15	18
Transfer to retained profit and on supplementary capital	21, 23	-	17.203	-	228	(17.431)	-	-	-	-
Period result		-	-	-	-	33.779	-	33.779	-	33.779
Currency translation profit/loss		-	-	-	-	-	1	-	-	-
Balance as of 31.12.2015		**17.544**	**157.811**	**(38.655)**	**5**	**33.779**	**(2)**	**170.481**	**-**	**170.481**
Changes in shareholders' equity in 2016										
Basic capital increase	20, 21	-	-	-	-	-	-	-	-	-
Dividends	9	-	-	-	(3.509)	-	-	(3.509)	-	(3.509)
Non-controlling interests as of purchase date		-	-	-	-	-	-	-	-	-
Settlement of minority shareholders' result		-	-	-	-		-	-	-	-
Transfer to retained profit and on supplementary capital	21, 23	-	30.166	-	3.652	(33.779)	-	39	-	39
Period result		-	-	-	-	50.173	1	50.174	-	50.174
Currency translation profit/loss		-	-	-	-	-	-	-	-	-
Balance as of 31.12.2016		**17.544**	**187.978**	**(38.655)**	**149**	**50.173**	**(1)**	**217.187**	**-**	**217.187**

Consolidated financial statement concerning changes in shareholders' equity shall be analysed along with notes to the consolidated financial statement constituting its integral part

2.4 Consolidated cash flow statement

	NOTE	GK Enter Air S.A. For the period: from 01.01.2016 to 31.12.2016 000' PLN	GK Enter Air S.A. For the period: from 01.01.2015 to 31.12.2015 000' PLN
Operating cash flow	**4.7**		
Net profit (loss)		**50.173**	**33.779**
Total corrections			
Depreciation		35.596	20.080
Paid income tax		(3.549)	(2.634)
Currency translation profit (loss)		8.183	9.370
Profit interest and shares (dividends)		8.231	5.843
Changes in the balance of provisions		20.172	15.490
Changes in the balance of inventory		161	(1.131)
Change in the balance of receivables		(48.205)	(8.540)
PDP Boeing		(73.352)	(10.325)
Changes in he balance of short-term liabilities, excluding loans and credits		63.924	(6.084)
Changes in he balance of accruals and prepayments		3.043	(11.430)
Other corrections		27.934	(74)
		42.139	10.567
Net operating cash		**92.312**	**44.346**
Cash flow from investment activity			
Income			
From financial assets, including:		369	160
in affiliated companies		-	-
in other companies		369	160
– interest		369	160
		369	**160**
Expenditure			
Purchase of intangible and legal assets and tangible assets		(2.736)	(8.725)
For financial assets		-	(381)
in affiliated companies		-	(381)
		(2.736)	(9.107)
Net cash from investment activity		**(2.368)**	**(8.947)**
Cash flow from financial activity			
Income			
Net income from share release (issuance of shares) and other equity instruments and additional equity contributions		-	93.652
Credits and loans		-	27.997
Equity increase in the affiliated company assumed by minority shareholders		-	-
		-	**121.649**
Expenditure			
Dividends and other payments for owners		(3.509)	-
Repayments of loans and credits		(37.835)	-
Repayment of liabilities due to financial lease, excluding interest		(67.089)	(38.239)
Interest		(8.600)	(6.003)
		(117.033)	(44.243)
Net cash from financial activity		**(117.033)**	**77.407**
Net increase (Decrease) of cash and cash equivalents		**(27.090)**	**112.806**
Cash and cash equivalents equivalents at the beginning of the reporting period		**145.063**	**32.284**
Effect of changes in exchange rates on cash balance in foreign currencies		**464**	**(27)**
Cash and cash equivalents at the end of the reporting period		**118.437**	**145.063**

Consolidated cash flow statement shall be analysed along with notes to the consolidated financial statement constituting its integral part

3. INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENT

3.1 Parent company's organizational data.

Enter Air S. A. ("The Company") was established in accordance with articles of incorporation in a form of a notarial deed of 07.11.2012, as Laruna Investments S.A and was entered into the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, 12th Commercial Division of the National Court Register, under KRS number 0000441533.

On 22 December 2014, name of the Company was changed into Enter Air S.A.

On 22 December 2014, the Company acquired 100% of shares in Enter Air sp. z o.o. The acquisition of shares was executed pursuant to art. 430, 431 § 1 and 2 item 1, art. 432 and 433 § 2 of the Commercial Companies Code, i.e. as a result of the increase of Company's shareholders' equity through issuance of class B shares paid up in cash in a form of 100% of shares in Enter Air sp. z o.o. share capital and Enter Air trade mark. Enter Air S.A. share capital was increased by 10.443.750 PLN, i.e. up to the amount of 10.543.750 PLN. A nominal value of 1 share equalled 1 PLN and an issue price equalled 4 PLN. Shares were acquired by Company's previous shareholders. As a result of this, since the date of transaction, the Company has been controlling Enter Air sp. z o.o. and has become the only parent company for Enter Air sp. z o.o. and its affiliated companies.

On 23 February 2015 a resolution was passed on increasing Enter Air S.A. share capital by issuance of C class shares in order to float C class shares in the regulated market kept by the Warsaw Stock Exchange. Shares were issued in a form of open subscription pursuant to Art. 431 § 2 item 3 of the Commercial Companies Code, conducted as a public offer pursuant to the act of 29 July 2005 on on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading and Public Companies (Dz. U. of 2005 no. 184 item 1539 as amended). On December 2015, Enter Air S.A. basing on public offering, issued 7.000.000 C class shares. The offer was finished on 8 December 2015. A nominal price of 1 share equalled 1 PLN and an issue price was established on a level of 14 PLN. 14 December was the first day of issuance of allotment certificates on the Warsaw Stock Exchange. On 30 December 2015 a District Court executed a registration of the increase of Enter Air SA share capital.

Company registered office is located in Warsaw, ul. 17 stycznia 74

3.2 Management Board and Board of Supervisors

Management Board:

Grzegorz Wojciech Polaniecki	since 17.12.2014
Mariusz Olechno	since 17.12.2014
Marcin Andrzej Kubrak	since 17.12.2014
Andrzej Przemysław Kobielski	since 17.12.2014

Board of Supervisors:

Ewa Kubrak	since 17.12.2014
Grzegorz Badziak	since 17.12.2014
Piotr Przedwojewski	since 17.12.2014
Joanna Braulińska-Wójcik	since 13.05.2015
Tomasz Brukszo	since 13.05.2015
Patrycja Koźbiał	since 10.06.2015
Małgorzata Badowska	since 17.05.2016
Marek Młotek-Kucharczyk	since 17.05.2016

As for the publication date of this statement, members of the Management Board nor Board of Supervisors did not change.

3.3 Organisation of the issuer's group of companies

The Group includes Enter Air S.A. parent company and Enter Air Sp. z o.o. (100% shares are owned by the parent company) along with its Group of Companies A.

Enter Air sp. z o.o. Group of Companies includes Enter Air Sp. z o.o. parent company and the following affiliated companies:

- Enter Air Services sp. z o.o. - a company incorporated on 24 May 2012 as a new company with 100% of shares owned by Enter Air sp. z o.o.

- EnterAir.cz.s.r.o. – a company incorporated on 20 July 2012 as a new company with 100% of shares owned by Enter Air sp. z o.o.

- Enter Air International LTD - a company incorporated on 2 January 2014 as a new company with 100% of shares owned by Enter Air sp. z o.o.

- Enter Air Executive Services sp. z o.o. a company incorporated on 28 August 2014 as a new company with 60% of shares owned by Enter Air sp. z o.o. On 24 July 2015, Enter Air sp. z o.o. purchased shares beyond its control and now it owns 100% of shares.

Consolidated financial statement includes all of the aforementioned entities.

According to the articles of association of the parent company, company's objects clause is, e.g.:

- other types of consultancy within the range of conducting business activity and management;
- other not classified services excluding insurance and pension funds.

Enter Air sp. z o.o. objects clause includes coverage of the national and international markets within the range of services of the international air charter.

Affiliated companies: Enter Air Services Sp. z o.o. and Enter Air Executive Services Sp. z o.o. conduct supporting business on behalf of Enter Air sp. z o.o. within particular segments of activity:

- Enter Air Services Sp. z o.o. company conducts a supporting business within the range of on-board sales on planes owned by Enter Air sp. z o.o. and employs members of a cockpit staff performing air operations for the aforementioned air carrier.
- Air Executive Services Sp. z o.o. supports the parent company within the range of transportation of staffs and delivery of spare parts for planes and mechanics in case of technical problems outside main bases. These operations are executed with a business jet.

EnterAir.cz.s.r.o. and Enter Air International Limited companies do not conduct any operating activities currently.

All companies included in Enter Air S.A. Group of Companies were introduced for an indefinite period of time.

3.4 A basis for preparation and format of the financial statement

Consolidated financial statement was drawn up in accordance with the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations announced in a form of ordinances of the European Commission \9further referred to as IAS along with other Interpretations accepted in the European Union).

Presented annual consolidated financial statement was drawn up also in accordance with § 92 of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country

3.5 Accounting rules (policy) and calculation methods

Accounting rules assumed in the annual consolidated financial statement of the Enter Air Group, are compliant to rules used in a comparable, previous financial year.

IFRS changes

The following new standards, changes and interpretations have been valid since 1 January 2016:
IFRS 11 "Joint Agreements". Changes published on 6 May 2014, applicable to annual periods starting on 1 January 2016 or later. These changes present detailed guidelines including explanations concerning a method of recognition of share acquisition transactions in mutual operations.

IAS 16 "Property, Plant and Equipment" and IAS 30 "Intangible assets". Changes published on 12 May 2014 applicable to annual periods starting on 1 January 2016 or later. Changes indicate that a method of calculating accumulated depreciation of fixed assets and intangible assets based on revenue is improper, except several instances for intangible and legal assets.

IAS 27 "Consolidated and Separate Financial Statements". Changes published on 12 August 2014 applicable to annual periods starting on 1 January 2016 or later. Changes reintroduce to IFRS an option of recognizing investments in affiliated companies, mutual ventures and associated companies in IFRS with the use of equity method.

IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interest in Other Entities", IAS 28 "Investments in Associates and Joint Ventures". Changes published on 18 December 2014 applicable to annual periods starting on 1 January 2016 or later. Changes explain that a release from making consolidated financial statements basing on an investment entity status, also relates to indirect parent companies being affiliated companies of the investment entities making evaluations of affiliated companies by fair value measurement (provided that the release criteria defined in IFRS 10 are fulfilled). These changes also explain that the investment entity shall consolidate affiliated companies which are not investment entities and which main goal is to render services supporting investment activities of the investment company. Whereas in case when an affiliated company is an investment company, a parent investment company shall evaluate the investment in accordance to a fair value and financial result. It shall be done regardless whether the affiliated company renders services related to an investment activity of its parent company or on behalf of third parties.

IAS 1 "Presentation of financial statements" - an initiative on revealing information. Changes accepted for use after 1 January 2016. Changes serve for promoting professional judgement in determination of which information shall be revealed in financial statements. For example, changes indicate that entering insignificant information can reduce utility of disclosures. Published changes are accompanied by a project concerning changes in IAS 7 "Statement of Cash Flow" which will be applicable for annual periods starting after 1 January 2017. Changes in IAS 7 increase requirements for disclosures for cash flows from a financial activity.

Changes of the valid standards and new standards which did not come into effect on a balance sheet date but can be applied earlier:

IFRS 9 "Financial Instruments". A new standard published on 24 July 2014 applicable to an annual period starting from 1 January 2018 or later. Earlier application is allowed. This new standard sorts out a classification of financial assets and introduces new, uniform rules relating to an approach to the value loss evaluation concerning all financial instruments. Moreover, a new model of hedge accounting was introduced in order to standardize the rules of recognizing information concerning risk management in financial statements.
The Group will be applying this new standard from 1 January 2018.
The Group is currently analysing an impact of changes on financial statements, whereas it does not anticipate considerable changes as a result of introduction of new standards.

IFRS 15 “Revenue from Contracts with Customers”. A new standard published on 28 May 2014 applicable to annual period starting from 1 January 2018 or later. Earlier application is allowed. This new standard will replace current regulations IAS 18 “Revenue” and IAS 11 “Construction Contracts” and related interpretations. IFRS 15 introduces uniform framework for recognition of revenue. It will be recognized in a moment when a customer takes control over goods or a service. This standard introduces a 5-element process of revenue identification requiring determination whether revenues shall be staggered or recognized once in a defined moment.
The Group will be applying the new standard from 1 January 2018.
The Group is currently analysing an impact of changes on financial statements, whereas it does not anticipate considerable changes as a result of introduction of new standards.

IFRS 16 “Leases”. A new standard published on 13 January 2016 applicable to annual period starting from 1 January 2019 or later. Earlier application is allowed but on condition that IFRS 15 is applied simultaneously). This standard will replace previous regulations (mainly IAS 17) and obliges lessees to disclose assets and liabilities due to concluded lease agreements in their financial statements regardless of their type.

The Group is currently analysing an impact of changes on financial statements. Considerable changes are anticipated as a result of an introduction of new standards.

IAS 12 “Income Taxes”. Changes published on 19 January 2016, applicable to annual periods starting on 1 January 2017 or later. They detail requirements for recognizing assets due to a deferred tax concerning debt financial instruments evaluated in a fair value.
The Group will be applying the new standard from 1 January 2017.
The Group is currently analysing an impact of changes on financial statements, whereas it does not anticipate considerable changes as a result of introduction of new standards.

IFRS 2 “Share-based Payment”. Changes published on 20 June 2016, applicable to annual periods starting on 1 January 2018 or later. These changes detail some types of asset-based payment transactions.
The Group will be applying the new standard from 1 January 2018.
The Group is currently analysing an impact of changes on financial statements, whereas it does not anticipate considerable changes as a result of introduction of new standards.

IAS 40 “Investment Property”. Changes published on 20 June 2016, applicable to annual periods starting on 1 January 2018 or later. These changes detail that a real estate can be transferred from or to an investment property category only if a property use method was changed.
The Group will be applying the new standard from 1 January 2018.
The Group is currently analysing an impact of changes on financial statements, whereas it does not anticipate considerable changes as a result of introduction of new standards.

Changes in various standards resulting from the annual survey of the International Financial Reporting Standards (Annual amendments of standards 2012 - 2014)

- IAS 34 “Interim Financial Reporting” - A change consisting in the explanation of a reference to ”the information revealed in other part of the interim financial report” in the standard. Additionally, it is required to give a reference between an interim financial statement and a place where this information was revealed.
- IFRS 12 “Disclosure of Interest in Other Entities” - clarification of requirements concerning disclosures related to shares, regardless whether they are considered as held for sale or transfer in a form of a dividend, as discontinued operations or not.
- IAS 28 “Investments in Associated and Joint Ventures” - definition of the moment in which investment entities (e.g. venture capital) can decide on a method of evaluation of shares in associated companies or joint ventures in fair values, not with an equity method

Standards and interpretations of IAS/IFRS which are not valid yet as of the date of an approval of the financial statement, and not approved by the EU.

IFRS 15 “Revenue from Contracts with Customers”
IFRS 16 „Leases”

Changes in IFRS 10 and IAS 28: sales or contribution of assets between an investor and its associated entity or joint venture

Changes in IAS 12: recognition of assets due to deferred income tax and unrealized losses

Changes in IAS 7: initiative concerning reveals

Changes in IFRS 2: classification and evaluation of share-based payment transactions
Changes in various standards resulting from the annual survey of of the International Financial Reporting Standards (Annual amendments of standards 2012 - 2014)

Changes in IAS 40: transfer of investment properties

Going concern

Consolidated financial statement was drawn up with a going concern assumption in the foreseeable future. As of the date of preparation of the consolidated financial report, there are no circumstances indicating a threat to a going concern of Enter Air S.A. Group.

Functional and presentation currency

This consolidated financial statement was drawn up in PLN currency. Polish Zloty is a functional and presentation currency of the Group. Data included in financial statements are given in thousands Zlotys, unless in some cases they are given more accurately.
As a result of giving financial data in thousands Zlotys, summaries can differ from sums of components of particular items. Deviation shall not exceed 1 thousand PLN.

Exchange rates of foreign currencies

The following exchange rates of foreign currencies in PLN were assumed for the evaluation of the financial situation in a consolidated financial statement:

	EUR	USD	GBP
31.12.2015	4,2615	3,9011	5,7862
31.12.2016	4,4240	4,1793	5,1445

Accounting rules assumed and applied by the Group of Companies

Revenue from sales

Revenue from sales is recognized in a fair value of received or due payments and it represents receivables for products, goods and services supplied within a standard business activity after a reduction by discounts, VAT and other sales-related taxes.

Revenue from sales of goods is recognized in a moment when goods are delivered and ownership is transferred. Revenue from sales of services is recognized within a period in which these services were rendered on the basis of a current progress of a particular transaction defined in accordance with the actual state of the executed works in relation to all services to be rendered.
Interest revenue is recognized cumulatively in relation to the main amount due in accordance with the effective interest method.
Dividend revenue are recognized in a moment when shareholders are entitled to receive payments.

Lease

A lease is classified as a financial lease when contract conditions transfer all potential benefits along with a risk resulting from being an owner on a lessee. All other types of lease are considered as an operational lease.

Assets used pursuant to a financial lease contract are considered as assets owned by the Group and are evaluated in a fair price in the moment of purchase. This value cannot be higher than a current value of minimum lease fees. A liability towards a lessor resulting from the foregoing, is presented in the consolidated statement concerning financial situation in the item: liabilities die to financial lease. Lease fees were divided into an interest and a capital part in order to make the interest rate due to remaining liability a constant value. Financial costs are related to a consolidated statement concerning total revenue.

If material assets used pursuant to rent, hire and lease contracts and other similar agreements, are not recognized as Group's fixed assets, costs borne as a result of use of these assets (mainly fees for use of lease fees) are recognized in a profit and loss account. This has to be done in a way that allows to maintain cost matching principle due to revenue.

Within conducted business, the Group concludes sale-and-lease-back transactions consisting in selling Group's fixed assets (planes) with a simultaneous conclusion of a lease agreement concerning the same items with a purchaser. A lease contract concluded within such a transaction can be a financial or operational lease contract. These contracts were financial lease contracts.

The Group applied the following rules of recognizing profit or loss due to sales of assets further subjected to a financial lease by the Group. If a seale-and-lease-back has a character of a financial lease, the excess of sales revenue over a balance value of a leased item is settled during the lease period. The Group writes it off of a revenue due to a basic operations because these operations are connected to Group's basic activity.

Foreign currencies

Transactions conducted in a currency other than PLN are booked basing on a currency rate valid for a day before the day of transaction. As of a balance date, financial assets and liabilities denominated in foreign currencies are converted according to a rate valid for this date. Profit and loss resulting from a currency conversion are directly charged to a consolidated statement due to total revenue in item: Net financial costs. Exceptions are instances when they arose as a result of the evaluation of non-monetary assets and liabilities, in case of which, changes in fair value are directly charged to equity. Realized exchange differences are charged to financial costs or prime costs of the sale depending on a business area which they relate to.

Borrowing costs

Borrowing costs directly related to purchasing or manufacturing of property components requiring a longer time to make ready for use, are included in costs of manufacturing such assets up the moment when these assets are ready for use or sale.

Investment revenue acquired as a result of a short term investing of the obtained external assets directly intended for financing acquisition or manufacturing of property components, decreases a value of the internal financing costs subject to capitalization. All other external financing costs are directly charged to a profit and loss account within a period during which they were incurred.

The aforementioned capitalization rules are not applied to:

- assets evaluated in a fair value, and
- inventory manufactured in considerable amounts in a constant cycle and characterized with high rotation.

Subsidies

Subsidies are not charged up to the moment of a justified certainty that the Group will fulfil all the necessary conditions and be granted with such subsidies.

Subsidies, which fundamental condition is purchasing or manufacturing fixed assets by the Group, are charged to a statement concerning financial situation in the item: accruals and prepayments and included in a profit and loss account systematically for an anticipated period of use of these assets.

Other subsidies are systematically included in revenue in a period necessary to compensate costs which were to be compensated by these subsidies. Subsidies due as a compensation for incurred costs or losses or as a form of a direct financial support for the Group without bearing further costs, are included in a profit and loss account within a period in which they are due. Rules applicable to the settlement of subsidies for fixed assets are also applied in case of transactions concerning acquisition of free of charge fixed assets.

Employee benefits

Values of short-term employee benefits other than due to termination with notice and equity compensation benefits are included as a liability after considering all already paid amounts and subsequently as a period cost, unless the benefit shall be charged to costs of manufacturing asset component.

Employee benefits in a form of payable absences are included as a liability and a cost in a moment when employees perform work, provided that this work results in an increase of future payable absences or in a moment of its occurrence, provided that there is no relation between work and increase of possible future payable absences.

A benefit due to a termination with notice is included as a liability and cost when an employment relationship with an employee (or a group of employees) was terminated prior to his/her retirement age or when the employee was provided with a benefit guarantee due to a termination of an employment relationship.

Members of the Group do not offer their employees any participation in programs concerning benefits after an employment period.

Taxes

Obligatory charges on the financial result include: current and deferred tax.

Current tax burden is calculated according to a tax result (tax base) in a particular financial year. Tax profit (loss) differs from a net accounting profit (loss) due to an exclusion of revenue subject to taxation and tax deductible expenses in further years and items of costs and revenue which will never be subject to taxation. Tax burdens are calculated according to tax rates valid in a particular financial year.

Current income tax concerning items directly recognized in the capital is recognized directly in the capital, not in a total income statement.

Deferred tax is calculated with the use of a balance method as a tax subject to payment or refund according to differences between balance values of assets and liabilities and related tax values used for calculation of the tax base.

Deferred tax provision is made of all taxable positive temporary differences, whereas a component of assets due to a deferred tax is recognized up to the amount for which it will be feasible to decrease future tax benefits by recognized temporary differences. Tax liability does not occur if a temporary difference is due to a value of the company or due to an original inclusion of the other component or liability in a transaction which does not influence a financial nor an accounting result.

Deferred tax provision is recognized in relation to temporary tax differences arisen as a result of investing in affiliated and associated companies and joint ventures, unless the Group is able to control the reverse moment of a temporary difference and it is probable that it will not reverse again in the foreseeable future..

A value of a component of deferred tax assets is subject to analysis for every balance sheet date. In case when anticipated tax profits are insufficient for the realization of a component of assets or its part, it is deducted.

A deferred tax is calculated according to tax rates which will be valid in a moment when item “assets” is realized or a liability becomes due. Deferred tax is included in a total income statement, except for the instance in which it relates to positions included directly in a share capital. In the latter case, a deferred tax is also settled directly in shareholders’ equity.

Value added tax

Revenue, costs and assets are recognized after a reduction by VAT tax value, except for:

- a situation when a value added tax paid during a purchase of assets or services is not refundable from tax authorities. It is then recognized as a part of assets purchase costs or as a cost,
- receivables and liabilities which are declared with consideration to VAT value.
- a net VAT value refundable or subject to payment for the benefit of tax authorities is recognized in a financial situation statement as a part of receivables or liabilities.

Tangible assets

Tangible assets are initially recognized in accordance to a cost (purchase price or manufacturing cost) reduced in subsequent periods by write-offs and value loss.

External financing costs directly related to purchase or manufacturing of property components requiring a longer period of time to become fit for use or resale, are added to manufacturing costs of such fixed assets up to a moment of putting these assets into use.

In case when assets were borrowed without any defined purpose and assigned for an acquisition of a qualified component of assets, a value of an external financing, which can be activated, is established by applying a capitalization rate for expenditures incurred on this component.

In such case, a capitalisation rate shall constitute a weighted average rate of all external financing costs related to loans and credits in a particular period, other than loans and credits raised with a specific intention of acquisition of a qualified component of assets. Investment revenue acquired as a result of short-term investments of the acquired means and related to development of fixed assets decreases a value of capitalized external financing costs.

Other external financing costs are recognized as costs within a period in which they were incurred.

Depreciation is calculated for all fixed assets, excluding lands and capital work in progress, for an estimated period of economic utility of these assets with the use of a linear method and the following annual depreciation rates:

Buildings and structures	10%
Transportation means	20%
Planes	14%
Equipment and other assets	20%

Assets kept on a basis of a financial lease contract are depreciated during a period of their economic utility, respectively as proprietary assets with consideration to their residual value.

Profit or loss due to a sale / liquidation or termination of use of fixed assets are determined as a difference between sales revenue and net value of these fixed assets, and are recognized in a total income statement.

Intangible assets

Value of the company established during consolidation, results from excess of an equity purchase cost over a fair value of an identified components of assets and liabilities owned by an affiliate, associated company or a joint venture as of the acquisition date.

Value of the company is declared as a component of assets and at least once a year is subject to analysis in terms of a value loss. A possible value loss is recognized directly in a total income statement and is not subject to reversal in further periods.

In case of selling an affiliated, associated company or a joint venture, an appropriate part of company's value are considered in a calculation of profit or loss on sales.

Vale of the company established before the date of changing rules to IFRIS, was recognized in the books according to a value recognized with the use previously applied accounting rules and was subject to a value loss test as of the date of transformation into IFRIS.

Costs of development works are capitalized only in a situation when a strictly defined project is realized and it is highly probable that the component of assets will bring future economical benefits and that costs related to the projects will be subject to a credible estimation.

Costs of development works are depreciated with the use of a linear method by the anticipated time of their economic utility.

In case when it is impossible to extract a proprietary component of assets, costs of development works are recognized in a total income statement within a period in which they were borne.

Costs of research works are not subject to activation and are presented in a total income statement as costs within a period in which they were borne.
Purchased licenses for computer applications are activated in the amount of costs incurred for purchasing and preparation of the particular computer application for use. An activated cost is written-off during an estimated period of use, which is not longer than 3 years.

Impairment

On each balance sheet date, the Group executes a survey of net prices of tangible assets components in order to determine whether there are any presumptions indicating a possibility of their impairment. In case such premises were found, a recoverable value of a given component is estimated in order to establish a potential write-off. In a situation when a component of assets does not generate any cash flow which are considerably independent of flows generated by other assets, an analysis is executed for a group of assets generating cash flow including a given component.

In case of intangible assets with an indefinite period of use, an impairment test is executed once a year and additionally when there are presumptions indicating a possibility of impairment.

A recoverable value is established as a higher value of two: fair value decreased by selling costs or a use value. The latter value is equal to a current value of estimation of a future cash flow discounted by a discount rate considering a current market value of money in time, and a risk specific for this asset.

If a recoverable value is lower than a net book value of a component of assets (or a group of assets), the book value is reduced to the recoverable value. Loss due to impairment is recognized as a cost within a period in which it arose, except for a situation in which the component of assets was recognized in an overestimated value (then, the impairment is considered as a reduction of a previous overestimation).

When the impairment becomes reversed, a net value of a component of assets (or a group of assets) is increased to a new estimated recoverable value, but not higher than a net value of this component in case such impairment was not recognized in previous year. Reversal of impairment is recognized in revenue, unless the component of assets was not previously overestimated. In such case, reversal of impairment is included in a capital from evaluation update.

Fixed assets held for sale

Fixed assets (and groups of net assets held for sale) are classified as held for sale and evaluated according to a lower value of two: balance value or fair value decreased by selling costs.

Fixed assets and groups of net assets are classified as held for sale if their balance value is regained rather as a result of sales transaction than their further use. This condition is considered as fulfilled only if a transaction is highly probable and a component of assets (of a group of net assets held for sale) is available in its current condition for an immediate sale. Classification of a component of assets as held

for sale assumes that a management board of the company will complete the sale within a year from the moment of changing the classification.

Inventory

An initial value (cost) of inventory includes all costs (purchase, manufacturing and other) incurred due to getting the inventory to its current place and condition. Inventory acquisition price includes purchase price increased by import duties and other taxes (impossible to retrieve from tax authorities), transportation, loading, unloading costs and other costs directly related to the acquisition of inventory, reduced by discounts, rebates, and similar reductions.
Inventory is evaluated in an initial value (purchase price of manufacturing cost) or in a net selling price, depending on which is lower. Net selling price is equal to an estimated selling price reduced by all costs necessary to complete a manufacturing process and costs of preparation for sale and finding a purchaser (i.e. selling, marketing costs, etc.).

In relation to inventory which is not inter-replaceable and products and services purposed for the realisation of defined ventures, an inventory cost is established with a method of detailed identification of particular costs. This method consists in assigning a cost (initial value) to particular inventory items. In relation to other inventory, a cost is established with FIFO method (first in first out).

Financial assets

Investments are recognized on a purchase date and removed from a financial statement on a purchase date if a contract requires to deliver them within a period indicated by a particular market, and their initial value is evaluated in a fair price reduced by transaction costs, excluding these assets which are classified as financial assets initially evaluated in a fair value in accordance to a financial result.

Financial assets are classified as: financial assets evaluated in a fair value in accordance to a financial result, investments kept up to a due date, financial assets available for sale and loans and receivables. This classification depends on a character and purpose of financial assets and is defined in a moment of initial recognition.

Standard purchase transactions are recognized as of a day of transaction.

Financial assets evaluated in a fair value by a financial result

This group includes financial assets held for sale or evaluated in a fair price by a financial result.

Component of financial assets is classified as held for sale if:

- it was purchased mainly for sale in a near future; or
- it constitutes a part of a defined portfolio of financial instruments managed by the Group along with a current and actual pattern of generating short-term profits; or
- it is an indefinite derivative and not used as a security.

A component of financial assets other than held for sale can be classified as evaluated in a fair value by a financial result at initial recognition, if:

- such classification eliminates or considerably reduces inconsistency of an evaluation or recognition occurring in other circumstances; or
- a component of financial assets is included in a group of assets or liabilities, or to both of these groups subject to management, and its results are evaluated in a fair value in accordance with a documented strategy of risk management or investments of the Group, within which all the information concerning grouping assets are transferred internally; or
- a component of assets constitutes a part of a contract including one or more incorporated derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” accepts classification of the whole contract (component of assets and liabilities) as evaluated in a fair value by a financial result..

Financial assets evaluated in a fair value by a financial result are declared in a fair value and profit or loss in recognized in a profit and loss account. Net profit or loss recognized in a profit or loss account considers dividends or interest generated by a given component of financial statement.

Investments kept up to a due date

Investments and other financial assets, excluding derivatives, with a fixed or negotiated payment conditions and fixed due dates, which the Group wants to keep up to a due date, are classified as investments kept up to due date. They are declared in accordance with a depreciated cost and with the use of an efficient interest rate method after reducing by impairment. Revenue is recognized with the use of an efficient revenue method.

Financial assets available for sale

Redeemable shares and unlisted bonds owned by the Group and listed on an active market are classified as assets available for sale and are recognized in a fair value. Profit and loss resulting from changes in a fair value are recognized directly in a share capital, in a reserve capital due to an update, excluding deductions due to an impairment, an interest evaluated in accordance with an efficient interest rate and negative and positive exchange rate differences concerning financial assets, which are directly recognized in a profit and loss account. In case of selling an investment or declaration of its impairment, an accumulated profit or loss previously recognized in a reserve capital due to an update, is recognized in a profit and loss account for a given period. Dividends from capital instruments available for sale are recognized in a profit and loss account in a moment when the Group obtains a right for their acquisition. A fair value of financial assets available for sale and denominated in foreign currencies is determined by calculating these currencies according to a spot exchange rate as of a balance sheet date. Change of a fair value per various exchange rate differences resulting from changes in depreciated historical cost of a given component of assets is declared in a profit and loss account, whereas other changes are recognized in a share capital.

Loans and receivables

Receivables due to supplies and services, loans and other receivables with fixed or negotiated payment terms, which are not an object of trade on an active market, are classified as loans and receivables. They are evaluated according to a depreciated cost with the use of an efficient interest rate method with consideration to impairment. An interest income is recognized according to an efficient interest rate, with exception of short-term receivables in case of which recognition of interest would be insignificant.

Short-term trade receivables and other receivables are recognized in a financial situation statement in a nominal value. A book value of these receivables is equal to a value of a depreciated cost, estimated with the use of an effective interest rate. Short-term receivables due to supplies and services nor other receivables are not subject to discount.

Impairment of financial assets

Financial assets, excluding assets evaluated in a fair value according to a financial result, are evaluated according to impairment as of each balance sheet date. Financial assets are subject to impairment in case there are objective presumptions that events which occurred after a given component of assets was initially recognized, negatively influenced estimated future cash flows.

In case of unlisted assets classified as available for sale, a considerable or a long-term impairment of a fair value of securities which is under its cost are considered as an objective proof of the impairment.

In case of some categories of financial assets, e.g. receivables due to supplies and services, particular assets were evaluated as assets which were not subject to impairment are tested in terms of impairment. Objective proofs of impairment for a portfolio of receivables, include an experience of the Group in a process of receivables recovery, increase of a number of delayed payments exceeding 90 days on average, and also noticeable changes in national or local economy conditions which are related to instances of delayed payments.

In case of financial assets declared according to a depreciated cost, a write-off value due to impairment is a difference between a balance value of a component of assets and a current value of estimated future cash flows discounted according to an original efficient interest rate of a component of financial assets.
A balance value of a component of financial assets is reduced by a write-off due to impairment directly for all assets of this type, excluding receivables due to supplies and services, which balance value is

reduced with the use of an account correcting its original value. In case when a given receivable due to supplies and services is considered as unrecoverable, it is written-off in the account of an update write-off. Whereas if a previously written-off values are restored later on, an appropriate updating recognition is made. Changes of a balance value of an updating write-off account are recognized in a profit and loss account in item: other revenue and operating costs.

Except for financial instruments available for sale, if in the next accounting period a write-off value due to impairment is reduced, and this reduction can be rationally related to an event which occurred after the impairment was recognized, a previously recognized write-off due to impairment is reversed in a profit and loss account, provided that a balance value of the investment in a day of impairment reversal does not exceed a value of depreciated cost arising in case if the impairment is not recognized.

Write-offs due to impairment of capital securities held for sale, previously recognized by a financial result, are not subject to reversal through this account. Any increases of a fair value which occurred after the impairment are directly recognized in the share capital.

Reclassification of financial assets

Financial assets available for sale can be reclassified to granted loans and proprietary revenue if these assets fulfil a definition of granted loans and proprietary revenue and the entity has a will and possibility of keeping this asst for the future or up to a due date.

Financial assets evaluated in a fair price, can become reclassified on the following conditions:

- They are transferred into assets available for sale provided that: (a) such instrument is not held for sale nor a short-term redeem, (b) as of the reclassification date, these assets would fulfil a definition of granted loans and proprietary revenue and (c) the entity has a will and possibility of keeping this asst for the future or up to a due date,
- If an instrument dues not fulfil a definition of granted loans and proprietary revenue, a reclassification of assets available for sale or assets kept up to a due date, is possible in rare circumstances considered as an incidental situation documented by an entity which is expected to occur in the future or on a regular basis.

The aforementioned reclassifications are made according to a fair value from a reclassification day.

Financial assets available for sale can also be a subject of reclassification to assets kept up to a due date.

Removal of financial assets from accounting records

The Group removes a component of financial assets only in case when contractual rights for cash flows generated by such component are going to be terminated, or in case when a component of financial assets along with all benefits related to its ownership is transferred to the other entity. If the Group does not transfer nor accept all the risk and all the benefits related to the ownership of a component of shares, and keeps control over it, it recognizes a maintained share in such a component of assets and related liabilities due to potential payments. Whereas in case when the Group maintains all the risk and benefits related to a transferred component of shares, it still recognizes an appropriate component of financial assets.

Financial liabilities and capital instruments issued by the Group

Debt and capital instruments are classified as financial liabilities or as the shareholders' equity, in accordance with contractual arrangements.

Capital instruments

A capital instrument is each contract confirming entity's share in assets after deducting all of his liabilities. Capital instruments emitted by the Group are recognized in the amount of acquired income after deduction of direst costs of issuance.

Financial instruments with an option of sales can be presented as a shareholders' equity only if they fulfil all of the following conditions:

(a) their owner has a right to proportional share in entity's net assets in case of its liquidation;
(b) a given instrument is included in a class of the most controllable instruments and all of the instruments in this class have identical features;
(c) an instrument does not have any other features matching a definition of financial liability; and
(d) a sum of anticipated cash flows per instrument within a period of its payback is mainly based on a financial result, change in recognized net assets or change of a fair value of entity's recognized and not recognized net assets (excluding an impact of the instrument). A financial result or change of recognized net assets is recognized for this purpose in accordance with appropriate IFRS. The entity cannot own any other instruments which will considerably restrict or indicate a constant amount of reimbursement for the owner of a financial instrument with selling option.

Criteria of classification of instruments to be transferred to an owner of a proportional share in net assets of the entity in case of its liquidation, as a shareholders' equity, are based on the same rules as the aforementioned, excluding items (c) and (d) which are not applicable.

If the affiliated company issues such instruments owned by entities which do not have control over this company, and if they were declared in a financial statement of this company as a shareholders' equity, they are recognized in a consolidated financial statement as a liability, because it will not be the most controllable instrument in a capital group.

Compound financial instruments

Components of compound instruments issued by the Group are classified separately as financial liabilities and shareholders' equity in accordance with a content of the concluded contract. A fair value of components which constitute liabilities as of the emission date, are estimated with the use of an interest rate dominant on the market, used for similar, non-replaceable instruments. This value is recognized as a liability after a depreciated cost with the use of an effective interest rate up to the moment of expiration of such value due to replacement or instrument due date. A capital component is defined by deducting the value of liability from the overall fair value of the compound financial instrument. This value is recognized in shareholders' capital after considering an income tax and it is not subject to further revaluation.

Liabilities due to financial warranty agreements

Liabilities due to financial warranty are evaluated initially in a fair value and then, in a higher value of two:

- contractual liability value defined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and
- initially recognized value reduced, in appropriate cases, by depreciation recognized in accordance with rules of revenue recognition.

Financial liabilities

Financial liabilities are classified as evaluated in a fair value by a financial result or as other financial liabilities.

Financial liabilities evaluated in a fair value in accordance with a financial result

This category includes financial liabilities held for sale or defined as evaluated in a fair value by a financial result. A financial liability is classified as held for sale if:

- it was undertaken mainly for a short-term repurchase;
- it constitutes a part of a particular portfolio of financial instruments managed by the Group along with a current and actual pattern of generating short-term profits; or
- it is a derivative which is not classified and not acting as a security.

Financial liabilities other than held for sale can be classified as evaluated in a fair value by a financial result in a moment of an initial recognition, provided that:

- such classification eliminates, or considerably reduces, inconsistency of an evaluation or recognition which would occur in other conditions; or
- a component of financial assets is included in a group of assets or financial liabilities, or in both of these groups subject to management, and its results are evaluated in a fair value in accordance with

a documented management strategy of risk or the Group's investments within which, information concerning grouping assets are transferred internally; or

- it is a part of a contract including one or more incorporated derivatives, and IAS 39 allows a classification of the whole contract (component of assets and liabilities) to items evaluated in a fair value by a financial result.

Financial liabilities evaluated in a fair value by a financial result are declared in a fair value, and resulting profit or loss is recognized in a profit or loss account with consideration to interest paid for a given financial liability.

Other financial liabilities

Other financial liabilities, including bank credits and loans, are initially evaluated in a fair value reduced by transaction costs.

Then, they are evaluated in accordance to a depreciated historical cost with the use of an efficient interest rate method, and interest costs are recognized with the use of an efficient income method.

The efficient interest rate method is used to evaluate a depreciated liability cost and to allocate interest costs in the appropriate period. An efficient interest rate is a rate which actually discounts future cash payments within an anticipated period of use of a given liability, or within a shorter period, if required.

Short-term commercial liabilities and other liabilities are recognized in a financial situation statement in a nominal value. A book value of these liabilities is approximately equal to a value constituting an amount of depreciated cost, with the use of the efficient interest rate. Short-term liabilities due to supplies and services nor other liabilities are not discounted.

Financial liabilities write-offs

The Group writes-off financial liabilities only in case when Group's particular liabilities are fulfilled, cancelled or terminated.

Derivatives

Derivatives are recognized in a fair value as of the date of conclusion of the contract. Then, they are evaluated to a fair value for each balance sheet date. Resulting profit or loss is immediately recognized in a profit and loss account, unless a given derivative serves as a security. In such case, a moment, in which a profit or loss is declared depends on a character of a hedging relationship. The Group defines particular derivatives as securities of the future liabilities (securities of a fair value), securities of highly probable anticipated transactions, securities against risk concerning exchange rate differences of substantiated future liabilities (securities of cash flows) or as net securities of investments in entities conducting businesses abroad.

Instruments are presented as fixed assets or long-term liabilities if a period left to a due date of the instrument exceeds 12 months and it is not anticipated that it will be realized or settled within 12 months. Other derivatives are declared as current assets or short-term liabilities.

Incorporated derivatives

Derivatives incorporated in other financial instruments or agreements which are not financial instruments are considered as separate derivatives, provided that an incorporated instrument and associated risk are not strictly related to a character of a basic agreement and related risk, and that basic agreements are not evaluated according to a fair value, changes of which are recognized in a profit and loss account.

Hedge accounting

The Group defines particular hedges of risk of exchange rates differences including derivatives, incorporated derivatives and other instruments as hedges of a profit value, cash flows or net investments in entities conducting business abroad. Hedges of risks of exchange rates differences in relation to substantiated future liabilities are settled as hedges of cash flows.

In the beginning of a commodity hedging, an entity documents this relation between the hedging instrument and hedged item, risk management goals and also a strategy of realization of various hedging strategies. Moreover, the Group documents efficiency with which the used hedging instrument compensates changes of a fair value or cash flows of a hedged item, both in a moment when the relationship occurred and up to date in further periods.

Hedging a fair value

Changes of a fair value of derivatives assigned as hedges of a fair value shall be immediately declared in a profit and loss account, along with all changes of a fair value in a hedged item related to a risk subject to hedging. Changes of a fair value of the hedged instrument and changes of the hedged item related to the hedged risk are recognized in an item of a profit and loss account related to this hedged item.

The Group will refuse to use hedging accounting if it dissolves hedging relationship, if a hedging instrument expires, is sold, terminated or realized, or does not fulfil hedge accounting criteria. A correction of a hedged item balance value resulting from a hedged risk, is depreciated in a profit and loss account starting from a moment in which the hedge accounting is not used any more.

Hedging cash flows

An efficient part of changes of a fair value of derivatives assigned as a hedge of cash flows is deferred in shareholders' equity. Profit or loss related to an ineffective part is recognized immediately in a financial result.

Values charged to a shareholders' equity are recognized in a profit and loss account within a period in which the hedged item is recognized, and in the same item of the profit and loss account, in which the hedged item was recognized. If however an anticipated hedged transaction results in a recognition of an intangible component of assets or a liability, profits and losses previously deferred in shareholders' equity are considered in an initial evaluation of costs of a total component of assets or liabilities.

A company refuses to use hedging accounting if a hedging instrument expires, is sold, terminated or realized, or does not fulfil hedge accounting criteria. In such situation, an accumulated profit or loss due to a hedging instrument recognized in capitals, will remain there up to a moment when a hedged transaction is completed. If not, an accumulated net result recognized in capitals will be immediately transferred to a profit and loss account.

Provisions for liabilities

Provisions for liabilities are made when the Group has a responsibility (legal or common) resulting from past events, when it is probable that fulfilment of the responsibility will cause a reduction of assets related to company's economic benefits, and when it is possible to credibly estimate the amount of liability. Provisions for future operating loss are not created.

Provision for restructuring costs is recognized only when the Group announced a detailed and formal restructuring plan to all parties concerned.

Important estimates and accounting judgements

Preparation of a consolidated financial statement in accordance with IFRS/IAS requires estimates and assumptions which influence values declared in a consolidated financial statement. All judgements, assumptions and estimates made for purposes of this consolidated financial statement, are presented in required disclosures related to particular positions of this statement and in notes of the consolidated financial statement which constitute its integral part. Estimates and judgements are constantly verified. They result from previous experiences, including predictions related to future events, which are justified in a given situation.

Assumed estimates and assumptions reflect the best knowledge of the Group management board, whereas real values can vary from the assumed ones.

Below, there are the main assumptions concerning future and other basic causes of uncertainty of estimates as of a balance sheet date, which are associated with a considerable risk of a necessity of making significant corrections in balance values of assets and liabilities in the next financial year:

Recognition of a revenue

In making a judgement, the board considered detailed criteria of recognizing revenue due to sales of goods and services defined in IAS 18. Revenue and costs related to realization of air operations are declared as of a date of the execution of an air operation which they relate to.

Applying a discount rate in order to calculate a balance value of liabilities due to particular benefits of the Group:

Long-term receivables of the Group due to paid deposits are discounted in accordance with a rate of 1,11%. The most important criteria considered during a selection, include achievable benefits in a form of an interest rate of bank deposits available on the market.

Periods of economic use of tangible assets

The Group verifies anticipated periods of economic use of items of tangible assets on the end of every annual reporting period.

Provisions

On a balance sheet date, the Group created provisions for unused holidays (according to a calculation made directly by the Group) and for analyses of financial statements (according to a concluded contract).

3.6 Consolidation rules

Consolidation

Consolidated financial statement includes financial statement of the Company and affiliated companies (subsidiaries). The Company can control its subsidiaries if it is capable of managing financial and operational policy of an entity in order to acquire economic benefits from its activities. The Company has a direct control over Enter Air Sp. z o.o. and indirectly over 4 subsidiaries of Enter Air Sp. z o.o.

Since Enter Air S.A. took the control over Enter Air Sp. z o.o. under joint control, a settlement was made with the use of merging shares.

A method of merging shares consists in summing up particular items of assets and liabilities and revenues and costs of merged companies as of a date of merger. Prior to this, their values shall be led to uniform methods of evaluation and exclusions shall be made. A value of affiliated company's shareholders' equity and shares in purchase price are subject to exclusion, and a difference between these values was recognized in a separate item of shareholders' equities (merger settlement).

Also mutual receivables and liabilities and other settlements of a similar character of merged companies and revenues and costs of economic operations executed during a given financial year before the merger, are also subject to exclusion.

Control over companies which directly depend on Enter Air Sp. z o.o. was taken as a result of the acquisition of shares of new companies. No value of the company was established as a result of this.

Income and costs of subsidiaries purchased or sold during a given year are recognized in a total income consolidated statement starting from the actual date of acquisition or establishment of an entity, up to a date of its effective sale. Total revenue of affiliated companies are assigned to Company's owners and shares which does not provide any control, even if this assignment results in a negative balance of shares not giving control.

All transactions made within the Group, mutual balances, revenue and costs of operations executed between entities included in the Group, were totally excluded from a consolidation.

During reporting periods, there were no changes of share ownership structure in affiliated companies.

3.7 Notes for a shortened consolidated financial statement drawn up for the reporting period from 1 January to 31 December 2016

3.7.1 Revenue from sales

The Group's revenue from sales is the following:

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	**For the period: from 01.01.2015 to 31.12.2015 000'PLN**
Revenue from sales of goods	29.027	29.752
Revenue from sales of services	781.329	727.231
	810.356	**756.983**

During a year, a seasonality of acquired revenue from sales occur. A percentage distribution of revenue from sales in particular quarters in years 2015-2016 is given in a table below:

	Year 2016				Year 2015			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue from sales of goods	9,3	24,9	50,7	15,2	12,7	26,1	42,4	18,8
Revenue from sales of services	8,4	26,9	44,9	19,8	13,4	27,5	45,0	14,1

Seasonality has a considerable influence on revenue from sales generated by the Company. The Group achieves higher revenue in 2nd and 3rd quarter, and lower in 1st and 4th quarter. This is typical for the whole chartered transportation industry and it results from seasonality caused by the tourist services market. The majority of trips to touristic destinations by Poles takes place in summer, i.e. from April to October.

3.7.2 Operating segments

Information prepared for persons who make decisions within the Group concerning assignments of assets and who evaluate financial results of segments, include analyses of sales of air services and results from on-board sales of goods. Segments were extracted basing on a diversification of goods and services. Segments were not subject to merger.

Segments of the Group subject to reporting in accordance with IFRS 8 are the following:
Sales of air services and on-board sales of goods.
Type of products and services within segments is the following:
Sales of air services – lease of planes with staff, aviation trainings
On-board sales include selling foodstuffs and "duty-free" products, such as alcohol, tobacco, perfumes or accessories

Below, there are information concerning reporting segments of the Group. Values declared for previous years are presented in accordance with IFRS 8 requirements.

Revenue and results of segments

Below, there is an analysis of revenue and results of the Group in particular segments subject to reporting:

Sales of air services

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Sales revenue	781.329	726.973
Prime costs of the sale	(714.103)	(665.864)
Gross profit (loss) of the sale	**67.226**	**61.109**
Costs of the sale	(253)	(321)
General management costs	(17.879)	(17.823)
Other operating revenue	109	563
Other operating costs	(88)	(34)
Net financial costs	(8.254)	(13.817)
Profit (loss) before interest and taxes	**40.861**	**29.677**

On-board sales

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Sales revenue	29.027	29.752
Prime costs of the sale	(15.781)	(16.800)
Gross profit (loss) of the sale	**13.246**	**12.952**
Costs of the sale	-	-
General management costs	-	-
Other operating revenue	-	-
Other operating costs	-	-
Net financial costs	-	-
Profit (loss) before interest and taxes	**13.246**	**12.952**

Values of not assigned revenue and costs in item: revenue and costs from sales in 2015, were related to revenue from a lease of property owned by Enter Air Services sp. z o.o. on behalf of entities from outside the Group. In 2016, there were no such events. Remaining costs and profits from financial operations relate to Enter Air S.A. and are connected with Company's duties as a stock exchange entity and investments of assets acquired due to issuance of C-class shares.

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Sales revenue	-	258
Prime costs of the sale	-	(222)
Gross profit (loss) of the sale	**-**	**36**
Costs of the sale	-	-
General management costs	(898)	(91)
Other operating revenue	-	-
Other operating costs	-	-
Net financial costs	9.939	81
Profit (loss) before interest and taxes	**9.041**	**26**

The aforementioned revenue is a revenue from external recipients. During this financial year, there were no sale transactions between segments (similarly as in 2015).

The accounting rules applied in reporting segments match the Group's accounting policy described in the note for this consolidated financial statement.

Below, there are some significant revenue items for a sale of air services segment.

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
lease of planes with staff	774.686	721.038
aviation trainings	4.953	4.097
other	1.690	1.838
Total revenue from sales of services	**781.329**	**726.973**

An on-board sale include only sale of goods and there is no division to particular groups of the offered products.

Below, there are some significant revenue items for extracted segments

Sales of air services

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Depreciation of tangible and intangible assets	35.596	20.080
Materials and energy consumption	226.849	230.534
Foreign services	415.810	389.033
Taxes and fees	1.537	1.694
Salaries	19.318	19.318
Benefits for employees	797	1.394
Social securities	3.094	2.672
Business trips	4.393	3.816
Other costs	24.102	16.244
Value of sold goods and materials	-	-
Exchange rate differences	738	(776)
	732.235	**684.008**
Selling costs	253	321
General management costs	17.879	17.823
Value of sold goods and materials	-	-
Manufacturing cost of sold products and services	714.103	665.864
	732.235	**684.008**

On-board sale

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Value of sold goods and materials	15.781	16.800
	15.781	**16.800**
Selling costs	-	-
General management costs	-	-
Value of sold goods and materials	15.781	16.800
Manufacturing cost of sold products	-	-
	15.781	**16.800**

Interest costs declared in note 6 of the statement, completely relate to air services.

Not assigned values

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Depreciation of tangible and intangible assets	-	-
Materials and energy consumption	-	-
Foreign services	449	313
Taxes and fees	7	-
Salaries	385	-
Benefits for employees	-	-
Social securities	28	-
Business trips	-	-
Other costs	28	-
Value of sold goods and materials	-	-
Exchange rate differences	-	-
	897	**313**
Selling costs	-	-
General management costs	897	91
Value of sold goods and materials	-	-
Manufacturing cost of sold products and services	-	222
	897	**313**

Assets and liabilities of the segments

	Sales of air services	
	As of 31.12.2016 000' PLN	**As of 31.12.2015 000' PLN**
Total assets	607.938	344.986
Total liabilities	494.832	273.328
Depreciation	35.596	20.080

	On-board sale	
	As of 31.12.2016 000' PLN	**As of 31.12.2015 000' PLN**
Total assets	2.376	2.537
Total liabilities	-	-

	Not assigned values	
	As of 31.12.2016 000' PLN	**As of 31.12.2015 000' PLN**
Total assets	106.658	96.674
Total liabilities	4.953	388

During periods subject to reporting, there were no significant non-financial items other than depreciation.

Geographic information

The Group is the European chartering carrier with its registered office in Poland. The Group executes air operations on the basis of the European operating license to over 250 airports in the European Union, Northern Africa, Israel, Persian Gulf, Switzerland, Norway, Island. 99% of its customers are institutions. Only a small piece of the offer is directed to individual customers.

There is no clear assignment of any of the Company's assets to any geographic area. All Company's assets can be freely relocated and can freely generate revenue in any place in the world.

Due to a fact that flights are taken only to 36 countries, the Group divides revenue on geographic areas by customers' countries of origin (mainly travel agencies and touristic market consolidators). According to this division, revenues are as follows:

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Local	459.304	476.942
Foreign	322.025	250.030
	781.329	**726.973**

The aforementioned revenue is a revenue from external recipients. During this financial year, there were no sale transactions between segments (similarly as in 2015).

Information concerning key customers

Main recipients of services rendered by the Group are tour operators and consolidators/brokers, i.e. mediators between the Group and tour operators, who consolidate a demand of travel agencies for passenger seats in planes. The Group also cooperates mainly with Polish customers, but its portfolio of recipients also includes entities from, e.g. Czech Republic, Israel or Sweden. It shall be emphasized that Enter Air cooperates only with selected travel agencies / consolidators with a stable financial situation. It guarantees protection against unexpected loss of one of the contractors.

Among recipients whose share in Group's revenue in 2016 exceeded 10% there are the following companies: Tui Poland sp. z o.o. , Airconsulting s.r.o., Rainbow Tours S.A. and Itaka Holdings S.A. Revenue gained from these companies were respectively: 198 mln PLN, 133 mln PLN, 128 mln PLN i 111 mln PLN. Shares of these companies in total revenue of the Group was respectively: 24,4%, 16,5%, 15,8% and13,7%.

3.7.3 Costs by type

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Depreciation of tangible and intangible assets	35.596	20.080
Materials and energy consumption	226.849	230.534
Foreign services	416.259	389.346
Taxes and fees	1.545	1.694
Salaries	19.703	19.318
Benefits for employees	797	1.394
Social securities	3.122	2.672
Business trips	4.393	3.816
Other costs	24.130	16.244
Value of sold goods and materials	15.781	16.800
Exchange rate differences	738	(776)
	748.914	**701.121**
Selling costs	253	321
General management costs	18.777	17.914
Value of sold goods and materials	15.781	16.800
Manufacturing cost of sold products and services	714.103	666.086
	748.914	**701.121**

The Group recognized depreciation of tangible and intangible assets in item: Manufacturing cost of sold products and services.

3.7.4 Other operating revenue

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Granted compensations and penalties	**109**	563
Total	**109**	**563**

3.7.5 Other operating costs

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Other costs	88	34
Total	**88**	**34**

3.7.6 Revenue and financial costs

Financial revenue:	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Interest from bank accounts	322	69
Exchange rate differences	10.653	-
Other financial revenue	47	88
	11.021	**156**

Financial costs:

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Interest costs from:		
Bank credits	918	498
Financial leases	7.593	5.179
Other	108	321
Exchange rate differences	-	6.919
Provisions from credits	650	915
Other financial costs	68	60
	9.336	**13.892**
Total net financial costs	**1.685**	**(13.736)**

3.7.7 Income tax

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Current tax	19.096	2.668
Deferred tax	(6.122)	6.207
	12.975	**8.876**

Applied income tax rate (current and deferred part) in all presented periods equalled 19%.
Establishment of a level of income tax in a total income statement with financial result:

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Earnings before income tax	63.148	42.655
Tax calculated according to local rates, applicable to revenue in particular countries	11.998	8.104
Taxable revenue (off-balance)	194	(553)
Non-taxable income tax	471	(1.346)
Tax due to costs other than tax deductible expenses	6.329	(2.574)
Deductible tax loss	106	(965)
Previous year costs	-	-
Other	-	1
Financial result burden due to current income tax	19.097	2.668
Financial result burden due to deferred income tax	(6.122)	6.207
Financial result charges due to income tax in total:	12.975	8.876

3.7.8 Net exchange rate differences

Exchange rate differences in relation to a total income statement were included in the following items:

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Prime costs of the sale	(738)	776
Net financial costs	10.653	(6.919)
	9.914	**(6.143)**

3.7.9 Dividend

In the 2nd quarter of 2016, a dividend for 2015 was paid. Remaining part of the profit was transferred to a reserve capital.

Value of dividend paid in (PLN)	3.508.750
Number of shares entitled to payment of a dividend	17.543.750
Dividend per one share (PLN)	0,20

3.7.10 Profit per one share/stock

A basic profit per share is calculated as a quotient of a profit owned by Company's shareholders and weighed average on normal shares during a year.

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Net profit (loss) per company's shareholder	50.173	33.779
Number of share on the end of the period	17.543.750	17.543.750
Basic profit per one share (normal and diluted) in PLN	**2,860**	**1,925**

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	For the period: from 01.01.2015 to 31.12.2015 000'PLN
Net profit (loss) per Company's shareholder	50.173	33.779
Average mean of shares in pcs.	17.543.750	10.582.106
Basic profit per one share (normal and diluted) in PLN	**2,860**	**3,192**

Details concerning issuance of shares in 2014 and 2015 are given in note 20.

Diluted profit per stock is calculated by correcting weighed average on normal shares in such way as if all potential normal stocks causing dilution were changed into shares. The Group does not possess any components causing dilution of potential stocks.

3.7.11 Tangible assets

	Lands, buildings and structures	Transportation means and devices	Capital work in progress	Equipment and other fixed assets	Total
	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN
As of 31 December 2014					
Cost (gross)	61	111.371	7	247	111.686
Depreciation and total previous write-offs due to impairment	(15)	(19.657)	-	(186)	(19.859)
Net book value on the end of a period	**46**	**91.714**	**7**	**61**	**91.827**
Period from 1 January 2015 to 31 December 2015					
Net book value on the beginning of a period	46	91.714	7	61	91.827
Increases	6.925	97.321	104.368	-	208.614
Reductions	-	(18)	(104.352)	-	(104.370)
Depreciation	(231)	(19.796)	-	(24)	(20.051)
Net book value on the end of a period	**6.740**	**169.221**	**23**	**36**	**176.019**
As of 31 December 2015					
Cost (gross)	6.986	208.652	23	247	215.907
Depreciation and total previous write-offs due to impairment	(247)	(39.431)	-	(210)	(39.888)
Net book value on the end of a period	**6.739**	**169.221**	**23**	**36**	**176.019**
Period from 1 January 2016 to 31 December 2016					
Net book value on the beginning of a period	6.739	169.221	23	36	176.019
Increases	2.259	324.631	317.243	249	644.382
Reductions	-	(120.645)	(317.266)	-	(437.911)
Depreciation	(319)	(35.047)	-	(179)	(35.545)
Net book value on the end of a period	**8.679**	**338.159**	**-**	**107**	**346.945**
As of 31 December 2016					
Cost (gross)	9.244	361.451	-	496	371.192
Depreciation and total previous write-offs due to impairment	(566)	(23.292)	-	(389)	(24.247)
Net book value on the end of a period	**8.679**	**338.159**	**-**	**107**	**346.945**

Net values of machines, devices and other fixed assets include net values of assets used on a basis of financial lease agreements, equal to: 30.933 thousand PLN (2015: 25.097 thousand PLN).

For the purposes of depreciation calculation, periods of economic use of the following fixed assets were applied:
Buildings and structures – 10 years
Transportation means – 5 years
Planes – 7 years
Equipment and other assets – 5 years

A considerable increase of tangible components of the fixed assets in 2016 relates to a purchase of two Boeing 737-800 planes in sale-and-lease-back. Initial value: 212.479 thousand PLN.

In the 4th quarter of 2016, Enter Air sp. z o.o. made a buyout of 3 Boeing 737-400 planes from a financial lease for further sale, which was executed during the same quarter. Transactions related to a process of restructuring the Group's fleet.

The Group is constantly analysing a necessity of making a write-off due to impairment of assets. As a result of these analyses in 2016, any such necessity was found.

Hedges established on tangible assets are as follows:

The owner of 2 planes (2 Boeing 737-800) is PKO Leasing S.A. The owner of 1 plane (Boeing 737-800) is BZWBK Leasing S.A., whereas Enter Air Sp. z o.o. is the user of these planes on the basis of a financial lease agreement. Planes will become a property of Enter Air Sp. z o.o. after termination of the agreement. Overall net value of leased planes is 304.543 thousand PLN.

In the 2nd quarter of 2016, Enter Air Executive Services Sp. z o.o. purchased a Pilatus PC-12/45 plane in order to conduct supporting operations on behalf of a parent company within a range of transportation of staffs and delivery of spare parts for planes and mechanics in case of technical problems outside main bases. After selling the plane to BZ WBK Leasing S.A., the Company accepted the plane for use on the basis of a financial lease agreement.

3.7.12 Intangible assets

	Software and licenses 000' PLN	Total 000' PLN
As of 31 December 2014		
Cost (gross)	62	62
Depreciation and total previous write-offs due to impairment	(62)	(62)
Net book value on the end of a period	**-**	**-**
Period from 1 January 2015 to 31 December 2015		
Net book value on the beginning of a period	-	-
Increases	102	102
Reductions	-	-
Depreciation	(28)	(28)
Net book value on the end of a period	74	74
As of 31 December 2015		
Cost (gross)	164	164
Depreciation and total previous write-offs due to impairment	(90)	(90)
Net book value on the end of a period	**74**	**74**
Period from 1 January 2016 to 31 December 2016		
Net book value on the beginning of a period	74	74
Increases	30	30
Reductions	-	
Depreciation	(51)	(51)
Net book value on the end of a period	52	52
As of 31 December 2016		
Cost (gross)	194	194
Depreciation and total previous write-offs due to impairment	(141)	(141)
Net book value on the end of a period	**52**	**52**

There are no intangible and legal assets manufactured by the Company. The Group does not own any intangible and legal assets with an indefinite period of economic utility.

3.7.13 Investments on affiliated companies

	Company's seat	Share percentage %	Vote percentage %	Consolidation method
Enter Air Services sp. z o.o.	Warsaw	100,00%	100,00%	pełna
EnterAir.cz.s.r.o.	Mosnov	100,00%	100,00%	pełna
Enter Air International LTD	Dublin	100,00%	100,00%	pełna
Enter Air Executive services	Warsaw	100,00%	100,00%	pełna

Enter Air Services sp. z o.o. was incorporated on 24 May 2012 as a new company with 100% of shares owned by Enter Air sp. z o.o

EnterAir.cz.s.r.o. was incorporated on 20 July 2012 as a new company with 100% of shares owned by Enter Air sp. z o.o.

Enter Air International LTD was incorporated on 2 January 2014 as a new company with 100% of shares owned by Enter Air sp. z o.o.

Enter Air Executive Services sp. z o.o. was incorporated on 28 August 2014 as a new company with 60% of shares owned by Enter Air sp. z o.o. On 24 July 2015, Enter Air sp. z o.o. purchased shares beyond its control and now it owns 100% of shares of Enter Air Executive Services sp. z o.o.

3.7.14 Trade and other receivables – long-term

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Deposits – using planes within operating lease	26.745	22.995
Advance payments for a delivery of new planes	85.606	12.254
Office rental bails	150	237
	112.501	**35.486**

3.7.15 Inventory

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Goods – on-board sales	2.376	2.537
	2.376	**2.537**

Inventory cost included in “Costs of sold products, goods and materials” equalled 15.781 thousand PLN (2015: 16.800 thousand PLN).

3.7.16 Trade and other receivables

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Trade receivables	87.079	41.422
Write-offs concerning values of receivables	(38)	(38)
Net trade receivables	87.042	41.384
Other receivables	4.108	3.521
	91.149	**44.904**

The board of the Group states that a net book value of receivables is similar to their fair value.

Main credit risk of the Group is mainly related to trade receivables. Values included in a financial situation statement are net values after a reduction by write-offs estimated by the board of the Group in accordance with past experiences and evaluation of the current economic situation.

Concentration of credit risk within the Company is relatively low due to a necessity of making prepayments by the customers on behalf of the execution of air operations.
Time structure of trade receivables is as follows:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Current	80.669	36.529
Overdue:		
Up to 3 months	3.159	2.741
From 3 to 6 months	1.360	364
From 6 to 12 months	87	55
Over 12 months	1.767	1.696
	87.042	**41.384**

Balance sheet values of trade receivables and other receivables are expressed in the following currencies:

Currency	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
USD	24.711	20.612
GBP	3.769	2.284
EUR	27.993	17.241
PLN	32.443	3.839
Other	2.234	929
	91.149	**44.904**

Changes of the condition of a write-off of trade receivables:

	Year 2016 000' PLN	Year 2015 000' PLN
As of 1 January	**38**	**38**
Write-off preparation	-	-
Receivables listed during the financial year as unrecoverable	-	-
As of 31 December	**38**	**38**

Trade and other receivables do not have an item with a reduced value.

The Company owns deposits made by customers and declared in item: Trade and other liabilities. These deposits are purposed for hedges of the owned receivables and fulfilment of concluded contracts. The following table presents the amounts of obtained deposits on the end of particular reporting periods:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Deposits of Tour Operators	10.870	14.292

3.7.17 Current tax assets

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
VAT overpayment	23	1.435
Settlements with customs office	167	463
Settlement of VAT due	12	8
	202	**1.905**

3.7.18 Cash and cash equivalents

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Cash in hand and in a bank	113.175	41.399
Short-term bank deposits	5.262	103.663
	118.437	**145.063**

For the purposes of cash flow statement, a cash includes:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Cash in hand and in a bank	113.175	41.399
Short-term bank deposits	5.262	103.663
	118.437	**145.063**

3.7.19 Accruals and prepayments

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Lease settlement	24.145	22.232
Settlement of plane insurance	1	225
Settlement of VAT due	1.162	663
Plane repair costs	-	1.800
Costs of air services	-	1.115
Other settlements of costs	6.661	2.229
	31.969	**28.334**

3.7.20 Basic capital

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Shareholders' equity issued and paid:	17.544	17.544
Number of shares	17.543.750	17.543.750
Nominal value per one share in PLN	1,0	1,0
Nominal value of all shares	**17.544**	**17.544**

Series	Pcs.	Registration date
As of 1 January 2016, including"		
A – Shareholders' equity	100,000	
B – for shares of Enter Air Sp. z o.o.	10.443.747	9/02/2015
B – for a trademark	3	
C – Public offer	7.000.000	30/12/2015
Total	**17.543.750**	

During the current financial year , there were no changes in Company's basic equity.

Enter Air S.A. shareholders owning, directly or indirectly, at least 5% of the overall number of votes on a General Meeting as of 31 December 2016:

Shareholder's name	Number of shares and votes on GM	Share in shareholders' equity and overall number of votes
Mr Marcin Andrzej Kubrak	6 895 389	39,30%
Mr Grzegorz Polaniecki	2 318 699	13,22%
Funds managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.	2 000 000	11,4%
Funds managed by Investors Towarzystwo Funduszy Inwestycyjnych S.A.	1.538.157	8,77%
OFE Generali	1 350 000	7,7%

The above information concerning Company's shares owned by its shareholders (including members of the Company) owning at least 5% of the overall number of votes on Company's General Meeting, was drawn up in accordance with disclosures valid as of 1 May 2016, included in a list of shareholders entitled to vote on a General Meeting, Book of Shares kept in the Company (within a range of possessed shares), and also information acquired from shareholders pursuant to appropriate acts of 29.07.2005, i.e. the Act on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies (art. 69 and art. 69a) and the Act on Trading Financial Instruments (art. 160 and further).

The Company does not have any information concerning changes in ownership of shares by shareholders of C-class shares which entitles them to have at least 5% of the overall number of votes on the Company's General Meeting, within a period after 31 December 2016 up to a date of publication of this statement.

All shares issued by the parent company are normal shares without any privileges concerning a profit share.

3.7.21 Supplementary capital

	As of 31.12.2016	**As of 31.12.2015**
	000' PLN	**000' PLN**
On the beginning of the period	157.811	53.957
Excess of issue price over nominal price of shares	-	90.943
Share equity issuance costs	-	(4.291)
Transfer of profit from a previous period on a supplementary capital	30.166	17.203
As of the end of the period	**187.978**	**157.811**

3.7.22 Settlement of merger

On December 2014 Enter Air Sp. z o.o. basic equity was increased by 10.444 thousand PLN. Total amount of new shares equalled 41.745 thousand PLN and was covered with a contribution in a form of 100% of shares in Enter Air Sp. z o.o. For settlement of merger purposes, a date of acquisition of 31 December 2014 was assumed. Detailed information concerning this transaction are given in note 20.

Since Enter Air S.A. took the control over Enter Air Sp. z o.o. under joint control, a settlement was made with the use of merging shares. Therefore, for the purposes of preparation of comparable data, consolidated financial data was presented in a way as if a control over Enter Air Sp. z o.o. was taken on 01.01.2013.

The merger was settled with the use of merging shares. Data of Enter Air Sp. z o.o. Group were introduced into consolidation in accordance with a book value. A share value of 3.120.000 PLN and equity value of 38.654.988 PLN were subject to exclusion. Results of merger were recognized in a separate item" Settlement of merger".

	As of 31.12.2016	**As of 31.12.2015**
	000' PLN	**000' PLN**
Settlement of merger with Enter Air sp. z o.o.	(38.655)	(38.655)
As of the end of the period	**(38.655)**	**(38.655)**

3.7.23 Retained earnings

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
As of the beginning of the period	5	(227)
Settlement due to previous years	(5)	-
Settlement of a result of minority shareholders	-	4
Not settled result of a previous period	149	228
As of the end of the period	**149**	**5**

Retained earnings relate to Enter Air Services sp. z o.o. company which has a financial period from 01.10. to 30.09., other than remaining companies. A statement from 01.01 to 31.12 is prepared only for consolidation purposes.

3.7.24 Exchange rate differences due to conversion of foreign rates

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
As of the beginning of the period	(2)	(3)
Exchange differences due to conversion	1	1
As of the end of the period	**(1)**	**(2)**

3.7.25 Deferred tax

Gross changes of the deferred income tax are as follows:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
As of the beginning of the period	13.243	(7.036)
Financial result burden	(6.122)	13.243
Reduction of shareholders' equity	-	-
As of the end of the period	**7.121**	**6.207**

Changes in assets and liabilities due to a deferred income tax are listed in tables below.

Liabilities due to a deferred income tax

Liabilities due to deferred income tax:	Balance sheet evaluation	Balance sheet settlement of plane lease	Tax depreciation above balance sheet	Initial fees	Balance sheet revenue notes	other	Total
	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN
As of 31 December 2014	**899**	**3.662**	**5.639**	**1.925**	**374**	**1.295**	**13.794**
Impact on financial result	1.008	(973)	6.495	1.651	1.212	(756)	8.637
Impact on shareholders' equity	-					-	-
As of 31 December 2015	**1.907**	**2.688**	**12.134**	**3.576**	**1.587**	**540**	**22.431**
Impact on financial result	1.389	553	(7.964)	3.442	190	420	(1.970)
Impact on shareholders' equity	-						-
As of 31 December 2016	**3.296**	**3.242**	**4.170**	**7.018**	**1.777**	**959**	**20.462**

Assets due to a deferred income tax

Assets due to deferred income tax:	ZUS contribution for the next month	Salary to be paid in the next month	Balance sheet evaluation	Holiday provision	Tax loss year 2011	Financial lease settled in time	other	Total
	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN
As of 31 December 2014	**72**	**43**	**1.228**	**200**	**977**	**3.038**	**1.201**	**6.758**
Impact on financial result	7	(3)	1.822	27	(969)	442	1.104	2.430
Impact on shareholders' equity	-	-	-	-	-	-	-	-
As of 31 December 2015	**79**	**40**	**3.050**	**226**	**8**	**3.480**	**2.305**	**9.188**
Impact on financial result	22	5	(179)	32	119	950	3.204	4.153
Impact on shareholders' equity	-	-	-	-	-	-	-	-
As of 31 December 2016	**101**	**45**	**2.871**	**258**	**127**	**4.430**	**5.509**	**13.341**

3.7.26 Trade and other liabilities

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Trade liabilities	37.712	36.070
Deposits of Tour Operators	10.870	14.292
Liabilities due to salaries	1.303	1.168
Liability due to VAT	47.089	74
Other tax liabilities, including ZUS	560	770
Other liabilities	176	146
	97.710	**52.519**

Average due date for trade liabilities equals 30 days. The Group established rules concerning financial risk management enabling to regulate liabilities within a defined period.

The board of the Group states that a net book value of receivables is similar to their fair value

3.7.27 Financial lease liabilities

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Financial lease liabilities due within:		
one year	45.909	26.221
two to five years	237.672	64.728
over five years	43.046	43.276
	326.627	134.224
Reduced by future interest:	(37.038)	(17.850)
Current value of future liabilities:	**289.589**	**116.374**

There are no conditional fees in concluded contracts.

An increase of a value in this item results from signing a financial lease agreement concerning a purchase of two Boeing 737-800 planes of a total value of 48.000 thousand USD plus interest. Detailed description of these agreements is included in the Board's report in note 6.1

A fair value of lease liabilities of the Group is equal to their book value. Group's liability due to a lease is hedged for the benefit of the lessor in a form of a register set on a leased fixed assets.

Liabilities due do a lease are denominated in the following currencies, and as of 31.12.2016, they equalled:

	Value in foreign currency	value in PLN
USD	23.602	98.638
EUR	43.132	190.815
PLN	136	136
		289.589

A fair value of lease liabilities of the Group does not vary considerably from their book value. Group's liability due to a lease is hedged for the benefit of the lessor in a form of a register set on a leased fixed assets.

3.7.28 Credits and loans

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Long-term		
Real-estate purchase credit	3.634	4.391
Loans	-	-
	3.634	**4.391**
Short-term		
Credits in current account	-	37.079
Real-estate purchase credit	817	817
Loans	-	-
	817	37.896
Total credits and loans	**4.451**	**42.287**

A currency structure of a balance sheet value of the Group's credits and loans is as follows:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
PLN	-	-
USD	-	37.079
EUR	4.451	5.208
	4.451	**42.287**

Interest s of bank credits are established in accordance to varying interest rates. It generates a risk of changing the level of cash flows depending on the level of interest rates.

In credit agreements, the parties established a standard security catalogue, especially including a blank promissory note along with a blank promissory note agreement and a global cession of liabilities due to Enter Air Sp. z o.o. and Enter Air Services sp. z o.o. for the benefit of the Banks, on the basis of commercial agreements.

The agreements include standard provisions, including provisions concerning, e.g. a duty of using the credit in accordance with its intended purpose, maintaining by Enter Air Sp. z o.o. and Enter Air Services sp. z o.o. defined financial indicators on previously established level, and also liabilities to provide Banks with appropriate information concerning Company's financial situation. Moreover, Enter Air Sp. z o.o. undertakes to maintain a monthly average income on current accounts defined by Enter Air Sp. z o.o. kept by the Banks on a level defined in the contract. The Company also undertakes not to grant any sureties nor guarantees, not to put any burden on assets which are a hedge for Banks on behalf of other creditors and not to pass any resolutions concerning reduction of the share capital.

Enter Air Sp. z o.o. also undertakes to inform the Banks about organizational and economic events (including property and equity changes, changes on management positions, legal proceedings, etc.) which have a considerable influence on legal, financial or economic situation of Enter Air Sp. z o.o. The Banks reserve the right to evaluate if such changes or events increase a risk of non-payment of the credit. In case such risk is found to be probable, the Banks reserve the right to suspend giving credits or to terminate the agreement.

The agreement also include limitations within a range of payment of a dividend. Enter Air Sp. z o.o. and Enter Air Services sp. z o.o. undertake not to pay any dividend without a written consent from the Banks.

Within a period subject to verification, any of the credit agreements were violated and there were no difficulties in regulating liabilities arising from credit agreements.

3.7.29 Provisions

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Long-term	1.357	1.191
Short-term	28.064	6.089
	29.421	**7.280**

Structure of total amount of provisions:

	Holiday 000' PLN	Cost of services 000' PLN	Total 000' PLN
As of 1 January 2015	1.051	63	1.113
Recognized in a consolidated total income statement			-
- establishment of additional provisions	140	6.082	6.222
- resolution of unused povisions	-	-	-
Provisions used during the year	-	(55)	(55)
As of 31 December 2015	**1.191**	**6.090**	**7.280**
As of 1 January 2016	1.191	6.090	7.280
Recognized in a consolidated total income statement			-
- establishment of additional provisions	166	32.525	32.733
- resolution of unused provisions	-	-	-
Provisions used during the year	-	(10.591)	(10.591)
As of 31 December 2016	**1.357**	**28.065**	**29.421**

Provisions for costs of services include provisions related to costs of air operations performed in 2016 and estimated costs of surveys and overhauls of planes depending on a raid, in the amount of 28.000 thousand PLN and other services in the amount of 65 thousand PLN.

3.7.30 Accruals and prepayments

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Long-term:		
Settlement of profit from sale-and-lease-back transactions	18.683	12.790
	18.683	**12.790**

Short-term:	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Income of future periods due to transportation	17.553	11.741
Settlement of profit from transactions due to sale-and-lease-back	4.633	5.527
Other	70	51
	22.256	**17.319**

3.7.31 Employee benefits

Liabilities due to employee benefits as of a balance sheet date are as follows:

	As of 31.12.2016	As of 31.12.2015
	000' PLN	000' PLN
Salaries paid in the next month	1.303	1.168
	1.303	**1.168**

The following values due to employee benefits were included in a total income statement:

	As of 31.12.2016	As of 31.12.2015
	000' PLN	000' PLN
Costs of current employment	19.703	19.318
Costs of social securities	3.122	2.672
Other employee benefits	797	1.394
	23.623	**23.384**

The table below includes information concerning average salary (including the board):

	2016	2015
	Number of employees	Number of employees
The Board	4	4
Operating staff	265	211
Accountancy and Management	99	95
	368	**310**

3.7.32 Liabilities due to retirement benefits

Companies included in the Enter Air Group have undersigned employment contracts for definite periods not exceeding 5 years. None of the current employees will reach his/her pre-retirement age prior to termination of his/her contract.

3.7.33 Conditional liabilities

The table below includes a list of open letters of credit as of 31 December 2016:

Beneficiary	amount	currency	Closing date	purpose
LIFT_Maroco(Gecas)	920.000	USD	30-03-2018	Security for plane delivery
GE Capital	350.000	USD	18-07-2017	Security for plane delivery from AFT Trust-Sub
CIT	800.000	USD	02-01-2018	Security for plane delivery
CIT	700.000	USD	09-01-2018	Security for plane delivery

Conditional liabilities resulting from concluded contracts:
of financial lease are included in note 27,
of credit are included in note 28.

As of the day of making a statement, there are no future liabilities due to a purchase of fixed assets.

3.7.34 Operating lease contracts

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Minimum lease fees due to operating lease recognized in a statement concerning total revenue from a current period	102.250	100.370

As of the balance sheet date, the Group owns liabilities due to operating lease contracts within a period which is not subject to termination. Current value of these liabilities equalled (divided into due dates):

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Up to one year	95.702	95.350
from 2 – 5 years	262.937	256.226
Over 5 years	7.585	9.234
	366.224	**360.810**

A subject of lease agreements is 1 Boeing plane type 737-400 and 8 Boeing planes type 737-800

The contracts include standard provisions, including provisions concerning, e.g. a duty of a prompt payment of lease instalment and of making a guarantee deposit. Prolongation of lease contracts is guaranteed in the undersigned contracts. Contracts do not envisage a repayment of the subject of lease after its termination. Some contracts give a right of pre-emption in case when the owner decides to sell the plane.

Contracts are concluded for a definite time and can be prolonged after negotiations concerning new contract conditions. Contracts do not envisage a repayment of the subject of lease after its termination.

4 ADDITIONAL INFORMATION TO A CONSOLIDATED FINANCIAL STATEMENT

4.1 Transactions with associated companies

Transactions between Enter Air S.A and associated entities are revealed below.

Commercial transactions

In years 2015-2016, Enter Air S.A. was not an affiliate company. Therefore, there were no transactions with a parent company.

In 2016, the Company concluded the following transactions with an associated company Enter Air sp. z o.o.

	For the period: from 01.01.2016 to 31.12.2016 000' PLN	For the period: from 01.01.2015 to 31.12.2015 000' PLN
Purchase of services		
- costs related to IPO incurred by Enter Air Sp. z o.o.	227	3.008
- costs related to rental of Enter Air S.A. registered office	71	-
- insurance cost	60	-

Goods were purchased in accordance to market prices.

Enter Air S.A. individual statements include revenue and Enter Air sp. z o.o. individual statements include a cost in the amount of 8.000 thousand PLN related to the use of Company's trademark owned by Enter Air S.A. This agreement envisages that settlement of the costs of use of this trademark will be performed after the acceptance of financial statements for the year in which a license fee was paid.

Settlements as of a balance sheet date are not secured and will be paid in cash. There were no provisions for doubtful receivables nor costs related to unrecoverable or doubtful receivables due and owing from the associated companies.
Balances of settlements with associated companies as of a balance sheet date are as follows:

Liabilities from associated entities:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Enter Air sp. z o.o. / liabilities due to supplies and services	8.000	7.000
TOTAL	**8.000**	**7.000**

Liabilities due to a parent company

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Enter Air sp. z o.o. / liabilities due to supplies and services	-	1.544
TOTAL	**-**	**1.544**

Below, there is a description of transactions between Enter Air sp. z o.o. and its affiliated companies. Transactions between Enter Air sp. z o.o. and its affiliated companies were subject to elimination in the moment of consolidation.

Commercial transactions

During the year, Enter Air sp. z o.o. concluded the following commercial transactions with its affiliated companies:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Enter Air Services sp. z o.o.		
Revenue from sales of goods and services	-	-41
Purchase of goods and services	6.732	5.986
Net financial revenue	13	-
Enter Air Executive Services		
Revenue from sales of goods and services	-	-
Purchase of goods and services	1.055	-
Net financial revenue	33	-
EnterAir Cz.s.r.o.		
Purchase of goods and services	34	-

Goods and services were purchased in accordance to market prices reduced by discounts due to ordered amounts and group relationships.

Settlements as of a balance sheet date are not secured and will be paid in cash. There were no provisions for doubtful receivables nor costs related to unrecoverable or doubtful receivables due and owing from the associated companies.

Balances of settlements as of a balance sheet date established due to sales and purchase of goods and services are as follows:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Enter Air Services sp. z o.o. /receivables due to supplies and services/	-	-
Enter Air Executive Services/ receivables due to supplies and services	-	-
Enter Air Services sp. z o.o. /liabilities due to supplies and services/	710	283
Enter Air Executive Services/liabilities due to supplies and services	290	-
Enter Air Services sp. z o.o. / deposit	84	83

4.2 Salaries for the key members of the management board

Costs of salaries for the members of the management board were as follows:

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Members of the board - total	**6.264**	**4.487**
Including short-term employee benefits	6.264	4.487

4.3 Loans granted to associated companies

During the period included in the statement, Enter Air S.A. granted loans only to Enter Air sp. z o.o.

	For the period: from 01.01.2016 to 31.12.2016 000' PLN
As of the beginning of the period	-
Value of new loans	92.193
Payment of granted loans	(92.193)
As of the end of the period	**0**

Loans were granted in order to make use of profitable bank offers concerning deposits which value cannot exceed 5 mln PLN, and in order to secure sale-and-lease-back transactions for the period necessary for transferring documents confirming a transfer of the ownership related to the subject of lease, to the financing party. Total remuneration due to granted loans equalled 102 thousand PLN.

During the period included in the statement, Enter Air sp. z o.o granted loans to the associated companies

Enter Air Services Sp. z o.o.

	For the period: from 01.01.2016 to 31.12.2016 000' PLN
As of the beginning of the period	1.147
Value of new loans	5.000
Payment of granted loans	(5.000)
As of the end of the period	**1.147**

Loans were granted in order to make use of profitable bank offers concerning deposits which value cannot exceed 5 mln PLN

A loan which remained unsettled on the end of the financial year has an interest rate established in accordance with WIBOR 3M rate increased by 1%. Parties established a due date on 8 March 2020.

Enter Air Executive Services sp. z o.o.

	For the period: from 01.01.2016 to 31.12.2016 000' PLN
As of the beginning of the period	0
Value of new loans	22.352
Payment of granted loans	(22.352)
As of the end of the period	**0**

Loans were granted in order to make use of profitable bank offers concerning deposits which value cannot exceed 5 mln PLN, and in order to secure sale-and-lease-back transactions for the period necessary for transferring documents confirming a transfer of the ownership related to the subject of lease, to the financing party.

During the period included in the statement, no loans were granted to the members of the board.

4.4 Transactions with associated companies by the Main Shareholder

A contract with AIRNET sp. z o.o. concluded on 30 June 2011. Enter Air sp. z o.o. as a lessee, concluded a lease agreement with AIRNET sp. z o.o. as a lessor, concerning a lase of office premises located in Warsaw, Al. Krakowska 106. A total leased area is 134 m2. The lessee undertakes to use the subject of lease only as offices. The contract includes standard provisions. It was concluded for an indefinite period with a possibility of its termination with three months period of notice.

Airnet Services sp. z o.o. Airnet Services sp. z o.o. renders services on behalf of Enter Air sp. z o.o. consisting in handling some of air parcels addressed to Enter Air sp. z o.o., and services concerning storage of parcels in a warehouse if it is necessary.

The table below presents a total amount of transactions concluded by members of the Group with associated companies by the Main Shareholder in the indicated periods and as of the indicated date.

	As of 31.12.2016 000' PLN	**As of 31.12.2015 000' PLN**
AIRNET sp z o.o.		
Revenue from sales	-	-
Purchases	77	77
Receivables from associated entity	-	-
Liabilities due to associated entity	8	7
AIRNET Services sp z o.o.		
Revenue from sales	-	-
Purchases	14	3
Receivables from associated entity	-	1
Liabilities due to associated entity	6	-

The aforementioned transactions between members of the Group and associated companies from outside of the Group, were concluded within a normal course of conducted business. Transactions mainly related to a lease of a storage and office area.

4.5 Salaries for the members of the supervisory board

On 28 June 2010, Enter Air sp. z o.o. concluded a contract for rendering services with GB AEROCHARTER sp. z o.o., represented by Mr Grzegorz Badziak. Pursuant to the contract, GB AEROCHARTER sp. z o.o. undertakes to render services on behalf of Enter Air sp. z o.o., concerning acquisition of contracts for additional charter flights for planes owned by Enter Air sp. z o.o. The contract was concluded for a definite period up to 31 March 2021.

The table below includes a salary paid or due for the members of supervisory boards of companies from the Group in the indicated periods.

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
GB AEROCHARTER sp. z o.o. /Enter Air sp. z o.o.	60	145
Salary of the members of the board	165	

4.6 Transactions with Student Club sp. z o.o. company

During the period included in historical financial information, companies from the Group were concluding transactions with Student Club sp. z o.o. company, in which, Mrs Ewa Kubrak is the president of the board and a shareholder. She is also a V-ce president of the supervisory board in Enter Air S.A. Transactions with Student Club sp. z o.o. company consisted in purchasing air tickets for member of the staff, and were concluded on market conditions. A value of these purchases in 2016 was equal to 3.944 thousand PLN.

4.7 Consolidated cash flow statement

Financial data for the period ended on 31.12.2016, include consolidated financial data of Enter Air S.A. Group. A line “other corrections” included a net value of cash flows from transactions of buyout of planes from a financial lease and their resale to external entities.

4.8 Financial instruments

Business conducted by the Group generates various types of a financial risk. These risks include market risks related to exchange rates and interest rates, credit risk and liquidity risk. General rules observed by the Group in risk management are focused on an unpredictability of financial markets and on taking actions minimizing potential negative influences on a financial result of the Group. The Group tries to transfer definable risks on its suppliers and recipients. Such an approach translates into a possible profitability, but on the other hand, it limits the engagement of the Group in risk management. The Group also uses financial derivatives in order to secure itself against some threats.

4.8.1 Capital risk management

Chartered flights market related to touristic foreign trips is highly seasonable. During a summer season, the Group makes use if its whole fleet, whereas in winter, 50% of planes stays on earth. This time is used in order to execute necessary surveys, whereas cash flows are smaller. Therefore, in order to finance all surveys, it is necessary to maintain a credit line. The Group constantly monitors debt ratios and has a credible credit history. A general strategy of the Group has not changed since since 2012. Capital structure of the Group includes liabilities consisting of credits (revealed in note 28), cash and cash equivalents and parent company shareholders’ equity, including shares and supplementary capitals. An important issue for a possibility of acquisition of necessary financing, is maintain an interest debt of shareholders’ equities which is not higher than 300% of these equities.

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Shareholders' equity owned by the owners of a parent company	217.187	170.482
Credits and loans - total	4.451	42.287
Liability due to financial lease	289.589	116.374
Interest debt - total	294.040	158.661
Interest debt ratio	**1,4**	**0,9**

4.8.2 Categories of financial instruments

	As of 31.12.2016 000' PLN	As of 31.12.2015 000' PLN
Financial assets		
Cash	118.437	145.063
Receivables due to supplies and services and other short-term receivables	91.149	44.904
Receivables due to supplies and services and other long-term receivables	112.501	35.486
	322.087	**225.453**
Financial liabilities		
Trade and other liabilities	97.710	52.519
Credits	4.451	42.287
Financial leases	289.589	116.374
	391.750	**211.180**

4.8.3 Market risk

Foreign exchange risk

The Group conducts business activities on various foreign markets. Therefore, prices of its services and incurred costs are determined in various currencies, mainly in USD, and less often in EUR, GBP or PLN.

Foreign exchange risk exposure results from a possibility of a mismatch between the level of revenue and expenditures in various currencies. This can expose the Group to a risk of losses in case of disadvantageous formation of exchange rates of particular currencies.

In order to minimize exposure to a foreign exchange risk, the Group is trying to balance proportions of revenue and expenditures in particular currencies. It also concludes contracts securing against a foreign exchange risk or apply special credit lines.

Sensitivity to foreign exchange risk

Sensitivity to foreign exchange risk applies to three areas within a business conducted by the Group. First one is a constant exposure to PLN, reaching 60 mln PLN. It is a value, which the Group has to purchase during one year in order to cover costs incurred in other currency. Therefore, it has to sell EUR/USD of GBP.

The second area is a possibility of impairment of long-term assets denominated in USD.

The next area is an influence of changing USD rate in relation to PLN on the evaluation of liabilities due to financial lease.

	USD/PLN RATE	3,8	3,85	3,9	3,95	4	4,05
demand for PLN	60.000	15.789	15.584	15.385	15.190	15.000	14.815
change in PLN at a rate change by 5 gr		-779	-766	-761	-751	-740	0
change in PLN at a rate change by 25 gr		-3.701					
Long-term receivables in USD	20.483	77.835	78.860	79.884	80.908	81.932	82.956
change in PLN at a rate change by 5 gr		-1.025	-1.024	-1.024	-1.024	-1.024	0
change in PLN at a rate change by 25 gr		-5.121					
Liabilities due to financial lease in USD	24.316	92.401	93.617	94.832	96.048	97.264	98.480
change in PLN at a rate change by 5 gr		1.216	1.215	1.216	1.216	1.216	0
change in PLN at a rate change by 25 gr		6.079					
	EUR/PLN RATE	4,1	4,15	4,2	4,25	4,3	4,35
Liabilities due to financial lease in EUR	45.694	187.345	189.630	191.915	194.200	196.484	198.769
change in PLN at a rate change by 5 gr		2.285	2.285	2.285	2.284	2.285	0
change in PLN at a rate change by 25 gr		11.424					

Interest rate risk

The Group is exposed to the interest rate risk because its subsidiaries borrow assets with interest established in accordance to variable rates. Short-term revolving credits are related to relatively small risk of changing base rate during a crediting period. In case of long-term liabilities, there is a considerable risk related to changing interest rates. Currently, the Group is on a stage of developing a process of interest rate risk management for long-term liabilities.

Sensitivity to variations of interest rates

According to the analysis performed by the Group, a change of LIBOR USD 3M by 1 percentage point will cause growth of interest within a period of currently concluded contracts by approximately 7.680 thousand PLN

Other types of price risks

During a period included in the statement, the Group was not investing in securities and was not exposed to a risk related to changes in prices of securities.

Credit risk

Credit risk is a risk that the contractor will not fulfil his contractual obligations and therefore, the Group will incur financial loss. The Group applies a rule of cooperating with contractors with verified creditworthiness. It allows to acquire an appropriate security as a tool for reducing a risk of financial losses due to breach of conditions of the contract. Liabilities due to supplies and services include amounts due from an insignificant number of customers. Liabilities are constantly monitored. The Group is not exposed to a considerable credit risk in relation to a single contractor. A credit risk concerning liquid assets and derivatives is limited due to the fact that in this case, contractors are banks with high credit rating granted by international rating agencies.

Liquidity risk management

Forecasting cash flows is realized by the financial department of the Group which monitors forecasts of requirements concerning liquidity in order to guarantee that it owns sufficient amount of cash to fulfil operating needs and to maintain sufficient reserve in a form of non-refunded guaranteed credit lines. Such forecasting considers plans of the Group within the area of demand for external financing, necessity of observing conditions of incurred liabilities, compliance with internal and target balance indicators and, if applicable, observing appropriate legal or regulatory requirements.

Liquidity indexes for Groups

		As of 31.12.2016	As of 31.12.2015
liquidity I	Current assets/short-term liabilities	1,20	1,62
liquidity II	Current assets - inventory/short-term liabilities	1,19	1,60
liquidity III	Short-term investments/short-term liabilities	0,58	1,06

4.9 Evaluation in a fair value

This note includes information concerning a method of defining a fair value of various financial assets and liabilities by the Group.

Items continuously evaluated in a fair value do not exist.

A fair value of financial assets and liabilities of the Group which are not continuously evaluated in a fair value (but reveals in fair values are required):

	Balance sheet value		Fair value	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	000' PLN	000' PLN	000' PLN	000' PLN
Financial assets				
Loans and receivables:				
Receivables due to supplies and services and other short-term receivables	91.149	44.904	91.149	44.904
Receivables due to supplies and services and other long-term receivables	112.501	35.486	112.501	35.486
Total assets	**203.650**	**80.390**	**203.650**	**80.390**
Financial liabilities:				
Financial liabilities evaluated in accordance with a depreciated cost:				
Bank credits	4.451	42.287	4.451	42.287
Lease liabilities	289.589	116.374	289.589	116.374
Financial liabilities evaluated in accordance with historical cost:				
Liabilities due to supplies and services and other liabilities	97.710	52.484	97.710	52.484
Total liabilities:	**391.750**	**211.146**	**391.750**	**211.146**

4.10 Events after a balance sheet date

There were no significant events having an influence on a financial and material situation and financial results of the Group presented in this financial statement, after a balance sheet date.

4.11 Legal cases

As of the date of issuance of this statement, there are running legal cases with participation of the Group. Subjects of these cases are compensations claimed by passengers due to flight delays. Values of individual cases do not exceed 400 EUR plus any possible legal representation costs and interest..

4.12 Auditor's remuneration

An auditor selected by the Board of Supervisors by the resolution of 13 January 2016 on selecting an entity entitled to make a Company's financial statement audit for years 2015 and 2016 and Group's consolidated financial statement audit for years 2015 and 2016 (including survey).

Baker Tilly Poland Assurance Sp. z o.o. with its registered office in Warsaw, entered on the list of entities entitled to evaluate financial statements under no. 3790, was selected as an entity entitled to evaluate financial statements

The agreemnt was concluded on 14 January 2016 for a definite period of time necessary to evaluate the financial statement. A total amount of remuneration for the evaluation of individual statement for year 2016 equals 7 thousand PLN net and 24 thousand PLN net for the evaluation of consolidated financial statement. Remuneration for the evaluations of intermediary financial statements equalled 13 thousand PLN.

Evaluation of Company's financial statement was also executed by Baker Tilly Poland Assurance Sp. z o.o. with its registered office in Warsaw. Total amount of remuneration for the evaluation of individual statement for a year 2015 equalled 6 thousand PLN net and 21 thousand PLN net for the evaluation of a consolidated financial statement.

Auditor's remuneration within reporting periods was as follows:

	For the period: from 01.01.2016 to 31.12.2016 000'PLN	**For the period: from 01.01.2015 to 31.12.2015 000'PLN**
Evaluating financial statements including affiliated companies	92	86
Surveys and other attestation services	38	82
Other	-	11
	130	**179**